

be done by smothering. Steam rendering generates an explosive gas that takes fire from a lighted candle. No lights of any kind, open or closed, should ever be permitted about lard tanks.

Smoking is undoubtedly the great peril of the business, and the arrangements should be of the best character. A slatted floor—iron is better than wood—ten feet or more above the fire, to prevent meat from falling into it, is indispensable. The smudge should be in a stove or under a brick arch, or conveyed from an outside fire; and great watchfulness should prevail over this department.

City establishments have a great advantage over those in the country, in the superior fire department; the extra care of the city police, in addition to private watchmen, and the better average experience of men who work in large concerns over those in small. It is a great error to suppose that country pork-houses are better risks than those in the city, where they have these advantages.

Pork-houses should be reviewed by the traveling agents of the companies with great care, and their notations carefully heeded. Many a concern that meets the requirements of a printed application, will from its untidy or ill-managed features, be rejected by the vigilant supervisor of risks on a personal inspection.—*Monitor*.

THE CANADIAN MONETARY TIMES AND INSURANCE CHRONICLE is printed every Thursday Evening, in time for the English Mail.

Subscription Price, one year, \$2, or \$3 in American currency; Single copies, five cents each. Casual advertisements will be charged ten cents per line of solid nonpareil each insertion. All letters to be addressed, "THE CANADIAN MONETARY TIMES, TORONTO, ONT." Registered letters so addressed are at the risk of the Publishers. Cheques should be made payable to J. M. TROUT, Business Manager, who will, in future, issue all receipts for money.

The Canadian Monetary Times.

THURSDAY, DECEMBER 3, 1868.

THE AUDIT OF PUBLIC INSTITUTIONS.

The greatest success seems to attend the operations of those joint-stock companies whose management takes the form of Executive individuality, as Mr. Scratchley calls it. The greater the concentration in power, the greater are the chances of working out efficiently and successfully the end in view, more especially so where promptness in decision and a speedy use of opportunities are rendered necessary by circumstances. No one underestimates the advantage of judicious management; it is of the greatest importance so far as prosperity is concerned. But there is a tendency to ignore in practice the advantage of an effective audit and a close supervision which dearly bought experience now shows us to be essential to safety. As has been well said—"For one Company that fails by dishonesty or from want of skill on the part of the chief official, ten come to grief from careless supervision." The fact that the natural tendency

in management is towards concentration of power, suggests of itself a necessity for supervision; not a supervision of a formal character; not a mere hasty glance over totals; not a take-for-granted purview of details, but all that is meant by the words—an effective audit. Directors, in too many instances, are either too much engrossed in their own affairs, or possessed of too little knowledge of the details of the Company they profess to govern, and too careless to pay that attention necessary to acquire the necessary knowledge, to understand very clearly its actual financial condition. Directors who meet, perhaps, once or twice a week, for an hour or two, cannot be expected to acquire a very detailed knowledge of a Company; a want of regularity in their attendance leads to a want of unity in their deliberations; and the absence through accident or design, of a seemingly trifling bit of information, may thwart their most carefully considered resolves. We do not need to go back to the old Bank of Upper Canada for evidence to sustain our statements; unfortunately cases are still fresh in the memory of us all which would support all we have to say on the subject, and a great deal more.

A few weeks ago, the Committee appointed to investigate the affairs of the Gore Bank, told us that "they would be evading a grave though very painful obligation, were they not to express their decided opinion that very much of what is now, for the first time known to be lost to the Bank, ought to have been long since written off as bad, and that a great part of the remainder should have been treated as of extremely doubtful value. And they deem it to be a subject for the deepest regret that the late Directors should not have seen it to be their imperative duty, both for their own sakes and in the interest of all concerned fairly to confront the difficulties with which the institution has been long beset, and to bring their published statements into harmony with the actual facts of the case."

The recent crisis in New Brunswick furnishes the latest case in point. The cashier of the Commercial Bank was allowed to follow his own devices by his Directors, and at the close of his career, left a deficit of \$90,000 in his accounts. On his sudden departure, it is at once admitted that he had managed the Bank without the slightest restraint or check. The *St. John's News* hit the nail on the head when it said "the corporators in all financial and industrial associations should see to it that frequent, exact and exhausting examinations are made."

However, it must not be supposed that Banks are the only corporations that suffer from the lack of efficient supervision. Our remarks apply with equal force to all public or private companies, and it would

be easy to illustrate our position by cases in which companies of various kinds have been familiarized with trouble through lack of simple precautions. The superficial may jump at the conclusion when a Bank suspends payment, that our system of banking is a wrong one. But the system is no more responsible for the failures than it is for the failures of the crops. The most perfect system of banking that could be devised would be liable to the same contingencies. The real responsibility rests upon those who fail to work the system properly. That it can be well worked is proved by the fact that it is worked well by many institutions whose names will readily occur to the reader. A system may, of course, be improved in matters of detail. Before measures revolutionary are adopted, it would seem expedient to try measures remedial. The answers given to the Senate Committee on Banking, furnished a great deal of valuable information and contained many useful suggestions as to guarding against the abuse of a system which, in theory and practice, is the best adapted to the circumstances of the country. Some of the bankers who made answers went so far as to suggest a periodical inspection by proper officers to be appointed by Government. We do not think that such an inspection would be necessary if a more perfect system of audit were inaugurated.

Mr. Scratchley, in his book on Benefit Building Societies, puts the matter in a clear light, and we cannot do better than give his own words:

"The generality of Auditors elected by Shareholders are persons having no repute for experience in matters of finance, and their audits, in consequence, are little more than an illusion. Auditors, to be of any real value, should be in the character of Committees of Surveillance, and should not be expected to content themselves with checking the vouchers for payments, and the accuracy of the items entered in the office-books. As long as it is considered a piece of interference on the part of the Auditors if they desire to extend their investigations beyond the accounts of a company, they can give no guarantee either to the Shareholders or to the Creditors that all the transactions of the Directors and officials have found a record in the books.

"Hence the present system of audit is in the highest degree pernicious, for it tends to create the idea of security where none is really given.

"The public mind is perplexed as to how fraud can be prevented. It is urged, that when a concern is not managed entirely by one proprietor, somebody must be trusted, and that auditors would not be able to prevent forgery or the falsification of accounts. This objection is groundless, for fraud begins when neglect of supervision in the management commences; and the best way to prevent fraud is to introduce a system which will create a fear of detection.