

vince's share of the taxes paid at October 31, 1916 as a Deferred Credit at that date. As a result of the Prohibition Act recently passed by the Province, this item will disappear from the Accounts in future years.

SECURITIES DEPOSITED WITH THE PROVINCE.

Bonds of a par value of \$165,500, and certain mortgages, have been assigned to the Province in connection with guarantees for the fulfilment of obligations. These securities, together with those purchased by the Province for Sinking Fund purposes, were examined by us and found in order.

At present the securities are kept loose in a safe in the vault of the Treasury Office, to which various officials have access. We think that it would be preferable to have the securities deposited in the vaults of a Bank or Trust Company under the joint custody of two officials of the Province. No proper records are now kept showing the deposit and movement of Securities.

DEFICIT OCTOBER 31, 1916.

We would refer you to the attached Statement (Exhibit F) which shows how the Deficit on Revenue Account of \$706,833.57 at October 31, 1916, is made up. You will note therefore that in past years interest on the amount of Bonuses received from lumber operations and deposited in Bank was treated as a Revenue receipt, although under Act 4, George V., Cap. 10 (1914) such interest is required to be treated as an accretion of the Sinking Fund. In order to adjust this it has been necessary to charge Revenue Account with an amount of \$38,199.76.

ACCOUNTING SYSTEM AND METHODS.

At present, a considerable part of the accounting work of the Province is done in the offices of the various departments, in place of being consolidated in the office of the Treasurer. As a result it is impossible to ascertain without unnecessary waste of time, the amount of the Province's Current Revenue Receipts, and the Liabilities outstanding at any specific date. Furthermore, such a condition results in duplication of work.

From a business standpoint we consider that the Treasury Department should receive direct all monies payable to the Province. If the amount received from the Dominion Government in respect of Subsidies and Interest on the Debt due to the Province is excluded, it will be found that the Treasury received direct only about 10 per cent. of the Revenue received during the fiscal year ending October 31, 1916. The other Departments collecting Revenue record in Cash Books of various styles the monies received by them, and issue receipts bearing the lithographed signature of the Deputy Provincial Treasurer and countersigned by the official or clerk issuing the receipt. The monies so collected are in turn deposited in Bank by the receiving department to the credit of the Treasury, or, as is more generally the case, are handed into the Deputy Provincial Treasurer's Office. One objectionable feature to this manner of collecting Revenue is that monies are frequently held for several days in the Department collecting them before reaching the Treasury, and sometimes for several days in the Treasury Department before being finally deposited in Bank. The work of internal audit is also to some extent duplicated, since it is necessary for the Auditor-General to check up and verify both the Departmental and Treasury Cash Books.

All payments are made by the Treasury Department on the receipts of bills for supplies and work performed, to which are attached applications from responsible Department officials requesting payment to be made. The check which the Auditor General is able to exercise over expenditure appears to a large extent perfunctory, since he has no previous knowledge of the prices and other conditions affecting the payment. The work of recording the payments is duplicated since cheque records and ledgers are kept by both the Treasury and Auditor General.

The revision of the Accounting system to bring all collections directly under the control of the Treasury Department and to eliminate the present duplication of records is not a difficult matter; but to get the best results it is in our opinion necessary that the entire accounting work be placed under the charge of some one official who would be responsible for the correctness of the accounts of all Departments. Whether this can be best done by increasing the present powers of the office of Auditor General, or by the creation of a new office under some such title as Comptroller General, is one for your consideration; but the point which we would emphasize is that the official in charge must have the authority to exercise an effective check over all transactions connected with the receipts and disbursements of the Province, and not merely be in a position to pass upon their clerical accuracy.

We should like to discuss this point at greater length at any time that is convenient to you, and in the meantime shall be glad to furnish you with any further information on the Accounts that you may desire.

Yours very truly,

(Signed) PRICE, WATERHOUSE & CO.

PROVINCE OF NEW BRUNSWICK—

Balance Sheet, October 31, 1916.

(Exhibit "A")

CAPITAL ASSETS.

Dominion of Canada—Balance at credit of Province	\$529,299.39	
Railway Investments—		
St. John & Quebec Railway—Par value of securities for		
which Province has assumed liability as per contra....	\$4,250,000.00	
Provincial Bonds issued for Railway purposes.. . . .	1,700,000.00	
	\$5,950,000.00	
N.B. Coal & Railway, taken over by the Province and leased	\$1,246,431.77	7,196,431.77
Permanent Bridges—Expenditure to October 31, 1916.. . . .	\$4,262,917.41	
Add—Liabilities for Expenditures as per contra	176,235.04	4,439,152.45
Farm Settlement Board—Representing par value of Bonds issued, the proceeds of which have been invested in the purchase of lands by the Commission appointed by the Government.. . . .		150,000.00