
Lastly. If any point arises apart from the above, I shall be happy to confer with yourself or any of your officers on the subject.

I have the honor to be Sir,

Your obedient servant,

(Signed) J. L. McDOUGALL,

Auditor General.

The undersigned has the honor to submit to the Honorable the Treasury Board that, in his opinion, the payments which are now made by Mr. J. W. Harper, the paymaster of the Public Works Department, should be made under the letter of credit system.

The course now taken by the Department of Public Works, in supplying Mr. Harper with the means of paying accounts, has the objectionable feature of putting large sums of money to a private account, without giving any advantage in the way of required facility of payment which would not be afforded by letters of credit.

The cheques drawn against letters of credit should be signed by the deputy head and the accountant.

An early audit at regular intervals of time, after payment, should be made. It would be much more effective in checking irregularities than the greatest attention before payment, necessarily without vouchers, can be.

J. L. McDOUGALL,

Auditor General.

AUDIT OFFICE,

4th October, 1878.

Mr. Courtney's memorandum of the 24th June, 1878, of which the following is a copy, goes fully into the matter and gives important information.

MEMORANDUM on the payment of the Petty Accounts of the Public Works Department.

The Bank of Montreal have, within the last few days, sent to this Department a statement showing the balances of the several Government accounts to the 15th inst. Similar statements are sent twice a month. On examination of this statement I find included the Department of Public Works Warrant Account. I could get no information respecting this account in the Finance Department, and I had to make enquiries of Mr. Drummond. From him I learned that the account was the drawing account of Mr. Harper, the paymaster of the Department; that its balance to-day is at credit of about \$1,700; that it had been overdrawn, but had been covered through the deposit of a warrant for \$5,500 odd. I cannot find that the cheques of Mr. Harper were ever submitted to the Auditor General.

I then inquired of Mr. McNicol, the Clerk in the Finance Department to whom were submitted for audit the last three consecutive quarters' accounts received from the Public Works Department. He told me that the aggregate of the payments entered in the appropriation ledger was represented by receipted paylists and bills; that schedules accompanied the vouchers; that these schedules, drawn up in Mr. Baine's office, showed that the accounts were either paid by warrants or cheques. Mr. McNicol told me that he verified the payments by warrants, but that as no cheques had ever been sent to the Department he did not trouble himself about them.