



1958.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTIETH REPORT.

THE FINANCE STATEMENT.

By Authority:

A. J. ARTHUR, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

THIRD COMMITTEE.

F. A. BLAND, ESQUIRE, C.M.G., M.P. (Chairman).

A. V. THOMPSON, ESQUIRE, M.P. (Vice-Chairman).

Senator A. M. BENN.

Senator the HON. H. S. SEWARD (Deceased).

Senator I. E. WEDGWOOD.

Senator H. W. WADE.*

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F. J. DAVIS, ESQUIRE, M.P.

A. S. HULME, ESQUIRE, M.P.

H. A. LESLIE, ESQUIRE, M.P.

The Senate appointed its Members of the Committee on 16th February, 1956 and the House of Representatives its Members on 22nd February, 1956.

* Appointed by the Senate on 6th August, 1958, to fill a vacancy occasioned by the death of Senator the Hon. H. S. Seward.

DUTIES OF THE COMMITTEE.

Section 8 of the *Public Accounts Committee Act 1951* reads as follows:—

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1957*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question.

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTIETH REPORT.

THE FINANCE STATEMENT.

CHAPTER I.—INTRODUCTION.

Shortly after the reconstitution of the Joint Committee of Public Accounts in 1952 the First Committee initiated investigations into the form and content of the financial documents presented to the Parliament. These investigations have been continued by succeeding Committees and Reports so far have been submitted to the Parliament on the Budget Speech, the Estimates of Receipts and Expenditure and the Appropriation Bills (the 18th Report), the Supplementary Estimates (the 31st Report) and the Trust Fund (the 34th Report).

2. In the course of these continuing investigations Your Committee have directed enquiries to the Treasury, the Audit Office and other bodies on many matters. In May, 1954, Your Committee suggested to the Treasury and the Audit Office that shillings and pence might be omitted from the Statement presented annually to the Parliament by the Treasurer in pursuance of section 50 of the Audit Act—the "Finance Statement". Neither the Treasury nor the Audit Office then favoured the proposal although the grounds for their objections were not entirely convincing. Extracts from memoranda forwarded to the Committee on that occasion appear in Appendix No. 1.

3. On 25th March, 1958, the Department of the Treasury wrote to Your Committee proposing a number of variations to the Finance Statement, including the deletion of shillings and pence. The Treasury said:—

"Deletion of the shillings and pence from the published Finance Statement would save time in the preparation of the manuscript for the Government Printer. It would also save time in the Composing Room and other sections of the Government Printing Office and, of course, in the subsequent checking. This, and other possible changes in the form of presentation have therefore been re-examined including the need to reproduce in the Finance Statement the information contained in the column headed 'unexpended'.

The origin of the column containing the amounts unexpended is not recorded although it is probably reasonable to infer that it was derived from Section 50 of the Audit Act which requires the votes which shall have lapsed to be shown in the Statement, and the contemporary practice in Victoria—which was changed in 1924-25. Calculation of these individual amounts, the recording of them, the checking, the transcription and subsequent printing, all involve a good deal of labour at a time when the officers concerned are pressed by other duties. There is not a record of the information contained in the column being used to advantage, or having been sought, and it is not thought that the need for identification of the heads of expenditure, of which a portion has lapsed, warrants the cost of presentation.

The individual amounts which are published as expenditure in the Finance Statement would be rounded off to the nearest £. A suitable notation to that effect would be included in a prominent position at the beginning of the Statement. The record in the Treasury from which the manuscript of the Finance Statement is prepared will not be affected by these particular suggestions. It is bound and will be preserved indefinitely.

The Finance Statement of South Australia has been published during the last ten years with the amounts shown only in pounds. Neither in the accounts of Victoria nor those of New South Wales is the amount of the vote remaining unexpended recorded.

In recasting the form of Table 6, consideration was also given to the need to continue the present practice of showing a total for each division. Whilst these totals are calculated for the estimates of expenditure their inclusion in the Finance Statement requires time for transcription, for setting up, and for checking. . . . These changes . . . would lead to savings of paper and machine time at the Government Printing Office.

Whether or not these changes could be made without an amendment to the *Audit Act* 1901-1937 is probably open to much argument, one way or the other. If, however, the idea commended itself, it would be the intention of the Treasurer, in due course, to propose any necessary alterations to the legislation. But in the meantime, he would commence the variations with the Finance Statement for 1957-58.

The purpose of this memorandum is therefore to suggest to the Committee the advantages of a change of this nature, that there would not be any diminution in the information of value made available to Parliament and that it provides an opportunity for worthwhile savings in the Central Treasury and in the Government Printing Office of skills that are both scarce and expensive. If it is convenient for the Committee to do so, an early opportunity of discussing the suggestion with them will be appreciated. . . ."

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4. Your Committee asked the Auditor-General for his comments* and met on Tuesday, 6th May, 1958, to discuss these proposals with the Treasurer, the Audit Office and the Public Service Board. At that meeting evidence was taken from Mr. C. L. S. Hewitt, First Assistant Secretary (Budget and Accounting), Department of the Treasury, and observations were offered by Mr. H. C. Newman, O.B.E., Auditor-General for the Commonwealth, and Mr. L. O. Brown, M.B.E., Assistant Commissioner, Public Service Board.

CHAPTER II.—THE PROPOSALS.

- 5. The Treasury proposals as submitted to the Committee envisaged:—
 - (a) the deletion of shillings and pence from the Finance Statement and showing the amounts to the nearest pound;
 - (b) the omission of the column "unexpended" from various tables, principally Table No. 6; and,
 - (c) the exclusion of divisional totals from Table No. 6.

The basis for some of the earlier objections by the Audit Office and the Treasury to the deletion of shillings and pence from the Statement was the requirements of section 50 of the Audit Act, under which the Finance Statement is prepared by the Treasurer. The relevant parts of the section read:—

"The Treasurer shall as soon as practicable after the end of every financial year prepare a full and particular statement in detail of the expenditure of the Consolidated Revenue Fund for such year (classified and arranged in the same form and under the same divisions and subdivisions as shall have been employed in the appropriation thereof and showing all votes which shall have lapsed) . . ."

6. As the Treasury had expressed some doubts whether the changes could be made without amendment of the Audit Act Your Committee discussed the matter further with both Mr. Hewitt and the Auditor-General, Mr. Newman—

"COMMITTEE MEMBER.—Could you clear that up a little? You say you might have to alter the Audit Act, but in the meantime, before the alteration, you would go ahead with this procedure. I do not like the Committee to agree to a procedure that might be challenged somewhere unless we know the position pretty clearly?—(Mr. Hewitt) If I may say so, I think that is a very reasonable question. Taking the second part first—one could have a very long and extremely satisfying dispute about whether the Audit Act could be construed to support or oppose this. I would go further and say that, despite its satisfying aspects, it would be pretty profitless. If the suggestion commends itself in principle, it is better to remove doubts, as there no doubt are. I think an amendment to the Audit Act would be necessary, even if only to express it more clearly. That is putting it on its lowest plane. I think that if there is agreement and the Auditor-General, the Treasurer, and the Committee itself, are prepared to find merit in the proposal, and say so, certainly someone might feel disposed to challenge it, and there is enough legal opinion to say it might be challenged, but if Parliament accepts it in the knowledge that the Audit Act will be amended, and it is sanctioned, it thereby becomes legal. I think there is much merit in making the change. I myself would like to make it. It is a desperate enough problem, in the ordinary course, from 30th June onwards and immediately preceding. An amendment to the Audit Act cannot be made overnight. It is one of the things to be included in the next bill to amend the Audit Act.

Audit Act 1901-1957, section 50

See paragraph 3 above.

Q. 15.

(Mr. Newman) Yes. The full records must remain. I think the objection of the previous Auditor-General arose from the wording of section 50 of the Audit Act . . . I think that was the technicality that I mentioned earlier. If the accounts were stated to the nearer pound, and the shillings and pence were dropped, it would not be a full and particular statement in detail, but if the full record is maintained, what is published in the Treasurer's statement and presented to the Parliament is, I think, a matter for consideration from the points of view made by the Treasury in regard to the savings that can be effected. In my opinion, it would not affect the responsibilities of the Auditor-General in his examination of the Treasurer's Finance Statement."

Q. 21.

7. While shillings and pence are essential to the maintenance of proper accounting records they contribute little to the Finance Statement, and their exclusion will not lessen its usefulness in any material way. The Statement is not an accounting record; its purpose is to inform the Parliament and the public at large of the cash transactions of the Commonwealth. In the view of Your Committee that purpose will still be achieved.

8. The remaining two variations involve the resetting of certain Tables, principally No. 6, in what may prove to be a little less convenient form, but we suggest that the benefits gained more than outweigh any disadvantages. Some of these advantages, one of which is a not insubstantial reduction in the cost of the production of the document, were elaborated upon by Mr. Hewitt and the Auditor-General before Your Committee—

"(Mr. Hewitt) . . . One is the time taken in various parts of the process of producing the Finance Statement; in the context that a small staff at this particular time of the year is being asked to prepare at least three major documents. One is the Finance Statement; another is the

Q. 1.

* The comments submitted by the Auditor-General appear in Appendix No. 2 to this Report.

Estimates of Expenditure for the succeeding year; and the third is the Statement as it now is of expenditure from Advance to the Treasurer, pursuant to section 36A of the Audit Act—what was contained in the Supplementary Estimates.

There is considerable pressure on a small accounting staff and there is considerable pressure, too, in the Government Printing Office. Any contribution that can be made to reducing the amount of work is one that I think is highly desirable. . . ."

"(Mr. Hewitt) . . . I think one's judgment on this depends very largely upon the way in which the problem is tackled. In terms of Commonwealth expenditure amounting to £1,200,000,000, I suppose it is of no importance whatever. I prefer to take it against the background that there is a small staff working in both the Treasury and the Audit Office at high speed, and under great pressure, at this very short space of the year in order to produce all this information. Here are avenues for lessening quite considerably the clerical burden and the amount of work in the Government Printing Office. I prefer to put the advantages of the problem in that context, and against the background in the Printing Office that the effect is that you are saving paper, machine time, binding time and so on. . . . Over and above that, I put it in the context that I think a staff ought to be satisfied that what they are employed to do is worthwhile and is being done in the best possible way. If they are, their interest in the work and the efficiency of the organization are greatly improved. It is against that type of saving that we can judge the merit of this proposal.

"(Mr. Newman) Another important thing is that it will ensure that I shall get the Treasurer's Finance Statement earlier than I would otherwise. At present, we are more or less standing on one leg waiting for the submission of the Treasurer's Statement in order to get my Report finalized, printed and tabled. I am hoping it will expedite the submission of the Treasurer's Finance Statement to enable me to complete my work."

CHAPTER III.—CONCLUSION.

9. The purpose of this Report is to invite the attention of the Parliament to the changes in the form of the Finance Statement for 1957-58; Your Committee are favourably disposed towards them.

10. The changes, small in themselves, make a worthwhile contribution towards achieving the desire of Your Committee to have an early presentation to the Parliament of three important financial documents, the Finance Statement, the Auditor-General's Report and the Statement of Expenditure from the Advance to the Treasurer, which has replaced the measure formerly known as the Supplementary Estimates. On this occasion these documents have been made available to the Parliament within seven weeks of the conclusion of the financial year, a notable achievement.

11. However, we remind the Parliament that our endorsement of these variations in the form of the Finance Statement has been on the understanding that any necessary amendment of the Audit Act to ensure the validity of the new forms will be proposed by the Treasurer in due course. We think, too, that the Act might be amended to provide that the full and detailed accounting record in the office of the Treasury, from which the manuscript of the Finance Statement is prepared, shall be retained permanently.

For and on behalf of the Committee,

R. C. DAVEY, Secretary,

F. A. BLAND, Chairman.

Joint Committee of Public Accounts, Parliament House, Canberra, A.C.T. 7th August, 1958.

APPENDIX No. 1.
Report paragraph No. 2.

EXTRACT FROM DEPARTMENT OF THE TREASURY MEMORANDUM OF 19th MAY, 1954, TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS, COMMENTING ON A PROPOSAL TO DELETE SHILLINGS AND PENCE FROM THE FINANCE STATEMENT.

The Finance Statement is the official record of the financial transactions of the Commonwealth for the year. It is prescribed by section 50 of the Audit Act and is reported upon to Parliament by the Auditor-General. The Treasury does not consider it desirable that a statutory document of this nature should be abridged in the manner suggested. Furthermore, we have considerable doubt whether the Auditor-General would be prepared to certify the correctness of approximate amounts.

There is also a further consideration. Treasury ledgers are destroyed after a period and thereafter the Finance Statement provides the only complete and authentic record of past receipts and expenditure. On occasions it is necessary to know precise details of early transactions.

EXTRACT FROM A MEMORANDUM DATED, 2nd JULY, 1954, FROM THE AUDITOR-GENERAL FOR THE COMMONWEALTH, MR. J. BROPHY, TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS COMMENTING ON A PROPOSAL TO DELETE SHILLINGS AND PENCE FROM THE FINANCE STATEMENT.

There are three financial statements which the Audit Act requires the Treasurer to prepare covering the transactions in the Consolidated Revenue Fund, the Loan Fund and the Trust Fund. The specific wording of the legislative provision in regard to each statement has a bearing on the extent to which information shall be supplied—

- (1) *Monthly Statement of Receipts and Expenditure (Section 49 (1)).*
"publish a statement."
- (2) *Half-yearly Statement of Receipts and Expenditure (Section 49 (2)).*
"publish in the Gazette a statement in such detail and in such form as the Treasurer may direct."
- (3) *Annual Finance Statement (Section 50).*
"prepare a full and particular statement in detail."

The distinction made in regard to these three statements in relation to the point under consideration is important. The interpretation which successive Auditors-General have placed on the provisions of section 50 is that the statement of the financial transactions of the year must be absolutely accurate. A statement in which amounts are shown to the nearest pound can be regarded only as an approximation.

The details which appear in the ledgers of the Sub-Treasuries and the Central Treasury contain the exact figures for divisions and subdivisions of expenditure of the Consolidated Revenue Fund and for what are defined in Treasury Regulations 4 and 33 as heads of expenditure and heads of revenue respectively. The amounts shown under items of expenditure and sub-heads of revenue are not recorded in the Treasury ledgers—they are assembled in the Sub-Treasuries by returns from Departments only at 30th June and appear in what are called 'Twelve Months' Trial Balances. These Finance Statement. It is, however, the Finance Statement as prepared for the Government Printer which is audited in conjunction with financial details available in the Audit Office and on which the Auditor-General bases his Report to the Parliament. The only authentic document of the financial transactions of the Commonwealth is the printed Finance Statement. It is obvious, therefore, that detailed accuracy in that Statement to the nearest penny is essential.

APPENDIX No. 2.
Report paragraph No. 4.

COMMENTS OF THE AUDITOR-GENERAL FOR THE COMMONWEALTH, MR. H. C. NEWMAN, O.B.E., ON THE TREASURY PROPOSALS TO VARY THE FORM OF THE FINANCE STATEMENT, SUBMITTED IN A MEMORANDUM TO THE COMMITTEE DATED 1st MAY, 1958.

As requested in your memorandum of the 28th March, 1958, the changes in the Finance Statement as proposed in the Treasury memorandum of the 25th March have been considered. My views are set out hereunder.

DELETION OF SHILLINGS AND PENCE.

2. Generally, the Treasury proposal is supported. Its adoption should result in economy and facilitate early publication of the Treasurer's statement.
3. The printed Finance Statement in its present form provides the only authentic permanent record of the financial transactions of the Commonwealth, but any possible objection on those grounds appears to be met by the Treasury indefinitely.
4. It is presumed that the record referred to by Treasury is the Central Twelve Months Trial Balance prepared from Sub-Treasuries' Trial Balances. If such is the case, it would be desirable if the Central Trial Balance be prepared on a specially designed form, and in a way to provide easy reference in future years; and that it be certified by a Senior Treasury Officer.
5. The present Table No. 10 (Receipts and Expenditure of the Trust Fund) provides the only record, in exact figures, of the balances of the various Trust Funds and Trust Accounts.
6. It is considered, if the present proposal is adopted, that suitable arrangements should be made in the Central Treasury to record the precise opening and closing balances of each account.

7. Trust Fund Investments are shown in Table No. 19, which is the only consolidated detailed record in exact figures.

The detailed record of the Superannuation Fund and the Defence Forces Retirements Benefits Fund are maintained, not in the Central Treasury, but in the offices of the respective Boards. However, as a permanent record is maintained by those Boards, I have no objection to the deletion of shillings and pence from Table No. 19.

DELETION OF UNEXPENDED APPROPRIATIONS.

8. From the Audit viewpoint, there is no objection to the deletion of this column from the Treasurer's Statement but it is a matter for consideration whether the value of the ready availability of this information for the purposes of the Budget debate would warrant its retention.

9. At present, the Finance Statement is the only place in the Treasury system where the unexpended amounts are recorded in detail but, as the Committee is aware, a summary is contained in paragraph 7 of my Annual Report to the Parliament and this practice will be continued.

DELETION OF DIVISION TOTALS—TABLE No. 6.

10. Where sub-divisions are shown, I have no objection to the deletion of division totals. It is presumed that the Treasury proposal does not apply to those divisions where, in the past, expenditure under items has been shown; for example, Division No. 214—Miscellaneous Services, Prime Minister's Department.

DEPT. OF THE SENATE

No. *R.M. 107*
Presented *19 AUG 1958*

1958.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
CLERK OF THE SENATE

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTIETH REPORT.

THE FINANCE STATEMENT.

*Richard
H. Dawey*

MINUTES OF EVIDENCE.

By Authority:
A. J. ARTHUR, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

DAY OF HEARING.

6th May, 1958 QUESTIONS. TAKEN AT—
1-100 .. Canberra.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

MINUTES OF EVIDENCE.

(Taken at Canberra.)

TUESDAY, 6TH MAY, 1958.

Present:

Mr. BLAND (Chairman).

Senator Benn.
Senator Wedgwood.

Mr. Barnard.
Mr. Cope.
Mr. Davis.
Mr. Hulme.
Mr. Leslie.
Mr. Thompson.

Observers:

Mr. H. C. Newman, O.B.E., Auditor-General, for the Commonwealth.

Mr. L. O. Brown, M.B.E., Assistant Commissioner, Public Service Board.

Mr. N. Jobson, Senior Finance Officer, Department of the Treasury.

Cyrus Lenox Simson Hewitt, First-Assistant Secretary, Department of the Treasury, sworn and examined.

1. **The Chairman.**—We are having a meeting this morning because we have had a letter from the Treasury in regard to the form of the accounts, and more particularly in regard to the way in which the figures in the accounts might be shown in the future. You will know, of course, Mr. Hewitt, that, when the Committee was dealing with the form of the Budget Papers, we had a memorandum from the Auditor-General saying that he thought that the whole of the tables in the Finance Statement should contain complete figures, that is to say, pounds, shillings and pence. He said that all tables in the Budget Papers except Table 64, dealing with loan funds, should contain pounds, shillings and pence.

In 1954, when we were dealing with the matter, we wrote to the Treasury and pointed out that there were some inconsistencies in the way in which the tables were compiled, in that some had shillings and pence and some did not, and we suggested at that stage their omission from the tables. The matter has now come to the stage where you, Mr. Hewitt, have sent us a letter dated 25th March last, in which you pointed out the desirability, in your view, of altering the compilation to exclude shillings and pence in most, if not all, of the tables.

In addition, two other considerations cropped up in connexion with the preparation of the tables. The first was whether it was desirable to show the unexpended balances for the various appropriations, and it was rather thought that perhaps those balances could be eliminated, because not very much use was made of those tables.

Note.—References to page and table numbers in the Finance Statement refer to the Treasurer's Statement of Receipts and Expenditure for the year ended 30th June, 1957. See Parliamentary Paper No. 34 of 1957, tabled 4th September, 1957.

Evidence given by Mr. C. L. S. HEWITT.

The reply which the Auditor-General gave in 1954 to the matters that were pointed out by the Committee was rather in the nature of a rejection of the idea that this could be done. He said that, according to the Audit Act, he required a complete statement, which could only be supplied if it contained full particulars of the balances, and so on. One other reason why these balances were required was the unavailability of the tables at the time the Budget was being considered; so he thought that it was desirable to have all those figures in the papers when they were needed.

I think you will find that the Auditor-General's statement was not a very convincing one, and I am rather inclined to think, too, that the reply which the Treasury gave in 1954 was not entirely convincing either. I think that the best way we can start this morning is by asking you to look at your statement, in conjunction with the statement prepared by the Auditor-General, and then see whether we can reconcile the various proposals, in order to have complete uniformity between the view of the Auditor-General and your view. We are looking at this matter from the standpoint of whether the alterations proposed by the Treasury will make for a degree of economy, and will save time and costs involved in the presentation of the papers in their present form.

Perhaps you would be good enough to look at your letter to us, Mr. Hewitt, and to have with you the letter from Mr. Newman. We might then have a round-table discussion about the way in which these things could be best approached. I think that the first thing we have to consider is: Can we get over the technical difficulties in eliminating the shillings and pence from the tables? It is a question of whether, since they appear in some places, that is sufficient, or whether they ought to appear in all the different tables.—(Mr. Hewitt) The proposal that I contemplated was to eliminate the columns for shillings and pence throughout the whole of the Treasurer's published statement. It is not confined to any section, but to produce a statement in terms of pounds only. I include the Trust Fund—all the sections of the papers. Perhaps I might say, by way of background, and as I put it in the memorandum, that there are several considerations. One is the time taken in various parts of the process of producing the Finance Statement, in the context that a small staff at this particular time of the year is being asked to prepare at least three major documents. One is the Finance Statement; another is the Estimates of Expenditure for the succeeding year; and the third is the statement as it now is, of expenditure from Advance to the Treasurer, pursuant to section 36c of the Audit Act—what was contained in the Supplementary Estimates.

There is considerable pressure on a small accounting staff and there is considerable pressure, too, in the Government Printing Office. Any contribution that can be made to reducing the amount of work is one that I think is highly desirable.

The second consideration is the practice of at least some of the State governments, which is not out of line with what is proposed in the memorandum. The third is the quite wide-spread practice in enterprise in the presentation of financial statements without recording or including shillings and pence. That is a development in the accounting profession of the last twenty years, which is now quite wide-spread. So there is nothing novel in this; no substantially new ground is being broken. I want to say at once that what is put forward is by no means novel or an innovation. It is a fairly well-established practice.

Evidence given by Mr. C. L. S. HEWITT.

Having considered the proposal as an alternative form of presentation, an examination of the four sections of the Finance Statement showed the desirability, as the Chairman said, of uniformity in presentation. Against that, looking at it from one particular point of view—that of the Treasury—we did not think that there would be a loss, either of information or of principle. To put it more strongly, we did not think any mischief would be perpetrated by falling into line with a fairly well-known and widely accepted accounting convention.

2. The Chairman.—Mr. Newman, in paragraph three of your letter, you have dealt with one section of this matter, at any rate. Does what Mr. Hewitt has said satisfy you as to the proviso that you have there?—(Mr. Newman) You mentioned earlier, Mr. Chairman, a letter from the Auditor-General in 1954, in which certain objections were raised to an earlier proposition. I think that the objection that was then raised was a very technical one. It was to the effect that if you eliminated shillings and pence you could not certify to the accuracy of the Treasurer's Finance Statement. I agree with Mr. Hewitt, that it is becoming general accounting practice in business firms and certain authorities to eliminate shillings and pence from their finance statements, balance sheets and so on. I personally cannot see any objection, other than on very technical grounds, to their elimination from the statements. But as I have said in my letter, permanent records should be maintained. They would have to be maintained in the Treasury, although the precise figures did not appear in the Treasurer's Finance Statement. I think the records would have to be in such a form as to be permanent records and available for all time, if they were required. That is the main point I make.

3. The Chairman.—The matter of records is referred to in paragraphs 4, 5 and 6 of your letter, Mr. Hewitt. The suggestion could be complied with quite readily, could it not?—(Mr. Hewitt) Paragraph 4 is, I think, quite consistent with the proposal to retain the consolidated document, and I should not think it would be very difficult to reach mutual agreement on how and where it should be kept. As to paragraphs 5 and 6, I do not know quite how Mr. Newman would describe the present record that we do in fact keep on the Treasury ledger cards, in pounds, shillings and pence. The opening balance at the beginning of the financial year is in fact recorded in precise pounds, shillings and pence on each ledger card for a head of the Trust Fund or an individual trust account. That will be continued. If some modified form of it were required, I think that also should not be difficult to arrange. There is a record at the moment.

4. Mr. Hulme.—The point that arises in relation to this is the problem of stating the even pounds so that you get your correct totals, and I presume that the total will be the total to the nearest pound. The problem arises of making adjustments so that you get an addition which will equal the right total. I think that if we look at the Trust Fund we get the best indication of the problem as I see it, and this is where I think some of the difficulty in the Treasury governmental accounting is slightly different from what is met with in relation to commercial accounting. As an illustration, let me refer you to page 98 of the Finance Statement. An item towards the end of the first column refers to "Specific Research Fund", and, at the end of that column, after merely adding the shillings and pence, we get £8 2s. 5d. But if we were to take an extra pound for all amounts above

Evidence given by Mr. C. L. S. HEWITT.

10s., and a pound less for amounts below 10s., we would find that although the shillings and pence add up to £8 2s. 5d., the total to the nearest pound would come to £9, so that one of the items would have to be adjusted. I presume that the least of the shillings and pence items would have to be adjusted so that the total would amount to £8 rather than £9. I wondered what you considered would be the amount of work involved in producing that result within the Treasury, or whether the Treasury would finish up by taking the nearest pound and having some balancing item at the end to make up the difference, so that the addition would give the correct total—I was going to approach this in a slightly different way. Let me consider page 98 secondly, and start off with page 27 of the Finance Statement, and the printer's proof of it, which I provided to your Secretary, appearing in the revised form. In the memorandum I referred in paragraph 6 to the present practice of having a total for Divisions, which was where I first encountered in its quite simple form this point that Mr. Hulme brings up of achieving a balance and yet giving a rounding-off in the process. If you take the present form of page 27, that led to the equivalent problem of balancing to the total of £1,733,730 the totals of all the Divisions. I was troubled, as Mr. Hulme says, by the problem of balancing, and that led us to examine again this question of totalling. It seems to me that in this statement the total of sub-divisions A and B of a particular Division did not add greatly to the knowledge of people interested, bearing in mind this problem of rounding-off, and equally, as Mr. Hulme says, unless it was balanced it would be misleading to retain in the new form of page 27 the £1,733,730, unless the figures, on checking, added up. I therefore proposed to eliminate the totalling of the sub-divisions and to show the amounts purely as a statement of expenditure against each sub-division, and to transfer to the top of the statement the total of the expenditure for the Attorney-General's Department, and in the note which would signify this change, in the beginning of the Finance Statement, to speak in terms of having each amount shown to the nearest pound. In other words, the answer to Mr. Hulme that I would propose is to show each amount to the nearest pound and not to become involved in the balancing-off in addition to the rounding-off, so that all the amounts shown could add up exactly to the amount shown at the top. An additional reason for that is, of course, that in the various stages of the Finance Statement—the manuscript to the printer, the reader's proof, the imposed proofs, and the final copy—there is a responsibility on the senior officer preparing the document to ensure, if the additions are shown, that they do add up, which means, in terms of existing practice, keyboarding the figures on four occasions on a comptometer. This is a fair amount of work—not necessarily expensive, but laborious work.

Turning to page 98 of the Finance Statement, I propose to discuss a similar problem to that which I have just described.

5. Mr. Thompson.—Do you propose to take the nearest pound on page 98?—On the Trust Fund?

6. Mr. Thompson.—On all of these items?—To the nearest pound. I was intending to apply here the same principle that I mentioned in the memorandum and set out in relation to page 27; to insert at the heading of the statement the figures for the total of the balances brought forward—that is, the total which appears on page 99—the total of the expenditure, the total of the receipts and the total of the balances carried forward, and

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to round-off those; to express each of the amounts for the heads of the Trust Fund and the trust accounts also to the nearest pound. I would not then suggest that the page totals be shown, which again involve the problem of balancing off, as Mr. Hulme says, and again the keyboarding and re-keyboarding of these figures on a comptometer, to check and re-check on each separate occasion—

7. Mr. Hulme.—I am wondering what you mean by the nearest pound, as against the general consideration of it. Looking at the example you have given, on page 27 of the Finance Statement, under Division 54 we find £166,090. In accountancy parlance that would become £166,091, because the shillings and pence amount to more than 10s. The next item is in the same position. It is given as £103,364, although the odd shillings and pence amount to more than 14s. 6d.—I am sorry for that. It would be to the nearest pound, up and down.

8. Mr. Hulme.—There is an illustration of what happens, because the total would end in £5, but if each item were adjusted to the nearest pound, the total would end in £6. That is a simple illustration.—Yes, I am sorry about that.

9. Mr. Thompson.—With regard to the illustration Mr. Hulme has put to you, suppose that the amount totalled £94, but the additions came to £97 odd. Would you put in an additional £3 somewhere to make it round off?—I am putting a total at the top of the table. It is the total of the expenditure of the Attorney-General's Department, £1,733,730. I was not going to represent in this statement that the figures in the expenditure column would add up to £1,733,730. They might add up to £1,733,734 or £1,733,735. Returning to Division No. 54, I am sorry that the figures do not appear as £166,091 and £103,365. I would propose—and the intention is—that they would appear in those forms. I am proposing, according to the memorandum, not to show a total of £269,455, because that does not add up on the rounding-off, and I came to the conclusion that I should suggest that the sub-total be not shown, so as to avoid in the explanatory note, which must go in at the front of the Finance Statement, the complicated statement that it was rounded off to the nearest pound, but that the figures are not rounded off when they do not add up to the rounded-off total, simply because it seemed to me that in this form the Statement would present a statement of expenditure in the form most informative and valuable, and it would show the expenditure against a particular sub-division.

10. Mr. Thompson.—With regard to these miscellaneous items in the Treasurer's Statement, would you follow the same procedures there, or would you intend to put each item in as it is now?—Are you referring to such items as appear on page 53?

11. Mr. Thompson.—Yes, pages 52 and 53, Miscellaneous Services. Would the statement that you would prepare give each line, 40, 41, 42, 43 and the rest, without the shillings and pence?—My intention would be, and my suggestion to the Committee would be, to agree to show those amounts without the shillings and pence, with the amounts for line 40, for instance, being shown as £6,388 and £3,662, and so on down the page. But again, for the reason we have just been discussing, I would not propose to show at the end of the column an amount of £2,080,409, because the implication

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is that if you added all the amounts together that is the arithmetical result that you would obtain. I would transpose that amount of £2,080,409 to the preceding page under that heading, "Prime Minister's Department", just as I have shown in this printer's proof. It would be appropriation £2,291,109, and expenditure £2,080,409.

12. Mr. Thompson.—Earlier, we had seemed to indicate that it would be different from the ordinary total of subdivisions. I was wondering if you were treating them all the same. They would come in, in the same way?—I would propose to insert the total in the same way as for a department in Table 6, immediately under the heading of the top of the division concerned.

13. Mr. Hulme.—May I suggest that perhaps you would not show £2,080,409 at the top of the sheet, but at the bottom of the page. I am trying to conform with the example you gave in respect of the Attorney-General's Department. You do not show the divisional totals separately but leave them as separate items, with the total at the beginning.—I agree.

14. Mr. Hulme.—You would not get a separate total under such items as Office of Education. It would all be lumped in?—They would be itemized in the same manner. You are quite correct. The figure of £2,080,409 should not be shown. It would be £3,742,900.

Mr. Hulme.—I would be quite happy with this suggestion, Mr. Chairman.

Mr. Thompson.—I feel the same way, but I cannot quite reconcile the very definite statements from the Treasury and the Auditor-General in 1954, which seemed to indicate that this would not be the right thing to do.

15. Mr. Thompson.—Could you clear that up a little? You say you might have to alter the Audit Act, but in the meantime, before the alteration, you would go ahead with this procedure. I do not like the Committee to agree to a procedure that might be challenged somewhere unless we know the position pretty clearly?—If I may say so, I think that is a very reasonable question. Taking the second part first—one could have a very long and extremely satisfying disputation about whether the Audit Act could be construed to support or oppose this. I would go further and say that, despite its satisfying aspects, it would be pretty profitless. If the suggestion commends itself in principle, it is better to remove doubts, as there no doubt are. I think an amendment to the Audit Act would be necessary, even if only to express it more clearly. That is putting it on its lowest plane. I think that if there is agreement and the Auditor-General, the Treasurer, and the Committee itself, are prepared to find merit in the proposal, and say so, certainly some one might feel disposed to challenge it, and there is enough legal opinion to say it might be challenged, but if Parliament accepts it in the knowledge that the Audit Act will be amended, and it is sanctioned, it thereby becomes legal. I think there is much merit in making the change. I myself would like to make it. It is a desperate enough problem, in the ordinary course, from 30th June onwards and immediately preceding. An amendment to the Audit Act cannot be made overnight. It is one of the things to be included in the next bill to amend the Audit Act.

16. Mr. Leslie.—Which is a long time coming?—Yes.

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17. Mr. Thompson.—There are two other points. The first is in relation to the Auditor-General's comments about, I think, Table No. 10. You say that copies would be kept and could always be seen. The other point is in connexion with the trust funds. I think that Mr. Newman said that the Superannuation Board and other authorities would have had the correct amounts in detail. If they did not go on keeping the accounts in detail, is there any way in which they could be demanded?—(Mr. Newman) I think we could demand that the accounts be kept in that particular form if it was the form required for our purposes. The Superannuation Board and the Defence Forces Retirement Benefits Board maintain their own records. If those records were not maintained in a form acceptable to Audit, the matter would be taken up with the Boards and adjusted. But as they do maintain their records, which are available to us at any time, a permanent record is available. For that reason I have no objection to the statements of either of the Boards not being shown in shillings and pence.

18. Mr. Thompson.—You would be able to see that the full statements were kept and were available?—(Mr. Newman) Yes, definitely. They are still subject, under the terms of the respective Acts, to be audited by the Auditor-General, and we could insist on it.

19. Mr. Hulme.—The accountancy work must be related to pounds, shillings and pence?—(Mr. Newman) Yes.

20. Mr. Hulme.—And the final statement drawn up on that basis, and certified to?—(Mr. Newman) Yes.

21. Mr. Hulme.—It would be only for the purposes of publication and public use that the statement would be taken out to even pounds, but the records would still be there.—(Mr. Newman) Yes. The full records must remain. I think the objection of the previous Auditor-General arose from the wording of section 50 of the Audit Act, which is—

The Treasurer shall as soon as practicable after the end of every financial year prepare a full and particular statement

I think that was the technicality that I mentioned earlier. If the accounts were stated to the nearer pound, and the shillings and pence were dropped, it would not be a full and particular statement in detail, but if the full record is maintained, what is published in the Treasurer's Statement and presented to the Parliament is, I think, a matter for consideration from the points of view made by the Treasury in regard to the savings that can be effected. In my opinion, it would not affect the responsibilities of the Auditor-General in his examination of the Treasurer's Finance Statement.

22. Mr. Thompson.—On page 27 of your sample, Mr. Hewitt, I was wondering whether you would not include the footnote. "(n) Includes amount provided from 'Advance to the Treasurer'". I take it that would be on each page?—(Mr. Hewitt) Yes. That will continue. It is on there. There is one question of Mr. Thompson's that I have not answered. He quite rightly wanted to know why there was a change of mind, which I suppose is the blunt way of putting it.

Mr. Thompson.—Not only a change of mind, but I take it that one officer had a different opinion from another as to what should be done?

23. The Chairman.—It was a question of whether this statement was published at the same time as the other statement. If they were not published at the same time, would it be desirable to include all of these things

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in one statement so that you could make reference to them, as well as in any other statement at a later stage?—What it amounts to is that we have found ways and means, I think, by which this suggestion can be adopted. I think that probably we would be the first to admit ourselves that there cannot remain fixed for all time a particular point of view regardless of change in circumstances. Perhaps this is what is expressed euphemistically in other circles as a later view of the law.

24. **Mr. Leslie.**—I notice that you have switched round two columns, Appropriation and Expenditure, on your specimen page 11. Will this mean a standardization of all of the papers, to the extent that in the first column I will always find appropriation, and in the next expenditure?—I will not answer that offhand. I think it will. The reason for this change was to bring the Statement into conformity with the Estimates, where in the first two columns is shown the vote and then the expenditure. This is, unfortunately, a fragmentary part of the whole problem at which I know the Committee intends to look—the three sets of parliamentary financial papers. I think we will find that when you proceed with the examination there will be more scope for standardization, and certainly for improvement, in the presentation.

25. **Mr. Leslie.**—It would be desirable to standardize so that the respective columns in all the papers would be the same. If you wanted to know the expenditure in the department, you would know immediately to go to the second column if there were two columns, or to the centre column if there were three. It would be desirable to standardize the columns in which the respective amounts would appear?—This will standardize the Finance Statement with the Estimates of expenditure. In the Budget Papers there is a tabular statement showing the expenditure for anything from two to four preceding years, with the estimate coming at the end. I should like to look at that suggestion in relation to the Budget Papers. There might be merit in bringing them into conformity with the Estimates papers, putting the estimate first and the expenditure for comparative purposes afterwards.

Mr. Hulme.—If you are going to put your estimate of those five columns first, then your first glance will disclose the expenditure for the four previous years in comparison with the appropriation. Then, if you want to get last year's figures, you will have to look over four or five columns and, in view of the situation that has developed over four or five years in relation to some work, I think another viewpoint will have to be considered. My personal view is that it is preferable to leave it as it is in the Budget Papers.

26. **Mr. Leslie.**—Another point that occurs to me relates to the calculation of the figures to the nearest pound, or omitting the shillings and pence. I notice from specimen 27 that with the exception of the two items Mr. Hulme mentioned you have dropped the shillings and pence?—I would make it to the nearest pound.

27. **Mr. Leslie.**—The next matter relates to the omission of Trust Fund accounts. I am not so happy about that, especially where the money is actually held in trust. I admit that it is published in this document merely for information purposes, but although you can work your books inside a firm to suit yourself, it has to be remembered on the other hand that you are dealing with funds which are the property of somebody else and my

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view is that the published figures must be an accurate representation of the accounts as they appear in their books. Quite frankly, I am not too happy about the exclusion of the shillings and pence from this type of trust account. Actually, there is a legal obligation involved?—Probably, at the moment, there is a legal argument for publishing the shillings and pence in the Finance Statement, but I prefer to tackle it from the point of view of principle. I admit that, if one is holding moneys in trust for somebody else, one is certainly called upon to account for them to the last penny. They are accounted for to the last penny in the books of the Treasury. But I should think, provided it is clearly stated either at the outset, or at the front of each section, that the Finance Statement that is prepared at the end of the year, is a publication of the amounts to the nearest pound, every one would accept it as a sensible thing to do. I do not think that any one whose money was being held in trust would feel that he was being misled, or that something was happening to his money, but I do think it would have to be made very clear that the document was a statement of the accounts to the nearest pound.

28. **Mr. Hulme.**—Take Table No. 12 on page 79 of the Budget Papers. That relates to the Superannuation Fund. Would Mr. Leslie feel that he was at any serious disadvantage in making comparisons with the other funds simply because the final amount is taken to the nearest pound instead of showing the 4s. 9d.?

Mr. Leslie.—Looking at it from the point of view of the two documents, I might be inclined to agree that there is no disadvantage, but I hold the view that the Budget Papers are purely statistical documents while the Finance Statement is something which is published because of legal necessity and is a statement of the year's transactions. I quite agree that the legality of altering the shillings and pence might be challenged. I am not prepared to challenge it at this stage so far as our own accounts are concerned, because we are preparing a finance statement in accordance with departmental requirements, but a finance statement is supposed to reflect the transactions for the year. It is supposed to give the commencing funds, the total intake, the total outgoing and the balance of the trust accounts. I feel that there is a principle involved and that, leaving aside the question of legality for the moment, a finance statement should be a detailed statement of trust account movements.

Mr. Hulme.—What is your justification in relation to the first part and not in relation to the second?

Mr. Leslie.—The first part relates to our own accounts. It is the case of the firm working with its own money, and how the accounts are presented is a matter for the firm itself, but in the second case we are dealing with funds which do not belong to the firm.

Mr. Hulme.—Not necessarily.

Mr. Leslie.—The funds are held in the Treasury on trust. Is that not so?—(Mr. Newman) But you do not get away from the fact that it is accounted for to the last penny in the Treasurer's records and in the Audit Office. We might have to make an explanatory statement as to what has happened, but it is a very fine technical point you are raising. The accounts and records are maintained, examined and certified to the nearest penny.

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29. **Mr. Leslie.**—I appreciate that there may be a weakness in the point of view I put up, but I still have the opinion that, apart from the legal question, it is a matter of principle that there should be a detailed statement of trust funds. The records are kept in the office. This is given as the detail of the accounts that are held in the Treasury?—(Mr. Newman) Is it not in line with a public company accounting to its shareholders in the published statements of accounts? In most cases, the published accounts are prepared to the nearer pound; yet, at the same time, with their responsibility to the shareholders, the directors must surely account in detail for all the funds and transactions.

30. **Mr. Leslie.**—But if, apart from shareholders' funds, they were holding funds on trust—for instance, a superannuation fund—accounts relating to those funds would be given in detail, would they not?—(Mr. Newman) They show their investments in other companies to the nearer pound. In a broad interpretation, that must be money held in trust for their shareholders.

Mr. Leslie.—No, I do not think that is so, any more than money held by the Treasury is held in trust for the general taxpayer.

Mr. Hulme.—It must be excluded or included. If only one item in a balance-sheet is given with shillings and pence and all the others are shown to the nearest pound, then the total would have shillings and pence. That could be confusing.

31. **Mr. Thompson.**—I refer to page 105 of the Finance Statement, which deals with trust funds. How would you alter that? For the Retirement Benefit Fund, an amount is brought forward. The value of the investment, the cost of the investment and the rate of interest are then shown. If the shillings and pence are dropped from the others, what do you do with the rate of interest?—(Mr. Hewitt) I think Mr. Leslie's suggestion would cover that. I see an amount of 1s. 3d. Except for that, the amounts could readily be expressed in fractions.

The Chairman.—Mr. Hewitt has asked that, if necessary, the Audit Act be amended. The other opinion is that the Audit Act requires this to be done. It seems to me that it would be quite easy for the Audit Act to provide that these things should be done in this way.

32. **Mr. Leslie.**—Before we move away, I would live in hope that somebody will challenge the legality of it so that we can get the Audit Act amendments down in a reasonable time.—I would be very happy to discuss that matter at length at any stage.

33. **The Chairman.**—That may take some time. Perhaps at this stage we could run through the tables and see whether there is any reason why the principle to be applied should be altered in specific cases. Is there any objection with Table No. 1, Treasury Balances?—No.

34. **The Chairman.**—Then Table No. 2 Consolidated Revenue Fund?—No, this is a summary.

35. **Mr. Hulme.**—In relation to these, I raise the question whether there should be a real attempt at balancing. I think you will appreciate what I mean. In this sort of summary, a balance is desirable rather than long

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schedules such as we get further on. Where an item of 12s. 2d. appears, there would not be any real objection in going to the higher pound?—I have had a look at that and I think it is sound.

36. **Mr. Thompson.**—In dealing with the finance papers, you mentioned dropping the shillings and pence. Is it your intention to drop the shillings and pence in other instances where they have not been dropped?—I have not considered the others. I am dealing only with the Finance Statement. That is the only one that I have considered at the moment. Where there is repetition, I think they ought to be in identical form, but I should like to consider it.

37. **Mr. Thompson.**—You have not considered the others?—No, not separately.

38. **Mr. Thompson.**—What did you mean when you said, "Right through"?—Right through the Finance Statement. I should like to consider the others. There is some repetition of the tables as between the Budget Papers and this statement. Where the same print is used by the Government Printer, it would clearly be desirable to have them in the same form.

39. **The Chairman.**—If you take page 10 of the Statement, Table No. 3, Details of Revenue, you will see that shillings and pence are included in the grand total. Why is that?—That happens to be the only form in which those figures are available. They are provided by the Statistician and classified by various items. The Treasury records provide for Revenue, but are not kept under various items such as yarns, textiles and apparel.

40. **Mr. Thompson.**—Is that figure correct, the total £154 15s. 7*—£154 15s.* is the total revenue recorded in the Treasury books.

41. **Mr. Thompson.**—If you total them, they might not come to £154?—They might not.

42. **Mr. Davis.**—How long has that practice been followed?—I think since 1953. It started in 1953.

43. **The Chairman.**—There is no objection to the details in Table No. 4, is there? How would you show the details on page 20, Table No. 4?—My plan would be to follow this proof form, and right through this type of table to put details of amounts credited, or perhaps it could be headed, "Amounts Credited to Revenue, Miscellaneous Receipts", with a figure for the total. In this case, it would be, "Miscellaneous Receipts—£75,157,704" in the heading, and then the details to the nearest pound.

44. **The Chairman.**—There are no special features about any of these tables in the Trust Fund, are there?—I do not think so. I think they are all straight forward.

45. **The Chairman.**—Supposing then, as a matter of principle—and I am not saying how many crimes are committed in that name—we accept the idea that shillings and pence could be excluded from any of these statements, with the reservation that the Audit Act would have to be amended. Then, in regard to matters of special discretion, such as in relation to the Trust Fund, and so on, you would make provision as need be in the Audit Act, section 50?—(Mr. Newman) It could be got over in that way, if it was considered necessary from the legal point of view.

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46. **Mr. Thompson.**—The figures should go to the nearest pound. We ought to have it stated that an endeavour will be made to have the necessary adjustments made in the Audit Act. I am not saying what they should be.—(Mr. Newman) Adjustments, if necessary.

47. **Mr. Leslie.**—I do not know how these things are prepared by the Treasury, but I take it that the figures in these papers are copies of balances appearing in Treasury statements. Compared with merely copying out those figures from papers which are already before the staff handling these things, would not there be additional labour involved in calculating, them to the nearest pound?—(Mr. Hewitt) What the staff has in front of it is this volume which I have brought with me. It contains the amounts, showing pounds, shillings and pence, and it is a question of a clerk copying from the columns of the book on to a skeleton Finance Statement. The Government Printer has set up a skeleton Finance Statement, with description and number of the items. A clerk copies those items, in manuscript.

48. **Mr. Leslie.**—That does not involve any additional labour?—It involves less labour, I think. It is simple. It is just a laborious process, that is all. Any lessening of it would be grist to the mill.

49. **Mr. Leslie.**—I can see that leaving out the shillings and pence would lessen it. What would happen if he had to strike a balance then?—The suggestion that a number of the sub-totals, where they do not add to knowledge at all, be cut out, might help.

50. **The Chairman.**—The next matter that the Committee would like to discuss with you, Mr. Hewitt, is that of the unexpended balances.—May I refer to one point, before we come to that matter? Mr. Leslie made the point of standardization, and I mentioned the identity between the arrangement of the columns in the Estimates and in the Finance Statement. You may notice that in the Finance Statement we head the first column "Appropriation", and in the Estimates, it is "Vote". There is no definition of either in the Audit Act. "Vote" is mentioned in the body of the Act. Has the Committee any preference as between the two words? I think, obviously, it should be the same one. It seems rather strange to call it "Vote" in one document and "Appropriation" in another.

The Chairman.—Is it not that an appropriation becomes a vote when it has gone through the House?

Mr. Leslie.—I would prefer "Appropriation", I think.

Mr. Hulme.—So would I.

Mr. Leslie.—My understanding always has been that the appropriation covers a total amount, while the vote is the split-up. For instance, you appropriate X million pounds, and the vote to the department is a proportion of that amount.

Mr. Davis.—Is not the situation simply that the Parliament votes for or against an appropriation of a certain amount for a certain purpose?

51. **The Chairman.**—In relation to the unexpended balance, the question is whether, in your case, Mr. Hewitt, in presenting the statements, showing appropriation on one hand and expenditure on the other, you should do the arithmetic necessary to show the unexpended balance. This is the first time that this matter has cropped up. Ordinarily, what we are

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concerned with is not to eliminate from the papers anything that would be of value to Members of the Parliament and to the public. I think it has been suggested that Members do not pay very much attention to this matter and therefore would not know that anything was missing.—I would not want to be understood to be putting the matter in those terms. Perhaps I can say, by way of introduction, that the suggestion came after consideration of the suggestion regarding the shillings and pence. Partly it came about in examining the processes that go on after the 30th June, in this relatively short period of time, and, secondly, from discussions with the printer on the preparation of this proof. The proof involves saving about half the size of the page, and showing in two columns the information relating to appropriation and expenditure, instead of in one single column. It is the elimination of the column "unexpended" that makes it possible to achieve this. The elimination of the shillings and pence was not enough to give this further economy. That led to an examination of why this column was being put in, where it originated and what the practice was in the States, and whether there was some use made of the information. The checking of that question led us to conclude that there was some merit in suggesting the elimination of the "unexpended" column, again in the belief that no real mischief would be done. In fact each one of the annual votes will show an amount unexpended, because there will be no appropriation identical with the expenditure that takes place. This means that there is an amount unexpended under each subdivision of the Estimates.

52. **Mr. Thompson.**—On your sample page, showing figures for the Attorney-General's Department, when you come down to the estimates of receipts and expenditure you find £150,300 for 1956-57, under Administration, £134,600 for 1955-56 voted, and then £134,174.—I am sorry, I cannot find the place to which you are referring.

53. **Mr. Thompson.**—It is at page 28 of the Estimates for 1957. At the top you have the vote for 1955-56, and £134,147 spent. You do not intend to alter that practice?—There will be no alteration in the Estimates.

54. **Mr. Thompson.**—So if we do not have the information in the Finance Statement, we can still find the unexpended balance from the Estimates?—Yes, and you can find it in the Finance Statement, too.

55. **Mr. Thompson.**—That will mean extra work for the Member who wants to find it?—The consideration I was going to advance was that it seemed to me that no one would be interested in every subdivision in the Estimates, but that no doubt many would be interested in some of them. It seemed to me that if a Member was using the Finance Statement during a debate, and not using the Budget papers and Estimates, and a particular item came up, he could find the information. It did not seem to me that a Member would be concerned, for example, to know that there was an unexpended amount of £9,249, 14s. 8d. under Division 62a, but that by looking at the amounts of £300,000 and £291,000, he could conclude, "There is an amount of £9,000 underspent. What bad estimating!" or something of that sort. The practice, I thought, would not detract from what could be gleaned from the Statement, and it did not seem to me to be an undue burden on any one to find the result by a mere visual process.

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56. **Mr. Thompson.**—Do we get the Finance Statement at the same time as the Estimates or later?—It varies. Mr. Newman could answer that better than I. (Mr. Newman) One is presented to the Parliament with my Annual Report. The other is presented when the Treasurer brings down the Budget. If the two can coincide, or be close together in time, you can get the information almost simultaneously. But if the Budget is brought down in, say, August, I could not present my report before the first week in September.

57. **Mr. Thompson.**—We have found, in both the State and Federal spheres, that we do not get the Auditor-General's report until we are well advanced in the Estimates debate.—(Mr. Newman) Our aim has been—and we have achieved it over recent years—to present the Annual Report so that it is available to the Parliament when the Estimates come up for debate. On this point regarding the "unexpended balance" column, I cannot see that it is of any particular value at the present time. If it disclosed, or could disclose, good or bad estimating, it might be worthwhile, but the unexpended balance as shown now is only an arithmetical exercise, and the figures incorporated in the Treasurer's Finance Statement include, of course, additional appropriations during the course of the year, and also adjustment of the Treasurer's Advance, so that the estimating could be really bad, over or under, but there is nothing to indicate this. If a Member is interested in a particular item or Division, it is just a matter of simple arithmetic to see how much was not spent, but it does not convey whether the estimating for the particular year has been good or bad. From a practical point of view I do not think that the column has any great value.

58. **Mr. Thompson.**—The only point I had in mind was that you might deprive Members of some information that they can now find clearly, but I feel that they can get the information readily from the Estimates.—(Mr. Newman) It can be obtained in that way.

59. **The Chairman.**—As you have said, bad estimating could be covered up because of additional appropriations during the year. As a matter of fact, the Estimates could be prepared deliberately to keep the figures within certain bounds, in the hope that additional appropriations would come later.—(Mr. Newman) That would be highlighted at the time when the Appropriation Acts were under consideration, but it would not be reflected in the final statement.

60. **The Chairman.**—That raises the question, Mr. Hewitt, whether some further information might not be given in these papers to direct attention to what has been occurring. In this pro forma that you have given us you show the appropriation and the expenditure. I suppose you could at this stage put in the unexpended balance?—(Mr. Hewitt) for the department, yes. That is a simple task, and it is less involved than in the present form.

61. **Mr. Leslie.**—That is on the overall total for the department?—Yes.

62. **Mr. Hulme.**—I wonder whether you would consider the idea of putting at the top your appropriation, then your expenditure underneath, and then your unexpended amount as a result of a subtraction, indicating the relationship more clearly, perhaps, than if one had to read it straight across the top of the page.—Yes. I think that could be an improved form.

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63. **Mr. Hulme.**—I suggest this because it always annoys me when "Hansard" gives a lot of figures from tabulations, one line after the other, and it is impossible to pick the figures up as against the tabulation.—That would be a very simple way to include the information in the Statement.

64. **The Chairman.**—Could you arrange for your table at the top of this page to include the original appropriation, and then another item for additional appropriation, and another item for the Treasurer's Advance, giving a total, and then adding the unexpended balance to give the correct total?

Mr. Leslie.—That would give us valuable information.

Mr. Hulme.—It is a question of whether the proposed form could not be misleading at some time.

The Chairman.—You might try to relate your expenditure to the original appropriation, and you might come to a wrong conclusion, because the items provided at a later stage are provided just as legally as the original appropriation. We should not engender suspicions of any kind in these matters.—It would be a statement of fact, but, of course, Mr. Hulme's point is very valid; facts can be put down in such a way as to be open to wrong inferences.

65. **The Chairman.**—You include at the bottom of this a reference to the amount provided for the Advance of the Treasurer. I think you indicate somewhere that this comes from additional estimates.—This is the residual amount that comes from the amount that is noted here with a footnote—the residual amount that would appear in the Supplementary Estimates and is now a statement under section 36c of the Audit Act.

66. **Mr. Thompson.**—It means that instead of stating what is done in three different ways you put the total amount that is received for the year?—It is described at the moment as appropriation, and that is what it is. In fact it may comprise an appropriation in four different ways. There is Act No. 1 of 1956-57, Act No. 2 of 1956-57, amounts within the subdivision of course, that might have resulted from the rearrangement of items within the sub-division pursuant to section 37 but not affecting the total of the sub-division. Then finally there are amounts allocated for the sub-division from the Treasurer's Advance pursuant to section 36c of the Audit Act. We could show in our heading so much for Appropriation Act, No. 1, and so much for Appropriation Act No. 2. If required, there could be shown, "provided for Advance to the Treasurer—so much", "expenditure—so much", and "unexpended—so much". What flows from that would be a matter of judgment. It may be said that the expenditure should be related more closely to the amount in the original Act, but there may be completely valid grounds for the additional amounts sought, e.g., in the second Act.

67. **The Chairman.**—I am reminded by the Secretary that as late as 1954-55 the Estimates showed at the bottom of each page "Includes amounts to be provided in Supplementary Estimates", "Amount provided in Additional Estimates", and so on. Those were references back to the appropriation in particular cases?—Yes.

68. **The Chairman.**—It is obvious that at some stage you thought it desirable to include that information, and that would have been no more misleading than we are suggesting now?—No.

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69. **Mr. Hulme.**—And it is not there in amount?—No, it is merely an identification.

70. **Mr. Hulme.**—If you went back to the original Estimates to make the amounts agree, it would be impossible. The explanation of the difference between the original Estimates and the final amount included in the appropriation column is a combination of two, three, or four things?—I think I ought to grasp the nettle and say quite frankly that I do not really think the notation (a) adds to the information or the value of the information to Parliament in one whit. I think we would be much better off not to show it and to save ourselves and all those involved in the process the labour of putting in the (a). This is a statement of the appropriation and the expenditure against it. We cannot help the fact that there are two or three Acts of Parliament to appropriate money during the year. If there is separate consideration required of money that used to be provided by Supplementary Estimates, then a full statement is provided about the same time of those amounts. All the discussion that proceeds here in the Committee, or for that matter in the Parliament, is based upon that statement, with a reference back to the Finance Statement or the original Estimates, as the case may be. I think this is not really of any significance at all in the Finance Statement.

71. **Mr. Thompson.**—If any one picked up the original Estimates and saw the appropriation, this would give a clear indication that there is something more than the original Estimates. That is the only value that I can see. People who have not a real understanding would wonder why there was such a difference.—At the time of the year that this was presented—say September 1958—nobody would have near him the Estimates for the year ended 30th June, 1958, which were presented to Parliament twelve months earlier. People who are concerned about the make-up of the appropriation of, say, £166,092 will make it their business to turn up the Additional Estimates, section 37 transfers, if there are any, and the statement of expenditure from the Advance to the Treasurer.

72. **Mr. Leslie.**—Could you get all of that into one document? I may see an appropriation of £166,092. If I turn up the Estimates I find the original appropriation was £100,000. A Member of Parliament should, in those circumstances, put a question on the Notice-Paper, or otherwise ask the Minister where the rest of the money came from and how it is made up. The answer may be straight forward, that so much was additional or supplementary to the Estimates. He may follow that up and ask whether the difference was as a result of bad estimating or for a specific item.—I hope that this year there will be available with the Finance Statement, if indeed it is not bound with it, a statement of expenditure from the Treasurer's Advance, and that the two things, as a matter of time-tabling, will go hand in hand, and the two documents will be available together.

73. **Mr. Leslie.**—I am rather anxious to get the amount of the Additional Estimates and the transfers. The mere quotation from the Appropriation Act would not meet my request. You may show the original appropriation and then perhaps three other appropriations, under Acts Nos. 2, 4 and 5. They may be special appropriations, quite legitimately for a specific purpose. We would want to look at the additional amounts in

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order to assess the accurateness of departmental estimating. Those Additional Estimates tell the story.—I agree. That is the point. The Additional Estimates tell a story, and they are presented and available to Parliament as an individual operation some four months before the Finance Statement appears.

74. **The Chairman.**—We will be getting the Additional Estimates before us about next week?—Before then, I hope. I think it is to-day.

75. **The Chairman.**—If we adopt this idea of putting in a table, in the table next September would be the total amount of the original Estimates for 1957-58 and the Additional Estimates for 1957-58?—That is going back for twelve months. The amount of £1,783,312 would be the sum total of the original appropriation and the additional appropriation.

The Chairman.—I think it would be better to leave this for you to look at and see what you can do. The main thing we are concerned about is the matter of the shillings and the pence, and we have more or less agreed to the inclusion of the unexpended balance. I should like to refer to paragraphs 8 and 9 of Mr. Newman's statement.

76. **Mr. Leslie.**—Before we get onto that, do we agree that at the top we put the total unexpended balance?

The Chairman.—It would be an advantage to have it there, would it not?—I would be happy to advise the Treasurer to meet the wishes of the Committee. My preference would be to say not to put it in. There is a visual effect which is available to anybody looking at it. If it is thought that putting it at the top is of assistance, I would certainly suggest that it be done.

Mr. Leslie.—The visual effect would be far better if the unexpended balance were there than if it had to be worked out. If the amount attracts your attention, you can start examining it. I would like to see it there.

77. **The Chairman.**—I do not want to add to the work where we are trying to save work.—It is not a great deal extra to do.

78. **The Chairman.**—The biggest point is in connexion with the elimination of the divisions and I think that is important.—We will put it in this year. After all, these things are not fixed for ever and a day. We will put the unexpended amount in the heading. There will be an opportunity to see how it looks in the document. If the Committee thinks it wise to include it again, it can be done.

79. **Mr. Leslie.**—Do not let the amount of discussion on those unexpended balances in the Parliament be the criterion as to its continuance.—It never has been.

80. **Mr. Hulme.**—In the Estimates, referring to the vote and expenditure columns for the previous year, is the vote to be the original vote or the total of the appropriations for the year?—It only includes the original and the Additional Estimates.

81. **Mr. Hulme.**—In quite a number of cases in respect of the Attorney-General's Department, the expenditure is greater than the vote.—I think that that practice probably will be varied. The vote column which is very much the information column in the Estimates document, from force of

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circumstances has been confined to Additional Estimates and original Estimates, but not the Supplementary Estimates, because that information was not available at the time the Estimates went to print. With all those modifications, changes and improvements, I hope that we can get a timetable worked out more satisfactorily and perhaps get that information in there in sufficient time.

82. **The Chairman.**—Coming to paragraph 10 of your memorandum, Mr. Newman, what is your attitude?—(Mr. Newman) I do not think we have any real objection. Item No. 214, Miscellaneous Services, was quoted as an instance. It contains a lot of detailed information in regard to the expenditure under various headings, some 55 individual items in the Prime Minister's Department. If the decision is taken that those will be adjusted to the nearer pound, I have no objection. In the light of the discussion that has taken place, if it is generally agreed to eliminate the shillings and the pence, I raise no objection.

83. **Mr. Thompson.**—What about the total at the bottom?—(Mr. Newman) You have to show the total. (Mr. Hewitt) In the same manner as we did in our sample. We put the total at the top. (Mr. Newman) With Item 214, you have actually three divisions under the Prime Minister's Department. From what Mr. Hewitt explained earlier, I take it that under that heading there would be a consolidated figure to cover items 214, 215, and 216. (Mr. Hewitt) Yes, and we would put at the top the black total from the bottom.

84. **Mr. Leslie.**—The black total of the three items? You would still show the three items?—Yes. We would show every item. The total would go to the head of 214, and be the total for the Prime Minister's Department, £3,742,900.

85. **The Chairman.**—Can you tell me what the overall saving would be, including man-power, paper, printing and so on?—I have not attempted to set out to cost the savings because I think that any total figure would perhaps put the thing out of perspective. I think one's judgment on this depends very largely upon the way in which the problem is tackled. In terms of Commonwealth expenditure amounting to £1,200,000,000, I suppose it is of no importance whatever. I prefer to take it against the background that there is a small staff working in both the Treasury and the Audit Office at high speed, and under great pressure, at this very short space of the year in order to produce all this information. Here are avenues for lessening quite considerably the clerical burden and the amount of work in the Government Printing Office. I prefer to put the advantages of the problem in that context, and against the background in the Printing Office that the effect is that you are saving paper, machine time, binding time and so on. The background of it is not the fact that you are necessarily concerned with a clerical officer carrying out this work at a salary of £1,000 or £1,200 a year. I refine it a little more and say that at that time of the year we shall be employing people to do this work and paying them between 10s. and 16s. an hour to do it; we shall be employing them on Sundays and paying them 27s. an hour to do it; we shall be employing skilled tradesmen, who are in very short supply, to press keys on a linotype machine at a cost of something between 25s. and 30s. an hour. For every hour that men are doing the job you are running up a bill at those rates. For the clerical officer, it is not

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necessarily only 16s. an hour for his pay; it is the 16s. an hour, plus furlough, plus recreation leave, plus sick leave and plus holidays. The total labour cost is very close to double the rate of wage he receives. Over and above that, I put it in the context that I think a staff ought to be satisfied that what they are employed to do is worth while and is being done in the best possible way. If they are, their interest in the work and the efficiency of the organization are greatly improved. It is against that type of saving that we can judge the merit of this proposal.

86. **Mr. Hulme.**—In the first year, there may not be the savings there would be in the second and subsequent year because you have to go through the initial experimental stages?—That is so, but there will be some immediate savings this year. (Mr. Newman) Another important thing is that it will ensure that I shall get the Treasurer's Finance Statement earlier than I would otherwise. At present, we are more or less standing on one leg waiting for the submission of the Treasurer's Statement in order to get my report finalized, printed and tabled. I am hoping it will expedite the submission of the Treasurer's Finance Statement to enable me to complete my work.

87. **The Chairman.**—Mr. Brown, I take it you concur in the views Mr. Hewitt has submitted?—(Mr. Brown) Yes. The Public Service Board is not so directly concerned with the figures as are the Treasurer and the Auditor-General. Mr. Hewitt has indicated the savings that can be effected. The only other item I might mention is the fact that when these statements are being prepared and printed staffs are working under very high pressure. Some of the staff at the Printing Office may be working on shifts, or doing overtime, and there may be certain savings effected by lessening the time spent on this work and so reducing the amount of overtime the staff must necessarily do at that time of the year. The Board's view in regard to this generally is that provided the amended Statement as proposed by the Treasury meets the requirements of Parliament and the Auditor-General, it would be very favorable to the adoption of the Statement in the new form because of the saving of time and the increased efficiency that would result, as well as the fact that it would facilitate earlier presentation of this document to the Auditor-General for audit, and to Parliament.

88. **The Chairman.**—The Committee is aware that another statement has been submitted making suggestions with regard to section 37 of the Audit Act, which relates to transfers. Would you be good enough to tell the Committee what you hope to achieve by the suggestion you have made?—(Mr. Hewitt) The Committee itself recognized in one of its earlier Reports that the alternative to altering the items of expenditure under section 37 of the Audit Act was to include the expenditure in question in the Supplementary Estimates. The Committee, from its first or second examination, from the subsequent Treasury minutes, and also from its subsequent inquiries, is aware that the bulk of the expenditure, in terms of numbers of items affected, arises in the last quarter of the financial year. The procedure, which is known to the Committee, provides for departments to spend without specific approval, on particular items, in excess of the appropriation, amounts equivalent to a percentage of the vote or a limited amount, subject to equivalent savings in another item; so that the total of the sub-division is not exceeded. In tidying up the accounts in the latter part of the financial year, that provides, I think, what the Committee regarded as a not immoderate degree of elbow room in the account-

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ing which, after all, is spread around the world, as well as in the States of Australia. The preparation of the document which forms the basis of the order-in-council is a task then undertaken in the Treasury from the record of expenditure which comes from each Sub-Treasury, and which is consolidated into the trial balance for the twelve months. It has been the practice of the past to examine the items of revenue expenditure as they are recorded in the document which you looked at earlier, and to set down in a column the amounts for which a transfer can be made between items, pursuant to section 37 of the Audit Act, and also to set down, for the purpose of preparing the Supplementary Estimates, the amounts which have been expended under the authority of the Advance to the Treasurer. The inclusion of amounts under the appropriation of section 37 of the Audit Act, has the obvious effect of reducing the amount of expenditure that would have been included in the Supplementary Estimates. When you asked me a question last year about the effect of the change in the timing of the "Supplementary Estimates", I said that the question of the inclusion of amounts in the Statement of Finance of the Treasury was one that would require examination and which would be examined. Again within the context in which we have just been talking—that of accelerating the time-table for the preparation of the Treasurer's Finance Statement—and aiming at one or two other desirable objectives, which include the preparation of the Supplementary Estimates, and other statements, concurrently with the Finance Statement itself, we find that within the Treasury itself, and again within the limited accounting staff, the preparation of the order-in-council for section 37 transfers takes up about eight working days of a clerical officer. In addition to that, a female employee is engaged for a day in checking additions and calculations. Superimposed on that is the separate printing and the repetition in a different form for the Schedule of the transfers which is presented by the Auditor-General and preparation in the Treasury of a considerable number of items bearing identical descriptions to those which appear again in the "Supplementary Estimates".

Confining it to my interests at the moment, the time taken in the Treasury, there is something over a week and a half of working time—a substantial amount of time for preparing an order-in-council authorizing the transfer between items. The alternative is to show the expenditure in the statement of expenditure from Advance to the Treasurer, which would have been the Supplementary Estimates. The task of preparing the order-in-council does not then arise. The expenditure is submitted to the Parliament, as it would be otherwise by the Auditor-General, and it is available for scrutiny in the same way. That is something of the background within the Treasury.

89. **The Chairman.**—So far as the departments are concerned, what will be the effect of altering the procedure in the way you suggest?—There should be no effect in the departments at all.

90. **The Chairman.**—They would prepare the same information for you?—They will prepare explanations and requests in precisely the same manner. Instead of presenting explanations of expenditure in two forms for scrutiny by your Committee, either in terms of expenditure re-allocated under section 37 or expenditure from Advance to the Treasurer, there will be one statement and one explanation.

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91. **Mr. Thompson.**—You will retain the power but you will not use it?—That is the intention for 1957-58.

92. **Mr. Thompson.**—That is for this year?—Yes. I thought the Committee at the outset would be interested in the background and the considerable amount of work involved in taking advantage of the appropriation contained in section 37.

93. **Mr. Thompson.**—Cannot the whole of that be done in the Additional Estimates, apart from the Supplementary Estimates?—Any request that has been received for a transfer under section 37 in time for the inclusion in the Additional Estimates has gone into the Additional Estimates.

94. **Mr. Thompson.**—I thought the Additional Estimates had not been used as much as they could have been in previous years.—We discussed that earlier, and that has been done.

95. **The Chairman.**—It would be preferable as a matter of principle to show these things as Additional Estimates rather than to show them in transfers. It would be more satisfactory for the departments if the savings that they make can be accounted for and those who want Additional Estimates will have to come in and face the music. What do you say?—Yes, I appreciate the validity of that. Section 37, of course, expresses a qualification to the seeking of additional funds, namely that you do not enter the race under section 37 until you provide under another item an equivalent saving for the additional funds you are seeking.

96. **The Chairman.**—Is the transfer of funds from one vote to another a long tradition? It goes back to the beginning of public accounting, does it not?—I think it has always been in the Commonwealth Audit Act. The practice in the Australian States varies. For example, in Victoria last year I think there were two transfers equivalent to those made under section 37 of the Audit Act. There is a very fruitful field for research as to the time at which the order-in-council should be obtained and whether it should be as it used to be, during the course of the financial year in which the additional expenditure is anticipated.

97. **Mr. Leslie.**—It all boils down to a question of the definition of the saving. If it is a genuine saving—that is, if the department has submitted estimates on normal operations and, through re-organization, some of that money is not required—it is perhaps all right to use that saving in some other direction. However, where a department finds it cannot spend money on the specific purpose for which it has been provided and wishes to spend it on something that would normally be provided for in a future year, I do not think there has been any saving. The amount required for that future purpose should be sought in Additional Estimates. I think the whole idea of section 37 transfers is to permit, as you said, a not immoderate amount of elbow room in the departments. If the problem of departments using money not required for one purpose on some other purpose is overcome, the number of section 37 transfers would hardly be sufficient to engage the attention of this Committee to any material extent and a lot of additional work would be removed from the Treasury. What do you say to that?—I have been interested to discover in the old files that the very problem Mr. Leslie has raised has been debated for many years.

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98. **Mr. Leslie.**—I suppose it will be for some time, because it is in your hands.—As far as I can tell, it will not this year because there will not be any order-in-council under section 37.

99. **The Chairman.**—Mr. Auditor-General, do you feel that any of these simplifications will affect your mandate under section 37?—(Mr. Newman) I would like notice of that question. Offhand, I do not know that they would, but I would like to give the matter some closer examination before I answer. Perhaps I could give a note to the Secretary later.

100. **Mr. Leslie.**—This suggestion is only for this year, 1957-58?—(Mr. Hewitt) Yes. The construction of the section is that if during the course of the year a transfer is proposed, an order-in-council can be sought and it is to be reported to Parliament. It is only a matter of making a decision at an appropriate moment. The memorandum suggests that, as far as can be seen, there does not seem to be a likelihood of an order-in-council for this year, but there may be next year or in subsequent years.

The Chairman.—I thank you gentlemen for your attendance and your co-operation with the Committee.

(The Committee adjourned.)