

1870.

VICTORIA.

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# PROGRESS REPORT

FROM THE

SELECT COMMITTEE



ON

# FINANCIAL ARRANGEMENTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE AND MINUTES OF EVIDENCE.

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*Ordered by the Legislative Assembly to be printed, 6th July, 1870.*

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By Authority:

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EXTRACTS FROM THE VOTES AND PROCEEDINGS.

THURSDAY, 12TH MAY, 1870.

FINANCIAL ARRANGEMENTS.—Mr. Langton moved, pursuant to *amended* notice—

- (1.) That from and after the 30th June, 1871, the financial year shall commence with the 1st day of July.
- (2.) That in accordance with the practice of the Imperial Parliament, the supplies granted for any year shall be applicable only to the charges which will come in course of payment during such year.
- (3.) That there be appointed in every session a standing Committee of this House, to be called "The Committee of Public Accounts," to have the same functions and powers as the like committee appointed by the British House of Commons.
- (4.) That a Bill be brought in, and a standing order submitted, to give effect to the foregoing resolutions.

Debate ensued.

Mr. Langton, by leave of the Assembly, withdrew the above resolutions, and moved, That a Select Committee be appointed to consider and report upon the propriety of adopting the following resolutions:—

- (1.) That from and after the 30th June, 1871, the financial year shall commence with the 1st day of July.
- (2.) That in accordance with the practice of the Imperial Parliament, the supplies granted for any year shall be applicable only to the charges which will come in course of payment during such year.
- (3.) That there be appointed in every session a standing Committee of this House, to be called "The Committee of Public Accounts," to have the same functions and powers as the like committee appointed by the British House of Commons.
- (4.) That a Bill be brought in, and a standing order submitted, to give effect to the foregoing resolutions.

Question—put and resolved in the affirmative.

THURSDAY, 19TH MAY, 1870.

FINANCIAL ARRANGEMENTS COMMITTEE.—Mr. Langton moved, by leave of the Assembly, That the Select Committee agreed to be appointed on the 12th instant, to enquire into Finance Arrangements, consist of Mr. McCulloch, Mr. Fellows, Mr. Higinbotham, Mr. Francis, Mr. Berry, Mr. Casey, Mr. Macgregor, Captain Mac Mahon, Mr. Rolfe, Mr. MacBain, Mr. Gillies, and the mover, three to form a quorum, and to have power to send for persons and papers, and to meet on days on which the House does not sit.

Question—put and resolved in the affirmative.

APPROXIMATE COST OF REPORT.

Cost of Preparation .. .. .	..	..	..	..	..	..	..	..	..	..	£	s.	d.
Cost of Shorthand Writing .. .. .	..	..	..	..	..	..	..	..	..	..	11	11	0
Printing (750 copies) .. .. .	..	..	..	..	..	..	..	..	..	..	43	18	0
											24	0	0
Total .. .. .	..	..	..	..	..	..	..	..	..	..	£79	9	0

## PROGRESS REPORT.

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THE SELECT COMMITTEE appointed by your Honorable House on Thursday, 19th May, 1870 to consider the following resolutions—

- (1.) That from and after the 30th June, 1871, the financial year shall commence with the first day of July :
- (2.) That in accordance with the practice of the Imperial Parliament, the supplies granted for any year shall be applicable only to the charges which will come in course of payment during such year :
- (3.) That there be appointed in every session a standing Committee of this House, to be called "The Committee of Public Accounts," to have the same functions and powers as the like Committee appointed by the British House of Commons :
- (4.) That a Bill be brought in, and a Standing Order submitted, to give effect to the foregoing resolutions :

have taken evidence, and now have the honor to recommend :—

1. That in the next Session of Parliament a Committee be appointed to complete the consideration of the resolutions referred to this Committee.

Committee-room,

6th July, 1870.



# PROCEEDINGS OF THE COMMITTEE.

WEDNESDAY, 25<sup>TH</sup> MAY, 1870.

*Members present :*

Mr. Langton,  
Mr. Gillies,

Capt. Mac Mahon.

The Clerk read the extract from the Votes and Proceedings of the 12th May, 1870, referring the resolutions to a select Committee.

Mr. Gillies moved, That Mr. Langton do take the Chair.

Question—put and resolved in the affirmative.

Committee deliberated.

*Resolved*—That A. J. Agg, Esq., one of the Commissioners of Audit, and E. S. Symonds, Esq., the Under-Treasurer, be summoned to attend on Wednesday next.

*Resolved*—That the Vouchers containing the expenditure of the Votes for the Post-office Department for the year 1868 or 1869, be produced at the next meeting of the Committee.

Committee adjourned until Wednesday next at half-past one o'clock.

WEDNESDAY, 1<sup>ST</sup> JUNE, 1870.

*Members present :*

MR. E. LANGTON, in the Chair;

Mr. Gillies,  
Mr. G. Berry,

Mr. MacBain.

The minutes taken at the last meeting of the Committee were read.

A. J. Agg, Esq., one of the Commissioners of Audit, called in and examined.

Mr. Casey entered the room and took his seat.

Capt. Mac Mahon entered the room and took his seat.

Committee deliberated.

Committee adjourned until Friday next at two o'clock.

FRIDAY, 3<sup>RD</sup> JUNE, 1870.

*Member present :*

Mr. Langton.

No quorum.

Adjourned until Tuesday next at two o'clock.

TUESDAY, 7<sup>TH</sup> JUNE, 1870.

*Members present :*

MR. LANGTON, in the Chair;

Mr. Gillies,

Mr. Berry.

The minutes taken at the last meeting of the Committee were read.

A. J. Agg, Esq., again called in and further examined.

Mr. Francis entered the room and took his seat.

Capt. Mac Mahon entered the room and took his seat.

Committee adjourned until to-morrow at two o'clock.

WEDNESDAY, 8<sup>TH</sup> JUNE, 1870.

*Members present :*

Mr. Langton,

Mr. Gillies.

No quorum.

Adjourned until Monday next at two o'clock.

MONDAY, 11<sup>TH</sup> JUNE, 1870.

*Members present :*

Capt. Mac Mahon,

Mr. Langton.

No quorum.

Adjourned until Wednesday next at two o'clock.

WEDNESDAY, 15<sup>TH</sup> JUNE, 1870.

*Members present :*

MR. LANGTON, in the Chair;

Mr. Fellows,

Mr. Gillies.

The minutes taken at the last meeting of the Committee were read.

A. J. Agg, Esq., again called in and further examined.

Mr. Francis entered the room and took his seat.

Capt. Mac Mahon entered the room and took his seat.

Committee deliberated.

*Resolved*—That the Under-Treasurer be summoned to attend to-morrow at two o'clock, and that he be requested to produce a statement showing the payments made from the Treasurer's Advance Vote of £60,000 for the years 1867 and 1868.

Committee adjourned until to-morrow at two o'clock.

THURSDAY, 16<sup>TH</sup> JUNE, 1870.

*Members present :*

Mr. Langton,

Mr. Gillies.

No quorum.

Adjourned until Tuesday next at two o'clock.

TUESDAY, 21<sup>ST</sup> JUNE, 1870.*Members present :*

Mr. Langton, | Mr. Gillies.  
No quorum.

Adjourned until a quarter to three o'clock.

QUARTER TO THREE O'CLOCK.

*Members present :*

Mr. Langton, | Mr. Gillies.  
No quorum.

Adjourned until Thursday next at two o'clock.

THURSDAY, 23<sup>RD</sup> JUNE, 1870.*Members present :*

Mr. Langton, \* | Mr. Gillies.  
No quorum.

Adjourned until three o'clock.

THREE O'CLOCK.

*Members present :*

MR. LANGTON, in the Chair;  
Mr. Gillies, | Capt. Mac Mahon.

The minutes taken at the last meeting of the Committee were read.

A letter from A. J. Agg, Esq., dated 22nd June, 1870, was laid before the Committee and read.

Committee deliberated.

*Resolved*—That Mr. Agg's letter should be inserted in the minutes of evidence.—(*Vide* page 14.)

The evidence given by A. J. Agg, Esq., on the 15th June, 1870, was laid before the Committee, in consequence of the alteration made by that gentleman in answer to question No. 157, when revising the same. Committee deliberated.

*Resolved*—That the alteration be disallowed.

E. S. Symonds, Esq., Under-Treasurer, called in and examined.

Room cleared.

Committee deliberated.

*Resolved*—That the Chairman prepare a Draft Report, to be submitted to the Committee at its next meeting. Committee adjourned until Thursday next at two o'clock.WEDNESDAY, 6<sup>TH</sup> JULY, 1870.*Members present :*

MR. LANGTON, in the Chair;  
Mr. Berry, | Mr. Higinbotham,  
Mr. Gillies, | Capt. Mac Mahon.

The minutes taken at the last meeting of the Committee were read.

The Chairman then brought up a Draft Report, which was read, and is as follows:—

## DRAFT REPORT.

*(Mr. Langton.)*

The SELECT COMMITTEE appointed by your Honorable House on Thursday, 19th May, 1870, to consider the following resolutions—

- (1.) That from and after the 30th June, 1871, the financial year shall commence with the first day of July.
- (2.) That in accordance with the practice of the Imperial Parliament, the supplies granted for any year shall be applicable only to the charges which will come in course of payment during such year.
- (3.) That there be appointed in every session a standing Committee of this House, to be called "The Committee of Public Accounts," to have the same functions and powers as the like Committee appointed by the British House of Commons.
- (4.) That a Bill be brought in, and a Standing Order submitted, to give effect to the foregoing resolutions :

have taken evidence, and now have the honor to report:—

1. As to the change in the financial year suggested by the first resolution:—Your Committee are of opinion that were the change effected Parliament would, as a rule, break up before Christmas. The Government would in that case, be left with a recess of at least three months; Parliament could again meet in March or April, and ample time would be afforded to begin the work of "Supply" before the new financial year commenced. Our method would, in fact, be assimilated to that of the House of Commons, by which "Supply" is begun in January or February—the financial year ending with March. One important alteration which would be made in the course hitherto pursued here would be, that the "Budget," instead of being submitted on the opening of the Committee of Supply, would, as in England, be submitted within a week or ten days after the close of the financial year. After a careful consideration of the subject, your Committee are of opinion that were the alteration to take place Parliament could more conveniently and regularly provide for the service of each year before payments on account of the year became due.

2. The evidence of Mr. Agg, one of the Commissioners of Audit, and of the Under-Treasurer, is somewhat conflicting in regard to the effect of the change suggested in the second resolution. Mr. Agg thinks, that to provide only for the services coming in course of payment during the year is objectionable on several grounds, which may be shortly stated to be:—

- (1.) That the liabilities outstanding at the end of the year would not be provided for.
- (2.) That the Treasurer would at once be put in funds to the extent of some £600,000 which would have to be provided out of the revenue of the subsequent year.

(3.) That after the Government had entered into a contract, they might not in the next session of Parliament command a vote of the House, and the public faith might suffer in consequence of the Government not being able to pay the claim. 55 *et seq.*

(4.) That the salaries for each year cannot all be paid within the year. 82 *et seq.*

Mr. Symonds on the other hand does not think any inconvenience would result from the change, provided the supplies were voted sufficiently early. This gentleman also stated to the Committee that as far as the work at the Treasury is concerned, it would be rather a convenience to close the accounts absolutely at the end of each year, because there would not be two years' accounts going on at the same time. Mr. Symonds further informed your Committee that the Treasury books are, under the present system, practically closed at the end of each year, and that it is only the accounts prepared for the Audit Commissioners and for Parliament in which the payments made in separate years are mixed together. 172. 178. 174 *et seq.* 180.

Your Committee are unable to agree in the objections urged by Mr. Agg, for the following reasons :—

(1.) As to the outstanding liabilities at the end of each year, there does not seem any difficulty likely to result from the proposed change. At present, all moneys which have been passed for payment, and which have not been claimed at the end of the second year, are paid into the Trust Fund, the amount of them being shown in the last column of the audited accounts of the expenditure. Mr. Agg admits that the same course could be pursued if the one year system were adopted, but he thinks the amount of the liabilities at the end of the first year would be a practical difficulty. It will be seen, however, that the amount Mr. Agg contemplated was an amount which could only be reached by delay in the passing of the Appropriation Act until the year to which it relates was just about at a close. 87 *et seq.* 92 *et seq.*

(2.) Your Committee cannot regard the contingency of putting the Treasurer in funds to the extent of £600,000 as a result to be deplored. Of course, in the event of the change being made, prudence would require a larger margin in every budget; but if that prudent margin were provided, there would still be a large sum available for immediate use, which, under the present system, would lie almost unproductive in the banks for many months before it was required. But your Committee cannot agree with Mr. Agg as to the amount this sum may be expected to reach. That gentleman estimates the immediate gain to the Treasury by providing only for the payments of the year at £600,000, and he thinks that half of the outstanding liabilities at the end of each year could be ascertained and provided for under the present plan of paying into the Trust Fund. It follows therefore that only £300,000 would be immediately available for other purposes. But this your Committee are of opinion would be an exaggerated estimate; for if only the expenditure within the year is provided for, only the revenue within the year will be relied on to meet it. At present, however, part of the revenue of every year is not received until the following year. In 1869, £217,702 was received on account of 1868; in 1868, £183,176 on account of 1867; in 1867, £149,531 on account of 1866, and so on in every year. Thus, while the expenditure for the first year under the proposed system would be lessened by probably £300,000, the revenue would also be reduced by a sum which might be estimated at from £150,000 to £220,000. The net gain to the Treasury, therefore, could not be expected to exceed £150,000 and might be no more than £80,000; neither of which amounts, even if they were at once appropriated by Parliament, could seriously affect the finances still less imperil the credit of the colony. 105. 95.

(3.) Nor can your Committee agree with Mr. Agg, that Government Contractors would be in any worse position than at present. Indeed, Mr. Agg answered his own objection when he stated that in the case of the contract for the Kew Asylum, the total amount of which was £110,000, only £5,000 was voted in 1868, and £45,000 in 1869. Mr. Symonds, so far from agreeing with Mr. Agg, stated that no difficulty would arise in regard to contracts if Parliament votes the supplies in sufficient time. 68. 182.

(4.) Mr. Agg's last objection would, your Committee think, be effectually disposed of, if the unclaimed salaries which are actually payable at the end of each year, were treated as the other unclaimed liabilities then due; viz.: by being paid into the Trust Fund, and charged in the expenditure of the year to which they belong.

3. But a small part of the evidence taken by your Committee relates to the subject of a Standing Committee of Public Accounts; but that of Mr. Agg, in regard to the expenditure of the vote for the entertainment of the Duke of Edinburgh, to the terms of the Treasurer's advance vote, to the amounts of the balances of the votes for unforeseen purposes, and to the control of the Audit Commissioners over the destination of any moneys they pass for payment, all go to show the desirability of charging a Committee of the Assembly with the duty of examining the audited accounts of expenditure, and reporting to the House any irregularity they may discover, or any improvement they may suggest in the method of account. At present, even if the Audit Commissioners' report on some special transaction, it is the duty of no one in particular to bring the matter before the Assembly; by a Standing Committee your Committee are of opinion this evil would be remedied, and the control of Parliament over the public finances made more complete and effectual. 19 *et seq.* 35. Mr. Agg's letter, p. 14. 30 to 40.

Committee deliberated.

Mr. Higinbotham moved—That the consideration of the Draft Report be postponed, and that a Progress Report be presented to the Assembly, recommending the appointment of a Committee in the next session of Parliament to complete the consideration of the resolutions referred to this Committee.

Question—put and resolved in the affirmative.

The Chairman then brought up a Draft Progress Report which was read and is as follows :—

#### DRAFT PROGRESS REPORT.

The SELECT COMMITTEE appointed by your Honorable House on Thursday, 19th May, 1870, to consider the following resolutions—

- (1.) That from and after the 30th June, 1871, the financial year shall commence with the 1st day of July.
- (2.) That in accordance with the practice of the Imperial Parliament, the supplies granted for any year shall be applicable only to the charges which will come in course of payment during such year.
- (3.) That there be appointed in every session a standing Committee of this House, to be called "The Committee of Public Accounts," to have the same functions and powers as the like Committee appointed by the British House of Commons.
- (4.) That a Bill be brought in, and a Standing Order submitted, to give effect to the foregoing resolutions :

have taken evidence, and now have the honor to recommend :—

1. That in the next Session of Parliament a Committee be appointed to complete the consideration of the resolutions referred to this Committee.

Paragraph 1 read and passed.

Mr. Higinbotham moved—That the Draft Progress Report be adopted.

Question—put and resolved in the affirmative.

Resolved—That the Chairman report to the House.

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MINUTES OF EVIDENCE.

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## LIST OF WITNESSES.

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# MINUTES OF EVIDENCE.

WEDNESDAY, 1ST JUNE, 1870.

*Members present:*

MR. LANGTON, in the Chair;

Mr. Gillies,  
Mr. MacBain,  
Mr. Berry,

Mr. Casey,  
Capt. Mac Mahon.

Alfred J. Agg, Esq., examined.

1. *By the Chairman.*—You are one of the Commissioners of Audit?—I am one of the Commissioners of Audit. A. J. Agg, Esq.,  
1st June, 1870.

2. Have you read the resolutions that have been referred for the consideration of this Committee?—I have.

3. We are addressing attention particularly to the second resolution. Under our present Audit Act a supply voted for and on account of one year can be expended during the next year, if contracts are entered into?—If contracts or engagements are entered into, then the State under the present Audit Act has to provide funds to insure that when the contract or engagement is entered into the public faith should be maintained, by the money being always ready to pay for that contract or engagement. I might at once state to the Committee, that the rule laid down in the Audit Act did not extend in any way the life of a vote, but it was a rule clipping short by Act of Parliament the lives of the votes which previously lasted for ever. That was also the rule in the House of Commons, and is in most colonies to this day; indeed at the present time, in the Imperial Parliament, the votes of the House of Commons live for two years, and though there they are cut short at the end of two years, really by a departmental rule, here, as I said before, by Act of Parliament, there is practically no other difference. I produce the Finance Accounts of the Treasury, in London, for the year ended 31st March, 1869. At page 71 there is an account showing “under their several heads how the balances of moneys granted for the service of the United Kingdom, for the years after mentioned, which remained unissued on 31st March, 1868, and grants for the year 1868–69 have been disposed of to the 31st March, 1869.” Now this is part of the accounts, and it shows that the balances of certain votes which are detailed—balances of the year ended 31st March, 1868—had been issued during the year ended March, 1869, to the amount of £2,044,581; that is precisely our rule.

4. Without a fresh vote?—Without a fresh vote I am not so sure of, I am now speaking from the accounts.

5. *By Mr. Gillies.*—That is the all important part?—The Committee will be able to see that by the Appropriation Act. This same account at page 73, shows that the balances of the supplies voted for the year ended 31st March, 1869, existed on that date to the amount for the ordinary estimates of £2,611,591, and for the supplementary estimates £1,600,000, making altogether £4,211,591. If the Committee think of it, from the nature of a vote it is impossible that it can be cut short by anything less than an Act of Parliament. When the House of Commons or the Legislative Assembly grants money, it is, for all time, to meet any engagement that is entered into upon the faith of that vote, and therefore it was that I said our Audit Act did not extend the time during which votes lived, but in fact, clipped them short and confined them to the two years.

6. *By the Chairman.*—Are you aware that the English Appropriation Acts since 1862, contain grants only for services that come in the course of payment during the year?—I am aware that it is so, but I show from the accounts that they pay the money in the following year. I know the thing has been discussed over and over again before Committees, but I doubt whether it has been practically applied. If the Committee would allow me, I would take another illustration. Our Appropriation Act last year, (though a very unusual case no doubt) was not passed till the 29th December, 1869; if, therefore, the votes of the Legislative Assembly had lapsed only two days afterwards, we should have had this remarkable result, that we should have had to commence the year 1870 with a surplus of £1,094,000. There was a balance of £1,094,000 at that date, which was held in the Consolidated Revenue, available for all charges on account of the year 1869, during 1870. The Committee will, therefore, see that contracts which the Government had entered into, during 1869, would have had to be suddenly brought to a termination—that the contractors would have had to wait till some future vote of the House before they could be paid—it might have brought ruin in fact upon contractors who had, in good faith, contracted with the Government, and could not anticipate, that money once voted by the House would be made to lapse so soon as two days after the session. Of course that is a very extreme case, but it should be mentioned to the Committee.

7. *By Mr. Gillies.*—You do not suppose that is a case that could not be provided for?—I think it could not be provided for; the House had been in session a long time, many months, and there was no chance of the House meeting again in January at all events, whereas these payments had to be provided for continuously.

8. *By Mr. MacBain.*—So far as keeping the accounts is concerned, could not the accounts be made up in such a way as to show the amount expended upon each contract during the year that is when the accounts are made up, the balance in hand to be expended?—When a man is laying a foundation, or building a wall, you cannot divide the cost of the building so as to ascertain how much of the foundation or the wall shall be charged to one year, or how much to the next. The best rule is that in the Audit Act,



A. J. Agg, Esq.,  
continued,  
1st June, 1870.

that when a contract has been once entered into under the authority of a vote of the Legislative Assembly, the executive Government should be in a position to pay the money. That question raises another very important question, which is this: I say that, though I showed from the finance accounts of the United Kingdom for the year ended 31st March, 1869, that the Government still keep alive the votes of the House of Commons for two years, yet I can also show that in the accounts the votes for those years are all blended together. I take for instance the cash account, which shows various services, including the interest on the debt, the Army and Navy services and so on, amounting to £46,467,000, as the expenditure for the year ended 31st March, 1869. I take the reference (which is provided in the cash account), and I find that of those services, a very large proportion was on account of the votes of previous years. For instance, in the Navy there is £366,000, the deficiency of 1867-8, which was, however, voted. There was a sum which is not a deficiency of £499,000, on account of the year 1867-8, paid on account of Miscellaneous Services; and a sum of £400,000, which is a deficiency of the same year paid on account of the same year, and in the Revenue Departments (this is a very important item), there was a sum of £1,441,000, paid during the year 1869, on account of the year 1867-8.

9. *By Mr. Gillies.*—From which vote was that sum of upwards of one million derived?—The revenue charges. Those revenue charges in England (notwithstanding Mr. Gladstone's Act of 1854, and notwithstanding the reports of all the Committees) are still paid out of the revenue. I can prove, of course, what I am saying from the figures. They still make the payments out of the revenue for the salaries, and they get repaid afterwards out of the vote which is passed by the House of Commons. The whole of the salaries of the different revenue departments were paid without a vote, until the year 1854. Until Mr. Gladstone's Act (27 and 28 Vic., cap. 94) was passed, the House of Commons had no control over the expenses of any of the revenue departments; and never until that year was there brought within the cognizance of the Committee of Supply any vote for the salaries of those departments. This Act of Mr. Gladstone's was passed on purpose to remedy that. It contains in the schedule to the Act the salaries and other items which are to be paid out of the votes of the House of Commons, and among such are the charges for the collection and management of the customs, the inland revenue, and the post-office, these being the three great services in England. What I say to the Committee is, that notwithstanding Mr. Gladstone's Act, by which he, and the House of Commons, and the Parliament intended that those charges should be voted by the House of Commons, the departments have continued as before to pay all those charges out of the revenue, and afterwards to be re-imbursed out of the vote of the House of Commons, and that, I think, is how it is that the sum of £1,440,000 had to be paid in the year 1869, for services rendered in the year 1868.

10. Then they anticipated the vote of the House of Commons by a year nearly?—No, it is not the votes, it is the accounts. By the new system in England they run together and do not keep separate the votes of various years in the cash accounts of the Treasury.

11. *By the Chairman.*—Are they not run together in the Appropriation Act in precisely the same manner to give authority for that?—I have not been able to test the Appropriation Act by the accounts, but I think not. I have made every search to see if those sums are re-voted and I have not been able to find that they are re-voted. I know the money is paid, and I cannot find that it is re-voted. I instance particularly the sum of £1,440,000 paid during the year 1869 on account of the year ending the 31st of March, 1868, for revenue departments, charges of collection. In further illustration of what I said, that the Audit Act here did not in fact extend the lives of the votes of the House to two years, but cut them short, I have here the Budget which was laid before the Legislative Assembly in New South Wales on the 12th of October last year by Mr. Samuels. This Budget, first of all, begins with an account of the receipts and expenditure of 1867 and previous years; then there is another account of 1868; then there is another account for 1869; then there is another account for the year 1870: so that in New South Wales they still adopt the old plan of former times in England, and keep the votes alive for any number of years. Of course it must be very much more difficult to arrive at the true state of the finances in New South Wales than here, because instead of only dealing with two years as we do here, in New South Wales they have to deal with all the previous years of the colony up to the time when the financial statement is being made.

12. *By Mr. Casey.*—Why is that?—It is because when the Legislative Assembly makes a grant of money there is no power to cut short the use of that grant; it can be spent at any time unless there is some rule of law such as that laid down in our Audit Act.

13. Supposing that a sum of money is voted by the Legislature—say, for military purposes—what check exists, as far as your department is concerned, as to the proper expenditure of that money?—The practice in regard to military services is different from that in regard to any of the colonial services, because the War Office in England by its regulations allows the voucher of the paymaster that he has paid the men, without requiring the receipts of the men, to be taken. In every service except the military the Treasurer by regulations requires that the receipt of the party should be taken, not before the money is paid but at the time of payment.

14. That is so far good as to the receipt of the party who gets the money; but what check is there that the money is applied to the purpose for which it is voted?—The first check is, that the Audit Act provides that the warrant which the Constitution Act requires should be drawn up in the same form as the Estimates and the Appropriation Act, therefore every vote of the Legislative Assembly is set out in the warrant in full, and the Treasurer is bound to open in his books (particularly in a book which is called the Provisional Ledger) an account for every service which is placed in the warrant. He is then able to draw orders upon the banks, not exceeding the amounts which are in those warrants; those orders have to be transmitted to the Audit Office, and counter-signed by the Audit Office, and addressed to the banks before any paymaster can operate upon the Public Account. The Public Account has reached an amount, for instance, certainly of £1,800,000, and if any subordinate officer in the position of a paymaster were entitled to draw upon the Public Account to the full amount of the balance it would be, of course, a most serious matter; but no paymaster under the Audit Act can draw upon that bank account for any accounts that have not been transmitted to him by the Treasury, and advised to the bank with the counter signature of one of the Audit Commissioners. If the Treasurer of the colony gave an order (I am saying this as pushing the argument to the extreme) to one of the banks to pay money, the banks would not pay it without the counter signature of one of the Audit Commissioners.

15. *By Mr. Gillies.*—Even if the warrant, signed by the Governor, were forwarded by the Treasurer to the bank it would not be paid without the counter-signature of one of the Audit Commissioners?—No.

16. *By Mr. Casey.*—The answer you gave us respecting the corresponding duties to those of the Exchequer at home, as to the payments of the money from the Treasury is valuable; but what I want to get at is the check which you as auditors are able to provide, so as to see that the money you have liberated from the Public Account has been applied in the manner which Parliament has directed. Take for instance the military: when the Treasurer presents to you a warrant you find that the Legislature has appropriated a sum of money for that purpose, and you see that it is legally available and certify to it, and the Governor signs the warrant, and the money is disengaged from the bank; what checks are there provided, so far as your department is concerned, that the money is properly expended?—Under the 31st section of the Audit Act the Treasurer is bound to keep a cash-book, and he is bound to enter therein, when, and as the transactions occur, all his accounts both of receipt and payment. Those words “when and as” are very important, because he is bound to put down all his accounts in chronological order; at the time when, you observe, and he is not to summarise them in any way. His cash-book must include also every account. Now the Commissioners are enabled to see that the Treasurer does his duty in that respect by the accounts which they receive, under the 30th section of the Audit Act, from the banks direct. That was one of the most valuable provisions in the Audit Act, and I have no need to say it was invented long before the case of the Union Bank of London, which was defrauded of nearly £200,000, in consequence of their bank-book with the Bank of England being forged. This provision that the bank should send a bank-sheet to the Audit Office was in operation long before. Those bank-sheets received from the banks, the Audit Office compares with the cash-sheet, and ascertains that every item that the Treasurer has received has been paid into the bank, and that every item which the Treasurer says has been paid, has been paid; making allowance for outstanding cheques.

17. Supposing the Treasurer made one item of it, and he said he had paid this £15,000 to the General, and the amount had been paid to the General, would that be sufficient for you as auditor?—No; the Treasurer is bound by the regulations. If the Treasurer made a payment of £15,000 to the General it would be debited in an account which is called the Advance Account, voted for the purpose of making advances, and in that case the General would be called upon first by the Treasury, or in default of the Treasury, by the Audit Commissioners, to send in vouchers.

18. Would not the receipt of the General for the whole sum be a sufficient acquittance?—No, we should want proof that the paymaster had actually paid the money; but, as I said before, in every other case we should want the actual receipts of the parties entitled to the money.

19. What directed these questions is your statement in one of your reports that a sum of money (I think £1,000) was paid out of the vote which was granted for the reception of Prince Alfred to the Alfred Hall at Sandhurst on account of the fire?—Yes.

20. You have stated there that you permitted it to pass. What I want to get at is, how such a sum of money could be paid?—I remember the case—we reported it to the House. The Treasurer having received a claim which has been admitted by the Government, is of course at liberty to pay the claim against a vote of the House. In this case it was a claim made for the destruction of the Alfred Hall by fire, and the vote of the House was for the reception and entertainment of His Royal Highness Prince Alfred. This building, we understood, was burnt in the course of that reception and entertainment. We thought it was a very extreme case. The Treasurer had, however, exercised his discretion and paid the money, so we reported it to Parliament, and stated our opinion fairly that the attention of the Legislative Assembly ought to be brought to the matter by a special vote being asked for.

21. *By Mr. Gillies.*—You say the money was paid, but how in the first instance could it be paid without your sanction, because you draw attention to the matter after it is disposed of?—The Audit-office is not brought so intimately into the business of Government as to see an account before it is paid. It is the business of the Treasury to order the payment of accounts. All that the Audit Commissioners are called upon to do is to take care that those accounts when being paid are within the margin of the appropriations.

22. That is before they are paid?—Yes.

23. *By Mr. Berry.*—There is one point which wants explaining, I think; that is this: you said that the Audit Commissioners in certifying to the warrant were guided by the appropriations?—Yes.

24. Then how can an amount of money be diverted from one purpose to another if the Commissioners of Audit are guided by appropriation?—The Governor's warrant is prepared by the Treasurer upon an estimate a month before the accounts come in; that is under the 24th section of the Audit Act which says, “The Treasurer shall as often as occasion may require calculate the amount of moneys likely to become due and payable out of the said account during a period not exceeding one month next after such calculation,” so that the warrant is prepared upon an estimate, which estimate must be within the margin of the vote.

25. *By Mr. Gillies.*—Is the Committee to understand that this estimate framed by the Treasurer for payment of this £1,000, was framed in such general terms as not to lead the Audit Commissioners to be aware of the precise object for which it was voted?—It was framed in precise accordance with the terms of the vote, but the vote was granted without condition to meet the expenses of His Royal Highness's reception and entertainment; the vote was very wide, and the Treasurer exercised his discretion.

26. Then is the Committee to understand that if the estimate of the Treasurer had been so framed as to show that it was to be devoted to this building destroyed by fire in the first instance, the Audit Commissioners would not have certified, or that they would have raised the difficulty?—The Treasurer was bound to prepare his warrant in the terms of the vote of the House.

27. Is the Committee to understand that if the Treasurer framed his estimate simply covering the vote of the House, and at the same time led the Commissioners of Audit to understand it was to be appropriated to some purpose which the Audit Commissioners did not think came within the terms of the Appropriation Act, they would pay it?—No, there have been an immense number of instances in which they have refused. The Commissioners of Audit have never signed a warrant which was not in terms of the vote of the Legislature.

28. Then going back to the illustration given by Mr. Casey, if the Treasurer framed an estimate, setting forth that 7,000 of that 15,000 were required for military purposes; when the warrant signed by the Governor and countersigned by one of the Audit Commissioners was cashed at the bank, could he pay out of this money £1,000 for some other purposes altogether?—The Treasurer could, but then, as I explained, the bank sheets would enable the Audit Commissioners within a couple of days to ascertain that the money had been misappropriated, and be in a condition to give warning upon it to the Legislative Assembly.



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29. *By Mr. Berry.*—How would that be ascertained?—The Treasurer sends his cash-sheet with the vouchers to the Audit Office; if the voucher which showed the misappropriation was included in his cash-sheet it would be patent on the face of it; if it was not included in his cash-sheet, the Commissioners would know it by the bank-sheets, so that if the Treasurer thought fit to omit any amount from his accounts, the Audit Office would know of it within a very short time.

30. *By Mr. Casey.*—Supposing £7,000 out of £15,000 was paid to the General of the troops, and in the cash sheet it appeared £7,000 was paid to the General, and your bank sheet also showed £7,000 paid by the bank to him, you would have no means of being put on the alert, although the money may not be subsequently accounted for?—No sum of money could be paid to the General without its being shown in the account what the service was for. The particulars must be stated, and we should be in a position to judge whether the services were such as were intended by the Legislature. But if it appeared that the £7,000 was for the General's own use we should "query" it at once.

31. There is what is called the "unforeseen vote"—suppose £5,000 was paid by the Government for any purpose we can imagine, discovering a new gold-field for instance, it is an unforeseen expenditure; and supposing they said, "We want £5,000 in order to pay John Jones out of this unforeseen vote," could you refuse to sign the warrant in the first instance?—The Committee will observe in all exceptional votes, such as that alluded to for "New gold-fields," conditions are attached by the Committee of Supply, and those conditions the Audit Office always rigidly enforces. If, for instance, the Committee of Supply said that the vote was to be distributed in accordance with the report of a Board, then the Audit Office would require the report of that Board to be furnished.

32. I have taken a case where there is no condition, and I want to know if an application was made by the Treasurer to you to sign the warrant, the money being legally available, would you not be compelled to sign the warrant?—In the case of the unforeseen vote, no doubt the Committee of Supply, voting, as it does, the money, without any condition, gives great latitude and discretion to the Government. The Commissioners of Audit would not, I think, be able, though the case has never occurred, to refuse to pay up to the limit of the unforeseen vote, any sum of money which the Governor in Council, or the Governor by his authority required to be paid. But at the same time, while making that statement, I may say that from the very first the Commissioners have seen the very important nature of this vote, and have invariably sent down to the Legislative Assembly every year the particulars of every payment that has been made out of it; the Commissioners have taken care to let the House know after the event what has been done under the discretion which the House had given to the Government.

33. *By Mr. Berry.*—I suppose, to a great extent, the same argument applies to the £60,000 advance-vote?—It is, in that case, different, because everything advanced out of that vote is advanced on the condition which is laid down in the vote itself, that it is to be adjusted within two years. Now the adjustment means that the party to whom the advance is made shall within the two years be able to charge the accounts of expenditure against a vote of the House, and I need not say that both the Treasury and the Audit office invariably require that every one of those advances shall be adjusted, and I believe I am right in saying that every advance, has been adjusted and settled up to the end of the year 1868.

34. My question was not so much with respect to what is done subsequently as with reference to the power of the Treasurer to draw upon that fund without any check from the Audit Commissioners in the meantime?—The question is one of the most important that can be raised in regard to the administration of the Government. It is impossible that the expenses of Government in country districts can be defrayed without an advance-vote. It is quite clear that all people cannot come to the Treasury to receive their money; the police, for instance, could not be paid without advances being made; and it is really necessary therefore that advance-votes should be taken; and I may state that the legalising of the system of advances first begun under vote 73, by Mr. Ebden in 1859, instead of extending, the system diminished it. When I first began to deal with these accounts every expense of the Government was paid by imprests; there were £1,400,000 of unadjusted imprests when I first had to deal with the finances, but now the total amount the Treasurer must have is limited to the £60,000 vote for each year, that is £120,000 in all, on account of the revenue, and of such advances as he is justified in making for loan purposes, and out of the Trust Fund.

35. Although the information you gave us about the £60,000 was very valuable, it was not an answer to my question. What I want to know is whether, at the time, the Audit Commissioners have any control whatsoever over the destination of that advance-vote, or whether their consent to any expenditure that the Treasurer may decide upon is a matter of course—whether the fact that the Act requires it to be adjusted in two years is sufficient in their estimation?—Up to the year 1864, the terms of the advance-vote were that the money should be used to facilitate payments out of votes of the Legislature, and on account of other Governments. I think I may say, that those words were settled by the late Mr. Ebden, and they were always adhered to till 1864, but for some reason which I am not acquainted with, they have been dropped out of the vote in the Committee of Supply, since 1864, and it has given the Government much greater latitude than they formerly possessed; because in fact the vote is at present unconditional—the Government may use the money unconditionally, only that they are bound to account for it afterwards. I may also say that we have been gradually seeing the wide nature of this authority, and that in our last report, sent down to the Legislative Assembly this session, we called attention to the terms of this very vote, and suggested that the power of Government in regard to it should be limited. I should be very sorry to see the system of advances quite put an end to, because in fact the expenses of the Government could not otherwise be paid, but they should be regulated more stringently than they are at present.

36. Are you aware that it has been the custom in the Treasury Department to use money, say money that has been raised by a loan and authorised by Parliament for one purpose, and apply it to another purpose than that for which it was authorised. That is to say, supposing the proceeds of a loan were lying in London, and interest on the national loan, that is the larger loan, was due, and that orders had been sent to pay that interest from that loan account in London, instead of being forwarded from the Consolidated Revenue here?—I do not recollect any case of that kind. If such a case did occur we should, at the Audit Office, object to it on this ground that it would break through the contract with the banks. There is a contract as to making remittances. We draw upon our balances in London by selling bills, and buy their bills to pay interest in London, and the banks having that contract we should take care that an engagement of that kind was kept. I do not recollect at this moment that any case of the kind has occurred.

37. Referring to the new railway loan; a portion of it, amounting to over £500,000 was brought out to this colony, and a portion was allowed to remain in the hands of the six banks in England?—Yes.

38. In the course of time say it becomes necessary to transmit money from this colony to England on account of certain payments falling due; interest of money upon previous loans?—Yes.

39. It has been the custom to make that loan chargeable with certain payments for interest, has it not?—I cannot assure the Committee from memory without reference to books. I am, however, almost as certain as I am of anything, that the whole of the interest payable in London on the Railway Loan has been duly remitted from the colony; as to a portion of the £500,000 still remaining, I was myself rather apprehensive last year that it was going to be used to pay interest, and the Audit Office addressed the late Treasurer, Mr. Byrne, upon the subject. We were very anxious to see the bills upon London actually sold to the banks, so that no misappropriation of the money might take place; we also thought it was lying too long in the banks in London, and that it would be safer if it was in the Public Account in the colony (which is regulated by the Audit Act and the Governor in Council), than lying with the knowledge of the Government in the London and Westminster Bank; because, though there is no doubt as to the stability of that bank, yet, as it was lying there with the knowledge of the Government, if any loss had occurred the Government, and not the six banks, would have been responsible, they having lodged the money with the approbation of the Government; and I therefore desired to see that money drawn into the Public Account in Melbourne.

40. Are you quite sure it was never drawn upon for interest of other loans?—I am as sure as I am of anything, but I did not expect the question to be asked, and I have not looked to any book to see. I shall take care this evening to ascertain that it is so; but, from memory, I speak at this moment quite positively that no money for interest has been paid out of that fund, in any account which has been examined by me.

41. What clause of the Audit Act, or what power under the Audit Act, gives you any control over that loan in any way?—It is in the Loan Act, the last clause provides that nothing shall alter the Audit Act.

42. *By Mr. Casey.*—There is an express clause?—It is in the Loan Act I know. The Loan Act comes after the Audit Act, and the Legislature took care in that Act that the Audit Act should not be altered.

43. *By Mr. Berry.*—But what power does the Audit Act itself give?—I reply that the authority is conferred by the 14th section of the Railway Loan Act, it is No. 331.

44. How do you first get seized of the money?—That was the difficulty we had; we wanted to get seized of it.

45. What Act of Parliament enabled you to do that?—The Railway Loan Act says the accounts shall be reviewed and audited. The Constitution Act provided, in section 45, that the Legislature should have power to pass an Act for reviewing and auditing accounts. The Audit Act was passed under the authority of the Constitution Act, and the words "review and audit" embrace everything.

46. But you have left unanswered the question how you get seized of the money?—The Audit Act requires all public moneys to be paid into the Public Account.

47. What description of moneys; does it include loans?—It does not specifically include loans, because they were not contemplated, but the Railway Loan Act makes it include loans.

48. That is right enough so far as this 14th section is concerned, but you have alluded to the Public Account; I am quite aware when it is in the Public Account you have control over it, but by what authority do you get it into the Public Account?—We tried it under the authority of the Railway Loan Act.

49. This is rather important, because if there is any defect in the law it is far better that the law should be altered than that there should be a straining of it, or a trying to make the law suit what we think it ought to be. I want to know if, in your opinion, there is any clear enactment compelling the bringing of that money into the Public Account in existence at this present moment, either by the Railway Loan Act or the Audit Act?—I think the Legislature at the time of the passing of the Railway Loan Act, might have perhaps laid down the matter clearer than it did. It should have been more explicitly stated in the Railway Loan Act than it was that money should come into the Public Account. But at the same time I could not read that 14th section of the Act as meaning anything else, because it says the accounts shall be reviewed and audited in accordance with the provisions of the Act now in force, which is the Audit Act, and which requires that all moneys of which it speaks (and I admit that it speaks only of the revenue and the trust moneys and not specifically of the loans) shall be paid into the Public Account. Then my reading of the Railway Loan Act is that it was incorporated with the Audit Act, but I do think it should have been stated more clearly.

50. I should have liked to have got a shorter and more definite answer, if I could?—It is a long legal argument.

51. Could not the Audit Commissioners, under the provisions of the Audit Act, review and audit the expenditure of moneys under this Railway Loan Act, although that loan was lodged in a different account from the Public Account?—Not in the terms of the Audit Act; because, it says, distinctly the revenue is to be paid into the Public Account, and when the Railway Loan Act was passed the Legislature said the money was to be dealt with in the same way as is provided under the Audit Act.

52. The Railway Loan Act expressly enacts it to go into the Railway Loan Account?—That is only a sub-head of account: it is only a portion of the Public Account. I would like to add that when the first £8,000,000 loan was contracted the money was placed in the Public Account, and so with the smaller loans that have been contracted since. The money was invariably lodged in the Public Account, and even in regard to the present Railway Loan Act the money was lodged in the Public Account, except, of course, the sum of £1,200,000, which is now on a fixed deposit at the banks—that is as to the practice. Then the Committee will also see that in a matter of this kind, where the Act has not been so clearly set out as it should be, it is the duty of the Audit Office to do the best it can for the State, and that instead of leaving the loan money lying about uncared for or not properly controlled, it is the duty of the Audit Commissioners to do all they can to get it into the Public Account so that it may be operated on under the same safeguards as the Audit Act provides.

53. You are aware, of course, that an agreement has been made with the banks extending over a considerable period of time with respect to the terms on which they should have the custody of the Public Account?—Yes.

54. And you are aware that it became a matter of very vital importance—the rendering of this Act, and not a mere question of difference of one person's opinion as against another. A considerable sum of money at this time could not have been kept out of the Public Account—the banks would have been entitled

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to the custody of it under that agreement?—Yes, but the same arrangement might be made that was made previously by Mr. Haines in 1863. He got within one-half per cent. the same amount of interest, and under the contract with the banks the Government get the exchange. The Government have one-half per cent. advantage under that contract in selling bills.

55. *By the Chairman.*—I want to go back again to where we began, with respect to the balances at the end of each year. Would there be any practical difficulty attending the adoption of the wording of the English Appropriation Act, that the money should be available only for services that came in the course of payment during the year?—There would be this practical difficulty, that after the Executive Government, upon the faith of a vote of the House, had entered into a contract, they might in the next session of Parliament not be able to command a vote for that very service, and the public faith might suffer in consequence of the Government not being able to pay the claim.

56. As a matter of fact when the Government enter into a contract for a work do they ask Parliament to vote the whole of the sum at once?—Not for a large work; no.

57. Then, practically, the objection you take does not apply to such a case?—I think it does, because though they do not take the vote for the whole work they usually take it for the whole contract.

58. They take the vote for the whole contract?—Yes.

59. Take the case of the Kew Lunatic Asylum: the contract was for a large sum. There was so much on the Estimates for last year and so much on the Estimates for this year; has any practical difficulty been experienced in consequence of the money being voted in two parts?—I should like to look into the case before I gave an answer. I recollect the particulars of the Kew Lunatic Asylum, and it has some special features.

60. Take the graving dock?—I think all the present contracts for the graving dock have been chargeable from the first against the loan—I am not certain, but I think so. If the Committee will allow me, I will look into those cases.

*The witness withdrew.*

*Adjourned to Friday next at two o'clock.*

TUESDAY, 7TH JUNE, 1870.

*Members present:*

MR. LANGTON, in the Chair;

Mr. Berry,  
Mr. Francis,

Mr. Gillies,  
Capt. Mac Mahon.

A. J. Agg, Esq., further examined.

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61. *By the Chairman.*—Have you found any illustration of the inconvenience that you say would be experienced from voting moneys only for services that would come in course of payment during the year?—I mentioned to the Committee that the Appropriation Act for the year 1869 was not passed till the 29th of December, 1869, and therefore in regard to all ordinary contracts there would obviously have been a difficulty; but at the request of the Committee I selected the contract for the Kew Lunatic Asylum, and that appears to be a valuable illustration, because the contract will probably run over three or four years. It was originally taken for a very large amount, £110,000.

62. Is that the present contract or the one about which the dispute arose?—The present contract; and it is obvious that this contract is a very important one to consider in connexion with this question, because, as that contract runs over certainly three years, in the third year the vote, (lasting for two years) would be in the same position as it would be in the second year if the votes only lasted for one year.

63. Will you explain that a little more fully?—I was going to give the figures.

64. As to the position?—It would be in the same position as to the lapsing of the vote. Now, I find that this contractor has experienced some inconvenience on this very point; but it has been mitigated by the fact that the vote which was taken last year for £45,000 was available to be spent this year, and that £10,429, the balance of it, has actually been paid to the contractor in 1870; but the last payment was made to him on the 30th of March, when the vote was exhausted, and since then he has been unpaid; and on looking into the conditions of the contract I find that he will be able, under the 26th section of the conditions, to claim from the Government ten per cent. interest in consequence of not getting his money regularly.

65. *By Mr. Gillies.*—That is supposing always that the Appropriation Act is not passed in time to enable those payments to take place regularly?—Certainly. If the Appropriation Act could be passed always before the commencement of the year these inconveniences would not arise; but, as the Committee are well aware, the Committee of Supply make it a constitutional point to hold over the Appropriation Act so as to be the last act of the session in order that they may retain their power over the finances; and therefore the Appropriation Act is always late.

66. *By the Chairman.*—If the Supply Bills, in the form in which they are passed now, authorising payments on account of votes for purposes at least that had been voted by the Legislative Assembly were passed, and those sums were voted, it would not matter about the Appropriation Bill?—A Ways and Means Act. If a Consolidated Revenue Bill were passed it would not be inconvenient.

67. You mean if the work of Supply were begun in time before the expenditure of the year took place—that is if the work of voting in the Committee of Supply were begun in time?—And if it included the public works as well as mere salaries and wages; but the Committee of Supply is usually rather jealous in giving money, except for salaries and wages.

68. Can you give us the amounts that were voted in each year on account of this contract of £110,000?—The first amount in 1868 was £5,000, which was paid in the year 1869. The second amount was the £45,000 I have already mentioned, and those are the only two votes.

69. Less than one half of the amount of the contract has been voted to the present time?—Yes, less than one half of the amount of the contract has been voted to the present time.

70. So that it is not on the ground of the mere circumstance that all the money has not been voted at once that you base your objection?—The contract itself provides for that. Section 15 contains the power to suspend work when money is not voted by Parliament—it provides that the contract may be terminated, because obviously the Executive Government could not pledge the country for more than was voted by Parliament.

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71. *By Mr. Gillies.*—Is not the mere fact of Government only voting, or asking Parliament to vote a part of the money for a contract a proof that they make an estimate of what is likely to be spent during the year?—Yes, I think so.

72. Do you not think it possible that a more close estimate might be made?—I give the Committee as an illustration of the difficulty of making an estimate—the case of the interest on the Railway Loan. The Committee are aware that there are now thirteen mails a year to England instead of twelve, and the mere accident of their being thirteen mails instead of twelve, and of the mail therefore always starting upon a different day in the month, occasioned last year the sending of three half-years' interest to London. On the 1st of January, there was £211,050 remitted; on the 18th of June a similar amount, and on the 31st of December, a similar amount; and in the year 1868 there was only one sum of that same amount remitted. In making that statement, of course I ought to say that the Treasurer's system of account is such that those three half-years' interest, though remitted in the one current year, were brought to account in the Public Accounts for the very half-years for which they were due.

73. *By the Chairman.*—Would any serious difficulty result supposing that in order to make the change that we were talking about you were to charge the three half-years' interest to the one year in the accounts?—It would in the particular case under notice have operated favorably as regarded the year 1868 by making the Treasurer's cash balance in fact £211,000 more than the true account. It would only have been made up in the year 1869 by the subsequent remittance.

74. How could the payments in 1869 have affected the balance in 1868?—The Committee will perceive that the first half-year's interest for 1868 was remitted in 1867 on the 27th December. If, therefore, that had been charged to the year 1867, and only one remittance had been made during the currency of the year 1868, the year 1868 would have been debited with £211,000 less than its proper amount. Perhaps I should explain myself a little more clearly, if I said that the year 1869 would be disadvantageously circumstanced, because of the remittance on the 31st December, 1869, of this sum of £211,000, which was really for the payment of interest due in 1870.

75. *By Mr. Gillies.*—But how would that ultimately affect the accounts?—At present those sums are brought to account right, but if the appropriations were not good during the second year, the accounts would not be correct in the second year.

76. *By Mr. Berry.*—I scarcely think that bears upon the question that Mr. Langton wants to get at, I take it, it is entirely a special appropriation?—Yes, it is so.

77. That does not rest upon the Appropriation Act at all?—They would lapse if not used.

78. There might be rules made for the annual appropriation without affecting the special appropriations at all?—Just so.

79. Then, in that case, do you not think it only complicates matters to give an illustration in reply to Mr. Langton's question that scarcely bears upon it?—It was the illustration that was uppermost in my own mind.

80. Can you give an illustration bearing upon the annual Appropriation Act that would be more satisfactory?—If you take the simplest case—that of a salary paid monthly out of the Appropriation Act; in that case by the present system of accounts the whole twelvemonth's salary is charged to the year in which the service is performed, but if the Appropriation Act were made to cover only payments coming due during the year, as is done in England at the present time, then the year's account would not include the liabilities; for instance, as in that case, there is the December salary. I put that as the very simplest case.

81. Why so?—Because the December salary is not paid till January.

82. But it is due—why should it not be paid on the 31st December?—For a good many years past we have favored all the salaries possible being paid on the 31st December, but it is impossible to pay all the wages, particularly of the police and railways and up-country salaries on the 31st December.

83. *By Mr. Gillies.*—Would not that balance itself year after year, the December salaries of the previous year being paid the beginning of the next year?—It is postponing the indebtedness to the future year's account. I have looked into the accounts for the last ten years to see what the operation would be, and, though my figures include special as well as ordinary appropriations, I may perhaps mention that it would be postponing the indebtedness from one year to another, which I make out to be at least £584,000. That was in the year 1860; the highest amount was £843,000 at the end of the year 1867.

84. *By the Chairman.*—What did that consist of?—It consisted of all the liabilities of the Government at that date upon all contracts and engagements entered into by the Government, whether in the colony, or by the Crown agent, or the loan agents in London; it included all the liabilities not brought to account.

85. *By Mr. Gillies.*—Why should there be a greater difficulty in the Government adopting this system than there would be in a private individual doing so?—The system adopted by the Government and by public companies is exactly the same. I might explain that all companies close their accounts by making an entry of the debts due by the company. That entry of the company is precisely equivalent, though on a much smaller scale, to the credit, which, under the Audit Act, the Treasurer is directed to open in his books with a view to paying off the liabilities. In the case of one of the best companies in Melbourne—I mean, as regards accounts—the Southern Insurance Company, the accounts of each year are actually kept open till all the risks are run off, and the company is prohibited from increasing its dividends beyond a certain amount until the risks have really been run off.

86. *By the Chairman.*—But you do not wish the Committee to understand that as to the accounts of the Southern Insurance Company, as a whole, the revenue and expenditure, say of one half of this present year is not completed in itself, and does not include expenditure on account of former years?—I mean that the underwriting account, the insurance account of each year, is kept distinct, and the money is not divided until the company has ascertained that they have made a profit to divide: it is quite different from some other companies.

87. Could not the payments falling due at the close of the year be treated as having been actually made although the payments did not in fact take place till early in the following year?—That could be done in any service in which all the expenditure was authorised by one person, or by one office. In the Railway Department, for instance, in this colony, that very course is pursued; but in the Government service the

A. J. Agg, Esq., expenses are incurred by so many persons—for instance, by coroners, magistrates, police-constables, and others—without the knowledge, at the time, of the Government, that the accounts which will have to be paid during the second year are not known. The balance of the Finance Account on the 31st of January, 1869, which was available to pay the liabilities of 1869 during 1870 amounted to no less than £1,094,652; equal, in fact, to one-third of the expenditure chargeable against 1869. I might add in continuation that at the end of the second year the course which the question suggests is actually adopted in the Treasury. All accounts which have been presented for payment and passed for payment, are treated as liabilities, and the amount is, under the Governor's warrant, drawn out of the revenue and paid into the Trust Fund, where it remains available for the payment of the public creditor. It is done at the end of the second year instead of the first, but it would not do to pass accounts in this way, the amounts of which were not known.

88. *By Mr. Gillies.*—Are these kind of accounts you have referred to that are unknown generally large, or are the individual accounts large?—Some are very large; for instance, steam postal communication with England. That can never be known until the English Government have heard from all the colonies, made a computation, and then rendered their account to us.

89. *By the Chairman.*—Still there would be no difficulty in charging that against the account of the year in which the payment actually took place?—It could of course be charged against the year in which the payment was made; but then I submit that would not be a sound system of accounts, because it is a liability against the year in which the charge was incurred.

90. To a certain degree that takes place at the present time, for instance, we are voting items in the present Estimates for services performed prior to 1869?—There is the vote of £10,000 in the Estimates to cover, among other things, all claims against previous years, but I am not aware that there is any other exception.

91. Are there not a number of such items in the year's Estimates?—I think the Committee of Supply, as a rule, are careful that the charges are made against the proper years. There may be exceptions, but I think as a rule the Committee of Supply are very careful.

92. Do you know of any practical difficulty in the way of paying the money in the way you speak of, for liabilities existing at the end of the first year, into the Trust Fund just the same as at the end of the second year?—The practical difficulty arises, as I said before, from the fact that the Treasurer does not know the accounts he will have to pay, also from the amount being at the end of last year no less than £1,094,000.

93. Are you of opinion that amounts outstanding would be considerably reduced if provision was only made for services coming for payment in the course of the year?—I feel quite sure that to provide only for services coming in the course of payment during the year would be to leave out from the accounts sums as I said before of from £580,000 to £840,000 according to the year in which the system had been introduced, and the public accounts would be unsound to that extent.

94. Do you mean that the unascertained liabilities at the end of the year would reach those figures?—No, a great portion of that is well ascertained; the principal portion is well ascertained. A considerable portion of the liabilities are usually actually remitted to the loan agents to pay interest and to the Agent-General to pay for various services.

95. If that system of paying into the Trust Fund were adopted at the end of the first year to what extent do you think it would reduce the outstanding amount of liabilities you now speak of?—I have no doubt that fully one half of the outstanding liabilities would be ascertained.

96. And provided for in that way?—And provided for in that way.

97. *By Mr. Gillies.*—Have you had any opportunities of seeing the return of the outstanding liabilities, unknown say at the end of last year?—The accounts of every year show what have been the liabilities of the previous year, after they come in course of payment.

98. But it does not show what were known and what were unknown at the end of that time?—No, the outstanding liabilities include accounts in every department. There are salaries and wages for the month of December; there are postal services and various accounts; for instance, for registration of births, deaths, and marriages for the last quarter of the year, and vaccination in the same way, and so on, and, according to our system of accounts, those are charged against the year in which they are incurred. If I might be allowed to point out the difference between the old system in England and the present system in England it is this, that under the old system the Appropriation Act provided for the service of the year, that is to say, for everything that was incurred and completed during the year; but the Appropriation Act in England now only provides for sums which will come in the course of payment during the year, and therefore it leaves out all the liabilities of the year which were not paid at the end of the year, and which as I have said already amounted to about £2,600,000.

99. *By Mr. Francis.*—Which legitimately belong to it?—Which, in my opinion, legitimately belong to it.

100. *By the Chairman.*—I understand you to say that you do not think those are excluded in the calculations. You do not suppose that large sum for instance was excluded from the expenditure of the year as it was stated before the House of Commons, but that the expenditure took place subsequently and was reckoned as having taken place when the accounts were made up and submitted to Parliament by the Chancellor of the Exchequer when he made his Budget speech?—I am not certain as to how the Chancellor of the Exchequer deals with that question. I know that £2,600,000 is left out of the Treasury accounts, of which I lay a copy before the Committee, and it is not provided for as a liability of the year in which it was incurred.

101. *By Mr. Berry.*—Can you trace it in the next year?—You cannot trace it.

102. Would not it be shown in the next Finance Account; would not the balances for instance be brought to next year?—I am not certain of that. I think they would.

103. *By the Chairman.*—Supposing that is a correct view you take of it, that no account is taken whatever of that two millions which remain unexpended at the end of the year, and it is not brought forward into the next account, what effect would that have upon the statement. How could the accounts be correctly stated if they were treated in that way?—If the Chancellor of the Exchequer left out the amount altogether from his Budget?

104. Yes?—I by no means say the Chancellor of the Exchequer leaves it out from his Budget, but if that amount were left out from the Budget, as it is left out from the accounts, the Budget would be £2,600,000 wrong in my opinion. And it appears to me from the alteration in the Appropriation Act



which provided, as I said before, only for sums that come in the course of payment during the year, that in England they have got, in modern times, within the last few years, to leave out the liabilities from their accounts.

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105. *By Mr. Francis.*—In fact, the remnants of votes one year are accounted for by a similar amount being carried on to the next?—Yes; I was going to say, that if the English system were adopted here in regard to the Appropriation Act, the Treasurer would be put in funds immediately to an amount which may be set down at say about £600,000, at the expense of the future credit of the country. I have already shown that the Treasurer always has in hand, and brings over, a sum of at least £600,000, to meet his liabilities. Now, if he did not require to bring that sum over, he would have the same to spend, he would also have the full revenue of the following year to spend; in other words, he might, for the first year after the system was changed, spend £600,000 more than the revenue of the year.

106. *By Mr. Gillies.*—How could he do that if he made a statement to Parliament, and informed it of the liability which really occurred the previous year?—The Committee will observe that the £600,000 is already money in the bank, it is already put under the provisions of the Audit Act, the credit is open, and it already appears in the balance sheet; and if it can be spent for the following year, and the money of the following year can be spent also, then for the first year the Treasurer would have £600,000 more than a sound state of accounts would allow.

107. It could only be spent under the authority of Parliament?—Certainly, only under the authority of Parliament; but I was going to add, that after it had been done for one year, though we should appear very flourishing for one year, we should afterwards be thrown back into the English position, which is, that the expenditure of the year is always carried on by means of exchequer bills. We should never have, from that date, enough cash in the Treasury to meet the liabilities of the Government, and we should have to carry on the expenditure by means of exchequer, or treasury bills. As the Committee are aware, the consolidated revenue has never had to borrow money for the last fifteen years, ever since this system of account was first introduced; and there has never been a deficit but once, and that of £15,307 only. Instead of having to pay interest on exchequer bills, the Treasurer has invariably obtained a large sum as interest on the balance of his account from the banks in this country.

108. *By the Chairman.*—When you said that the Treasurer would be put in funds to the amount of £600,000 at the expense of the future credit of the country, you were putting out of sight the suggestion you made that at the end of the first year the ascertained liabilities could be placed to debit of the Trust Fund, and that fund be credited with sufficient of the balance to meet them?—I think, I did not make that suggestion.

109. You admitted that it could be done?—On being asked, I admitted that it could be done to the extent of about half at the end of the first year.

110. Then that, of course, would reduce the £600,000 by one-half?—Yes, it would.

111. Supposing this new system were inaugurated, and the Treasurer begins with £300,000 in hand, against which there are some liabilities, unascertained from the previous year, Parliament then would have to provide sufficient ways and means to meet that £300,000, and the expenses that would come in course of payment within the year, as well, would not it—it would have to authorise the expenditure of the balance?—Yes.

112. Parliament would have to provide sufficient ways and means for the services that would come in course of payment during the year?—Yes.

113. Would not the result of that be, that the same balance would be brought forward to next year, against which there would be the same liabilities?—I scarcely think so, because the Treasurer invariably brings down the balance of the Consolidated Revenue to as low a point as is safe. It would not appear to be good policy to bring forward a large surplus in the accounts, as it would, no doubt, expose the Treasurer to all sorts of applications for the expenditure of the money. In fact, it may be looked upon as certain that, the money being there, it would be spent.

114. *By Mr. Gillies.*—Although the Treasurer would show that there was nearly a certainty of liabilities which would have to be met out of it?—I fear so, because Parliament would have got to think that they had only to provide for sums which had come in course of payment.

115. How could that be in the face of the distinct statement of the Treasurer, which they would know to be a fact?—I can hardly say what statement the Treasurer would make.

116. We suppose the Treasurer would make a proper statement?—I have great difficulty in making this clear to the Committee; and I fear that the Treasurer would have a similar difficulty in the Committee of Supply.

117. *By the Chairman.*—Supposing that what you have assumed here actually took place, that the House appropriated the whole of the revenue of the year, and the whole of the balances that were outstanding, to services that would come in course of payment during the year and end in the year—under this new system—without any balance, what would be the disadvantages and dangers likely to flow from that?—I think one of the first dangers would be that the deficit could not be provided against. The great beauty of the present system is, that as the revenue comes in during the current year, and as a great portion of the expenditure only goes out in the year after, the Treasurer, if he finds the revenue falling short, can reduce his expenditure and can prevent a deficit; and it is only on that principle that I can explain the fact that we, in this colony, have never had a deficit, except the small one I mentioned, for fifteen years. The thing has been unparalleled in any other country, and I believe has been occasioned solely by this system of accounts, which has enabled the Treasurer not to incur expenditure when he saw that his revenue was not coming up to the mark.

118. Would not it be just as easy to pull up under the one year's system as under the two, and would you not be compelled to do it earlier?—I think the Treasurer would be compelled to do it earlier; but it would not be as easy to do it, and it would be only done by occasioning a want of confidence in the soundness of the finances. Our debentures would never have commanded the price they do now—the highest price in the world—if this colony had not been able for so long a series of years to present an annual surplus; and that surplus arises, in point of fact, from this system of accounts.

119. When you speak of a surplus and of there never having been a deficit, you do not wish the Committee to understand that there has never been a single instance in which the liabilities outstanding would not have exceeded the balance brought forward?—Since Sir Charles Hotham's Finance Committee invented this system of accounts there has never been a deficit, except this £15,307 at the end of the year 1861.

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120. You mean that in all the years since that year the outstanding liabilities at the end of the second year have never exceeded the final balance brought forward in your account?—It would be difficult to say that, because, as the Committee are aware, at the end of 1865, and also at the end of 1867 no Appropriation Act was passed, and until the Appropriation Act was passed the services were not fixed against the year upon which they were properly charged.

121. You mean to say that virtually it was the same as if the Appropriation Acts had passed regularly. The same services were charged in subsequent years, which, if the Appropriation Act had been passed regularly, would have been charged to the previous years?—In whatever shape the services appear in the Appropriation Act, in that same shape they would appear in the accounts. It rests absolutely with the Committee of Supply.

122. *By Mr. Gillies.*—Would you explain in what way there would require to be exchequer bills—how it is that the Treasurer would always be short of funds and require to issue exchequer bills?—It would arise only from the fact that the Treasurer would not have enough money in the Treasury.

123. Why would not he have so much money in the Treasury as now?—Because he always has a sum of about £600,000 reserved to meet his liabilities—that is, however, not always in the Treasury—it is sometimes in London in part, and part in the Treasury.

124. I thought you confessed to the Committee, in carrying over the balance, that the balance you would carry over and require to be shown every year would be a large balance, and the reason why you should not carry that over was that Parliament would make greater claims upon it?—Yes.

125. So long as the Treasurer had that unexpended balance would he require to issue exchequer bills?—No, but as soon as he had spent that balance he would not have it.

126. But would not he be getting more money in just as now, and at the end of every year, and there would be the unexpended balance carried over to meet the liabilities?—I thought the object of the change was to prevent the liabilities being provided for.

127. *By the Chairman.*—You said that part of the £600,000 is frequently in London?—Yes.

128. Would not that part be part of the unascertained liabilities, and further diminish the balance unprovided for?—It would be part, but the sum I was thinking of is the half year's interest on the Railway Loan.

129. Would not Parliament have to provide in any case in every year for two payments, on account of the railway loan?—Yes.

130. Inasmuch as we have had the instance of three payments having to be provided for, it would be some years before such a circumstance could occur again?—Yes, it would; but Parliament did not provide for three payments during the year, it provided only for two; but it so happened that as there were thirteen mails last year, three payments had to be made, and then the third charged against the ordinary year that Parliament had provided payment for.

131. Then no difficulty or confusion could arise on that score for many years again?—I think not; and it might be got over too by remitting the amount earlier or later.

132. *By Mr. Gillies.*—Is not it the fact that, as a rule, the Government draw upwards of about £250,000 a month?—Yes, a little more than that.

133. I believe that it is the rule that Government never pays any account until it is a month due, at any rate?—No, I cannot say that. The interest on the debt is remitted before it is due. The whole of the salaries are paid on the first of the month, up to the day previously, and at the end of the year we prefer as many as possible being paid on the last day of the month; the great object of the Treasurer has been to pay the salaries, and particularly the wages, as early as possible.

134. *By Mr. Francis.*—And the sources of revenue come in in like manner, late?—Yes.

135. *By Mr. Gillies.*—You stated just now that if the accounts were changed there would be no money on hand at the end of any year, and you would cease to have any balances on hand on the public account?—During the currency of the year from day to day the Treasury would have no money belonging to the consolidated revenue.

136. Would you explain how those balances would come to be so reduced?—It arises out of the change in the Appropriation Act. At present, as I have pointed out, the Appropriation Act includes all the liabilities, but under the suggested change the Appropriation Act would only include current payments, excluding all the liabilities, and those liabilities would appear as a surplus, and the Committee of Supply would, undoubtedly, expend the surplus.

137. *By Mr. Francis.*—As an accountant I would ask you whether the mere transference of different sums to a trust account would, in any way or shape, be better elucidated by a Committee of Public Accounts?—It would have the effect of obscuring the financial position. Indeed I have had great difficulty in making persons understand that the moneys after being transferred to the Trust Fund (the liabilities at the end of the second year) belong really to the consolidated revenue. That has been a question of discussion on various occasions. Mr. Chapman, who gave very great attention to all these points, and to whom we are very much indebted, advised the Treasury that when the accounts had been passed for payment, all the forms of the Audit Act having been complied with, the money should be reserved, notwithstanding the provision in the Audit Act as to the lapsing of votes.

138. I wish to ask whether, presuming the practice of presenting our estimates earlier, instead of as heretofore late in the year, were adopted, would not that remove most of the complaints which are made against our present system of accounts; and whether in that case the existing system of accounts in Victoria would not be as applicable to the condition of things here, and be better, in fact, than the system at present adopted in England?—Yes; I wish to read an extract from May on this point:—“In order that the House may be informed as early as possible of the expenditure for which they will have to provide, the following resolution was agreed to, 19th February 1821, and has ever since been complied with:—‘That this House considers it essentially useful to the exact performance of its duties as guardians of the public purse, that during the continuance of the peace, whenever Parliament shall be assembled before Christmas, the estimates for the navy, army, and ordnance departments should be presented before the 15th day of January then next following, if Parliament be then sitting, and that such estimates should be presented within ten days after the opening of the committee of supply, when Parliament shall not be assembled till after Christmas.’ The estimates for civil services, commonly known as the miscellaneous estimates, are usually presented somewhat later in the session, by command of Her Majesty.” I think if the estimates were submitted earlier, and an Appropriation Act passed earlier, the whole of the difficulties that I know of in regard to the accounts, and

the disputes as to the position of the accounts, would not have been possible; but, as the Committee are aware, on two occasions the Appropriation Act was not passed until the next year, and it was in consequence of that that the disputes arose. Then as to the practice in England being better than the practice here I am sorry to say the result of my researches is that the practice in England is not good.

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*The witness withdrew.*

*Adjourned to to-morrow at two o'clock.*

WEDNESDAY, 15TH JUNE, 1870.

*Members present:*

MR. LANGTON, in the Chair;

Mr. Fellows,  
Mr. Gillies,

Mr. Francis,  
Capt. MacMahon.

Alfred J. Agg, Esq., further examined.

139. *By the Chairman.*—You were going to explain to us your objections to the system of keeping accounts in England?—The difference between the Audit Act here, and the Audit Act at home.

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140. It related more particularly to a question of Mr. Francis's as to the existing Act in England: the answer is, "Yes; I wish to read an extract from May on this point:—"In order that the House may be informed as early as possible of the expenditure for which they will have to provide, the following resolution was agreed to 19th February, 1821, and has ever since been complied with:—"That this House considers it essentially useful to the exact performance of its duties as guardians of the public purse, that during the continuance of the peace, whenever Parliament shall be assembled before Christmas, the estimates for the navy, army, and ordnance departments should be presented before the 15th day of January then next following, if Parliament be then sitting, and that such estimates should be presented within ten days after opening of the committee of supply, when Parliament shall not be assembled till after Christmas." The estimates for civil services, commonly known as the miscellaneous estimates, are usually presented somewhat later in the session, by command of Her Majesty." I think if the estimates were submitted earlier, and an Appropriation Act passed earlier, the whole of the difficulties that I know of in regard to the accounts and the disputes as to the position of the accounts, would not have been possible; but, as the Committee are aware, on two occasions the Appropriation Act was not passed until the next year, and it was in consequence of that that the disputes arose. Then as to the practice in England being better than the practice here I am sorry to say the result of my researches is that the practice in England is not good." and you were going on to explain to us what you meant by that when the adjournment of the Committee took place?—I beg to point out that this account with which the Committee have been dealing, the English Finance Account, ending the 31st of March, 1869, is not an audited account at all, and that under the English Audit Act there is no provision made for auditing the details of the revenue. The practice in the colony requires that the accounts of every collector of revenue, of whom there are about six hundred, should be examined in the Audit Office, and that one of the Commissioners should visit the collectors of revenue and inspect their accounts. The Commissioners not only endeavor to see that what money is paid into the Treasury is correct, but they attempt, and with a certain amount of success, to ascertain that all the money which should be paid into the Treasury reaches the Treasury; that is not done in England, and in that respect our system of audit is much better than that at home. Then again, on the "Expenditure" side of the account, under section 29 of the English Audit Act, the accounts of the Army and Navy, and such other services as the Treasury by their minute, "To be laid before Parliament," may direct, are not audited in the Audit Office as to details; but when the Audit Office finds that they have been allowed and passed by the proper departmental officers, the Audit Office may admit the same as satisfactory evidence of payment. Now in this country there is no detail in the accounts, no computation, no addition, no comparison of any contract, even for stores, which is not made in the Audit Office; and in that respect our system is far superior to the English, especially as the Army and the Navy are the great services in England. This rule as to the Army and Navy is extended, by the 30th section, to any vouchers in any service which have been certified to be correct by any officers specially authorised to examine the same, when it is lawful for the Comptroller and Auditor-General, with the consent of the Treasury, to dispense with a second examination of the particular items of such vouchers. In the report to the House of Commons, by the Comptroller and Auditor-General on the accounts ended 31st March, 1868, it was recommended that the accounts of the National Debt should not any longer be audited in the Audit Office. The paragraph reads thus:—"It appears to me to be a question for consideration whether there is any public advantage in subjecting the accounts of the Bank of England for the distribution of the dividends of the Public Debt to examination in this office, or whether the objects of Parliament are not fulfilled by the record afforded in the accounts submitted annually to the House of Commons, and the certificate required by section 21 of the Exchequer and Audit Act. The amount issued from the Exchequer for the payment of interest and management of the debt, being the exact amount of dividends due to the public creditor, and being duly checked before issue, it may be argued with reason that the public creditor can have no further claim upon the Government, and that the bank is alone responsible for the proper distribution of the sums advanced by the Government under the authority of Parliament for this purpose. The circumstance that no accounts have ever been required to be rendered by the Bank of Ireland, would seem to imply that successive Governments have entertained this view; for it is manifest that, if any principle be involved, it would apply equally to the Banks of England and Ireland." At the time the Audit Office in England made that recommendation, that the accounts of the debt should not be audited, there was a very large amount of unclaimed dividends, and of stock unclaimed for ten years and upwards; and I find by reference to the accounts ended 31st March, 1869, that these sums then amounted to £694,607.

141. *By Mr. Gillies.*—The idea contained in that paragraph issued from the Audit Office would appear to be that the nature of the check with regard to the National Debt was thought sufficient?—I understand it to mean that the whole matter for the future is to be entrusted to the Bank of England.



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142. That is to say, the check provided by the Bank of England is thought sufficient without the supervision of the Audit Office?—Yes, notwithstanding the unclaimed stock amounts to £694,000, which was the very thing that under a sound system of audit would be most particularly looked after.

143. But under any system of audit the unclaimed balance would still exist, that is to say, it is not supposed to be due to any carelessness, or want of supervision on the part of the Bank of England that there was such an unclaimed balance existing?—None whatever, but that money requires to be transferred to the commissioners for the reduction of the National Debt, and under our Audit Act the Audit Office would be most particular in seeing that it was duly transferred, as it still belongs to the Government and not to the Bank of England. In this colony our debt consists of debentures and not of stock, and as each debenture has a coupon, probably we have as large a number of transactions as they have in England. The number of coupons last year was 145,834. The Audit Act here requires (notwithstanding this immense number) that every one should be examined, and the Audit Office knows every coupon for every year and half-year which is now outstanding, and the amount is provided in the proper bank in London, and set apart in the balance-sheet for the public creditor whenever called for.

144. *By the Chairman.*—What is the amount unclaimed on our debt?—The amount according to the balance-sheet of 31st December, 1869, is £2,054 6s. The Committee will see that if the unclaimed moneys were not looked after by the Audit Office, they would in fact, if never claimed, become the property of the bank in which they were deposited.

145. *By Mr. Gillies.*—That is to say, supposing the banks rendered no account to the Government?—Yes, supposing the banks rendered no account as is recommended in England by the Auditor-General.

146. *By the Chairman.*—That is to their office?—Yes, to their office.

147. *By Mr. Gillies.*—But still there would be the account kept in the Treasury. I do not understand you to say there is no account kept between the Bank of England and the Treasury as to those moneys?—I understand that the whole amount which is due upon the debt is issued to the Bank of England, and the proposition is that no account should afterwards be kept of those moneys. In support of that view, I beg to submit the minute of the Lords Commissioners of the Treasury, which was furnished to the House of Commons upon that proposition. It is as follows:—"My Lords are not at all indisposed to agree in this view; but although it is quite true that the bank receives the precise amount due for the dividends, and is responsible for the proper distribution of these sums, and that no further claim can arise as between the public creditor and the Government, it appears to them to be further necessary to ascertain that means are taken to secure the proper application of the large sums of unclaimed dividends, which represent the accumulated difference between the amounts due to the public creditor, and the amounts actually paid at any one time."

148. It would appear from this minute of the Lords of the Treasury that they were of opinion that it was found necessary to ascertain that means were taken to procure a proper application of the large sums of unclaimed dividends, and that, in the absence of any information before them leading them to believe that this was done, they were not prepared to acquiesce in the suggestion of the Auditor-General?—That is so, but I brought this matter forward merely to show that the Audit Act in this colony was preferable to the Audit Act in England, which I understood to be the question put to me. Well, another respect in which our accounts are far superior to the English accounts is, that in this colony the Treasury cannot spend money without a vote of the Legislature, but in England the practice is constantly to spend money over and above the votes of the House of Commons.

149. That is to say to incur liabilities?—No, actually to expend moneys. In this same account ended 31st March, 1869, it appears at p. 17 that £25,426 os. 4d. had been spent over and above the votes of the Inland Revenue and the Post Office Department, and at p. 20 that £81,025 8s. 6d. had been expended over and above the estimates in all the departments, including that sum previously given. It should be stated that these expenses are, in this account, set against savings to a larger amount.

150. So that the total expenditure did not exceed that voted by Parliament, only some portions of it were appropriated in another way?—Yes, the total expenditure on the whole of the departments mentioned here is £92,004 9s. 7d. less than the votes.

151. Could you say whether the items upon which the new expenditure took place were in any way analogous to the items placed on the Estimates, and which were not spent?—I think they are under the same services.

152. That is to say that if the word "Inalterable" at the heading of the vote were not placed there, it might be possible under the Act in this colony so to spend them?—Yes, but the word "Inalterable" is required by the Audit Act, and is carefully placed in the Appropriation Act whenever the services are not precisely analogous. Moreover, the Audit Act in this colony does not allow any salary to be increased. Such a circumstance as occurs at page 18 of the English Finance Accounts ended 31st March, 1869 (where £3,023 were saved in the Customs under the expenses of the Merchant Shipping Act, and £11,133 under Superannuations and other non-effective charges, such saving being spent in part on the establishment of the Port of Liverpool), could not occur.

153. It was in the conveyance of mails these £17,000 were spent?—That is under the Post Office. There the savings in salaries and conveyance of mails were expended in buildings.

154. *By the Chairman.*—That deficiency that you pointed out on that particular item of the vote, "Port of Liverpool," would be voted in the next session of Parliament would it not?—It would not be voted at the time of being paid: in proof of which I furnish to the Committee an extract from the minutes of the Lords of the Treasury, 14th February, 1868, on the report from the Auditor-General on the Naval Receipt and Expenditure Appropriation Account for 1866-67. It is there said, "The Navy accounts exhibit a net excess of expenditure beyond the total amount of the grant of £90,619 13s. 9d. The usual resolutions will be submitted to the House of Commons for authorising the application (*temporarily sanctioned by this Board*) of the gross amount of surpluses on certain votes in aid of the gross amount of deficiencies under other heads; and a vote for the nett excess of expenditure will be submitted to the House." That, I say, could not occur in this colony, except to the limited extent the Committee have been inquiring about under the advance vote of £60,000. I would further add, that of all the £50,000,000, and more, of Public Accounts which have been examined by my colleagues and myself, not one penny has ever been brought to account finally which has not been previously sanctioned by the Legislative Assembly, and no exception has ever been taken either in Parliament or elsewhere to any account which we have actually certified; all the exceptions have arisen in regard to current business, such as the case of the expenditure

for surveys in the Water Works Department, which occurred recently, and upon which there was considerable debate. It was there found, as it would have been found in any similar case, that the Audit Office had surcharged the amount.

A. J. Agg, Esq.,  
continued,  
15th June, 1870.

155. *By Mr. Gillies.*—But is not it a fact that amounts have been paid upon which arbitration has taken place without the authority of Parliament, or a vote of Parliament?—No, it is not; they have been paid out of the advance vote, but not finally brought to account until separately voted and allowed by the Assembly.

156. That is after the money is paid?—Undoubtedly.

157. What check is that—the money is paid and disposed of, and the voting it on the Estimates subsequently is only like handing in a paid account?—The check consists in the comparative smallness of the vote itself, and the responsibility of Ministers to Parliament. The Committee will, however, recollect that the Audit Office has made a report to the Assembly this Session in regard to the advance-vote, and recommended that the powers of the Executive should be restricted by reverting to the condition that the advance-vote always contained previous to the year 1864.

158. Was there anything in the terms of that advance-vote that would authorise the Audit Commissioners to give their sanction to an expenditure which did not even appear on the Estimates of the year?—None whatever; and the Audit Commissioners never do give their sanction to any expenditure out of the advance-vote, or see any account before payment. If the Audit Office was brought so intimately into connection with the current business of the Government, as to see accounts before payment—to sanction expenditure before payment—it would, in fact, so interfere with the Government of the country that I am sure it could never be permitted for a moment; we should revert to the same state of things which existed when I first recollect the Audit Office—when the Audit Office was itself the Government of the country, the power of the purse carrying with it, in fact every other—therefore, I say, that that could never be permitted in any Audit Office where there is Constitutional Government. The business of the audit itself would be vitiated, because if the auditors saw the accounts before payment, and sanctioned them, their audit after payment would be worthless, as they would be prejudged.

159. *By Mr. Francis.*—In speaking of the advance-vote and necessity for it, the Under-Treasurer when I put a question to him upon the subject as to the desirability of continuing it in its present form, or of recurring to the practice up to 1864 when it was in a different form, told me in reply to an official question in an official way, that practically the alteration was made 1864, because the exigencies of the Government had previously required or rather demanded avoidances, if not evasions of the strict letter of the law; that, in fact, that could not be helped, because the exigencies of the public service had, from time to time, imperatively required advances of greater or less amount; and that even under Mr. Fellow's Government they had repeatedly been obliged to break the law, are you aware of that necessity?—I am not aware of any such case; and I am quite sure that if any such case did occur, before the adjustment accounts reached us, a vote of the Assembly was taken.

160. Before the accounts reached you?—Yes, they might keep back the adjustment accounts if such a case did occur.

161. *By the Chairman.*—In regard to the advance-vote at the end of any year when you make up that account which you submit with your report to Parliament, supposing that there are sums that have been expended out of the advance-vote that have not been brought to the account of the particular vote against which they are ultimately to be charged, do you still find in your Finance Account the details of such sums?—The details of the advances outstanding are not given in the Finance Account, but every case which the Commissioners think to be contrary to law or open to serious question is reported in the Commissioners' report to the Assembly.

162. Then in fact that Finance Account does not show the whole of the expenditure in the last year that it refers to?—It shows that expenditure under the head of advances, but it does not show it as having been brought to account against the vote.

163. Was the whole of that £142,000 then outstanding out of the £60,000?—I explained to the Committee before that the two years' advance vote are concurrent, and the Treasurer has authority to make advances for loan purposes out of the loans, and for trust purposes out of the trust funds.

164. And those are mixed up together in that account?—Those in the item "advances" are not separated.

165. Would not it better if separate ledger accounts of the Treasurer's advance-vote were kept?—I think not, because the object of the advance-vote is to facilitate payments, and if separate ledger accounts were kept the advances would have to be strictly made for a particular service. An advance for the loan, for instance, could not be used to pay salaries out of a vote, say in the Railway Department, whereas now an advance may be available for any purpose; in fact, by having one account only there is a saving in balances; there would be waste in having separate balances.

166. *By Mr. Fellows.*—Referring to your evidence given at the first meeting, am I to understand that, in your opinion, money voted in England for the service of any one year can be issued in the following year without a fresh vote?—I think it is so in certain cases.

167. By the 29th and 30th Victoria, chapter 91 (the Appropriation Act for the year ending March, 1867) schedule E, civil services, class 1, there is a vote for works at Landguard Point, £10,000. There is no such vote in the 30 and 31 Victoria, chapter 120, (the Appropriation Act of the following year) but in the finance account (for the year ending March, 1868) showing the disposition of that vote £10,000 is stated to be the balance to its credit on 31st March, 1867, and £2,000 is stated to have been issued to 31st March, 1868, and £8,000 is stated to have been surrendered. Do you suppose the £2,000, issued after March, 1867, was issued by the authority of the Appropriation Act for the year then ending?—No, I think not.

168. How do you reconcile the two answers?—I reconcile them by the fact that my evidence was not in regard to public works, but in regard to salaries, and charges of collection of the revenue. On looking more closely into the matter, I think the £2,000 was issued before the re-vote was taken, or at all events before the re-vote became law.

*The witness withdrew.*

*Adjourned to to-morrow at two o'clock.*

THURSDAY, 23RD JUNE, 1870.

*Members present :*

MR. LANGTON, in the Chair ;

Mr. Gillies,

| Capt. Mac Mahon.

The Chairman read the following letter from the previous witness :—

SIR,

Audit Office, Melbourne, 22nd June, 1870.

With reference to your letter of yesterday, I have the honor to return herewith, corrected, my evidence as given before the Committee on Financial Arrangements, on the 15th June, which may now go to press. 2.—I beg to request that you will inform the Committee that while I have not considered myself justified in altering my answer to Mr. Francis's question, No. 159, I am not, on consideration, satisfied with it. It appears, after a very careful investigation, that the Audit Office raised 87 surcharges on payments out of the advance-votes from 1858 to 1864, inclusive, and of these about 33 might be held to have been made on some such ground as that stated by Mr. Francis. The surcharge papers and removals will, no doubt, be duly recorded in the Treasury, and none of the surcharges were removed until a vote had been taken. 3.—The vote for "Unforeseen Expenses" would, however, have covered all the cases in the early years, if the Treasury had thought fit. The following table contrasts the amount of the exceptional advances with the amount of the unforeseen vote which lapsed in each year :—

Year.	No. of Exceptional Advances.	Amount thereof.			Amount of the Unforeseen Vote which lapsed.		
		£	s.	d.	£	s.	d.
1858 ... ..	Nil	Nil			13	16	5
1859 ... ..	Nil	Nil			572	7	8
1860 ... ..	2	2,000	0	0	7,634	9	1
1861 ... ..	Nil	Nil			7,515	4	10
1862 ... ..	11	2,466	11	3	7,257	5	1
1863 ... ..	12	4,924	2	7	5,955	10	1
1864 ... ..	8	5,225	1	1	4,961	14	0

4.—I am anxious that this communication should be brought under the notice of the Committee, more especially of the Chairman and Mr. Francis.

I have the honor to be, Sir,

Your most obedient servant,

(Signed) ALFRED J. AGG, Commissioner of Audit.

E. S. Symonds, Esq., examined.

E. S. Symonds,  
Esq.,  
23rd June, 1870.

169. *By the Chairman.*—You are the Under-Treasurer ?—I am.

170. You are aware of the subject of enquiry before this Committee ?—Yes.

171. At the present time votes for one year can be expended during the next, if a contract has been entered into during the first year ?—Yes.

172. Do you think that if the votes were confined to purposes which would come in course of payment during the year, to which they related, any inconvenience would result to the public service ?—None, provided the supplies were voted sufficiently early to enable payments to be made at the commencement of the following year.

173. *By Mr. Gillies.*—Has your attention been drawn to the English practice at present ?—I cannot say that it has.

174. Would the proposed alterations be a convenience to the Treasury ?—It would make very little difference to the Treasury, in either case we have to balance our accounts at the end of the year.

175. You do practically close your accounts at the end of the year ?—Yes.

176. Are there not some accounts you keep open until the end of the following year ?—Yes, for instance, at the close of 1869 that year's accounts are closed so far as the transactions during that year are concerned, although expenditure on account of 1869 will be continued during 1870.

177. *By the Chairman.*—What I understand you to say is, that, as a matter of fact, the expenditure on account of 1869 that takes place during 1869 is closed up, and then you begin afresh with the expenditure on account of 1869 during 1870 ?—That is my meaning, so that in fact we make as complete a closing of 1869, at the end of 1869, so far as we have gone, as we can do.

178. Then, in fact, this change would effect comparatively no alteration in the Treasury books ?—It would be rather a convenience than otherwise, because we should not be operating on the accounts of two financial years at one and the same time.

179. *By Mr. Gillies.*—Whereas in 1870 you open accounts for 1869 ?—Yes.180. *By the Chairman.*—Then, in fact, Parliament is the only body that is subjected to this inconvenience of having two or three years' accounts before it, the Treasury do not suffer from that ?—To those who compile the accounts, and to those who audit them it is an inconvenience.181. *By Capt. MacMahon.*—Is new expenditure authorised in 1870, on account of 1869 ?—No.182. *By Mr. Gillies.*—Do you perceive any difficulty that would arise in the case of contracts that are entered into in one year, the payments for which are not completed at the end of that year, the balance which might be owing on that contract being required to be re-voted on the following year ?—Not any, provided, as I said before, Parliament votes the supplies in sufficient time to prevent a hitch.183. *By the Chairman.*—But even if Parliament did not do so, no greater inconvenience would arise than would arise under the existing system ?—Perhaps not.

184. You are aware that a change took place in 1864 in the terms of the vote advanced to the Treasurer ?—I am.

185. Do you think that any inconvenience would result if the terms that were employed prior to 1864 were used again ?—The same inconvenience would be experienced as formerly, and which led to the omission of the words in the Appropriation Act.

186. Will you describe to us generally what the inconvenience was that was felt ?—The Treasurer being called upon to make advances in cases of emergency, for purposes which had not been voted by the Legislature.

187. Have you any idea of the amount that demands of this character reached in any one of the years prior to 1864, during which that form of vote was employed ?—I could not state positively without reference.

188. Here is a return furnished by Mr. Agg—[*handing the same to the witness*—]—would you look at it?—I have no doubt it is correct—at anyrate it was pressing demands upon the Treasurer, and his reluctance to act illegally that led to the omission of the words in question in the Appropriation Act.

E. S. Symonds,  
Esq.,  
*continued,*  
23rd June, 1870.

189. Then the inconvenience could not be pressing if the amounts of the "Unforeseen" vote that lapsed reached those sums?—The amount which might lapse would not be apparent until the vote was re-couped by fresh supplies, and this might not occur until towards the end of the financial year. The Treasurer always had the fact staring him in the face, that he was liable to be called upon to act illegally.

190. I suppose the "Unforeseen" vote could be re-couped and used again if the amount was granted in the same way as the advance-vote?—Yes, so long as the vote was available. I think there is very little distinction between the "Unforeseen" vote and the "Advance" vote, except that in the one case the expenditure on account of previous years remains a permanent charge on the vote, while in the latter all advances made from it are finally adjusted at or before the close of the financial year.

191. Has the number of those exceptional uses of the "Advance" vote increased of late years?—Yes.

192. To what do you attribute that?—To a variety of causes. I could mention one or two connected with the loans, where the steps required by law, viz., submitting Estimates to Parliament, have not been taken, in other cases pressing demands have turned up, and the Treasurer has been obliged to liquidate them.

193. Do you think that those are all traceable to delay in voting the supplies, or in transacting the business of Parliament?—Not all.

194. Which of them are so traceable?—There are two or three cases I mentioned to the Treasurer the other evening in a minute of expenses in the case of the Netherby, the expedition to the Auckland Islands, and there are adverse verdicts occasionally, all these are matters that are obliged to be attended to.

195. If the commencement of the financial year were altered from the present date to the 1st of July, the year being made to end at the 30th of June, would that make any difference to the Treasury?—If the alteration would induce Parliament to vote the supplies earlier, so as to commence the year fairly, it would be a very great aid, otherwise I should prefer keeping as we are.

196. *By Capt. MacMahon.*—Is not the very fact of the Christmas and New Year holidays occurring at the time at which you make up your books, of itself a difficulty which arises from the existing arrangement?—It is a minor difficulty, but it is overcome in a few days; a little inconvenience might be experienced in the preparation of returns for Parliament; all our comparative statements and financial papers have hitherto related to the year ending 31st December; a change in the financial year would rather interfere with that arrangement, but it is not an important consideration.

197. *By the Chairman.*—I suppose the books would be so kept as that you could, even in that case, give the totals for the natural year, just as well as for the financial year?—Quite as well.

198. So that we could have both for the matter of that?—Yes. At present, you are aware, you have the total expenditure on account of the various votes during the first nine days of January, but you do not have the audited statement until later in the year.

199. Would there be any inconvenience attached to the publication of those returns of revenue and expenditure more frequently than once a quarter?—No.

200. Are you aware that in England they are published every week?—No, I am not.

*The witness withdrew.*

*Adjourned to Thursday next at two o'clock.*