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A 13TH CENTURY AUDIT CASE

Abstract: The author uses records from 13th Century English archives to demonstrate the role of auditors to settle disputes between merchants before the Courts.

Once a week, during my lunch hour, I like to walk up Beacon Street in Boston to the Atheneum and spend half an hour on the top floors gleaning the histories stored there for undiscovered fragments of early American accounting. During the fall of 1976, the top floors were being renovated so I decided to investigate the basement. There I stumbled almost by accident on the publications of the Seldon Society, founded in 1887 "To Encourage the Study and Advance the Knowledge of the History of English Law." The Society publishes annually a volume dealing with a particular aspect of legal history derived from early English archives. The volume published in 1930 was entitled "Select Cases Concerning the Law Merchant A.D. 1239-1633, Volume II, Central Courts," which seemed to offer possibilities to an accounting researcher. I borrowed the volume and spent several interesting evenings back in the middle-ages.

The cases discussed included several involving accounts and auditing but the prize must belong to the case of *Honesti vs. Chartres* in the year A.D. 1291, involving as it does, international finance and accounting, with diplomatic overtones, and a fascinating glimpse of early auditors at work in the commercial area. Of particular interest was the use of other merchants — who most likely understood accounts — to audit the accounts of merchants involved in a dispute, following closely the practice found in force in Massachusetts in the middle of the 17th century. The legal archives at the State House contain a number of similar examples, although played out on a smaller stage and before less prestigious judges.

The Case of Honesti vs. Chartres

In the year 1291 A.D., Gettus Honesti, a merchant of Lucca, appealed to King Edward of England for redress against Pelegrin, son of Gerardin of Chartres. Gettus claimed Pelegrin had been his duly appointed agent in England for 12 years and had refused to render

an account of his agency transactions during that period. Pelegrin, said Gettus,

“having the care and administration of all his things and goods . . . , his account of the above not liquidated, seeking subterfuges, runs about and wanders everywhere, retaining for himself a great sum of money which he had before received for the use of the same Gettus from the goods and merchandises of the same Gettus, to the no small loss and grievance of him, Gettus.”

The King ordered the Treasurer and Barons of the Exchequer to hear the case in the Court of the Exchequer, and Pelegrin to render his account “aforesaid, to the same Gettus, according to the custom of the Exchequer aforesaid . . . Gettus shall be able reasonably and according to law merchant to expound what Pelegrin ought to render to him.” The amount involved was “to the value of fifty thousand marcs” or about £33,000 — a lot of money for the times.

Pelegrin duly appeared before the court and his first line of defense was to deny the agency connection and the right of Gettus to any sort of account.

The Court then called on the sheriff of London to appoint “twelve lawful merchants of the greater societies of merchants as a jury to hear the case.” The twelve chosen, agreeable to both parties, ruled that “Pelegrin was the receiver of the moneys of the aforesaid Gettus and cashier and administrator of the proper goods of him, Gettus. So that he is bound to render an account thereof to the aforesaid Gettus.”

Pelegrin was asked to find sureties for his rendering the account and named “Hugh of Vienne, Hubert Dogy, John de Montibus, Pinus Bernardini, Walter of Florence, and Dyvus Bare. Also,

“auditors are given to hear the aforesaid account, namely Iterus de Angouleme, Master Robert of Tadcaster, Barouncinus of Lucca and James Betollii.”

The auditors could reach no conclusion on the matter because when Gettus produced his “books and papers” to charge Pelegrin with “devious receipts of money contained in some books and papers,” Pelegrin objected on the grounds that the money he got didn’t belong only to Gettus but “from the common stock of the fellows of the same society of which Gettus and Pelegrin were fellows” and that accordingly he didn’t have to account to Gettus. They took the case back to the Treasurer and Barons of the Exchequer. The Court told the sheriffs of London to summon the jury of

merchants again to consider the rights of the matter. The jury ruled it was Gettus' money and that Pelegrin must render an account.

Gettus then charged Pelegrin with "2800 marcs of the arrears of his account formerly rendered in the year of Grace 1279." Pelegrin said he already rendered that account and that Gettus' books would show this. The case then gets interesting from the accounting viewpoint.

"And because the idiom written in the same books was unknown to the Barons, and also because the laws and customs used between merchants are similarly unknown to the Barons, the same Barons . . . made the said sworn merchants come before them with Barouncinus son of Walter and Richard of Lucca as their associates, enjoining them upon their oath that they would diligently inspect and examine the books of the said Pelegrin . . . to know what they should find on this matter."

The said merchants "diligently inspected those books and examined them with all deliberation "and ruled (with the sole exception of Barouncinus) that Pelegrin was bound to render an account. It didn't matter that he might have rendered a former account because,

"according to the custom used between merchants themselves, the said Gettus is well able to exact, to re-audit and to re-examine the account aforesaid as often as he shall wish."

The merchants ruled Pelegrin must render an account or go to prison. He was duly lodged in the King's "prison of the Fleet." However, for diplomatic reasons the King ordered him liberated on the grounds the Court had been remiss on some legal technicalities. The King ordered a rehearing of the case before the Court of the Exchequer.

At the rehearing Gettus and Pelegrin mutually agreed to elect Henry of Chartres, Gerard de Sabolino and Brache Geraud "as auditors to hear and determine between themselves that account within a month of Michaelmas next to come" and to accept the ruling of two out of the three auditors. The three auditors apparently found the job beyond their comprehension and asked the court for further assistance. Brache Geraud withdrew from the assignment but the court ruled that three additional merchants be added to the audit team, one to be chosen by Gettus, one by Pelegrin and the third to be agreeable to both.

The decision of a majority of the five auditors was to rule and their findings to be reported back to the Court of the Exchequer for final judgment. Pelegrin as before had to find sureties.

In due course the auditors completed the examination, appeared before the Court "and proffered a certain schedule wherein is contained their verdict." The Court was on the point of rising for the end of term so the aforesaid schedule was "placed in a certain box, marked, . . . (and) delivered to John de Kirkeby, remembrancer of the aforesaid Exchequer, for custody." A day was appointed in the Quindisme of S. Hilary to hear the verdict.

On the day appointed the Court asked Gettus and Pelegrin "if the aforesaid arbitrators with good diligence absorbed their reckonings and answers which they put forward for themselves before them and treated them well and faithfully upon the same account and if the same upon the audit of the aforesaid account in any degree omitted to admit or allow any reckonings put forward on one side or the other."

Both parties indicated they were satisfied. The schedule was then unrolled and read before the parties, as follows:

"We, Henry of Chartres, Burnet Angelin, Gerard Sabolin, James Janian and Dardan of the Council, say and set forth our true and faithful statement, pronouncing truthfully that we find the aforesaid Pelegrin in arrears of his account towards the aforesaid Gettus by the books and quaternions of him, Pelegrin, in £174. 12s. 8d. sterling. And also we, Burnet, Gerard, James and Dardan, say that the same Pelegrin is yet in arrears for the gains which the same Pelegrin made and obtained in the parts of Ireland with Scot de Wekes and Tegge de Compoille, merchants of Florence, in respect of £233. 6s. 8d. sterling, with which the same Pelegrin never charged himself in his account."

The schedule set forth in considerable detail, other items included in the judgment as follows:

- a) Gettus had the right to take over a yearly life rent of £300 which Pelegrin negotiated with the Duke of Brabant for 4,000 marcs sterling "if he shall wish";
- b) Gettus is to be allowed £100 for his expenses in coming to England to have the account audited; and,
- c) Other miscellaneous debts totalling £33-19-1.

The total amount of the judgment was £541-18-5 and the verdict was delivered as follows:

“Therefore it is awarded that the aforesaid Pelegrin be convicted of the aforesaid (debts) and that he do satisfy the aforesaid Gettus thereof. And it is said to the same Pelegrin by the aforesaid Barons that he is to deliver to the before-mentioned Gettus all writings and instruments which he has in his possession concerning the aforesaid rent which the aforesaid Duke of Brabant owes to the before-mentioned Pelegrin yearly. And hereupon the aforesaid Pelegrin, asked if he has in hand wherewith he can satisfy the same Gettus concerning the aforesaid money, he says that he has not. Therefore let him be committed to prison at the Fleet until, etc.”

CONCLUSION

The case brings out some interesting points. I find the international business flavor fascinating. Pelegrin, in addition to his English agency business, was doing business in Ireland with two merchants of Italy (one of whom appears to have been Scottish), and writing lease agreements in France.

The apparent ease with which the Court was able to find Italian and French merchants to serve in the trial is also surprising.

The other volumes of the Selden Society publications obviously warrant some additional scrutiny by Accounting Historians.