



Founded 1879

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

APPROVED BY THE DISCIPLINE COMMITTEE ON MAY 20, 2009

**IN THE MATTER OF: CHARGES AGAINST GRAEME H.E.
JONES, CA, A MEMBER OF THE
INSTITUTE, BEFORE THE DISCIPLINE
COMMITTEE**

SETTLEMENT AGREEMENT

*made pursuant to Bylaw 510 (7.1) of the Bylaws of the
Institute of Chartered Accountants of Ontario*

Introduction

1. The Professional Conduct Committee, at its meeting of July 8, 2008, approved a draft charge against Graeme H.E. Jones, CA ("Jones") **Tab 1**.
2. The draft charge pertains to professional work done by Jones with respect to the audit of financial statements of The Group of Eighteen Partnership ("Group 18") for the years ended December 31, 1992, 1993 and 1994. John D. McKellar was one of seven partners in Group 18.
3. The documents referred to in this agreement are found in the Document Brief.
4. The Professional Conduct Committee and Jones agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Jones in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

Member's Background

5. Jones obtained his Chartered Accountant designation in 1961 in British Columbia. In 1966, he moved to Toronto and worked for Thorne Riddell. He became a Partner in the Tax Department of Thorne Riddell in 1968 and remained with the firm until 1980.
6. Jones left public practice in or about 1980 to join industry on a full time basis in the area of tax consulting, but also retained a dozen or so private clients to whom he provided consulting services. The type of consulting work performed was primarily succession planning for businesses, welfare trusts and estate planning.
7. In 1997 Jones retired, but continued to service a few private clients. He gave up his public accounting license in 2006 and wound down his private consulting practice to the point where he is preparing the occasional tax return for his family.

Background

8. A decision of the Tax Court of Canada in *John D. McKellar v. Her Majesty the Queen* (May 17, 2007), (Tab 2) came to the attention of the Professional Conduct Committee by way of a complaint from the Executive Director of the New Brunswick Institute of Chartered Accountants. The decision of the court in *McKellar* notes:

'Mr. Graeme Jones, a Canadian Chartered Accountant and also a partner in the [Group of Eighteen] Partnership and holder of 36 units, provided an audit opinion that the financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 1992 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.'

The Charge

9. Group 18 was formed under the laws of the Commonwealth of the Bahamas in August 1992. Group 18 was primarily involved in the business of trading in international marketable securities.
10. Jones owned units in Group 18 between 1992-2006. The table below provides an overview of Mr. Jones' % holdings during the 1992, 1993 and 1994 audits:

Partnership Units and Capital

	Units Purchased		Capital		Mr. Jones' %
	Mr. Jones	Total	Mr. Jones	Total	
1992	36	1800	36,000	1,800,000	2.00%
1993			-36,000	-1,800,000	
1994	64	5400	6,400	5,400,000	1.19%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100	7200	6,400	5,400,000	1.39%

11. Jones was not involved in the decision making for or the activities of Group 18. Another partner in Group 18 was responsible for the bookkeeping and preparation of the financial statements.
12. Jones performed an audit of the financial statements of Group 18 for the years ended December 31, 1992 (Tab 3), 1993 (Tab 4) and 1994 (Tab 5).
13. Jones prepared the "Audit Report" attached to the financial statements for each of the three years and presented it and the financial statements to the partners of Group 18.
14. Although Jones obtained the consent of all of the partners of Group 18 prior to accepting the audit engagement, the audited financial statements for the years ended 1992, 1993, and 1994 do not provide any disclosure of Jones' interest in Group 18.

Failure to Remain Objective

15. Rule 204 of the Rules of Professional Conduct in effect during the relevant period was as follows:

204.1 Objectivity: Audit Engagements

A member engaged as an auditor to express an opinion on financial statements or on financial or other information shall hold himself or herself free of any influence, interest or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity or which, in the view of the reasonable observer, would impair the member's professional judgment or objectivity.

16. It is agreed that, with respect to the audit of the financial statements of Group 18 for the years ended December 31, 1992, 1993 and 1994, Jones failed to hold himself free of any influence, interest, or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity, or which in the view of a reasonable observer, would impair the member's professional judgment or objectivity, in that he held an ownership interest in Group 18 at all material times, in the circumstances described above.

Considerations Supporting Settlement

17. In addition to all of the circumstances described above, the Professional Conduct Committee took the following factors into consideration on entering into this Agreement:
- Jones acknowledges his conduct;
 - The conduct took place more than a decade ago;
 - Jones is retired and accordingly specific deterrence is not at issue.

Terms of Settlement

18. Jones and the Professional Conduct Committee agree to the following Terms of Settlement:
- a) A payment by way of fine in the amount of \$3,000;
 - b) A suspension from the rights and privileges of membership in the Institute for a period of three (3) months from the date the Discipline Committee accepts this Settlement Agreement;
 - c) Notice of the terms of this Settlement is to be published in accordance with the provisions of Bylaw 575(2), including notice to be given to the Public Accountants' Council, the CICA and in *Checkmark Magazine*; and
 - d) Jones will be allowed twelve (12) months from the date the Discipline Committee accepts this Settlement Agreement to pay the fine referred to herein.
19. Should the Discipline Committee accept this Settlement Agreement, Jones agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon the member fulfilling the requirements of this Settlement Agreement the draft charge approved by the Professional Conduct Committee and dated October 9, 2008 shall be forever stayed.
20. If for any reason this Settlement Agreement is not approved by the Discipline Committee, then:
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Jones leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Jones; and
 - b) The Professional Conduct Committee and Jones shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the charge, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the Settlement Negotiations.

Disclosure of Settlement Agreement

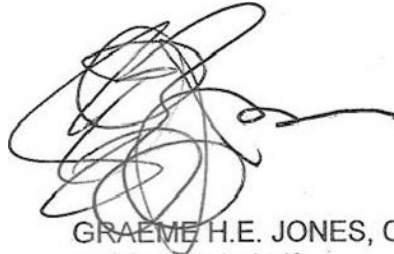
21. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Jones, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the Professional Conduct Committee and Jones, or, as may be required by law.

22. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Discipline Committee.

All of which is agreed to for the purpose of this proceeding alone this 13th day of May, 2009.



DAVID LOGAN, CA
DEPUTY CHAIR,
PROFESSIONAL CONDUCT COMMITTEE



GRAEME H.E. JONES, CA
on his own behalf