

ENFORCEABLE UNDERTAKING

Australian Securities and Investments Commission Act 2001

Section 93AA

The commitments in this enforceable undertaking are offered to the Australian Securities and Investments Commission by:

Stuart Hamilton Cameron
KS Black & Co
Level 1, 460 Church Street
NORTH PARRAMATTA NSW 2151

1. Definitions

In addition to terms defined elsewhere in this enforceable undertaking, the following definitions are used:

ASIC means the Australian Securities and Investments Commission

ASIC Act means the *Australian Securities and Investments Commission Act 2001* (Cth)

Australian Auditing Standards means the auditing standards in force from time to time pursuant to section 336 of the Corporations Act

CALDB means the Companies Auditors and Liquidators Disciplinary Board

Citigold means Citigold Corporation Limited (ACN 060 397 177) and its controlled entities

Citigold financial statements means the financial statements for Citigold for the financial year ended 30 June 2009

Citigold 2009 Audit means the audit of the Citigold financial statements

Corporations Act means the *Corporations Act 2001* (Cth)

KSB means KS Black & Co.

Mr Cameron means Stuart Hamilton Cameron

Nexia means Nexia Court & Co. Chartered Accountants

Professional Conduct Standards means APES 110 *Code of Ethics for Professional Accountants* and other applicable standards set by the Institute of Chartered Accountants in Australia

2. ASIC's role

- 2.1 Under section 1 of the ASIC Act, ASIC is charged with a statutory responsibility to perform its functions and to exercise its powers so as to promote the confident and informed participation of investors and consumers in the financial system.

- 2.2 ASIC is also responsible for the registration of company auditors under Part 9.2 of the Corporations Act.
- 2.3 Auditors registered under Part 9.2 of the Corporations Act must satisfy specified educational and practical experience standards and be otherwise a fit and proper person to be registered as an auditor; and, in forming an opinion about whether financial statements audited by them comply with Australian Accounting Standards and present a true and fair view, must comply with Australian Auditing Standards and Professional Conduct Standards.
- 2.4 ASIC is empowered to bring disciplinary proceedings pursuant to section 1292(1) of the Corporations Act in the CALDB against registered company auditors who have failed to adequately and properly carry out the duties of an auditor or are otherwise not fit and proper persons to remain registered as auditors.

3. Details of Mr Cameron

- 3.1 Mr Cameron is, and has been continuously since 3 September 1990 (but for the period of suspension detailed in paragraph 3.3), registered as an auditor under the Corporations Act or corresponding previous legislation. Mr Cameron's registration number is 4578.
- 3.2 Mr Cameron is currently a partner in the chartered accounting firm KSB.
- 3.3 On 28 August 2006, CALDB made a number of orders including an order that the registration of Mr Cameron as an auditor be suspended for a period of 9 months. Mr Cameron's suspension pursuant to this order commenced on 26 September 2006 and expired on 25 June 2007 (the **period of suspension**).
- 3.4 Pursuant to section 1298 of the Corporations Act, during the period of suspension, Mr Cameron was taken not to be a registered company auditor for the purposes of the Corporations Act.

4. Background

- 4.1 Between 1990 and April 2007, Mr Cameron was employed as an auditor by Nexia.
- 4.2 Nexia were appointed the auditors of the following companies:
 - 4.2.1 Australian Certification Authority for Reinforcing Steel Limited (ACN 096 692 545) (**ACRS**);
 - 4.2.2 Australian Hardwood Management Limited (ACN 079 695 051) (current organisation name: Advanced Horticultural Management Limited) (**AHM**);
 - 4.2.3 Adelaide Hills Investments Limited (ACN 112 016 967) (**AHI**);
 - 4.2.4 Australian Rural Investments Limited (ACN 085 632 926) (**ARI**);
 (the second, third and fourth corporations specified together make up the **Australian Hardwood Group**) and

4.2.5 Microgenics Diagnostics Pty Limited (ACN 084 443 194)
(**Microgenics Diagnostics**).

- 4.3 Nexia were engaged to conduct an audit of the financial statements for ACRS and the Australian Hardwood Group for the year ended 30 June 2006 and an audit of the financial statements for Microgenics Diagnostics for the year ended 31 December 2005.
- 4.4 Citigold was listed on the Australian Securities Exchange in late 1993. It is a gold mining company producing gold from a goldfield at Charters Towers in Queensland. It was granted mineral tenements covering an area of over 360 sq km in the Charters Towers goldfield. Citigold had \$260 million in assets as at 30 June 2009, and an after-tax loss for the financial year ended 30 June 2009 of \$1,600,000. It has incurred losses since 1996.
- 4.5 On 21 September 2009, KSB confirmed their engagement as auditors of Citigold.
- 4.6 KSB were engaged to conduct the Citigold 2009 Audit.

5. ASIC's specific concerns regarding Mr Cameron's conduct

Audits of ACRS, the Australian Hardwood Group and Microgenics Diagnostics

- 5.1 Mr Cameron signed off and dated as 25 September 2006 the auditor's report of the financial statements of ACRS for the year ended 30 June 2006.
- 5.2 Mr Cameron signed off and dated as 23 September 2006 the auditor's report of the financial statements for the year ended 30 June 2006 for each of the corporations in the Australian Hardwood Group. Mr Cameron also signed and dated as 23 September 2006 the Australian financial services licensee audit report Form FS71 in relation to AHM.
- 5.3 Mr Cameron signed off and dated as 25 September 2006 the auditor's report of the financial statements for the year ended 31 December 2005 for Microgenics Diagnostics.
- 5.4 In signing off each of the above auditor's reports, Mr Cameron:
 - 5.4.1 signed in the section headed "Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001"; and
 - 5.4.2 signed in the section headed "Independent Auditors' Report to the members of [the relevant company]".
- 5.5 The auditor's reports for ACRS, the Australian Hardwood Group and Microgenics Diagnostics were signed by Mr Cameron on the date which is shown on the face of each of the auditor's reports.
- 5.6 ASIC is concerned that:
 - 5.6.1 Mr Cameron had not performed sufficient audit work in order to properly form the audit opinion stated in each of the respective auditor's reports for the financial year ending 30 June 2006 for

ACRS, AHM, AHI and ARI and for the financial year ending 31 December 2005 for Microgenics Diagnostics;

- 5.6.2 work in relation to the audits relating to the auditor's reports referred to in paragraph 5.6.1 above of ACRS, AHM, AHI, ARI and Microgenics Diagnostics was undertaken between November 2006 and February 2007 during the period of suspension; and
- 5.6.3 the work carried out in relation to the audits referred to in paragraph 5.6.2 above of ACRS, AHM, AHI, ARI and Microgenics Diagnostics after the respective auditor's reports were signed by Mr Cameron, was work that was required in order to properly form the opinion stated in each of the respective auditor's reports.

Citigold 2009 Audit

- 5.7 Mr Cameron was the KSB partner who had responsibility for the conduct of the Citigold 2009 Audit and was the Lead Auditor as defined in section 324AF of the Corporations Act of the Citigold 2009 Audit.
- 5.8 On 30 September 2009 Mr Cameron issued an unqualified auditor's report on the Citigold financial statements.
- 5.9 ASIC is concerned that Mr Cameron should not have issued an unqualified auditor's report in respect of the Citigold 2009 Audit as, in ASIC's view:
 - 5.9.1 the valuation of development property in the Citigold financial statements is not in accordance with the relevant accounting standards; and
 - 5.9.2 as a consequence the Citigold financial statements were materially misstated¹ such that Mr Cameron should have issued an adverse opinion for material non-compliance with an accounting standard.
- 5.10 In addition, ASIC has further concerns with respect to the Citigold 2009 Audit in that Mr Cameron failed to ensure that there was:
 - 5.10.1 adequate planning and risk assessment procedures performed for the audit; and
 - 5.10.2 sufficient appropriate audit evidence in respect of \$82 million Exploration, Evaluation and Development Expenditure included in the Citigold financial statements.

6. ASIC's concerns

Concerns relating to audits of ACRS, the Australian Hardwood Group and Microgenics Diagnostics

- 6.1 By virtue of the conduct referred to in paragraphs 5.1 to 5.6, ASIC is concerned that Mr Cameron is not a fit and proper person to remain

¹ Citigold subsequently reduced the value of its development properties by \$80,043,376 in its financial report for the half-year ended 31 December 2009, albeit Citigold described the reduction as a change in accounting policy on moving into commercial production.

registered as an auditor for the purposes of section 1292(1)(d) of the Corporations Act.

Concerns in relation to the Citigold 2009 Audit

- 6.2 Pursuant to section 307A(2) of the Corporations Act, the Lead Auditor must ensure that the audit or review is conducted in accordance with Australian Auditing Standards.
- 6.3 By virtue of the conduct referred to in paragraphs 5.7 to 5.10 above, ASIC is concerned that Mr Cameron failed to carry out or perform adequately and properly the duties of an auditor within the meaning of section 1292(1)(d)(i) of the Corporations Act as he did not, as Lead Auditor of the Citigold 2009 Audit, ensure that the audit was conducted in accordance with Australian Auditing Standards by reason of the matters referred to in paragraphs 5.9 to 5.10 above.

7. Acknowledgement by Mr Cameron of ASIC's concerns

- 7.1 Mr Cameron acknowledges ASIC's concerns detailed in paragraphs 5 and 6.

8. Undertakings

Under s93AA of the ASIC Act, Mr Cameron has offered, and ASIC has agreed to accept the commitments in this enforceable undertaking as an alternative to ASIC proceeding with an application to CALDB for an order under subsection 1292(1) of the Corporations Act, the following enforceable undertakings:

- 8.1 Mr Cameron will within 7 days after acceptance by ASIC of this enforceable undertaking, submit pursuant to section 1290 of the Corporations Act a duly completed Form 905 accompanied by the prescribed fee, requesting ASIC to cancel his registration as an auditor;
- 8.2 Mr Cameron will not re-apply for registration as an auditor for five years from the day on which his registration as an auditor is cancelled; and
- 8.3 During the time that he is not a registered company auditor, Mr Cameron will not carry out any duty or function that can only be carried out or performed by a registered company auditor, and for the avoidance of any doubt, this includes acting as a review auditor as defined in s324AF(2) of the Corporations Act.

9. Acknowledgements

- 9.1 Mr Cameron acknowledges that ASIC:
 - (a) may issue a media release upon acceptance of this enforceable undertaking referring to its terms and to the concerns of ASIC which led to its execution;
 - (b) may from time to time publicly refer to this enforceable undertaking;

and

- (c) will make this enforceable undertaking available for public inspection.

9.2 Further Mr Cameron acknowledges that:

- (a) ASIC's acceptance of this enforceable undertaking does not affect ASIC's power to investigate, conduct surveillance or pursue a criminal prosecution or its power to lay charges or seek a pecuniary civil order in relation to any contravention not the subject of ASIC's concerns in this enforceable undertaking;
- (b) this enforceable undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this enforceable undertaking or arising from future conduct; and
- (c) this enforceable undertaking has no operative force until accepted by ASIC.

9.3 Mr Cameron acknowledges that, should ASIC form the view that he has failed to comply with this enforceable undertaking, ASIC may take additional action including (without limitation) seeking court orders under s93AA of the ASIC Act requiring him to comply with the terms of this enforceable undertaking.

9.4 Mr Cameron and ASIC acknowledge that the date of the enforceable undertaking is the date on which it is accepted by ASIC.

.....*Stuart H. Cameron*.....

Stuart Hamilton Cameron

Dated: 27 October 2011

Accepted by the Australian Securities and Investments Commission under section 93AA of the ASIC Act by its duly authorised delegate:

.....*Christopher Savundra*.....

Christopher Savundra

Delegate of Australian Securities and Investments Commission

Dated: 31st October 2011