



Professional Conduct Committee – 5 July 2022

Failure to comply with mandatory audit standards - Richard John Vergona FCA

At a meeting of the Professional Conduct Committee (PCC) of Chartered Accountants Australia and New Zealand held in private on 5 July 2022 by video conference in respect of Richard Vergona FCA of New South Wales, the PCC decided that the Disciplinary Tribunal would be likely to find that the Member's conduct did not comply with By-Law (2.1)(h).

The PCC decided that for the reasons set out below the matters the subject of the Case Conference are sufficiently serious to warrant referral to the Disciplinary Tribunal. However, the PCC decided to propose that a Consent Agreement be made with the Member (Consent Agreement), which shall be entered on the Member's record, on terms that:

1. the Member receive a severe reprimand;
2. the Member undertake to cancel his registrations with the Australian Securities and Investments Commission (ASIC) as an SMSF auditor and company auditor (and not seek any future registrations as such);
3. the Member be required to submit to a quality review pursuant to the CA ANZ Regulations, at the Member's expense, in respect of the non-audit component of the Member's practice, to be completed by no later than 31 January 2023, with the results of such review to be made available to the PCC;
4. the Member pay to CA ANZ the sum of \$1,935 by way of contribution towards the costs of investigating and dealing with matters the subject of the Complaint and the Case Conference;
5. the PCC will publish:
 - a) details of these sanctions on the website of CA ANZ; and
 - b) a notice in the digital and print magazine "Acuity" with a link to the published decision, including the Member's name and locality;
6. the PCC to notify ASIC, CPA Australia Ltd (CPA) and the Institute of Public Accountants (IPA) of this decision by providing a copy of the published decision.

The PCC considers that it is in the public interest for this sanction to be published in the terms set out in the proposed Consent Agreement and that there are special circumstances which warrant disclosing the Member's name, given he is an SMSF auditor and registered company auditor. The PCC also considers that there are special circumstances which warrant notification of this decision to ASIC, CPA and IPA given the Member holds audit and SMSF audit registrations with ASIC and because of his membership of CPA and IPA, in circumstances where a CA ANZ quality review has found a failure to comply with mandatory audit and other standards.

Background

On 6 June 2019 the PCC decided to require the Member to have a quality review with particular attention to audit independence, completion of workpapers and the existence of terms of engagement. The PCC noted that the quality review should also pay particular attention to audits carried out for community organisations. The results were to be provided to the PCC.

A quality review was undertaken of the Member's practice and a review results letter was provided on 4 October 2019. Significant issues were noted, including regarding mandatory audit and other standards. The Member was required to provide an Action Plan outlining the actions the Member's Practice will take to address these issues including a time frame of when each action will take place within 2 months and to have a follow-up review in 12 months' time to confirm that the Member has implemented this Action Plan. The Quality Review team advised that an Action Plan was provided but the follow-up Review had at that time not yet taken place as a result of the Member's request that the follow-up review be delayed.

On 28 January 2021 the PCC decided that the Member and his Practice Entity be required to submit to the follow-up review by no later than 31 March 2021, with the results of the follow-up review to be provided to the PCC.

The follow-up Review was conducted and the Member was notified of the results by letter dated 29 June 2021. The follow-up review noted that the Member stated all audit work was carried out by him as the principal, and he acknowledged that the requirements have not been adequately documented. The follow-up Review stated that, as the issues raised in the review results letter of 4 October 2019 were not adequately addressed at the time of the follow-up review, the Member's practice was being referred to the Conduct & Discipline team for possible disciplinary action.

Reasons

The PCC notes the significant failures to comply with mandatory audit and other standards identified by the initial and subsequent quality reviews. This amounts to a breach of By-Law 40(2.1)(h). The Member acknowledged that he lacked appropriate audit documentation in respect of the matters raised in the review results letters dated 4 October 2019 and 26 June 2021 and that there had not been significant change or improvement since that time. He did not acknowledge any issues raised in the review beyond those relating to audit matters. The Member said that he had asked for support with improving his audit documentation from CA ANZ, but that it had not been provided. He said he had subscribed to "My Workpapers" to assist with his audit documentation and that he would be undertaking training (which had not yet commenced) in this system. He also said that he intended to seek assistance from two audit specialist colleagues to get his audit work up to date, which would significantly improve his documentation. In the interim, the Member proposed that he continue to undertake non-audit chartered accounting work.

The Member also said that he would like the opportunity to bring his audit work up to the current standards.

The PCC notes that CA ANZ runs various workshops and training sessions and that the Member did not attempt to undertake any of these or to investigate any other training or online courses. The PCC considers that the Member must lead and drive the remediation program and actively obtain the assistance he considers he needs to address the findings in the Reviews. In this matter, the initial review was undertaken in 2019 and relevant changes had not been implemented by the time of the second review in 2021, such that the issues had still not been corrected.

Professional Conduct Committee Chartered Accountants Australia and New Zealand

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