

that for the regularity of the payments theirs is the responsibility, and they take good care not to make any payment which they are unable to justify. The consequence is that there is no trouble at all in auditing the accounts of the Public Trustee. When I was before the Public Accounts Committee in 1898 I submitted a memorandum in explanation of the grounds on which I think audit after payment is better than audit before payment. The memorandum is in I 7A, 1898, and is as follows:—

*“ Audit, Pre-audit, and Post-audit.*

“ Whether the Audit Office passes a voucher or not, the responsibility of the administration ought to remain the same.

“ The expenditure of the administration must naturally be confided, and cannot but be confided, to the care of its officers. These officers, being employed directly in the service of the administration, must be assumed to consider it their principal duty to study, with a view of promoting, the best interests of that service, and to be incapable of knowingly authorizing any payments which in their judgment the Audit Office, with all the information, should be unable to pass.

“ Under the system of post-audit, the system of auditing after payment, the administration is under the necessity of justifying its payments at the audit, and this obligation must operate effectively to keep the administration alive to its responsibility by the fear of having, as the consequence of failure to justify the payments, to make good the amount of them.

“ Under the system of pre-audit, the system of auditing accounts for payment before the payments are made, the administration has not, of course, the great motive for prudence which is but the natural effect of having to justify the payments after they are made; and if, consequently, the responsibility of the administration should not operate so effectively to secure to the public service a justifiable expenditure, that security which the responsibility of the administration should give for a justifiable expenditure would be either weakened or lost. The justification might then be left to depend almost, if not entirely, on the failure of the Audit Office to detect irregularity. The passing by the Audit Office of the vouchers for expenditure before the payments are made is in practice apt to beget an assumption that this passing beforehand is the main justification in any event, and the tendency of such an assumption must be to weaken or destroy whatever security the responsibility of the administration ought to afford.

“ A department of administration has the special knowledge necessary to and the best means of judging whether every particular item of the expenditure of the department can be justified. The Audit Office, on the other hand, has but a general knowledge, and cannot be expected to detect all cases of irregularity. Where, then, the audit follows the payments, the administration is uncertain what payments the auditor may question, and naturally does not make any payments which in its judgment the auditor ought not to pass. The judgment and discretion of the administration are thus exercised to secure, independently of the Audit Office, just and regular expenditure. Where, however, the audit of expenditure precedes the payment, and the auditor passes what practically are but proposals to pay, the administration may be content to make all the payments that the auditor may pass—that is to say, may be less careful of being able to justify the payments on any other ground than that the auditor has not objected to them. The powerful motive of self-defence is wanting.

“ But, in any case, the responsibility of the administration remains, and its officers must have the care of the expenditure, not less because they are assumed to be incapable of proposing to make or of approving of any unjustifiable payments, than because the Audit Office is a check against irregularity.”

4. Are you still of the opinion you expressed in that memorandum?—Yes, still of that opinion.

5 *The Chairman.*] What was the general purport of that paper?—It was a matter of dispute that came before the Public Accounts Committee in 1898.

6 *The Right Hon. Sir J. G. Ward.*] What is your opinion as to the effectiveness of post-audit as against the pre-audit system for carrying on the business of the country? In the memorandum you have just read you referred to the officers: how is it going to affect the officers?—I do not see how it could affect the business of the country. The Treasury would be subject to no requirements from the Audit Office except that the money necessary to its expenditure should be authorized by the Audit Office to be issued from the Public Account, and that authority would be given in accordance with the appropriations.

7 Do you think it would facilitate the prompt payment of claims?—I think so. In the two places I spoke of, the Post Office, which makes nearly all its payments before audit—that is, out of imprest moneys—and in the Public Trust Office, there is undoubtedly facility in making payments, and the business, I think, is accelerated.

8 Can you tell the Committee what the practice is elsewhere?—I do not know of any audit in any part of the world that precedes payment—that is to say, any audit of the proposals to pay. It seems to me that pre-audit is a contradiction in terms. An audit is really the hearing of what the Department has to say respecting the work it has actually done—finished with. The administration should have an unrestricted use of the money before audit, except, of course, it should have no more money than the appropriations authorize, but it should have an unrestricted use of that money, and it should submit its accounts of that money to audit afterwards.

9 And then I understand that our imprest system is practically post-audit?—Yes, except so far as the issue of imprest-money itself is made. The amount issued by way of imprest is first passed by the Audit Office as a proposal to pay that amount of money to the imprestee, but the expenditure of the money by the imprestee is made before audit.

10. And that is carried out to a very large extent?—Yes, by the Post Office.