

Allan Erle McInnis: Summary, as Published in *CheckMark*

Allan Erle McInnis, of Tottenham, was found guilty of three charges 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 audits of the financial statements of two client companies, and a review of the financial statements of a third, Mr. McInnis exhibited several deficiencies, including failure to obtain sufficient appropriate audit evidence to support various balance sheet items, failure to ensure proper disclosure of various items within the financial statements, and failure to properly document items important to support his reports. Mr. McInnis was fined \$2,000, and ordered to complete five professional development courses and a period of supervised practice. It was also ordered that he be reinvestigated by the professional conduct committee.

CHARGE(S) LAID re Allan Erle McInnis

The Professional Conduct Committee hereby makes the following charges against Allan E. McInnis, CA, a member of the Institute:

1. THAT, the said Allan E. McInnis, in or about the period December 31, 2000 to February 28, 2001, while engaged to perform an audit of the financial statements of Knox Presbyterian Church for the year ended December 31, 2000, 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;
 - (i) he failed to ensure the recognition of accrued interest relating to the balance sheet item 'Term deposits maturing in current year \$120,000' and "Term deposits maturing after current year \$355,000 and permitted the inaccurate disclosure in Note 1 to the financial statements that "These statements are prepared on an accrual basis";
 - (ii) he failed to ensure that the financial statements included a statement of operations which disclosed the total revenues and expenses;
 - (iii) he failed to ensure that the financial statements included a statement of changes in net assets which disclosed the total changes of the net assets of the Church;
 - (iv) he failed to ensure the disclosure of the purpose of each of the funds reported on and the purpose of interfund transfers;
 - (v) he failed to properly document items important to support his auditor's report.
2. THAT, the said Allan E. McInnis, in or about the period December 31, 2000 to April 30, 2001, while engaged to perform an audit of the financial statements of South Simcoe Railway Heritage Corporation for the year ended December 31, 2000, 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;
 - (vi) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Ticket Sales \$250,477";
 - (vii) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Gift Shop Sales \$69,842";
 - (viii) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Movie productions \$27,829";
 - (ix) he failed to ensure that statement of operations disclosed revenues, expenses and excess or deficiency of revenue over expenses of each of the funds reported on;

- (x) he failed to obtain a representation from management confirming disclosure of any illegal or possibly illegal acts and outstanding or possible claims;
 - (xi) he failed to ensure that the timing of the recognition of the various forms of revenue was properly disclosed;
 - (xii) he failed to ensure the disclosure of which of the assets were considered "collections held by not-for-profit organizations" and therefore did not require amortization and the details regarding them as required by the CICA Handbook;
 - (xiii) he failed to properly document items important to support his auditor's report.
3. THAT, the said Allan E. McInnis, in or about the period June 30, 2000 to January 31, 2001, while engaged to perform a review of the financial statements of Lakeview Vegetable Processing Inc. for the year ended June 30, 2000 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;
- (i) he failed to ensure that capital assets described in Note 4 as "Building \$508,883" were properly amortized;
 - (ii) he failed to ensure that related party transactions were properly disclosed;
 - (iii) he failed to ensure that the maturity date of equipment loans and conditional sales contracts and the aggregate amount of payments estimated to be required in each of the following five years to meet retirement provisions were disclosed;
 - (iv) he failed to ensure that the timing of the recognition of revenue was properly disclosed;
 - (v) he failed to properly document items important to support his report.

Dated at Toronto, this 27th day of February, 2002;

G.W. MILLS, CA - DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Allan Erle McInnis

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

DECISION AND ORDER MADE JUNE 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 charges Nos. 1, 2 and 3, the Discipline Committee finds Allan Erle McInnis guilty of charges Nos. 1, 2 and 3.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. McInnis be reprimanded in writing by the chair of the hearing.
2. THAT Mr. McInnis be and he is hereby fined the sum of \$2,000, 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. McInnis be and he is hereby required to complete, by paying for and attending in their entirety, within eighteen (18) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:

1. Not For Profit Organizations – Accounting & Auditing Issues;
2. Related Party Transactions: What is at Stake?
3. The Essentials of Review Engagements;
4. Accounting Refresher; and
5. Auditing Refresher,

or, in the event a course listed above becomes unavailable, the successor course which takes its place.

4. THAT Mr. McInnis be and he is hereby required to have his practice supervised for a period of eighteen (18) months, in that all audit and review engagements for year-ends which fall within the eighteen (18) month period, and a sample of compilation engagements to be released within the eighteen (18) month period, shall be approved by a supervisor. In particular:
 - (a) Mr. McInnis shall, within thirty (30) days from the date this Decision and Order becomes final under the bylaws, file with the secretary of the discipline committee a supervised practice plan which has been reviewed and approved by the director of standards enforcement, and which sets out the name and the detailed responsibilities of the supervisor.

- (b) With respect to audit and review engagements, the responsibilities of the supervisor shall include, at a minimum, the review and approval of:
 - (i) the client acceptance review, detailed planning memorandum and budget, prior to Mr. McInnis' commencement of the audit or review engagement; and
 - (ii) the working papers and financial statements prior to Mr. McInnis' issuance of the audit or review report.
 - (c) With respect to the sample of compilation engagements, the responsibilities of the supervisor shall include, at a minimum, the review and approval of the file before the compilation report is released.
 - (d) In the event the professional conduct committee finds Mr. McInnis' choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. McInnis and the professional conduct committee cannot agree, either may apply to the chair of the panel or to the chair of the discipline committee at an assignment hearing for directions.
 - (e) The eighteen (18) month period of supervised practice shall commence on the day that Mr. McInnis files the approved supervised practice plan in accordance with paragraph 4(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 4(d) above, whichever day is later.
5. THAT Mr. McInnis be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within twelve (12) months after the expiry of the period of supervised practice, the cost of the reinvestigation, up to \$2,000, to be paid by Mr. McInnis within thirty (30) days of receiving notification of the cost of the reinvestigation.
6. THAT notice of this Decision and Order, disclosing Mr. McInnis' 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*.
7. THAT in the event Mr. McInnis fails to comply with any of 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 in *The Tottenham Times*.

DATED AT TORONTO THIS 4TH DAY OF JULY, 2002
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Allan Erle McInnis

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

REASONS FOR THE DECISION AND ORDER MADE JUNE 20, 2002

1. This panel of the discipline committee of the Institute of Chartered Accountants of Ontario convened on June 20, 2002 to hear the case made by the professional conduct committee against Mr. Allan Erle McInnis, a member of the Institute.
2. Mr. Paul Farley appeared for the professional conduct committee and was accompanied by the investigator, Mr. Raymond Harris, FCA. Mr. McInnis appeared on his own behalf without counsel and confirmed he knew he had the right to be represented by counsel.
3. The formal written decision and order made June 20, 2002 was dated and signed by the discipline committee secretary on July 4, 2002 and sent to Mr. McInnis that day. These reasons, given in writing pursuant to Bylaw 574, set out the charges, and the decision and the order, as well as the discipline committee's reasons.

DECISION ON THE CHARGES

4. The charges laid by the professional conduct committee against Mr. McInnis dated February 27, 2002 read as follows:
 1. THAT, the said Allan E. McInnis, in or about the period December 31, 2000 to February 28, 2001, while engaged to perform an audit of the financial statements of Knox Presbyterian Church for the year ended December 31, 2000, 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;
 - (i) he failed to ensure the recognition of accrued interest relating to the balance sheet item 'Term deposits maturing in current year \$120,000' and "Term deposits maturing after current year \$355,000 and permitted the inaccurate disclosure in Note 1 to the financial statements that "These statements are prepared on an accrual basis";
 - (ii) he failed to ensure that the financial statements included a statement of operations which disclosed the total revenues and expenses;

- (iii) he failed to ensure that the financial statements included a statement of changes in net assets which disclosed the total changes of the net assets of the Church;
 - (iv) he failed to ensure the disclosure of the purpose of each of the funds reported on and the purpose of interfund transfers;
 - (v) he failed to properly document items important to support his auditor's report.
2. THAT, the said Allan E. McInnis, in or about the period December 31, 2000 to April 30, 2001, while engaged to perform an audit of the financial statements of South Simcoe Railway Heritage Corporation for the year ended December 31, 2000, 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;
- (i) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Ticket Sales \$250,477";
 - (ii) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Gift Shop Sales \$69,842";
 - (iii) he failed to obtain sufficient appropriate audit evidence to support the Statement of Operations item "Movie productions \$27,829";
 - (iv) he failed to ensure that statement of operations disclosed revenues, expenses and excess or deficiency of revenue over expenses of each of the funds reported on;
 - (v) he failed to obtain a representation from management confirming disclosure of any illegal or possibly illegal acts and outstanding or possible claims;
 - (vi) he failed to ensure that the timing of the recognition of the various forms of revenue was properly disclosed;
 - (vii) he failed to ensure the disclosure of which of the assets were considered "collections held by not-for-profit organizations" and therefore did not require amortization and the details regarding them as required by the CICA Handbook;
 - (viii) he failed to properly document items important to support his auditor's report.
0. THAT, the said Allan E. McInnis, in or about the period June 30, 2000 to January 31, 2001, while engaged to perform a review of the financial statements of Lakeview Vegetable Processing Inc. for the year ended June 30, 2000 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;

- (i) he failed to ensure that capital assets described in Note 4 as "Building \$508,883" were properly amortized;
 - (ii) he failed to ensure that related party transactions were properly disclosed;
 - (iii) he failed to ensure that the maturity date of equipment loans and conditional sales contracts and the aggregate amount of payments estimated to be required in each of the following five years to meet retirement provisions were disclosed;
 - (iv) he failed to ensure that the timing of the recognition of revenue was properly disclosed;
 - (v) he failed to properly document items important to support his report.
5. Mr. McInnis entered a plea of guilty to each of the charges, and confirmed for the record that he understood he could be found guilty of professional misconduct on the basis of his plea and on that basis alone.
6. Mr. Farley gave a brief overview of the case against Mr. McInnis. He also filed an agreed statement of facts and a document brief, which together constituted the case for the professional conduct committee.
7. The document brief contained the following:
 - the financial statements for Knox Presbyterian Church as at December 31, 2000, together with the auditor's report of Mr. McInnis dated January 25, 2001;
 - extracts from Mr. McInnis' working paper file for Knox Presbyterian Church;
 - the financial statements of the South Simcoe Railway Heritage Corporation as at December 31, 2000, together with the auditor's report of Mr. McInnis dated March 23, 2001; and
 - the financial statements of Lakeview Vegetable Processing Inc. as at June 30, 2000, together with the review engagement report of Mr. McInnis dated December 27, 2000.
8. Mr. McInnis confirmed that he had signed the agreed statement of facts and did not dispute those facts. He gave an explanation to the committee on a number of matters for the purpose of showing that he had given some thought to the engagements he performed, had not blatantly disregarded the rules of professional conduct, and had voluntarily undertaken corrective action as a result of several practice inspections and the professional conduct investigation. The investigation by the professional conduct committee followed a complaint from the practice inspection committee after a practice inspection and two re-inspections had failed to get Mr. McInnis to adequately address and correct practice deficiencies.

9. Upon deliberation, the discipline committee concluded that the facts set out in the agreed statement of facts and document brief proved the allegations set out in the charges, and that Mr. McInnis' departure from the required standard constituted professional misconduct. Accordingly, when the hearing reconvened the chair read into the record the following decision:

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 and 3, the Discipline Committee finds Allan Erle McInnis guilty of charges Nos. 1, 2 and 3.

ORDER AS TO SANCTION

10. Neither Mr. Farley nor Mr. McInnis called evidence with respect to sanction but both made submissions.
11. Mr. Farley said the professional conduct committee had concluded that of the three principles which apply when imposing sanction, namely general deterrence, specific deterrence and rehabilitation, the principle of rehabilitation should take priority in this case. It was the position of the professional conduct committee that Mr. McInnis was capable of rehabilitation, but that the program of rehabilitation had to be structured in such a way as to protect the public during the rehabilitation period.
12. Mr. Farley asked that Mr. McInnis be reprimanded, be fined \$2,000, be required to take specified professional development courses, undergo a period of supervised practice, and be reinvestigated by the professional conduct committee. He also asked that there be the usual order as to publicity.
13. Mr. McInnis in his submissions said that the aspect of publication had caused him some grief, but that he now accepted that publication disclosing the member's name was the usual practice and was intended to assist other members. He assured the committee that he would do whatever was required to fulfill the terms of the order made against him.
14. After deliberation, the committee made the following order:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. McInnis be reprimanded in writing by the chair of the hearing.
2. THAT Mr. McInnis be and he is hereby fined the sum of \$2,000, 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. McInnis be and he is hereby required to complete, by paying for and attending in their entirety, within eighteen (18) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:

1. Not For Profit Organizations – Accounting & Auditing Issues;
2. Related Party Transactions: What is at Stake?
3. The Essentials of Review Engagements;
4. Accounting Refresher; and
5. Auditing Refresher,

or, in the event a course listed above becomes unavailable, the successor course which takes its place.

4. THAT Mr. McInnis be and he is hereby required to have his practice supervised for a period of eighteen (18) months, in that all audit and review engagements for year-ends which fall within the eighteen (18) month period, and a sample of compilation engagements to be released within the eighteen (18) month period, shall be approved by a supervisor. In particular:
 - (a) Mr. McInnis shall, within thirty (30) days from the date this Decision and Order becomes final under the bylaws, file with the secretary of the discipline committee a supervised practice plan which has been reviewed and approved by the director of standards enforcement, and which sets out the name and the detailed responsibilities of the supervisor.
 - (b) With respect to audit and review engagements, the responsibilities of the supervisor shall include, at a minimum, the review and approval of:
 - (i) the client acceptance review, detailed planning memorandum and budget, prior to Mr. McInnis' commencement of the audit or review engagement; and
 - (ii) the working papers and financial statements prior to Mr. McInnis' issuance of the audit or review report.
 - (c) With respect to the sample of compilation engagements, the responsibilities of the supervisor shall include, at a minimum, the review and approval of the file before the compilation report is released.
 - (d) In the event the professional conduct committee finds Mr. McInnis' choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. McInnis and the professional conduct committee cannot agree, either may apply to the chair of the panel or to the chair of the discipline committee at an assignment hearing for directions.
 - (e) The eighteen (18) month period of supervised practice shall commence on the day that Mr. McInnis files the approved supervised practice plan in accordance with paragraph 4(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 4(d) above, whichever day is later.
5. THAT Mr. McInnis be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within twelve (12) months after the expiry of the period of supervised practice,

the cost of the reinvestigation, up to \$2,000, to be paid by Mr. McInnis within thirty (30) days of receiving notification of the cost of the reinvestigation.

6. THAT notice of this Decision and Order, disclosing Mr. McInnis' name, be given after this Decision and Order becomes final under the bylaws, in the form and manner determined by the discipline committee:
 1. to the Public Accountants Council for the Province of Ontario;
 2. to the Canadian Institute of Chartered Accountants; and
 3. by publication in *CheckMark*.
7. THAT in the event Mr. McInnis fails to comply with any of 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 in *The Tottenham Times*.

Reprimand and Fine

15. The reprimand is intended to stress to Mr. McInnis the unacceptability of his conduct as a chartered accountant, and to specifically deter him from continuing to practise as he has in the past.
16. The fine was imposed as both a specific deterrent to Mr. McInnis and a general deterrent to other members, and the quantum of \$2,000 was considered appropriate in the circumstances, given the costs to be incurred by the member for courses, supervised practice, and reinvestigation.

Courses, Supervised Practice and Reinvestigation

17. The committee concluded that courses, supervised practice and reinvestigation were all essential components of a rehabilitation program for Mr. McInnis. The courses will assist the member to rehabilitate himself, while the supervised practice will serve to protect the public until he can demonstrate upon his reinvestigation that he has brought his standard of practice back up to the appropriate level.
18. The terms of the supervised practice order are consistent with the terms of such orders made in recent past cases, which have been realistic and effective orders.

Publication

19. The discipline committee and the appeal committee have, on a number of occasions, expressed the view that publication is the single most effective general deterrent, and that publication should disclose the member's name unless there are rare and unusual circumstances present in a particular case to warrant the withholding of the name. There are no such rare and unusual circumstances present in this case, and accordingly the usual order as to notice was made.

Expulsion for Failure to Comply

20. As is usual, the order provides for expulsion in the event the member does not comply with its terms.

DATED AT TORONTO THIS 27TH DAY OF SEPTEMBER, 2002
BY ORDER OF THE DISCIPLINE COMMITTEE

L.P. BOOKMAN, CA – CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

L.G. BOURGON, CA
G.R. PEALL, CA
S.W. SALTER, CA
N.C. AGARWAL (Public representative)