the practice of the Government has hitherto been, to consider itself bound by the several totals carried out in the Appropriation Act; and not as tied down to the respective items, according as they are passed on the Estimates in Committee of Supply and ultimately adopted by the House; that the Estimates in fact only constitute a process, or exhibition of reasons in a tabular form, for the purpose of inducing the Committee of Supply to arrive at the vote of a total. The Committee desire to express their entire dissent from any such doctrine. And it is manifest that in proportion as this large discretionary range is conceded to the Executive, to the same extent must the will and power of the Legislature as expressed by its detailed votes, be disregarded and diminished—a conclusion totally irreconcilable with proposals for increasing the stringency of regulations for the control of the public expenditure, *i.e.*, the subjection of the expenditure of the Executive to the will of the Legislature.

The unauthorised expenditure incurred within the period under examination, and amounting to £28,822 18s. 5d., would have elicited more particular notice from the Committee, had it not been that that expenditure did receive very attentive consideration during last Session, when special provision was made for the settlement of that amount, plus the unauthorized expenditure of the preceeding year, amounting in all to the sum of £38,997 4s.

There are, however, two practical recommendations connected with the subject, to which the attention of the Government is directed.

1st. This unauthorized expenditure having been provided for by loan chargeable on the whole Colony, ought to be analysed, with a view to inter-provincial adjustment. On examination it will be found that considerable items of this amount are chargeable locally; and it is submitted, that the same rule which is in force with regard to the annual authorized expenditure, should be applied equally in the case of unauthorized expenditure. And here the Committee take the opportunity of observing that the practice introduced by the late Government of localizing charges, is, in their opinion, both just and economical, and ought to be adhered to in all cases.

2nd. A reference to the Debenture Act of 1860 shows that the loan then authorized to be raised was only intended to be a temporary debt. Further it may be stated that the provisions of that Act were framed on the calculation that, after providing for the annual expenses of the Colony, and paying three-eighths gross Customs to the Provinces, there would remain annually a balance of revenue, sufficient in amount at the end of three years to pay off the whole of the Debentures authorized to be issued under that Act. From enquiries instituted by the Committee, they believe that there ought now to be a sum of about £12,000 available for this particular purpose; and they recommend that this sum should be immediately applied to taking up and cancelling an equivalent amount of those Debentures. The Committee are aware that they are travelling somewhat beyond the strict limits of the financial period allotted to them, in making this recommendation; but as its value would have been materially diminished by a year's delay, they have deemed it to be their duty to refer to the subject; and to record their belief, that if this recommendation be not adopted without delay, that which was only intended to be a temporary loan, will ultimately come to be regarded and classed as a portion of the funded debt of the Colony.

In the course of their investigations, the Committee have had prominently brought to their notice the fact that the Colonial Treasurer has availed himself largely of deposits, trust, and other funds (not being Revenue) in aid of the Colonial chest; or in other words, has employed them as a working balance. The Auditor of Public Accounts in his report (Appendix No. III.) has referred to this point; and to shew the extent to which this practice has been carried, the Committee enumerate the funds which have been more or less operated upon, viz.—

	£	s.	d.
1. Guaranteed Loan of £500,000	49,503	15	11
2. Provincial Land Purchase Funds (6ths)	12,924	7	6
3. Miscellaneous Deposits (including Intestate Estates) ...	5,776	19	3
4. Deposit claimed by British Government	8,133	9	1
5. Balance of Civil List	6,206	10	10
6. Reserve Fund	10,029	5	5

It is correctly stated by the Auditor of Public Accounts that "where several funds are thrown "together into one common chest, it is impossible to state out of which fund any specific payment is made" But, however that may be, the Committee cannot avoid the conclusion, that specific funds were diverted to general services,—a practice certain eventually to damage the public credit. From the above schedule, it is evident that the three last items enumerated are the only ones that ought with any shew of propriety to have been employed as a working balance; not that the Committee would be supposed to admit that it was not objectionable to have employed even those funds, but they simply wish to express, that the objections to their use are not, in their opinion, so strong as in the case of the three first items. In respect of the three last items, the Committee observe severally as follows, viz.:

4th. If the claim on this deposit be regarded as obsolete, the funds ought only to be released for the use of the Colonial Treasurer by resolution of Committee of Supply.

5th and 6th. The detailed statements of these funds appear in appendix No. II. and will be found to substantiate the following observations and recommendations thereon, viz.: The Committee are of opinion that the reservation of funds of this sort from the votes of the House ought to be regarded with the greatest jealousy. If however the system be per-