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part of the good which he will accomplish will result from the prevention of irregularities by timely drawing attention to points which must be reported on adversely, if allowed to pass in the first instance.

There was no parliamentary audit until the passage of the Audit Act, and, as might naturally be expected, the undersigned has not brought the auditing of the accounts of the whole Dominion to perfection. He has not laid bare great wrongdoings in this report. He hopes that they have not existed. It did not appear to be the prime duty of the Auditor-General to detect wrongs committed, but to establish a system which would render the possible losses the smallest.

Wherever it was necessary to put the control of a considerable sum of money in the hands of an accountant, it has been done by giving him a credit, where that has been rendered possible by there being a bank in the neighbourhood.

The advantages which result from adopting the letter of credit system in preference to that of cheques are these:—1st, the money remains at the credit of the Receiver-General, and is thus available for other purposes until it is required to repay the public creditor; 2nd, as the cheques drawn against the credit are the property of the Government after payment, they can always be examined, and no part of the money entrusted to the accountant can be diverted to the private use of the accountant, even temporarily, without the means of detecting the irregularity being at hand.

The undersigned has the honor to request that instructions may be given to him enlarging upon the meaning of the term "countersigned" as used in Section 35 of the Audit Act. It does not seem to express what duties are to be performed by the Auditor-General in connection with the Public Accounts previous to his countersignature being attached; nor are there any directions as to the persons who are to transmit the accounts to him, or the time when they are to be transmitted.

The undersigned while exercising the necessarily novel functions of a newly-created office, has in all probability, in some instances, either exceeded or fallen short of the powers granted him by Parliament. He trusts that any points on which he should receive directions from the Public Accounts Committee will be early taken up.

J. L. McDOUGALL,

*Auditor-General.*

AUDIT OFFICE,

OTTAWA, February, 1880.