



## SUMMARY OF SANCTION AGREEMENT

The Complaints Inquiry Committee entered into a sanction agreement which suspends the practice of **Member "A"** for a period of six months commencing June 25, 2004. Following the suspension **Member "A"** audit practice in Alberta will be under the supervision of an approved Chartered Accountant until the Practice Review Committee is satisfied that supervision is no longer required.

A complaint was received alleging unprofessional conduct by **Member "A"** with respect to the audit of a company's financial statements and the issuance of an unqualified auditor's report.

This complaint was investigated by the Institute and a sanction agreement was accepted when **Member "A"** admitted guilt on four counts of unprofessional conduct in having, with respect to the audit of the financial statements of a public company 1997 1998 fiscal year and issuance of an unqualified auditors' report thereon when:

1. he failed to comply in all material respects with the generally accepted auditing standards of the profession including those set out in the CICA Handbook as amended from time to time in that he failed:
  - a. to appropriately take into account the high risk of the client in the design and implementation of audit tests, and
  - b. failed to obtain sufficient appropriate audit evidence to support the content of the report;
2. the financial statements failed to comply with generally accepted accounting principles including the Recommendations set out in the CICA Handbook as amended from time to time in that the financial statements:
  - a. did not properly reflect the assets acquired and debt incurred pursuant to three agreements for the purchase of assets,
  - b. improperly recorded as sales, contracts with three clients which included a guaranteed repurchase price to the purchaser contrary to the recommendations of EIC-84;
3. he associated himself with financial statements that he knew or ought to have known were false and misleading in that the financial statements
  - a. understated payroll expenses by approximately \$1.4 million; and
  - b. understated interest expense by \$347,000 related to a receivable in a foreign currency; and
  - c. failed to comply with generally accepted accounting principles as specified in paragraph 2; and
4. he failed to perform his professional services with integrity and due care in that he continued to act for the client despite the concerns expressed by staff on the engagement team and the assessment of high risk.



The sanction to be imposed in consequence thereof was:

1. suspension of his registration as a chartered accountant for six months commencing June 25, 2004,
2. completion of a course on professional ethics satisfactory to the CIC Chair by December 31, 2004,
3. following the suspension, his audit practice in Alberta be under supervision of a chartered accountant approved by the Chair of the Practice Review Committee until he has satisfied the Practice Review Committee that supervision is no longer required. The supervisor will, prior to issuance, review all working paper files and financial statements of all audit engagements and he will comply with the recommendations of the supervisor,
4. payment of the costs of the investigation by December 31, 2005,
5. publication as required by the Act and Bylaws consisting of
  - (a) publication of a summary of the terms of the sanction agreement on a named basis
    - (i) to all provincial institutes and to any provincial institute to which he may apply in the future,
    - (ii) to the South African Institute of Chartered Accountants
  - (b) publication of a summary of the terms of the sanction agreement and the nature of the conduct
    - (i) on the Institute's public website
    - (ii) in a notice to all chartered accountants, and
  - (c) publish a notice of the suspension resulting from discipline proceedings
    - (i) in the Membership Activity Report
    - (ii) in the business section of the *Edmonton Journal*.

Jude Corrin  
Discipline Tribunal Secretary  
June 30, 2004