

stood, however, that it is not any of the auditor's business to pass on the class of investments unless requested to do so. His function as an auditor is to see that the securities reported are on hand, and to this end he should have them all produced every year, and by some means identify them as having been examined by him. Some auditors use a rubber stamp which reads, "Produced for audit...19....". It is doubtful whether they have any right to do this, and the better plan is to keep their own record of what they have seen. An "O. K. with Security" in the investment register is even still more satisfactory. Accrual of earnings should be arithmetically checked.

General. In short, it is safe to say that whatever means the auditor of a commercial institution should take to satisfy himself of the correctness of the assets side of a balance sheet should be taken by the auditor of a municipal institution.

LIABILITIES

Accounts Payable. If the voucher journal has been checked carefully, the amounts shown as unpaid on capital or revenue in the balance sheet need no further verification.

Bills Payable. These require thought. Legal opinion holds that the authority to sign bills rests with the council, and that the signing of a bill impairs the borrowing capacity of a city to its extent. Generally speaking, no city official has the right to sign a note for goods, although it is often done. The Mayor and Treasurer require by-law authority to execute notes of hand for the liability of the city to the bank, and these are the only bills which should appear in the balance sheet. They should be verified by a statement from each bank as at December 31, and the auditor should see and O. K. this statement.

Debentures. The only proof of correctness available is the debenture register, which should agree with the balance sheet figure if kept correctly.

Stock. Generally, the fiscal agents of the city look after