

Woldemar Kroeker: Summary, as Published in *CheckMark*

Woldemar Kroeker, of St. Catharines, 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.

He gave an unqualified audit opinion on financial statements after conducting an inadequately planned and improperly executed audit. He was fined \$1,000 and ordered to complete a professional development course. Mr. Kroeker's appeal of the provision in the discipline committee's order that his name be disclosed in the notice to be published in *CheckMark* was dismissed by the appeal committee

CHARGE(S) LAID re Woldemar Kroeker

The Professional Conduct Committee hereby makes the following charges against Woldemar Kroeker, a member of the Institute:

1. THAT, the said Woldemar Kroeker, in or about the period January, 1993 through to April, 1993, 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, being engaged to provide an audit opinion on the financial statements of Branch 393, Royal Canadian Legion Senior Citizens Complex as at February 28, 1993, and having attached an unqualified audit report dated April 7, 1993 to those financial statements;
 - a) he failed to adequately plan and properly execute the audit work;
 - b) he failed to obtain written management representations as to claims or possible claims;
 - c) he failed to obtain a letter from the solicitors with respect to claims or possible claims against the client;
 - d) he failed to directly confirm with the bank details as to outstanding loans and deposits;
 - e) he failed to directly confirm with the mortgagee the mortgage shown on the balance sheet in the amount of \$1,232,658;
 - f) he failed to carry out an adequate review of subsequent events;
 - g) he failed to obtain adequate audit evidence to support the financial statement note that there were no changes in the letters patent during the fiscal year;
 - h) he failed to document matters which were important in providing evidence to support the content of his report.
2. THAT, the said Woldemar Kroeker, in or about the period April 1993 through August 1993, 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, being engaged to carry out a review of the financial statements of Courtesy Auto Sales Inc. as at May 31, 1993, and having attached a Review Engagement Report dated July 6, 1993 to those financial statements;
 - a) he failed to reach an understanding and agreement with the client as to the services to be provided
 - b) he failed to adequately plan the review work;
 - c) he failed to address the issue of the client's deferred tax liability;

- d) he failed to disclose the accounting policy followed by the client for leases which policy was inconsistent with generally accepted accounting principles;
- e) he failed to disclose in the financial statements, the terms and collateral attached to shareholders loans in the amount of \$17,617;
- f) he failed to disclose aggregate payments on long term debt due in each of the following five years;
- g) he failed to document matters that were important to support the content of the report.

DATED at Belleville this 18th day of January 1995.

JENNIFER FISHER, CA – CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Woldemar Kroeker

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

DECISION AND ORDER MADE JUNE 7, 1995

DECISION

THAT, having seen, heard and considered the evidence, including the agreed statement of facts, filed, and having heard the plea of guilty to charges Nos. 1 and 2, and having dismissed charge No. 2 and particulars (e), (f) and (g) of charge No. 1, THE DISCIPLINE COMMITTEE FINDS Woldemar Kroeker guilty of charge No. 1.

ORDER

IT IS ORDERED in respect of charge No. 1:

1. THAT Mr. Kroeker be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Kroeker be and he is hereby fined the sum of \$1,000, to be remitted to the Institute within two (2) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Kroeker be and he is hereby required to complete, by attending in its entirety, within six (6) months from the date this Decision and Order becomes final under the bylaws, the professional development course entitled *Audit and Related Services Refresher*, made available through the Institute, or, in the event that course becomes unavailable, the successor course which takes its place.
4. THAT notice of this Decision and Order, disclosing Mr. Kroeker's 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 in the event Mr. Kroeker fails to comply with any of 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, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 4 hereof.
6. THAT in the event Mr. Kroeker is suspended pursuant to paragraph 5 hereof, the suspension shall terminate upon his compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.

7. THAT in the event Mr. Kroeker fails to terminate a suspension imposed pursuant to paragraph 5 hereof within the six (6) month period specified in paragraph 6, 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 in paragraph 4 hereof.

DATED AT TORONTO THIS 23RD DAY OF JUNE, 1995
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Woldemar Kroeker

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against **WOLDEMAR KROEKER, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

WRITTEN REASONS FOR THE DECISION AND ORDER MADE JUNE 7, 1995

These proceedings before this panel of the discipline committee of the Institute of Chartered Accountants of Ontario were convened on June 7, 1995.

Ms. Deborah McPhadden attended on behalf of the professional conduct committee. Mr. Kroeker represented himself, and confirmed for the record that he understood he had the right to be represented by legal counsel.

The professional conduct committee had laid two charges under Rule 206 of the rules of professional conduct. Mr. Kroeker pleaded guilty to both charges, and confirmed that he understood that, upon a plea of guilty, and upon that basis alone, he could be found guilty by the discipline committee. The charges read as follows:

1. *THAT, the said Woldemar Kroeker, in or about the period January, 1993 through to April, 1993, 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, being engaged to provide an audit opinion on the financial statements of Branch 393, Royal Canadian Legion Senior Citizens Complex as at February 28, 1993, and having attached an unqualified audit report dated April 7, 1993 to those financial statements;*
 - a) *he failed to adequately plan and properly execute the audit work;*
 - b) *he failed to obtain written management representations as to claims or possible claims;*
 - c) *he failed to obtain a letter from the solicitors with respect to claims or possible claims against the client;*
 - d) *he failed to directly confirm with the bank details as to outstanding loans and deposits;*
 - e) *he failed to directly confirm with the mortgagee the mortgage shown on the balance sheet in the amount of \$1,232,658;*
 - f) *he failed to carry out an adequate review of subsequent events;*
 - g) *he failed to obtain adequate audit evidence to support the financial statement note that there were no changes in the letters patent during the fiscal year;*
 - h) *he failed to document matters which were important in providing evidence to support the content of his report.*
2. *THAT, the said Woldemar Kroeker, in or about the period April 1993 through August 1993, 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, being engaged to carry out a review of the financial*

statements of Courtesy Auto Sales Inc. as at May 31, 1993, and having attached a Review Engagement Report dated July 6, 1993 to those financial statements;

- a) he failed to reach an understanding and agreement with the client as to the services to be provided;*
- b) he failed to adequately plan the review work;*
- c) he failed to address the issue of the client's deferred tax liability ;*
- d) he failed to disclose the accounting policy followed by the client for leases which policy was inconsistent with generally accepted accounting principles;*
- e) he failed to disclose in the financial statements, the terms and collateral attached to shareholders loans in the amount of \$17,617;*
- f) he failed to disclose aggregate payments on long term debt due in each of the following five years;*
- g) he failed to document matters that were important to support the content of the report.*

Ms. McPhadden introduced an agreed statement of facts and a document brief as exhibits, and called the professional conduct committee investigator, Mr. Ian Wollach, as a witness. Mr. Kroeker called no evidence.

After deliberating upon the evidence presented, and the testimony of the witness, the discipline committee found Mr. Kroeker guilty of charge No. 1 and not guilty of charge No. 2.

Although three particulars of charge No. 1, namely (e), (f) and (g), were not proven to the satisfaction of the discipline committee, the committee determined that particulars (a), (b), (c), (d) and (h) of charge No. 1 were proven by the professional conduct committee, and were sufficient to establish a finding of guilty on charge No. 1.

The committee then heard submissions on sanction, and, upon deliberation, made the following order:

ORDER

IT IS ORDERED in respect of charge No. 1:

- 1. THAT Mr. Kroeker be reprimanded in writing by the chair of the hearing.
- 2. THAT Mr. Kroeker be and he is hereby fined the sum of \$1,000, to be remitted to the Institute within two (2) months from the date this Decision and Order becomes final under the bylaws.
- 3. THAT Mr. Kroeker be and he is hereby required to complete, by attending in its entirety, within six (6) months from the date this Decision and Order becomes final under the bylaws, the professional development course entitled *Audit and Related Services Refresher*, made available through the Institute, or, in the event that course becomes unavailable, the successor course which takes its place.
- 4. THAT notice of this Decision and Order, disclosing Mr. Kroeker's 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 in the event Mr. Kroeker fails to comply with any of 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, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 4 hereof.
6. THAT in the event Mr. Kroeker is suspended pursuant to paragraph 5 hereof, the suspension shall terminate upon his compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.
7. THAT in the event Mr. Kroeker fails to terminate a suspension imposed pursuant to paragraph 5 hereof within the six (6) month period specified in paragraph 6, 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 in paragraph 4 hereof.

The reasons for the committee's sanctions are briefly set out below.

Reprimand

The committee is of the view that a reprimand is necessary as a specific deterrent to the member, to stress to him the importance of maintaining the standards of the profession.

Fine

The professional conduct committee proposed a fine of \$2,000 to \$3,000, and Mr. Kroeker did not contest this amount. The discipline committee felt that although Mr. Kroeker had breached the rules of professional conduct in his performance of an audit, there was no moral turpitude and many of his deficiencies stemmed from his lack of documentation. The committee fined Mr. Kroeker \$1,000 as a specific deterrent.

Professional development course

With a view to rehabilitation, the committee ordered that Mr. Kroeker complete one professional development course in an effort to upgrade his audit skills to the standards expected of a chartered accountant. Mr. Kroeker's deficiencies were not considered to be so serious as to require reinvestigation by the professional conduct committee. The discipline committee was satisfied that a future practice inspection occurring in the normal course would be sufficient to spot any recurring or continuing inadequacies.

Publicity

The committee ordered notice of its decision and order in the manner specified, including disclosure of the member's name, as a specific and general deterrent. The committee considered such notification also necessary to demonstrate to the public that the profession is regulating itself, so as to retain public confidence in the profession's ability to self-govern.

Failure to comply

As is the normal practice of the committee, it ordered that failure to comply with any of the requirements of the order will result in suspension and, ultimately, expulsion of the member, so

as to demonstrate to this member and all members the seriousness of failing to comply with orders of the discipline committee.

DATED AT TORONTO, THIS _____ DAY OF _____, 1995
BY ORDER OF THE DISCIPLINE COMMITTEE

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

MEMBERS OF THE PANEL:

L.P. BOOKMAN, CA
R.E. ELLIS, CA
H.R. KLEIN, CA
P. RAYSON, CA
R.W. WARKENTIN, P.Eng. (Public representative)