

SESS. II.—1891.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE.

(REPORT OF THE, ON THE MEMORANDUM OF THE CONTROLLER-GENERAL RELATIVE TO THE DUTIES OF THE AUDIT DEPARTMENT.)

Brought up 21st August, 1891, and ordered to be printed.

THE Public Accounts Committee, having considered the letters dated the 10th and 18th August, 1891, from the Auditor and Controller-General to the Hon. the Premier, is of opinion that it is impossible to present a report of any value upon the questions raised by the Auditor in his letter without first making an exhaustive inquiry into the scope and administration of the whole Audit Department—an inquiry of such magnitude as to make it impossible for the Committee to report this session.

The Committee, recognising the impropriety of allowing the arrears in the audit of the local bodies to accumulate, are not prepared to incur the responsibility of objecting to the temporary appointment of the additional Inspector, which the head of the department asserts to be necessary.

Copy of the amended estimates, the letters of the 10th and 18th August, and a memorandum by the Auditor-General on the duties of the Department of Audit and Control, attached hereto.

21st August, 1891.

ALFRED SAUNDERS, Chairman.

LETTER from the CONTROLLER and AUDITOR-GENERAL relative to increasing the Audit Staff.

SIR,—

Audit Office, 10th August, 1891.

I have again the honour to refer to the Under-Secretary's letter of the 30th May informing me that the Government did not see its way to increase the staff of the Audit Department pending any inquiry which Parliament might direct to be made into the question of audit generally in the colony; and to respectfully request that the Government will be pleased to move Parliament to make such inquiry at its earliest convenience.

It is for Parliament to say what work it requires to be done in the matter of audit, and to determine what staff is necessary to do it. But it is only fair to myself, who am held responsible for the efficient audit of the public accounts, and the issue of the public moneys, and also to the staff at present employed, that Parliament should be informed that the work which the Audit Department is supposed to do is not at present being done as it should be owing to the insufficiency of the staff, and that if its duties are to be thoroughly and efficiently done either the staff must be increased or the range of its duties must be limited.

I have therefore the honour very respectfully to request that you will be pleased to lay this letter before Parliament, with the view of causing such inquiry to be made as Parliament may think fit in the matter.

The Hon. the Premier.

I have, &c.,

JAMES EDWARD FITZGERALD.

SIR,—

Audit Office, 18th August, 1891.

Referring to my late conversations with you on the subject of the Audit Office, I have now the honour to inform you of the arrangements I have made, of which I understood you to approve, and to submit to you the further assistance which I propose to lay before the Public Accounts Committee, and which is necessary to enable the Audit Office to fulfil its present duties.

1. I have promoted Mr. Ward, who was a cadet at a salary of £70 a year, to undertake the audit of the gold revenues, which was the work of Mr. A. Easton, lately deceased.

2. I have transferred Mr. George Easton, who was assisting Mr. Dodd in the audit of the local bodies' accounts, to assist Mr. Webb in the audit of the Trust and Insurance Offices.

3. I have appointed Mr. Bybles, of the Public Works Department, in the place of Mr. G. Easton at the salary as on the estimates of £170 a year.

4. I have engaged Mr. Arthur Bethune at a salary of 15s. a week as a cadet in the place of Mr. Ward.

5. I beg to submit revised estimates. I regret that in those printed the sum of £2,000 was estimated as likely to be received as recoveries. This included £300 to be paid by the Trust and Insurance Offices. But as the audit of those departments is not now borne on the Consolidated Fund estimates, that recovery ought to have been omitted.

6. The proposed estimates exceed those printed by £444. But, as the salary of the additional Inspector is put down at £210, and the recoveries are estimated at £300 less, the proposed estimates are practically less than the former; and the question for the Committee will be whether an additional Inspector is necessary.

I have, &c.,

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

AMENDED ESTIMATES.		£	s.	d.	£	s.	d.
AUDIT OFFICE—							
Audit Office, in London, half-salary...	...				200	0	0
Chief Clerk ...	...				400	0	0
10 Clerks, 2 at £300, 1 at £275, 1 at £210, 1 at £200, 3 at £180, 1 at £156, 1 at £85...	...	2,066	0	0			
Cadet, at 15s. a week ...	...	39	0	0			
					2,105	0	0
Audit of Local Bodies and Railway Expenditure—							
2 Clerks, 1 at £350, 1 at £170...	...				520	0	0
9 Travelling Inspectors, 4 at £250, 4 at £235, 1 at £210	...				2,150	0	0
Contingencies	...				2,500	0	0
					£7,875	0	0
Less recoveries	...				1,700	0	0
					£6,175	0	0
Vote	...						
Vote as printed	...				5,731	0	0
Increase	...				444	0	0
					£6,175	0	0
The increase is made up of—							
Audit Inspector	...	210	0	0			
Over estimate of recoveries	...	300	0	0			
					510	0	0
The remaining estimates are therefore less by £66.							

MEMORANDUM BY THE CONTROLLER AND AUDITOR-GENERAL ON THE DUTIES OF THE DEPARTMENT OF AUDIT AND CONTROL.

1. Control.

All moneys are paid into the bank, and issued thence by orders of the Controller and Auditor-General.

The issues are limited: (a.) By the cash in the fund out of which the payment is to be made; (b) by the vote or appropriation of Parliament.

Ledgers are kept in which the issuing balance is currently carried out, showing the ways and means in each fund, and the unexpended balance on each vote. These ledgers are balanced weekly. The ledgers are entered on the receipt side from the daily revenue account, and on the expenditure side from requisitions supported by vouchers, the latter having been previously passed by the Audit. The requisitions are called over and checked with the vouchers before entering. An Imprestee's Ledger is also kept showing the moneys issued on imprest to each imprestee, and the sums accounted for, with the balance outstanding against each. The Imprestee's Ledger is balanced with the general ledgers quarterly. A Local Bodies Ledger is also kept showing the state of the account of each local body with the Treasury.

Keeping the above books and passing the vouchers and accounts in several branches of revenue and expenditure occupies the whole time of two clerks—Mr. Roskrige and Mr. Innes. They have very frequently had to work to late hours to avoid arrears.

An account is also kept by the Controller personally, showing the Governor's warrants, and the issues against them, which is balanced with the general ledgers occasionally.

The above constitutes the work of the Control of the moneys of the Public Account, as distinct from the Audit, and a similar Control is exercised over the issues from the Post Office, the Insurance Office, and the Trust Office, although the accounts of the latter are kept in the departments themselves.

Of Audit.

Audit is divided into two branches—(a) Audit of receipts; (b) Audit of expenditure.

(a) *Of Audit of Receipts.*—All Receivers of Revenue send a *weekly* account of their receipts to the Treasury (*four-weekly* when the receipts are small). These accounts are sent to the Audit Office for audit, and are distributed among the several clerks:—

(1) Stamps,	}	Mr. Holdsworth and Mr. Roeband.
(2) Post Office balance-sheet,		
(3) Registration of births, deaths, and marriages,		
(4) Miscellaneous,		
(5) Property-tax (yearly),		
(6) Land revenue	}	Mr. Greville.
(7) Gold revenue		
(8) Receiver-General and other deposit accounts,	}	Mr. Swift.
(9) Law trust accounts,		

A return is made by the Chief Clerk every Monday morning showing the date up to which each class of revenue is partially or completely audited. It will be seen by this return that the audit of the land revenue is fourteen months in arrear. One more clerk is required in this department to replace Mr. A. Easton, lately deceased.

It is a standing order that when there is a press of vouchers for expenditure they are distributed amongst all the revenue staff, so that no payment shall be delayed in the Audit Office.

The accounts of all receiving officers are also inspected once a year by the Travelling Inspectors to see that the accounts in the office correspond with the statements returned to the Treasury weekly or monthly.

There are a considerable number of memoranda books and registers kept in order to check the correctness of the revenues, especially in the case of recurring payments, as in the land and gold revenue; and complete knowledge of the land laws, mining laws, stamp laws, and many other Acts is required in order to audit the accounts.

(b.) *The Audit of Expenditure.*—The New Zealand laws contemplate a pre-audit of all accounts, but this is modified to a very large extent in practice by the system of imprests, which amount to more than one-third of the whole expenditure.

The principal part of the vouchers for issue, as well as of those for imprests accounted for, are passed by the Chief Clerk and Mr. O'Connor; but, when necessary, all the clerks share the work.

It will be seen from the accompanying return what is the average amount of work done by the Audit; and also the actual number of days during which accounts lie in the Audit Office before being sent on to the Treasury for payment.

As there is an impression that payment-vouchers are delayed in the Audit, I find the following returned for the year ended 31st March, 1891:—

Total payment-vouchers received	...	...	...	...	57,248
Total credit-schedules* ... ..	...	...	...	...	5,136
Passed on day of receipt (per cent.)	...	...	...	...	73
Passed on day after (per cent.) ... ..	...	...	...	...	16.6
Passed on second day after (per cent.)	...	...	...	...	4.2
Passed after (per cent.) ... ..	...	...	...	...	6.2

The majority of those left over are salary-vouchers not payable till the end of the month.

Of the Audit Inspectors.

Formerly all the inspection of local offices was done by the Auditor-General in person, who travelled over one part of the colony each year. As the business increased and the officers became more numerous, especially by the introduction of railways, Travelling Inspectors were added to the Audit staff, and all local offices were inspected once a year. When it was proposed to bring the local bodies under the Audit Office, the late Colonial Treasurer requested me to state how many Inspectors would be required. I estimated the number at *nine*; only eight have, however, been employed, who might possibly be sufficient did no interruption to the current work occur; but when an Inspector is called off from his ordinary work, in the case of a defalcation being discovered in some account, and is detained to get up the case for a prosecution, great delay occurs in the audit of the local bodies account, which causes much dissatisfaction. After the experience of three years I am satisfied that the services of another Travelling Inspector are urgently needed. The colony is divided into eight districts, to each of which there is an Inspector. I propose that the additional Inspector shall be attached to the Head Office, so as to take up the work at any point in which arrears were accumulating. Without this additional aid I cannot undertake that the local bodies accounts will be audited with the expedition which those bodies reasonably expect. Of the accounts of local bodies for the year ended on the 31st March last, there are still undone those of four boroughs, ten counties, one hundred and two Road Boards, twenty Town Boards, eight River Boards. I append a statement of the whole number of local bodies accounts which have to be audited.

The accounts of Counties and Road Boards were formerly inspected by Provincial District Auditors, who were not under the Audit Office. They were dispensed with at a saving to the Government of £2,700 a year, which should be deducted from the Audit vote when estimating the cost of the Audit Department as compared with that of former years.

The local bodies were partly inspected in 1887 and 1888. But outside Inspectors were employed. In 1889 the House voted *nine Inspectors* on the permanent staff; but only eight have been appointed, and the number was reduced to eight on the estimates of 1890. The experiment has thus been tried and has failed, and my original estimate has been proved to be correct.

The Audit Inspectors also audit the accounts of every officer receiving or paying public money once every year throughout the colony. In order to secure that the whole time of the Inspectors is devoted to the public service, they send in a return—of which I append a specimen—every

* Each schedule contains many vouchers—sometimes as many as a hundred.

Monday, showing where they were and how engaged during each day of the preceding week, and support the same by reports on the accounts inspected.

A register is kept in the Audit of every account requiring inspection by the Inspectors, and the inspection is marked off as each is done. A memorandum-book of the same is kept by myself, in which I tick off every account as I certify it.

Recoveries.

Much of the time of the department is occupied in writing queries as to matters in each account which require explanation, and the result is a very considerable saving to the country. No complete account of such recoveries was kept till the year 1883; but since that date the whole amount recovered was—On the receipt side, £14,399 6s. 4d.; on the expenditure side, £22,973 16s. 3d.: total, £37,313 2s. 7d.—besides recoveries on the railway accounts from 1883 to 1886, when the Audit was abandoned, of £2,072 16s. 4d.

Prior to 1883 a recovery was made by the Chief Clerk of £2,778 on one claim, in which the case went to the Supreme Court, and the decision of the Audit was upheld. I remember another saving of £600 in one sum; and since March last two recoveries have been made—one of £1,000, and one of above £500—by which the gentleman who discovered them has saved his salary to the country for five years.

Character of an Audit Department.

I take the liberty of respectfully representing to the Committee that, in one respect, the work of an Audit Office differs from all others. In all other departments it can be readily ascertained whether work is honestly done or not. In an accounting-office it can be ascertained whether accounts are correct or not; but if you set any one to see whether the additions or extensions in an account are correct, you cannot tell, except by another audit, whether the work has been honestly done or scamped. The whole work of an audit-office is therefore one of trust and honour, not of compulsion; and I respectfully submit that it has ever been held that such duties are deserving of higher remuneration than those of mere penmanship; and I respectfully submit that the recoveries made by the Audit in this colony conclusively shows that its duties have not been performed in a perfunctory manner, and that not only the public and members of the Civil Service, but that banks, members of Parliament, and Governors have alike borne pecuniary evidence to the carefulness of its investigations, and the impartiality of its decisions.

The Status of the Audit Department.

There is one other subject which I beg I may without disrespect submit to the Committee. It is the relation of the Audit Office to the Executive Government.

The Audit Office is supposed to be a part of the Colonial Secretary's Department, and its cost is borne on the Colonial Secretary's estimates. It is so borne on the estimates of New South Wales, Victoria, and South Australia. In Queensland, Western Australia, and Tasmania it stands on the estimates, as in those of the English Government, as a separate department. So far from complaining of the position of the Audit Office as subordinate to and represented by the Colonial Secretary, my complaint is that no Minister who has ever held that office has taken such interest in the Audit or its work or requirements as to represent it and defend its estimates in Parliament in the same manner as he does those of his own department. Every Minister is and feels himself to be acquainted with, and responsible to Parliament for, the work done in his department; but the Audit Office has no such representative.

I venture respectfully to submit that this is not a satisfactory position. The Audit Office is really the agent, so to speak, for and representative of Parliament when not in session, so far as regards the expenditure of the public money, and I would respectfully suggest that if its estimates were voted as a separate department, and it were deemed to be directly under the control of Parliament as represented by this Committee—if, in short, it were regarded as an office under Parliament itself—its position would be more intelligible, and its requirements would be considered apart from that which must always influence all Governments—viz., the desire to curtail the public expenditure as far as possible.

In reference to this point, I desire to point out that in England and every colony other than New Zealand the Auditor-General makes a special report to Parliament on each year's expenditure, and especially on any excess of expenditure over the votes. That has not been the practice in this colony, and the Auditor-General could not make a special report without bringing the cause of it into invidious notoriety, and placing himself, as it were, in a position of hostility to the Government. Such an annual report is in some colonies required by law. It is so required in England as regards the Appropriation Account (see "Exchequer and Audit Act, 1866," section 32), and it is expressly stated (section 27) that "the Appropriation Account shall be examined by the Controller and Auditor-General *on behalf of the House of Commons.*"

I have appended hereto the following papers with amended estimates: (A) Weekly returns of the state of the audit of the revenue accounts; (B) Inspector's weekly report of work done; (C) present staff, and how employed; (D) return of vouchers passed and recoveries since 1883; (E) estimates printed since 1881; (F) expenditure since 1881; (G) annual return of work done, 1890–91; (H) description by each clerk of his work; (I) number of local bodies.

JAMES EDWARD FITZGERALD.

Controller and Auditor-General.

[*Approximate Cost of Paper.*—Preparation (not given); printing (1,300 copies), £2 10s.]

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