

Paul Harold McKechnie: Summary, as Published in *CheckMark*

Paul Harold McKechnie, of Ottawa, was found guilty of two charges under Rule 206 of failing to perform his professional services in accordance with generally accepted standards of practice of the profession. The charges related to the audits of a client organization for two consecutive year-ends. Mr. McKechnie's audit deficiencies included failure to obtain sufficient appropriate audit evidence to support various items, failure to document important matters, and failure to deny or qualify his opinion in circumstances that required a denial or qualification. Mr. McKechnie was fined \$3,000 and ordered to complete two professional development courses.

CHARGE(S) LAID re Paul Harold McKechnie

The Professional Conduct Committee hereby makes the following charges against Paul H. McKechnie, CA, a member of the Institute:

1. That, the said Paul H. McKechnie, while engaged to perform the audit of The World Council of Indigenous Peoples for the year ended March 31, 1996, 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 did not deny or qualify his opinion in circumstances that require a qualification or denial;
 - b. he did not obtain sufficient appropriate audit evidence to support the item 'Revenue, \$386,981';
 - c. he did not obtain sufficient appropriate audit evidence to support the item 'Expenditure \$436,573';
 - d. he did not obtain sufficient appropriate audit evidence to support the item 'Accounts payable and accrued liabilities \$3,228';
 - e. he did not document matters which were important in providing evidence to support the content of his report
 - f. he did not account properly for the goods and services tax receivable written off; and
 - g. he did not obtain sufficient appropriate audit evidence to support the item "Cash \$23,681".
2. THAT, the said Paul H. McKechnie, while engaged to perform the audit of The World Council of Indigenous People for the year ended March 31, 1995, 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 professionals conduct, in that:
 - a. he did not deny or qualify his opinion in circumstances that require a qualification or denial;
 - b. he did not obtain sufficient appropriate audit evidence to support the item 'Revenue, \$450,084;
 - c. he did not obtain sufficient appropriate audit evidence to support the item 'Expenditure \$371,928'.

- d. He did not document matters which were important in providing evidence to support the content of his report.
- 3. THAT, the said Paul H. McKechnie, while engaged to perform the audit of The World Council of Indigenous People for the year ended March 31, 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 professionals conduct, in that:
 - a. He did not document matters which were important in providing evidence to support the content of his report.
 - b. he did not perform proper audit procedures in respect of inventory
 - c. he did not obtain sufficient appropriate audit evidence to support the item "Provincial fees and other receivables, \$40,696";
 - d. he did not obtain sufficient appropriate audit evidence to support the item "Revenue, \$162,834";
 - e. he did not obtain sufficient appropriate audit evidence to support the item "Expenditure, \$187,784";
- 4. That, the said Paul H. McKechnie, while engaged to perform a review of financial statements of Ridge House Falls Inc. for the year ended November 30, 1996, 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 did not document matters that were important to support the content of his report; and
 - b. he did not ensure that the financial statements disclosed that \$44,000 of the accounts payable was a related party transaction.

Dated at Toronto this 4th day of November, 1997

M. DUNLOP, FCA – DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Paul Harold McKechnie

DECISION AND ORDER IN THE MATTER OF: Charges against **PAUL HAROLD McKECHNIE, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE MARCH 2, 1998

DECISION

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, charges Nos. 3 and 4 having been withdrawn, the Discipline Committee finds Paul Harold McKechnie guilty of charges Nos. 1 and 2.

ORDER

IT IS ORDERED in respect of charges Nos. 1 and 2:

1. THAT Mr. McKechnie be reprimanded in writing by the chair of the hearing.
2. THAT Mr. McKechnie be and he is hereby fined the sum of \$3,000, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. McKechnie be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 - Auditing Refresher; and
 - Practical Skills for Reviewing Audit Files,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
4. THAT notice of this Decision and Order, disclosing Mr. McKechnie's name, be given after this Decision and Order becomes final under the bylaws:
 - (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*.
5. THAT in the event Mr. McKechnie fails to comply with the requirements of this Order within the time periods specified, 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 twelve (12) months from the date of his suspension, and in the event he does not comply within the twelve 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 a local newspaper where Mr. McKechnie carries on business.

DATED AT TORONTO THIS 5TH DAY OF MARCH, 1998
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Paul Harold McKechnie

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against **PAUL HAROLD McKECHNIE, 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 2, 1998

These proceedings before this panel of the discipline committee of the Institute of Chartered Accountants of Ontario were convened on March 2, 1998.

The decision on the charges and the order as to sanction were made known at the hearing, and the parties were told that written reasons would follow. These are the reasons of the discipline committee.

At the hearing, the professional conduct committee was represented by Mr. B. P. Bellmore, and Mr. McKechnie attended with his counsel, Mr. R. M. Nelson.

Four charges, relating to three audits and one review engagement, had been laid against Mr. McKechnie. The charges alleged that Mr. McKechnie 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. Prior to Mr. McKechnie entering a plea, the professional conduct committee withdrew charges Nos. 3 and 4, whereupon Mr. McKechnie pleaded guilty to charges Nos. 1 and 2, relating to the 1995 and 1996 audits of The World of Indigenous Peoples.

Charges Nos. 1 and 2 read as follows:

1. *THAT, the said Paul H. McKechnie, while engaged to perform the audit of The World Council of Indigenous Peoples for the year ended March 31, 1996, 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 did not deny or qualify his opinion in circumstances that require a qualification or denial;*
 - (b) *he did not obtain sufficient appropriate audit evidence to support the item 'Revenue, \$386,981';*
 - (c) *he did not obtain sufficient appropriate audit evidence to support the item 'Expenditure, \$436,573';*
 - (d) *he did not obtain sufficient appropriate audit evidence to support the item 'Accounts payable and accrued liabilities, \$3,228';*

- (e) *he did not document matters which were important in providing evidence to support the content of his report;*
 - (f) *he did not account properly for the goods and services tax receivable written off; and*
 - (g) *he did not obtain sufficient appropriate audit evidence to support the item 'Cash \$23,681'.*
2. *THAT, the said Paul H. McKechnie, while engaged to perform the audit of The World Council of Indigenous Peoples for the year ended March 31, 1995, 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 did not deny or qualify his opinion in circumstances that require a qualification or denial;*
 - (b) *he did not obtain sufficient appropriate audit evidence to support the item 'Revenue, \$450,084';*
 - (c) *he did not obtain sufficient appropriate audit evidence to support the item 'Expenditure, \$371,928';*
 - (d) *he did not document matters which were important in providing evidence to support the content of his report.*

DECISION ON THE CHARGES

In presenting the case against Mr. McKechnie on behalf of the professional conduct committee, Mr. Farley filed an agreed statement of facts, summarizing the various deficiencies in the audit engagements, and a document brief containing copies of financial statements and working papers relating to the audits.

Mr. McKechnie had signed the agreed statement of facts that highlighted the audit deficiencies, and, at the hearing, did not reply to any of the evidence submitted by the professional conduct committee.

After deliberating upon the evidence presented in the agreed statement of facts and document brief, the panel concluded that the particulars in charges Nos. 1 and 2 had been proven, and, accordingly, found Mr. McKechnie guilty of the two charges.

ORDER AS TO SANCTION

The panel then moved on to a determination of the appropriate sanction. Neither party called evidence with respect to sanction, but counsel for both parties made submissions. Mr. Nelson, on behalf of Mr. McKechnie, took issue with the quantum of fine sought by the professional conduct committee, and with the form and content of the normal publication notice.

After hearing the parties' submissions, but prior to beginning its deliberations, the panel asked that each party address the issue of suspension, as it had not previously been addressed. The panel viewed the audit deficiencies as serious breaches of the rules, and requested to know why the professional conduct committee did not consider a suspension to be warranted in this case. Mr. Nelson also made a submission in this

regard. The panel satisfied itself, after hearing the parties' further submissions, that it was appropriate not to order suspension.

While acknowledging that all three general principles of sentencing, namely rehabilitation, general deterrence and specific deterrence, were relevant in this case, the panel concluded, upon deliberation, that rehabilitation and specific deterrence were the priorities. The panel made the following order:

ORDER

IT IS ORDERED in respect of charges Nos. 1 and 2:

1. THAT Mr. McKechnie be reprimanded in writing by the chair of the hearing.
2. THAT Mr. McKechnie be and he is hereby fined the sum of \$3,000, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. McKechnie be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 - Auditing Refresher; and
 - Practical Skills for Reviewing Audit Files,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
4. THAT notice of this Decision and Order, disclosing Mr. McKechnie's name, be given after this Decision and Order becomes final under the bylaws:
 - (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*.
5. THAT in the event Mr. McKechnie fails to comply with the requirements of this Order within the time periods specified, 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 twelve (12) months from the date of his suspension, and in the event he does not comply within the twelve 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 a local newspaper where Mr. McKechnie carries on business.

Reprimand

The panel was of the view that a reprimand is necessary as a specific deterrent to the member, to stress to him the unacceptability of his conduct as a chartered accountant.

Fine

The professional conduct committee requested a fine of \$3,000. The panel concurred with counsel for the professional conduct committee that a fine was important as both a general and a specific deterrent. Mr. Nelson addressed the issue of the quantum of the fine, and submitted that he thought it was on the high side. After taking into consideration other relevant cases, and also considering the other costs resulting from its order, the panel felt that a fine in the amount of \$3,000 was appropriate in this case.

Professional Development Courses

The discipline committee believes that one of the purposes of the disciplinary process, in appropriate cases, is to encourage rehabilitation. This is of benefit both to the member and to the public which the member serves. The panel agreed that the courses recommended by the professional conduct committee would help Mr. McKechnie update his skills, and assist in his rehabilitation. Mr. McKechnie also agreed that the selected courses were appropriate in this case. The panel ordered the courses noted above.

Notice

Publication of the decision and order, including Mr. McKechnie's name, is, in the opinion of the panel, a general deterrent. Communication of the fact that the profession views breaches of its bylaws and rules of professional conduct seriously is an important factor in the governance of the profession. The disciplinary process of a self-governing professional body must be viewed by its members and the public as an open process.

The panel heard Mr. Nelson's submissions that, in light of the outstanding contributions made by Mr. McKechnie to the profession and his community, this was a case where publication should not include the member's name, but, if the panel decided the member's name was to be published, the notice should be along the lines of a draft which he submitted. The panel was not persuaded by these submissions, and decided that the usual form of notice was appropriate. It was clear from the evidence, including Mr. McKechnie's answers to a number of questions from members of the panel, that the financial statements ought not to have been released, and Mr. McKechnie had no satisfactory explanation for the fact that they were. The panel concluded he would not have allowed them to be released if he had turned his mind to the files as he should have. Withholding Mr. McKechnie's name from publication in these circumstances would almost amount to a reward for not doing what he knew he should have done.

DATED AT TORONTO THIS 18TH DAY OF JUNE, 1998.
BY ORDER OF THE DISCIPLINE COMMITTEE

L. P. BOOKMAN, CA - DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:
H. B. BERNSTEIN, CA

P. A. GOGGINS, CA
B. L. STEPHENS, CA
R. D. WHEELER, FCA
J. T. ANDERS (Public representative)