

The decision and reasons of the Regulatory Assessor for the case of Mr Gladstone O. Hammond FCCA and Hammond & Co referred to him by ACCA on 17 July 2024

Introduction

1. Hammond & Co is the part-time sole unincorporated practice of ACCA member, Mr Gladstone O. Hammond FCCA. I have considered a report, including ACCA's recommendation, together with related correspondence, concerning Mr Hammond's conduct of audit work.

Basis and reasons for the decision

2. I have considered all of the evidence in the booklet sent to me, including related correspondence submitted by the firm since the monitoring visit.
3. In reaching my decision, I have made the following findings of fact:
 - a. Mr G O Hammond has been the subject of five audit quality monitoring visits;
 - b. At the first audit quality monitoring visit held in April 2007 when I the firm had one audit client, the compliance officer informed the firm of serious deficiencies in audit work which had resulted in the audit opinion not being adequately supported by the work performed and recorded. The report set out these deficiencies and was sent to the firm in May 2007. It contained guidance on how the firm might remedy the deficiencies found. The firm acknowledged receipt of the report in a letter dated July 2007 and outlined the action that it was taking;
 - c. At the second visit, conducted during February and March 2012, the compliance officer informed the firm of serious deficiencies in audit work which had resulted in one of two audit opinions not being adequately supported by the work performed and recorded. The report on the visit set out these deficiencies and was sent to the firm in April 2012. It contained guidance on how the firm might remedy the deficiencies found. The firm acknowledged receipt of the report in a letter dated May 2012 and outlined the action that it was taking;
 - d. At the third visit held during March 2016 the compliance officer found that the firm had made no improvement to its procedures. The firm was using a standard audit programme on all audits, but it was not tailoring this to ensure that it met the needs

of the audit of each client. As a result, on all the files examined the audit opinion was not adequately supported by the work performed and recorded. The firm was therefore referred to the Regulator Assessor;

- e. In November 2016, the Regulatory Assessor made a decision pursuant to Authorisation Regulations 7(2)(f) and 7(3)(b) that Mr Hammond should be required to:
 - i. be subject to an accelerated monitoring visit before 31 October 2018 at a cost to the firm of £1,000 and £400 for each additional audit qualified principal and;
 - ii. note 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;
- f. The fourth Assessor ordered monitoring review took place during October 2018. The compliance officer found that the firm had made improvements in the performance and recording of its audit work, although some deficiencies remained. The outcome was, therefore, satisfactory. The report on the review setting out the remaining deficiencies was sent to the firm in November 2018. The firm provided a detailed plan describing the action that it was taking in December 2018;
- g. The fifth review was carried out remotely between September 2023 and January 2024. The review took a long time to complete as Mr Hammond did not provide the information required to complete the monitoring of his firm, including his audit files, on the dates agreed. The compliance officer found that the firm's procedures had deteriorated significantly. The firm had failed to implement the action plan it had committed to in response to the findings of the previous monitoring and its procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK) (ISAs). The firm was using a standard audit programme on all audits, but it was not tailoring this to ensure that it met the needs of the audit of each client. There was inadequate documentation of the work carried out by the firm. As a result, on all the files examined the audit opinion was not adequately supported by the work performed and recorded;

- h. four of these reviews had unsatisfactory outcomes and the firm was referred to the Regulatory Assessor following the third unsatisfactory review;
- i. Mr Hammond provided an action plan following the fourth review; however, the action plan has not proven effective in Mr Hammond sustaining a satisfactory standard of audit work and the firm has failed to achieve a satisfactory outcome at a fifth review in spite of the advice and warning given at the previous reviews;
- j. Mr Hammond has relinquished his practising certificate with audit qualification and his firm's auditing certificate.

The decision

- 4. I note that Mr Hammond has relinquished his practising certificate with audit qualification and his firm's auditing certificate. On the basis of the above I have decided pursuant to Authorisation Regulations 7(2)(f), 7(3)(b) and 7(4) that any future re-application for audit registration by M (name), or by a firm in which he/she is a principal, must be referred to the Admissions and Licensing Committee, which will not consider the application until :
 - A. he has provided an action plan, including appropriate audit related CPD, which ACCA regards as satisfactory, setting out how Mr Hammond intends to prevent a recurrence of the previous deficiencies and,
 - B. following the date of this decision, passed the advanced audit and assurance paper of ACCA's professional qualification.

Publicity

- 5. Authorisation Regulation 7(6) indicates that all conditions relating to the certificates of Mr Hammond and his firm made under Regulation 7(2) may be published as soon as practicable, subject to any directions given by me.
- 6. I have considered the submissions, if any, made by Mr Hammond regarding publicity of any decision I may make pursuant to Authorisation Regulation 7(2). I do not find that there are exceptional circumstances in this case that would justify non-publication of my decision to impose conditions and/or the omission of the names of Mr Hammond and his firm from that publicity.

7. I therefore direct pursuant to Authorisation Regulation 7(6)(a), that a news release be issued to ACCA's website referring to Mr Hammond and his firm by name.

David Sloggett FCCA
Regulatory Assessor
17 September 2024