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## THE BANK AUDIT.

Under the new Bank Act's provisions for a shareholders' audit, a panel of auditors qualified to act has lately been chosen by the general managers of the banks from which panel the shareholders will be able to make a selection of auditors for their respective banks at the forthcoming annual meetings, a series of which take place during the autumn and winter. It will be in recollection that this innovation in the banking legislation of the country was in the nature of a compromise. On the one hand, were the perfervid advocates of a system of banking inspection by Government officials; on the other hand were those who, quite rightly as we believe, held that an audit or outside inspection of the banks was an undesirable innovation beset with dangers. Between these two sharply-conflicting views, the Minister of Finance, as is the wont of statesmen, steered a middle course, and with considerable success as must be freely admitted. The appointment of the auditors is placed in the hands of the shareholders. The Minister also has the right of appointment at any time of a special auditor, when circumstances arise which in his judgment make such an appointment desirable. Broadly speaking, it may be said that the ordinary audit is a head-office audit. For while the auditor of a bank has a right of access to the books and accounts, cash, securities, documents and vouchers of the bank and is entitled to require from the directors and officers of the bank, necessary information and explanation, yet in the case of a bank with branches—all the banks in fact—it is sufficient if the auditors are allowed access to the returns sent by the branches to the chief office. However, the auditors may in their discretion visit any branch for the purpose of examination. It will be seen from this that the auditors will not in any way supersede the present inspection staffs of the banks. The auditors are required to report to the shareholders of the accounts examined by them; the checking of cash and verification of securities which they have made at the bank's chief office; and on the annual statement submitted by the directors to the shareholders; and they are required to state whether or not they have obtained all the information and explanation they have required; whether in their opinion the transactions of the bank which have come under their notice have been within the powers of the bank; whether their checking of cash and verification of securities already referred to agrees with the entries in the books of the bank; and finally whether in their

opinion the annual statement is properly drawn up so as to exhibit a true and correct view of the state of the bank's affairs, according to the best of their information and the explanations given to them, and as shown by the books of the bank. This report, whose requirements are very similar to those of the English Companies' Act, is to be attached to the annual statement and read to the shareholders at the annual general meeting.

Apart from special investigations undertaken on the instructions of the Minister of Finance—a step which would, of course, only be taken when there was good reason to fear that things were seriously wrong with one of the banks—the rôle of the new auditors under ordinary circumstances seems to be to make assurance doubly sure. The extent of their real utility will only be appreciated should the officials of one of the banks take an erroneous course and it is to be hoped that the time is far distant when the efficiency of the new departure will be demonstrated by an event of that kind. The auditors nominated and eligible for election by the shareholders of the different banks include some of the most eminent men in the accountancy world, but a considerable proportion of them are resident outside Canada. An analysis of the 64 nominated auditors shows that six Canadian firms have 21 nominees; four foreign firms, 18 nominees; while the other 23 nominated may be described as Canadian individuals. The nominees among the foreign firms include a number of partners who, we believe, are not British subjects, and who, in common with some of the other nominees resident on the other side of the Atlantic who are British subjects, merely pay brief professional visits to Canada from time to time. The policy of nominating several partners of one firm as eligible for election, though apparently provided for by the Bank Act, is also open to objection. It might happen that three partners in one firm might each be elected an auditor of a different bank with the result that the audit of three of the banks would be carried on by the same staff—surely not a desirable practise. Doubtless those who were responsible for the making of nominations were desirous of securing for their services the best professional skill available. They have done so undoubtedly, but possibly in so doing, they have given some cause of complaint to Canadian chartered accountants, whose qualifications for the positions are unimpeachable and who are sincerely anxious for the further advancement and honor of their profession in Canada.

