

**INSTITUTE OF CHARTERED ACCOUNTANTS OF NEW ZEALAND  
NOTICE OF DECISION OF THE DISCIPLINARY TRIBUNAL**

**(Member guilty of breaching the Institute's Rules and/or Code of Ethics and failing to respond promptly to the Institute)**

At a hearing of the Disciplinary Tribunal of the Institute of Chartered Accountants of New Zealand held in public on 16 December 2009, at which the member was not in attendance and not represented by counsel, **DAVID THOMAS CARRINGTON** a Chartered Accountant of **New Plymouth** by correspondence admitted particulars (a) and (c) and denied particulars (b), (d), (e) and (f) and pleaded not guilty to charges (1) and (2). Particulars (b),(b)(i), (b)(ii), (b)(iii), (b)(iv), (b)(v), (b)(vi), (d), (e) and (f) were found proved and the member was found guilty of charges (1) and (2).

The charges and particulars were as follows:

### **Charges**

**THAT** in terms of the Institute of Chartered Accountants of New Zealand Act 1996 and the Rules made thereunder, and in particular Rule 21.30 the member is guilty of:

- (1) breaching the Institute's Rules and/or Code of Ethics; and/or
- (2) failing to respond promptly to communications from the Institute.

### **Particulars**

#### **IN THAT**

In his role as a Chartered Accountant in public practice and in relation to a complaint by the Practice Review Board, the member:

- (a) Failed to record the terms of the audit engagements of Club A and Club B in an audit engagement letter or other suitable form in breach of paragraph 7 of AS-202 – *Agreeing the terms of an audit engagement* and/or the Fundamental Principle of Quality Performance and/or Rule 11 of the Code of Ethics.
- (b) Signed audit opinions, in his audit of the financial statements of Club B for the year ended 31 July 2007 and/or the Club A for the year ended 30 September 2007, which asserted that he had complied with generally accepted auditing standards in New Zealand, when the audit work papers did not document evidence that he complied with:
  - (i) AS-514 – *Management Representations*; and/or
  - (ii) AS-520 – *Going Concern*; and/or
  - (iii) AS-522 – *Subsequent events*; and/or
  - (iv) AS-512 – *Litigations and Claims*; and/or
  - (v) AS-402 – *Risk Assessments and Internal Control*; and/or
  - (vi) AS-304 – *Audit Materiality*in breach of the Fundamental Principle of Quality Performance and/or paragraph 8 of AS-204 – *Documentation* and/or Rules 9 and/or 11 of the Code of Ethics.
- (c) Failed to meet the filing percentages required by the Inland Revenue Department which resulted in the loss of his tax agency extension of time arrangements in breach of the Fundamental Principle of Quality Performance and/or Rule 10 of the Code of Ethics.
- (d) Failed to complete and/or demonstrate that he has completed his minimum number of structured hours of CPD for 2008, as specified by the Admissions Board, to satisfy his on-going membership of the College of Chartered Accountants requirements in breach of paragraph 2 of Appendix 1 to the Rules.

- (e) Failed to respond within a reasonable and proper time to Professional Conduct Committee correspondence dated 9 April 2009 and 21 May 2009 requiring him to provide copies of his audit work papers in breach of Rule 21.4(b).
- (f) Failed to attend his final determination hearing before the Professional Conduct Committee on 28 July 2009 in breach of Rule 21.3(d).

## Reasons

The Tribunal noted that these charges arise from the Practice Review Board and that no clients have claimed to have or suffered loss nor, is there any evidence that the member has issued inappropriate audit opinions.

Having been twice reviewed without signs of improvement the member is now overtly uncooperative towards the Institute. While the audit documentation shortcomings alone may not justify removal from membership, the combination of the various particulars taken in total is of sufficient significance.

## ORDERS OF THE TRIBUNAL

- (a) Pursuant to Rule 21.31 (a) of the Rules of the Institute of Chartered Accountants of New Zealand, the Disciplinary Tribunal ordered that the name of **DAVID THOMAS CARRINGTON** be removed from the Institute's register of members.
- (b) Pursuant to Rule 21.33 of the Rules of the Institute of Chartered Accountants of New Zealand, the Disciplinary Tribunal ordered that **DAVID THOMAS CARRINGTON** pay to the Institute the sum of \$12,356 (inclusive of GST) in respect of the costs and expenses of the hearing before the Disciplinary Tribunal, the investigation by the Professional Conduct Committee and the cost of publicity.
- (c) Pursuant to Rule 21.52 (b) of the Rules of the Institute of Chartered Accountants of New Zealand, the Disciplinary Tribunal ordered that the identity of the two audit clients named in the particulars be suppressed.

In accordance with Rule 21.35 of the Rules of the Institute of Chartered Accountants of New Zealand, the decision of the Disciplinary Tribunal will be published in the Chartered Accountants Journal, the Dominion Post, the Taranaki Daily News and on the Institute's website with mention of the member's name and locality and the two audit clients subject to these proceedings are also to be notified of the decision.

## RIGHT OF APPEAL

Pursuant to Rule 21.41 of the Rules of the Institute of Chartered Accountants of New Zealand which were in force at the time of the original notice of complaint, the member may, not later than 14 days after the notification of this Tribunal to the member of the exercise of its powers, appeal in writing to the Appeals Council of the Institute against the decision.

No decision other than the direction as to publicity shall take effect while the member remains entitled to appeal or while any such appeal by the member awaits determination by the Appeals Council.

R J O Hoare  
Chairman  
Disciplinary Tribunal  
Institute of Chartered Accountants of New Zealand

21 December 2009