

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

In the matter of: Muhammad Saeed Zia & Zia & Co.

Heard on: Tuesday, 02 July 2024 & Wednesday, 03 July 2024

Location: Held remotely via Microsoft Teams

Committee: Ms Kathryn Douglas (Chair)
Ms Sue Gallone (Accountant)
Ms Samantha Lipkowska (Lay)

Legal Adviser: Ms Tope Adeyemi

Persons present

and capacity: Mr Muhammad Saeed Zia (Fellow)
Ms Michelle Terry (ACCA Case Presenter)
Ms Nicole Boateng (Hearings Officer)

Summary: Mr Zia's auditing qualification and his firm's auditing certificate be withdrawn with immediate effect and Mr Zia be issued with a practicing certificate without audit qualification;
Conditions upon reapplication imposed.

INTRODUCTION

1. The Admissions and Licensing Committee met to hear allegations against Mr Muhammad Saeed Zia and his Firm Zia & Co. Mr Zia was present but not

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represented. ACCA was represented by Ms Michelle Terry. The papers before the Committee consisted of a Main Bundle numbered 1 – 57, a Service Bundle numbered 1 – 37, an Additional Bundles numbered 1 – 6 and a 2-page Memorandum and Agenda.

PRELIMINARY APPLICATIONS

2. Prior to Mr Zia giving evidence, Ms Terry applied for matters relating to his private life to be heard in private. The application was not opposed by Mr Zia.
3. Following the receipt of legal advice, the Committee acceded to the application. It determined that matters relating to the private life of Mr Zia should be heard in private under the provisions of Authorisation Regulations (AR)6(12)(a)(ii). The Committee was satisfied that the prejudice to Mr Zia, outweighed the public interest in having those parts of the hearing heard in public.

BRIEF BACKGROUND

4. Mr Zia became a member of ACCA in September 1999 and is Sole Proprietor of Zia & Co (“the Firm”). The firm has had five monitoring reviews. At the first review on 4 October 2005, the Compliance Officer found that the firm’s audit work was of a satisfactory standard, although some deficiencies were found and a report containing guidance on how to improve its audit work was sent to the firm on 11 November 2005.
5. Two subsequent reviews were conducted on 13 April 2010 and 2 August 2016. On those occasions the Compliance Officer found that although some deficiencies remained in the work performed, the overall outcomes of the reviews were satisfactory.
6. The fourth review was carried out remotely between 5 November 2021 and 15 February 2022. The Compliance Officer found during this fourth review that the standard of the firm’s work had significantly deteriorated. There were said to be serious deficiencies in audit work which had resulted in audit opinions not being

adequately supported by the work performed and recorded. Due to the findings made, the firm was referred to the Regulatory Assessor.

7. On 11 October 2023 the Regulatory Assessor made a decision pursuant to Authorisation Regulations 7(2)(f) and 7(3)(b) that Mr Zia should be subject to an accelerated monitoring visit before March 2024, it was also noted *“that failure to make the necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators by that time will jeopardise his and his firm’s continuing audit registration”*.
8. The Firm was reviewed remotely between 4 January 2024 and 26 February 2024. The review conducted during that period represented the Firm’s fifth review. The Compliance Officer’s findings were that the firm had made little effective improvement to its procedures. The Firm is said to have failed to implement improvement measures in response to the findings of the previous monitoring review and its procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK) (ISAs). As a result, on both the files examined, the audit opinion was deemed to be inadequately supported by the work performed and recorded. A description of “unsatisfactory” was given to the audit files reviewed.
9. Within their report dated 19 March 2024, ACCA provided detailed comments describing each alleged failing. ACCA allege that based on the findings from the review of the audit files, Mr Zia and the Firm have breached PR 13(1) in that they failed to comply with the ISAs in the conduct of audit work.
10. On 16 May 2024, Mr Zia had commented against the detailed findings and he provided further written submissions on 27 June 2024. He stated that in 22 years of public practice, no complaints or claims have been made against him. He highlighted that the first three reviews that had been conducted in the office were satisfactory which in his view was due to him being able to answer any queries promptly and efficiently.
11. Mr Zia explained that the fourth review was conducted remotely and coincided with him being stuck abroad due to Covid 19 restrictions. The review also

coincided with [PRIVATE] and problems with his office server. Upon his return to the UK on 4 March 2023, Mr Zia states [PRIVATE], he also had staffing issues to resolve and needed to find a new office. Mr Zia states in his written submissions that during this period *“I did my best as much as humanly possible, however, not to compromise or prejudice my professional obligations as a registered auditor either to de-fame myself or most importantly ACCA”*.

12. In respect of the fifth monitoring review, Mr Zia expressed his disappointment around receiving the Compliance Officer’s letter concerning the outcome of the review on the morning of 26 June 2024. He added that while he intended to dispute the findings at the hearing, he wished to give the following undertaking to the Committee prior to the hearing:

*“1. I will not sign the audit report without prior cold file review for the next 2 years audits. I already have an arrangement with **2020 Innovation Group** for these reviews as my firm is now a platinum member for this group. I have attached an email confirming the same.*

2. I will equip myself with additional audit related CPD in this year and in future.”

13. Mr Zia queried the fairness of the procedure in the fifth audit review and the change in ACCA’s policy during the review which meant that the ACCA considered two files rather than three, and that he had not been told of the change until after the review was complete.

DECISION AND REASONS

14. The Committee considered all the evidence presented and the submissions made by Ms Terry and Mr Zia. The Committee heard oral evidence from Mr Zia and Person A, ACCA Senior Compliance Officer. The Committee also accepted the advice of the Legal Adviser and bore in mind that it was for ACCA to prove its case and to do so on the balance of probabilities.
15. The Committee noted the relevant provisions of the Authorisation Regulations (AR), namely AR5(2) which provides that the Committee may, if in its absolute

discretion it thinks fit, withdraw suspend or impose conditions upon a certificate on grounds including that *“it is notified or becomes aware that a holder of a certificate or any of its partners, members, directors or controllers has committed a material breach of any of these regulations or any other rules and regulations or codes of practice to which they are subject (or were subject prior to 1 January 2014) in the carrying on of the activities to which the certificate relates or authorises;”* AR 5(3) further provides that, in determining whether to exercise its powers under AR5(2), the Committee shall have regard to such matters as it considers relevant.

16. With the Authorisation Regulations in mind, the Committee first considered whether Mr Zia or the Firm had committed a material breach of the regulations or any other rules and regulations or codes of practice to which they were subject.
17. The Committee were provided with a copy of the report prepared by Person A dated 19 March 2024 in respect of the monitoring review of 26 February 2024. It took particular note of the Appendix to the report which set out the deficiencies identified within the two audit files inspected. The report sets out that two files were selected for audit and that a broad range of failings were identified which were said to render the audits non-compliant with International Standards on Auditing (ISA) (UK). Those deficiencies included (amongst others) a failure to prepare adequate audit documentation, a failure to identify and assess the risk of material misstatement and inconsistent documentation of judgements on accounting estimates. The Committee also took into account Person A’s oral evidence in which they elaborated on the process of preparing the report. The Committee noted that no evidence was provided by Mr Zia to rebut the findings set out in the report and that he accepted that there had been some breaches.
18. Having considered all the evidence available, the Committee was satisfied on the balance of probabilities that the findings set out in ACCA’s report established that there had been non-compliance with the requirements of relevant auditing standards. As a result, Mr Zia and the Firm had breached

PR13(1) (Conduct of Audit Work) in that they failed to comply with the International Standards of Auditing (UK) in the conduct of audit work.

19. The Committee was mindful of the difficult personal circumstances described by Mr Zia, which included [PRIVATE] and being stuck abroad during the period of the monitoring review due to Covid 19 restrictions. These matters however were not considered to amount to an explanation for the deficiencies identified in the monitoring review.
20. The Committee next considered what if any order to impose in light of its findings that there had been non-compliance with the ISAs. ACCA's Regulatory Board Policy Statement and Regulatory Guidance, titled "*Audit monitoring and ACCA's approach to non – compliance with auditing standards*". makes clear that the purpose of any order, if one is to be imposed, is to protect the public, maintain public confidence in the profession and maintain proper standards of conduct. The Committee noted that Mr Zia had indicated a willingness to address concerns. However, the failings were high in number, and he had shown a lack of insight into his failings. Additionally, he had not demonstrated an understanding of matters such as why it was necessary to document reasons for any audit decisions made. The Committee considered there was a risk to the public arising from Mr Zia and the firm's unrestricted audit practice. An unsupported audit opinion casts doubt on the integrity of the financial information the public may rely on. It further determined that no workable conditions could be imposed. In coming to this conclusion, the Committee took into account guidance concerning hot reviews contained in ACCA's Regulatory Board Policy Statement and Regulatory Guidance.
21. The Committee concluded that in the absence of any exceptional circumstances, the only appropriate and proportionate outcome was to withdraw the audit certificates, with conditions imposed on future reapplication.
22. The Committee therefore made an order pursuant to the Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:

1. Mr Zia's practising certificate with audit qualification and the Firm's auditing certificate be withdrawn and Mr Zia be issued with a practicing certificate without audit qualification; and
2. Mr Zia is to pass a test of competence and attend a suitable practical CPD course before making any future reapplication for audit certificates.

EFFECTIVE DATE

23. The Committee determined that the order should take place with immediate effect. An immediate order was considered most appropriate given the public interest concerns arising from Mr Zia and the Firm's audit practice.

PUBLICITY

24. The Committee noted the submissions made by Ms Terry including those concerning the Statutory Auditors and Third Country Auditors Regulations 2016. The Committee noted that AR 6(14)(c)(i) states that all orders, suspensions and conditions relating to the certificate of the relevant person made by the Committee pursuant to AR 6(16)(a)(ii) to (iv) shall be published, together with the reasons for the Committee's decisions, in whole or in summary form, and the name of the relevant person, as soon as practicable. It was noted that circumstances do exist under the regulations in which the identity of the person must not be published, however those circumstances were not engaged in the instant case.
25. Taking account of its substantive decision and the Regulatory Board Policy Statement and Regulatory Guidance, the Committee determined that the outcome of this hearing be published in the usual way but for the matters that relate solely to Mr Zia's private life.

Ms Kathryn Douglas
Chair
3 July 2024