



## NOTICE OF DISCIPLINE SUMMARY MEMBER A

On the 29<sup>th</sup> day of July, 2014, the Discipline Tribunal issued its written decision that found **Member A** guilty of unprofessional conduct with respect to his professional services regarding the unaudited financial statements of Company A for the year ended March 31, 2009, in that:

1. the engagement failed to comply with CICA Handbook assurance recommendations as set out in section 5025 – *Standards for Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information*, section 8100 – *General Review Standards*, or section 8200 – *Public Accountant's Review of Financial Statements*, in having failed to perform the engagement with due care, because:
  - a. the assessment of the plausibility of identified related parties was deficient, in that the engagement team:
    - i. incorrectly applied the concepts of CICA Handbook section 3840.03(g) and 3840.04 – *Related Parties*, in its evaluation of the relationship between Company A and B;
    - ii. failed to identify Company A's relationship to any members of management and directors under generally accepted accounting principles; and
    - iii. failed to adequately challenge management's identified related parties;
  - b. given the risk assessment of the mortgages receivable balance, the engagement team failed to perform sufficient review procedures on the collectability of the mortgages receivable, including:
    - i. failure to adequately question or challenge management as to Company B's ability to be a guarantor of the \$31.7 million mortgage receivable portfolio of Company A;
    - ii. failure to question inconsistencies within the Company A, 2009 year end working papers as to the availability or nature of collateral or whether interest and principal repayments on the mortgages receivable were collected throughout fiscal 2009.
  - c. the engagement team chose to perform procedures based on by Assurance and Related Service Guideline AuG-20 – *Performance of a Review of Financial Statements in Accordance with Sections 8100 and 8200*, in its review of mortgages receivable, but performed procedures on receivables instead of mortgages receivable;
  - d. the engagement team failed to adequately identify significant deficiencies in the note disclosures in the financial statements in accordance with the review standards.
2. there was a lack of documentation in the engagement file, including but not limited to:
  - a. no documented list of related parties;
  - b. no explanation as to why the related party balances in working paper section II were not disclosed as related party balances within the financial statements; and
  - c. an inadequate explanation of the adjustments to interest revenue in respect of 2006 and 2007 in the interest reasonability test.
3. as engagement partner, he was associated with financial statements that he knew or should have known were false or misleading in that an Accounting Firm issued an unqualified review engagement report, although the financial statements were not compliant with generally accepted accounting principles, including:



- a. the financial statements failed to disclose related party transactions and balances between the Company A and B or the Company B Group of companies;
- b. the financial statements did not accurately disclose the loans to Company B or the Company B Group as unsecured;
- c. the financial statements included disclosures which are inconsistent with the Company B financial statements for the year ended November 30, 2008;
- d. the financial statements failed to identify non-current assets;
- e. the financial statements failed to disclose economic dependence of Company A on Company B; and
- f. the financial statements failed to disclose the valuation policy, significant terms and conditions, credit and interest risks, and fair value of financial instruments.

## CONDUCT

With respect to the engagement to review Company A's financial statements for the year ended March 31, 2009, there was a failure to undertake the review engagement with due care and did not obtain sufficient appropriate evidence to support negative assurance that the financial statements were in accordance with GAAP

## ORDERS

In accordance with Section 93(1) and 94(1) of the *Regulated Accounting Profession Act Revised Statutes of Alberta 2000, Chapter R-12 ("RAPA")* the Discipline Tribunal ordered that **Member A**:

1. receive a written reprimand from the Discipline Tribunal Chair;
2. pay a fine of \$20,000 within 60 days from the date of service of the statement of costs; and
3. pay 50% of the costs of the investigation and hearing within 60 days from the date of service of the statement of costs.

If **Member A** fails to comply with the orders as specified above within the time stipulated, his registration shall immediately be cancelled in accordance with Section 94(1)(b) of *RAPA*.

## PUBLICATIONS

The Discipline Tribunal required that, as soon as practical after this decision is issued and after the time allowed for an appeal has expired, the Discipline Tribunal Secretary publish the following minimum mandatory publication orders as required for findings of unprofessional conduct under *RAPA* and the Bylaws under *RAPA*:

1. a summary of the Discipline Tribunal's findings of unprofessional conduct and orders made shall be provided on a named basis to all provincial institutes, the Institute of Chartered Accountants of Bermuda, and any other professional organization to which **Member A** belongs and the Institute of Chartered Accountants of Alberta is aware of as of the date of these orders;



2. a notice of the Discipline Tribunal's findings of unprofessional conduct and orders be provided to all provincial institutes to which **Member A** applies for membership at any time following these orders;
3. a notice of the Discipline Tribunal's findings of unprofessional conduct and orders be provided to anyone who directs a written enquiry to the Institute of Chartered Accountants of Alberta about the discipline history of **Member A**;
4. a summary of the Discipline Tribunal's findings, the nature of unprofessional conduct, and orders made as a result of the findings be published on the Institute of Chartered Accountants of Alberta public website on a named basis;
5. the written decision of the Discipline Tribunal with all third parties names replaced by pseudonyms be published on the Institute of Chartered Accountants of Alberta public website on a named basis; and
6. a copy of the written decision of this Tribunal be provided to Quicklaw and the National Discipline Database with all third parties' names replaced with pseudonyms.
7. In addition to the above mandatory publication orders, the Discipline Tribunal also ordered that, as soon as practical after this decision is issued and after the time allowed for an appeal has expired, a notice of the Tribunal's findings and orders be published in the *Edmonton Journal*, on a named basis, and that more information can be obtained from the Institute of Chartered Accountants of Alberta.

**Discipline Tribunal Secretary**