

## APPLICATION ON PAPERS

### CONSENT ORDERS CHAIR OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

#### REASONS FOR DECISION

<b>In the matter of:</b>	<b>Mr Stephen Morrell</b>
<b>Considered on:</b>	<b>Thursday, 29 August 2024</b>
<b>Chair:</b>	<b>Mr Martin Winter</b>
<b>Legal Adviser:</b>	<b>Mr James Keeley</b>
<b>Outcome:</b>	<b>Consent Order approved.</b>
<b>Summary:</b>	<b>Severe reprimand.</b>
<b>Costs:</b>	<b>£1,450.00</b>

#### INTRODUCTION

1. This matter was referred to a Chair of the Disciplinary Committee of the Association of Chartered Certified Accountants (ACCA) pursuant to Regulation 8(8) of the Chartered Certified Accountants' Complaints and Disciplinary Regulations 2014 (the Regulations) to determine, on the basis of the evidence before them, whether it is appropriate to deal with the complaint by way of a consent order and whether to approve or reject a proposed draft Consent Order.
2. Under Regulation 8(8) of the Regulations, consideration of the draft Consent order is made by a Chair in the absence of the parties and without a hearing.

#### DOCUMENTATION

3. The Chair had been provided with and read the following documentation:

- a. A bundle of documents (“A Consent Order Bundle” - pages 1 to 98), including a draft Consent Order, signed by Mr. Stephen Morrell (Mr. Morrell) on 08 August 2024, and signed on behalf of ACCA on 9<sup>th</sup> August 2024;
  - b. Both detailed and simple costs schedules;
  - c. A COC Referral form.
  - d. ACCA document ‘Consent orders guidance’ (January 2021); and
  - e. ACCA document ‘Consent orders – Frequently asked questions’ (January 2021).
4. The Chair also had reference to:
- a. ACCA document ‘Guidance for disciplinary sanctions’ (February 2024); and
  - b. ACCA document ‘Guidance on costs orders’ (September 2023).

#### **DRAFT CONSENT ORDER**

5. The Chair noted the content of the draft Consent Order, which was set out in the following terms:

“ ...

1. Mr Stephen Morrell, an ACCA member, admits the following:

#### **Allegation 1**

- a) Between 11 February 2022 and 5 February 2024, failed to provide the information requested by ACCA which was necessary for completing the ACCA’s audit monitoring process efficiently.
- b) His conduct was in breach of The Chartered Certified Accountants' Global Practising Regulations 2003 ("GPRs 2003"), namely:
  - i) Regulation 14 (2) and (3) (Monitoring and compliance) of GPRs 2003; and

- ii) Regulation 15(2) Appendix 1, Annex 1 of GPRs 2003 - United Kingdom Audit Regulations 2016 (Monitoring).

## **Allegation 2**

- c) By reason of his conduct, Mr Morrell is:
  - (i) Guilty of misconduct pursuant to bye-law 8(a)(i) in respect of any or all of the matters set out above.

- 2. That Mr Stephen Morrell shall be **severely reprimanded** and shall pay costs to ACCA in the sum of **£1,450.00**.

If the Consent Orders Chair is satisfied it is appropriate to deal with the complaint by way of consent order and the signed draft consent order is approved, it constitutes a formal finding and order. The Consent Orders Chair has the power to recommend amendments to the signed draft consent order and to subsequently approve any amended order agreed by the Parties.

## **Publicity**

All findings and orders of the Consent Orders Chair shall be published naming the relevant person, as soon as practicable, and in such manner as ACCA thinks fit.

## **Relevant Facts, Failings and/or Breaches**

- 3. The investigating officer has conducted their investigation into the allegations against Mr Stephen Morrell ("Mr Morrell") in accordance with Regulation 8(1)(a) of the Complaints and Disciplinary Regulations (CDR) (2019) and is satisfied that:
  - 3.1. They have conducted the appropriate level of investigation as evidenced by the enclosed evidence bundle, and determined that there is a case to answer against Mr Morrell and there is a real prospect of a reasonable tribunal finding the allegations proved; and
  - 3.2. The proposed allegations would be unlikely to result in exclusion from membership.

4. The relevant facts, failings and/or breaches have been agreed between the parties and are set out in the detailed allegations above together with the proposed sanction and costs.

5. **A summary of key facts is set out below:**

5.1. Mr Morrell has been an ACCA Member since 18 May 1995 and a Fellow since 18 May 2000.

5.2. Since 01 October 2013, Mr Morell has held a Practicing certificate with audit qualification.

5.3. Mr Morell is the sole ACCA director of [REDACTED] (the “Firm”), which has held an ACCA Firm’s Auditing Certificate (UK) since 22 June 2005.

5.4. On 28 September 2021, ACCA’s Compliance Department (“Compliance”) informed Mr Morrell that a monitoring review of the Firm (the “Review”) would be conducted.

5.5. On 03 February 2022, Compliance conducted the Review to confirm the Firm’s eligibility for registered auditor status; and to monitor its compliance with the obligations under the Chartered Certified Accountants’ Global Practising Regulations 2003 (“GPRs 2003”).

5.6. On 11 February 2022, Compliance sent the summary report of the Review and an appendix of details findings to Mr Morrell which set out the areas that the Firm needed to improve.

5.7. Compliance also made clear to Mr Morrell that a failure to provide a completed action plan on time could result in further actions against him and the Firm, such as:

- a) A referral to ACCA’s Admissions and Licensing Committee (“A & LC”) with the recommendation that it withdrew Mr Morrell’s and the Firm’s audit registration if Compliance concluded that the planned improvements were not sufficient to prevent the occurrence of any significant deficiencies in the Firm’s work at the next monitoring review;  
or

- b) An application for an interim order suspending the Firm's audit certificate to protect the public if there was a significant delay in the Firm providing a suitable action plan without reasonable cause, as there would be no assurance that the Firm was making the necessary improvements in its audit work.

5.8 The summary report set out a number of matters for Mr Morrell's actions, including the following:

- a) Action Plan

The Firm was required to complete the action plan which formed part of the appendix of detailed findings of the Review by 11 March 2022.

- b) Eligibility for audit registration

The Firm was found not to have met the eligibility criteria for holding an auditing certificate as it was not controlled by audit-qualified individuals at the time.

As Mr Morrell had indicated to Compliance during the Review that [REDACTED], the parent company of the Firm [PC], was in the process of obtaining an audit registration, thereby allowing the Firm to also hold an audit certificate; he was required to provide a copy of PC's audit certificate to Compliance.

- c) Practice continuity arrangements

Mr Morrell was required to provide copies of the written continuity agreements for the Firm; PC and three other firms in which he was either the director or the LLP Designated member.

- d) Professional Indemnity Insurance

Mr Morell was required to provide the total fee income and highest cumulative amount of fees raised to a client during the last accounting year for the three firms in which he was either a director or the LLP Designated member to evidence that the professional indemnity

insurance for each firm was adequate.

5.9 On 09 March 2022, the Firm requested an extension due to Mr Morrell's and other staff's holiday. Compliance agreed to a 2-week extension to 25 March 2022.

5.10 On 25 March 2022, Mr Morrell provided copies of:

- a) The Firm's action plan.
- b) The application from PC for an audit certificate.
- c) The last pages of what appeared to be an application form showing the details of:
  - The name and policy number of the professional indemnity insurance of the applicant; and
  - The details of another accounting firm which had agreed to provide continuity of practice to the applicant.

The page, however, did not show the identity of the applicant and what the application was for however.

5.11 On 30 September 2022, Compliance informed Mr Morrell that:

- a) With the application for an audit certificate by PC, the Firm was eligible to hold an audit registration.
- b) The action plan provided had not been filled in by the Firm as required as the columns of "*Root case*" and the "*Action (and implementation date)*" were left blank.
- c) Mr Morrell had also not provided the following as required:
  - A copy of the signed continuity agreement; and
  - The fee income details for the three named client to evidence that the Firm had adequate professional indemnity insurance for

these clients.

- d) He was therefore requested to provide the outstanding information by 31 October 2022.

5.12 On 16 January 2023, Compliance informed Mr Morrell that no response to the email of 30 September 2022 had been received.

5.13 On 07 February 2023, Compliance emailed Mr Morrell and reminded him that:

*".....the letter which required a detailed response from you within 1 month receipt. If you have already responded please confirm by return email, otherwise please provide your response within 1 week...."*

5.14 On 07 February 2023, Mr Morrell replied to Compliance that he:

*"...[REDACTED] Then back to work in January and was tax returns season which had been affected by me being off work... Will respond as soon as possible"*

5.15 On 26 May 2023, Compliance asked Mr Morrell to confirm when he would provide his response to the email of 30 September 2022 from Compliance.

5.16 On 11 July 2023, Compliance informed Mr Morrell that

*"...I note that I have not yet received your firm's action plan, nor responses to the matters noted in my letter dated 30 September 2022. If these matters are not resolved, as stated in my report, I may need to make a referral to the Regulatory Assessor with the recommendation that they impose appropriate conditions on your audit certificates. I would be grateful if you could send me your action plan and responses to the matters noted in my email by Tuesday 25th July 2023..."*

5.17 On 13 September 2023, Compliance referred Mr Morrell' conduct to ACCA's (the "Referral") Professional Conduct Department ("PCD") for investigation.

5.18 The Referral included the following reference to the Firm's audit certificate:

*“.... It held a firm’s auditing certificate until 2022. In 2023, it made an application for a firm’s auditing certificate, but the certificate was not issued due to the firm not making the required payment...”*

5.19 The Firm’s status was confirmed by an email from ACCA’s Authorisation to Compliance dated 14 August 2023 as follows:

*“.....The renewal was processed however the member has not made the payment therefore they do not hold a 2023 FAC...”*

5.20 On 16 September 2023, Mr Morrell replied to Compliance as follows:

*“...My apologies, we have just not managed to get to this. We could not find the original response we had completed and [REDACTED] who carried out the majority of our audit work suffered [REDACTED] and has yet to return to work due to other complications.*

*However, I have had this on my list to do but failed, and for that I can only apologise.*

*I cannot remember if I told you that I had decided last year that this was the last year we would audit and as such I do not plan to renew the auditing certificate next year. We have advised all our clients and they have made arrangements for new auditors.*

*I do take my obligations to clients and the ACCA and rules seriously but the work load has overwhelmed me in being able to reply to you.*

*Once again, my apologies and please note this on my file....”*

5.21 On 09 November 2023, Investigations of PCD put the allegations to Mr Morrell i.e. he had failed to co-operate with the Review; and the information requested first requested on 11 February 2022 and then 29 September 2022 remained outstanding. Mr Morrell was asked to reply by 24 November 2024.

5.22 On 23 November 2023, Mr Morrell replied to Investigations as follows:

a) Timeline



*“...believe we co-operated fully with the process of the file review. It took a long time, partially due to the ACCA changing its investigator. As you know, when things draw out over the year, it tends to make answering points take a lot longer due to having to revisit the files and review what had happened.*

- b) Failure to provide ACCA the information requested for the Review

*“...I accept that I have failed to respond to the email of the 29 September 2022 which was querying information I had supplied on the 22 March 2022. In my defence, the ACCA took from 25th March 2022 until 29th September 2022 to respond to my info submission, at which point it became clear that the Word document had corrupted somewhere along the line. Due to the 6 month time lapse, we were unable to locate the original and realised we would have to redo the work requiring input from myself and 2 of my colleagues. The months from October through January are hugely busy, dealing with the impending tax returns deadline on top of normal workload, and trying to get the 3 of us together to rework through the issues was highly problematic....”*

*“...We could not find the original reply that we had written and as such were faced with having to re write it. On the 21 December 2022 [REDACTED] and meant that our workload in January 2023 and onwards was pushed back [REDACTED]....”*

- c) Mr Morrell also mentioned that [REDACTED] in late July to August.

*“...All these items have had a major effect on the work we have carried out and I simply did not have the time and mental space to complete my reply. It was always on my list but work pressure simply got the better of me....*

- d) [REDACTED]

- e) He also said that audit was only a small part of the Firm's business.

ACCA's [REDACTED] Regulations for his reference.

5.24 On 01 December 2023, Mr Morrell replied that:

[REDACTED]

5.25 On 22 January 2024, Investigations asked Mr Morrell to confirm by 06 February 2024 if the outstanding information requested by Compliance i.e. a completed action plan; and information related the Firm's practice continuity arrangements and professional indemnity had been provided.

5.26 On 05 February 2024, Mr Morrell provided to Compliance the following:

- a) Income details to 31 January 2022 of the four named clients;
- b) A copy of the signed continuity agreement; and
- c) A *"response to the detail findings report"* which was the completed action plan.

5.27 On 05 February 2024, Mr Morrell replied to Investigations as follows:

*"...I can confirm I have resent the action plan which was sent in March 2022 but is now fully completed. I am unsure why the original one returned was not complete.*

*The outstanding information was for the other firms turnover and the practice continuity agreement.*

*I had provided the professional indemnity details on the initial information requested. Do you want me to send that again?*

*I have attached the outstanding information request I received on the 30 September 2022 after I have sent in my (blank) response in March 2022, 6 months later – just for clarity on this matter...."*

5.28 On 22 February 2024, Investigations asked Compliance to confirm if Mr Morrell had resent the action plan; the information required in relation to professional indemnity insurance and practice continuity arrangements.

5.29 On 21 March 2024, Compliance confirmed to Investigations as following, referring to what Mr Morrell had provided on 05 February 2024:

*“...have reviewed the documents sent by Mr Morrell and all are acceptable...”*

5.30 On 22 March 2024, Compliance provided the note of the review of the information provided by Mr Morrell to confirm that all the outstanding information had been provided.

5.31 On 17 May 2024, ACCA’s Authorisation confirmed to Investigations that the Firm in fact held the Firm’s Audit Certificate continuously from 2022 to 2024.

5.32 On 02 July 2024, Investigations proposed to Mr Morrell that the matter be disposed of by consent.

5.33 On 12 July 2024, Mr Morrell agreed that the matter be disposed of by consent.

### **Sanction**

6 The appropriate sanction is **severe reprimand**.

7 In considering this to be the most appropriate sanction, ACCA’s Guidance for Disciplinary Sanctions (Guidance) has been considered and particularly the key principles. One of the key principles is that of the public interest, which includes the following:

- Protection of members of the public;
- Maintenance of public confidence in the profession and in ACCA; and
- Declaring and upholding proper standards of conduct and performance.

8 Another key principle is that of proportionality, that is, balancing the member’s own interests against the public interest. Further the aggravating and mitigating features of the case have been considered.

9 The **aggravating factors** are considered to be as follows:

- The conduct which led to Mr Morrell being the subject of an investigation fell below the standards expected of a qualified ACCA member.
  - As an ACCA member since 1995, Mr Morrell should be aware that ACCA relies on the findings of compliance reviews to discharge its regulatory functions in relation to audits conducted by members and their firms on the audit registration.
  - The length of time before Mr Morrell and the Firm complied with the requests for the information from Compliance.
- 10 In deciding that a **severe reprimand** is the most suitable sanction paragraphs C4.1 to C4.5 of ACCA's Guidance have been considered and the following **mitigating factors** have been noted:
- Mr Morrell has been a member of ACCA since 18 May 1995 and has a previous good record with no previous complaint or disciplinary history.
  - [REDACTED]
  - He has fully co-operated with the investigation and regulatory process.
  - Mr Morrell has admitted and apologised for the failing in his conduct.
  - Mr Morrell has taken remedial action to address his conduct in that he had provided all the information requested for ACCA to complete the Review.
11. ACCA has considered the other available sanctions and is of the view that they are not appropriate. ACCA considers that a **severe reprimand** proportionately reflects Mr Morrell's conduct and the public policy considerations which ACCA must consider in deciding on the appropriate sanction. This is a public interest sanction due to the misconduct bringing discredit to ACCA and the profession; and it conveys a message of the importance of fundamental standards of professional conduct.

## LEGAL ADVICE

6. The Chair accepted the following advice of the Legal Adviser:
- a. The powers available to the Chair are to:

- i. Approve the draft Consent Order, in which case the findings on the allegations and the orders contained within it become formal findings and orders (Regulation 8(11) and 8(14) of the Regulations);
  - ii. Reject the draft Consent Order, which they may only do if they are of the view that the admitted breaches would more likely than not result in exclusion from membership or removal from the student register or affiliate register, as appropriate (Regulation 8(12) of the Regulations);
  - iii. Recommend amendments to the draft Consent Order, if satisfied that it is appropriate to deal with the complaint by way of consent order but wish the terms of the draft Consent Order to be amended (Regulation 8(13) of the Regulations).
- b. The power of the Chair to approve a draft consent order is subject to the limitation that they may not approve a sanction of exclusion from membership or removal from the student register or affiliate register, as appropriate (Regulation 8(11) of the Regulations).
- c. In making their decision, the Chair must have regard to all of the evidence before them and the relevant ACCA guidance documents.
- d. The ACCA document 'Consent orders guidance' indicates that the essential requirements of a disposal by consent are:
  - i. The relevant person is willing to admit the allegation(s), facts and any failings and/or breaches in full;
  - ii. The investigating officer has conducted an appropriate level of investigation and/or enquiries;
  - iii. There is a case to answer against the relevant person;
  - iv. There is a real prospect of a reasonable tribunal finding the allegation(s) proved; and
  - v. The proposed allegation(s), if found proved, would be unlikely to result in

exclusion from membership or removal from the student or affiliate register, as appropriate.

- e. The Chair must only dispose of the case by consent where it is in the public interest to do so, in order to:
  - i. ensure an appropriate level of public protection;
  - ii. maintain public confidence in the accountancy profession and its regulatory body; and
  - iii. declare and uphold proper standards of conduct and behaviour for relevant persons.

## **DECISION**

- 7. In making their decision, the Chair had regard to all of the evidence before them, the legal advice and the relevant ACCA guidance documents.
- 8. Pursuant to Regulation 8(8)(a) of the Regulations, the Chair decided that it was appropriate to deal with this complaint by way of consent order for the following reasons:
  - a. The Chair was satisfied that there was a signed draft Consent Order setting out all of the required matters (the relevant facts, the relevant failings and breaches, the proposed sanction and costs), that Mr. Morrell had admitted the matters alleged in full and that Mr. Morrell understood that the proposed order would be considered by the Chair;
  - b. The Chair was satisfied that the Investigating Officer had carried out an appropriate and thorough investigation;
  - c. The Chair found the summary of facts set out in the draft Consent Order to be consistent with the evidence before them;
  - d. The Chair agreed that there was a case to answer and that there was a real prospect that a reasonable tribunal would find the allegations proved;
  - e. The Chair was satisfied that the admitted breach would not be likely to result in

exclusion from membership. Taking into account the seriousness of the allegation, the aggravating and mitigating factors, and the risk to the public and the public interest, the Chair considered that the admissions made by Mr. Morrell and his acceptance of a sanction of a severe reprimand would more likely than not lead a Disciplinary Committee to conclude that removal from membership was not required in this case; and

- f. The Chair was satisfied that disposal of the case by consent was in the public interest.
9. Pursuant to Regulation 8(8)(b) of the Regulations, the Chair decided to approve the draft Consent Order for the following reasons:
- a. The Chair was satisfied that Mr. Morrell has admitted the matters alleged in full;
  - b. The Chair agreed that, as a result of the admissions, Mr. Morrell is liable to disciplinary action;
  - c. The Chair agreed that Mr. Morrell's conduct had brought discredit upon himself, ACCA and the accountancy profession. However, the Chair did not consider that it amounted to conduct that is fundamentally incompatible with continued membership of ACCA;
  - d. The Chair agreed that the sanction of severe reprimand was appropriate in this case. The Chair agreed with the aggravating and mitigating factors set out in the draft Consent Order. As such, the Chair assessed the risk of repetition to be low. Noting the seriousness of the matters admitted, the aggravating and mitigating factors, the low risk of repetition, and the relevant ACCA guidance, the Chair considered that the sanction of severe reprimand was sufficient to meet the public interest to ensure an appropriate level of public protection, maintain public confidence in the accountancy profession and its regulation, and to declare and uphold proper standards of conduct and behaviour. The Chair was likewise satisfied that the sanction of severe reprimand was proportionate, balancing the interests of Mr. Morrell with the interests of members of the profession, the ACCA and the wider public; and
  - e. The Chair considered ACCA to be entitled to its costs in principle, and found the amount claimed and agreed (£1,450) to be fair and reasonable.

## **ORDER**

10. Accordingly, the Chair approved the draft Consent Order.

## **EFFECTIVE DATE OF ORDER**

11. Regulation 8(17) of the Regulations provides that there is no right of appeal against a consent order. Therefore, this Order comes into effect immediately.

**Mr Martin Winter**  
**Chair**  
**29 August 2024**