

## Municipal Accounts and Audits.

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Even slight familiarity with the financial affairs is calculated to impress one, with the serious condition of the public accounts in the minor municipalities of the province.

Discussion of the subject with those who are interested in any particular town, village or township, almost invariably brings out a confidential remark to the effect that "ours are in bad shape and ought to be investigated."

The recent report of the Bureau of Industries on municipal statistics strongly emphasizes this fact, and shows the difficulty they met with in their compilation. Six pages of short extracts, from remarks made by municipal officials on their returns are published, nearly all of which reveal a weakness in their accounts.

The record usually kept consists of a simple cash account between the treasurer and the municipality, and some means of summarizing the payments under more or less appropriate headings, but without distinguishing expense and revenue accounts from assets and liabilities. The only records of debentures out-standing may be the by-laws which authorized the issues, and the cash book for reference as to payments which have been made on account of them.

The audits are usually of a nominal character, the auditors being satisfied with examining such vouchers and records as may be put before them, and making their chief business the production of the detailed statement and copy which they are called upon by the Municipal Act to furnish. The collector's roll which usually constitutes the largest transaction of the year, is passed by with a very slight test or none at all.

One very important cause for these conditions, and probably the main one, is that the appointment of auditors are made as a matter of patronage, without much reference to ability as accountants, and the salaries paid are too small to warrant sufficient time being given to the work, to do it properly, and there is a want of a uniform system of book-keeping, as a general guide to those who may require such assistance.

Affairs having once become tangled, there is a tendency on the part of the council to shirk the expense of an adjustment, as long as they can, losing sight of the fact that the condition of the books may be causing a greater, though an unseen, expense.

The Municipal Act, 1893, has made a provision, regarding the books of all municipalities except townships:

It enacts that the treasurer shall keep a book known as the cash book, on the left hand page of which he shall enter all moneys received by him, and on the right hand page, the amounts paid out by him. It also provides a journal in which to

enter all debits and credits not consisting of cash. It says nothing about a ledger.

The Municipal Act, 1892, provides that two separate accounts shall be kept, one for the special rate and the other for the sinking fund, or for instalments of principal of every debt. These are to be kept distinct from all other accounts, so as to show the condition of the debt. These I believe to be the only provisions in regard to the book-keeping of the treasurer. There is a section of the Assessment Act which provides that the collector shall specify in his return, how much of the amount paid by him to the treasurer is on account of each separate rate.

Certain reports are required to be made annually to the Bureau of Industries, on behalf of the Provincial Government, and which if taken as an index to the book-keeping, would keep an excellent record of the affairs of the municipality.

They consist of an abstract and a detailed statement of the receipts and disbursements and of the assets and liabilities, and a separate statement of the debenture debt.

Having taken a running glance at some of the existing conditions, I propose, without in any sense setting myself up as an authority on the subject, to make a few suggestions, as to how I would like to see things done, always keeping in mind the requirements of the statutes, and making the whole as simple to keep as possible. In all my work I try to avoid complex forms.

The most convenient form of cash book has printed headings, which includes the bank account, on the left hand page under the head of receipts, the columns are, date, account to credit, from whom and for what received, ledger folio, cash, deposit, total. On the right hand page, under the head disbursements, the columns are, date, check, No. by-law, resolution No., account to debit, to whom and for what paid, ledger, folio, cash, cheques, total.

The chief items which require the use of the journal are the taxes levied in the collector's roll, and which must be credited to the accounts on whose behalf they are levied, for instance, the county tax, special school tax for each school board, special rates to meet interest and principal on debentures, local improvement or otherwise, levies under the Municipal Drain Act and the Ditches and Watercourses Act.

For the ledger, the bank form of money columns is the best.

My idea of a system of ledger accounts is that a trial balance of these accounts should produce, as far as possible, the abstract of receipts and payments, and of assets and liabilities. These must be adapted to the circumstances of the municipality, but would be something like the following.

General taxes with such subdivisions as may be required, taxes returned to county treasurer, licenses, fees, etc., water rates

received, interest and dividends received, government school grant, etc., loans and investments, accounts of bills payable (for money borrowed) debentures sold, subdivided according to the purposes of the debts, say local improvement, municipal works, aid to railways, drainage works, school purposes, bonuses, salaries, printing, stationery, heat, light, etc., street lighting, water supply, and fire protection, law costs, sundry expenses.

Construction accounts as follows: Roads and bridges, streets and pavements, sewers, waterworks, electric light, plant, buildings, board of health, charity grants, county rate, school board accounts, special rate accounts, sinking fund accounts, interest paid on loans, sheep claims.

Property accounts such as, land, buildings, chattels, advances to local improvements, municipal drains, and accounts for cost of survey etc., under the Ditches and Watercourses Act.

Other accounts will of course arise in many municipalities, and some of these will not be required for I have included accounts which meet the wants of both townships and villages or towns. One thing I would strongly urge, and that is, in no case should there be more than one set of books. I have met a tendency to open a special set for the local improvements or municipal drain accounts. The effect is to keep these as though they were no part of the affairs of the municipality, or only a side issue, while in fact they are a very important feature, and should form a part of the main reports.

In order to best serve the financial, the vital interests of a municipality, I consider that no one should be appointed as treasurer who is not capable of keeping a set of double-entry books, and who has not had considerable experience in general financial affairs, beyond what a man can gather in the every-day life of a little store or a farm. And he should exercise the greatest care in keeping a full and a clear account of the source of every receipt, and the "to whom and what for" of every payment. A treasurer who is not capable of doing this, in addition to the harm he does the municipality, runs the risk of, some day, getting himself and his sureties into serious trouble, though his intentions may be ever so honest. And the facts which I spoke of at the beginning of this paper, indicate that it is not so easy to keep correct accounts as a great many treasurers had thought it was.

The auditors should, between them, be better skilled than the treasurer, so as to be able to safely judge of the correctness of the treasurer's methods, and of the accuracy of his statements and reports, and to make reliable suggestions as to improvements which his bookkeeping may require.

A good combination for municipal audit is an expert accountant, assisted by an ex-reeve or other prominent man who is thoroughly familiar with the affairs and the people of the municipality.