

menting upon Mr Gladstone's recommendations, Mr Romilly, the Chairman of the Audit Board, deprecates the imposition upon the Audit Department of any duty partaking of an executive character. The duty of an auditor of public accounts should be, according to him, to pass in review the acts of an accountant *after those acts have been completed*. His functions cannot properly begin until those of the department whose receipts and payments he has to check have ceased." Then Mr Romilly uses these words: "Any interference, direct or indirect, on the part of the auditors previously to payment being made or recorded cannot but lessen the responsibility of the accountant. It also renders the auditor incompetent to express an opinion on acts which he has himself advised and sanctioned. The freest possible action should be left to the executive to expend the public moneys intrusted to it on its own responsibility, *subject nevertheless to the subsequent examination and check of the auditors*. The result of such examination by the auditors should be reported by them *directly* to those by whose authority the rules which the accountant is bound to observe were made. The mere knowledge that any deviations from those rules will be so reported—as, for instance, that deviations from the directions of Parliament will be brought directly under the cognizance of Parliament—cannot but be a most effective check upon improper or irregular expenditure of every kind, and, in so far as the main branches of the executive are concerned, the publicity which must necessarily be given to such reports to Parliament furnishes the most effectual mode by which control can be exercised through the instrumentality of an Audit Office."

31. When was that?—That was the opinion of the Chairman of Audit Board upon Mr Gladstone's views in a memorandum of the Auditor-General's on financial control and audit, ordered by the Legislative Assembly of New South Wales to be printed on the 23rd March, 1865.

32. Now, regarding the transfer of one appropriation to another, what is the practice in other countries?—Take, for instance, the Cape of Good Hope Audit Act of 1906, section 33. It states, "If the exigencies of the public service render it necessary to alter the proportions assigned to the particular items comprised under one vote, it shall be lawful for the Minister charged with such expenditure to authorize the use of surpluses on items in a sub-vote to cover deficits on items in the same sub-vote, or, when there are no sub-votes, the use of surpluses to cover deficits for items which are not incongruous: Provided that no surplus on a sub-vote shall be made available for expenditure on another sub-vote, or any surplus in a vote which has no sub-votes for expenditure of an incongruous kind under the same vote, without the authorization of the Treasurer; and, in the latter event, the said Treasurer's approval, upon a form prescribed in the regulations, shall be forwarded to the auditor in order that the amount may be duly transferred as though the estimates had originally shown the figures as so modified, and that the facts may be reported by him to Parliament. Provided further, that on no account shall any salary grants be supplemented from savings under any other items." That is practically, I think, a provision such as we had for years in the Public Revenues Act, enabling the surplus of one vote to be carried to another vote by order of the Governor.

33. In your experience as Controller and Auditor-General in this country, is that necessary?—It would be necessary to avoid application to the Unauthorized Expenditure Account.

34. Are you of opinion that some such provision should be provided to enable the administration to be carried on properly?—Well, I think that is a question simply for the administration and for Parliament. If there was no such provision there would have to be a larger provision for unauthorized expenditure. If there could be no recourse to the surpluses of votes for the expenditure on exhausted votes under the same class, such expenditure would either have to be deferred until Parliament made an appropriation, or paid under the authority for unauthorized expenditure.

35. So that in practice one system or the other would be necessary?—Yes, or payments would have to be postponed.

36. Then you say that either of the systems would be necessary, either of transfer of one appropriation to another or payment out of unauthorized—either one of the other would have to be done without the authority of Parliament until afterwards. If it was unauthorized Parliament would have no control of it until after the unauthorized expenditure had been incurred?—No. Parliament has, subject to its subsequent approval of unauthorized expenditure, authorized the Administration to spend up to the amount of the statutory limit for such expenditure.

37. But the details of limit of unauthorized expenditure, so long as the aggregate authorized was not exceeded, would devolve entirely upon the Administration?—Yes.

38. So that within the limits of authorization it would put the power of providing for what has never been had—the transfer of appropriations—into the hands of the Executive alone?—Yes, into the hands of the Executive alone, but the Audit Office would see that no money was issued for unauthorized expenditure in excess of the amount to which that expenditure is limited by the Public Revenues Act.

39. That is, the total authorization?—Yes.

40. But I am talking about amounts within the total authorization, which is the point I wish to get clearly before you. Within the limit of the authorization of Parliament, the Executive, in the absence of authority, transfer one appropriation to another, and can do what it likes with that?—Yes.

41. So that you say, in the event of the transfer system not existing, then the unauthorized would require to be increased in order to take its place?—Yes, I think so, assuming that the unauthorized is insufficient for the purpose already.

42. Then in any case, in the event of the transfer of one appropriation to another being abolished, the payments to be made out of it would require to come out of unauthorized?—Yes, there would be no authority for them. The transfer is required of the surplus of one vote to another under the same class because the expenditure under the votes to which transfers are to be