

Credits-in-aid of Votes

During the year the Treasury decided that the system introduced in 1924 of treating recoveries of expenditure as credits-in-aid of votes, in terms of section 51, Public Revenues Act, 1926, should be discontinued, and that receipts which previously had been treated as credits-in-aid should be shown as departmental receipts. This alteration was made in the votes in the separate accounts of the Public Account and in the accounts outside the Public Account, with the exception of the Post Office Account, and it is in future to be applied to the votes in the last-named account and in the Ordinary Revenue Account.

Formerly Parliament appropriated the net estimated expenditure of a vote, and, separately, the estimated credits-in-aid, and issues could then be made from that vote to an amount of the net estimated expenditure plus the amount of the estimated credits-in-aid actually received by the vote. This procedure of appropriation tended to ensure that no laxity existed in connection with recovering all possible credits-in-aid. In terms of section 51 (3) of the Act, any credit received in excess of the estimate could, with the approval of the Minister of Finance, be used for the purposes of the vote.

Under the new method the gross expenditure will be appropriated by Parliament, and any recoveries will, as already stated, be treated as departmental receipts. The sum of £4,532,700 was estimated over individual votes as credits-in-aid of Ordinary Revenue Account for the year 1945-46, and of this amount, £4,340,642 17s. 2d. was received and issued within or up to individual vote estimates. Surplus credits-in-aid, being amounts received in excess of individual vote estimates, were made available by the Minister to an amount of £306,245 14s.

The full arguments for and against the credits-in-aid system need not be put forward here. The Audit Office would have preferred that it be continued, though in the past concern has been expressed about the use of very large sums of excess credits. The most serious objection to the new system is that expenditure will in some cases be twice estimated and twice shown in the public accounts without relative deductions being clearly shown against it. A great volume of departmental receipts arises from one Department doing work for another, and the first Department is charged with the cost of the work, and the second is charged with the recoupment of the first.

Charges between Departments

In order that a Department administering a service shall bear the full cost thereof it is necessary to reimburse other Departments for expenditure incurred by them in performing any part of that service, and the relative financial adjustment is made by means of an inter-departmental transfer. It has been the practice to make certain transfers from the Social Security Fund to Consolidated Fund votes in respect of maintenance fees reduced or not charged at various Government institutions. During the year Treasury decided to discontinue these transfers, which were of an estimated value of £250,000.