

## "The Audit Act is Worse than Useless"

Sir Patrick McGrath Denounces the Practice of Subsidising Public Servants.

This bill is represented as one to strengthen the Audit Department by providing a Deputy to assist the Auditor General, and we know from the newspapers that over this has arisen a fierce controversy of a denominational character. Personally I think the angle from which the matter should be viewed is that embodied in the question, what is the value of the Audit Act, and does its administration justify as in continuing it to the present rate of outlay. To my mind the Audit Act is a joke, its administration is a farce and the whole of its machinery ought to be thrown on the scrap heap to-morrow morning.

For this reason, but I say it in all earnestness and sincerity. I have thought deeply as to whether I should make this declaration and support it with the arguments I intend to offer, because I know this speech is going to bring pain to some people, with whom I am on good terms, but I feel that the present crisis in the country is of such a character as to demand plain speech and I am prepared to contribute my quota towards it in the hope that something good will result.

It is now 25 years since the Audit Act was brought in by the Winter-Morfin Government and the Department created under Mr. Berteau, a gentleman who, in his personal capacity I highly esteem. We should expect to have this department functioning properly and efficiently in a shorter period than 25 years. But what is the position to-day? No fair minded man can dispute my assertion that to-day the work of the Audit Office is vastly less efficient than ever it was, and that public confidence in it as a Department no longer exists. During the periods the Audit Act has been in existence the Department of Finance and Customs has been the scene of at least four serious robberies involving large sums of public money, and in every case such investigation as was attempted disclosed that the Audit Act broke down completely. In the same period the Post Office Department has been robbed several times, under the same circumstances. Other departments have also been defrauded by dishonest officials and when the revelation of these dishonesties is made and one asks "how about the Audit?" one is afforded the melancholy consolation embodied in the statement that the offenders "got ahead" of the Audit Office. One could understand this sort of thing in the early days of the Audit Office, when the existing conditions in the other Departments were being adapted to the new machinery, but the conditions which prevail to-day are worse now than they were 25 years ago. I am justified in asserting that there is something wrong in the system and all this talk of the power of the Audit Act and Audit Department is a mockery, a delusion and a sham. To-day we have confronting us a condition never approached in the previous history of this country. We have before us a situation of waste and corruption in the Department of Agriculture and Mines, a condition in the Controller's Department which has brought a Government to bankruptcy, and before the country had recovered from the stupefaction at the scandals in these two departments we are appalled with the knowledge that an Outport Magistrate in Placentia Bay has got \$12,000 worth of money from the local Post Office in I.O.U.s for a series of transactions covering months and certainly suggesting the grossest negligence or incapacity on the part of those entrusted with the care of this particular department. The Auditor General is not alone Auditor General but he is Comptroller as well, and the dictionary defines this as meaning an official with larger executive powers than an Auditor; in other words, an official who controls as well as audits, but there is no evidence in all that is going on at present of any control being exercised. On the contrary there is evidence of such an absolute lack of control that the Auditor's own officials have been actually receiving money from Departments whose books and accounts they are supposed to audit. This House is, in anything, an assemblage of business men and I ask, if any person with sound business acumen would tolerate hours, I say he would not and I say that until drastic action is taken to prevent such it is hopeless to audit. Any gentleman in this chamber, who has a business in an outport or is connected with some other business, sent an accountant from his place to audit the affairs of one of these other concerns and found that the accountant was taking money from the business whose accounts he was auditing, what would the employer do? He would dismiss him instantly, and that is what ought to be done with these Audit officials who have been taking money from the Agriculture and Mines Department, but the Government cannot fairly and decently

dismiss these officials because the Government finds at present that the police authorities, from the Inspector General down to the policeman on the beat, have been getting payments that were grossly improper and absolutely irregular. The Inspector General is a man for whom I have great respect, a very high regard, and who I think has done splendid work in the Department since he took it over. But it does not blind me to the fact that in taking the thousand dollars he did not allow his subordinates to take other money he has struck a blow at public confidence in the Police Department from which he will make a long time to recover.

There is only one phrase, to my mind, to describe the condition of things in a public department where the auditors are debauched and the police are "got at" and that is that it is "poisoning the wells," the greatest crime known to civilization. There is one step more to go and that is to "square" the judges, and I hope that the house-cleaning which is promised in regard to all this will not reveal that some people connected with the administration of justice were tampered with in the same fashion.

Take again, the Public Works Department. This morning's newspaper gives a list of every official in the Public Works from the Deputy Minister, Mr. Harris, down to the freeman, Mr. Frank Woods, as getting a grab out of a relief account there given in detail. The most skillful practitioner in this matter of "extras" I consider, is the Deputy Minister of that Department, Mr. Harris. There is no year, in my recollection, that Mr. Harris has not by some claim for special services, increased his voted salary by 25 to 30 per cent. I may, no doubt, be told that these are all very capable and efficient officials, which I am quite prepared to admit, but there are other equally capable officials holding responsible positions and who carry out their duties as much salary as Mr. Harris is voted, not to speak of those "extras" which he is permitted to get every 15 months and it surely must follow that if Mr. Harris and those under him are to be allowed to continue this sort of thing we may as well bid good day to any sort of efficient performance of their duties by officials in other public departments.

If this discrimination continues, and these grants to favored officials go on, how can we expect and jury to convict any man in the public service for any violation of his obligations? In the light of the revelations that are made by the newspapers every day of the week now, how can we regard the ordinary minimum of a man's duty as a public officer as a malfeasance? To my mind it is utterly hopeless to expect any convictions by juries hereafter and I will go further and say that I marvel at how we can expect any of the lower-grade civil servants, trying to live on small salaries, to refrain from helping themselves from the money that comes into their possession when they see the public Treasury being "raided" as the term is, in the fashion that the newspapers show is now a commonplace in the daily life of the civil service of this country.

I now turn to the Liquor Control Department, which has been the subject of more comment and criticism the past month than perhaps any time in the history of this country. I do not propose to deal with some matters which are to be investigated but will content myself with referring to matters that have been of public concern. For instance, it has been stated officially that grave irregularities have been discovered in connection with the finances of this Department, and that as a result, the official in charge last month has been instructed to hold an investigation and later it was announced that the Auditor General's son, an official in the Finance Department had been transferred to the Controller's Department. Now, to me this procedure reveals nothing as much as a situation out of comic opera, such as Herbert Sullivan would have delighted in. First, serious irregularities are reported in the funds of the Liquor Control which necessarily involve the Audit Office. Then the Auditor General is appointed to conduct an investigation into the derivations of his own department; and finally, to cap the climax, his son is taken out of another public position and put into the Liquor Control store which his father is investigating, and the conditions in which reflect upon the father's administration. Now I wish it to be clearly understood that I am not suggesting that the conditions in the Controller's Department

reflect personally upon Mr. Berteau, but I do certainly say that the last official in the public service who should be put in charge of this Liquor Department while it was being investigated is the Auditor General's own son. In no other country in the world would such a thing as this be thought of or tolerated for a moment because it completely justifies the outside in concluding that is a scheme to smother up and prevent an exposure of what ever wrong doing exists in the Control Department. I would like to add here that within two or three days of this having been done I expressed to Sir Richard Squires precisely the views I am now stating in this House that the appointment of young Berteau was a scandal and amply justified the public in thinking the worst of it, and I made similar observations to the present Premier very shortly after he took office, so that I am glad to find that Captain Bona was appointed Acting Controller of this Department.

So much for that aspect of the Control Department. But the next thing which I ask myself, which thousands of people of the country are asking themselves to-day, is how it comes that such a condition of affairs existed in the control department as rumour suggests. To this it may be answered that most of these rumours are unwarranted. That may well be, but there are certain facts which can be accepted without question. One is that there are shortages amounting to many thousands of dollars, and it is a justifiable question how could these shortages exist if there was an efficient audit of the Department? I maintain that they could not exist, if there was an efficient auditing of the department, and in order to illustrate the inefficiency of the audit I have only to say what is the fact, as the gentleman who is leading for the Government in this House knows well, namely, that the only audit made of the department was an audit of the scripts or orders for liquors on file from day to day, against the amounts received therefor. In other words it was a "script" for a bottle of whisky, and the clerk supplied him, and the whisky was say \$5 a bottle, then so long as the script was on file and there was \$5 in the till the audit was complete, but if the clerk gave him two bottles of whisky, took \$10 from him and put \$5 in the till and the other \$5 in his pocket there was no means of audit that took place in the Controller's Department. In other words there was no stock-taking, there was no check of any kind whatever. I know it will be said that this is the auditing that the Government directed to be made, which Government, I do not know. But my answer to this is that if the Audit Office showed no more intelligence or recognition of its obligations than to carry on tamely from year to year with this mockery of an audit, I am certainly justified in having my question in claiming that it ought to be abolished. I know, too, that it will be said that the Auditor General complained to the Government that there was no stock-taking to the Legislature, whose servant he is, and not the Government's. He holds office under a special statute which makes him unremovable except by a vote of two-thirds of both Houses. He is an independent of the Government as the Governor himself, and if he did not submit his complaint to the Legislature he has only himself to blame.

But this is not all that can be stated of the laxities of the Control Department. It can be stated without affecting any of the issues that have yet to be tried in this matter, that the Controller, besides his general account which was audited—save the mark—in the fashion I have just described, also had a "special account," which was not audited at all. That is to say, the Controller, besides retailing liquor by the bottle, was doing a wholesale business in the selling of liquor by the case, and this not subject to any audit whatever. I know it will also be said that the Auditor General called attention to this, but I have in my hand the last report of the Auditor General and I find no reference to any such letter in it. There is no comment by the Auditor General on the running of the Department, no statement of the conditions that existed there. If the Auditor General had publicly exposed this situation and had not been granted by the Government the powers necessary to remedy it, no one could have any complaint against him, but to my mind it is the late, now that the scandal is exposed, to plead that the attention of the Government had been called to this matter previously and that nothing was done. I have stated enough, I think to show that in so far as the Liquor Control Department is concerned the audit was a complete farce, and that no attempt was made to do more than carry on a routine which had existed for years although it is inconceivable to me that men of intelligence enough to be audit officials could go along unaware that the working of this department was rotten to the core. It seems to me, then, that when we know there are

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shortages in the department amounting to many thousands of dollars and that there has been no stock-taking for years, that it is time that some plain talking was indulged in here and elsewhere as to the utter and absolute collapse of the organization created for the express purpose of preventing this sort of thing in the public service.

I submit then, Mr. President, that I have no establishing myself in the claim that the Audit Office as at present operated is worse than useless. It seems to me that there are two alternatives which the country can pursue at the present time. One is to employ a private firm of standing and reputation like Read, Son & Watson, say them liberally, and let them do all the auditing of the public departments, and I think we would get an efficient and thorough-going examination of our public accounts. Nobody will seriously argue for a moment that Read, Son & Watson or any public reputable private auditing firm would tolerate for a moment an Audit Office machinery which has broken down so completely as ours. But it may be argued that it is against the dignity of a self-governing country to have its accounts audited by a private firm or that it is a confession, which we cannot afford to make, that we have nobody in the public service capable enough to carry on this work in future. If that view is held, then the time has come, it seems to me, to remedy the present system of auditing and create a new organization. I think the Government ought to face very frankly the fact that the working of the Audit Office to-day has got beyond the powers of the Auditor General and that he ought to be retired. He has been nearly 50 years in the public service, I know he is desirous of getting out, and I think opportunity ought to be taken to retire him. I do not suggest this should be done to-day, but I think it should be in the course of the next few months, or by the end of the fiscal year. Similarly, Mr. Donnelly who is now made Deputy Auditor, and who has not been of very robust health for some time past, ought also to be retired at the same time. I think the strain of trying to improve things after the experience of this trying period will probably prove too much for him, and that at the same time he should be retired. I am sure that the Auditor General ought to be put in office, and I think that the doing of it the man would put there would be not our late colleague Mr. Mews—but his brother, Mr. Arthur Mews, the Deputy Colonial Secretary. I consider that, all things taken into account, he is the most experienced and representative official to be found in that position. Mr. Berteau, the present Auditor General, graduated from the Deputy Colonial Secretary's position. The man occupying the position of Deputy Colonial Secretary, provided he is an accountant, which Mr. Mews is, acquires a knowledge of the running of the affairs of this country which is not

possible for any other official in the Public Service. Speaking with some little knowledge of the working of affairs gained as a result of long journalistic experience and serving for 15 years in the Clerkship of the Assembly I have no hesitation in saying that Mr. Mews is the man best suited for this work of anybody in the public service in the country, and I would not have any hesitation in appointing him to the position, regarding him altogether as an eminence in all aspects of the matter. The man to constitute his staff would be quite as readily found. The objection, it can be so termed, which I have to his brother, our colleague is that it will take him years to gain the experience that Arthur Mews has, and that this is no time to put an inexperienced man in this job, but Alex Mews could fill many other offices or positions usefully.

Finally, I think the Prime Minister ought to go a step further than he has done. I think he ought to insist that all of the money obtained by public officials in the way of "extras" on pit-prop, relief, or any other accounts, ought to be paid back by these people, and if necessary should have it deducted from their salaries month by month, until it is made good to the Treasury. Then later on in the year, say, after the return from the Imperial Conference, let the Government as a whole consider the claims of all these officials fairly and impartially and if they have good grounds for a bonus or some recognition, let it be given to them by the responsible authorities. I might say that in Canada some months ago a number of Government officials connected with the Railways there, voted themselves a year's salary when the property was being transferred to the direct control of the Government, and the Government repudiated the procedure and insisted on the amounts being paid back; and I think Mr. Warren could add to the confidence which the public is showing in him if he adopted such a step as I now suggest. To do not mean to imply that everybody who received an allowance is an adept in what G. Henry, the American humorist, termed "the gentle art of grafting," but I claim that it is detrimental to all efficiency, good order and discipline for money to be hung out to all-comers by one Department, with the heads of other Departments knowing it, and nothing about it.

I end, as I began, with an expression of regret that I have to speak so plainly, and doubtless cause some pain to those whose names I have introduced into this address, but when all is said and done, the fact remains that the public interest is involved. Thousands of dollars have been lost and the country has been convulsed by a scandal that has no parallel in its history and it seems to me that much, if not all of this, might have been avoided if there had been efficient and searching enforcement of our Audit Act, such as the country was entitled to from a Department that was created and off-

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In the interest of "Safety First" the following has been suggested as an additional Driving Rule to be adopted by members of the Newfoundland Motor Association and others. Members are requested to give this suggested rule a trial and be prepared to advise as to its adoption, or otherwise, at the next General Meeting of the Association:—

After dark, cars RETURNING to the city shall have the right of way over cars proceeding FROM the city, in other words, cars PROCEEDING FROM the city and meeting cars RETURNING to the city shall stop (within a distance of from seventy five to one hundred yards of the approaching car) and dim lights till the car returning to the city (which need not dim) has passed.

The attention of members is called to the following By-Law of the Association:—"Any motorist, member of the Association desiring to overtake or pass a car must blow his horn two blasts, and the driver of the car ahead shall signal that he has heard the horn by answering two blasts. If the car ahead cannot keep ahead of the overtaking car, the driver should allow the overtaking car to pass and then overtake the car must immediately get far enough ahead to prevent the occupant of the car passed from getting the dust."

Published by orders of The Executive and Road Committee.

NFLD. MOTOR ASSOCIATION.

Ernest R. Watson, President.

P. E. Outerbridge, Sec.-Treas.

aug16.81

### Portuguese Banker in Port.

SCARCITY OF FISH REPORTED. The Portuguese Banker Patriola arrived from the banks yesterday afternoon with both her anchors gone. The vessel with numerous others of the Portuguese fleet has been fishing on the banks all season. She hauls for 400 quintals and reports fish very scarce. As soon as her anchors are replaced and a fresh supply of provisions taken on board, return will be made to the banks.

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