

NEW ZEALAND INSTITUTE OF CHARTERED ACCOUNTANTS ACT 1996

IN THE MATTER of the New Zealand Institute of Chartered Accountants Act 1996 and the Rules made thereunder

AND

IN THE MATTER of **DAVID CHARLES FRASER**, Chartered Accountant, of Wanganui

**DETERMINATION OF THE DISCIPLINARY TRIBUNAL OF THE NEW ZEALAND
INSTITUTE OF CHARTERED ACCOUNTANTS
23 November 2010**

Hearing: 23 November 2010

Tribunal: Mr RJO Hoare (Chairman), Prof D Macdonald, Mr P Scott and Ms Angela Hauk-Willis (lay member)

Legal Assessor: Mr B Corkill QC

Counsel: Mr T Sissons
Mr J Morrison for Mr Fraser

The hearing was held in public. The member was in attendance and represented by counsel. The charges and particulars were amended with the consent of the member. The member admitted the amended particulars and pleaded guilty to the amended charges.

The amended charges and amended particulars were as follows:

FIRST CHARGE

- (1) In performing the audit of the financial statements of Kiwi Finance Limited (In Receivership) for the period ended 31 March 2007 you breached the Fundamental Principle of Quality Performance and/or Rule 11 of the Code of Ethics by failing to comply with Auditing Standards in relation to events occurring up to the date of the audit report.

Particulars

In breach of paragraph 9 of AS-522 - *Subsequent Events* you failed to perform procedures to obtain sufficient appropriate audit evidence that all events up to the date of your audit report that may have required adjustment of, or disclosure in, the financial report had been identified.

SECOND CHARGE

- (2) In performing the audit of the financial statements of Kiwi Finance Limited (In Receivership) for the period ended 31 March 2007 you breached the Fundamental Principle of Quality Performance and/or Rule 11 of the Code of Ethics by failing to comply with Auditing Standards which require you to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base your audit opinion.

Particulars

In breach of paragraph 8 of AS-500 *Audit Evidence*, you failed to obtain sufficient appropriate audit evidence to assess the recoverability of finance receivables; and/or

THIRD CHARGE

- (3) In performing the audit of the financial statements of Kiwi Finance Limited (In Receivership) for the period ended 30 September 2007 you breached the Fundamental Principle of Quality Performance and/or Rule 9 of the Code of Ethics by performing your professional work without due care and diligence.

Particulars

In breach of paragraph 9 of AS-522 - *Subsequent Events* you failed to perform procedures to obtain sufficient appropriate audit evidence that all events up to the date of your audit report that may have required adjustment of, or disclosure in, the financial statements had been identified.

FOURTH CHARGE

- (4) In performing the audit of the financial statements of Kiwi Finance Limited (In Receivership) for the period ended 30 September 2007 you breached the Fundamental Principle of Quality

Performance and/or Rule 11 of the Code of Ethics by failing to comply with Auditing Standards which require you to document matters which are important in providing evidence to support the audit opinion and evidence that the audit was carried out in accordance with the Auditing Standards.

Particular

In breach of paragraph 8 of AS-204 *Documentation* you failed to document evidence that your audit was carried out in accordance with AS-522 *Subsequent Events*.

DECISION

This case is of public interest as it involves a public issuer of debt securities and arises from NZICA's on-going review of finance company audits. We have had regard to the member's hitherto unblemished record and his guilty plea. We note that he has taken steps to address the identified deficiencies.

PENALTY

Pursuant to Rule 21.31(f) of the Rules of the New Zealand Institute of Chartered Accountants the Disciplinary Tribunal ordered that the member's audit practice be reviewed by the Practice Review Board within 12 months who shall report their findings to the Professional Conduct Committee.

Pursuant to Rule 21.31 (k) of the Rules of the New Zealand Institute of Chartered Accountants the Disciplinary Tribunal ordered that **David Charles Fraser** be censured.

Pursuant to Rule 21.31 (n) of the Rules of the New Zealand Institute of Chartered Accountants the Disciplinary Tribunal ordered that **David Charles Fraser** not undertake the audit of any public issuer of debt securities as defined in the Securities Act 1978 for a period of five years.

COSTS

Pursuant to Rule 21.33 of the Rules of the New Zealand Institute of Chartered Accountants the Disciplinary Tribunal ordered that **David Charles Fraser** pay to the Institute the sum of \$25,000 (including 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.

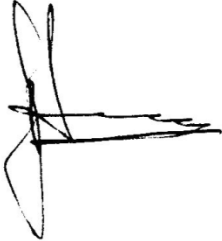
PUBLICATION

In accordance with Rule 21.35 of the Rules of the New Zealand Institute of Chartered Accountants the decision of the Disciplinary Tribunal shall be published on the Institute's website, in the Chartered Accountants Journal and the Wanganui Chronicle with mention of the member's name and locality.

RIGHT OF APPEAL

Pursuant to Rule 21.41 of the Rules of the New Zealand Institute of Chartered Accountants 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.

A handwritten signature in black ink, appearing to read 'R J O Hoare'. The signature is stylized with a large, looped initial 'R' and a long, horizontal stroke extending to the right.

R J O Hoare
Chairman
Disciplinary Tribunal