

trade and commerce, or section 92, relating to property and civil rights? On this point the honourable member from Toronto (Hon. Mr. Hayden), who has recently been a party to a case in the Supreme Court in connection with oleomargarine, can speak with more authority than any other member of this house. I can recognize that considerations of health may be involved, and that even colouring matter might be within the federal jurisdiction if it affected the nutrition or health of consumers of the commodity. But how far is it permissible for the federal authority to designate, by virtue of section 5, paragraph (b), the label to be used on a commodity which is manufactured or sold in a province and does not go outside that province? If the section dealt expressly with interprovincial or international trade, one could understand that there would be some right in the Governor in Council to deal with the matter. While I have not the least intention, upon the brief consideration I have been able to give it, to say whether this section is *ultra vires*, I do assert that it raises questions which should be given most serious consideration by the appropriate committee of the Senate, and, I believe, by every lawyer in this house who is interested in and feels some qualification to consider these matters. I do not know of any bill in a long time that has raised questions of greater and more vital import, and I suggest that this bill be remitted to the Banking and Commerce Committee.

The motion was agreed to, and the bill was read the second time.

REFERRED TO COMMITTEE

Hon. Mr. Robertson moved that the bill be referred to the Banking and Commerce Committee.

The motion was agreed to.

NATIONAL RAILWAYS AUDITORS BILL

SECOND READING

Hon. Wishart McL. Robertson moved the second reading of Bill E, an Act respecting the appointment of auditors for National Railways.

He said: Honourable senators, section 13 of the Canadian National-Canadian Pacific Act, 1933, chapter 33, 1933, as enacted by section 3 of chapter 25, 1936, provides as follows:

"(1) A continuous audit of the accounts of National Railways shall be made by independent auditors appointed annually by a joint resolution of the Senate and House of Commons and annually reporting to Parliament in respect of their audit. Their annual report shall call attention to any matters which in their opinion require consideration or remedial action. They shall be paid by the National Company such amounts as the Governor in Council shall from time to time approve."

The reason the present Bill is as follows: "Notwithstanding the provisions of section 13 of the Canadian National-Canadian Pacific Act", is that the provision that the auditors be appointed annually by joint resolution of the Senate and House of Commons has been found to be too complicated and cumbersome for practical purposes. In consequence, the simpler method of appointment by act of parliament has been adopted.

This is an annual bill and is in the same form as in previous years. It provides for the appointment of George A. Touche and Company as independent auditors.

Although bills similar to the present one have been before the Senate for several years, and most honourable senators are familiar with their terms and purposes, it may be well, for the benefit of those who are less well informed, that I repeat what I have said on previous occasions with reference to the appointment of these auditors and the scope of their work.

The auditors' report to parliament for 1947 outlined briefly the general scope of the audit of the national system as follows:

(a) Examination of major expenditure authorities in conjunction with the recorded resolutions of the directors, which in turn are related to corporate by-laws, orders-in-council and acts of parliament;

(b) Audit tests in the offices of regions, separately operated properties and system headquarters, limited to a cross-section of the major expenditures so authorized;

(c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the system. In this connection we work in collaboration with the executive accounting officers at headquarters having as a common objective the securing of maximum internal protection to the system in the control of cash receipts and expenditures, securities held, material stores, accounts receivable, etc., and through the carrying of fidelity bond insurance with outside underwriters, and

(d) Audit and certification of the consolidated income account and consolidated balance sheet for presentation to parliament, which body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the system.

In respect of Trans-Canada Air Lines and Canadian National (West Indies) Steamships, Limited, the scope of the audit is similar to that of the national system and may be outlined briefly as follows:

(a) Examination of major expenditure authorities, embracing mainly the recorded resolutions of the directors, corporate by-laws, acts of parliament and orders in council;

(b) Audit tests covering a cross-section of the major expenditures so authorized;

(c) Examination into the adequacy of the internal audit control in general by the accounting staffs of the companies covering cash receipts and expenditures, securities held, material stores, accounts receivable, etc., and

(d) Audit and certification of the balance sheets, income and profit and loss accounts for presentation to parliament.