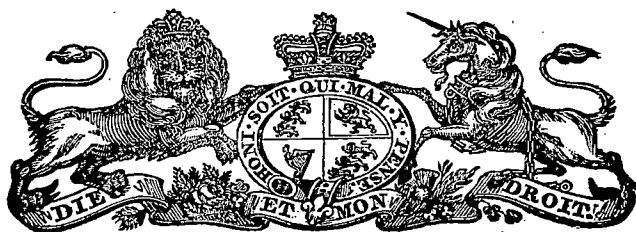


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1879.

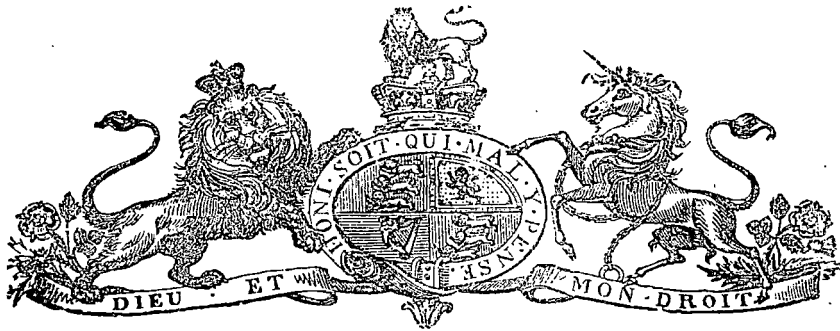
T A S M A N I A.

HOUSE OF ASSEMBLY.

MAIN LINE RAILWAY:

AUDIT OF ACCOUNTS.

Laid upon the Table by the Colonial Treasurer, and ordered by the House to be printed, January 13, 1880.



REPORT upon the Audit of the Tasmanian Main Line Railway Company's Accounts for Four Quarterly Periods ending respectively 31st December, 1878; 31st March, 1879; 30th June, 1879; and 30th September, 1879.

Audit Office, 11th November, 1879.

SIR,

IN accordance with arrangements made by the Government, Mr. R. M. Johnston, of the Launceston and Western Railway Department, has, under my direction, audited the Main Line Railway Accounts from 1st October, 1878, to 30th September, 1879; and I have now the honor to forward his Report.

It will be noticed that special attention is called to the plan adopted by the Railway Company of charging lasting material, such as new rails, rolling stock, &c., as current expenditure, instead of, what would appear to be the more correct method in a working account, distributing the value over a longer period; because this would affect the balance of profit and loss for each quarter or year. There would not be any objection to this arrangement, as far as the question of payment of guaranteed interest is concerned, if it were understood that the profit and loss account on the working of the Railway is to be continuous; but it would seriously affect such payments should the opinion of the Law Officers, referred to in my last Report of the 24th January last, be maintained. I hope, therefore, a final settlement of this and other matters noticed will be arranged by the Government as soon as possible.

For the period now audited the Traffic Receipts and Expenditure amount to £127,627 14s. 5d. and £151,529 3s. 7d. respectively, showing a loss of £23,901 9s. 2d. for two years and eleven months.

I regret that, for the reasons mentioned in correspondence with the Government, it has been necessary to obtain assistance outside my Department, and have addressed you in a separate letter on this subject.

I have the honor to be,
Sir,

Your obedient Servant,

W. LOVETT.

The Honorable the Colonial Secretary.

Launceston, 29th October, 1879.

SIR,

IN obedience to instructions I, on various occasions during September and October, have carefully examined the books and accounts of the Tasmanian Main Line Railway Company, and have now the honor to report to you as follows:—

With the exception of references to former periods, where *adjustment* entries are concerned, I have confined my attention to the four quarterly periods which have elapsed since your former audit; viz.—

Quarter ending 31st December, 1878.

Quarter ending 30th June, 1879.

Quarter ending 31st March, 1879.

Quarter ending 30th September, 1879.

As the Company does not close its Revenue Account periodically, I have prepared an Abstract, which I enclose, showing the profit or loss on each quarter separately, in accordance with the plan adopted by you on a former occasion, and also in accordance with the legal opinion of the Law Officers of the Crown; stated on 15th November, 1878, for your guidance.

I find the accounts correctly stated, fairly apportioned to the various sub-departments, and, with the exception of the current "London office expenses," which are estimated, based upon properly accredited vouchers and returns.

I am of opinion, however, that the present method adopted, of charging "Maintenance of Permanent Way" with the rails, sleepers, and other long-lived material *as received* in any quarter, makes it almost impossible to arrive at an approximate of the true profit or loss of any one period, whether quarterly or yearly. In practice, actual consumption and supply, within a quarterly or yearly period, rarely approximate to each other in the case of the most costly or long-lived material. This is specially noticeable in making a comparison of the expenditure under the head of "Permanent Way" for the four quarterly periods already referred to; viz.—

EXPENDITURE.—Maintenance of Permanent Way.

	Amount.	Per Cent. to Total.
	£ s. d.	
Quarter ending 31st December, 1878.....	5099 17 6	28·9
Quarter ending 31st March, 1879	6055 5 9	34·3
Quarter ending 30th June, 1879.....	3179 7 8	18·0
Quarter ending 30th September, 1879	3311 12 1	18·8
	£17,646 3 0	100·0

As there is such a very great variation in the cost of this Department periodically, I considered it my duty to specially enquire into the disturbing element of expense. I found that, out of a total of £5799 7s. 3d. *Stores* charged against "Maintenance of Permanent Way," the apportionment against each quarter was as follows:—

STORES charged against Maintenance of Permanent Way.

	Amount.	Per Cent. to Total.
	£ s. d.	
Quarter ending 31st December, 1878.....	2272 3 11	39·2
Quarter ending 31st March, 1879	3134 4 2	54·0
Quarter ending 30th June, 1879.....	317 17 9	5·5
Quarter ending 30th September, 1879	75 1 5	1·3
	5799 7 3	100·0

I do not maintain that this method of charging the original cost of long-lived material (principally rails) is *in itself* exceptional; but, being so arbitrary, it destroys the value of any nominal profit or loss, with respect to *particular* quarterly or yearly periods; and it sufficiently explains why there is a loss in one quarter when receipts are £15,511, and a profit in another quarter when receipts are only £12,258.

In a lesser degree this objection also applies to entries adjusted in one quarter, which have particular relation to the estimated expense in one or more former quarters. With respect to the latter, I have to call attention to a charge of £1336 15s. 11d. against general expenditure in the quarter ending 31st March, 1879, under the head of "Adjustment Entries." This sum is the difference between the estimated and actual expense of the London office for the *year* 1878, the vouchers for which I have carefully examined. I have also to note that, although such adjustment entries are in strict accordance with Clause 9 of the Contract, yet they render it a very difficult matter to ascertain precisely the true profit or loss of any current quarterly period.

In the abstract of accounts shown the amount of "extra ballasting" is shown separately, although I am satisfied that now it is a legitimate charge against revenue.

Assuming that the mode in which the accounts are formally dealt with is to be accepted, I have, following your example, to point out that in the quarter ending 30th June, 1879, there is a profit of £126 1s. 7d. which, subject to the adjustment of the estimated item of London expenses, is recoverable from the Company according to the opinion of the Law Officers of the Crown.

In conclusion I must add that, whilst engaged in the audit of the accounts, both Mr. C. H. Grant, Manager, and Mr. R. J. Ellis, Accountant for the Company, most courteously rendered me every assistance I could possibly desire.

I have the honor to be,
Sir,

Your most obedient Servant,

ROBERT M. JOHNSTON.

The Colonial Auditor.

ABSTRACT of Traffic Receipts and Expenditure for Four Quarterly Periods ending respectively 31st December, 1878; 31st March, 1879; 30th June, 1879; and 30th September, 1879.

TRAFFIC RECEIPTS.

	Quarter ending 31 Dec., 1878.	Quarter ending 31 March, 1879.	Quarter ending 30 June, 1879.	Quarter ending 30 Sept., 1879.	TOTAL.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Passengers	6572 7 0	9780 3 10	6590 10 5	4988 4 8	27,981 5 11
Parcels, &c.	579 4 10	722 12 4	602 16 5	521 18 10	2426 12 5
Telegrams	31 18 10	42 12 9	28 1 7	24 12 11	127 6 1
Goods	2984 15 9	3391 11 1	3152 10 9	2337 10 0	11,866 7 7
Minerals	290 2 10	273 11 4	347 5 2	480 18 0	1391 17 4
Live Stock	481 10 11	557 7 8	769 0 6	728 2 3	2536 1 4
Mails	718 5 0	718 5 0	718 5 0	718 5 0	2873 0 0
Rents	65 16 0	25 0 0	50 10 0	45 2 0	186 8 0
	11,724 1 2	15,511 4 0	12,258 19 10	9844 13 8	49,338 18 8
Balance—Loss	2680 11 8	2518 6 2	—	2285 8 4	† 7358 4 7
	14,404 12 10	18,029 10 2	12,258 19 10	12,130 2 0	56,697 3 3

EXPENDITURE.

<i>Current Account.</i>					
Maintenance of Permanent Way ...	5099 17 6	6055 5 9	3179 7 8	3311 12 1	17,646 3 0
Ditto, Extra Ballasting	788 8 1	533 5 6	112 9 11	160 1 2	1594 4 8
Locomotive Power	3453 6 1	4633 2 7	3529 15 1	3876 14 3	15,492 18 0
Carriage Wagon Repairs	529 11 0	417 2 0	240 19 0	244 18 9	1432 10 9
Traffic Expenses	1806 18 3	2041 16 8	1911 6 2	1922 12 0	7682 13 1
General Charges	911 7 11	1234 8 8	907 8 2	766 0 0	3819 4 9
Miscellaneous	* 348 10 8	30 3 1	404 2 3	50 13 9	833 9 9
Tolls and Compensation, Launceston and Western Railway	966 13 4	997 10 0	997 10 0	997 10 0	3959 3 4
London Office Expenses	500 0 0	750 0 0	† 850 0 0	† 800 0 0	2900 0 0
		16,692 14 3	12,132 18 3		55,360 7 4
<i>Adjustment Entries.</i>					
London Office Expenses, 1877, being difference between actual and estimated expense .....	..	1336 15 11	..	..	1336 15 11
Balance—Profit .....	..	..	126 1 7	..	..
	14,404 12 10	18,029 10 2	12,258 19 10	12,130 2 0	56,697 3 3

* In the Company's account there is a sum of £855 2s. 9d. credited and transferred to a separate account; but as this sum was formerly disallowed by the Colonial Auditor the adjustment is unnecessary in this statement.

† London Office Expenses estimated.

‡ Mean loss.

ROBT. M. JOHNSTON, *Auditor.*