

George Edward Arlen: Summary, as Published in *CheckMark*

George Edward Arlen, of Guelph, 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 reviews of the financial statements of three client companies, Mr. Arlen exhibited several deficiencies, including failure to properly disclose related party transactions and other items, failure to adequately describe transactions in notes to financial statements, and failure to properly document items important to support his reports. Mr. Arlen was ordered to complete two 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 George Edward Arlen

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

1. THAT the said George E. Arlen, in or about the period December 31, 1999 through June 30, 2000, while engaged to perform a review of the financial statements of Hatch Industries Limited for the year ended December 31, 1999, 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 206.4 of the rules of professional conduct, in that:
 - (a) he permitted the recording of investment tax credit adjustments of \$15,254.00 as adjustments to the income tax expense rather than to the expenses to which they related;
 - (b) he failed to adequately describe the transaction disclosed in Note 6 "Related Party Transactions";
 - (c) he failed to include commission payments of \$11,471.00 to B & W Hatch Limited, an associated company, in Note 6 "Related Party Transactions";
 - (d) he failed to perform sufficient and appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the balance sheet item "Deferred Income Tax 9,383";
 - (e) he failed to properly document items important to support his report.
2. THAT the said George E. Arlen, in or about the period December 31, 2000 through June 30, 2001, while engaged to perform a review of the financial statements of Hatch Industries Limited 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 206.1 of the rules of professional conduct, in that:
 - (a) he failed to ensure that an income tax expense of approximately \$29,000.00 based on income before tax of \$81,288 was recorded in the Statement of Retained Earnings;
 - (b) he failed to perform sufficient and appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the balance sheet item "Deferred Income Tax 9,383";
 - (c) he failed to adequately describe the transaction disclosed in Note 6 "Related Party Transactions";
 - (d) he failed to include commission payments of \$8,553.00 to B & W Hatch Limited, an associated company, in Note 6 "Related Party Transactions";
 - (e) he failed to include, in the Statement of Income and Retained Earnings, adjustments to prior years research and development Income Tax Credits as a change in an accounting estimate;

- (f) he failed to properly calculate the “Cash (Deficiency), End of Year” in the Statement of Changes in Cash Resources (sic);
 - (g) he failed to properly document items important to support his report.
- 3. THAT the said George E. Arlen, in or about the period December 31, 2000 through April 30, 2001, while engaged to perform a review of the financial statements of Acker Furniture Company Limited 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 or 206.1 of the rules of professional conduct, in that:
 - (a) he failed to ensure the recording of income tax expenses or the amount of loss carry forward and the expiration date of the losses for income tax purposes;
 - (b) he failed to ensure proper disclosure of a related party transaction;
 - (c) he failed to ensure proper disclosure of the balance sheet item “Inventory 49,620”;
 - (d) he failed to properly document items important to support his report.
- 4. THAT the said George E. Arlen, in or about the period October 31, 2000 through April 30, 2001, while engaged to perform a review of the financial statements of Read Capital Realty Corp. for the year ended October 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 or 206.1 of the rules of professional conduct, in that:
 - (a) he failed to adequately describe the transaction disclosed in Note 5 “Related Party Transactions”;
 - (b) he failed to ensure proper disclosure of a loan to the shareholder’s brother in Note 5 “Related Party Transactions”;
 - (c) he failed to ensure proper disclosure of commission income from 848866 Ontario Ltd, an associated company, in Note 5 “Related Party Transactions”;
 - (d) he failed to properly document items important to support his report.
- 5. THAT the said George E. Arlen, in or about the period March 31, 2001 through June 30, 2001, while engaged to perform an audit of the financial statements of Canadian Dairy Network (a Not-for-profit Organization) for the year ended March 31, 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 206.1 of the rules of professional conduct, in that:

- (a) he failed to obtain sufficient appropriate audit evidence to support the item "Revenue 859,659 845,000" in the Statement of Financial Activities and Members' Equity;
- (b) he failed to properly document items important to support his report;
- (c) he failed to ensure the proper disclosure in the financial statements of a restricted fund;
- (d) he failed to disclose the amount of potential liability in Note 5 "Contingent Liability".

Dated at Toronto, this 18th day of June, 2002.

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

*AMENDMENTS TO CHARGES MADE BY PCC AT DISCIPLINE HEARING ON
OCTOBER 30, 2002*

DISCIPLINE COMMITTEE re George Edward Arlen

DECISION AND ORDER IN THE MATTER OF: Charges against **GEORGE EDWARD ARLEN, CA**, a member of the Institute, under **Rule 206.1** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE OCTOBER 31, 2002

DECISION

THAT, having seen, heard and considered the evidence, charges Nos. 1, 2, 3, 4 and 5 having been amended, the Discipline Committee finds George Edward Arlen not guilty of charges Nos. 1 and 5, as amended, and guilty of charges Nos. 2, 3 and 4, as amended.

ORDER

IT IS ORDERED in respect of charges Nos. 2, 3 and 4, as amended:

1. THAT Mr. Arlen be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Arlen be and he is hereby required to complete, by paying for and attending in their entirety not later than June 30, 2003, the following professional development courses made available through the Institute:

1. Financial Statement Presentation & Disclosure: A Small Practitioner's Workshop; and
2. Accounting, Auditing & Professional Practice Update,

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

3. THAT Mr. Arlen be and he is hereby required to have his practice supervised for a period of nine (9) months, in that all audit and review engagements for year-ends which fall within the nine (9) month period shall be approved by a supervisor. In particular:
 - (a) Mr. Arlen 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) The responsibilities of the supervisor shall include, at a minimum, the review and approval of Mr. Arlen's working papers and financial statements prior to Mr. Arlen's issuance of audit and review reports, paying particular attention to the issue of proper disclosure of related party transactions.
 - (c) In the event the professional conduct committee finds Mr. Arlen's choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. Arlen 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.

- (d) The nine (9) month period of supervised practice shall commence on the day that Mr. Arlen files the approved supervised practice plan in accordance with paragraph 3(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 3(c) above, whichever day is later.
- 4. THAT Mr. Arlen be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within three (3) months of the expiry of the period of supervised practice, the cost of the reinvestigation, up to \$2,000, to be paid by Mr. Arlen within three (3) months of receiving notification of the cost of the reinvestigation.
- 5. THAT notice of this Decision and Order, disclosing Mr. Arlen'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*.
- 6. THAT in the event Mr. Arlen 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 Guelph Mercury*.

DATED AT TORONTO THIS 13TH DAY OF NOVEMBER, 2002
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re George Edward Arlen

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: Charges against **GEORGE EDWARD ARLEN, CA**, a member of the Institute, under **Rule 206.1** of the Rules of Professional Conduct, as amended.

REASONS FOR THE DECISION AND ORDER MADE OCTOBER 31, 2002

1. This panel of the discipline committee of the Institute of Chartered Accountants of Ontario met on October 30 and 31, 2002 to hear the charges brought by the professional conduct committee against George Edward Arlen, a member of the Institute.
2. Ms. Barbara Glendinning represented the professional conduct committee. She was accompanied by Mr. Paul Gibel, the investigator appointed by the professional conduct committee.
3. Mr. Arlen appeared on his own behalf. He confirmed that he understood he had the right to have counsel but was attending and proceeding without counsel.
4. The decision on the charges and the order as to sanction were made known at the hearing. The formal Decision and Order was dated and sent to Mr. Arlen and the professional conduct committee on November 13, 2002.
5. These reasons, given in writing pursuant to Bylaw 574, set out the charges, the decision and the order, as well as the reasons of the discipline committee.

DECISION ON THE CHARGES

6. The Notice of Assignment Hearing dated July 2, 2002, the Notice of Hearing dated August 1, 2002, and the Charges dated June 18, 2002, were entered as Exhibits 1, 2 and 3, respectively.
7. Before Mr. Arlen was asked to plead to the charges, Ms. Glendinning asked that particular (a) of Charge No. 5 be amended so that it read in the second line "Revenue 859,659" rather than "Revenue 845,000". Mr. Arlen did not object and the amendment was made.
8. Also before the plea was heard, a question was raised by a member of the panel with respect to the references to Rule 206.1 in the charges, as there is only Rule 206 at the present time. Ms. Glendinning explained that the rule had been amended, but that the relevant wording in former Rule 206.1 and current Rule 206 was the same. As Mr. Arlen agreed, the charges were amended to read Rule 206.1 or Rule 206, as appropriate.

9. The charges dated June 18, 2002, as amended, read as follows:

1. THAT the said George E. Arlen, in or about the period December 31, 1999 through June 30, 2000, while engaged to perform a review of the financial statements of Hatch Industries Limited for the year ended December 31, 1999, 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 permitted the recording of investment tax credit adjustments of \$15,254.00 as adjustments to the income tax expense rather than to the expenses to which they related;
 - (b) he failed to adequately describe the transaction disclosed in Note 6 "Related Party Transactions";
 - (c) he failed to include commission payments of \$11,471.00 to B & W Hatch Limited, an associated company, in Note 6 "Related Party Transactions";
 - (d) he failed to perform sufficient and appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the balance sheet item "Deferred Income Tax 9,383";
 - (e) he failed to properly document items important to support his report.
2. THAT the said George E. Arlen, in or about the period December 31, 2000 through June 30, 2001, while engaged to perform a review of the financial statements of Hatch Industries Limited 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 or 206.1 of the rules of professional conduct, in that:
 - (a) he failed to ensure that an income tax expense of approximately \$29,000.00 based on income before tax of \$81,288 was recorded in the Statement of Retained Earnings;
 - (b) he failed to perform sufficient and appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the balance sheet item "Deferred Income Tax 9,383";
 - (c) he failed to adequately describe the transaction disclosed in Note 6 "Related Party Transactions";
 - (d) he failed to include commission payments of \$8,553.00 to B & W Hatch Limited, an associated company, in Note 6 "Related Party Transactions";

- (e) he failed to include, in the Statement of Income and Retained Earnings, adjustments to prior years research and development Income Tax Credits as a change in an accounting estimate;
 - (f) he failed to properly calculate the "Cash (Deficiency), End of Year" in the Statement of Changes in Cash Resources (sic);
 - (g) he failed to properly document items important to support his report.
3. THAT the said George E. Arlen, in or about the period December 31, 2000 through April 30, 2001, while engaged to perform a review of the financial statements of Acker Furniture Company Limited 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 or 206.1 of the rules of professional conduct, in that:
- (a) he failed to ensure the recording of income tax expenses or the amount of loss carry forward and the expiration date of the losses for income tax purposes;
 - (b) he failed to ensure proper disclosure of a related party transaction;
 - (c) he failed to ensure proper disclosure of the balance sheet item "Inventory 49,620";
 - (d) he failed to properly document items important to support his report.
4. THAT the said George E. Arlen, in or about the period October 31, 2000 through April 30, 2001, while engaged to perform a review of the financial statements of Read Capital Realty Corp. for the year ended October 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 or 206.1 of the rules of professional conduct, in that:
- (a) he failed to adequately describe the transaction described in Note 5 "Related Party Transactions";
 - (b) he failed to ensure proper disclosure of a loan to the shareholder's brother in Note 5 "Related Party Transactions";
 - (c) he failed to ensure proper disclosure of commission income from 848866 Ontario Ltd, an associated company, in Note 5 "Related Party Transactions";

(d) he failed to properly document items important to support his report.

5. THAT the said George E. Arlen, in or about the period March 31, 2001 through June 30, 2001, while engaged to perform an audit of the financial statements of Canadian Dairy Network (a Not-for-profit Organization) for the year ended March 31, 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 206.1 of the rules of professional conduct, in that:

(a) he failed to obtain sufficient appropriate audit evidence to support the item "Revenue 859,659" in the Statement of Financial Activities and Members' Equity;

(b) he failed to properly document items important to support his report;

(c) he failed to ensure the proper disclosure in the financial statements of a restricted fund;

(d) he failed to disclose the amount of potential liability in Note 5 "Contingent Liability".

10. Mr. Arlen entered a plea of not guilty to each of the charges.

The Evidence

11. Ms. Glendinning made a brief opening statement, and filed a document brief which became Exhibit 4, and a copy of the financial statements for Hatch Industries Limited for the year ended December 31, 2000 together with the review engagement report of Mr. Arlen signed May 20, 2001, which became Exhibit 5.

12. Ms. Glendinning called Mr. Gibel as a witness, and reviewed with him the documents set out in the document brief. The document brief is organized into 19 tabs. The documents set out under the first 10 tabs relate to Hatch Industries Limited, whose financial statements are the subject of Charges Nos. 1 and 2. These documents include the relevant financial statements and Mr. Arlen's review engagement report, together with a number of the working papers from Mr. Arlen's file. The documents set out at Tabs 11, 12 and 13 relate to Acker Furniture Company Limited, and include the financial statements for that company and the review engagement report attached to them which gave rise to the third charge. The documents set out at Tabs 14, 15 and 16 relate to Read Capital Realty Corp., and include the financial statements and review engagement report which gave rise to the fourth charge. The documents set out at Tabs 17 and 18 relate to the Canadian Dairy Network, and include the financial statements and audit report which gave rise to the fifth charge. The documents at Tab 19 are copies of the *CICA Handbook* sections dealing with related party transactions.

13. When Mr. Gibel had given his evidence with respect to the first two charges, the panel took a brief adjournment. During the adjournment, it was decided that it would be more expeditious to give Mr. Arlen the opportunity to cross-examine Mr. Gibel following his evidence with respect to each particular entity, rather than require him to wait until after Mr. Gibel's evidence had been given on all five charges. Accordingly, Mr. Arlen cross-examined Mr. Gibel with respect to Charges Nos. 1 and 2 after the break, and then members of the panel asked questions of Mr. Gibel with respect to his evidence on those charges.

14. The same procedure was followed with respect to Charges Nos. 3, 4 and 5, as each charge related to a different entity.

15. Mr. Gibel, who had not previously testified as an investigator for the professional conduct committee, gave his evidence in a clear and coherent manner. He was forthright and candid in his answers to questions put by Mr. Arlen, and to questions asked by members of the panel. He expressed his opinion with respect to each of the five charges that Mr. Arlen had not performed his professional services in accordance with the generally accepted standards of practice of the profession. At the same time, he acknowledged with respect to some of the particulars of the various charges that there was room for a difference of opinion, and he acknowledged that some of the particulars in and of themselves were not material or significant.

16. Ms. Glendinning concluded her case with Mr. Gibel's evidence. Mr. Arlen was given the opportunity to present evidence if he wished, but he said he preferred to make submissions only. Accordingly, the panel heard submissions on the charges from both parties, following which it deliberated.

The Panel's Conclusion With Respect To The Charges

Charge No. 1

17. The panel found that particulars (d) and (e) of Charge No. 1 had not been proven. The panel also found that while particulars (a), (b) and (c) of Charge No. 1 had been proven, the particulars were minor and not significant. In the result, the panel concluded with respect to this charge that while Mr. Arlen's standard had slipped below the required standard of the profession, the departure from the required standard was not significant enough to constitute professional misconduct.

Charge No. 2

18. With respect to Charge No. 2, the panel found that particulars (a), (b), (c) and (d) had been proven. The panel found that while particulars (c) and (d) could be seen as immaterial, and the investigator acknowledged that particular (b) was not in and of itself significant or material, particular (a) was material and constituted a marked departure from the required standard of the profession and amounted to professional misconduct.

19. We found that particulars (f) and (g) of Charge No. 2 had not been proven. There was some confusion with respect to particular (f). Mr. Arlen gave Mr. Gibel a set of financial statements attached to a review engagement report which was clearly incorrect. He subsequently discovered the error and provided Mr. Gibel with a different set of financial statements which he said had been released to the client. Mr. Arlen ought not to have had a draft or incorrect set of financial statements in his file. But Mr. Gibel did not check with the client to find out whether or not the financial statements which had been released were accurate. Mr. Arlen's mistake was regrettable, but in the circumstances, without further evidence, we could not find that the particular had been proven.

Charge No. 3

20. The panel found that all four particulars of Charge No. 3 had been proven. Further, we concluded that the failure to disclose in the financial statements that there had been a fire, and to specify the losses that had resulted from it, was a marked and significant departure from the required standard of the profession.

21. As with Charges Nos. 2 and 4, there was a failure to properly disclose a related party transaction. While such a failure to disclose in any one set of financial statements might not constitute professional misconduct, the cumulative effect of the failure to properly disclose related party transactions in three instances was a serious problem.

Charge No. 4

22. With respect to Charge No. 4, we found that all of the particulars had been proven. The failure to properly disclose commission income of \$31,241.93 from an associated company which represented 43% of Read Capital's total revenue of \$72,393 was significant and material. We concluded that the departure from the required standard was significant and constituted professional misconduct.

Charge No. 5

23. We found that particulars (a), (b) and (c) of Charge No. 5 had not been proven. With respect to particular (d), we found that Mr. Arlen provided a note as to the contingent liability which in the circumstances was sufficient. Accordingly, we found Mr. Arlen not guilty of Charge No. 5.

24. When the panel concluded its deliberations, the hearing resumed and the chair read the following decision into the record:

DECISION

THAT, having seen, heard and considered the evidence, charges Nos. 1, 2, 3, 4 and 5 having been amended, the Discipline Committee finds George Edward Arlen not guilty of charges Nos. 1 and 5, as amended, and guilty of charges Nos. 2, 3 and 4, as amended.

ORDER AS TO SANCTION

25. The professional conduct committee requested a sanction which included a reprimand, specified professional development courses, supervised practice for a period of 18 months, reinvestigation by the professional conduct committee at a cost to Mr. Arlen of up to \$2,000, and the usual notice to the Public Accountants Council, to the CICA, and in *CheckMark* disclosing Mr. Arlen's name.

26. Mr. Arlen did not object to the reprimand, the professional development courses or the reinvestigation. He did raise concerns that a supervisor would interfere with his practice and his issuance of financial statements, and that the notice in *CheckMark* would have a detrimental effect on his modest practice, and accordingly opposed those terms of the professional conduct committee's recommended sanctions order.

27. After deliberation, the hearing resumed and the chair summarized the terms of the order for the record. The formal order dated and sent to the parties on November 13, 2002 reads as follows:

ORDER

IT IS ORDERED in respect of charges Nos. 2, 3 and 4, as amended:

1. THAT Mr. Arlen be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Arlen be and he is hereby required to complete, by paying for and attending in their entirety not later than June 30, 2003, the following professional development courses made available through the Institute:
 1. Financial Statement Presentation & Disclosure: A Small Practitioner's Workshop; and
 2. Accounting, Auditing & Professional Practice Update,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
3. THAT Mr. Arlen be and he is hereby required to have his practice supervised for a period of nine (9) months, in that all audit and review engagements for year-ends which fall within the nine (9) month period shall be approved by a supervisor. In particular:
 - (a) Mr. Arlen 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) The responsibilities of the supervisor shall include, at a minimum, the review and approval of Mr. Arlen's working papers and financial statements prior to Mr. Arlen's issuance of audit and review reports, paying particular attention to the issue of proper disclosure of related party transactions.

- (c) In the event the professional conduct committee finds Mr. Arlen's choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. Arlen 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.
 - (d) The nine (9) month period of supervised practice shall commence on the day that Mr. Arlen files the approved supervised practice plan in accordance with paragraph 3(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 3(c) above, whichever day is later.
- 4. THAT Mr. Arlen be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within three (3) months of the expiry of the period of supervised practice, the cost of the reinvestigation, up to \$2,000, to be paid by Mr. Arlen within three (3) months of receiving notification of the cost of the reinvestigation.
 - 5. THAT notice of this Decision and Order, disclosing Mr. Arlen'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*.
 - 6. THAT in the event Mr. Arlen 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 Guelph Mercury*.

28. The panel agreed with the submissions of counsel for the professional conduct committee that the principle of sanction which should have priority in this case was rehabilitation. In our deliberations, we concluded there were two factors which were of particular importance in determining the order we considered appropriate. Simply put, we thought there was reason to believe that Mr. Arlen could acquire the necessary knowledge and sufficiently polish his skills in the area of presentation of financial information, but we also thought there was some reason to doubt that he would do so.

Reprimand

29. The panel was 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, and the unacceptability of his conduct as a chartered accountant.

Professional Development Courses

30. With a view to rehabilitation, the panel ordered that Mr. Arlen complete two professional development courses in an effort to upgrade his audit and review skills to the standards required of a chartered accountant, particularly those relating to financial statement presentation and disclosure. The discipline committee believes that one of the purposes of the disciplinary process, in appropriate cases, is to encourage rehabilitation. This is of benefit to both the member and the public which the member serves. The panel determined that completion of these professional development courses would help Mr. Arlen to update his skills and assist in his rehabilitation.

31. The panel ordered that Mr. Arlen complete the following courses before June 30, 2003:

- Financial Statement Presentation and Disclosure: a Small Practitioner's Workshop; and
- Accounting, Auditing and Professional Practice Update.

32. Mr. Arlen agreed to take the professional development courses. They are offered in November and December 2002 and January 2003 at locations accessible to Mr. Arlen. The panel thought Mr. Arlen should take the courses as soon as possible, and prior to the commencement of his period of supervised practice.

Supervised Practice

33. The panel felt that Mr. Arlen's practice was deficient in financial statement concepts and financial statement presentation and disclosure, and that he would benefit from temporary supervision to ensure that he meets the Institute's professional standards. We also felt that such supervision was appropriate for the protection of the public. As noted above, Mr. Arlen had some knowledge of the appropriate standard, and there was evidence that some of his deficiencies could easily be remedied.

34. As he had not remedied the deficiencies after a practice inspection and two reinspections, however, the panel concluded that there should be a period of supervision of Mr. Arlen's practice, to ensure in the public interest that he meets the Institute's required standard of practice.

35. In light of the deficiencies we found, the panel ordered that, with respect to audit and review engagements, the responsibilities of the supervisor are to include, at a minimum, a pre-issuance review of financial statements for adherence to the general standards of financial statement presentation, with a particular emphasis on the disclosure of related party transactions.

36. We concluded that the appropriate period of supervised practice would be nine months. An important component of the supervised practice is a supervised practice plan. As it is important that Mr. Arlen deal with this matter forthwith, we ordered that he file his supervised practice plan – approved by the director of standards enforcement – within thirty days from the date of our decision and order becoming final.

37. In the event the professional conduct committee finds Mr. Arlen's choice of supervisor unacceptable, or there is any other issue related to the supervised practice plan about which Mr. Arlen 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.

38. The nine month period of supervised practice shall commence either on the day Mr. Arlen files his approved supervised practice plan with the discipline committee secretary, or on the day the supervised practice plan is settled by the chair as noted above, whichever day occurs later.

Reinvestigation

39. In order to ensure that the public will be served by a member who has demonstrated the required standard of practice, the panel ordered reinvestigation to take place after Mr. Arlen completes the courses prescribed and the period of supervised practice.

40. The costs of the reinvestigation, up to a maximum of \$2,000, are to be paid by Mr. Arlen within three months of receiving notification of the costs of the reinvestigation.

41. The expectation of the panel is that, with the benefit of the supervised practice period and the prescribed courses, as well as the experience of going through the disciplinary process itself, Mr. Arlen will be able to demonstrate the required standard of practice upon his reinvestigation.

Notice

42. The panel ordered notice of its decision and order in the manner prescribed, including disclosure of the member's name, as a specific and general deterrent. The panel considered such notification to also be 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.

Expulsion For Failure To Comply

43. Any order of the discipline committee which did not provide consequences for failure to comply would be largely meaningless. In effect, the order made in this case sets out the minimum we thought was required to rehabilitate Mr. Arlen and to protect the public. There is no fine or order for costs, in large part to make it as easy as possible for Mr. Arlen to comply with the order. If he does not comply with the terms of the order, he should not and will not be entitled to continue as a member of the Institute.

DATED AT TORONTO THIS 7TH DAY OF JANUARY, 2003
BY ORDER OF THE DISCIPLINE COMMITTEE

B.A. TANNENBAUM, FCA – DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

L.G. BOURGON, CA
P.A. GOGGINS, CA
A. HANSON, CA
N.C. AGARWAL (Public representative)