

REPORT

OF THE

SELECT COMMITTEE

APPOINTED TO

AUDIT THE PUBLIC ACCOUNTS OF THE
YEAR 1865-6.

BROUGHT UP ON THE 20TH DAY OF AUGUST, 1867.

WELLINGTON.

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1867.

REPORT OF THE SELECT COMMITTEE APPOINTED TO AUDIT THE PUBLIC ACCOUNTS OF THE YEAR 1865-6.

YOUR Committee in reporting upon the Public Accounts of the Colony for the year 1865-6, feel it their duty in the first instance to call the attention of the House to the fact that the provisions of "The Audit Act Amendment Act, 1865," have not been complied with.

The said Act requires that the Colonial Treasurer shall, not later than one month after the end of every financial year, transmit the Annual Statement of the Accounts of such year to the Auditor, who shall, within one month after the receipt of such Statement, transmit his Report thereupon, together with his certificate as to the correctness of the same, to the Colonial Secretary, for publication in the *Government Gazette*; and such Statement and Report shall be laid upon the Table of the House of Representatives within seven (7) days after the receipt of the same, or, if Parliament be not sitting, then within seven days of the next meeting of Parliament.

Your Committee find that the Colonial Treasurer's Statement of Accounts for the year 1865-6 was transmitted to the Auditor on 27th October, 1866, and that his Report thereupon was transmitted to the Colonial Secretary on the 26th of March, 1867. It does not appear that the Report has yet been published in the *Government Gazette*, nor have these documents been laid upon the Table of your Honourable House.

Your Committee do not report these matters with the view of throwing any blame whatever upon the public officers concerned, but desire, on the contrary, to call the attention of the House to the fact that it is physically impossible that the terms of "The Audit Act Amendment Act, 1865," can be complied with; the evidence of Mr. Woodward, Assistant Treasurer, appended hereto, is exhaustive upon this point and perfectly satisfactory, and your Committee recommend that a law so entirely inoperative, be no longer retained in the Statute Book.

Your Committee at the same time desire to express their opinion that nothing can be more desirable, with regard to the Public Accounts, than that the principle embodied in the said Act should be carried out, and that the accounts of the immediately expired financial year, and the Auditor's Report thereupon, should be laid before Parliament at its annual sitting; it is a question for your Honourable House to consider how this may be practically effected. Your Committee are, however, of opinion that the suggestion of the Assistant Treasurer upon the subject,—that the Account be absolutely closed upon 30th June, is worthy of consideration.

Your Committee desire to draw attention to the fact that the Act which legalized the expenditure shown in the Accounts of 1865-6, did not become law until the 30th of October, 1865, so that all moneys expended during the months of July, August, September, and October, were so expended without the authority of Parliament. The Committee is aware that a check upon unauthorized expenditure is now to some extent imposed by "The Comptroller's Act, 1865," and that by the system adopted this year, of granting supplies from month to month during the Session, a recurrence of such illegal expenditure is rendered altogether unnecessary.

The Report of the Auditor upon the Public Accounts of the Colony for the year 1865-6, drawn up in accordance with the terms of section six of "The Audit Act Amendment Act, 1865," was laid before your Committee. It is a most able and exhaustive document, conveying clear information as to the minutest details of the present very complicated system of account; and your Committee recommend that it be printed without delay, and placed in the hands of Members of both branches of the Legislature.

The Accounts of the Colony for the year 1865-6, when submitted to your Committee, were accompanied by a certificate from the Auditor, in accordance with the provisions of "The Audit Act, 1858." The Auditor certifies therein that "the statement is correct as an Account and Balance Sheet of transactions comprised therein, and that the expenditure shown therein has been properly classified, and any part thereof incurred without authority of law separately shown, with the exceptions stated in my Queries and Report." Your Committee examined officers in the Audit Department, as to the manner in which the correctness of the accounts had been ascertained, and satisfied themselves, by inspection of vouchers in some cases, as to the various items of expenditure. It then became their duty to examine carefully into the exceptions stated by the Auditor, upon which they took evidence, and desire to report as follows:—

The Auditor of Public Accounts, in his "Queries and Observations on the Financial Accounts of the Colonial Treasurer for 1865-6," states that "explanation is required to be laid before the Audit Committee as to the charge of £17,050, made on account of conveyance of mails by sea, this being the second time the item has appeared as Postal Expenditure." To this the Accountant of the Treasury replies, that "the sum of £20,000 charged in the account was remitted in November, 1865, to the Secretary of State on account of the balance due by the Colony to the Mail Service *via* Suez at that date. It is true that the sum of £17,050 was nominally at credit of the reserved fund for this service, but as no cash on account of that fund was in the public chest, the payment was made out of the revenue of the year and charged accordingly." Upon this the Auditor appended the following observations:—

"The Auditor states in explanation that in the Statement for the financial year 1862-3, the sum charged to the Ordinary Revenue on account of the Suez line by transfer to the Reserve Fund is £13,300. In the Statement for the year 1863-64 the sum similarly treated is £13,000, making altogether £26,300. The Surplus Revenues in each of the above years were diminished by corresponding sums.

"Out of this reserve of £26,300 it is found that £1,250 was remitted to England in the month of December, 1863, and £8,000 in the month of February, 1865, thus leaving in the Reserve Fund a balance on this account of £17,050.

"In the Reserve Fund for the year 1865-66 there are no transactions on either side of the accounts as regards the Suez line.

"So far the accounts are not objected to. But on reference to the Ordinary Revenue Account of the year 1865-66, there will be seen at page 13 an entry of £20,000 for contribution to the Suez line, of which sum £17,050 were arrears of former years.

"It thus appears that instead of these arrears being paid out of the balance of £17,050 which the Treasurer held in his charge as a reserve for the purpose, it was again charged against the Ordinary Revenue, and the Surplus Revenue thus diminished by a corresponding amount, while the £17,050 remained in the Reserve Fund.

"The explanation of the Colonial Treasurer is that there was no cash on account of the Reserve Fund in the public chest, and therefore the payment was made out of the Ordinary Revenues of the year and was charged accordingly.

"To this the Auditor objects that the Colonial Treasurer in his statement of balance for 30th June, 1865, shows that there was a balance of £35,196 3s. 9d., in his charge to the credit of the Reserve Fund, of which balance £17,050 belonged to the Suez line; but whether the Colonial Treasurer had the necessary cash in hand or not, it is quite clear he had no right to charge the Ordinary Revenue twice with the same sum.

"16th August, 1867.

"CHARLES KNIGHT."

Which observations were replied to in a Memorandum by the Assistant Treasurer:—

"In the Memorandum presented by the Auditor-General respecting the amount placed to Reserve Fund in 1865, and not taken into account in making a payment of £20,000 for arrears in respect of contribution to the Suez line in 1866-7, it is quite superfluous to say that the facts as stated by him are strictly correct. On the other side the fact equally remains that the payment of 1866-7 required to be made, and that the money could only be found out of the revenue of the year, which is only charged with an actual payment, leaving the Reserve Fund just where it was, to be hereafter dealt with as may be thought expedient. The first setting aside of the amount may have been open to objection, but the actual payment of 1866-7, that is to say all the transactions that affect the account of that year, it is submitted are not so.

"Treasury, 17th August, 1867.

"J. WOODWARD."

Upon full consideration of this subject your Committee are of opinion that the Colonial Treasurer was not justified in charging the Ordinary Revenue a second time with the item of £17,050 for contribution to the Suez line, while the same amount remained to the credit of that item in the Reserve Fund Account. As the Surplus Revenues have been affected thereby your Committee recommend a re-adjustment of the account.

Your Committee would further most strongly endorse the opinion of the Audit Committee of 1866, to the effect that the Reserve Fund Account be at once and finally closed.

Your Committee desire to call the attention of the House to the state of the Surplus Revenue Account with the Provinces; overpayments appear to have been made during the year 1865-6 to the Provinces of Marlborough, Otago, and Southland, and the account upon 30th June, 1866, stood as follows:—

				£	s.	d.
Balance due by Marlborough	..	..	..	7,403	8	5
" " Otago	..	..	..	40,270	15	1
" " Southland	..	..	..	8,489	4	6

Your Committee recommend that this account should be closed, and the amount due to the Colony liquidated, either by annual payments, or by deduction from the Surplus Revenues hereafter due to such Provinces.

In the account of Interest and Sinking Fund in the Half Million Loan, there appears to be an unpaid deficiency of the Interest and Sinking Fund by the Provinces of Auckland, Wellington, and Hawke's Bay.

						£	s.	d.
Auckland	..	..	..	..	..	2,022	0	0
Wellington	..	..	..	..	..	1,620	0	0
Hawke's Bay	..	..	..	..	..	1,620	0	0

Your Committee would specially direct the attention of the House to the necessity of insisting upon this and similar reimbursements by the Provinces being paid with punctuality.

The attention of your Committee was directed to the very large amount of the Advance Accounts, under the head "Advances, Miscellaneous," &c., amounting in the year 1865-6 to the sum of £410,432 19s. 8d., and they took evidence as to what measures have been adopted to prevent the misappropriation of moneys. It appears that Paymasters of Militia and all Receivers of Public Revenue are under bond to the Crown to as large an extent as can be obtained, consistent with their willingness to act; the advances of Militia pay are only made as they are wanted, upon the certificate of the Colonel of the respective regiments that their men have been paid for the previous month. As regards other officers generally, there is no check except the personal respectability of the Imprestee, which is always taken into consideration. The Committee feel satisfied upon this subject that precautions are now taken to secure the Colony from loss by the dishonesty of public servants.

In examining into the question of how far the recommendations of the Audit Committee of 1866 have been carried out, your Committee were led to the consideration of the "Audit" and "Comptroller's" Acts, and although satisfied that the effect of the latter will materially check the expenditure of public moneys without the authority of law, they desire to point out to the House that the measure is by no means a perfect one, and that no provision exists for the control of the occasionally very large sums which are raised and expended in England, nor for the control of moneys which pass into the Treasury Chest by way of deposit, such as proceeds of Intestate Estates, deposits in Post Office Savings Banks, and payments for Post Office Money Orders; your Committee find that these moneys at present pass into the Public Account, and that the Comptroller has allowed them to be withdrawn, in order to prevent the very grave inconveniences which would have arisen had the terms of the "Comptroller's Act" been strictly complied with. Your Committee are decidedly of opinion that the receipt and issue of all such moneys should be provided for by law; and would direct the attention of the House to the Memorandum by the Comptroller upon the subject, which they append to their Report.

Your Committee are of opinion that the form in which the Public Accounts of the Colony are presented to them is very complex, and such as renders it very difficult to understand the true financial position of the Colony. Amounts appear carried on from year to year, which have long formed part of the statistics of the Colony, and consequently the Balance Sheet shows totals entirely inconsistent with the Revenue and Expenditure, and calculated to mislead even those initiated in finance. At the same time, your Committee acknowledge that, from the variety of accounts connected with the Loans, and the custom which prevailed of obtaining Bank Advances in anticipation of Revenue and proceeds of Loans, it has been almost impossible that the Accounts for 1865-6 should have been more clearly or simply drawn up. They would, however, press earnestly upon the attention of the House the necessity of effecting without delay a final settlement of the various complicated accounts which are now embarrassing the efficient administration of the Revenues.

CH. E. HAUGHTON, Chairman.

WM. WELLS,

G. MAURICE O'RORKE.

20th August, 1867.

APPENDICES.

APPENDIX I.

Memorandum by the Assistant Treasurer on the subject of the provisions of "The Audit Act Amendment Act, 1865," not having been carried out.—Submitted to the Audit Committee, 16th August, 1867.

It has been found physically impossible to comply with the terms of "The Audit Amendment Act, 1865," in respect to the time of forwarding the Annual Accounts for Audit. The Treasury has desired to include in the Accounts of the year all Receipts and Expenditure on account of that year as far as possible. To effect this the accounts were kept open at the various Sub-Treasuries until the close of business on the 9th of July. After this the accounts had to be made up and forwarded, and the whole did not reach

the Treasury until the 24th of that month. The Wellington Account was kept open still longer in order to include some considerable Advance Accounts that it was desirable to adjust within the year. The consequence was that these accounts were not brought into the books of the Treasury until after the beginning of August, and are only now being classified with a view to the account; and it will yet take two or three weeks before any portion can be submitted to the Auditor; but at the same time, as he examines the Sub-Treasury Accounts as they are sent in, a portion of the preliminary work is done.

It is a matter worth considering, whether it would be better or otherwise to close the account absolutely on the 30th of June. If that were done, the rendering of accounts would be expedited, but with some detriment to their completeness as representing the transactions of the year.

Treasury, 16th August, 1867.

J. WOODWARD,
Assistant Treasurer.

APPENDIX II.

Memorandum by the Comptroller of Public Accounts upon the subject of Moneys which do not come into the Public Account, and Moneys paid into Deposit Account.—Submitted to the Audit Committee, 16th August, 1867.

I AM not directly officially informed of what moneys are paid into the Public Account, because I have no control over the Receipts, but only over the Expenditure; but I am aware that none of the moneys raised and expended in England have as yet been brought into my books. The ninth clause of the Comptroller's Act requires Loans to be paid into the Public Account; but where moneys are raised in England (for example, part of the Three Million Loan, the proceeds of which are applicable to discharge the debentures raised under the Debenture Acts of 1864 and 1865,) the money is raised and expended in England without passing through the Comptroller's hands. The effect of this might be to interfere seriously with the integrity of the control; because moneys might be drawn from the Comptroller in the Colony to discharge such debentures whilst they might be provided for in London out of borrowed moneys of which the Comptroller was not cognizant. The ninth clause does not seem to have contemplated this difficulty, and it would be obviously absurd that money should be transmitted to the Colony to be immediately re-transmitted to England with a loss of interest and exchange both ways.

There are also moneys paid into the Public Account which are not legally so payable. The eighth clause of the Comptroller's Act seems to contemplate only "moneys legally payable for or on account of Revenue," as coming into the Public Account; but I have been required by the Treasurer to make extensive issues for services which are payable out of moneys which are not in the proper sense of the word "Revenue;" for example, the Post Office Orders, moneys withdrawn from Post Office Savings Banks, moneys lodged on account of Intestate Estates, &c. The Treasurer has justified these requisitions by the fact that these moneys were paid into the Public Account, and were legally applicable to the purposes for which required. I have, therefore, issued them under protest until the opinion of the Assembly should be taken. I may be allowed to express my opinion that I see no reason which should exempt these moneys from control more than any others; rather, indeed, is control the more necessary in their case, in which the State becomes—sometimes compulsorily—the trustee of such moneys for private persons. But if this system is to be continued, a modification of the law will become necessary; and it should be provided that such moneys shall not be applicable to other services. If this be not provided, the admixture of these moneys with the Public Revenues in one account may be used as a means of setting aside all control. The essence of control is that Parliament has fixed a limit to the expenditure on each service, beyond which the Comptroller must not extend his issues. But there is in their nature no limit to the expenditure of these trust moneys; because it depends solely on the amounts from time to time paid in. In the case of the Post Office Orders the authority has necessarily to be given by the Comptroller in advance of the payments in. He is therefore ignorant of the limit to which he ought to confine his issues. Any provision, therefore, that the trust moneys should be paid into the Public Account would seriously interfere with the principle of control, unless accompanied by a provision that such moneys should be applied exclusively to the purposes for which they were drawn, and not to the current expenditure of the Government.

I should wish to state to the Committee that, having undertaken the duties of Comptroller in the middle of a financial year, I have not felt it right in such matters, to insist on a too rigid interpretation of the law, which I could not but feel that it is not altogether compatible with the system of the Comptroller's Act; but rather to exercise so much control as was possible without any very violent disturbance of the existing arrangements; and to wait until the Government and the Assembly, having become acquainted with the difficulties presenting themselves, should decide whether the law should remain as it stands, or whether modifications should be effected. I make this remark because the Committee may think that I should have peremptorily refused to issue in cases where I was not satisfied that the issue was authorized by law.

JAMES EDWARD FITZGERALD,
Comptroller.