

Gerard Claude St. Denis: Summary, as Published in *CheckMark*

Gerard Claude St. Denis, of Don Mills, was found guilty of five charges of professional misconduct, under Rules 201 and 206, relating to his work on an audit. He signed unqualified audit opinions after having obtained almost no audit evidence, and prepared financial statements which departed in material ways from generally accepted accounting principles. In addition, he used letterhead of a fictitious chartered accounting firm for his auditor's reports. He was fined \$2,000 and expelled from membership. Mr. St. Denis commenced an appeal of the discipline committee's decision and order, but then failed to proceed with it. As a result, the appeal committee dismissed his appeal.

CHARGE(S) LAID re Gerard Claude St. Denis

The Professional Conduct Committee hereby makes the following charges against Gerard St. Denis, a member of the Institute:

1. THAT, the said Gerard St. Denis, in or about the period November 1990 through to April 1991, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the Rules of Professional Conduct, in that, having attached an unqualified audit report to the financial statements of Casualty Assurance Risk Insurance Brokerage Company (of Guam) as at December 31, 1990, he failed;
 - (a) to document matters important in providing evidence to support the content of the audit report;
 - (b) to obtain sufficient audit evidence to verify the balance sheet item "Cash in Bank \$60,235";
 - (c) to obtain sufficient audit evidence to verify the balance sheet item "Certificates of deposit \$443,105";
 - (d) to obtain sufficient audit evidence to verify the existence of the balance sheet item "Other Investments \$2,829,573";
 - (e) to obtain sufficient audit evidence to verify the balance sheet item "Trust deposit (note 2) \$367,394";
 - (f) to obtain sufficient audit evidence to verify the balance sheet item "Provision for Claim Losses Incurred \$1,120,987";
 - (g) to obtain a letter of representation;
 - (h) to send letters of enquiry to the company's solicitors regarding claims or possible claims;
 - (i) to carry out any review of corporate minutes or take any other sufficient audit steps to verify the common shares issued in the amount of \$1,675,000 shown on the balance sheet;
 - (j) to carry out sufficient substantive audit procedures to verify the items shown on the Statement of Income;
 - (k) to adequately plan the audit or make any preliminary decision as to materiality and the components of audit risk; and
 - (l) to use the auditors report required by the CICA *Handbook* at the time.
2. THAT, the said Gerard St. Denis, on or about the 20th day of March, 1991, did express an opinion without reservation that the financial statements of Casualty Assurance Risk Insurance Brokerage Company (of Guam) as at December 31, 1990, were prepared in

accordance with generally accepted accounting principles when such statements departed in a material respect or respects from the recommendations set out in the CICA Handbook contrary to Rule 206 of the Rules of Professional Conduct, in that;

- (a) the financial statements are not prepared on a comparative basis when figures for the corresponding preceeding period would be meaningful;
- (b) the financial statements do not disclose details of issued and authorized share capital;
- (c) the shareholders equity section of the balance sheet includes the item "Paid-in Surplus, at Jan. 1, 1990 \$1,825,418" which has not been segregated as between retained earnings and surplus derived from contributions;
- (d) the financial statements do not disclose the basis of valuation of "Other Investments \$2,829,573", and there is no separate disclosure of investments in affiliated companies or joint ventures accounted for by the cost method;
- (e) there are improperly included in the financial statement under current assets "Other Investments \$2,829,573" investments that are not capable of reasonably prompt liquidation;
- (f) the financial statements fail to include a statement of financial position where such a statement would be meaningful; and
- (g) the financial statements fail to include a summary of significant accounting policies.

3. THAT, the said Gerard St. Denis, in or about the period November 1990 through to April 1991, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the Rules of Professional Conduct, in that, having attached an unqualified audit report to the financial statements of Trans-Pacific Insurance Company (F.S.M.) as at December 31, 1990, he failed;

- (a) to document matters important in providing evidence to support the content of the audit report;
- (b) to obtain sufficient audit evidence to verify the balance sheet item "cash in bank \$1,104,902";
- (c) to obtain sufficient audit evidence to verify and support the existence of 19 the balance sheet item "other invested assets, \$2,271,657";
- (d) to obtain sufficient audit evidence to verify the balance sheet item "Claims reserve \$298,908";
- (e) to obtain sufficient audit evidence to verify the balance sheet item "re-insurance payable, \$1,084,337";
- (f) to obtain a letter of representation;

- (g) to send letters of enquiry to the company's solicitor regarding claims or possible claims;
- (h) to carry-out any review of corporate minutes or take any other sufficient steps to verify the value of common and preferred shares issued in the amounts of \$100,000 and \$1,150,000 respectively shown on the balance sheet;
- (i) to carry-out sufficient substantive audit procedures to verify the items shown on the statement of income;
- (j) to obtain sufficient audit evidence to verify the balance sheet item premiums receivable in the amount of \$937,384;
- (k) to obtain sufficient audit evidence to verify the balance sheet item "trust deposit (note 3) \$274,456";
- (l) to obtain sufficient audit evidence to verify the balance sheet item "receivable from associated companies \$386,161";
- (m) to obtain sufficient audit evidence to verify unearned premiums in the amount of \$2,390,853;
- (n) to perform sufficient substantive audit tests to verify the payable to associated companies in the amount of \$1,058,624.
- (o) to adequately plan the audit or make any preliminary decision as to materiality and the components of audit risk; and
- (p) to use the auditors report required by the *CICA Handbook* at the time.

4. THAT, the said Gerard St. Denis, on or about the 25th day of March 1991 expressed an opinion without reservation that the financial statements of Trans Pacific Insurance Company (FSM) as at December 31, 1990, were prepared in accordance with generally accepted accounting principles when such statements departed in a material respect or respects from the recommendations set out in the *CICA Handbook*, contrary to Rule 206 of the rules of professional conduct, in that:

- (a) the financial statements are not prepared on a comparative basis;
- (b) the financial statements do not disclose dividend rates and whether the dividends were cumulative with respect to the issued and authorized preferred share capital;
- (c) the financial statements do not disclose the basis of valuation of "Other Investments \$2,271,657";
- (d) there are improperly included in the financial statement under current assets "Trust Deposit (note 3) \$274,456" investments that are not capable of reasonably prompt liquidation;
- (e) the financial statements fail to include a statement of financial position where such a statement would be meaningful;

- (f) the financial statements fail to include a summary of significant accounting policies; and
 - (g) the financial statements failed to properly disclose the allowance for doubtful accounts as a reduction of accounts receivable where it is probable that there will be losses on accounts receivable.
- 5. THAT, the said Gerard St. Denis, in or about the month of March 1991, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest in that, while an employee of AID Services Inc., he agreed to, and did, express audit opinions on Casualty Assurance Risk Insurance Brokerage Company (of Guam) and Trans-Pacific Insurance Company (F.S.M.) and carried out a scheme to create a fictitious Chartered Accounting firm and letterhead on which to place the auditor's report signed by him, contrary to Rule 201 of the Rules of Professional Conduct.

DATED at Toronto this 23rd day of June, 1992.

J.L.M. BADALI, FCA – CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Gerard Claude St. Denis

DECISION AND ORDER IN THE MATTER OF: Charges against GERARD CLAUDE ST. DENIS, a suspended member of the Institute, under Rules 201 and 206 of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE SEPTEMBER 22, 1992

DECISION

THAT, having seen, heard and considered the evidence, including the agreed statement of facts, filed, and having determined to proceed with the hearing in the absence of

Mr. St. Denis, pursuant to Institute Bylaw 87(2)(c), being satisfied that he had proper notice of the hearing, and having entered on his behalf a plea of not guilty to each of charges Nos 1, 2, 3, 4 and 5, THE DISCIPLINE COMMITTEE FINDS Gerard Claude

St. Denis guilty of charges Nos. 1, 2, 3, 4 and 5.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. St. Denis be reprimanded in writing by the chair of the hearing.
2. THAT Mr. St. Denis be and he is hereby fined the sum of \$2,000, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. St. Denis be and he is hereby expelled from membership in the Institute.
4. THAT notice of this Decision and Order, disclosing Mr. St. Denis' name, be given after this Decision and Order becomes final under the bylaws:
 - (a) by publication in *CheckMark*;
 - (b) to the Public Accountants Council for the Province of Ontario; and
 - (c) to the Canadian Institute of Chartered Accountants.
5. THAT Mr. St. Denis surrender his certificate of membership in the Institute to the registrar of the Institute within ten (10) days from the date this Decision and Order becomes final under the bylaws.

DATED AT TORONTO, THIS 25TH DAY OF SEPTEMBER, 1992
BY ORD OF THE DISCIPLINE COMMITTEE

BRYAN W. STEPHENSON, BA, LLB
SECRETARY - DISCIPLINE COMMITTEE

DISCIPLINE COMMITTEE re Gerard Claude St. Denis

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against GERARD CLAUDE ST. DENIS, a suspended member of the Institute, under Rules 201 and 206 of the Rules of Professional Conduct, as amended.

WRITTEN REASONS FOR THE DECISION AND ORDER MADE SEPTEMBER 22 1992

These proceedings before this panel of the discipline committee of the Institute of Chartered Accountants of Ontario were convened on September 22, 1992.

Mr. Paul Farley attended on behalf of the professional conduct committee. Mr. St. Denis was not present. The commencement of the hearing was delayed for approximately one-half hour, during which time Mr. St. Denis was paged to determine if he was elsewhere in the building. The member did not appear.

When the hearing commenced, Mr. Farley filed exhibits to prove service of the notice of assignment hearing and the notice of hearing. The committee was satisfied that Mr. St. Denis had proper notice of the hearing, and accordingly decided to proceed in his absence, pursuant to Institute Bylaw 87(2)(c).

The professional conduct committee had laid four charges under Rule 206 and one charge under Rule 201 of the Rules of Professional Conduct.

Since Mr. St. Denis was neither present nor represented at the hearing, the chair entered a plea of not guilty on the member's behalf to all of the charges.

The charges laid against the member related to audited financial statements issued by the member for two insurance companies. The particulars of the four charges under Rule 206 alleged that Mr. St. Denis signed unqualified audit opinions on financial statements without conducting proper audits or obtaining sufficient audit evidence. In addition, the financial statements prepared by Mr. St. Denis departed in material ways from generally accepted accounting principles. The fifth charge, under Rule 201, alleged that Mr. St. Denis created and used a fictitious chartered accounting firm and letterhead on which to place the auditor's reports signed by him.

An agreed statement of facts, signed by the member and counsel for the professional conduct committee, and an accompanying document brief, were filed as exhibits. An investigator for the professional conduct committee gave evidence relating to some of the particulars in the charges.

After reviewing the documentary evidence, and hearing the testimony of the investigator for the professional conduct committee and the submissions made by Mr. Farley, the discipline committee was satisfied that the facts before it supported findings of guilty on the charges laid. Accordingly, upon deliberation, the committee found Mr. St. Denis guilty of all of the charges.

The committee then heard Mr. Farley's submissions as to sanction and, after deliberation, made the following order:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. St. Denis be reprimanded in writing by the chair of the hearing.
2. THAT Mr. St. Denis be and he is hereby fined the sum of \$2,000, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. St. Denis be and he is hereby expelled from membership in the Institute.
4. THAT notice of this Decision and Order, disclosing Mr. St. Denis' name, be given after this Decision and Order becomes final under the bylaws:
 - (a) by publication in *CheckMark*;
 - (b) to the Public Accountants Council for the Province of Ontario; and
 - (c) to the Canadian Institute of Chartered Accountants.
5. THAT Mr. St. Denis surrender his certificate of membership in the Institute to the registrar of the Institute within ten (10) days from the date this Decision and Order becomes final under the bylaws.

Briefly, the reasons for the committee's sanctions are set out below.

In his submissions as to sanction, Mr. Farley argued that, in the circumstances of this case, the sanctions ordered should be deterrent ones, and the principle of rehabilitation should give way to the principle of deterrence. The committee agreed with Mr. Farley's submissions in this regard, and made its order accordingly.

The committee ordered a reprimand as a specific deterrent to the member and to stress to him the unacceptability of his conduct as a chartered accountant.

The evidence indicated that Mr. St. Denis had schemed with his employers to produce audited financial statements for two insurance companies. The evidence indicated that Mr. St. Denis had signed these audits with almost no audit evidence having been obtained. Although he appeared to receive no direct compensation for this service, his motivation was apparently to protect his employment. The committee felt that because of the seriousness of Mr. St. Denis' actions, a fine of \$2,000 and expulsion from the Institute were appropriate as specific deterrents to the member, and, more importantly in this case, as general deterrents to the membership at large.

The term of the committee's order as to notice, including disclosure of the member's name, was also made as both a specific and a general deterrent.

DATED AT TORONTO, THIS 25th DAY OF NOVEMBER, 1992.
BY ORDER OF THE DISCIPLINE COMMITTEE

P.A. CAMPOL, CA - DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

C.J. BURKE, FCA
L.R. FLEMMING, CA
J.J. LONG, CA
H.R. KLEIN, CA
V.G. STAFL (Public representative)

APPEAL COMMITTEE re Gerard Claude St. Denis

IN THE MATTER OF: An appeal filed on October 19, 1992, by GERARD CLAUDE ST. DENIS, a suspended member of the Institute, against the decision and order of the discipline committee made on September 22, 1992, pursuant to Bylaws 81 and 8? of the Institute of Chartered Accountants of Ontario.

AND IN THE MATTER OF: Charges against GERARD CLAUDE ST. DENIS under Rules 201 and 206 of the Rules of Professional Conduct of the Institute, as amended.

ORDER AND REASONS FOR ORDER MADE AUGUST 23.1993

ORDER

1. THAT the appeal commenced by Mr. Gerard Claude St. Denis, by way of notice of appeal dated and received at the Institute on October 19, 1992, against the decision and order of the discipline committee made on September 22, 1992, BE AND IT IS HEREBY DISMISSED.
2. THAT the decision and order of the discipline committee, made on September 22, 1992, become final and effective immediately.

REASONS

A panel of the Institute's appeal committee convened on August 23, 1993 to hear an appeal commenced by Mr. St. Denis against a decision committee made against him on September 22, 1992.

Ms. Deborah McPhadden attended on behalf of the professional conduct committee, but Mr. St. Denis was not present. The committee secretary searched the common areas adjacent to the Council Chamber for Mr. St. Denis, but the member did not appear.

Ms. McPhadden produced affidavit material showing to the satisfaction of the panel that Mr. St. Denis had been properly served with notice of this proceeding in accordance and order of the discipline with the bylaws. She indicated that since sending his letter of October 19, 1992, Mr. St. Denis had taken no steps to advance his appeal. He had made no further contact with the Institute, had not responded to any Institute correspondence, and had not attended the assignment hearing, proper notice of which had been sent to him.

The panel was satisfied by the evidence that Mr. St. Denis had received proper notice of these proceedings, and had taken no steps to advance his appeal. Accordingly, the panel dismissed the appeal and ordered that the decision and order of the discipline committee become effective immediately.

DATED at Toronto, this 31st day of August, 1993

R.G. STACKHOUSE, FCA - CHAIR
THE APPEAL COMMITTEE