

before he leaves the work—we will suppose a month at a time—he receives the vouchers for payments, and the cheques returned by the Company's bankers, arranged in their proper order, together with a statement, prepared by the proper officer in a book kept for the purpose, of the cheques issued by the Company upon its bankers, and remaining unpaid at the close of each month, to which he will refer in the first place to confirm the statement of cheques outstanding from the previous audit. For every item in the cash book entered as having been paid, a voucher must be produced, not only as evidence of the actual outgoing of so much cash, but of such a character as will show that all the conditions necessary to the security of the Company and its clients have been duly observed. He will see that cheques upon the Company drawn to "order" are properly endorsed.

The certification of cash receipts will next engage his attention, and while the principles laid down with reference to disbursements will not perhaps be found to apply in all their entirety to these, it will be his constant study, as it doubtless is of the officials controlling the management of the Company, to leave as little uncertainty as possible on this score. The transactions of the Company with its bankers will be sufficiently verified by its cheques and the pass-books with bank certification of deposits and balances, and a comparison with the Company's ledger account, the difference between the two being reconciled by the statement in the bank outstanding book, which record will be referred to at each succeeding audit, and all cheques entered therein carefully examined by the auditor when they come before him. I take it for granted that no Company of any importance will be without its proper form of cheque, consecutively numbered with printed figures, and that the auditor will ask for the production of any number which may have been from accident or otherwise rendered useless, and will see that they are completely cancelled. The auditor will not recognize as sufficient evidence any bank pass-book, unless it is evidently what it purports to be, and in case of the remotest cause for doubt will enquire of the banker as to its genuineness, which will also be a necessary precaution in the case of all permanent deposits, unless they are represented by the special deposit receipt of the bank. It has happened, and may perhaps occur again, that a bank book has been so manipulated by a cashier as to serve the purpose of covering up his speculations, but this, it seems to me, is only possible in very small concerns, or by the utter lack of system, or a fearful amount of collusion or stupidity in a large Company.

A SPECIMEN TRANSACTION.

Where an institution from motives of economy or from necessity, employs one person to do duties which in large institutions would devolve upon three separate persons, it will be readily seen that he has in himself all the opportunities for fraud that the three would possess if they were working into each other's hands, and it is especially objectionable when the same clerk is teller and ledger-keeper and is thus in a position to suppress, at least temporarily, the credit to depositors and their entries in the cash account, or can so alter the bank pass-book as to make it appear as a voucher for a sum which he has taken credit for as deposited, but has never paid over to the bank. I was much amused on one occasion when presenting a cheque at the counter of a Loan Society to receive in payment therefor a cheque on the society's bankers on a form which provided for signature by the manager and accountant, and counter signature by the teller, from which the society would appear to be very well protected, but as the utility of a rule frequently depends entirely upon the manner in which it is observed or acted upon, so in this case. Writing the amount on a cheque already signed by the manager, the teller signed "per accountant," and counter-signed in his proper capacity, it proved a good and valid cheque for my purpose, for I got the money; but had I been auditor of that institution the Board of Directors should have had a clear and definite account of the transaction at their next meeting—with the moral that blank cheques, signed, are dangerous, and a wanton temptation.

In counting the cash in hand at the close of his audit, or at such dates as he may be required to make interim reports, he will en-

deavor, if possible, so to arrange that it shall not be practicable for the cashier to postpone entries so as to conceal a deficiency, and to this end will insist upon the due observance of any existing rule which may regulate the time of closing the books, nor will he go through the farce of counting the cash stated to be in hand at the close of the day, while he is aware that other moneys have been received, and are held over for future entry, as this would be to establish a dangerous precedent, and to sanction a practice which, though perhaps innocently commenced for the sake of convenience only, might afterwards be made to serve the purpose of concealing fraud. Unauthorized due bills in the cash will be at once reported, in kindness to the teller, who may otherwise be led further than he sees in his endeavor to accommodate unworthy friends.

THE NEXT STAGE.

The next stage will be the examination of special books of account made use of by the various departments of the business, with the subordinate ledgers containing the individual accounts with borrowers and depositors, into which he will ascertain that all the entries in the cash book and journal of the Company having reference thereto have been posted in detail, while corresponding general totals have found their place in the respective general accounts in the principal ledger of the Company. He will not only carefully check all the entries into these books, but will verify certain of the periodical balances taken from them by the clerks of the different departments, which will confirm the correctness of the work by showing their agreement with the principal account.

At the close of the period audited he will examine the statement of the Company's business, and will see that care has been taken to calculate on a proper basis the values of the assets and liabilities affecting the result. Liabilities for interest to depositors are made up and placed to their credit, or if not subject to capitalization, are provided for in a special account. Interest on debentures and other loans to the Company accrued but not due is provided for in a similar manner. The properties which may have fallen into the Company's hands are carefully scrutinized, and due allowance made for any anticipated losses. Each loan is valued upon its own merits, and the aggregate interest earning of the period ascertained, and it is the auditor's duty to see that all this has been done fairly, that liabilities of all descriptions have been fully recognized, that there has been no undue appreciation of assets, and to check such proportion at least of the calculations as will satisfy him that they have been accurately, as well as properly, made. We will suppose that under the favorable circumstances in which he is placed there will have been found sufficient profit in the business to carry a nice round sum to "rest," and to leave a respectable balance to meet "contingencies," besides paying to the shareholders such dividends as may amply remunerate them for their investment.

THE BALANCE SHEET.

being so prepared as to show the true position of the Company and found to be correct, the auditor will append his certificate thereto, and his work, with the exception of the reports to the Governments in which he has to join, will be complete.

It is the duty of an auditor to positively refuse his sanction to any variety of misrepresentation, no matter how plausibly maintained, and if this is persisted in to represent the matter clearly to those who have appointed him, using every possible precaution that in so doing he may not jeopardize their interests. No rules can be laid down which will sufficiently indicate the exact course which in each case it is necessary to pursue. But an auditor should be possessed of good judgment, which some of the positions indicated will exercise to the fullest extent of his ability.

In municipal accounts it will be necessary to examine all the sources of income, and to see that the proceeds have duly reached the municipal chest, to take care that the transactions of one fiscal year are not confused with those of another, that all expenditure has been duly authorized by competent authority, and that by-laws have been prepared to cover the same where necessary, and to make prompt representation of the fact when this has been neglected; that the accounts are sufficient, as well as clearly and correctly kept, and that all the debenture and other liabilities are properly recognized; that such register is

kept of the interest payments on the same that they can be clearly identified, and not by any possibility duplicated; and that all sinking funds which have to be provided are actually invested in such manner as the law requires, and do not simply appear in the books as having been provided for, while the amount has been improperly expended for other purposes.

In manufacturing business, still other variations of treatment are required, critical examinations will have to be made as to cost of raw material, fuel, wages, etc., such check as is possible exercised upon the sales departments, and the accounts of bills payable and receivable systematically checked and carefully verified at the time of the closing balances, when everything should be brought down in its actual value, and full allowance made for depreciation in stock, real estate, plant and machinery, and for all bad and doubtful debts, assets of an intangible character, such amounts paid for or estimated as the value of "goodwill" being clearly stated as such in the balance sheet.

The value of the services of an auditor is indeed only partially recognized, which may be the reason why many are appointed to such a position who do not possess any special qualifications for it, as a necessary compliance with existing laws or rules, but with no view to the indirect receipt of solid and substantial value for the expense incurred, and without the recognition of the fact that auditing, which is unsystematic and manifestly deficient, is worse than none, as it relieves the management of an institution or corporation from much of the responsibility of the examination of their own accounts which they would otherwise feel.

A thorough system of audit applied to the business of firms and individuals frequently avoids or removes the misapprehensions which would otherwise exist, and justly strengthens the confidence existing between those who stand to each other in the relation of employer and bookkeeper, or as partners in the same business, and not infrequently matters of perhaps trifling moment, which if debated between the parties interested might lead to a continual difference, are settled by the slightest expression of opinion from one who is regarded as an expert, or in whose good judgment implicit confidence is placed.

Finally, an auditor is not infallible—he will make slips like other men, and that perhaps in matters upon which he has felt most confident; but he is the less likely to fail if he makes his profession his constant study, gleans information from every legitimate source, remembering the importance of the interests entrusted in some sort to his keeping, is ever alert; and recognizing to the fullest extent the dangers which may be imminent, anticipates them by thoroughness and promptness of action."

CANADIAN OIL TRADE.

The past work has been one of considerable excitement, but the manifestations towards any advance have been very meagre, while the sales have advanced in the number of barrels disposed of. Notwithstanding the fact that crude is low, the number of holes going down is increasing. We believe that the production to-day is as great as, if not larger than it ever was. Refined continues at from 10½ to 11 cents f.o.b. car-lots.

The official figures are now all to hand for September. They are as follows:—

AMERICAN OIL IMPORTED.	
1884.	1885.
483,878 gallons.	586,137 gall ons.
CANADIAN OIL INSPECTED.	
1884.	1885.
907,840 gallons.	1,127,220 gallons.
CONSUMPTION OF CANADA.	
1884.	1885.
907,840 Can.	1,127,220 Can.
483,878 Am.	586,137 Am.
1,391,718 gallons.	1,713,357 gallons.
	1,391,718 "

More in 1885..... 321,639 gallons.

It will thus be seen that while the importation of American oil has increased 102,379 gallons, the consumption of the Canadian article has increased 219,880 gallons, as compared with the same month last year.—*Petroleum Advertiser.*