

HANDLING OF BANK AUDITS

Need of External Inspection is Admitted—Has Dominion Adopted Best Methods?

Considerable interest is being shown by the general public, as well as professional accountants, relative to the recent appointment of auditors for the Canadian banks, and the whole question of bank examinations and with regard to those who are best fitted to handle these audits. In the hope that the views of the bank depositor and ordinary shareholder may be elicited, Mr. F. C. Blomfield, C.A., who is a Canadian and an ex-banker, resident at Detroit, has written *The Monetary Times* the following letter:—

"With the possible exception of some of the higher officials of the different banks, the desirability of an audit by some other than a bank officer, is generally admitted. There does, however, appear to be some difference of opinion as to who is best fitted to undertake this work; and also as to the wisdom of the method of procedure, in the election of auditors, as prescribed by the Bank Act.

Appointment by Shareholders.

"The general managers of the Canadian banks have already too much power in their own hands, and the manner of election of auditors would appear to rather strengthen this authority than otherwise.

"There can be no question that, if all officers of banks had been prohibited from taking any part in the election, and the appointments, subject to the approval of the minister of finance, were made by the shareholders, a greater feeling of security would be felt. Under the present provisions, an accountant who does not happen to be a partner in one of the few large firms of chartered accountants in the Dominion will practically become, to all intents and purposes, an employee of the bank employing him. This of course will have the tendency of destroying such an appointee's independence, and in the large majority of cases the protection will be little greater than afforded before. To the casual observer though, there will be the greatest protection possible given to depositors and shareholders, in the way of an independent audit.

Is Present System the Best?

"The question is—Is the recently adopted system of external bank audits the best that could have been devised? It would seem to the writer, after a long experience as a banker in both Canada and the United States, that a system somewhat similar to that in the United States would be infinitely better in every way. The total cost to the banks under the present system, if paid into the government, would allow the appointment of an extremely efficient man as superintendent of banks and bank audits, as well as sufficient capable assistants, to handle the work satisfactorily.

"In regard to the examination of National banks in the United States, Mr. H. C. McLeod in his pamphlet 'Bank Inspection,' shows that it has been a success there, as can be seen from the following figures:—

| | | | |
|---------------------------|-------|--------------------|-------|
| National banks | | failed in 43 years | 5½ % |
| Other United States banks | | " " 43 " | 17½ % |
| Canadian banks | | " " 26 " | 25 % |
| National banks | | " " 26 " | 5 % |

To-day these figures would be even more favorable to the United States, as examinations of national and state banks are being made more thorough and by more competent men, and this is particularly true in regard to the latter."

COMPANY LAW IN CHAOTIC STATE

"If the legislatures, the profession, and the public learn the chaotic state of company law in Canada and take some steps for remedy, some good may have been accomplished," is a striking sentence in the introduction of a comprehensive volume on Canadian company law, by a gentleman, whose qualifications to deal with the subject, are recognized throughout the Dominion, Mr. Thomas Mulvey, under-secretary of state. He has dealt with the matter in his usual thorough manner.

The section dealing with the Dominion Company's Act occupies no less than one hundred and eighty-four pages, and corresponding space is given to each of the provincial laws. Notes have been added to the sections of the Dominion and Ontario acts, and references have been made in the statutes of other provinces to the corresponding sections of these statutes. The book contains all amendments up to the date of its issue, and is well indexed. *Canadian Company Law*, by T. Mulvey, K.C. Published by John Lovell and Company, Limited, Montreal. Price \$10.

WEST INDIES MARKET FOR CANADA

All Negotiations Have Been Completed—Now Traders Must Interest Themselves

The signing of the contract with the Royal Mail Steam Packet Company marks the conclusion of a series of communications and negotiations to promote better trade communications between Canada and the West Indies. In 1891, Honorable Mr. Foster made a tour of the islands and had conferences with their governments and boards of trade. Though there was sympathy at that time expressed with the idea of preferential arrangements, the general fear that the islands would suffer in the United States market from making such arrangements, whilst the Canadian consumption was not sufficient to absorb the major part of their chief products, prevented any actual progress from being made.

Later in 1908, Messrs. Parmelee and Jones had a conference at Barbados with delegates from the principal islands and British Guinea, and there again, although there was an expression of sympathy manifested in a very decided way with the idea on the part of some of the larger islands, yet nothing in the form of an arrangement resulted. Undoubtedly, however, progress was made toward that end.

Then came the royal commission of 1909-10, of which Hon. Messrs. Fielding and Paterson were members, and under whose direction a thorough examination was conducted in Canada and the West Indies, with the result that a general agreement and unanimity of opinion was manifested and the basis laid for future conference.

With Ten of the Colonies.

In 1911, immediately after assuming office, Hon. Mr. Foster took the matter up with the authorities, and invited through them the delegates from the different West Indian Islands to meet at Ottawa. The result of this meeting was successful in bringing about a mutually advantageous agreement with ten of the colonies and opportunity left for the accession of others to the treaty. One of these, Grenada, has since adhered to the agreement.

A preferential agreement having been provided for, upon definite lines, the second step, and one of great importance, was to effect a reduction in ratio of cable communication. This has been carried through, with the co-operation of Canada and Great Britain, and will result in a reduction of 50 per cent. in rates to and from West India points, and now the signing of the above-mentioned contract ensures that from November 1, large, well-equipped and suitable vessels under the management of an experienced and powerful company will take up the service and push it by modern methods.

Canadian Producers Must Co-operate.

It remains now for the producers in Canada to take a live and thorough interest in the extension of markets for Canadian products to the West Indies. Unless they do, personally and generally, take this interest, the best results cannot be expected to follow. Although we do a considerable trade with these islands at present, it is still a fact that a large proportion of the consumption therein of the articles which Canada produces is provided from other sources, largely from the United States of America. The basis for an extension of trade is laid, and with an up-to-date service regularly performed and well carried out, it is now up to Canadian producers to co-operate effectually in ensuring the success of the negotiations resulting in the present favorable condition.

NEW SCHOOL DISTRICTS

The following are the names of new school districts, together with their senior trustee:—

Alberta.

Hacke, No. 3049. J. P. Atwood, Milk River.
Meadow Lane, No. 3046. John Hill, Barney.
Cash Creek, No. 3045. L. C. Shaw, Flat Creek.
Annasheim, No. 3047. Bert Kirkeby, Dowling Lake.
Three Hills Village, No. 3048. A. E. Patton, Three Hills.
Fair Haven, No. 3044. J. H. Vincent, Athabasca Landing.

Saskatchewan.

Arbury, No. 3141.
Gregherd, No. 3142.
Blume, No. 3073. W. F. Kent, Muenster.
Cando, No. 3145. Jas. Cummings, Cando.
Edmund, No. 3143. L. Eikenberg, Canuck.
Lupescu, No. 3146. Herman Cohen, Cupar.
Loverna, No. 3144. W. K. McFarland, Loverna.
Addington, No. 3147. Robert Warner, Arborfield.