

**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 his audit of Company A, an issuer, for the year ended 31 March 2008:
 - (a) Breached paragraph 121 of the Code of Ethics – Independence in that he had been the lead engagement partner of Company A for a period exceeding seven years; and/or
 - (b) Breached paragraph 8 of AS-204 – *Documentation* and/or AS-500 – *Audit Evidence* in that he failed to:
 - (i) obtain and/or document that he had obtained sufficient audit evidence to draw conclusions on the valuation and measurement of a significant asset included in the financial statements; and/or
 - (ii) document evidence of compliance with AS-606 – *Using the work of an expert*; and/or
 - (iii) document evidence of compliance with AS-545 – *Auditing fair value measurements and disclosures*; and/or
 - (iv) document any assessment of compliance with NZ IFRS 6 – *Exploration for and Evaluation of Mineral Resources*; and/or
 - (c) Breached paragraph 8 of AS-204 – *Documentation* and/or paragraph 9 of AS-522 – *Subsequent Events* in that he failed to document any work to evidence compliance with this standard.
2. In his audit of Company B for the year ended 31 December 2007:
 - (a) Breached Rule 4 – *Independence* of the Code of Ethics in that he was not independent in his role as auditor of Company B in that he was contemporaneously a trustee of its student fees protection scheme; and/or
 - (b) Breached paragraph 8 of AS-204 – *Documentation* in that he failed to document his planning in the work papers; and/or
 - (c) Breached AS-300 – *Planning* in that there was insufficient evidence on the audit file demonstrating the audit had been planned, specifically there was no evidence on file of the overall audit strategy and audit plan as required by paragraph 27 of AS-300 – *Planning*; and/or
 - (d) Breached paragraph 8 of AS-500 – *Audit Evidence* and/or paragraph 8 of AS-204 – *Documentation* in that he failed to obtain and/or document that he had obtained sufficient audit evidence to support material balances in the financial statements, including:
 - (i) Student course fees; and/or
 - (ii) Course fees received in advance; and/or
 - (e) Breached paragraph 8 of AS-204 – *Documentation* in that he failed to document evidence of compliance with AS-522 – *Subsequent Events*; and/or

- (f) Breached paragraph 8 of AS-204 – *Documentation* in that he failed to document evidence of compliance with AS-520 – *Going Concern*.
3. In his audit of Company C for the year ended 31 March 2007:
- (a) Breached paragraph 7 of AS-302 – *Knowledge of the Audit Environment* and paragraph 8 of AS-204 – *Documentation* in that he failed to consider and/or document his consideration of the structure of Company C, the context in which it was established and its relationship with Company D; and/or
 - (b) Breached Rule 9 – *Due Care and Diligence* of the Code of Ethics in that he signed an audit report which asserted compliance with generally accepted accounting practice when the financial statements did not comply with paragraphs 7.1, 7.5, 7.7, 7.8, 11.1, 12.2, 13.4, 13.9 and 13.11 of FRS-33 – *Disclosure of Information by Financial Institutions*.

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) (v) (vi) and (vii) that the Member be severely reprimanded, pay a sum to the Institute of \$5,000 (no GST) and pay costs to the Institute in the sum of \$2,700.00 (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; and
- 3) in accordance with Rule 21.10 that the Practice Review Board conduct a review of the Member's practice and report its findings to the Professional Conduct Committee.

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