

Accounting Historians Notebook

Volume 15
Number 2 *Fall 1992*

Article 6

Fall 1992

In search of ancient auditors

Harold C. Smolinski

Delbert William Chumley

Donald E. Bennett

Follow this and additional works at: https://egrove.olemiss.edu/aah_notebook



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Smolinski, Harold C.; Chumley, Delbert William; and Bennett, Donald E. (1992) "In search of ancient auditors," *Accounting Historians Notebook*: Vol. 15 : No. 2 , Article 6.

Available at: https://egrove.olemiss.edu/aah_notebook/vol15/iss2/6

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Accounting Historians Notebook by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Smolinski et al.: In search of ancient auditors
IN SEARCH OF ANCIENT AUDITORS

by

Harold C. Smolinski

Delbert William Chumley

Donald E. Bennett

Louisiana State University in Shreveport.

Auditing is one of the most ancient of all professions. Early civilizations apparently learned to audit almost as soon as they learned to write. Many of the oldest examples of writing are records of possessions, such as livestock, grain, or wine. There is evidence that at least some of these first accounting records were audited.

We will examine evidence of auditing in the ancient civilizations of Mesopotamia, Egypt, Greece, and Rome. Our examination will be limited to the lands located around the Mediterranean Sea for it is here that the origin of auditing in Western world can be found. We will then comment on Biblical references to auditing.

AUDITING IN MESOPOTAMIA

The earliest examples of accounting records have been found in the area around the Tigris and Euphrates Rivers, or ancient Mesopotamia, and date from the fourth millennium B.C. In Mesopotamia, scribes, as these early accountants were called, usually kept their records on clay tablets. Thousands of these tablets have survived. Some of the tablets show tiny marks - dots, ticks, and circles - besides the figures indicating that some type of checking had been performed [Most, May 1959].

Keister [April 1963, 376] provides an example of a tablet showing an inspection or audit by an agent of a king. The tablet shows a summary of transactions in grain for a year and is stated in kind. The initial amount is given, followed by the amount transferred to a granary, and the remaining

at year end.

The tablet reads as follows:

Royal inspection:

2997 kor 3 Pi 5 seah and 7 qa of sesame were the initial amount.

1461 kor 3 Pi 3 seah and 9 qa of sesame were the transfer to the grain magazine.

The surplus balance is 1536 kor 1 sut and 8 qa of sesame.

Complete account for one year,

(namely) the year Sin-iddinam king.

(In) the town of the . . .

AUDITING IN EGYPT

The development of civilization in Egypt was approximately concurrent with the development of civilization in Mesopotamia. In ancient Egypt, scribes occupied a position of importance and their activities were sometimes depicted in the art of the period. A drawing found in a tomb reveals how auditing served to ensure accuracy of recording and prevent theft in a granary.

The illustration shows that as grain was brought into the granary, sacks were filled in the presence of an overseer and the amount noted by a scribe. The sacks were then carried to the roof and emptied into the granary where another scribe recorded the amount. A supervisor compared the amounts. Each scribe served as a check on the other as well as on the workmen who were carrying the grain. The punishment for irregularities was severe and included beating, and sometimes even mutilation or death, in the case of gross irregularities

[Woolf 1912].

The Egyptians occasionally placed an inscription on a pyramid or monument that detailed the amount spent on its construction. Thus, everyone could perform their own audit of the cost of construction. The Greek historian, Herodotus, who wrote in the fifth century B.C. and is considered the Father of History, described how the amount of food consumed by the laborers building a pyramid in the third millennium was inscribed on the pyramid [Komroff 1947].

AUDITING IN GREECE

The ancient Greeks also sometimes recorded the cost of construction on public buildings. For example, a large marble stele was erected on the Acropolis giving a summary of the cost of construction of the Parthenon. For the year, 434-433 B.C., the stele shows the beginning balance of available funds; further receipts; and then the details of expenditures for supplies, stonecutters, sculptors, and wages for monthly employees. Finally, the balance of funds remaining at year end is given [De Ste. Croix 1956].

The contribution of the Greeks to auditing is especially significant in the field of governmental auditing. In the city of Athens in the period 500-300 B.C., public officials were required to keep records of funds received and spent as well as documentation for the expenditures. There apparently were three boards of accountants (auditors) who performed audits both during and at the end of the term of office of all public officials [Costouros, Spring 1978].

At the end of an official's term of office, an audit was performed which was subject to review by a court. In addition, any citizen had the right to bring charges against the outgoing officials. There were restrictions on the officials leaving the country

and disposing of property until the audit had been performed. In some cases, the audit report was engraved in marble and exhibited to the public [Costouros, Spring 1978].

As pointed out by Costouros [Spring 1978], the speeches of the orator, Aeschines, especially his speech against Ctesiphon, make several references to the Athenian system of auditing. Aeschines lived in the fourth century B.C. and was a bitter rival of another more famous orator, Demosthenes. In this case, Demosthenes had been elected to supervise repairs to the walls of the city. When he found that he had insufficient funds to complete the project, he contributed some of his own funds. In recognition of this and Demosthenes' other contributions to Athens, a man named Ctesiphon proposed that a golden crown be publicly bestowed on the head of Demosthenes and that he also be given a proclamation recognizing his contributions to the city [Adams 1958].

According to Aeschines, Ctesiphon's proposal was illegal and the matter was referred to the law courts. Aeschines argued the crowning of a public official was prohibited until his term of office had expired and his accounts had been approved by the Board of Auditors. Otherwise, if any irregularities were found in the final audit, the auditors would be in the somewhat awkward position of having to accuse someone who had already received an expression of gratitude from the public [Adams 1958].

According to Aeschines, "In this city, so ancient and so great, no man is free from the audit who had held any public trust" [Adams 1958, 323]. Even those who did not handle funds were required to account to the auditors by stating, "I have neither received nor spent any public funds" [Adams 1958, 327].

Aeschines pointed out the restrictions imposed on public officials until their accounts had been audited, including one that prohibited the official from leaving the country [Adams 1958, 325].

... for fear you may make profit of the public money or the public acts, and then run away. Furthermore, the man who is subject to audit is not allowed to consecrate his property, or to make a votive offering, or to receive adoption, or to dispose of his property by will; and he is under many other prohibitions. In a word, the lawgiver holds under attachment the property of all who are subject to audit, until their accounts shall have been audited.

In spite of all the above precautions, fraud was not uncommon. Nor were the auditors always honest, or of high moral character, at least according to some. In another of his speeches, Aeschines denounced a corrupt auditor [Adams 1958, 87].

He held the office of auditor, and did the state serious injury by taking bribes from office holders who had been dishonest, though his specialty was the blackmailing of innocent men who were to appear before the auditing board. He held a magistracy in Andros, which he bought for thirty Minas. . . . And in his treatment of the wives of free men he showed such licentiousness as no other man ever did.

Additional evidence of auditing in ancient Greece can be found in the work of the philosopher, Aristotle. His treatise on the art and science of government, *Politics*, which was written in the fourth century B.C., pointed out the need for governmental auditors. In his comments, we find what is perhaps the first mention of the concept of an auditor's independence. After describing other governmental offices,

Aristotle noted [Jowett 1943, 275]:

But since many, not to say all, of these offices handle the public money, there must of necessity be another office which examines and audits them, and has no other functions. Such officers are called by various names - Scrutineers, Auditors, Accountants, Controllers.

In the private sector, the best example of Greek accounting, and auditing as well, can be found in the Zenon papyri (papers). The Zenon papyri are a collection of over a thousand business records dating from the third century B.C. Zenon was the Greek manager of the estate of Apollonios which was located in Egypt. At that time, Egypt was under Greek control having been conquered by Alexander the Great the previous century.

Apparently all accounts were checked or audited. Marks or dots can be found by each figure. There are also numerous corrections and marginal notes regarding discrepancies and omissions. Differences in handwriting indicate that the notes were written by someone other than the original record keeper [Hain, October 1966]. Apollonios on at least one occasion made an unannounced check of the cash on hand, and having found funds missing, ordered two clerks to produce their accounts for his inspection [De Ste. Croix 1956].

The Zenon papyri provide another example of how auditing was used to detect irregularities. Herdsmen kept their own tallies of the animals which they rented and compared their records to those of the overseers with whom they had contracts. The right to compare accounts was apparently considered necessary to protect them from unscrupulous overseers [Grier 1934].

AUDITING IN ROME

The Romans, partly as a result of the

continued on page 26

New Hampton, N.H. Thying, 1875, 135pp.

Scholfield, Albert G. (1808-1901). *Essay on Debit and Credit, Embodying an Elementary and Practical Treatise on Bookkeeping*, Providence. Reid, 1880, 236pp.

Goodwin, Joseph Henry (1854-1912). *Goodwin's Improved Bookkeeping and Business Manual*, New York. 1881, 137pp.

Soule, George (1834-1926). *Soule's Scientific and Practical System of Bookkeeping*

. . . , New Orleans. The Author, 1883, Various pages.

Packard, Silas Sadler (1826-1898). *The Packard Method of Teaching Bookkeeping, Advance Course* . . . , New York. Packard, 1896, 138pp.

International Correspondence Schools. *A Treatise on Bookkeeping and Business Forms* . . . , Scranton. The Colliery Engineer Co., 1899, Various pages.



Auditors: continued from page 9

influence of the Greeks, also had an extensive system of controls designed to prevent the misappropriation of public funds. Expenditures were supposed to be made only on proper authorization of a magistrate, and supported by documentation establishing the legitimacy of the disbursement. Those having custody of funds were not allowed to authorize disbursements. In spite of these controls, and severe penalties for the theft of public funds, corruption was always a problem. This was especially true in the later days of the Roman Empire when separation of custody of the treasury and the right to order disbursements disappeared [Brown 1968].

In addition to the controls described above, the Roman government had financial officers called quaestors who managed the treasury and supervised the recording of transactions by the scribes. Quaestors also audited the accounts of provincial governors. On leaving office, the quaestors, in turn, had to have their accounts examined or heard by both their successors and the Roman Senate. It is from this practice that we get the word, "audit," which is derived from the Latin, "audire," meaning to hear [Stone, April 1969].

Inadequate reporting was sometimes a problem, as indicated in a speech given by the orator, Cicero, in the first century B.C. In his prosecution of Gaius Verres for corruption, Cicero commented on the deficiencies of a report rendered by Verres when he was a quaestor to Gnaeus Carbo [Greenwood 1978, 159-161].

Let us see how he presented his accounts: he will prove to us himself why he ran away from Carbo; he will give evidence against himself. Note first their conciseness:

Received	2,235,417 sesterces
Expended: soldiers' pay, corn, adjutants, deputy-quaestor, com- mander's private staff	1,635,417 sesterces

Balance left at Ariminum	600,000 sesterces

Is that the way to present accounts? Have you or I, Hortensius, has anyone in the world, ever presented them like that? Confound the man's unscrupulous impudence! What does this mean? Among all the thousands of accounts that have been presented, is there any parallel for this style of thing?

Auditing in the Bible

There are several direct and indirect references to auditing in the Bible. It should be noted these references occur in stories or parables and are not historical in nature.

However, the fact that going through the accounts with someone was included in a parable is evidence that there was at least some concept of auditing in Biblical times.

Hagerman [Fall 1990] notes several instances in the Old Testament where an audit was implied. One such instance occurs in 2 Kings 22:5-7 [Wansbrough 1985, 499]:

'He is to hand it (the money) over to the masters of works attached to the Temple of Yahweh, for them to pay it over to men working on the Temple of Yahweh, to repair the damaged parts of the Temple: to the carpenters, builders and masons, and for buying timber and dressed stone for the Temple repairs.' The latter were not required to render account of the money handed over to them, since they were conscientious in their work.

Woolf [1912] points out the two best known examples of auditing in the New Testament. An audit of the steward's accounts by his master is implied in Luke 16:1-3 [Wansbrough 1985, 1716]:

There was a rich man and he had a steward who was denounced to him for being wasteful with his property. He called for the man and said, 'What is this I hear about you? Draw me up an account of your stewardship because you are not to be my steward any longer.'

Elsewhere, an audit is actually performed as a master goes through the accounts of his stewards, with disastrous consequences for one of the stewards. According to Matthew 25:14-30 [Wansbrough 1985, 1651-1652]:

... A man about to go abroad who summoned his servants and entrusted his property to them. To one he gave five talents, to another two,

to a third one, each in proportion to his ability. Then he set out on his journey. . . . Now a long time afterwards, the master of those servants came back and went through his accounts with them. The man who had received the five talents came forward bringing five more. 'Sir,' he said, 'you entrusted me with five talents; here are five more that I have made.' His master said to him, 'Well done, good and trustworthy servant; you have shown you are trustworthy in small things; I will trust you with greater' . . . Next the man with two talents came forward. 'Sir,' he said, 'you entrusted me with two talents; here are two more that I have made.' His master said to him, 'Well done, good and trustworthy servant; you have shown you are trustworthy in small things; I will trust you with greater' . . . Last came forward the man who had the single talent. 'Sir,' said he, 'I had heard you were a hard man, reaping where you had not sown and gathering where you had not scattered; so I was afraid, and I went off and hid your talent in the ground. Here it is; it was yours, you have it back.' But his master answered him, 'You wicked and lazy servant! . . . Well then, you should have deposited my money with the bankers, and on my return I would have got my money back with interest.' . . . 'As for this good-for-nothing servant, throw him into the darkness outside. . .'

CONCLUSION

The origin of the auditing profession can be found in the ancient world. The necessity of auditing accounting records was appar-

ently understood almost from the outset. There is sufficient evidence to establish that auditing was practiced in the ancient civilizations of Mesopotamia, Egypt, Greece, and Rome.

Unfortunately, little is known about ancient auditing procedures. In many instances, the accounting records that were audited have been lost. Thus, we can only speculate as to the methods employed to audit those records.

We do know that auditing in the ancient world was primitive by today's standards. All auditing was either internal or governmental. As noted by Brown [October 1962], the objectives of these early auditors were essentially limited to verification of the proper discharge of fiduciary responsibility and included: (1) assurance of accuracy in recording and (2) the detection of losses or fraud.

However, such objectives were appropriate for a time when accounting records usually consisted of little more than continuous narratives of receipts and disbursements which were often stated in kind, rather than in monetary terms. Modern auditors owe a tremendous debt to the ancient auditors who founded the profession. Even a brief examination of the history of auditing provides an appreciation of the importance of auditing (and accounting) to the development of Western Civilization.

REFERENCES

- Adams, C. D., trans., *The Speeches of Aeschines*, Cambridge, MA: Harvard University Press (1958).
- Brown, R., ed., *A History of Accounting and Accountants*, New York: Augustus M. Kelley Publishers (1968).
- Brown, R. G., "Changing Audit Objectives and Techniques," *The Accounting Review* (October 1962), 696-703.

- Costouros, G. J., "Auditing in the Athenian State of the Golden Age (500-300 B.C.)," *The Accounting Historians Journal* (Spring 1978), 41-50.
- De Ste. Croix, G. E. M., "Greek and Roman Accounting," in *Studies in the History of Accounting*, A. C. Littleton and B. S. Yamey, eds., Homewood, IL: Richard D. Irwin, Inc. (1956).
- Greenwood, L. H. G., trans., *Cicero: The Verrine Orations*, Cambridge, MA: Harvard University Press (1978).
- Grier, Elizabeth, *Accounting in the Zenon Papyri*, New York: Columbia University Press (1934).
- Hagerman, R. L., "Accounting in the Bible," *The Accounting Historians Journal* (Fall 1980), 71-76.
- Hain, H. P., "Accounting Control in the Zenon Papyri," *The Accounting Review* (October 1966), 699-703.
- Jowett, B., trans., *Aristotle's Politics*, New York: The Modern Library (1943).
- Keister, O. R., "Commercial Record-Keeping in Ancient Mesopotamia," *The Accounting Review* (April 1963), 371-76.
- Komroff, M., ed., *The History of Herodotus*, New York: Tudor Publishing Company (1947).
- Most, K. S., "Accounting by the Ancients," *The Accountant* (May 9, 1959), 563-66.
- Stone, W. E., "Antecedents of the Accounting Profession," *The Accounting Review* (April 1969), 284-91.
- Wansbrough, H., ed., *The New Jerusalem Bible*, New York: Doubleday (1985).
- Wolf, A. H., *A Short History of Accountants and Accountancy*, London: Gee & Co. (Publishers) Ltd. (1912).