

cheque of the president and the manager, but the moneys might as well have been withdrawn on the cheque of the manager alone, when the president signed large numbers of cheques in advance, to be issued by the manager without any supervision or inquiry as to whom or for what sums, or on what account, the cheques were made payable. The president knew that such a course when carried out was a complete check upon the manager, and that the statement would be so understood by the defendant company, that he, the president, supervised the withdrawal of the moneys from the bank and signed the cheques after being satisfied that the payment was for a proper amount and on a proper account. No assurance company would think of issuing a guarantee for the manager of a company if it were known that such a lax system as was disclosed at the trial prevailed. . . .

I must find that there was no proper checking by the auditors. One of them said there could be no proper checking of the cash without deposit slips or the pass-books; and in order to make a proper checking and so secure a satisfactory audit of the books, he felt the necessity of having the materials . . . essential to a thorough and proper audit: see the views expressed by Mr. Dicksee, F.C.A., on Auditing (2nd ed.) p. 142. . . .

The statements of the president of the Elgin Loan and Savings Co. were untrue, and were material to the contract; and the recital in the contract states that the stipulation is therein limited to such of said statements as are material to the contract, which is a sufficient compliance with sec. 141, sub-sec. 2, of the Act. See *Village of London West v. London Guarantee Co.*, 26 O. R. 520; and judgment of Lindley, L.J., in *re London and General Bank* (No. 2), [1895] 2 Ch. at p. 682. What appears in the recital is not a setting out of the terms and conditions in full on the face of the contract, as required by sec. 144 (1) of the statute. But I have dealt with the statements and declaration of the president of the loan company for the purpose of shewing what is contained therein, and I have also considered the question as to the sufficiency of the audit, so that if, on appeal, the Court should reach another conclusion as to the effect of the recital, it would be possessed of a finding on the question of the audits.

A proviso in the contract was that: "This agreement is entered into on the condition that the business of the employer shall continue to be conducted and the duties . . . of the employee shall remain in accordance with the statements and