

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO
THE CHARTERED ACCOUNTANTS ACT, 1956

DISCIPLINE COMMITTEE

IN THE MATTER OF: Charges against **WILLIAM ANDREW CAMPBELL**, a suspended member of the Institute, under **Rules 201.1, 203.2, 206, 206.1 and 218** of the Rules of Professional Conduct, as amended.

TO: Mr. W. Andrew Campbell
141 Adelaide Street West
Suite 500
Toronto, ON M5H 3L5

AND TO: The Professional Conduct Committee, ICAO

REASONS
(Decision And Order Made May 16, 2005)

1. This panel of the Discipline Committee of the Institute of Chartered Accountants of Ontario met on May 16, 2005 to hear charges brought by the Professional Conduct Committee against William Andrew Campbell, a suspended member of the Institute.
2. Ms. Barbara Glendinning appeared on behalf of the Professional Conduct Committee, and was accompanied by Mr. Raymond Harris, FCA, the investigator appointed by the Professional Conduct Committee. Mr. Campbell was in attendance and was represented by his agent, Mr. Michael Whitney.
3. The decision of the panel was made known to the parties at the conclusion of the hearing on May 16, 2005, and the written Decision and Order sent to them on June 10, 2005. These reasons, pursuant to Bylaw 574, include the charge, the decision, the order, and the reasons of the panel for its decision and order.

CHARGES

4. The following charges were laid by the Professional Conduct Committee against Mr. Campbell on March 18, 2005:
 1. THAT the said W. Andrew Campbell, in or about the period December 31, 2002 through May 19, 2003 while engaged to perform an audit of the financial statements of R. Mines Limited for the year ended December 31, 2002 and to report on the financial statements for each of the years ended December 31, 2002 and 2001, 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 ensure proper disclosure of stock-based compensation;
 - (b) he failed to ensure that an adequate explanation of the relationship, if any, between the warrants referred to in Note 8(b)(i) and those referred to in Note 8(c)(i) was provided;
 - (c) he failed to ensure proper disclosure of the amount and expiry date of unused tax losses and the amount of deductible temporary differences for which no future income tax asset has been recognized;
 - (d) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Long-Term Debt - \$237,863";
 - (e) he failed to ensure that the written representations of management set out in the representation letter dated May 19, 2003 included all required disclosures;
 - (f) he failed to properly document items important to support his report.
2. THAT the said W. Andrew Campbell, in or about the period December 31, 2003 through April 12, 2004 while engaged to perform an audit of the financial statements of E. W. International Inc. for the year ended December 31, 2003 and to report on the financial statements for each of the years ended December 31, 2003 and 2002, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the rules of professional conduct, in that:
- (a) in the cash flow statements, he failed to ensure disclosure of the cash paid for interest in each of the years;
 - (b) in the cash flow statements, he failed to ensure proper disclosure of the item "other loans and advances";
 - (c) for the year ended December 31, 2002 he failed to ensure the proper classification of the warrant component of a financial instrument;
 - (d) he failed to ensure proper disclosure of stock-based compensation;
 - (e) he failed to ensure that the written representations of management set out in the representation letter dated April 14, 2004 included all required disclosures;
 - (f) he failed to properly document items important to support his report;
 - (g) his auditor's report is not in the form required by the CICA Handbook in that it does not refer to "Canadian" generally accepted auditing standards and "Canadian" generally accepted accounting principles.
3. THAT the said W. Andrew Campbell, in or about the period October 31, 2003 through December 1, 2003, while engaged to perform an audit of the consolidated financial statements of I. L. S. Corporation for the year ended October 31, 2003 and

to report on the financial statements for each of the years ended October 31, 2003 and 2002, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 and its predecessor, Rule 206, of the rules of professional conduct, in that:

- (a) he failed to ensure that the liability and equity components of financial instruments were classified separately;
 - (b) he failed to ensure proper disclosure of the amount and expiry date of unused tax losses and the amount of deductible temporary differences for which no future income tax asset has been recognized;
 - (c) he failed to ensure proper disclosure of a related party transaction;
 - (d) he failed to ensure that the written representations of management set out in the representation letter dated December 31, 2003 included all required disclosures;
 - (e) he failed to obtain sufficient appropriate audit evidence to support the consolidated balance sheet item "Rental deposit - \$63,414";
 - (f) he failed to properly document items important to support his report;
 - (g) his auditor's report is not in the form required by the CICA Handbook in that it does not refer to "Canadian" generally accepted auditing standards and "Canadian" generally accepted accounting principles.
4. THAT the said W. Andrew Campbell, in or about the period October 31, 2003 through January 16, 2004, while engaged to perform an audit of the consolidated financial statements of G. G. Inc. for the year ended October 31, 2003 and to report on the financial statements for each of the years ended October 31, 2003 and 2002, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 and its predecessor, Rule 206, of the rules of professional conduct, in that:
- (a) in the cash flow statements, he failed to ensure the disclosure of the cash paid for interest in each of the years;
 - (b) in the cash flow statements, he failed to ensure the proper disclosure of the "(increase) in short-term investments" and "increase in mineral properties and deferred costs";
 - (c) he failed to ensure proper disclosure of related party transactions;
 - (d) he failed to ensure proper disclosure of issues related to income taxes;
 - (e) he failed to ensure that the warrant component of a financial instrument was classified as a separate component of equity;
 - (f) he failed to ensure that a fair value was attributed to the 733,333 special warrants issued to C. Capital Corporation as part of its financing

commission;

- (g) he failed to ensure that the written representations of management set out in the representation letter dated January 29, 2004 included all required disclosures;
 - (h) he failed to obtain sufficient appropriate audit evidence to support the consolidated balance sheet item "Cash and cash equivalents - \$2,792,138";
 - (i) he failed to obtain sufficient appropriate audit evidence to support the consolidated balance sheet item "Short Term Investments - \$634,510";
 - (j) he failed to obtain sufficient appropriate audit evidence to support the consolidated balance sheet item "Mineral properties and deferred costs - \$4,824,120;
 - (k) he failed to properly document items important to support his report.
5. THAT the said W. Andrew Campbell, in or about the period March 31, 2004 through May 17, 2004, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest, contrary to Rule 201.1 of the rules of professional conduct, in that, having failed to register to become a participant in the oversight program of the Canadian Public Accountability Board when he knew that the final date for registration was March 30, 2004, he:
- (a) issued an audit report dated March 31, 2004 on the financial statements of Z. Capital Corp., a reporting issuer pursuant to CSA National Instrument 52-108;
 - (b) issued an audit report dated April 12, 2004 on the financial statements of E. W. International Inc., a reporting issuer pursuant to CSA National Instrument 52-108;
 - (c) issued an audit report dated May 7, 2004 on the financial statements of N. Inc., a reporting issuer pursuant to CSA National Instrument 52-108;
 - (d) issued an audit report dated May 7, 2004 on the financial statements of N. G. Inc., a reporting issuer pursuant to CSA National Instrument 52-108;
 - (e) issued an audit report dated May 17, 2004 on the financial statements of L. S. and C. Mining Company Limited, a reporting issuer pursuant to CSA National Instrument 52-108;
 - (f) issued an audit report dated April 21, 2004 on the financial statements of S. J. Ltd. (formerly C. B. Resources Ltd.), a reporting issuer pursuant to CSA National Instrument 52-108.
6. THAT the said W. Andrew Campbell, in or about the period December 31, 2002 to March 10, 2005, failed to retain for a reasonable period of time such working papers, records or other documentation which reasonably evidence the nature and extent of the work done in respect of his professional engagement to perform an audit of the

financial statements of E. W. International Inc. for the year ended December 31, 2002, contrary to Rule 218 of the rules of professional conduct.

7. THAT the said W. Andrew Campbell, in or about the period January 31, 2005 to March 8, 2005, failed to co-operate with officers, servants or agents of the Institute who have been appointed to arrange or conduct an investigation on behalf of the professional conduct committee, contrary to Rule 203.2 of the rules of professional conduct.

5. Mr. Campbell entered a plea of guilty to each of the charges and acknowledged that on the basis of the plea of guilty and on that basis alone he could be found guilty of the charges.

EVIDENCE

6. The evidence in this matter was presented by way of an Agreed Statement of Facts (Exhibit 4), along with an accompanying Document Brief (Exhibit 5). Two letters indicating and acknowledging Mr. Campbell requires support during rehabilitation and offering such support were filed (Exhibits 6 and 7). Neither party called any further evidence.

7. The panel finds the evidence as contained in the Exhibits clear, cogent and convincing.

8. With respect to Charges No. 1, 2, 3, and 4, Mr. Campbell admits he did not ensure compliance with the CICA Handbook requirements and that he did not perform the audits in accordance with the generally accepted standards of practice of the profession.

9. With respect to Charge No. 5, the panel finds that, after March 29, 2004, Mr. Campbell signed and issued audit reports for six public companies when he was not a participant in the Canadian Public Accountability Board oversight program and, pursuant to CSA National Instrument 52-108, was not eligible to audit the financial statements of reporting issuers. The six companies were required by the OSC to have their financial statements re-audited by a participating audit firm. Mr. Campbell admits that in signing auditor's reports for reporting issuers after March 29, 2004, knowing he was not a registered participant in the CPAB oversight program, he acted in a manner that fails to maintain the good reputation of the profession and its ability to serve the public interest.

DECISION

10. The panel is satisfied that the allegations set out in the charges have been proven and that the nature and extent of the departure from the required standard of practice is so significant as to constitute professional misconduct. The panel found Mr. Campbell guilty of the charges. The Chair read the following decision:

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, and having heard the plea of guilty to charges Nos. 1, 2, 3 4, 5, 6 and 7, the Discipline Committee finds William Andrew Campbell guilty of charges Nos. 1, 2, 3, 4, 5, 6 and 7.

REASONS FOR THE DECISION

11. The panel notes that the public places great reliance on members to not take on engagements when they lack the requisite competencies. While many of the particulars of the charges concerned accounting issues members would not encounter if they were to restrict their

practices to compilation and review engagements, Mr. Campbell did not so restrict his practice. His failure to remain current was so pervasive as to constitute professional misconduct.

SANCTION

12. The Professional Conduct Committee submitted that the member's work clearly fell below the accepted standard. Every file examined by the investigator had deficiencies, and a number of the member's clients had to go to the expense and inconvenience of having their financial statements redone by other accountants. The Professional Conduct Committee also noted that the member is remorseful and resolved to bring his practice up to the required standard. In all the circumstances, the Professional Conduct Committee is seeking a reprimand, a fine of \$2,000, a suspension for two years, a period of one year supervised practice thereafter followed by a further re-investigation, a requirement that the member attend at least five professional development courses, publicity, and costs in the amount of \$2,500.

13. Counsel for the member did not dispute the appropriateness of the sanction presented by the Professional Conduct Committee, but submitted that the member's professional difficulties were precipitated by personal difficulties. He further submitted that his client was proud of his accounting designation, and was determined to take whatever steps were necessary to rehabilitate himself as a competent member of the profession.

ORDER

14. After careful consideration of the submissions, the panel made the following order:

IT IS ORDERED in respect of the charges:

1. THAT Mr. Campbell be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Campbell be and he is hereby fined the sum of \$2,000, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Campbell be and he is hereby charged costs fixed at \$2,500, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Campbell be suspended from the rights and privileges of membership in the Institute for a period of two (2) years from the date this Decision and Order becomes final under the bylaws.
5. THAT Mr. Campbell be and he is hereby required to complete, by paying for and attending in their entirety, within two (2) years from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute, or, in the event a course listed below becomes unavailable, the successor course which takes its place:
 - (a) *Accounting Refresher*;
 - (b) *Auditing Refresher*;
 - (c) *Financial Statement Presentation & Disclosure*;
 - (d) *Review & Compilation Engagements*; and

(e) *Staying Out of Trouble.*

6. THAT, if Mr. Campbell intends to practise as a chartered accountant or public accountant, whether at the time his suspension ends or thereafter, he be and he is hereby required to complete a one (1) year period of supervised practise, at his own cost, under the terms and conditions set out below
 - (a) Mr. Campbell shall, within thirty (30) days from the date he commences his practice, file with the secretary of the discipline committee a supervised practice plan that has been reviewed and approved by the director of standards enforcement, and that sets out the name and the detailed responsibilities of the supervisor.
 - (b) The responsibilities of the supervisor shall include, at a minimum, the review and approval of all working papers and financial statements for audit engagements, and review and approval of a sample of working papers and financial statements for 25% of review engagements.
7. THAT Mr. Campbell be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within three (3) months from the expiry of the period of supervised practice ordered in paragraph 6, the cost of the reinvestigation, up to \$2,000, to be paid by Mr. Campbell within thirty (30) days of receiving notification of the cost of the reinvestigation.
8. THAT Mr. Campbell's practice be included in the practices to be inspected in the year following the reinvestigation.
9. THAT Mr. Campbell shall not carry on the practice of a chartered accountant or the practice of public accounting except under the terms and conditions above.
10. THAT notice of this Decision and Order, disclosing Mr. Campbell'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*.
11. THAT Mr. Campbell surrender his certificate of membership in the Institute to the discipline committee secretary within ten (10) days from the date this Decision and Order becomes final under the bylaws, to be held during the period of suspension and thereafter returned to Mr. Campbell.
12. THAT in the event Mr. Campbell fails to comply with the requirements of this Order, 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 by publication in *The Globe and Mail*.

REASONS FOR THE ORDER

Reprimand

15. The panel orders Mr. Campbell be reprimanded in writing by the Chair of the panel to make it clear to Mr. Campbell that his conduct is unacceptable.

Fine

16. The panel finds that a fine in the amount of \$2,000 is sufficient in the circumstances to serve as a general and specific deterrent. Mr. Campbell must pay this fine within one year of the date this order becomes final.

Suspension

17. The panel finds that a suspension for two years is necessary both to provide sufficient time for Mr. Campbell to upgrade his skills and to serve as a general deterrent by reminding other members of the consequences of allowing their knowledge to become woefully out of date and accepting engagements for which they do not have the requisite competencies.

Professional Development

18. The rehabilitation of Mr. Campbell through education will serve to protect the public.

Supervised Practice

19. Given the deficiencies noted in the engagements undertaken by Mr. Campbell, his rehabilitation and the protection of the public require that his practice be supervised for a period of time. In the circumstances, it is appropriate that all of Mr. Campbell's audit engagements, and a sample of his review ones, be subject to the scrutiny of his supervisor.

Re-investigation

20. Given the deficiencies noted in the engagements, a re-investigation following the period of supervised practice and education is required to ensure that Mr. Campbell's standards are those of the profession.

Costs

21. It is appropriate that the member charged, as opposed to the membership as a whole, bear in part the costs of the investigation and prosecution occasioned by his misconduct. With respect to the costs, as with the quantum of the fine, the panel took into account the financial and other circumstances of the member. We conclude, bearing in mind the sanction in its totality, costs in the amount of \$2,500 are appropriate and so ordered by the panel. Mr. Campbell must pay those costs within one year of the date this order becomes final.

Notice

22. Publishing names of members found guilty of professional misconduct is often the single most significant sanction that may be administered for general deterrence, education of the membership at large, and protection of the public. The panel therefore orders the publication of this proceeding in *Checkmark* and orders that notice be given to the Public Accountants Council for the Province of Ontario and to the Canadian Institute of Chartered Accountants. The panel also orders that the notice shall address issues of specific deterrence and rehabilitation of Mr. Campbell.

Return of Certificate

23. Certificates of Institute membership belong to the Institute. As Mr. Campbell has been suspended from membership and is no longer in good standing with the Institute, the membership certificate issued to him must be surrendered for the period of that suspension.

Expulsion for Failing to Comply

24. To encourage compliance with discipline orders in cases in which members are not expelled outright, orders of a panel generally specify expulsion with newspaper notification to the public as an ultimate consequence for non-compliance. The panel so orders in this proceeding.

DATED AT TORONTO THIS 17th DAY OF NOVEMBER, 2005
BY ORDER OF THE DISCIPLINE COMMITTEE

B. L. HAYES, CA – DEPUTY CHAIR
DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

S.F. DINELEY, FCA
N.A. MACDONALD EXEL, CA
J.G. SEDGWICK, CA
P.W. WONG (Public Representative)