

# REPORT

ON

## THE SYSTEM OF FINANCE AND AUDIT IN VICTORIA.

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PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF  
HIS EXCELLENCY.

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WELLINGTON.

—  
1870.



## REPORT ON THE SYSTEM OF FINANCE AND AUDIT IN VICTORIA.

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SIR,—

Wellington, 17th June, 1870.

In reference to the request contained in your letter of the 22nd October last, to make myself acquainted while in Melbourne with the system of Public Finance and Audit adopted in Victoria, I have the honor to report on the Audit and Treasury Departments of Victoria as follows:—

In Victoria no liability can be incurred without the specific authority of the Governor, and no public moneys can be issued by the Colonial Treasurer without a credit on the "Public Account" at the Banks being previously obtained under the warrant of the Governor. The Governor's warrant is obtained only on the certificate of the Commissioners of Audit, who are required to certify that the credit asked for by the Treasury is for sums legally available for and applicable to the services mentioned in the requisition. The moneys thus rendered available for expenditure can be paid away only on orders of the Colonial Treasurer, certified by the Commissioners of Audit as being within the limits of the credit granted by the previous warrant of the Governor.

It is thus seen that the Governor in Victoria directly controls the public expenditure. No expense is incurred by any officer of the Public Service except under the Governor's authority. Annual authorities are granted by the Governor for all salaries and money allowances fixed by the Estimates. For contingent expenses, quarterly authorities are issued. Before any other expenditure is incurred, the Governor's "special" authority for such expenditure must be obtained by application being made for it through the Minister of the Department concerned.

In fine, the Governor of Victoria is the Imperial Custodian of the Public Funds, and no issue can be made from the Public Account except under the authority of his warrant. The Legislature has further provided that, in the exercise of his important functions, the Governor shall be protected by the assurance which the certificate of the Commissioners of Audit gives him that the moneys required by the Colonial Treasurer are available.

[In New Zealand the Legislature has rescinded these powers of the Governor, and entirely assigned the custody of the Public Funds to the Comptroller. The Governor's warrant is now subordinate to that of the Comptroller, and can operate only on the credits granted by the latter officer. The Governor, in giving effect to these secondary powers, issues once in six months his warrant authorizing the Colonial Treasurer to pay the services provided for by the Assembly, thus fulfilling the requirements of the provision of the Constitution Act, that no part of Her Majesty's revenue within New Zealand shall be issued except in pursuance of warrants under the hand of the Governor, directed to the public Treasurer thereof.]

To enable the Commissioners of Audit in Victoria to guard against an issue of Treasury orders on the Public Account in excess of the Governor's Credit Warrant, an Order Book is kept, in which the orders are placed to the debit of the Treasury against the credits obtained under the Governor's warrants.

Copies of all authorities are sent to the Commissioners, who reject authorities in excess of votes and of appropriations of Parliament, and they surcharge all payments in excess of accepted authorities. Authorities, as they are received, are posted in a book called the "Appropriation Book." They are also entered in an "Authority Book," in which each voucher or account is posted against the respective authority. At the end of each quarter the totals are transferred to the "Appropriation Book," each under its proper head.

To enable the Commissioners of Audit to bring their powers into immediate operation, the Colonial Treasurer is required by law, at the close of each day, to send to the Commissioners of Audit for examination a copy of so much of the Treasury Cash Book as has not been sent to them. This copy is called the "Cash Sheet," and embodies the whole of the Accounts received from the Receivers of Revenue, and from the Paymasters. The Cash Sheet is accompanied by vouchers; and the Audit Act requires that it shall contain no entries of older date than four days. In the Cash Sheet all issues of public moneys, whether for services rendered or as advances to public officers, are final,—no transaction being admitted into the Cash Sheet, except those of actual receipt or actual issue of public moneys. All transfers and adjustments of accounts made in the Treasury are communicated to the Commissioners, either by "Slips" or by "Adjustment Accounts."

The Commissioners, by retaining in their own hands the results of their examination of the Cash Sheet, insure the transmission of the Annual Statement and Balance Sheet to the Assembly in the state in which their audit left it, and thus render any alteration of the Treasury books of no avail,—the Annual Statement and Balance Sheet, as finally passed by the Commissioners, being transmitted by them direct to the Assembly. With these Day Cash Sheets in their hands, the Commissioners proceed at once in their audit.

The Audit Office is divided into four branches—

1. The Expenditure Branch.
2. The Salary Branch.
3. The Special Account Branch.
4. The Revenue Branch.

But their audit does not extend to the examination of the whole of the Revenue Accounts. Those of the Customs, Stamp Office, Post Office, Post Office Savings Bank, and Money Orders are not examined by the Commissioners, except so far as the payments of revenue into the Public Accounts can be checked by inspection of the Revenue Books at the respective offices.

Each branch of the Victorian Audit Office is under the supervision of a Senior Clerk, who is responsible to the Commissioner for the due working of his branch. The Senior Clerk of the Expenditure Branch is also the Senior Clerk of the whole Office, and all the Accounts go to him in the first instance for distribution among the different branches.

[The following comparative Statement of the staff and business of the Victorian and New Zealand Audit Offices is interesting:—

AUDIT STAFF.	VICTORIA.		NEW ZEALAND.	
	YEAR 1869.		YEAR 1869.	
	£	s. d.	£	s. d.
Amount voted for Salaries of twenty Clerks and two Messengers ... ..	5,905	6 8	...	...
Amount voted for seven Clerks and one Messenger, exclusive of two Clerks exclusively employed in examining the Accounts and Vouchers of the Customs ... ..	...	...	1,563	5 0
Average Salary for each per annum ... ..	268	8 5	223	6 5
Total of Transactions on Treasurer's Balance Sheet ... ..	9,815,629	17 9	34,475,669	19 8
Total Receipts, excluding Loans and Special ... ..	3,022,922	6 9	2,051,467	8 11
Total Expenditure, ditto ditto ... ..	2,263,831	11 2	2,159,911	13 5
Number of Revenue Vouchers ... ..	15,354		8,462	
Ditto Expenditure ditto ... ..	34,668		27,245	

In the New Zealand accounts, the vouchers include numerous sub-vouchers; for instance, Disbursement Voucher No. 4,163 covers 707 sub-vouchers; and Receipt Voucher for Consolidated Loan covers 1,371 sub-vouchers; so that the total number of Disbursement Vouchers would be nearly three times as great, if all were counted.]

If the queries raised by the Commissioners are not satisfied within two months, the Colonial Treasurer is surcharged. The Treasurer thereupon recovers the amount from the officer by whose fault the deficiency has been occasioned; and until the deficiency is made good, no claim of the party can be paid out of the public revenues. Every day the accounts which have been two months in the Audit Office, together with all queries, replies, &c., are submitted to the Commissioners by the Chief Clerk, and their disposal, by surcharge or otherwise, is determined. In case of final passing, the Commissioners' quietus, or acquittance, is transmitted to the Treasury.

In reference to the quietus, the 34th section of the Victorian Audit Act requires the Commissioners, after examination of the Treasurer's Daily Cash Sheet and Vouchers, to sign an acquittance for so much money as shall be ascertained by them to have been duly and properly expended, and to surcharge the Colonial Treasurer with such sums as are not duly authorized, or are otherwise objectionable. These acquittances are entered in an Abstract Book of Acquittances, showing the date of the Cash Sheet,—the amount of the day's payments,—amount of surcharge,—and amount of discharge.

It is clear, from the foregoing, that the Victorian Audit has the great advantage of being immediate in its action; while the regulation which enables the Commissioners to surcharge the Treasurer, and thus prevent the issue of further pay to the officer concerned, insures early replies to queries.

The Victorian Audit Act also requires every Collector of Revenue to send to the Commissioners, on or before the 10th of every month, a declared Return of all moneys which shall have come into his possession on account of the Revenue during the month next preceding. The Commissioners keep a Record Revenue Book, showing the dates on which each Revenue Account is due at the office, when received, and when examined. A glance at this record informs the Commissioners how far, if at all, the examination is in arrear; and, when auditing the Treasury Day Cash Sheet, they verify the entries by comparing them with the declared Returns of the various Collectors. Every Collector failing to send the Monthly Revenue Return at the proper time is liable to a fine not exceeding £200.

The Commissioners are also required by law to inspect the books and accounts of every person in the Public Service into whose possession public moneys may come. The Commissioners, before proceeding on a tour of inspection, provide themselves with an abstract of the monthly collections of the several officers whose books and accounts they intend to inspect.

With regard to Special Funds, which, like other moneys paid into the "Public Account," can only be issued under the authority of the Governor's Warrant, on a requisition of the Colonial Treasurer,

countersigned by the Commissioners of Audit, the Commissioners, before signing the requisition, ascertain that moneys have been received sufficient in amount to cover the requisition. They keep, therefore, a Special Account of each Fund.

The Commissioners also keep a Register of Licenses, Miners' Rights, and other forms issued on the Gold Fields. For the purpose of check, Monthly Returns of the number and denominations of the various forms are received from the Government Printer. These forms are issued by the Printer to the Treasury, which, in its turn, issues them from time to time to Receivers of Revenue. They are bound in books, and numbered consecutively. They are again distributed by the Receivers to the several Collectors in their district. The Treasury furnishes to the Commissioners Quarterly Returns, showing the number and value of the forms received from the Printer and issued to the Receivers. The Receivers and Collectors are also required to treat these forms as cash, and to furnish the Commissioners, at the commencement of each quarter, with Returns showing the issues of these documents, and the number and value received from the Treasury. By these Returns the Commissioners ascertain that the forms printed are ultimately accounted for; and, on comparing the issues with the Treasury Accounts, they ascertain that the money due for those issued has been properly paid into the Public Account.

The following books are also kept in the Audit Office:—

“Registry of Surcharges” recovered, by which the Commissioners ascertain what amount of money has been saved to the Public Account through the instrumentality of their audit.

“Immigration Register.”—Under the Immigration Regulations a private contribution is deposited towards the passage-money of each Immigrant. By this register the examining Clerk in the Audit Office is guarded against passing more than one Immigrant against the same deposit, and is at the same time saved the trouble of referring to vouchers in every case.

“Register of Intestate Estates.”—All moneys recovered on account of the estates of persons who die intestate are paid into the Treasury. The Record Book is intended to guard against claims on such estates being paid, and passed in excess of the sums realized.

“Register of Rents” of Land held under Mining Leases.—This book shows: 1. No. of the Lease. 2. Name of the Lessee. 3. Area. 4. Term of Lease. 5. Annual Rent. 6. When Paid.

The Commissioners also keep a Salary Abstract Book, in which the names of all persons receiving salaries from the Government are entered, with the amount of their respective salaries for the month, and a reference to the Treasury Vouchers under which they were paid. This record enables the Commissioners to detect double payments, and saves the trouble of computing the salaries every month, for in the act of registering them the amount can be compared with that passed for the previous month. The names of the Police are also thus entered. Labourers on day wages are not registered by name, and only the total wages for the week or other period to which the abstract of their pay refers is entered; and when any supplementary abstract for the same period is received, the first abstract is turned up to see if the same names in any case are included in both.

All vouchers, whether for receipts or payments, are retained after examination, and filed in the Audit Office.

In reviewing the practice in Victoria, one is struck by the numerous Registers and Account Books kept in the Audit Office.

The inspections of country offices, occupy the time of one Commissioner during the whole year, the three taking it in turn. As one Commissioner visits the country offices, a second audits the books &c. of the offices in Melbourne, while the third Commissioner conducts the routine of their office.

#### *Treasury.*

The “Public Account” of Victoria is kept with the six Banks at Melbourne.

The Public Account includes not only the Revenues of the Colony of Victoria, but also Loans, Special Accounts, Trust Moneys, &c.

The officers to whom are intrusted the duty of collecting the Revenues are styled “Collectors of Imposts.”

In connection with the Treasury in Melbourne there are twenty-three sub-offices in the country districts, under the charge of Sub-Treasurers, or, as they are styled, “Receivers” and “Paymasters.” These officers are advised from time to time by the Treasury of the names of Collectors of Imposts who have been directed to pay their collections into the Sub-Treasuries under their charge, and also of the days on which payment is to be made; and if the Collectors fail in making such payments, it becomes the duty of the Receiver of Revenue in charge of the office to report the default to the Treasury at Melbourne.

The time of payment into the Treasury and Sub-Treasuries is either daily, weekly, fortnightly, or monthly, the periods being regulated by the probable amount of the collections.

The Sub-Treasurers pay their receipts into one or other of the six Banks, to the credit of the Public Account.

#### *Mode of operating on the “Public Account.”*

On the 15th or 16th of every month, the several Responsible Ministers advise the Treasurer of the sums likely to be required during the ensuing month for the service of their respective Departments. The statement of advice is so arranged as to show the amount required under each division and subdivision of the Appropriation Act.

The Treasury uses these advices in preparing a warrant for the Governor's signature.

The warrant, previous to its being submitted for the Governor's signature, is forwarded to the Commissioners for their certificate, as previously explained.

The several sums thus rendered available for expenditure are entered at the Treasury in the "Provisional Ledger," of which five subdivisions or books are kept: 1. For Special Appropriations; 2. Salaries; 3. Public Works; 4. Departmental Contingencies; 5. Special and Trust Accounts.

Authorities are numbered, and the head of the Department, by whom the application for the authority was made, is advised of the authority being obtained, and of the number which the authority bears; this number is quoted by the Department on all the accounts for expenditure incurred under such authority.

Contracts for fixed sums, when approved by the Governor and gazetted, are dealt with as regular authorities.

Departments are required to keep a debtor and creditor account between the authorities and the accounts passed for payment.

Each claim, on being received at the Treasury, is first stamped with the date of receipt and then entered in an alphabetical register.

Claims, after being scrutinized, are passed to the extent of the credit warrant, and the particulars are posted in the "Provisional Ledger."

The claims are then sorted according to the places at which they are to be paid, and Schedules of Advices are prepared and addressed to the several Paymasters, conveying the Treasurer's authority to sign and issue certain cheques in payment of the claims. The claims are sent with the Schedules of Advices.

Simultaneously orders are sent to the banks on which the Paymasters have been authorized to draw, directing that the cheques of such Paymasters as are named in the orders are to be honoured and paid at any bank in which the "Public Account" is kept. These orders, before being transmitted to the respective banks, are forwarded to the Commissioners of Audit, who certify that the total amount of each order is within the limit of the amount for which the Governor has issued a credit warrant. No moneys can be drawn out of the "Public Account" in any other manner than by orders so countersigned by the Commissioners.

The country banks advise the Melbourne Banks of the operations on the Public Account, so that the Colonial Treasurer keeps accounts only with the six associated banks in Melbourne.

As stated in the remarks on the Audit Office, the receipts and disbursements of the Treasury in Melbourne, and of the Sub-Treasuries are posted direct into the Day Cash Book from the revenue and expenditure vouchers. At the same time the totals of the abstracts of the Receivers and Paymasters' receipts and disbursements are entered in a separate book, and balanced daily with the Cash Book. The totals of the daily cash transactions are posted into the Public Ledger, where are shown the daily acquittance or quietus from the Commissioners under section 34 of the Audit Act. In one column is the amount of the first acquittance on the day's transactions, and in the others the acquittance for the balance or removal of the surcharge if any. Thus the total amount under surcharge can at once be ascertained.

The revenue vouchers, after being entered in the Cash Book and numbered, are posted into the Revenue Detail Ledger, under the proper head of Revenue; where the monthly totals are summarized for the Public Ledger, and quarterly for the Quarterly Statement, a daily and weekly abstract being also made for statistical purposes.

The expenditure vouchers are dealt with in a similar manner, with the exception of the daily and weekly abstracts.

The daily postings are taken out in a Waste Book kept by each Detail Ledger Keeper, and the day's postings balanced with the Cash Book.

The salary of each person who is in receipt of a fixed annual salary is entered in the Salary Register in the column belonging to the month for which payment has been made, and opposite the name of the payee. This Register is supplementary to the Detail Ledger, into which all salaries are posted in the same manner as other expenditure.

The Agent-General's accounts are treated as advance accounts, inasmuch as the remittances are personal until vouchers for the expenditure have been received with the Agent-General's quarterly accounts-current, when the votes and appropriations on account of which the expenditure has been made are charged, and the Agents' personal account relieved.

To lessen the number of payments at the Treasury, and yet not inconveniently entrench on the system of final payments, advances are made to Heads of Departments to the extent of one-twelfth of the annual vote, and this advance is made at the commencement of the financial year. As a general rule, only one advance is made to any one Head of Department during the year. The sum advanced is sufficient to cover one month's expenditure. The Heads of Departments, as often as may be necessary, forward to the Treasury vouchers for the sums paid out of such advances; and the amount so vouched for, instead of being placed to the credit of the officer in his advance account, is repaid to him; and so on from month to month until the 25th of the last month of the financial year, when the expenditure of the advance is accounted for by vouchers, being generally those for the payment of services which came in course of payment during the last month of the financial year. The balance, if any, remaining unexpended of such advance is repaid into the Treasury, and together with the final vouchers are placed to the credit of the Advance Account, and duly brought into the Public Ledgers.

In Victoria, the year of account comprises all liabilities for services actually performed between the first and last day of the financial year, and all liabilities on account of the year, provided claims are made for payment within a period not exceeding the following year; and the Audit Act provides that a credit shall be opened in the Treasury for the purpose of meeting outstanding liabilities, and the moneys may be issued and applied in the following year, but not after.

At the close of each year all accounts in the Pay Offices relating to that year, payment of which has not been claimed, are sent to the Treasury, where they are posted in the Detail Ledger, to the particular vote or appropriation to which they are respectively chargeable, and similar amounts are then transferred to the credit of a Liability Account, and the accounts returned to the Pay Offices for payment.

The following is a list of specimen pages of Registers, Account Books, &c., in use in Victoria, forwarded herewith :—

In use in the Audit Office, in the Revenue Branch :—

1. Queries on Revenue Statements.
2. Queries on Declared Returns of Collectors of Imposts.
3. Form of Calendar.
4. Form of Report under 22nd section of Victorian Audit Act.
5. Abstract of Collections by Collectors of Impost.
6. Register of Patients at Lunatic Asylum.
7. Register of Special Funds.
8. Register of Rents of Government Buildings.
9. Register of Queries.
- 10 and 10A. Register of Land Sales and Licenses Returns.
11. Register of Surcharges Recovered.
- 11A. Ledger—Immigration Deposit Account.
12. Ledger—Intestate Estates.
13. Register of Declared Returns of Collectors of Imposts.
14. Register of Mining Leases.
15. Register of Agricultural Leases.
16. Reports on Examination of Declared Returns.

Audit Office Forms, Expenditure Branch :—

1. Form of Salary Register.
2. Register of Advances to Public Officers.
3. Authority Book.
4. Register of Special Funds.
5. Appropriation Book.
6. Register of Acquittances.
7. Warrant Book.
8. Order Book.

Treasury Forms :—

- Form of Warrant.
- Schedule of Authorities.
- Abstract of Special Authorities.
- Register of Accounts.
- BA, BB, BC, BD. Forms of Provisional Ledger.
- AA. Register of Accounts.
- C. Cash Book.
- DA, DB. Revenue Detail Ledgers.
- EA, EB, EC. Expenditure Ledgers.
- F. Salary Register, and
- G. Advance Ledger.

22nd June, 1870.

I have, &c.,  
CHARLES KNIGHT.

The Hon. the Colonial Secretary, &c.

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