

great deal of embarrassment now takes place in the working of the departments, arising out of the following section of the Audit Act, which allows the accounts to be kept open for three months after the expiration of the fiscal year. "The public accounts shall include the period from the thirtieth of June in one year to the thirtieth of June in the next year, which period shall constitute the financial year ;

* * * and all balances of appropriations which remain unexpended at the end of the financial year shall lapse and be written off : Provided that upon cause being shown to the satisfaction of the Governor in Council, he may, by Order in Council to be made before the first of August of each year, extend the time of finally closing the account of any appropriation, for a period of not more than three months from the end of the financial year, after the expiration of which extended time and not before, the balance of such appropriation shall lapse and be written off."

By reason of this extension of time, as a rule no public fiscal business can be closed before the end of September, and if one month is taken to put the accounts in readiness for the Auditor General to commence the publication of his voluminous report, it will be seen that scarcely any work of printing can be commenced by the expending departments or by the Auditor General before the beginning of November. And when it is borne in mind that the report on the Appropriation Accounts is required by the law to be laid before the House of Commons on or before the 31st January, if Parliament is then sitting, and if not sitting, then within one week after Parliament is next assembled, it follows that so long as the Auditor General considers it his duty to bring down the Appropriation Accounts in the present voluminous shape, other public business must suffer of necessity, and if Parliament, as is often the case, meets in January, it is more than likely that the reports of the other departments will be delayed, and the session far advanced before they are placed in the hands of members. Your Commissioners are unanimously of opinion that if it be deemed inadvisable to effect any change in the date for terminating the fiscal year, Parliament should be asked to amend that section of the Audit Act, under which the accounts are kept open for a period of three months after the close of the year, the necessity for the provision having passed away by reason of the fact that all parts of the Dominion are now so closely connected by postal facilities.

GRANTS TO EXPENDING DEPARTMENTS.

Your Commissioners now propose to take up the methods of granting funds to the expending departments to cover the payments for services under their control, but before doing so they have to point out that in England the net revenues alone are deposited to the credit of the Exchequer. The local collectors of revenue under the several Acts are allowed to pay out of their current receipts monthly allotments of pay to seamen's relatives, remittances of wages, military and civil pensions, allowances of all kinds, and various other services. In Canada the only payments made directly out of revenues collected are those effected in that manner in certain portions of the Post Office service. But it does not, however, follow that because the net revenues alone reach the Treasury in England, that the gross revenues are not accounted for, since the annual finance accounts show in the statements of receipts and payments the gross revenues and gross expenditures. After the net revenues are deposited with the Bank of England, the Auditor General allows the Treasury to issue credits to cover expenditure by the expending departments, and as a consequence the audit system is entirely a system of audit after payment.

In Canada a mixed system prevails. Credits are granted to a large extent to the several departments, and in addition thereto, what are called direct payments are made by the Finance Department, on the certificate of the Auditor General upon applications by the several departments. These direct payments are chiefly for work done under contract by large expending departments, for railway subsidies, and services of such a nature, and it does not appear to your Commissioners that any particular advantage arises out of the working of the two systems together. The only possible advantage, if it can be so termed, arising out of the direct method of payments referred to, is that of