

1916.  
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VICTORIA.

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R E P O R T

FROM THE

COMMITTEE OF PUBLIC ACCOUNTS

(RAILWAY LOAN APPLICATION ACT).

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*Ordered by the Legislative Assembly to be printed, 14th December, 1916.*

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WEDNESDAY, 9TH AUGUST, 1916.

12. PUBLIC ACCOUNTS COMMITTEE.—Sir Alexander Peacock moved, pursuant to notice, That the following Members form the Committee of Public Accounts during the present Session :—Mr. Campbell, Mr. Keast, Mr. McPherson, Mr. Menzies, Mr. Oman, Mr. Prendergast, and Mr. Tunnecliffe; and that the Committee have leave to sit on days on which the House does not meet; three to be the quorum.

Question—put and resolved in the affirmative.

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# R E P O R T.

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THE COMMITTEE OF PUBLIC ACCOUNTS has the honour to report to your Honorable House as follows :—

## RAILWAY LOAN APPLICATION ACT.

1. Prior to 1915 it was customary to include in the Schedule to the Railway Loan Application Acts brief particulars of proposed works, also the names of the stations or railway lines at or on which the works so described were to be constructed, and in each case the amount proposed to be expended was stated. About 100 of these items were given in the *Railway Loan Application Act* 1914 under the heading of "Additions and Improvements to Way and Works." The total amount of loan money so voted was £1,877,000. Similarly, under the heading "Additional Rolling-stock, Equipment, Machinery, and Other Works" the amounts proposed to be expended on building railway carriages, vans, locomotives, and trucks were set forth. The total under this heading was £1,200,000. In the *Railway Loan Application Act* 1915, however, all these individual items were omitted, the bare totals voted for "Additions and improvements to Way and Works, £800,000"; and for "Rolling-stock, equipment, machinery, and other works, £800,000" being given.

2. It was explained by the Honorable the Treasurer (Sir Alexander Peacock) in the Legislative Assembly on the 8th December, 1915, that this change was desirable owing to the rapid expansion of railway business during recent years causing a great many important schemes to be undertaken, and, consequently, the number of such works had increased considerably. As it was impracticable to determine the exact progress which would be made with each individual item during the currency of the Act—usually twelve months or so—and as it was desirable that no particular work should be stopped or retarded by lack of funds, it had been found necessary prior to 1915 to make provision in Railway Loan Application Bills for the maximum probable requirements for the year in the case of each item. This practice led to Parliament being asked to vote a sum of loan money far in excess of the actual requirements, and, as a matter of fact, only from two-thirds to three-quarters of the amounts provided in such measures were expended during the currency of the Act. In addition to this, the maintenance of a separate account for each item contained in the Schedule to the Act involved a considerable amount of accountancy work not only in the Railway Department but also in the Treasury. Therefore, to avoid voting annually larger sums of loan money than were actually required, and to lessen the bookkeeping the whole of the proposed expenditure under the Way and Works Branch was voted in the *Railway Loan Application Act* 1915 in one comprehensive item, and that for Additional Rolling-stock was also provided under one item instead of in a number of items setting forth the specific work in each case.

3. The Auditor-General in his last Annual Report took exception to this procedure, and pointed out that in sanctioning such an alteration in the form of the Schedule to the Railway Loan Application Act Parliament lost its grip over the loan expenditure. He stated that if the Railways Commissioners instead of expending £21,000 on an improved station at Ararat were to spend on that one work the greater part of the £800,000 which had been voted in a lump sum for Way and Works they would be within the law. He further said that Parliament in this connexion had given the Commissioners extraordinarily wide powers, and to a similar extent had crippled its own control and had, by agreeing to the alteration in the form of the Schedule, given up all its control over local or individual works.

4. Your Committee heard evidence on this matter from Mr. F. H. Bruford, Auditor-General, and Mr. C. E. Norman, Chairman of the Railways Commissioners, and also consulted Mr. J. A. Norris, Accountant of the Treasury. It would be open to the Railways Commissioners to so curtail the amount specified for each item in the Schedule to the Railway Loan Application Bill relating to improvements at various stations, &c., as to keep close to the sum likely to be expended during the twelve months, and to rely on obtaining from the Treasurer's Advance any further funds needed to complete those works should the sum specified in the Act be found insufficient and it be necessary to finish the works before a further amount could be voted by Parliament under a new Railway Loan Application Bill. But Heads of Departments do not care to apply to the Treasurer for an advance so that they may expend money in anticipation of Parliamentary sanction. Consequently, they prefer to be on the safe side by increasing the amounts specified in Schedules to Loan Application Acts up to the largest probable sums, including all likely contingencies such as increases in wages and prices of materials. Moreover, the Treasurer's Advance is restricted to £300,000, and the greater part of that sum is applied to the ordinary services of the year to be paid subsequently out of revenue and not out of loan funds.

5. It was recognised by your Committee if the total amount asked for in future Railway Loan Application Bills was to be kept within reasonable limits—a course which is most desirable in these days of difficulty of borrowing and need for aiming at economy in all expenditure, whether loan or revenue moneys—that the elasticity sought by the Railways Commissioners should be granted, apart from the saving which the new departure will make in accountancy work by not having to keep so many separate accounts in the Treasury ledgers.

6. Your Committee thought that this might be accomplished by permitting transfers from one item of authorized expenditure which was in excess, either through the work not being put in hand or not costing the estimated sum, to another item where an increase of expenditure over that estimated was necessary to complete the work. This course is sanctioned by section 35 of the *Audit Act* 1915 in respect of Votes under the Appropriation Act dealing with expenditure of revenue. These transfers have to be approved by the Governor in Council, but the defect is that they do not subsequently come before Parliament for its approval, although they are appended to the Annual Report of the Auditor-General.

7. Three proposals were considered by your Committee, namely—(a) to revert to the detailed Schedule to former Railway Loan Application Acts, at the same time requiring the Railways Commissioners not to seek authority to expend more than the bare probable requirements instead of the maximum amount and to resort to the Treasurer's Advance for any extra sum required to complete the work; or (b) to permit transfers by Order in Council from one sub-item to another in the Railway Loan Application Act, as is done with ordinary revenue expenditure; or (c) to allow the course followed in the last Railway Loan Application Bill to be continued, notwithstanding the protest of the Auditor-General.

8. A suggested amended form of Schedule to future Railway Loan Application Bills to meet the objections which had been raised was submitted by the Railways Commissioners, and on being examined was approved by the Auditor-General and the Accountant of the Treasury. Your Committee is of opinion that all the requirements necessary to enable Parliament to control loan expenditure and obtain a knowledge of such expenditure, and at the same time give the Railways Commissioners the elasticity they seek and reduce accountancy work to the minimum, will be met by the adoption of this new form of Schedule, which is appended hereto and is to be embodied in the next Bill.

HUGH J. M. CAMPBELL,

Chairman.

Committee of Public Accounts Room,  
State Parliament House,

Melbourne, 13th December, 1916.

## APPENDIX.

## STATEMENT TO ACCOMPANY THE RAILWAY LOAN APPLICATION BILL 1916.

DESCRIPTION OF WORK.						Amount issued and applied.
		<i>Additions and Improvements to Way and Works.</i>				
		List of Specific Works (excluding the Strengthening of Tracks and Bridges), the Estimated Capital Cost of each of which is over £2,000 towards the Construction of which provision is made in this Act.				
No. of Item.	Sub-Item No.	Work.	Estimated Capital Cost as shown in a Printed Statement which accompanied the Railway Loan Application Bill in 1915.	Estimated Capital Cost as revised, or (in the case of a Work not previously provided for in a Loan Application Act) Original Estimate.	Expenditure at 30th November, 1916.	Estimated Amount required to complete the Work.
			£	£	£	£