

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

**DISCIPLINE COMMITTEE**

**IN THE MATTER OF:** Charges against **GAVIN GERSHON LANGE, CA**, a member of the Institute, under **Rules 101, 201.1, 204.1 and 206.1** of the Rules of Professional Conduct, as amended.

**TO:** Mr. Gavin G. Lange, CA  
Gavin G. Lange & Company  
155 East Beaver Creek Road  
Unit 7  
Richmond Hill, ON L4B 2N1

**AND TO:** The Professional Conduct Committee, ICAO

**REASONS**  
**(Decision and Order made June 16, 2009)**

1. This panel of the Discipline Committee of the Institute of Chartered Accountants of Ontario met on June 16, 2009, to hear charges of professional misconduct brought by the Professional Conduct Committee against Gavin G. Lange, a member of the Institute.
2. Alexandra Hersak appeared on behalf of the Professional Conduct Committee. Mr. Lange attended, and was represented by counsel, Sean Lawler.
3. The decision of the panel was made known at the conclusion of the hearing on June 16, 2009, and the written Decision and Order sent to the parties on June 26, 2009. These reasons, given pursuant to Bylaw 574, contain the charges, 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. Lange on February 4, 2009:

1. THAT the said Gavin G. Lange, in or about the period January 1, 1994 through December 31, 2008, while engaged in the practice of public accounting, failed to maintain the 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 he failed to maintain a public accounting license as required by the *Public Accounting Act*, S.O. 2004, c.8, or previous Public Accountancy Acts as amended from time to time.

2. THAT the said Gavin G. Lange, in or about the period January 1, 1993 through December 2, 2008, while engaged in the practice of public accounting, did contravene the provisions of the Bylaws of the Institute contrary to Rule 101 of the Rules of Professional Conduct, in that:
  - (a) he failed to register the name of his practice with the Institute contrary to Bylaw 307 as amended;
  - (b) he failed to remit the annual practitioner fee, contrary to Bylaws 321 and 326(1) as amended; and
  - (c) he failed to remit the practice inspection fee, contrary to Bylaws 321 and 327(1) as amended.
3. THAT the said Gavin G. Lange, in or about the period October 2, 2002, through December 2, 2008, while engaged in the practice of public accounting under the name Gavin G. Lange & Company Professional Corporation, did contravene the provisions of the Bylaws of the Institute contrary to Rule 101 of the Rules of Professional Conduct, in that:
  - (a) he failed to register the name of his professional corporation with the Institute contrary to Bylaws 307 and 309 as amended;
  - (b) he failed to hold a certificate of authorization to practice public accounting contrary to Bylaws 901(3) and 909(2); and
  - (c) he failed to register his practice as a public accounting practice with the Institute, contrary to Bylaw 913(4).
4. THAT the said Gavin G. Lange, in or about the period September 30, 2007 through June 30, 2008, while engaged to perform a review of the financial statements of "STS Limited" for the year ended September 30, 2007, failed to remain free of any influence, interest or relationship which impaired his professional judgment or objectivity or which would be seen by a reasonable observer to impair his professional judgment or objectivity contrary to Rule 204.1 of the Rules of Professional Conduct in that during the course of the said engagement, his brother was a director of, and owned 50% of the issued shares of "STS Limited."
5. THAT the said Gavin G. Lange, in or about the period September 30, 2007 through June 30, 2008, while engaged to perform a review of the financial statements of "STS Limited" for the year ended September 30, 2007, 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) he failed to ensure the arithmetic accuracy of the financial statements and the notes thereto;

- (b) he improperly described the future income tax asset on the balance sheet as "Taxation 8,044" and in Note 5 as "Taxes Recoverable";
  - (c) he improperly described the future income tax liability on the balance sheet as "Deferred taxation 555" and in Note 10 as "Deferred taxation";
  - (d) he failed ensure that on the balance sheet the future income tax asset was offset against the future income tax liability;
  - (e) he improperly described the future income tax expense as "Income tax" in the statement of income and retained earnings and in Note 16 as "Income Taxes";
  - (f) in the statement of cash flows he improperly disclosed the future income tax expense under the heading "Non-cash working capital" as "Income taxes payable";
  - (g) he failed to ensure adequate disclosure in Note 1(h) of the nature of measurement uncertainties with respect to the future tax asset and accounts receivable which are material;
  - (h) he failed to ensure adequate disclosure in Note 18 – "Financial Instruments" because it did not list all financial instruments, it incorrectly identified prepaid expenses as a financial instrument and did not disclose information about the fair value of the financial instruments; and
  - (i) he failed to document matters required to support his review engagement report.
6. THAT the said Gavin G. Lange, in or about the period February 29, 2008 through April 30, 2008, while engaged to perform a review of the financial statements of "N4R Inc." for the year ended February 29, 2008, 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) he failed to ensure adequate disclosure in Note 15 – "Financial Instruments" because it did not identify "Accounts payable and accrued liabilities" and "Due to related parties" as financial instruments, did not disclose the terms and conditions relating to the amounts "Due to related parties" and did not disclose information about the fair value of the financial instruments;
  - (b) he failed to ensure adequate disclosure in Note 1(g) of the nature of measurement uncertainties with respect to accounts receivable which are material; and
  - (c) he failed to document matters required to support his review engagement report.

7. THAT the said Gavin G. Lange, in or about the period May 31, 2008 through August 31, 2008, while engaged to perform a review of the financial statements of "J Inc." for the year ended May 31, 2008, 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) he improperly described the future income tax asset on the balance sheet as "Other long term assets 13,764" and in Note 7 as "Future Taxes";
  - (b) in Note 7 he failed to properly explain that the tax losses carried forward gave rise to the future income tax asset;
  - (c) he failed to ensure that on the balance sheet the future income tax asset was offset against the future income tax liability;
  - (d) he failed to ensure proper disclosure in the statement of cash flows of "Decrease in mortgage 28,985" and "Future taxes (182)";
  - (e) he failed to properly disclose in his Review Engagement Report the fact that the 2007 comparative figures were neither audited nor reviewed;
  - (f) he failed to ensure proper disclosure of long-term debt in Note 12 – "Mortgage Payable" because the amount shown for "Current portion" in 2008 and the amount shown for "Blended payments" in 2013 were not correct;
  - (g) he failed to ensure proper disclosure in Note 19 – "Financial Instruments" because it did not identify "Accounts payable and accrued liabilities," "Due to related parties," "Due to directors/shareholders" and "Bonds and debentures" as financial instruments, and did not disclose information about the fair value of the financial instruments; and
  - (h) he failed to document matters required to support his review engagement report.

## **PLEA**

5. Mr. Lange entered a plea of guilty to the charges and acknowledged that he understood 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 for the Professional Conduct Committee was filed by way of an Agreed Statement of Facts (Exhibit 3) and accompanying Document Brief (Exhibit 4). Mr. Lange called no evidence and made no submissions on the issue of guilt.

7. Mr. Lange became a member of the Institute, by affiliation, in 1987. He entered into public practice in 1994, and incorporated a professional corporation for his practice in 2002. Although he performs very few audits, a significant portion of his practice is derived from review engagements.

8. Mr. Lange has never applied for, or obtained, a public accounting licence. Nor has he registered the name of his practice, paid the annual practitioner fee, registered the name of his professional corporation, obtained a certificate of authorization for his professional corporation, or registered his practice as a public accounting practice, all of which are requirements under the Institute's bylaws. Without such registrations and notifications, Mr. Lange's practice was not placed on the practice inspection list, and he has neither been inspected nor assessed the fee for such an inspection.

9. STS has been a client of Mr. Lange's for three years. At all material times, Mr. Lange's brother was a director and 50% shareholder of STS. Mr. Lange signed and issued the review engagement report attached to the financial statements of STS for the financial year ending September 30, 2007, on June 16, 2008, despite his brother's involvement in the company.

10. The financial statements for STS contained arithmetical errors, improper descriptions, calculations and disclosures, as set out in charge No. 5. As well, Mr. Lange failed to document the steps he had taken to satisfy himself of the plausibility or accuracy of various assertions.

11. Mr. Lange also performed review engagements for N4R for the year ended February 29, 2008, and for J. Inc. for the year ended May 31, 2008. Those financial statements failed to meet the standards and requirements of the CICA Handbook, as set out in charge Nos. 6 and 7. As well, Mr. Lange failed to document the steps he had taken to ensure the accuracy or plausibility of various assertions in the statements.

## **DECISION**

12. After considering the evidence and deliberating, the panel made the following decision:

THAT, having heard the plea of guilty to charge Nos. 1, 2, 3, 4, 5, 6 and 7, and having seen and considered the evidence, including the agreed statement of facts, filed, the Discipline Committee finds Gavin Lange guilty of charge Nos. 1, 2(a), 2(b), 3, 4, 5, 6 and 7 and not guilty of charge No. 2(c).

## **REASONS FOR THE DECISION**

13. The pleas of guilty and the facts in the Agreed Statement of Facts support the findings of guilt made. The conduct of Mr. Lange falls so far short of the required standards of the profession as to constitute professional misconduct.

14. Mr Lange was charged with failing to remit a practice inspection fee (charge No. 2(c)). Practice inspection is a crucial component of the Institute's governance of the profession, and the fact that Mr. Lange's actions kept him from being listed for practice inspection is quite troubling. However, as he was never subject to a practice inspection, he was never indebted to the Institute for the cost of such an inspection, and he cannot be found guilty of that particular.

## **SANCTION**

15. On behalf of the Professional Conduct Committee, Ms. Hersak sought: a written reprimand; a fine of \$7,500; three courses of professional development; practice supervision for 18 months; a reinvestigation following the supervised practice, at a cost to Mr. Lange not to exceed \$2,500; and full publicity. She also sought reimbursement for some of the costs of the investigation and hearing, in the amount of \$14,000.

16. Mr. Lawler, on behalf of Mr. Lange, took issue only with the quantum of the costs sought, and asked the panel to consider the totality of the financial burden to Mr. Lange. He submitted costs in the amount of \$7,000 would be appropriate.

17. Ms. Hersak noted a number of factors aggravating the conduct of Mr. Lange, including: the length of time over which it took place; the disregard for both the bylaws and the Rules of Professional Conduct; and the devaluing of the attest function. In mitigation, she noted Mr. Lange's: full cooperation; remorse; and proactive rehabilitation, in that he has applied for a licence and registered his practice, and has made arrangements for another chartered accountant to review his work.

18. Mr. Lawler submitted that Mr. Lange has suffered the humiliating effect of the investigation and hearing, and that his practice has suffered significant reversals. Mr. Lange himself made a statement, and informed the panel that his profession was his life and that he would never have acted in deliberate contravention of the rules.

## **ORDER**

19. After considering the submissions and deliberating, the panel made the following order:

IT IS ORDERED in respect of the charges:

1. THAT Mr. Lange be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Lange be and he is hereby fined the sum of \$7,500 to be remitted to the Institute within eighteen (18) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Lange be and he is hereby required to complete, by paying for and attending in its entirety, within eighteen (18) months from the date this Decision and Order becomes final under the bylaws,
  - (a) Financial Statement Presentation & Disclosure – A Practitioner's Workshop;
  - (b) Accounting Refresher; and
  - (c) Staying Out of Trouble,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
4. THAT Mr. Lange be and he is hereby required to complete an eighteen (18) month period of supervised practice, at his own cost, under the terms and conditions set out below:
  - (a) Mr. Lange 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 of the supervisor who must be a member of the Institute who is licensed to practise public accounting, and which contains the agreement in writing of the supervisor to so act.

- (b) The responsibilities of the supervisor shall include, at a minimum, the review and approval of Mr. Lange's working papers and financial statements prior to Mr. Lange's issuance of any reports.
  - (c) In the event the professional conduct committee finds Mr. Lange's choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. Lange and the professional conduct committee cannot agree, either may apply to the chair of the discipline committee at an assignment hearing for directions.
  - (d) The eighteen (18) month period of supervised practice shall commence on the day that Mr. Lange files the approved supervised practice plan in accordance with paragraph 5(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 5(c) above, whichever of the days is the latest.
  - (e) The supervisor shall file a report in writing with the Institute confirming that he or she has supervised Mr. Lange for the stipulated period of time and confirming that there were no compliance issues with Mr. Lange's practice, this report to be provided to the Institute within thirty (30) days of the conclusion of the supervised practice.
5. THAT Mr. Lange be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion between six (6) and twelve (12) months from the termination of the supervised practice, the cost of the reinvestigation, up to \$2,500, to be paid by Mr. Lange within thirty (30) days of receiving notification of the cost of the reinvestigation.
6. THAT notice of this Decision and Order, disclosing Mr. Lange'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 all members of the Institute;
  - (b) to the Public Accountants Council for the Province of Ontario; and
  - (c) to all provincial institutes/Ordre,
- and shall be made available to the public.
7. THAT in the event Mr. Lange fails to comply with any of the requirements of this Order, 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 three (3) months from the date of his suspension, and in the event he does not comply within the three 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 newspaper distributed in the geographic area of Mr. Lange's practice. All costs associated with the publication shall be borne by Mr. Lange and shall be in addition to any other costs ordered by the committee.

AND IT IS FURTHER ORDERED:

8. THAT Mr. Lange be and he is hereby charged costs fixed at \$10,000 to be remitted to the Institute within eighteen (18) months from the date this Decision and Order becomes final under the bylaws.

#### **REASONS FOR SANCTION**

20. All members of a profession are required to know and follow the requirements of that profession. That Mr. Lange was apparently ignorant of those requirements is no excuse, and brings the reputation of the entire profession into disrepute. A reprimand in writing will make clear to him the gravity of his conduct.

21. A fine is required to ensure both Mr. Lange and any other member of the profession who might consider similar conduct are made aware of the serious nature of that conduct, and deterred from it.

22. Chartered accountants govern themselves only because the public trusts the profession to do so in the public interest. The public trust is maintained by the transparency of the discipline process and, so, full publicity of all matters is necessary, and ordered.

23. Mr. Lange is capable of being a responsible, competent member of the profession, and the professional development and supervised practice terms of the order will assist him in that rehabilitation. The further investigation after the conclusion of the supervised practice will aid in determining whether he then meets the standards of the profession.

24. It is appropriate that the member whose conduct necessitated the investigation and hearing, rather than the membership as a whole, bear a portion of those costs. Taking into account Mr. Lange's circumstances, and the totality of the financial cost to him, it is appropriate he pay \$10,000, and that has been ordered.

DATED AT TORONTO THIS 2<sup>nd</sup> DAY OF SEPTEMBER, 2009  
BY ORDER OF THE DISCIPLINE COMMITTEE

D.W. DAFOE, FCA – DEPUTY CHAIR  
DISCIPLINE COMMITTEE

#### MEMBERS OF THE PANEL:

M.S. LEIDERMAN, CA  
S.B. WALKER (PUBLIC REPRESENTATIVE)  
D.G. WILSON, CA