MANITOBA FINANCES UNDER AUDITORS' EYES

Preliminary Remarks of Accountants on Provincial Finances—Accuracy and Carefulness Needed, They Say

The provincial finances of Manitoba are being analysed by Messrs. Price, Waterhouse and Company, chartered accountants, who summarize the results of their preliminary work in the following terms:—

(1) The balance sheets at November 30, 1914, and May 15, 1915, and the revenue account for the intervening period, include all revenue accrued and outstanding liabilities, so far as these have been ascertained, and also give effect to the correction of such clerical errors and omissions as we have discovered. As our work is not yet complete the figures in some instances are only approximate and are subject to change in the final balance sheet to be submitted. If our suggestion as to an appraisal of buildings and properties be adopted, the final balance sheet will show the appraised figures in place of the present book values.

(2) We have satisfied ourselves that the disbursements of the treasury department for the period from November 30, 1914, to May 15, 1915, have been made in the regular course of business and are supported by the certificates of the proper departmental officials. We have also satisfied ourselves that all cash receipts shown in the books of the treasury department have been duly deposited in bank.

(3) While we are unable to state definitely that all amounts collectable for well-boring, special surveys, seed grains, etc., have been received (as the system of accounting does not permit of a satisfactory verification of these receipts), nothing has come to our notice during the course of our examination which would throw doubt on the honesty of those handling the cash.

Not Sufficient Care.

(4) The books and accounts of the treasury department have not been kept with sufficient care and accuracy, and in our opinion it is essential that the accounting system should be improved in order to provide for an effective check over the transactions of the various departments.

(5) The present accounting system provides for the preparation of the financial accounts on the basis of "cash receipts and expenditures." We would recommend that a "revenue" basis be adopted, and that a complete record of all outstanding liabilities be kept, as under present conditions it is impossible to determine the amount of such liabilities at any date without an undue expenditure of time and trouble.

(6) The present plan of departmental organization does not, in our opinion, provide an effective system of internal check, and we would recommend that all the accounting records of every department be placed under the supervision of an official who should be entirely responsible for all accounting. He should supervise the preparation of the final accounts and should submit periodical statements to the ministers.

Treasury Department's Responsibility.

The treasury department should be responsible for the collection of all cash and for the general financing of the province, and in addition should have charge of the secretarial duties they have at present.

To enable the provincial auditor's department to keep a record of outstanding bills and to audit them efficiently it is essential that all other departments making purchases should furnish the provincial auditor's department with a record of all orders issued.

(7) We desire to call attention to the following specific points which we have observed during our investigation:

(a) We note that the agricultural college retains the board moneys paid by the students and makes payments therefrom for board supplies and expenses. This practice should be discontinued. All moneys received should be deposited with the treasury department, and the bills incurred should be audited and vouched in the regular manner.

(b) We would also suggest that the method of paying expenses of the grain elevators by "accountable vouchers" be discontinued, and that the procedure followed by other departments be adopted.

(c) Apart from the question of improvement in the accounting system in the treasury department, it would seem that in some respects sufficient care has not been taken to keep the records up-to-date. The various active banking accounts were out of balance, and no proper reconciliations had been made for an extended period, in the case of the consolidated revenue account dating back several years.

(d) No endeavor has been made adequately to check the collection of expenditures on special surveys, but we are informed that the treasurer's department do not consider that they are responsible under the act for such work.

(e) The details of the court of King's bench trust account as prepared by the accountant of the court of King's bench and rendered to the treasury department on November 30, 1914, shows a difference of $8,976.90, as compared with the records kept in the treasury department. This difference is apparently the result of errors in crediting interest to the trust fund account, which would mean that consolidated revenue has received an over-credit of the difference mentioned. This matter is now under investigation.

Receipts not Audited.

(f) For a number of years the provincial auditor has been unable to audit the receipts of the treasury department.

(g) During the investigation we noticed that large sums had been disbursed by "accountable vouchers," and we are at present inquiring into the propriety of the amount disbursed in this manner.

(h) A claim exists against the bank handling the proceeds of the last issue of provincial debentures, for commission amounting to $13,687.50 on that issue, this amount having been deducted by the bank without their having authority to do so. Pending a settlement of the claim, we have made no adjustment in this respect in the accounts submitted.

(i) All interest due to or from drainage districts on their current balances has been ignored for a number of years, and the effect of this has been to credit to consolidated revenue a substantial amount of interest which should properly have been credited to the drainage districts.

(j) During the course of our work, our attention was drawn to the fact that duplicate payments had been made by the architect's office. We understand that the amount already involved will exceed $7,000, and in the circumstances we think that a careful inquiry should be made of the transactions of this office.

TELEPHONE BONDS SOLD

The following Saskatchewan rural telephone companies' bonds have been sold in July.—Good Water, $2,700; Third Meridian, $2,500; Mair, $9,000; Lockwood, $10,000; Great Deer, $2,500; Unity, $34,500; Ingleside, $4,600; Earnscliffe, $5,000; Crocus Belle, $6,000; Narrow Lake, $14,000; North Redvers, $11,000; Hillier, $10,500; Cut Knife, $12,000; Adanac, $2,500; Walpole, $1,000; Sunshine, $5,200; Gartmore-Zorra, $6,000; North Churchbridge, $2,500; Sask View, $5,000; Glenrose, $10,000; Star, $1,000; Tyvan, $1,000; Thorson, $1,700; Cambridge, $3,800; Kansas, $4,000; Guernsey, $6,500; River Ayr, $2,500; Lovat, $2,500; Paswegin, $3,500; Tessier, $3,000; Montgomery, $4,500.

The head office of Messrs. Allen Brothers Company, Limited, is at 817 Gerrard Street East, Toronto.

Harrison Parker, State Fire Marshal of Kansas, has an original suggestion for the suppression of over-insurance. Over-insurance, he says, is the direct cause of every incendiary fire, except those few set for revenge or by a pyromaniac, and he suggests the passage of a law which would permit a review in court when over-insurance is charged; the insurance company to pay the face of the policy to the court, the actual loss to be paid the insured by the court, and the balance turned over to the general revenue fund of the state. In this way the persons over-insuring would gain nothing by a fire, the company would lose the face value of the policy, and consequently place the blame where it rightly belongs, with the local agent. He believes that such a law would do much to eliminate over-insurance.