

that there was no concealment; no false entries were made; there was no tampering with the books; merely a deficiency without any attempt to cover it up. It follows, inevitably, that the duties received were not traced to the bank by the officer who had charge of a receiving book, the object of which was to make wrong-doing on the part of the Collector in this way impossible. We do not know what the instructions of the officer who had charge of this book are; whether he receives any specific instructions from head-quarters at all, or whether he is expected to understand what his duties must be from their nature and object. It is quite possible, almost certain, that he thought he was performing his whole duty; that he fancied he had merely to keep this book as a check on the cash received, or see that it was kept, and that it was no part of his duty to see that this cash found its way into the bank. However this may be, it is evident this is the weak spot; it is this omission that made the existence of a deficiency possible without being detected.

It has been hastily assumed that the closing of his book each day at one o'clock, by the chief clerk, in some way covered up the deficiency. But this is a mistake; for what did not appear one day would appear the next, and the closing of the book at any particular time would be no bar to discovery. The difficulty did not lie here; it was to be found in not tracing the cash to the bank after it was received. The check on the Collector was of no use, because it did not go far enough. And we shall presently give reasons for believing that the same defective system may exist at other ports.

We have assumed that the Inspector of Ports had the means of detecting a deficiency of this kind. If he made it a practice to examine the book to which we have referred, and for the accurate keeping of which the Surveyor of each port is responsible, he must have seen that it did not show that all the money received had been placed in the bank. The next step in order would have been for him to find out for himself whether the deposits were properly made. He would then at once have found out the deficiency; this should have occurred on his first visit, instead of the deficiency remaining for years unsuspected, largely increasing in amount from time to time. It is the old question, though not in a form that implies suspicion of an intention to do wrong—who is to inspect the Inspector? It is plain that the Surveyor had the means of detecting the wrong; and that the Inspector had a like opportunity; and both, we feel confident without any

evil intention, failed to see what was under their noses. The chances are that they never thought of the natural and simple means of finding out a deficiency of this kind. They may have thought, if they thought on the subject at all, that no one would do an act the detection of which was so easy that one had only to open his eyes to see it. The importance of these observations lies in their application to the general system of checks and inspection; and the thing for the Department to do is to improve a species of checks which are liable to break down in practice.

In other ways there is reason to believe extensive Customs frauds might easily be committed. For instance, there is not sufficient check on the landing waiters. It is they who receive the manifests, which they are required to enter in a book. Formerly a second copy of the manifests used to be taken, the book for that purpose being in the Custom House. This latter book, for some inscrutable reason, has been abolished. The order for its suppression must have been based on some reason; but it would require a very strong reason for the adoption of a plan which leaves it in the power of a landing waiter to suppress a manifest and fail to make an entry of it. This would require collusion with the shipper, and is not very likely to occur; but the only safety is to make its occurrence impossible. The whole system of Custom House checks needs revision, and now is the time for doing it.

THE BANK OF OTTAWA.

This bank, after announcing a dividend for the last half year, made a discovery of losses, stated at \$52,000, before unknown to the directors, and the proposed dividend was cancelled. The blame of the losses was chiefly thrown on the late cashier, Mr. P. Robertson, by the Vice-Pres't, Mr. Magee, who is now acting cashier. He said "the directors had been deceived; there had been concealment, and transactions had been entered into against and contrary to their instructions." He described the deception as having been begun at Arnprior, and said the cashier had given up certain notes obtained there without the knowledge of the directors, and had substituted in their places fictitious bills, purporting to be drawn on responsible parties in Quebec, but which never existed. He said the reason why the discovery was not sooner made was that the cashier had been appointed an inspector of the Arnprior agency, along with one or more of the directors; and when the entries relating to those bills were seen they were thought to be genuine. This transac-

tion is described as involving a loss to the bank of \$9,000.

Mr. Robertson is also charged with having used the funds of the bank to purchase a timber limit, from which he took out a raft and sent it to Quebec; the name of Mr. A. McCuaig being at first used, and afterwards, when the raft was sent to Quebec, that of a well-known lumberman was substituted. The amount of money used in this transaction is represented as between \$13,000 and \$14,000. Other similar transactions at the head office are said to have been "covered up by manufactured bills and false entries."

The Vice-President added that Mr. Robertson had made a full statement of these transactions, "both verbally and in writing." It would have been well if the written statement had been given to the public; for there was probably a want of strictness in the work of the directors, who, it is admitted, never made a general audit of the books. But if they did not do this, and it would not necessarily be expected of them, they should have had the inspectors' audit. The Guarantee Company was surety for the cashier; and the question of its liability will turn on another question—whether the directors exercised due diligence. The agent at Arnprior, who is still retained, cannot have been blameless in whatever was wrong in the transaction at that place; and it would be interesting to know whether any of the directors made an inspection of that agency, since this transaction occurred, without the assistance or presence of the cashier. Had the agent there no connection with the raft? And if he had, was there any attempt obtain security from him for this loss? If there was, has it been, or is it likely to be, obtained? These are points on which the Vice-President's speech throws no light.

It would have been better if the Vice-President had stated the other improper transactions, at the head office, to which he vaguely refers. Would it not have been possible to discover improper transactions at the head office if an inspection of the books had been made? The Vice-President says the directors "supposed their officers were a check upon the cashier"; but it does not appear that any of these officers were directed to make a timely inspection that must have discovered the fraud. Was the staff sufficiently strong and capable of performing the duties required of it? It is impossible not to feel some misgiving on this point, when an improper transaction, which could easily have been brought to light, and which was brought to light when suspicion became aroused, was allowed to main hidden. We suspect the directors