

AUDITING IN AUSTRALIA.

(From The Accountant, April 2nd, 1898).

In many instances, says The South Australian Register, the system of auditing in this colony is valueless, partly because some of the auditors employed are unqualified men, partly on account of the looseness of the methods of checking, and partly also through sheer carelessness. The purpose of auditing accounts is to provide an effective barrier against dishonesty or mistakes, and generally to ensure accuracy and give confidence. The audit constitutes the chief guarantee possessed by shareholders in public companies; members of friendly societies, and ratepayers of municipal bodies that their interests are duly safeguarded, and that the published accounts are faithful records of their business. If the auditors are incompetent or negligent not only is a premium offered to officers to commit fraud, but those interested in the balance sheets may easily be wilfully or accidentally misled regarding the position of affairs. Recent events in this colony have revived the question of auditing, which The Register has so often discussed, and we say once more that it is preposterous that unqualified men should be allowed to be appointed to the responsible position of auditors of companies and societies. The business community and all classes of investors are doubtless greatly blameworthy for having permitted by custom and law the performance of important fiduciary functions by persons in no degree capable of fulfilling the duties of their office, but it is a legitimate concern of government to protect the public even against themselves. We constantly hear of defalcations by officials of companies or friendly societies which, if they do not cause the collapse of the association interested, entail heavy loss upon innocent people. Of course, the best of auditors may be deceived, and fraud will be committed in spite of the utmost precautions; but what we specially urge is that work requiring careful training, technical experience and absolute independence, should not be entrusted to men possessing no qualifying credentials.

The companies Act recently carried through the Victorian legislature, contains a series of very complete provisions regarding auditing and auditors. The creation of a Government Audit Board is provided for, auditors must be licensed, and before they are allowed to obtain a license they must pass a specified examination, or produce a certificate from an incorporated or chartered society or institute of accountants. The appointment of auditors to public companies is restricted by this statute to gentlemen in possession of these diplomas, while auditors are compelled under heavy penalties to declare in detail that they have carefully examined all books and vouchers and put certain questions to those who are responsible for the accuracy of the accounts. No legislation of a similar character exists in South Australia, and the omission is not creditable to us after all the illustrations we have had of its necessity. Very often the appointment of an auditor is governed by favoritism or personal popularity, and no importance is attached to his ability or experience or his lack of those essential qualities. This is not only the case in semi-public societies, but it is not unusual in district, council and municipal elections to see men chosen to occupy the position of auditor who may manage to write their names, but who certainly know little or nothing about book-keeping, and are almost innocent of arithmetic lore. The absurdity of such a system was exposed in Sydney a few days ago, when Alderman Proctor, at a meeting of the Camperdown Council, tabled the following resolution:

That, in the opinion of this Council, the system of municipal audit is inefficient and misleading. That the appointment of two professional accountants, one by the government and one by the Council, to audit the accounts of each borough, with the

adoption of a uniform system of accounts and books, would afford greater security to the rate-payers, and give more value to the certificate of audit.

Another alderman expressed the opinion that a grave responsibility rested upon rate-payers "in not selecting proper auditors." One of the conditions of the Queensland National Bank, limited, (Agreement) Act provides for a government audit of accounts, and the Brisbane Courier referring some time ago to the first report and balance sheet signed by the Auditor-General, remarked, "The new order of things contrasts remarkably with the old. Whether or not the old order was one of intentional deception, it must have been one of actual concealment of the real and disastrous condition of affairs."

In the United States a system of State audit and examination has been in use for years, in connection with the national banks. This method of independent and unprejudiced inspection has been very successful, and it is worth considering whether the time has not arrived when a radical change should be made in the auditing of accounts of all companies and societies which are built up on the investments of the public. The local society of accountants might well endeavor to secure some amendment in the existing law upon the subject. Accountancy is a profession which demands special ability and experience, and only men who have qualified themselves to examine accounts and assure the public of the faithfulness of a balance sheet should be trusted to perform such work. At present, the holder of a diploma has no special preference over any incompetent person who has the assurance to call himself "accountant and auditor;" and by a little touting and favoritism the latter can frequently secure election to the position of auditor to a public company, a friendly society, a building society, or a municipal body. This is a question which very directly concerns the safety of the public, and in the absence of a system of rigid State audit of all accounts in connection with life assurance companies, banks, and friendly societies, the government ought to be urged to introduce early legislation which should confine the work of auditing to competent and accredited experts. A lawyer is not allowed to practise until he has qualified himself for his duties, and for every one argument which supports this system there are two in favor of its extension to the auditor's profession.

QUEBEC PHARMACEUTICAL ASSOCIATION.

The twenty-eighth annual meeting of the Pharmaceutical Association of the Province of Quebec was held last week at Laval University, with a large number of delegates present. Mr. R. Williams, president of the association, occupied the chair, and Mr. E. Muir acted as secretary.

The principal subject of discussion was the new adoption of the British Pharmacopoeia. It was finally decided that the 1st of November should be the date of its adoption.

The annual report was read and approved, and the session adjourned at one o'clock, after the election of members of the council, which was by ballot, as follows: S. Lachance, Jos. Contant, A. Robert, J. McNichol, A. B. J. Moore and W. H. Chapman were elected for two years. The old members remaining in office are R. W. Williams, J. E. Tremble, A. MacMilan, J. E. Roy, C. J. Covernton, A. E. Duberger.

—The most wonderful astronomical photograph in the world has been prepared by London, Berlin and Parisian astronomers. It shows at least 68,000,000 stars.

—"The new bonds will be issued in different denominations," said Mr. Gaswell. "Well, if you get any be sure to get Presbyterian bonds," replied Mrs. Gaswell. —Pittsburgh Chronicle Telegraph.

TRADE OF NEW SOUTH WALES.

Considerable light is thrown by a recent issue of The Statistical Register of New South Wales upon the trade between that colony and other countries. In 1897 the New South Wales imports amounted to \$107,000,000, and the exports to \$125,000,000, forming a total of \$232,000,000; an amount considerably in excess of the totals of the five previous years, and of which \$90,000,000 represented trade with the other colonies; that with the United Kingdom, \$80,000,000, coming next; other British possessions contributing \$7,000,000. After Great Britain, the largest trade of New South Wales is with the United States, the figures being \$22,000,000 in twelve months.

LITTLE GOLD IN THE PHILIPPINES.

Mining experts say that there is no truth in the reports that the Philippines are rich in unmarked gold mines; that they are a "Pacific Klondyke" or a "new Eldorado." If this had been true, the Spaniards, who have always been good gold miners, would have discovered the secret long before this. There is a small amount of gold in the islands, as there is in all countries, but there is not enough to make large fortunes from. The mining companies already in existence have not been highly successful in their exploitation of the mines.

—Mrs. Wiggles.—I didn't know that Mr. Binks had a title. Mrs. Waggles.—Neither did I. What is it? Mrs. Wiggles.—Well, his servant says that everything comes addressed "James Binks, C.O.D." —Somerville (Mass.), Journal.

—Gradually the resentment felt by some residents of Nova Scotia towards the Confederation Act, which made her a part of Canada, is passing away. According to a Halifax despatch of last Friday, for the first time since Confederation the Nova Scotia Council of Public Instruction, otherwise known as the Provincial Government, has decided that Dominion Day shall be an authorized holiday in the public schools of the province.

—The Ramapo Water Company has a plan to develop electrical energy in great quantities from the watersheds of the Catskill mountains. It has obtained control of over 1,000 square miles of watersheds in the counties of Rockland, Orange, Ulster, Sullivan, Delaware, Greene, and Schoharie in the State of New York. The company believes that enough power can be developed to run all the electrical and surface cars in New York city.

—Eastern shipping papers have been sadly mistaken, says The Marine Review, in their recent boasts that the five-masted wooden schooner now being built by H. M. Bean, of Camden, Me., will be the largest in the world. She is 274 feet on the keel and 325 feet over all, and is designed to carry 4,000 tons of coal. These dimensions are exceeded in several of the wooden vessels of the lakes and they are not to be compared at all with the dimensions of the modern steel tow barges, some of which would carry nearly double her estimated load.

—The great bronze statue of William Penn, which majestically crowns the tall tower of the city hall of Philadelphia, overlooking all the surrounding country from the dizzy height of 558 feet, was insured a few days ago against fire and lightning. The full line on the risk was \$500,000, which covered all the bronze statuary, eagles, clock and all the structural steel, copper, wrought and aluminum plated cast iron work extending upwards from the marble work of the tower.