

**NEW ZEALAND INSTITUTE OF CHARTERED ACCOUNTANTS
NOTICE OF DECISION AND ORDER OF THE PROFESSIONAL CONDUCT
COMMITTEE**

At a meeting of the Professional Conduct Committee of the New Zealand Institute of Chartered Accountants held in private on 28 September 2010, the Committee considered matters relating to the conduct of a Chartered Accountant ("the Member"). The Committee found that the following matters would otherwise warrant being referred to the Disciplinary Tribunal:

In his role as a Chartered Accountant in public practice, the Member:

1) In relation to the liquidation of Company A:

- (a) Breached Rule 11 – *Compliance with Technical and Professional Standards* and/or Rule 4 – *Independence* of the Code of Ethics in that he accepted the appointment as liquidator of Company A when he was precluded from accepting pursuant to s280(1)(c) of the Companies Act 1993 and paragraphs 10 and 11 of SES-1 by virtue of his status as director and shareholder of Company A.
- (b) Breached Rule 2 – *False or Misleading Statements* of the Code of Ethics in that he knowingly filed a document with the Companies Office confirming he was not disqualified from acting as a liquidator of Company A which he knew or ought to have known was false and misleading due to the fact that he was a director and shareholder of Company A.

2) In relation to the audit of Company B for the year ended 31 March 2007:

- (a) Breached Rule 11 – *Compliance with Technical and Professional Standards* of the Code of Ethics in that his work papers did not document:
 - (i) planning of the audit work; and/or
 - (ii) the nature, timing and extent of the audit procedures performed; and/or
 - (iii) the results of the audit procedures performed and the conclusions drawn from the audit evidence obtained;

as required by paragraph 8 of AS-204 – *Documentation*

- (b) Breached Rule 11 – *Compliance with Technical and Professional Standards* of the Code of Ethics in that the work papers did not document compliance with auditing standards, for instance:
 - (i) an audit programme as required by paragraph 16 of AS-300 – *Planning*; and/or
 - (ii) evidence of compliance with AS-514 – *Management Representations*; and/or
 - (iii) evidence of compliance with AS-520 – *Going Concern*; and/or
 - (iv) evidence of compliance with AS-522 – *Subsequent Events*; and/or
 - (v) evidence of compliance with AS-512 – *Enquiry Regarding Litigations and Claims*;

as required by paragraph 8 of AS-204 – *Documentation*.

- (c) Breached Rule 11 – *Compliance with Technical and Professional Standards* of the Code of Ethics in that he did not document conclusions on his independence in view of both preparing and auditing Company B's financial statements for the year ended 31 March 2007 as required by paragraph 141(d) of PS-1; and/or
- (d) Breached Rule 7 – *Competence* and/or Rule 9 – *Due Care and Diligence* and/or Rule 11 – *Compliance with Technical and Professional Standards* of the Code of Ethics in that, in relation to the Audit Report of Company B, he:
 - (i) incorrectly titled the Audit Report; and/or
 - (ii) expressed that the audit opinion was “qualified” without actually expressing what the qualifications were; and/or
 - (iii) did not include an addressee as required by paragraph 15(b) of AS-702; and/or
 - (iv) did not include a statement as to the compliance or otherwise with New Zealand Auditing Standards as required by paragraph 25(b) of AS-702.

With the written consent of the Member, the Committee made the following orders, which shall be entered on the Member's record:

- 1) in accordance with Rule 21.6(d)(iv) and (vii) that the Member be reprimanded and pay costs to the Institute in the sum of \$1,350.00 (plus GST); and
- 2) in accordance with Rule 21.6B that notice of the Committee's decision and orders be published in the Chartered Accountants Journal, and on the Institute's website, without mention of the Member's name or the name of any other party.

The Committee considered it was in the public interest to direct publication of its decision and the orders made.

Details of the decision and the Professional Conduct Committee's orders are published in the November edition of the *Chartered Accountants Journal* and on the Institute's website www.nzica.com/pcc.

DJ Barker
Chairman
Professional Conduct Committee
New Zealand Institute of Chartered Accountants
18 October 2010