

The separation of the accounts into funds is one of the characteristics in which governmental accounts differ from the accounts of private or non-governmental institutions. The following quotations from a writer on governmental accounting clearly set out the position :—

“ The incomes of a public corporation are, furthermore, specific in character, consisting of returns from levies made to meet particular expenditures and to provide money for particular purposes. In order to make sure that these incomes will be used exactly in accordance with the purpose for which they were received, funds are created, in which each kind of income is separately deposited and accounted for, and from which it may be disbursed only for the object for which it was established. The process of funding is one of the most individual and vital features of public accounts, and affects their procedure and classification throughout. Through it each fund becomes a complete accounting unit, and a separate accounting entity.”

“ The accounts of a Government or public institution, therefore, include, for example, not merely one cash account, but as many cash accounts as there are different funds to be accounted for, since the amount of cash applicable to each fund must be shown.”

It has been contended in some quarters that the functions of the statutory separate accounts can just as well be fulfilled by the departmental Revenue Accounts and Balance-sheets which are published annually in B.—1 [Pt. IV], but it will be seen from the foregoing quotations that the production of accounts on commercial lines cannot displace the production of true governmental accounts. In view of the increasing tendency of Governments, both general and local, to undertake commercial activities, it is becoming increasingly necessary for the Government to publish “ commercial ” accounts in connection with such activities, but such commercial accounts should be ancillary to the Public Accounts kept in the usual form common to other Governments, and should not be allowed in any way to displace such governmental accounts.

One of the chief functions of governmental accounts, as already stated, is to provide a means for the control by Parliament of the public expenditure. Such control can be fully effective *only if applied before the expenditure is made*, and it is clear that the commercial accounts, which in the nature of things cannot be prepared until some time after the close of the financial year, cannot be used to control the expenditure made during that year. The governmental accounts in the usual form, however, are designed for the very purpose of making such control effective, for they show at any time during the year the amount of money made available by Parliament for each specific purpose, and also the amount of appropriation, or authorization by Parliament, for the expenditure of such money.

The closing of the separate accounts tends to weaken the parliamentary control of expenditure by rendering it difficult or impossible to obtain detailed information as to the transactions relating to each separate undertaking, and at the same time tends to render the commercial accounts—that is to say, the revenue accounts and balance-sheets—of the various Departments and undertakings published in B.—1 (Part IV) less accurate.

An example of these effects is afforded in the case of the Cheviot Estate Account, which was established in the year 1893-94, and was in operation for some thirty-seven years. Before section 340 of the Land Act, 1924, was repealed, the moneys in the Cheviot Estate Account were to be expended, without further appropriation, for the purposes of Part IX of the Land Act—that is, for the purposes of the Cheviot Estate. When the account was abolished in 1930 and the details incorporated in the Land for Settlements Account the legislation was amended so as to authorize any expenditure for the purposes of the Cheviot Estate to be made, without further appropriation, from the Land for Settlements Account. The moneys in the Cheviot Estate Account were derived solely from receipts from the estate and from investments of such receipts, and the expenditure which could be made for the purposes of the Cheviot Estate was therefore limited by the amount of such receipts. Under the amended legislation, however, any of the moneys in the Land for Settlements Account may now be expended for the purposes of the Cheviot Estate, and such moneys consist not only of the receipts from all estates (including the Cheviot Estate) and from various other sources, but there is also a loan authority of £1,000,000 per annum available for the purposes of this account, including expenditure on the Cheviot Estate. It is clear, therefore, that the legislation abolishing the account has had the effect of increasing the amount which could be expended for the purposes of the Cheviot Estate, if so desired, and has thus to a large extent relieved such expenditure from any effective control by Parliament.

The closing of the separate account has not only made it impossible to trace the transactions relating to the Cheviot Estate in the Statement of the Revenue and Expenditure of the Public Account published in B.—1 [Pts. I and II], but it has also had the effect of rendering the annual revenue account and balance-sheet relating to the Cheviot Estate inaccurate and misleading. The following figures show the annual amount earned by the Cheviot Estate Account as interest on investments, and the net revenue for the last eight years, extracted from the departmental revenue accounts and balance-sheets relating to the estate. In the last two years the figures appear in a separate column in the departmental accounts relating to the Land for Settlements Account. At the time of writing the departmental accounts for the year 1931-32 have not been published, and the figures for that year are quoted from the accounts submitted for audit.

Year.						Interest on Investments.	Net Revenue.
						£	£
1924-25	..	..	..	..	..	8,376	16,063
1925-26	..	..	..	..	..	9,424	17,093
1926-27	..	..	..	..	..	7,882	18,979
1927-28	..	..	..	..	..	7,769	17,217
1928-29	..	..	..	..	..	8,703	19,621
1929-30	..	..	..	..	..	9,605	20,496
1930-31	..	..	..	..	..	9,354	20,619
1931-32	..	..	..	..	..	Nil	11,671