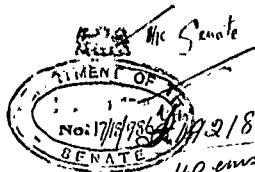


1917-18



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R E P O R T

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

UPON

" COMMONWEALTH FINANCE: "

" (a) Credit Balances. "

" (b) Method of Departmental Payments. "

MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT
COMMITTEE OF PUBLIC ACCOUNTS.

(Second Committee).

JOHN THOMSON, ESQUIRE, M.P., Chairman
MATTHEW CHARLTON, ESQUIRE, M.P., Vice-Chairman.

Senate.

Senator Thomas William CRAWFORD
Senator The Honorable John EARLE.
Senator Allan McDOUGALL.

House of Representatives.

Llewelyn ATKINSON Esquire, M.P.
James Howard CARTS Esquire, M.P.
James Edward FRETON, Esquire, M.P.

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PROCEEDINGS OF THE COMMITTEE.

The taking of evidence in the enquiry into the "Financial arrangements of Public Departments" was carried on concurrently with the enquiry into "Expenditure on Premises in the Capital Cities Owned and rented by the Commonwealth for Office Accommodation", which commenced on 12th August 1918.

The examination of Witnesses in connection with the report now presented, was conducted by the Committee at Meetings, terminating on 25th. November, 1918.

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12/6.

R E P O R T

OF THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

Under the "Committee of Public Accounts Act 1913" upon

"COMMONWEALTH FINANCE"

"(a) Credit Balances".

"(b) Method of Departmental Payments."

John

I N T R O D U C T O R Y.

The Public Accounts Committee in pursuance of an investigation undertaken at the request of the then Treasurer (the late Lord Forrest) into the "Increased Expenditure of Public Departments" has already presented a Sectional Report dealing with the "Expenditure on Premises in the Capital Cities, owned and rented by the Commonwealth for office accommodation". The Committee now presents a further Sectional Report dealing with Credit Balances, and Method of Departmental Payment. -

The Budget Papers as submitted to the House of Representatives by the Treasurer (the Honourable W. A. Watt) on 25th September 1918, disclosed the following Treasury Balances at 30th June 1918. -

There was held in Banks in Australia on current account an amount of		18,851,189:
In London an amount of		6,403,307:
Lent to the Government of United Kingdom:		500,000:
General Fixed Deposit at Commonwealth Bank in Australia:		<u>7,000,000:</u>
A total amount of:		<u>£22,754,496:</u>

Of this amount the War Loan balances in hand on the same date were £23,710,662:

In reference to the above funds the Committee ascertained that interest was being earned on practically the whole of the money in London viz: 6,403,307: which was lent at variable rates of interest on short-dated loans.

Interest was also being received for the money lent to the Government of United Kingdom	500,000:
and the Fixed Deposit at the Commonwealth Bank	<u>7,000,000:</u>
A total of :	<u>£13,903,307:</u>

In addition to the total funds shown above viz: £22,754,496: there was a sum of £3,928,000: held in the Bank of England at interest under conditions amounting to a trust.

It will be seen that the amount held on current account (£18,851,189:) in Banks in Australia was not bearing interest.

The amount held under similar circumstances on 30th June 1917 was £19,144,553.

PRESENT SYSTEM OF ADVANCES TO DEPARTMENTS BY TREASURY.

Under the Treasury regulations provision is made for authorising Officers, Certifying Officers, and Paying Officers. At the beginning of the financial year (1st July) the Paying Officer of each Department makes application to the Treasury for certain

monies under Revenue, Loan and Trust Funds, estimated to be sufficient to meet his payments during the succeeding fortnight; in some cases Paying Officers have money placed to their credit daily. The money is placed to the Paying Officer's credit at the Commonwealth Bank. These are called Departmental Advance Accounts.

It is then under the control of the Paying Officer and also of another officer called the Counter-signing Officer.

In cases where large payments are necessary, application is made by the Department to the Treasury for a special advance.

Accounts for payment after being received and passed through various books are certified by the Certifying Officer; before payment is effected the authorising Officer has the final scrutiny and sees that accounts are in order and have been certified; they then go to the Paying Officer for payment.

After payment the vouchers are scheduled by the Paying Officer on a "reimbursement form" which is completed by being checked by the Authorising Officer and is then forwarded to the Treasury.

The amounts thus represented are placed by the Treasury to the credit of the Paying Officer's Departmental advance Account. The same routine is followed throughout the financial year, up to the 30th June, when any unexpended balance in the Bank is repaid to the Treasury.

As an indication of the amount involved in the total expenditure disbursed "by Departments" for the year 1917-18, the following figures may be quoted :-

Expenditure under ordinary Votes:

Special Appropriations	£5,137,236	
Departmental	<u>10,467,695</u>	£15,604,931
War Services:		
Ordinary Votes and Appropriations	11,856,235	
From War Loan Fund	<u>54,886,115</u>	66,742,350
New Works Buildings, Sites &c.		
Paid from Revenue	625,014	
Paid from Loan Fund	<u>1,803,488</u>	<u>2,428,502</u>
		<u>£84,775,783</u>

The total expenditure of the Commonwealth for the same year was £93,997,542:

UNEXPENDED BALANCES. - The accounts under the three headings of Revenue, Loan and Trust Funds are kept separate throughout the year, and there is a certain amount from each lying in the Bank during the whole of the Financial Year: and as there are no fewer than twenty-nine Paying Officers in Melbourne, these amounts aggregate a considerable sum reaching sometimes between one and two million pounds: No interest is earned by these balances.

In the other Capital Cities there are also several paying Officers and Countersigning Officers, but the number in each case is less than in Melbourne.

SYSTEMS IN STATES :- In some of the States, arrangements exist whereby the State Government receives interest on daily balance at current account.

In one State at least, interest is payable conditionally upon a certain balance being maintained, and allowed only to a maximum specified sum, the Government also having the right to place money at interest on fixed deposit with other Banks.

REMEDIAL MEASURES.

Broadly speaking the Committee during the course of their investigations were concerned with two main points in this enquiry, viz:-

(1) The fuller employment of Treasury Balances for the purposes of earning interest,

(2) A more economical method of Departmental Payments.

As already pointed out in reference to the first item there was on the 30th June last an amount of £18,851,189 at current account in the Bank in Australia which was not earning interest, whereas in regard to the amounts at current account in London the money was bearing interest.

The reason advanced by witnesses why the same procedure is not adopted here was that there were no such opportunities in Australia for lending money at short dates as there are in England. There is no difficulty in London in placing money on the market even for 24 hours, as there is a constant demand for the employment of surplus funds at short call. The shortest period for which similar arrangements could be made in Australia would be about three months, provided such money would be placed on fixed deposit.

The second point in the Committee's considerations deals with a more economical method of Departmental payments.

At the present time each Department of the Commonwealth pays its own accounts and the suggestion was made to the Committee that the Treasury Department should pay everything except the salaries and wages of officers and other employees of the Government, which can be more conveniently done in the Departments themselves.

that
It was claimed by witnesses/there are many advantages to commend such a system: in the first place it would obviate the necessity for numerous advance accounts under the control of officers of each Department, thus economising public funds. There would be a reduction of work and of the number of officer

at present employed in dealing with public monies. One witness said "The advantage to the public would be great, because they would have little or no difficulty in knowing where to look for payment of monies."

As previously stated there are twenty-nine Paying Officers in Melbourne, and a like number of countersigning Officers. It is obvious that if payments were all made from the Treasury that number would be considerably reduced.

The Committee were informed that a similar system is already in operation in more than one State.

There exists in Queensland a system which also does away with the necessity of keeping large balances to credit of various Paying Officers. There the accounts for payment are first scheduled and the Treasury allots to the Department presenting the Schedule a sum necessary to acquit these accounts, so that upon the Department paying them, there would only remain at the Bank a sum equivalent to the unrepresented cheques.

RECOMMENDATIONS.

CREDIT BALANCES.

Your Committee viewing with concern the large amount of money (Nineteen Millions odd;) on current account, which is not earning interest: recommends that action should be taken by the Treasury to make arrangements whereby Treasury Balances held by the Bank and not immediately required, should be invested on a reciprocal basis so as to return interest to the Consolidated Revenue Fund.

METHOD OF DEPARTMENTAL PAYMENTS.

The Committee recommends that the present system of each Department of the Commonwealth paying its own accounts should be discontinued:

That the Treasury should be responsible for payment of all monies with the exception of salaries and wages of Officers and others employed by Departments: thus reducing the number of Paying Officers and preventing the accumulation of balances in numerous Bank Accounts.

John Thomson
Chairman.

12th. December 1918.

1917-18.

Proof, please
R. A. B.

12-12-18.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

~~S.~~ 19218

Report
from the
Joint Committee of Public Accounts -
upon
Commonwealth Finance:

- (a) Credit Balances.
- (b.) Method of Departmental Payments.

Presented pursuant to Statute
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