

### **John Campbell Aldred: Summary, as Published in *CheckMark***

**John Campbell Aldred**, of Orangeville, was found guilty of a charge under Rule 206 of failing to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the *CICA Handbook*. While engaged to perform an audit of the financial statements of a company, Mr. Aldred failed to obtain sufficient appropriate audit evidence to support the valuation of various balance sheet items, and failed to properly document matters that were important in providing evidence to support the conclusion expressed in his report. At the time of the hearing, Mr. Aldred was 75 years old and fully retired. Concluding that he posed no risk to the public, the discipline committee fined him \$2,500.

## **CHARGE(S) LAID re John Campbell Aldred**

The Professional Conduct Committee hereby makes the following charge against John C. Aldred, CA, a member of the Institute:

1. THAT, the said John C. Aldred, in or about the period August 11, 1998 through February 28, 1999, while engaged to perform an audit of the financial statements of Rico Resources Inc. as at December 31, 1998 and 1997, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the *CICA Handbook*, contrary to Rule 206 of the rules of professional conduct, in that;
  - (a) he failed to obtain sufficient appropriate audit evidence to support the valuation of the balance sheet item "Mineral property and deferred exploration costs – (Note 3) 1,477,205";
  - (b) he failed to obtain sufficient appropriate audit evidence to support the valuation of the balance sheet item "Accounts payable and accrued liabilities 437,533";
  - (c) he failed obtain sufficient appropriate audit evidence to support the balance sheet item "Stated capital – (Note 6) 1,461,000";
  - (d) he failed to properly document matters that are important in providing evidence to support the conclusion expressed in his report.

Dated at Toronto, this 20<sup>th</sup> day of November, 2001.

RICHARD JOHNSTON, FCA, DEPUTY CHAIR  
PROFESSIONAL CONDUCT COMMITTEE

## **DISCIPLINE COMMITTEE re John Campbell Aldred**

**DECISION AND ORDER IN THE MATTER OF:** A charge against **JOHN CAMPBELL ALDRED, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

### **DECISION AND ORDER MADE MARCH 20, 2002**

#### **DECISION**

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, and having heard the plea of guilty to the charge, the Discipline Committee finds John Campbell Aldred guilty of the charge.

#### **ORDER**

IT IS ORDERED in respect of the charge:

1. THAT Mr. Aldred be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Aldred be and he is hereby fined the sum of \$2,500, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT notice of this Decision and Order, disclosing Mr. Aldred's name, be given after this Decision and Order becomes final under the bylaws, in the form and manner determined by the discipline committee:
  - (a) to the Public Accountants Council for the Province of Ontario;
  - (b) to the Canadian Institute of Chartered Accountants; and
  - (c) by publication in *CheckMark*.
4. THAT in the event Mr. Aldred fails to comply with paragraph 2 of this Order, he shall thereupon be suspended from the rights and privileges of membership in the Institute until such time as he does comply, provided that he complies within three (3) months from the date of his suspension, and in the event he does not comply within this three month period, he shall thereupon be expelled from membership in the Institute, and notice of his expulsion, disclosing his name, shall be given in the manner specified above, and in the Orangeville Banner.

DATED AT TORONTO THIS 26TH DAY OF MARCH, 2002  
BY ORDER OF THE DISCIPLINE COMMITTEE

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

## **DISCIPLINE COMMITTEE re John Campbell Aldred**

**REASONS FOR THE DECISION AND ORDER IN THE MATTER OF:** A charge against **JOHN CAMPBELL ALDRED, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

### **REASONS FOR THE DECISION AND ORDER MADE MARCH 20, 2002**

1. This panel of the discipline committee of the Institute of Chartered Accountants of Ontario met on March 20, 2002 to hear a charge brought by the professional conduct committee against John C. Aldred, a member of the Institute.
2. Mr. Paul Farley represented the professional conduct committee. He was accompanied by Mr. C.S. Barltrop, FCA, the investigator appointed by the professional conduct committee. The member was present at the hearing and was represented by Mr. Christian Riveros.
3. The decision and order of the discipline committee was made known at the hearing on March 20, 2002. The formal decision and order, dated March 26, 2002, was sent to the parties that day. These reasons, given in writing pursuant to Bylaw 574, set out the charge and the decision and order.

### **DECISION ON THE CHARGE**

4. The notice of assignment hearing, notice of hearing and charge were entered as exhibits at the hearing. The charge, dated November 20, 2001, read as follows:

THAT, the said John C. Aldred, in or about the period August 11, 1998 through February 28, 1999, while engaged to perform an audit of the financial statements of Rico Resources Inc. as at December 31, 1998 and 1997, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the *CICA Handbook*, contrary to Rule 206 of the rules of professional conduct, in that;

- (a) he failed to obtain sufficient appropriate audit evidence to support the valuation of the balance sheet item "Mineral property and deferred exploration costs – (Note 3) 1,477,205";
  - (b) he failed to obtain sufficient appropriate audit evidence to support the valuation of the balance sheet item "Accounts payable and accrued liabilities 437,533";
  - (c) he failed obtain [*sic*] sufficient appropriate audit evidence to support the balance sheet item "Stated capital – (Note 6) 1,461,000";
  - (d) he failed to properly document matters that are important in providing evidence to support the conclusion expressed in his report.
5. Mr. Aldred pled guilty to the charge. He confirmed his understanding that on the basis of his plea and on that basis alone, he could be found guilty of the charge.

6. An agreed statement of facts and document brief were filed which outlined the background of the case and the facts with respect to each particular of the charge.

7. Mr. Aldred, who was 75 years old at the time of the hearing, was admitted to membership in the Institute in 1953. He practised as a sole practitioner until his retirement in the year 2000. After retirement, he was employed for a period of time as the chief financial officer of Sovereign Capital Group (Ont.) Limited. At the time of the hearing, he was fully retired.

8. Mr. Aldred's misconduct is succinctly set out in the agreed statement of facts. He was engaged to perform an audit of Rico Resources Inc. for the years ending December 31, 1997 and 1998. He signed and delivered auditor's reports for both years but did not perform proper audits.

9. Mr. Aldred did not obtain sufficient appropriate audit evidence to support the item "Mineral property and deferred exploration costs", which constituted in excess of 95% of the assets of Rico Resources in both years. He did look at some geological reports, but did not have enough evidence to adequately establish that the mineral property continued to have value, or that deferred exploration costs were valid. More importantly, the mineral property was leased, and Mr. Aldred did not do any work to establish the validity of the lease. In fact, there were two separate court proceedings, both of which had declared or ordered the lease terminated.

10. With respect to the second particular, for the year 1998 Mr. Aldred undertook no auditing procedures to confirm the balance sheet item "Accounts payable and accrued liabilities". While he had done some work to support the valuation of accounts payable and accrued liabilities for the year 1997, the work done was inadequate.

11. With respect to the third particular, not only did Mr. Aldred not have sufficient appropriate audit evidence to support the "Stated capital", he did not disclose the stock option plan which was in place.

12. With respect to the fourth particular, the evidence established that there was no audit planning document, no documentation of Mr. Aldred's knowledge of Rico, and no documentation with respect to the litigation pertaining to the lease.

13. After deliberation, the committee found all four particulars of the charge had been proven, and Mr. Aldred was found guilty of the charge. The decision, which was put on the record at the hearing, reads as follows:

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, and having heard the plea of guilty to the charge, the Discipline Committee finds John Campbell Aldred guilty of the charge.

#### **ORDER AS TO SANCTION**

14. No evidence was called with respect to sanction.

15. Mr. Farley submitted on behalf of the professional conduct committee that the appropriate sanction would be a reprimand from the chair, a fine of \$2,500, and the usual notice of the decision and order, that is that notice be given to the Public Accountants Council for the Province of Ontario (PAC), to the Canadian Institute of Chartered Accountants, and to the profession by publication in *CheckMark*. The sanction proposed was not a joint submission of the parties although the member's counsel later supported the proposed sanction.

16. Mr. Farley submitted that the suggested sanction was appropriate as the member no longer practised public accounting. He had not renewed his public accounting license in April 2000 and had stated his intention not to renew it in the future. Later in the hearing, the member provided the committee with an irrevocable undertaking addressed to the Institute and to the PAC that he would not reapply for a public accounting licence.

17. Mr. Farley reviewed a number of previous decisions which were similar to this case. In some of those cases a suspension had been imposed and in others it had not. Mr. Farley submitted that the facts of this case were closer to the facts in the cases where suspension had not been ordered.

18. After deliberation, the hearing reconvened and the terms of the order were made known to the parties. The formal order reads as follows:

#### ORDER

IT IS ORDERED in respect of the charge:

1. THAT Mr. Aldred be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Aldred be and he is hereby fined the sum of \$2,500, to be remitted to the Institute within six (6) months from the date this Decision and Order becomes final under the bylaws.
3. THAT notice of this Decision and Order, disclosing Mr. Aldred's name, be given after this Decision and Order becomes final under the bylaws, in the form and manner determined by the discipline committee:
  - (a) to the Public Accountants Council for the Province of Ontario;
  - (b) to the Canadian Institute of Chartered Accountants; and
  - (c) by publication in *CheckMark*.
4. THAT in the event Mr. Aldred fails to comply with paragraph 2 of this Order, he shall thereupon be suspended from the rights and privileges of membership in the Institute until such time as he does comply, provided that he complies within three (3) months from the date of his suspension, and in the event he does not comply within this three month period, he shall thereupon be expelled from membership in the Institute, and notice of his expulsion, disclosing his name, shall be given in the manner specified above, and in the Orangeville Banner.

19. The discipline committee agreed with counsels' submissions that the most important sentencing principle in this case was that of general deterrence. Since the member is not currently in public practice, and since he provided an irrevocable undertaking not to engage in the future in public practice, the principles of specific deterrence and rehabilitation are not as relevant to sanction as the principal of general deterrence.

20. We also agreed that the circumstances of this case were similar to previous cases where a suspension was not ordered.

21. This is not a case involving moral turpitude. While what Mr. Aldred did might be more accurately described as a "non-audit" than an audit, we concluded he did not pose a risk to the public. He confirmed in writing that he has retired from public accounting and will not obtain a public accounting licence in the future. We accept that he will not purport to carry on as a public accountant and that he has fully retired. He acknowledged his guilt and entered into an agreed statement of facts, and confirmed his understanding of the standard required of him and his willingness to adhere to it.

### **Reprimand**

22. In keeping with normal practice, the panel ordered that the member be reprimanded in writing by the chair of the hearing, to stress to him the serious nature of his offence and the unacceptability of his conduct as a chartered accountant.

### **Fine**

23. The discipline committee determined that a fine of \$2,500 was appropriate in this case as a general deterrent.

### **Notice**

24. Publication of the decision and order, including the member's name, is, in the opinion of the panel, a general deterrent. Communication to the public that the profession views breaches of its bylaws and rules of professional conduct seriously is an important factor in the self-governance of the profession. The panel therefore ordered the usual publication of these proceedings.

DATED AT TORONTO THIS 23RD DAY OF MAY, 2002  
BY ORDER OF THE DISCIPLINE COMMITTEE

M. BRIDGE, CA – DEPUTY CHAIR  
THE DISCIPLINE COMMITTEE

### **MEMBERS OF THE PANEL:**

P.A. GOGGINS, CA  
J.M. MULHALL, CA  
S.W. SALTER, CA  
R.D. WHEELER, FCA  
B.A. YOUNG (Public representative)