

## HEARING

### ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

#### REASONS FOR DECISION

**In the matter of:** Mr Rajnikant Chhotabhai Patel and Inger & Company

**Heard on:** Wednesday, 18 September 2024

**Location:** Remote via Microsoft Teams

**Committee:** Ms Valerie Paterson (Chair)  
Mr George Wood (Accountant)  
Ms Samantha Lipkowska (Lay)

**Legal Adviser:** Mr Robin Havard (Legal Adviser)

#### Persons present

**and Capacity:** Mr Ben Jowett (ACCA Case Presenter)  
Miss Mary Okunowo (Hearings Officer)

**Observer:** Mr Najir Hussain

1. The Admissions and Licensing Committee convened to consider the appropriate order to make following an unsatisfactory outcome of a seventh audit monitoring review in respect of Inger and Company (“the firm”), which is the sole incorporated practice of ACCA member, Mr Rajnikant Chhotabhai Patel.
2. The hearing was conducted remotely through Microsoft Teams.

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3. Mr Jowett appeared for ACCA. Mr Patel was neither present nor represented.

## **PRELIMINARY APPLICATIONS**

### **SERVICE OF PAPERS**

4. The Committee had considered the following documents: a Hearing bundle (pages 1 to 29); a Technical bundle (pages 1 to 73), and a Service bundle (pages 1 to 15). The Committee had also considered legal advice which it had accepted.
5. The Committee had read the letter dated 20 August 2024 containing the Notice of Proceedings, sent on the same day by ACCA by email to Mr Patel. It had noted the subsequent emails sent to Mr Patel with the necessary link and password to enable Mr Patel to gain access to the letter and the documents relating to this hearing.
6. The Committee was satisfied that such emails had been sent to his registered email address in accordance with regulation 11 of the Authorisation Regulations 2014 as amended ("AR"). The Committee had noted that the emails had been delivered successfully. The emails and the documents to which Mr Patel had access also contained the necessary information in accordance with AR6.
7. Consequently, the Committee decided that there had been effective service of proceedings on Mr Patel in accordance with the AR.

### **PROCEEDING IN ABSENCE**

8. Having found that Mr Patel had been effectively served with proceedings, the Committee went on to consider whether it was appropriate to proceed in his absence, recognising that it had a discretion to do so under AR6(7).

9. On 28 August 2024, in the absence of any response from Mr Patel to the email of 20 August 2024, ACCA sent an email to Mr Patel at the registered email address asking him to indicate whether he intended to attend the hearing or whether he was content for the hearing to proceed in his absence, reminding him of the date of hearing and of his ability to join the hearing by telephone or video link. The email had been delivered successfully.

10. On 28 August 2024, Mr Patel sent an email to ACCA and said the following:

*"Thank you for your email.*

*I confirm that I will not be attending the hearing and that I am happy for the Admission and Licensing (Monitoring) Committee to proceed in my absence.*

*Regards*

*R C Patel  
Inger & Company"*

11. On 17 September 2024, ACCA sent an email to Mr Patel stating that, if he changed his mind and decided to attend the hearing, he should join by using the Microsoft Teams link provided.

12. The Committee was satisfied that ACCA had done all that it could reasonably be expected to do to engage Mr Patel in the hearing. The Committee concluded that Mr Patel was aware of the hearing date and its importance, but he had confirmed that he consented to the hearing proceeding in his absence. He had not requested an adjournment.

13. The Committee was also satisfied that, taking account of the seriousness of the findings in ACCA's report, it was in the public interest to proceed. The Committee did not consider that any benefit would be derived in adjourning the hearing and as stated, no such application had been made.

14. Finally, the Committee considered that it was in a position to reach proper findings on the evidence presented to it by ACCA. It would also take into account the documents provided by Mr Patel sent to ACCA as attachments to his email of 29 September 2023.
15. The Committee ordered that the hearing should proceed in the absence of Mr Patel. In doing so, the Committee recognised that there was no obligation for Mr Patel to attend and it would not draw any adverse inferences from his non-attendance.

## **INTRODUCTION**

16. Inger & Company ("the firm") is the sole practice of ACCA member, Mr Rajnikant Chhotabhai Patel FCCA. On 01 and 02 May 2024, ACCA carried out a seventh monitoring visit of Mr Patel and his firm. The purpose of this seventh monitoring review was to monitor the conduct of the firm's audit work. The review also included confirming the firm's eligibility for registered auditor status and monitoring compliance with the Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs). References to a Practising Regulation (PR) are to the regulations in Annex 1 to the GPRs.
17. The firm had eleven limited company audit clients and two charity audit clients. Two company audit files were inspected. Some significant deficiencies were found in the audit work as set out in the appendix of detailed findings.

## **SUMMARY OF EVENTS**

### **History of monitoring reviews**

#### **First Monitoring Visit – 22 July 1998**

18. The first visit to the firm was carried out on 22 July 1998. The outcome of this visit was unsatisfactory, and the Compliance Officer informed the firm of serious deficiencies in audit work on two of the four files reviewed which had resulted

in audit opinions not being adequately supported by the work performed and recorded. The report on the review set out these deficiencies and was sent to the firm on 10 August 1998. The firm acknowledged receipt of the report in a letter dated 13 October 1998 and advised that it had started to put in place the recommendations made.

### **Second Monitoring Visit – 15 October 2002**

19. At the second monitoring visit on 15 October 2002, the Compliance Officer found that serious deficiencies remained in the firm's audit work such that on all three of the files reviewed, the audit opinions were not adequately supported by the work performed and recorded. The matter was referred to the Admissions and Licensing Committee.

### **Admissions and Licensing Committee hearing – 25 March 2003**

20. At its meeting on 25 March 2003, the Committee ordered the following:
  - i) That Mr Patel have six audit files subject to 'hot review' by a registered auditor with another firm or a training company, with the reviewer being subject to ACCA approval;
  - ii) Notify ACCA within six weeks of the date of written notification of this decision of the identity of the registered auditor or training company referred to above;
  - iii) Be subject to an accelerated monitoring visit before 31 March 2005 at a cost to the firm;and
  - iv) Failure to make the necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators by that time would jeopardise his and his firm's continuing audit registration.

### **Third Monitoring Visit – 06 April 2005**

21. At the third monitoring review ordered by the Admission and Licensing Committee carried out on 06 April 2005, the firm's audit work had improved and the visit was deemed satisfactory although several deficiencies remained in the audit evidence recorded. The report on the review set out these deficiencies and was sent to the firm on 13 May 2005. A further letter was sent to the firm on 14 July 2005 advising that as the visit was satisfactory, the firm would be released from the terms of the Committee's previous order on audit and regulated work.

### **Fourth Monitoring Visit – 08 June 2011**

22. The fourth monitoring visit to the firm was carried out on 08 June 2011. The overall outcome of the review was satisfactory, with all three files reviewed being of a satisfactory standard. However, some deficiencies were found and reported to the firm on 04 July 2011. The firm acknowledged receipt of the report in a letter dated 09 August 2011 and provided a response on the recommended future action required to be taken by the firm.

### **Fifth Monitoring Visit – 23 May 2017**

23. At its fifth monitoring visit on 23 May 2017, the Compliance Officer found that the firm had maintained the standard of its audit work and all three audit files were found to be of a satisfactory standard although some deficiencies remained in the performance and recording of the audit work. The report on the review set out these deficiencies and was sent to the firm on 26 May 2017. The firm provided an action plan on 26 June 2017 detailing the action that it intended to take in order to improve its work.

## **Sixth Monitoring Visit – 15 May 2023**

### **Summary of findings**

24. At the sixth monitoring review completed on 15 May 2023, the Compliance Officer found that the firm's audit work had deteriorated. The firm had failed to implement the action plan it had committed to in response to the findings of the previous monitoring review and its procedures were not adequate to ensure that it conducted all audits in accordance with the International Standards on Auditing (UK) (ISAs). As a result, on two of the three files examined, the audit opinion was not adequately supported by the work performed and recorded. ACCA therefore reported the findings of the review to an Admissions and Licensing Committee which considered the matter at a hearing on 12 October 2023.

### **HEARING ON 12 OCTOBER 2023**

#### **Order made by the Admissions and Licensing Committee on 12 October 2023**

25. The Committee on 12 October 2023 made the following order pursuant to Authorisation Regulations 6(16)(a)(iv) and 5(2)(f) that Mr Rajnikant Chhotabhai Patel and Inger & Co be required to:
- i. Submit to ACCA within 14 days of receiving this order a signed agreement between Mr Patel and Proactive Consulting for Professional Limited ("PCP") for the provision of the services and support as outlined in the letter from PCP dated 11 September 2023;
  - ii. Be subject to an accelerated monitoring visit before 15 May 2024 at a cost to the firm (plus VAT at the prevailing rate) of £1,200 and £500 for each additional audit qualified principal; and

- iii Note that failure to make the necessary improvements in the level of compliance with auditing standards by that time will jeopardise their and their firm's continuing audit registration.

### **Seventh Monitoring Visit – 01 & 02 May 2023**

- 26. At this seventh review, which was undertaken in accordance with the order of the Committee of 12 October 2023, the Compliance Officer found that the firm had made little effective improvement to its procedures. On the two files inspected, there were serious deficiencies in the performance and recording of the audit work in key audit areas. As a result, the audit opinions issued were not adequately supported by the work performed and recorded.
- 27. The Compliance Officer summarised his findings as follows.

### **International Standard on Quality Management (UK) 1**

- 28. International Standard on Quality Management (UK) 1 (ISQM 1), which came into effect on 15 December 2022, required a firm to design, implement and operate a system of quality management (SoQM) to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. The firm had not designed and documented a SoQM in line with the requirements of ISQM 1 to ensure that the firm performs its work fully in accordance with ISAs.

### **Detailed findings on audit work**

- 29. Details of the audit files examined, and the deficiencies found, were shown in the appendix attached to ACCA's report. The descriptions "unsatisfactory" were based on the evidence seen on the two files at the review and was an assessment of whether or not the audit opinion was supported on each file inspected. The deficiencies highlighted in the appendix were discussed in detail with Mr Patel at the end of the monitoring review.



### **Alleged breaches of the Global Practising Regulations**

30. It was alleged that Mr Patel and the firm had breached PR 13(1) in that they failed to comply with the International Standards on Auditing (UK) ("ISA") in the conduct of audit work. There were deficiencies in the planning, control and recording of audit work, and in the two cases examined the audit opinions were not adequately supported by the work performed and recorded.

### **Summary of facts**

31. ACCA had referred the standard of Mr Patel's audit work back for the Committee's consideration. This followed the approach set out in PS 9.4 of the Regulatory Board Policy Statement ('PS') and paragraphs 6.3.3 and 6.3.4 of the Regulatory Guidance, based on the following relevant facts:
- i Mr Patel and the firm have had seven monitoring reviews.
  - ii The first, second, sixth and the seventh review had unsatisfactory outcomes.
  - iii The firm was referred to Admissions and Licensing Committee following its second review.
  - iv Mr Patel provided an action plan following the fifth and sixth review: these action plans had not proven effective in Mr Patel reaching and sustaining a satisfactory standard of audit work.
  - v At the Committee-ordered seventh review, the audit work remained unsatisfactory.
  - vi The firm had failed to achieve a satisfactory outcome at the seventh review in spite of the advice and warnings given at the previous reviews and by the Committee.

### **ACCA's application**

32. In light of the above facts, ACCA considered that permitting Mr Patel to retain his audit qualification and the firm to retain its audit certificate would not be in the public interest and contrary to the presumption of competence explained in PS3. ACCA therefore recommended that the Committee should withdraw Mr Patel's audit qualification and his firm's auditing certificate and impose conditions on Mr Patel requiring him to provide an action plan, including appropriate audit-related CPD, which ACCA regarded as satisfactory, setting out how Mr Patel intended to prevent a recurrence of the previous deficiencies and pass the advanced audit and assurance paper of ACCA's professional qualification before making any future reapplication for the audit certificates. Guideline Order B7 in section 8 of the Regulatory Guidance was, in ACCA's view, appropriate to the circumstances of this case.
33. PS11.4 provided that, in the absence of sufficient, reliable and credible evidence to the contrary, the Committee should on the balance of probabilities rely on the findings set out in ACCA's report as establishing non-compliance with the requirements of auditing standards and determine the appropriate course of action in accordance with the PS and Regulatory Guidance.
34. PS9.6 and paragraphs 7.4.1 of the Regulatory Guidance provide that, unless the Committee was satisfied that there were clear exceptional reasons for not doing so, it would normally follow PS9.4 and ACCA's recommendation and withdraw the audit certificates, with conditions imposed on future reapplication.

### **Mr Patel's written submissions**

35. In his email of 09 August 2024, Mr Patel confirmed that he recognised "*that Inger and Company have failed to meet the working standards expected of a firm of registered auditors but believe that there is further room for improvement.*"

36. At no point in his representations does Mr Patel question or challenge the findings contained in the report regarding the shortcomings in the audit work.
37. However, at paragraphs 4, 5 and 6 of his email, Mr Patel submitted that the amount of time afforded by the Committee in its order of 12 October 2023 to enable Mr Patel to implement his action plan was insufficient. He also placed responsibility for much of the shortcomings on the impact of Covid-19 and the consequences of a personal financial loss he had sustained.
38. Mr Patel made reference to the action plan called, "The Way Forward" and requested that this Committee should allow him and the firm to continue with their audit registration and be subjected to an accelerated visit in two years.

#### **The Committee's findings and decision**

39. In reaching its decision, the Committee had taken full account of the guidance to be found in the document entitled "Regulatory Board Policy Statement and Regulatory Guidance: Audit monitoring and ACCA's approach to non-compliance with auditing standards" and also the "Guidance for Regulatory Orders".
40. The Committee noted that there was a considerable history of monitoring visits in respect of Mr Patel and his firm. Whilst certain of the visits had led to satisfactory outcomes, there were a number of reviews which had led to unsatisfactory outcomes, to include, in particular, the sixth and seventh monitoring visits in May 2023 and May 2024.
41. Initially, following the sixth monitoring visit in May 2023, ACCA had indicated that it intended to seek an order withdrawing Mr Patel's audit qualification and the firm's audit certificate. However, following representations from Mr Patel and the production of an action plan, that application was modified in accordance with the order made by the Admissions and Licensing Committee on 12 October 2023 as set out above.

42. However, when, in accordance with that order, the Compliance Officer carried out a review on 01 and 02 May 2024, he found on two audit files a substantial number of serious shortcomings in the audit work undertaken.
43. Indeed, having considered the detailed findings as set out in the Appendix to ACCA's report, the Committee noted that there were failures to meet the requirements of no less than 19 ISAs.
44. The Committee found, on the balance of probabilities, that Mr Patel and his firm had failed to meet the requirements of those 19 ISAs in the manner described. Indeed, Mr Patel had not challenged ACCA's findings.
45. In the circumstances, the Committee was satisfied that such failures amounted to a breach of PR13(1).
46. Based on its findings, the Committee reminded itself of the guidance to be found in the Regulatory Board Policy Statement and Regulatory Guidance.
47. In particular, at PS3, there is a presumption of competence to undertake audit work, and that the public is entitled to expect that an individual such as Mr Patel with an audit qualification is competent to provide audit services.
48. The Committee had also taken account of the fact that, on 12 October 2023, an Admissions and Licensing Committee had afforded Mr Patel and his firm a further opportunity to illustrate that they were competent to carry out audit work, but they had failed to do so. The Committee did not consider that Mr Patel's submission that he had had insufficient time to illustrate competence held any merit, taking account of the number of ISAs they had failed to meet.
49. Furthermore, the action plan that had been attached to Mr Patel's most recent submission contained less stringent proposals than the plan he had submitted prior to the hearing before the Admissions and Licensing Committee on 12 October 2023.

50. This was the third referral to an Admissions and Licensing Committee. The Committee took account of the guidance to be found at PS7.4. Indeed, PS7.4.1 states as follows:

"7.4.1 Such referrals will be rare because in most cases the firm or individual will have had to convince the Committee that there were exceptional reasons not to withdraw the certificate at the second referral (see below). If, by this stage, the firm or individual has not shown the ability to achieve and/ or maintain a consistent satisfactory standard of work, the Committee should withdraw the audit certificates."

51. The Committee had not been provided with any reasons which could be described as exceptional which would justify a departure from the need to withdraw Mr Patel's audit qualification and the firm's audit certificate. The Committee was satisfied that this was a proportionate outcome.
52. In reaching that conclusion, the Committee had taken account of what Mr Patel had to say in his email of 09 August 2024 and the likely financial impact of such an order being made. However, in exercising its judgement, the Committee concluded that the need to protect the public and maintain the reputation of the profession outweighed the personal interests of Mr Patel.

### **ORDER**

53. The Committee made an order pursuant to Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:
- (i) Mr Patel's practising certificate with audit qualification and the firm, Inger and Co's auditing certificate be withdrawn and Mr Patel be issued with a practising certificate; and
  - (ii) any future re-application for audit registration by Mr Patel, or by a firm in which he is a principal, must be referred to the Admissions and Licensing Committee, which will not consider the application until they have

provided an action plan, including appropriate audit related CPD, which ACCA regards as satisfactory, setting out how Mr Patel intends to prevent a recurrence of the previous deficiencies and, following the date of this order, passed the advanced audit and assurance paper of ACCA's professional qualification.

## **PUBLICITY**

54. The Committee heard submissions from Mr Jowett on behalf of ACCA. It had regard to the SATCAR regulations, in particular regulation 6, and to the guidance on publicity. The Committee could not identify any reason which would prevent it from ordering that the orders should be publicised in the usual way. The Committee determined that the public interest in publication of its decision and reasons outweighed Mr Patel's interests and therefore made no order restricting publicity.

## **EFFECTIVE DATE**

55. On the application of ACCA, the Committee was satisfied that, in order to comply with the regulations, and taking account of the seriousness and extent of the failures on the part of Mr Patel and Inger and Co in the conduct of audit work, it was necessary and in the interests of the public for the Order to take immediate effect.

**Ms Valerie Paterson**  
**Chair**  
**18 September 2024**