



1944.

PARLIAMENT OF TASMANIA.

STANDING COMMITTEE ON PUBLIC ACCOUNTS:

REPORT ON AUDITOR-GENERAL'S REPORT FOR YEAR ENDED
30TH JUNE, 1943.

Brought up by Mr. Treasurer, on June 23, 1944, and ordered by the
House of Assembly to be printed.

MEMBERS OF THE COMMITTEE.

MR. TREASURER (Chairman).
MR. BAKER.
MR. BROOKER,
SIR WALTER LEE.

MR. MADDEN.
MR. SOUNDY.
MR. WEST.

DAYS OF MEETING.

Thursday, December 2, 1943; Monday, March 6; Tuesday, March 7; Wednesday, March 8; Thursday, March 9; Friday, March 10; Tuesday, March 14; Wednesday, March 15; Thursday, March 16; Tuesday, May 30, Wednesday, June 15, 1944.

WITNESSES EXAMINED.

Hon. Robert Cosgrove, Premier of Tasmania; Hon. William Percy Taylor, Minister for Forests; Mr. Frederick John Batt, Auditor-General; Mr. Frederick William Steele, Under-Treasurer; Mr. Horace Clitheroe Smith, Secretary for Agriculture; Mr. Charles Edward Cox, Secretary, Attorney-General's Department; Mr. George Davey Balsille, Director of Public Works; Mr. William Eustace Maclean, Commissioner of the Hydro-Electric Department; Mr. Francis Jackson Carter, Acting Under-Secretary; Mr. Walter George Oakes, Commissioner of Police; Mr. George Vickery Brooks, Director of Education; Dr. Charles Leslie Park, Senior Medical Officer, Public Health Department; Mr. Samuel William Steane, Conservator of Forests; Mr. Stanley Rupert Adams, Manager of the Agricultural Bank; Mr. Byron John Thompson, Public Service Commissioner; Mr. Ralph Gordon Terry, Secretary of the Forestry Department; Mr. Trevor Alwyn Adams, Production Engineer, Tasmanian Wooden Ship-building Board and Chairman of the Board.

AUDITOR-GENERAL'S REPORT TO PARLIAMENT FOR 1942-43.

Summary of Contents and Findings of the Report of the Standing Committee on Public Accounts of the House of Assembly thereon.

	Pages.
Reference to the Committee by the House of Assembly on 17th November, 1943	1
Table of Tasmanian Treasury Transactions and their results in 1942-43	1
Conflict in evidence in important respects between that of the Auditor-General and the Premier, the Auditor-General and the Public Service Commissioner, and the Auditor-General and the Secretary of the Forestry Department	1 and 2

COMMITTEE'S FINDINGS ON FOURTEEN REFERENCES.

Reference 1—Paragraph 2 on page 1 of the Auditor-General's Report relating to the dates of receipt and audit of Treasury accounts, &c. (Pages 2 and 3.)

The Committee finds that the Auditor-General's Report was signed on 18th September, 1943, and yet purports to deal with events in October. It reports that, "quite obviously, no Report from the Auditor-General can be regarded as placed before Parliament with propriety which recounts, and deals with, events occurring after the date of the Auditor-General's signature." The Committee also reports that the Auditor-General did not insert in this paragraph a very historic formula certifying that the Treasurer's Annual Statutory Statements "were found to agree with the Treasury books," though under date 11th October he certified in a Table published in the Appendix to his Report that they did agree with the Treasury books. The Committee finds that the omission was an unwarranted action on the Auditor-General's part and one "decidedly calculated to carry an implication misleading to both Parliament and the public, and hurtful to Treasury officers."

The Committee also expresses disapproval of the Auditor-General's action in unnecessarily disclosing the name of an Audit officer who advised him in this respect, upon the ground that the responsibility for any advice he accepts is his own.

Reference 2—Paragraph 2 on page 1 of the Auditor-General's Report indicating that the revenue in 1942-43 was "overstated" by £6857 14s. 9d. in respect of tax instalment stamps. (Pages 3 and 4.)

The Committee reports that "it seems very questionable for the Auditor-General to have reported to Parliament so insufficiently on a complicated issue, while also not drawing Parliament's attention to the important fact that as at 30th June, 1943, there was an accumulation of £112,000 at interest to the credit of the Tasmanian Treasury in the Commonwealth's accounts in connection with these transactions against a merely conceivable eventual liability of £6857 14s. 9d. in respect of tax instalment stamps" and expresses the opinion that "any one-sided story is wrong in the Auditor-General's Report or anywhere else." The Committee also reports that "The Tasmanian Treasury did nothing whatever in any way wrong in connection with this matter, and so far from 'overstating' the revenue, the established facts show that the Treasury could have added a further £4000 or £5000 to its revenue in connection with these transactions without risk and without doing anything wrong, and this might even have been more logical."

Reference 3 in Last Paragraph on page 2 of the Auditor-General's Report indicating (a) that the discrepancy between the actual deficit of £109,480 13s. 8d. and the estimated deficit of £277,713 11s. was "too great" and (b) that large surpluses in votes of expenditure are "irregular." (Pages 4, 5, and 6.)

The Committee sets out a table showing the error in estimating both revenue and expenditure in all States in 1942-43 and reports that "it should be clear to all that the uncertainties involved in the conditions created by the present unprecedented total war can be expected to produce discrepancies of the very character the Auditor-General has described as too great in Tasmania."

After a minute examination of all the facts and figures and an analysis in detail of all "savings," the Committee reports that "the trend and contents of the last paragraph on page 2 of the Auditor-General's Report were at least ill-considered and, in fact, unjustified."

Reference 4—Pages 3 and 4 of the Auditor-General's Report dealing with the use of loan moneys to finance revenue deficits for an indefinite period, which he considers "improper and illegal." (Pages 6, 7, and 8.)

The Committee reviews in detail the whole history of this matter, especially in its relation to the Financial Agreement of 30th June, 1927. It reports that "the Auditor-General is entitled to every credit on account of the fact that, in Report after Report, he has protested against the obvious breach of the Financial Agreement by all States, but it is not to his credit that he should, in his latest Report, have ignored the creditable record of Tasmania in this regard, which, however, could not carry out its full obligations under the Financial Agreement, while other States were not doing so, without suffering deductions from its Special Grants." The Committee points out that the Trust Accounts of Tasmania are exceptionally well-secured, that a common pool is universal in the Treasuries of the world and that the Commonwealth Government itself asked all States to utilise their resources to the limit of safety in the period of war, and that Tasmania having done so, has not been requested either by the Federal Government or the Commonwealth Bank to reduce its authorised accommodation of £515,000 through Treasury Bills. The Committee strongly deprecates the action of the Auditor-General in testifying that the present Under-Treasurer wrote portion of the Auditor-General's Report of 1933-34 (Mr. E. H. Pretzman) by way of proving that the Under-Treasurer had altered his views on these matters since he left the Audit Department and acquired "the Treasury point of view." The Committee records the Under-Treasurer's testified protest in this regard.

Reference 5—Being "Expenditure in Excess of Parliamentary Authority" as set out on pages 30-33 of the Auditor-General's Report. (Pages 9 to 20 inclusive.)

In his Report the Auditor-General refers to what he terms "the too frequent use of the emergency clauses of the financial regulations." The Committee sets out a table showing the amounts and per-head-of-the-population emergency expenditure of all States in 1942-43, and the striking economy of Tasmania in this respect, both relatively and absolutely. The per-head-of-the-population figures during the year were, as reported by the Committee; Queensland, £6 14s. 8d.; Victoria, £1 15s. 6d.; Western Australia, £1 6s. 8d.; South Australia, 14s. 8d.; New South Wales, 12s. 6d.; and Tasmania, 3s. 11½d. The Committee reviews the whole situation, both in principle and in detailed examination of the eight instances when Governor-in-Council Authorities "lapsed," according to his list in 1942-43, because "he withheld" his report to the Treasurer that they had been duly authorised.

The opinion is expressed by the Committee that the Auditor-General has not to-day, and should not have, any power to "veto" expenditure under the authority of the Governor-in-Council. The procedure recommended by the Committee is set out on page 19. The Committee also finds that "it is impossible, in view of the established facts of the case, to concur in the Auditor-General's view that there has been any noticeable tendency in Tasmania in the direction of a too frequent use of the emergency clauses of the financial regulations, and the unusually low total of Treasury expenditure in excess of Parliamentary authority in 1942-43 points in a precisely opposite direction, since it was only £47,595, which is the lowest figure since 1926-27." The Committee lists on page 10 eight instances in which the Auditor-General made no official report whatever to the Treasury in respect to Governor-in-Council's Authorities and also reports that "no reports were received by the Treasury from the Auditor-General in respect to the year 1940-41." On page 17 it expresses the opinion that if the text of the Audit Act is not quite clear, in some respects "there is one matter that does seem to be beyond doubt, namely, that the Auditor-General should 'report to Treasurer' in connection with every G.C.A. issued by the Governor-in-Council under the Audit Act Regulations." On page 19 is set out an instance in 1931 when Sir Claude James disputed the right of the Auditor-General to veto expenditure authorised by the Governor.

Reference 6—Being "Expenditure Authorised by the Governor" to which allusion is made on page 33 of the Auditor-General's Report. (Pages 20 to 22 inclusive.)

The Committee's comments on the immediately preceding reference, raising more or less the same issues, are almost all-inclusive, both in detail, history, and as a matter of important principle.

In its comments on this reference the Committee confines itself practically to recommending a new procedure in dealing with the State's Supplementary Estimates, which represent, in fact, Governor-in-Council's Authorities for expenditure in excess of Parliamentary Authority and in anticipation of it. It expresses its difficulty in understanding the Auditor-General's refusal to recognise the difference between "excesses in detail" and Governor-in-Council Authorities for expenditure for which there is no Appropriation Vote, since this distinction, it reports, has always been made quite clear in presenting the State's Supplementary Estimates to Parliament for ratification or otherwise.

The Committee recommends that the Supplementary Estimates should not be delayed till the following financial year and then brought before Parliament as a whole, but should be submitted to Parliament, for ratification or otherwise, as soon as possible, and from time to time, as the expenditure is incurred, so far as this course is reasonable and practicable. The Committee considers that this new procedure "would increase the real control of expenditure by Parliament without prejudicing the legitimate use of Governor-in-Council Authorities with their attached Ministerial responsibility for the use of such Governor-in-Council Authorities for expenditure in excess of Parliamentary Authority by appropriation."

Reference 7 is in relation to the allusion made by the Auditor-General on page 34 of his Report to "an advance of £5000 to the Tasmanian Wooden Shipbuilding Board" as set out under the general heading "Expenditure Under Query." (Page 22.)

After setting out the facts, it is stated: "The Committee considers that the Government was obviously warranted in acting on the advice of its Crown Law Department in such a matter, especially in relation to an industry affecting Australia's war-effort in connection with which any avoidable delay would have been entirely unwarranted."

Reference 8 is in relation to "The Travelling Expenses of Judges and Officers" to which allusion is made on page 34 of the Auditor-General's Report under the general heading "Expenditure Under Query." (Pages 22 and 23.)

This is a very small issue affecting a Treasury voucher for the payment of £3 17s. The Committee reports that there is no record of any previous objection to any such payment to a judge as that indicated. The Committee considers that "there was no sustainable reason for reporting this small matter to Parliament as the Auditor-General must have known that it was the practice of the Treasury never to question his decision on an expenditure voucher and that, therefore, a refund was certain if he maintained his objection." It is further stated that, in the opinion of the Committee the Auditor-General in his solitary objection placed a very narrow interpretation on the word "travelling," but it is pointed out that there can be no further trouble of this character as the 1943-44 Appropriation Act provides for "travelling expenses of Judges and Officers, car-hire for Judges attending State and civic functions and funerals in an ex-officio capacity."

Reference 9 is in relation to the loan of £500 to the Spring Bay Municipality to which allusion is made on page 34 of the Auditor-General's Report under the general heading "Expenditure Under Query." (Pages 23 and 24.)

After reviewing all the facts, the Committee reports that "the loan to the Spring Bay Municipality was, in the circumstances, amply justified. The Triabunna Cool Stores constitute a required facility associated with the war-effort, and an ample supply of water for the Spring Bay Municipality had that additional reason to recommend it. If the transaction can be regarded as 'a result of expediency to meet the issue,' as the Auditor-General claims, the conditions imposed by the war assuredly constitute some reason for regarding expediency with a reasonable degree of leniency."

Reference 10—Being allusions to "Travelling Expenses of Ministers of the Crown," as set out on pages 34, 35, 36, 37, 38, and a few lines on page 39 of the Auditor-General's Report. (Pages 24 and 25.)

The Committee notes that the first sentence of the Auditor-General's very lengthy references to this matter reads; "For some time it has been apparent that some reform was necessary in the manner in which Ministers' travelling expenses have been financed during recent years" which it states would certainly lead to the presumption that some practice of which he could not approve had been in operation for at least some years in reference to the purchase or use of cars for or by Ministers. But the Committee reports that there is no previous record of any complaints or queries of the Auditor-General prior to those mentioned in his 1942-43 Report. The Committee then notes that his concluding sentence, after four and a half pages, reads; "It is because of the importance of the principles involved that this matter is so fully reported."

Having reviewed the facts, the Committee then reports; "The Committee's particular conclusion in respect to the issue raised by the Auditor-General in his Report to Parliament in connection with the purchase of cars for Ministers is that he was fully justified in reporting the matter to Parliament, but that he made a great deal too much in a Report to Parliament purporting to be signed on 18th September, concerning a matter which he knew, in the middle of June, was about to be radically remedied. So far as the general 'travelling expenses of Ministers' are concerned, apart from the purchase of cars, the same observation is entirely just in connection with the Auditor-General's comments in his 1942-43 Report to Parliament. For as long ago as 17th June, 1943, he knew that not only the purchase of cars for Ministers, but also the 'travelling

expenses of Ministers' would be charged, in the future, only to Votes provided for that purpose and the further fact that the necessary alterations to regularise anything that was, in reality, irregular in past practice, would be effected in the Appropriation Act, 1943-44. The absence of any reports from the Auditor-General to the Treasurer on the very matters of which he complains during recent years would have constituted another very sensible reason for reasonable reticence, on his part, even in a Report to Parliament on these matters."

Reference 11—Being the allusions to alleged "Forestry Department Irregularities" as set out on page 39 of the Auditor-General's Report. (Pages 25 to 29 inclusive.)

The Committee reports that the Auditor-General submitted confidential Audit Department File No. G.D. 9/8 to it on 10th March, 1944, and that on 14th March, 1944, it was handed back to his custody by unanimous resolution to the following effect; "That the Audit Department File No. G.D. 9/8 in connection with alleged irregularities in the Forestry Department be returned to the Auditor-General with an expression of its (the Committee's) considered opinion that he (the Auditor-General) should take immediate action to follow the advice of the Solicitor-General, contained in the Solicitor-General's letter of 2nd March, 1944, in reference to the criminal matters contained in the file." The Committee draws attention to the fact that in evidence before the Legislative Council's Select Committee (which also inquired into his Report to Parliament for 1942-43) the Auditor-General testified on March 16th, 1944, in reference to the same file; "As to the file, personally I think I should send the whole of it to the Attorney-General, with a request that action be taken by the police, and to advise him that my Department will assist the Police Department in every way possible." Nevertheless, the Committee reports that up to 15th June, 1944 (the date of the signature of its Report), the Auditor-General had taken no action in these respects, and that File No. G.D. 9/8 was, at that date, "still uselessly locked away in the Legislative Council's premises."

The Committee further reports in the following terms: "The Committee is concerned at the procedure adopted by the Auditor-General on the whole subject of the report on the alleged irregularities in the Forestry Department. These matters had been the subject of investigation by the Auditor-General from July, 1943, until the meeting of the Committee. The Auditor-General's explanations to the Committee of his actions in this matter were far from clear. He seemed to take the view that, although he had carried the investigation to the limits of his jurisdiction as Auditor-General and had the advice of the Solicitor-General to the effect that the matter had earlier become essentially one for the police, nevertheless, he considered that, in some way, the responsibility for the next step rested with the Committee. The Committee is frankly unable to understand why the Auditor-General did not, at the earliest possible stage, which seems to have been as early as December, 1943, report any irregularities which had come under his notice in respect of the Forestry Department to the Governor as he is expressly required to do by Regulation 48 of the General Regulations in the Second Schedule to the Audit Act, 1918. The Auditor-General seems, most improperly, to have wished to avoid reporting any such matters to the Governor-in-Council, and even hinted that he did not wish to do this because he suspected that, in view of the nature of the alleged irregularities, some action might be taken to suppress his report. It need hardly be added by the Committee that this is a most serious matter, and that the Auditor-General, in a most important respect, failed to comply with the provisions of the Audit Act. The Committee cannot agree that his explanations justify this serious departure from the law. It seems a notable fact that when asked by the Legislative Council's Committee on 29th February, 1944, whether he was working with the Public Service Commissioner and not the Auditor-General, in connection with the alleged Forestry irregularities, the Conservator of Forests testified; 'Not with the Auditor-General until we found difficulties about the accounts. It had been suggested that there had been leakages of royalties. Mr. Terry (Secretary) could not trace these leakages, and there was not much delay in asking the Auditor-General to take action.' But there is no evidence that the Auditor-General reported these difficulties about the accounts of the Forestry Department and the alleged leakages of royalties, to the Governor in any way whatever."

The Committee condemns the action of the Auditor-General in not including in his Report to Parliament a Memorandum dated 15th October, 1943, from the Minister for Forests in reply to a Memorandum of his own to the Minister dated 11th October, 1943, which latter is set out in his Report, and states that the explanation given by the Auditor-General in evidence, in respect to this omission "cannot be regarded by any intelligent or impartial person as either satisfactory or *bona fide*."

The Committee examined the facts in connection with the transfer of two Forestry officers to Hobart on 17th August, 1943, in accordance with arrangements made by the Minister for Forests on August 13th, and reports that "it is a simple story," and that "there was never anything either occult or suspect about it."

The Committee also reports that "it is difficult to understand how there could ever have arisen any justified impression, on the part of the Auditor-General, that the present Minister for Forests (Col. the Hon. W. P. Taylor, M.H.A.) desired to hinder or hamper him, or anybody else, or any properly appointed body, in any inquiry into the

alleged irregularities in the Forestry Department. The Committee is quite satisfied that the Minister for Forests, the Premier, the Conservator, and the Public Service Commissioner were all equally desirous of having these matters properly investigated, and all proper action taken, in accordance with the evidence available. No matter on whose advice he acted, the Auditor-General is himself responsible if the situation in connection with these alleged irregularities could not be regarded as satisfactory, at the time this Committee took its evidence, either to those allegedly implicated, or to the State, and this would not have been likely to be the situation if he had carried out his duties in respect to the Audit Act, 1918, by due compliance with Regulation 48 of the General Regulations in the Second Schedule of that Act and reported the irregularities to the Governor in December, 1943."

The Committee condemns certain evidence proffered to it by the Auditor-General in the following terms:—"Making all allowances for deficiencies in memory, the absolutely contradictory evidence submitted to the Committee in respect to the alleged Forestry irregularities, and other matters, were of a sufficiently startling character to compel direct attention to them. But it is no part of the duty of the Committee to accept the responsibility of drawing any very definite conclusions for them. It feels, however, that it is necessary to record its very decided displeasure with, and disapproval of, one feature of the Auditor-General's evidence, arising out of the alleged Forestry irregularities. Quite irrelevantly and unnecessarily, and in the presence of the press, he three times in one day cast reflections upon a past Minister for Forests by informing the Committee that it had been reported to him that this ex-Minister for Forests was known in some parts of Tasmania by a nickname (which he gave) and which necessarily carries an implication of dishonour. No matter by whom the Auditor-General was so informed, it is obvious that such a report might easily have originated in the mischievous invention of some unscrupulous gossip or person with a grudge. No such hearsay had any relevancy to anything whatever definitely before the Committee arising out of the contents of the Auditor-General's Report, and it was an unworthy act on the part of the Auditor-General and repellently unfair and unjust to the ex-Minister mentioned to repeat any such hearsay in proffering evidence to the Committee in the presence of the press and the public." The Committee adds; "In simple justice to the present Minister for Forests, it is proper to point out that he only became Minister for Forests on 12th April, 1943, and that, therefore he carries no responsibility whatever for the administration of the Forestry Department prior to that date, while the alleged irregularities (if there were, in fact, any irregularities), to which allusion is made in the Auditor-General's Report for 1942-43, as referred to the Committee, date back to years long past."

Finally, "the Committee expresses the decided opinion that, for the purpose of removing sources of public uneasiness and suspicion, and in the interests of the State itself, and of all concerned, whatever steps are required to settle the question of Forestry irregularities once and for all should be forthwith taken, no matter whom such steps can be regarded as contingently or supposedly implicating till all the facts are fully established. If wrong has been done by any, whether through impropriety in the Public Service sense, or in the Criminal Code sense, they should be duly punished; if wrong has been done by none, all should be clearly exculpated, and further, none should be prejudiced, in either private or public reputation or position, by mere unsupported hearsay statements and stories having no established foundation in fact."

Reference 12—In relation to the allusions made to "War Purposes Expenditure" as set out on pages 39, 40, and 41 of the Auditor-General's Report. (Pages 29 and 30.)

The Committee having fully reviewed the facts and quoted the testified views of the Under-Treasurer, reports in the following terms:—

"The Committee is of the opinion that Parliament will take the view that the Treasury view thus expressed is fully warranted and correct, and that the Auditor-General's judgment in this particular matter was wholly faulty. The terminology of the Unforeseen War Purposes Appropriation item has been altered, as already stated, to prevent any misinterpretations in the future, but it is suggested by the Committee that it would be appropriate to set out in the Treasurer's Annual Financial Statements in future complete details of all transactions arising from this Vote. The Auditor-General, on special request, supplied a return to the Legislative Council's Select Committee showing the itemised war expenditure in 1942-43 (£89,475) and the appropriations for the various items of war expenditure but, except for minor differences in presentation, the whole of this information was specially supplied to Parliament, in at least as clear a form, in the Treasurer's last Annual Financial Statement. The Committee now reporting entirely supports the contention that Parliament should be supplied with particularly full information on all matters relating to war expenditure."

Reference 13—Being the allusions made on pages 41, 42, and 43 by the Auditor-General under the heading "Parliamentary Standing Committee on Public Accounts." (Pages 30, 31, and 32.)

The Committee reviews the whole history of this matter, and sets out three separate alternatives, namely, (1) A Public Accounts Committee with functions and duties of the same character as those entrusted to, and carried out by, the British Parliamentary

Standing Committee on Public Accounts, (2) A Parliamentary Standing Committee with similar functions to those entrusted to it by the House of Assembly of New South Wales under its Audit Act, and (3) A Public Accounts Committee as advocated by the Tasmanian State Finance Committee, as set out in the Report.

It rejects all three proposals. Its conclusions are set out in the following terms:—

“The Committee now reporting to the House of Assembly cannot recommend the constitution of a Public Accounts Committee similar to that existing in New South Wales, which, it is considered, would be a futility in this State. Government files, submitted to the Committee, show that, in September, 1942, the Tasmanian Cabinet considered the proposals of the State Finance Committee for the constitution of a Public Accounts Committee on the lines already indicated, and rejected these proposals.

“This Committee now reporting, having examined all aspects of the situation, does not recommend the appointment of a Public Accounts Committee charged with permanent functions and duties associated with the requirements of the Audit Act. It is pointed out that, while the British Public Accounts Committee undoubtedly functions efficiently and very usefully, it is easy to select, from a House of Commons consisting of about 600 members, a considerable number of men ‘who have shown their interest in financial questions’ and who, in addition to some real financial qualifications, are prepared genuinely to approach the question of public accounts strictly as a national matter and not as a Party matter, no matter to what Party they belong. But it would be a different proposition to make the required selection, with the required qualifications, from the membership of the Tasmanian House of Assembly, which consists of only thirty members, with no fewer than seven of that number disqualified as Ministers of the Crown. It is not probable that any Government in Tasmania will ever submit a Bill to Parliament for any such purpose, no matter what type of Government it may be. Further, as a practical proposition, in the circumstances of Tasmania, any such Committee, if entrusted with such functions to be of any utility at all, would (unless this issue is altogether excluded from its jurisdiction) introduce fresh difficulties, and fresh sources of delay, in the presentation of the State Budget, already always much delayed because of the later arrival of the Grants Commission’s Reports for Special Grants each year, and also, most certainly, in connection with the legitimate use of Governor-in-Council’s Authorities. The existing Audit Act, even if it could be improved by amendments, is sufficient to secure orderly finance and due control of expenditure by Parliament, if it is reasonably interpreted, and faithfully administered in a commonsense manner, and in that spirit of cordial co-operation between the Treasury and Audit Departments which has been so lamentably interrupted during the last couple of years, and, in such circumstances, it is considered that the suggestions made by the Committee, in other parts of this Report, will, if adopted, be found quite sufficient to meet the situation.”

Reference 14—Being the comments on the accounts, &c., of the Hydro-Electric Commission made on pages 54, 55, 56, 57, 58, 59, 60, 61, and 62 of the Auditor-General’s Report. (Pages 32 to 35 inclusive.)

Having reviewed the whole of the testified facts and figures the Committee recommends (1) “That provided that there is some assurance that practical difficulties can be overcome, the Government should give serious consideration to amending legislation by which it would become the duty of the Auditor-General to certify each year as to the correctness of the gross profit of the Hydro-Electric Commission before the Commission allocates and distributes its profits, but very strictly reserving the Commission’s discretionary power in the rightful distribution of its profits,” and (2) “The Committee also recommends that the Government should review the financial relations between the Commission and the Government, and adjust those relations, by amending legislation, on the basis that, while the Hydro-Electric Commission should contribute a reasonable yearly amount or amounts to the State Treasury, the real object of initiating and developing the Hydro-Electric undertaking was not Treasury profit but economic advantage. Increasing economic advantage would eventually advantage the Treasury much more than any direct payments by the Commission to the Treasury.”

The Committee also recommends that “the Auditor-General should, in the future, certify as to the correctness of the accounts of the Commission, and abandon such ambiguous phraseology as ‘a fair summary’”, and concludes in the following terms:—

“Finally, as the Auditor-General can report to Parliament at any time, it is suggested by the Committee that it would be an improvement if he refrained, in the future, from inserting, in his Annual Report, figures in relation to important State undertakings, such as those conducted by the Hydro-Electric Commission and the Transport Commission, unless he has fully examined their statements of accounts. The Committee considers that it could also be regarded as desirable and correct for the Auditor-General to communicate to such bodies, when possible, any criticisms of their accounts which he proposes to report to Parliament, and proffer to them an opportunity for the insertion in his Report of their replies to such criticisms, so that Parliament may be fully informed. The Auditor-General himself testified; ‘I have a continuous audit of the Treasury, Hobart Corporation, Transport Commission, Hydro-Electric Commission, and Agricultural Bank Accounts.’ A continuous audit thus being the case, it ought usually to be possible for the Auditor-General to certify

as to the correctness of all these accounts for the preceding year when he is compiling his Annual Report for Parliament, in view of the fact that it is suggested by this Committee that his Annual Report should be presented to Parliament at approximately the same date as the Treasurer's Annual Financial Statement and the Estimates, which admittedly, cannot usually be presented, under existing circumstances, until after the lapse of three or four months of the new financial year."

Special Reference—Consideration of the question whether it would be practicable to arrange for an earlier presentation to Parliament of the Annual Reports of the Auditor-General. (Pages 35 and 36.)

The Committee reports, after reviewing all the facts that it considers that "when possible the Auditor-General's Report to Parliament should be presented a few days before, or at the same time as the Treasurer's Annual Financial Statement, and when this is not possible, as soon after as possible . . . But, if in any given year, the Auditor-General's Report can be prepared for presentation to Parliament considerably before the Treasurer's Annual Financial Statement, there is no sustainable objection to such a prior presentation and, in this matter, not long-established 'custom' but the will of the Assembly should prevail. At the same time, it must be recognised that war conditions affect the Audit Department as well as the Treasury, and, for some years, at all events, it seems quite certain that it would not be reasonable to expect the Auditor-General's Report to be ready for presentation to Parliament before the date of presentation of the Treasurer's Annual Financial Statement, or, in fact, much earlier than has been usual in recent years."

THE COMMITTEE'S FINAL CONCLUSION.

The Committee's final conclusion is in the following terms; "The final conclusion of the Committee is an inescapable consequence of the facts testified to it, and is that the contents of the Auditor-General's Report to Parliament for 1942-43 seriously misinformed Parliament in some most important respects, and that there is cumulative proof that his conduct, in many aspects, has been such as not to entitle him to the continued confidence of Parliament, and the Committee so reports to your Honourable House."

REPORT.

On the 17th of November last, the House of Assembly referred the Auditor-General's Report for 1942-43 to this Committee for inquiry and report and also directed the Committee to ascertain whether the Auditor-General's Report could not be laid upon the Table of the House earlier in the financial year than has been the case hitherto. The Committee was given power to send for persons, papers, and records relevant to this inquiry, and was authorised to exercise the power granted to Select Committees under Standing Order No. 381 in respect to allowing its proceedings to be open to the press. Acting under this authority the Committee permitted the attendance of representatives of the press and public at all times during the hearing of evidence. Reference to Committee.
Press and Public Present.

The Committee having taken an immense amount of evidence and having made careful and exhaustive inquiries into the matters referred to it, has the honour to report to your Honourable House as follows:—

The Auditor-General is appointed under the provisions of the Audit Act by the Governor, and by an express enactment is not subject to the provisions of any Act for the time being in force regulating the Public Service. He is not responsible to any Minister and is the servant of Parliament itself. It follows from the very nature of his highly responsible duties and his direct obligation to Parliament itself, and the provisions of the law, that he is entirely independent, and further, quite obviously any criticisms of the Government or the Executive, or of the general conduct of the finances of the State, which he proffers in his Reports to Parliament should be treated, in general, with respect and attention both by Parliament and by the Government. But Parliament is the ultimate judge as to whether any such criticisms in his Reports to Parliament are justified or not. Auditor-General is Servant of Parliament.

By way of introduction it is desirable to set out briefly the results of the financial transactions of the Treasury for the year 1942-43. They were as follows:— Finances for 1942-43.

	£
The estimated total revenue for the year 1942-43 was	3,249,200
The actual total revenue for the year 1942-43 was	3,290,324
	<hr/>
The total actual revenue above estimate was	41,124
	<hr/>
	£
The estimated total expenditure for the year 1942-43 was	3,527,564
The actual total expenditure for the year 1942-43 was	3,399,805
	<hr/>
The total actual expenditure below estimate	127,759
	<hr/>
	£
With a total actual revenue above estimate of	41,124
And with a total actual expenditure below estimate of	127,759
	<hr/>
The total betterment of actual results over estimated results was	168,883
	<hr/>
	£
The deficit forecasted in the Budget was	278,364
But with the abovementioned increase in revenue and decrease in expenditure totalling	168,883
	<hr/>
The actual deficit was	109,481
	<hr/>

The Commonwealth Grants Commission's figures analysing the expenditure from revenue, relatively to that of the Commonwealth and the other States for 1942-43, are not yet available, but those in its Tenth Report, in relation to 1941-42, were as follows:— Grants Commission's Figures.
Commonwealth (per head of the population), £29 8s. 3d.; Western Australia, £25 9s. 6d.; New South Wales, £23 7s. 9d.; Queensland, £22 16s.; South Australia, £22 13s. 3d.; Victoria, £16 14s. 2d.; and Tasmania, £14 0s. 6d. (excluding the financial operations of the Transport Commission in 1941-42, but necessarily including the net loss incurred by the Commission in the preceding year).

The evidence submitted to the Committee was exceedingly voluminous as stated, and occupies 518 pages of foolscap in typescript, of which the evidence, statements, interrogations, and documents submitted by the Auditor-General (Mr. F. J. Batt), account for some 200 pages. Evidence Very Voluminous.

It is very regrettable to have to report that the testimony given by the Auditor-General, in some important respects, and that given by three other witnesses, in the same respects, was in direct conflict. The Auditor-General refused to give evidence before the Commonwealth Grants Commission in Hobart in February, 1942, and he very definitely testified to the Committee, that he had made no statement to the Premier (Hon. R. Cosgrove), a few days after this incident, that "he intended to make trouble," in consequence of his resentment of the criticism by the Treasurer (Hon. E. Dwyer-Gray) arising from this refusal. The Premier, on the other hand, was Conflict in Evidence.

Auditor-General and the Premier.

informed at the Committee as follows: "In reply to a question asking him did he (Mr. Batt) inform you that in consequence of what had occurred, he intended to make trouble, the Auditor-General swore 'I definitely deny that, and nobody can be brought forward.' The Premier was then asked; 'What, Mr. Premier, do you say to that?' The Premier replied, 'That is not true,' and further testified, 'Mr. Batt said to me that he had been a very good friend of the Labor Government, but that if the Government was going to attack him we might not expect the same treatment in the future and would have to be more careful about G.C.A's. I reported that statement to the Cabinet'."

Forestry Irregularities.

In regard to the alleged irregularities in the Forestry Department the Auditor-General swore, *inter alia*, when recounting a conversation early in August, 1943, with the Public Service Commissioner; "The Commissioner informed me that the Premier was very concerned about the matter and was anxious that something should be done to clear it up. I said that if that was the case why had not the Government ordered an enquiry? To this the Commissioner replied that the Government was unlikely to succeed in setting up any enquiry, as such would be blocked in the Cabinet. On my asking, 'But why blocked and by whom,' the Commissioner replied, 'By D'Alton.' I then asked, 'But why D'Alton?,' and the Commissioner said that it was thought that D'Alton was in some way interested and that he had a majority following in Cabinet and in his Party." The Public Service Commissioner (Mr. B. J. Thompson), on the contrary, swore that that statement by Mr. Batt was not true and testified "I give a complete denial to Mr. Batt's statement that I said the Government was unlikely to succeed in setting up an enquiry, as such would be blocked in Cabinet, and also to the fact that I stated that Mr. D'Alton was in some way interested and he had a majority in Cabinet and in his Party. At no time did I make the remarks attributed to me by Mr. Batt concerning Mr. D'Alton and the Government, even in confidence."

Auditor-General and Public Service Commissioner.

Auditor-General and Secretary to Forestry Department.

Again the Auditor-General had a discussion on Friday, August 13th, 1943, with Mr. R. G. Terry, Secretary to the Forestry Department, in relation to the alleged forestry irregularities. Arrangements were then made for a forestry officer to be in his office in the North on the following Monday and Tuesday, whither the Auditor-General intended to proceed to interview him. On the same Friday afternoon it was intimated to the Auditor-General that it had been arranged for District Forestry Officers (including Messrs. Garrett and Chisholm) to attend a conference at Hobart on Tuesday, August 17th, arranged by the Minister for Forests to consider the urgent timber needs of the shipbuilding industry. The Auditor-General testified, referring to a resulting further discussion with Mr. Terry, "I then asked Mr. Terry if the Minister (Colonel Taylor) was aware of my intention of visiting Messrs. Garrett and Chisholm before he had decided to call the conference. Mr. Terry said, 'Yes, he was aware.' I then expressed my astonishment at the Minister's action in view of the important nature of the investigation I was about to commence, and stated that neither the Minister nor anyone else, would, in the future, be advised of any action to be taken by me in the matter." But Mr. Terry, on the contrary, swore: "Mr. Batt states that he expressed his astonishment at the Minister's action, and he states that neither I, the Minister, nor anyone else would be advised in future of any action to be taken by him in the matter. Mr. Batt did not make this statement to me. He asked, 'What is his game?,' I said 'No game at all, as far as I know. The Minister is bringing them to Hobart in connection with supplies of timber urgently required by the Wooden Shipbuilding Board'."

Fourteen Separate References.

Before the Committee formally received any evidence it had been decided that fourteen separate references in the Auditor-General's Report required investigation. A list of these was supplied to the Auditor-General and the Under-Treasurer, and various officers of the State, &c., were invited to prepare evidence and instructed to forward their proposed evidence direct to the Clerk of the House, who, a little later, supplied copies of this proposed evidence to all members of the Committee. The whole of the fourteen references, numbered from 1 to 14 inclusive, were very fully investigated, and each reference is now the subject of report in the same order as the approved list of references indicated and with its appropriate number. The list of references thus set out formally by the Committee was headed as follows:—

Mr. Batt as Witness.

"The Auditor-General's Report, as printed, is before the Committee. Therefore, Mr. Batt will necessarily be a potential witness in connection with every item and will have a natural right to proffer such evidence as he chooses as each subject comes forward, or in reply to any other witness."

Reference 1.—Paragraph 2 on page 1 relating to the dates of receipt and audit, &c., of Treasury accounts.

The paragraph in question reads: "The Statements setting out the transactions of the Treasury for the year ended 30th June, 1943, were received by me for examination on 17th August, 1943. Following certain audit queries thereon, amended Statements were received for audit on 8th October, the examination of which was completed on 11th October."

Difference in Dates.

In the first place, it should be noted that the Auditor-General's Report is signed "Fred. J. Batt, Auditor-General, Audit Department, Hobart, 18th September, 1943," and yet it purports to, and, in fact, does deal with events in October, 1943, including the

examination of Treasury accounts not completed, as stated in this paragraph, till October 11th. This disparity in dates is undoubtedly an impropriety, and no sufficient explanation was given for it. Quite obviously, no Report by the Auditor-General can possibly be regarded as placed with propriety before Parliament which recounts, and deals with, events occurring after the date of the Auditor-General's signature. In the second place, attention was drawn to the remarkable variation made in the paragraph in question when compared with a corresponding paragraph quoted from the Auditor-General's Report to Parliament for 1940-41, dated 10th October, 1941, and reading:—

Undoubtedly
an
Impropriety.

"The Statements setting forth the transactions of the Treasury for the year ended 30th June, 1941, were received by me on 30th July, 1941. The examination was completed on the 9th September, 1941, when the Statements were found to agree with the Treasury books."

Absence of
Historic
Formula.

This formula, with only varying dates, was used by every Auditor-General right back to 1920, and right up to 1940-41, expressly certifying in the same express words, year after year, that "The Statements were found to agree with the Treasury books." It was sworn by the Auditor-General that the change made, in 1941-42 and 1942-43, in this historic formula, by the deletion of the significant words quoted, had no relation whatever with his alleged threat to make trouble for the Government in February, 1942, arising from the Grants Commission incidents, to which reference has already been made. Yet, assuredly, the omission to add the important words, "The Statements were found to agree with the Treasury books," is an alteration requiring an explanation sufficient to satisfy reasonable men, since the absence of this time-honoured certificate almost necessarily carries an implication that "the Statements" did not agree with the Treasury books. The Auditor-General testified that the alteration indicated was made at the instance of Mr. Arthur Templeman, Chief Inspector of the Audit Department, but admitted that the responsibility was necessarily his own as the signer of his own Report. It is also his responsibility that he should have so unnecessarily divulged the name of an advising officer in connection with a responsibility ultimately entirely his own. The Auditor-General's Report for 1941-42 was not referred to the Committee, but in relation to his Report for 1942-43, dated 18th September, 1943, which was referred to the Committee, the explanation given by the Auditor-General for the omission of the certifying words indicated is that, in the opinion of the Auditor-General, the State's revenue for that year was "overstated" by the amount of £6857 14s. 9d., as set out in the third paragraph of his Report. But, even if that were true, it would not necessarily be true that "the Statements did not agree with the Treasury books," and, further, the omission of the required certifying words does not fit in with the undeniable fact that these "Statements" did agree with the Treasury books, as certified on the documents in question by the Auditor-General himself. See page ix of Statement No. 1, attached to the Auditor-General's Report, where can be read: "Having examined the Treasurer's Journal and Ledger for the year ended 30th June, 1943, as required by Instruction 14 in Schedule 3 to the Audit Act, I hereby certify that the foregoing Statements agree therewith. Fred. J. Batt, Audit Department, 11th October, 1943." The Committee considers that the omission to so state in the second paragraph in his Report, as was the custom for more than a score of years, was very decidedly calculated to carry an implication misleading to both Parliament and the public, and hurtful to Treasury officers. The dates in the questioned paragraph convey nothing of significance, connote no avoidable delays, and create no records in the Treasury history of this State of any sort whatever.

Mr. Batt
Testified.

At Instance
of Audit
Official.

Auditor-
General's Own
Certificate.

Misleading to
Parliament.

Reference 2.—Paragraph 2 on page 1 in the Auditor-General's Report indicating that the revenue was "overstated" by £6857 14s. 9d. in respect of tax instalment stamps.

Charge of
Overstating
Revenue.

This is an exceedingly complicated question and not worth much notice here. As the Under-Treasurer (Mr. F. W. Steele), testified; "It is, perhaps, significant that the Auditor-General of no other State has raised any doubt or query in the matter, even though the other State Treasuries followed the same procedure as Tasmania. The facts, as stated by the Auditor-General, are substantially correct, but the Treasury does not agree with the Auditor-General that the revenue was overstated, or that there is a definite liability." The Tasmanian Treasury did nothing whatever in any way wrong in connection with this matter, and, so far from "overstating" the revenue, the established facts show that the Treasury could have added a further £4000 or £5000 to its revenue in connection with these transactions without risk and without doing anything wrong, and this might even have been more logical. Further, to the Committee it seems very questionable for the Auditor-General to have reported to Parliament so insufficiently on a complicated issue, while also not drawing Parliament's attention, if he considered his duty to deal with the issue at all, to the important fact that as at June 30th, 1943, there was an accumulation of £112,000 at interest to the credit of the Tasmanian Treasury in the Commonwealth's accounts in connection with these transactions as against a merely conceivable eventual liability of £6857 14s. 9d. in respect to tax instalment stamps. It was testified that this liability of £6857 14s. 9d. is so very indefinite that it may never become definite, and in fact may be even more than entirely extinguished. Any one-sided story is wrong in an Auditor-General's Report or anywhere else.

Tasmanian
Treasury did
Nothing
Wrong.

One-Sided
Story is
Wrong.

Evidence at
Grants Com-
mission in
February,
1944.

It is unusual for matters of mere opinion to be emphasised in Auditor-Generals' Reports, especially adversely to the State concerned, and, in this case, the Auditor-General's opinion has little or no substance, and certainly no over-riding value whatever. The Treasurer tabled evidence which he submitted to the Grants Commission in Hobart on the 11th February, 1944, on some of the contents of the Auditor-General's Report, which required to be explained to that body in the interests of Tasmania, and amongst the issues, so dealt with, was that relating to the charge of "overstating" the revenue.

Reference 3.—Last paragraph on page 2 of the Auditor-General's Report indicating (a) that the discrepancy between the actual deficit of £109,480 13s. 8d. and the estimated deficit of £277,713 11s. in 1942-43 was "too great" and (b) that large surpluses in votes of expenditure are "irregular."

Estimated
Deficit and
Actual
Deficit.

In regard to (a) the discrepancy between the estimated deficit and the actual deficit in 1942-43 was £168,883, which the Auditor-General states in his Report was "too great." Nevertheless, though he describes it as "too great," the only actual qualification mentioned by the Auditor-General in connection with this "too great" discrepancy is in relation to the saving of £41,730 in the contemplated expenditure in Civil Defence and Evacuation. Attention is here drawn by the Committee to the table published in the Treasurer's Annual Financial Statement to Parliament on the 27th October, 1943, setting out the errors in the estimates of revenue and expenditure in all States in 1942-43, which were as follows:—

		Revenue	Expenditure
		Error.	Revenue.
		%	%
Figures for all States.	New South Wales	10·8	8·5
	Victoria	10·7	8·7
	Queensland	25·6	25·4
	South Australia	6·5	4·9
	West Australia	6·1	5·6
	Tasmania	1·2	3·6

Under-
Treasurer's
Opinion.

View of the
Committee.

Revenue
Increases.

Reasonably
Close
Estimating.

Decreases in
Expenditure.

Can Only be
Judged in
Detail.

These figures speak for themselves. As a matter of fact, the Under-Treasurer was warranted in stating, in the course of his evidence; "In view of the unsettled conditions existing in many directions the net discrepancy of £168,883 is not significant." It should be clear to all, in the opinion of the Committee, that the uncertainties involved in the conditions created by the present unprecedented total war can be expected to produce discrepancies of the very character the Auditor-General has described as "too great." The discrepancies in other States in 1942-43, both in regard to actual revenue collections, and in regard to actual expenditure from revenue in comparison with the estimates, were much greater than the discrepancies the Auditor-General describes as "too great" in Tasmania. In regard to revenue, the main improvements during the year over the estimate were income tax £11,843, representing arrears not coming within the ambit of arrears deducted from the Commonwealth Compensation Grant, and £10,655 from estate duties, always difficult to estimate. Discrepancies in the estimates of interest and exchange practically cancelled each other out. The proceeds of land sales and rentals revenue exceeded the Departmental revenue estimates by £11,686. In total, the revenue for the year exceeded the estimates by a net amount of £41,124, which can be justly claimed as proving reasonably close estimating.

The expenditure for the year was less than the estimated expenditure by a net amount of £127,109, according to the figures in the Auditor-General's Report. The saving of £41,730 in the estimated expenditure on Defence and Evacuation represented a change in policy during the year, consequent on changed war conditions, as advised by the Commonwealth. And, as the Under-Treasurer stated in his evidence to the Committee: "Leaving out the very special item of Civil Defence and Evacuation, the remaining discrepancy in estimated expenditure and actual expenditure is not large." These matters can only be judged in detail, and are dealt with in reasonable detail by the Committee in the report on (b).

No Value in
these Figures.

In regard to (b), evidence was given that the Treasury could not accept the Auditor-General's view that large surpluses in expenditure collections are "irregular," but it is admitted by the Treasury that, if avoidable, they are undesirable. In his evidence before the Committee the Auditor-General brought forward a table of elaborate figures and a graph showing that discrepancies in the estimated results of the Treasury transactions of Tasmania and the actual results over many years. Admittedly, the net actual discrepancy of £169,883 in 1942-43 was caused chiefly by reason of the fact that the actual expenditure was £127,108 14s. 11d. (Auditor-General's figure, but actually was £127,759) below the amount authorised by Parliament "this being the largest surplus in votes of expenditure during the last twenty years," as the Auditor-General stated in his evidence. But what real validity have such figures? And, though the quoted statement is literally true, all the discrepancies in Tasmania in these regards, during the year, were far less serious, both relatively and absolutely, than the discrepancies in the other States. The Committee further comments that, if any past

periods, in the financial history of Tasmania, were admittedly difficult, so are the times of an unprecedented total war. In any case, it was a poor service to the State by the Auditor-General to comment in 1942-43 so adversely on the practically unavoidable.

If savings in vote of expenditure authorised by Parliament are to be regarded as necessarily implying loose estimating or over-estimating, they can only be justly and intelligently placed in any such category by an examination of the circumstances in detail, and there is no detail in the Auditor-General's Report. The actual saving or surplus of £41,730 in connection with Defence and Evacuation has been already broadly explained. Obviously, contingent war expenditure must be provided on qualified advice. If it is not spent, much more has been saved by favourable war developments than the money saved.

No Detail in Auditor's Report.

In connection with Civil Defence there was an increase in salaries and wages for the temporary staff in excess of £200, the amount estimated, including a deserved gratuity of £100 for the Chief Air Raid Warden of Launceston on retirement, and slight increases of a warranted character in the duty pay of three other officers. The expenditure on rents unavoidably exceeded the estimates by £79, of which £32 has since been refunded by the Federal Department of Home Security. Following discussions at the Premiers' Conference, held in August, 1942, on A.R.P. and evacuation matters, it was decided, in accordance with Federal advice and policy and action taken in the other States, to reduce all items of expenditure in connection with Civil Defence, provided the efficiency of the Civil Defence Legion remained unimpaired. This was accordingly done. Regarding an amount of £12,000 underspent on fire equipment, provision had necessarily to be made for equipment on order from the Commonwealth, but a considerable proportion of this equipment did not arrive till after the close of the financial year 1942-43. In some cases the equipment was provided under lease-lend arrangements, and this equipment remains the property of the Commonwealth Government.

Civil Defence Savings.

The surplus or saving of £14,836 in the salaries and allowances of the Education Department was caused chiefly by the transfer of permanent staff members to the Defence Forces and their replacement by temporary teachers at much lower salaries, the resignation of temporary teachers and the inability of the Department to find substitutes, a war-produced decline in the expected number of students attending the Teachers' Training College and some other practically unavoidable and unforeseeable circumstances. The saving of £3003 16s. 9d. in the cost of the conveyance of scholars to schools arose chiefly because the prices of petrol and other requirements did not continue their previous ratio of increase. Incalculable war conditions, in fact, produced these surpluses.

Education Department's Savings.

In the Health Department the "surplus" or savings in salaries of £2815 11s. 10d. at Lachlan Park was entirely due to the deaths or resignations of permanent officers and their replacement by temporary officers arising out of war conditions. The saving of £2000 in connection with maternity cases arose from the fact that this amount was placed on the Estimates for the purpose of subsidising any hospital prepared to make increased maternity accommodation available for persons in indigent circumstances. No expenditure was incurred during the year as no increased accommodation was provided for in this class of case.

Health Department's Savings.

In the Agricultural Department there was a saving or surplus on salaries of £4645 arising from resignations and appointments to other positions and other reasonably explicable circumstances. The expenditure on the Extension Service was reduced by £2766 5s. because the vote was credited with the receipt of that amount from the Agricultural Bank for services rendered by the Department's Extension Service officers in connection with Agricultural Bank properties. There was a saving of £1746 in the Departmental travelling expenses because of the calling-up of officers for military services, the death of a veterinary officer, the retirement, on account of ill-health, of the plant pathologist, and the seconding of three officers' services to other activities during the year. The administration of the Stock Acts cost £1006 less than the estimated amount, arising from veterinary officers being called-up for military services with necessarily reduced activities in consequence in connection with the administration of the Stock Acts. In experimental work of various kinds, there was a saving of £1116, arising from the calling-up of officers for military services, retirements, and deaths, and war difficulties such as a call by the Commonwealth on officers of the Australian and Imperial Governments in connection with defence requirements, resulting in a compulsory curtailment in the Department's ordinary work in this sphere. There was a saving of £2404 in railway freights on fertilisers, arising from the Commonwealth's fertiliser rationing scheme, which, by reducing the supply of fertilisers, naturally reduced the subsidies paid by the Department to the railways for the carriage of fertilisers. The expenditure on assistance to industries was less than the estimated amount by £2358. It is plainly impossible to foresee what precise amount should be allocated to the contingent encouragement of new industries, especially in war time, and, quite obviously, one year may show a saving, and another year might require increased expenditure through Governor-in-Council Authority. The "Land Army" cost £943 below the estimated amount because, during the year, the Commonwealth assumed the responsibility for the training of the Women's Land Army in Australia. The actual expenditure in connection with this estimate item was £945 14s. 7d., of which amount £889 11s. 10d. was reimbursed by the Commonwealth prior to 30th June, 1943.

Agricultural Department's Savings.

Agricultural
Bank Savings.

In connection with the Agricultural Bank, the expenditure to meet the loss on Soldier Settlement was £9611 below the amount authorised by Parliament. The Manager of the Agricultural Bank (Mr. S. R. Adams) testified to the difficulties in accurately estimating the amounts required for such purposes, and proceeded; "As adjustments of revenue extending over a period of five years were involved, it can be quite easily appreciated that, if a further 50 cases had been dealt with, as was anticipated, this would easily have increased the loss for the year by the amount under-spent by reducing the nominal income by writing back five years' charges. Collections were also more buoyant than anticipated towards the end of the year, which obviated the need for making the usual bad debt provision through profit and loss." There was a saving of £1068 relatively to the amount authorised to meet State Advances losses. The Agricultural Bank Manager explained that the cash collections towards the end of the year were more buoyant than had been anticipated, and that it was deemed inadvisable to make as large a provision as usual for bad debts. There was also a saving of £2236 below the amount authorised in connection with Flood Sufferers' Relief. The explanation here is that, though the Appropriation Act provided £6000, the committee appointed to consider applications only approved of allocations totalling £3764.

Public Works
Department's
Savings.

In the Public Works Department there was a "surplus" of £3025 in salaries. This arose from an arrangement with the Transport Commission by which that Commission met a proportion of the salaries of officers engaged on State Highways, leaving only £669 to be accounted for, which was caused by officers enlisting and "call ups," with a consequential saving in salaries. There was also a saving of £2000 in the grant to the Circular Head Municipality, arising from the fact that, in consequence of delays in connection with the work of rehabilitating the Stanley Water Supply, no claim for the provided State assistance was received during the year.

Police
Department's
Savings.

In the Police Department there was a salary saving or surplus of £3918. Deaths, dismissals, and resignations, are not predictable, and recruitments, under war conditions, are effected by the appointment of probationary constables at lower rates of remuneration. There were ten resignations during the year, and there was also a time-lag between the dates of the retirements and of new appointments. These causes accounted for £692 of the surplus. The other factor was a saving of £3611 5s. arising from the fact that salaries for fifteen special constables for auxiliary duties in connection with internal safety had been provided in the estimate of expenditure, but it was only found necessary to appoint four of these special constables for a full year. Further, credits to be placed against the vote for salaries, on account of seconded officers, exceeded anticipations, the resulting refunding being £215 over what had been expected. Again, the Department of Mines (Magazines and Explosives Section), the City Council (Water Supply), and Marine Board (Guarding Wharves), and various other instrumentalities were asked to pay for the services, as far as reasonably proper, of men specially required, and in all cases a suitable arrangement was effected.

Savings in
Interest.

There was a saving in interest, as far as the Treasury is concerned, payable in London of £2133 below the estimate. This was the result of the operations of the National Debt Commission in purchasing and cancelling a parcel of 3½ per cent 1.1.1942-44 inscribed stock. There was a saving of interest payable in Australia of £2343 below the estimate, arising from the fact that when the estimate was prepared no definite information was available as to the amount of borrowing or the rates of interest on loans to be raised for the works programme of the year. This is a normal condition and will always exist. There was a saving in payments due for the Sinking Funds of £5768 below the estimate. The amount required annually to meet sinking fund payments is entirely dependent upon the operations of the National Debt Commission. Every effort is made to accurately estimate requirements, but the Commission itself could not give any idea of the extent of its operations. Stocks are purchased on the market and cancelled as the opportunity occurs, and the dates of these transactions have a great effect on the amount required by way of 4½ per cent contributions on the debt cancelled.

Auditor's
Comments
Ill-Considered
and
Unjustified.

The whole of the above facts and figures were submitted to the Committee in evidence, in detail, and in regard to the Auditor-General's comments, thus considered in detail, and as a whole, the Committee can only take the view that the trend and contents of the last paragraph on page 2 of the Auditor-General's Report were at least ill-considered and, in reality, unjustified.

Financing
Revenue
Deficits.

Reference 4.—Pages 3 and 4 of the Auditor-General's Report for 1942-1943 dealing with the use of loan moneys to finance revenue deficits for an indefinite period, which he considers "improper and illegal."

Treasurer's
Repeated
Explanations.

Considerable attention must be given here to the Auditor-General's comments on this matter in the Report now under review, though the whole situation has been explained to Parliament in the Treasurer's Annual Financial Statements in 1934-35, 1935-36, 1936-37, 1937-38, 1938-39, 1942-43, and 1943-44. It is necessary for the Committee to remark that, for the first time for many years, the Auditor-General has failed in his Report to Parliament even so much as to mention in the course of two pages the long-continued efforts of the Tasmanian Government to cure the situation which he so much deplures. He tells an old story, and brings it up to date by reference to the proceedings at the last meeting of the Loan Council, and has failed to do justice, for the first time,

Tells an Old
Story.

to the Tasmanian Government's efforts to rectify the situation initiated nearly 10 years ago. There can be no doubt whatever that the Financial Agreement of 1927 expressly enacts that all States should provide sinking fund payments from revenue of not less than 4 per cent to liquidate deficits incurred since the signature of that Agreement on 30th June, 1927. As a matter of actual fact, legislation, in common with the other six States, is now in course of preparation which will remove the reproach to Australian finance which the Tasmanian Government has so long sought to end.

Obligations of
Financial
Agreement of
1927.

No accumulation has taken place in the unfunded deficits since the 30th June, 1935, any deficits being regularly funded and the debt made subject to 4 per cent sinking fund contributions. The accumulation at 30th June, 1935 (£759,199 17s. 3d.) has, in fact, been reduced by surpluses to the extent of £29,760 11s. 1d. and now stands at £729,199 17s. 3d. The view that the position is "illegal" is open to considerable doubt, as Parliament sanctioned expenditure, notwithstanding that, in some of the financial years concerned, "deficit" Budgets received approval, and, consequently, borrowing for the deficits was at least implied. The deficits up to 30th June, 1927, were all funded. In the year 1927-28 there was a surplus of £95,082 2s. 7d. which was eliminated by deficits of £89,542 9s. 10d. and £25,719 10s. 8d. in the years 1928-29 and 1929-30, leaving a net accumulation of £20,179 17s. 11d. The following deficits then took place:—

No
Accumulation
Since 30th
June, 1935.

Year.	Amount of Deficit.		
	£	s.	d.
1930-31	245,104	5	4
1931-32	271,613	18	3
1932-33	55,215	12	0
1933-34	47,884	14	11
1934-35	119,201	8	10
	<hr/>		
	739,019	19	4
Balance from 1929-30	20,179	17	11
	<hr/>		
Total at 30th June, 1935	£759,199	17	3

History of
Deficits.

The accumulation of unfunded deficits during the depression years was common to all the Australian States. The reason why the various Governments concerned did not "fund" the deficits, as contemplated by the Financial Agreement, is that it would have greatly increased the interest and sinking fund charges. The representations made on this issue by Tasmania at meetings of the Australian Loan Council, and the reasons why retrospective action by Tasmania alone would be inexpedient, have been fully set out in the Treasurer's Annual Financial Statements. Since 1934-35 the terms of the Financial Agreement have been carried out in Tasmania, but not retrospectively. Whenever there was a deficit for a year, Parliament was asked in the following year for authority to fund this deficit, and the State raised the money to do it. It is very old history and it has been reported on, from year to year, in practically the same form by the Auditor-General. In his Report for 1936-37, the present Auditor-General commented, "The Hon. the Treasurer has now taken the matter up with the Australian Loan Council and, in his Financial Statement, at the commencement of the financial year 1937-38, he quotes a letter (dated July, 1937) which he wrote to the Prime Minister and the Chairman of the Loan Council on this subject."

Common to
all States.

Tasmania's
Action at
Loan Council.

Recent
Procedure
in this State.

The Auditor-General is entitled to every credit on account of the fact that in Report after Report for years past he has protested against the obvious breach of the Financial Agreement by all States, but it is not to his credit that he should, in his latest Report, have ignored the creditable record of Tasmania in this regard, which, however, could not carry out its full obligations under the Financial Agreement, while other States were not doing so, without suffering deductions from its Special Grants. It is true that the accumulated deficit of this State as on 30th June, 1943, was £839,919 19s. 10d., but of this amount, the deficits incurred since the signature of the Financial Agreement on 30th June, 1927, to 30th June, 1934, account for £639,998, after deducting a surplus of £95,082 in the year 1927-28. It is claimed by the Auditor-General that the accumulated deficit of £838,919 "is in an irregular position as it is being financed by Loan and Trust Funds," which "for an indefinite period, is considered improper and illegal." So far as the obligations of the Financial Agreement have been violated in this State (and all other States) the position, up to date, is undeniably "illegal." But in no other sense is it illegal or "improper" for Parliament-sanctioned deficit-Budgets, which could only be met by some form of borrowing. In financing the situation up to 30th June, 1943, debit entries were made against Trust Funds to the amount of £579,456 3s. 3d., but their stability and security has not been in any way thereby threatened. Particular care has been taken in this respect in this State. The Under-Treasurer testified, "I could produce the money in two days. We have about £200,000, but the Commonwealth owes the Treasury £400,000, at least, for loan money, which has been expended under the authority of the State Parliament and the Loan Council." He also testified, "I say we have so managed in Tasmania in using these Trust Funds that if the whole of them were called up to-morrow we could find the cash. This State is better off than any other in regard to Trust Funds. In other States they practically don't invest any of their Trust Funds at all. They simply use them for Public Works to a great extent." The Committee points out that the Trust Accounts of the State

Not to
Auditor-
General's
Credit.

"Illegal and
Improper."

Security of
Tasmania's
Trust Funds.

Better than
Any Other
State.

Universal
Common Cash
Pool.

At Request
of Common-
wealth.

Auditor
Quotes Mr.
Pretyman.

From Report
of 1933-34.

"Eight Years
Ago, Mr.
Steele."

Auditor's
Disclosure
Condemned.

Under-
Treasurer's
Answer to
Charge.

totalled £1,145,580 6s. 6d. as on 30th June, 1943, of which £566,105 is invested, mostly in Commonwealth stock. Because of the resources behind the State, the Government of any State is in a totally different position from that of companies and other administrators of Trust Funds. The common cash Treasury pool is a universal practice in the Treasuries of the world, and it is considered that no proposal to prohibit the safeguarded use of Trust Funds by the State for general Treasury purposes would be practicable. Recently the Federal Government requested all State Governments to utilise the whole of their available resources with a resulting reduction in new money borrowing through the Loan-Council-approved Public Loans for Public Works. In order to further the war effort this has been done by Tasmania, at the request of the Commonwealth Government, to the limits of assured safety, and, therefore, Tasmania has not been asked, either by the Federal Government or the Commonwealth Bank, to reduce its authorised accommodation of £515,000 through Treasury Bills.

When tendering evidence on these matters, the Auditor-General quoted the following extract from the Auditor-General's Report to Parliament for the year 1933-34, when the late Mr. E. H. Pretyman was Auditor-General:—

"It will be noted that the accumulated deficits in the Consolidated Revenue Accounts, together with the expenditure charged to Suspense Account, has absorbed nearly all the loan money authorised and raised for 'capital' purposes. Revenue and loan moneys are 'pooled' in the banking accounts. The unauthorised use of loan moneys to finance revenue deficits cannot be justified except for short periods, pending the funds being required for the authorised work. The deficit has been accumulating since 1st July, 1922, when the last 'funding' was sanctioned by Parliament. In the meantime capital works have been suspended, in some cases, for the reason that the funds authorised and borrowed have been misappropriated to finance the deficits. I have drawn attention annually to this irregular state of affairs; a continuous practice of this kind weakens the system designed to secure the control of Parliament. If Parliament approves of the use of the loan moneys for revenue purposes, instead of the purposes for which they were originally authorised, it is necessary that a reappropriation should be sanctioned to preserve a reasonable degree of financial order. The alternative is the sanctioning of new loans for the purpose. The only reason advanced for not obtaining sanctions for the use of loan moneys under the provisions of the Financial Agreement with the Commonwealth (18 Geo. V. No. 97) wherein it is agreed that a loan utilised to meet a revenue deficit accruing after 30th June, 1927, must be redeemed by a State by a 4 per cent Sinking Fund (10 years). It appears to me that under a reasonable interpretation of the clause in question the liability for a 4 per cent Sinking Fund has already been incurred in respect of the accumulation since 30th June, 1927 (£639,998), and the Suspense expenditure (£389,587) referred to on page 6 of my Report for the year 1930-31."

Prior to quoting the above extract from Mr. Pretyman's Report for 1933-34, the Auditor-General testified to the Committee: "Eight years ago, Mr. F. W. Steele (Under-Treasurer) was in the Audit Department when I held the office of Deputy Auditor-General. We discussed the subject until we almost ran dry. To-day he has the Treasury point of view. I will read from the Auditor-General's point of view. This was written by Mr. Steele and included in the Report to Parliament."

The Committee feels that it cannot too strongly deprecate this action on the Auditor-General's part. He should have made no such disclosure. If Mr. Pretyman adopted Mr. Steele's advice, the responsibility for the contents of the Auditor-General's Report was not that of Mr. Steele, but of Mr. Pretyman, as the Auditor-General of the day, and if irrelevant and unnecessary disclosures of this character are not most decisively and strongly discouraged, important officers throughout the Public Service must naturally become somewhat chary about tendering candid, unreserved, and *bona fide* advice to heads of Departments whose responsibility it is if they accept such advice and use the views expressed as their own. The disclosure made by Mr. Batt. in reference to Mr. Steele, was akin to his similar disclosure in mentioning the name of Mr. Templeman, in reference to the "altered formula" in the third paragraph of his Report which has already been condemned, but was, in the circumstances even more directly questionable and objectionable.

The Under-Treasurer (Mr. Steele) candidly and unreservedly admitted that he had written the extract from Mr. Pretyman's Report to Parliament, as quoted by the present Auditor-General, and in reply to the charge that he had become a "convert to the Treasury viewpoint" since he became Under-Treasurer, and the general comments made by the Auditor-General in connection with the alleged alteration in his opinions in respect to the matters under discussion, the Under-Treasurer testified, "Mr. Batt referred to an old Audit Report and said I had drafted it that year. Mr. Batt seemed to think that I have changed my opinion since I have been in the Treasury, but I still hold the opinion that you can use Trust Funds. It was quite obvious when that was written that these deficits were not temporary at all. Their liquidation was very indefinite. I would like that recorded. I have seen both sides of the question. In the evidence I gave this morning I said that in my opinion these old deficits should have been formally funded from year to year. I still hold that opinion." The Treasurer explained to the Committee that Mr. Steele had quite frequently expressed that view to him ever since he became associated with the Treasury.

Reference 5.—Being “Expenditure in Excess of Parliamentary Authority” as set out on pages 30-33 of the Auditor-General’s Report.

In his Report the Auditor-General refers to what he terms “the too frequent use of the emergency clauses of the financial regulations,” and expresses the view that “no expenditure should be authorised in this manner while Parliament is meeting.” Any such absolute limitation is considered by the Treasury to be altogether too severe, and, in fact, unworkable. However, in an effort to effect a suitable solution of practical difficulties arising in this regard, communications were addressed to the Auditor-General on the 22nd April and the 13th May, 1943, by the Treasury which are referred to very briefly in his Report on page 31, while quoting his own replies in greater detail, in the course of one of which he writes that he “would not go so far as to state that no Governor-in-Council’s Authority of any kind, in any circumstances, should be issued while Parliament is in Session.” The communication sent to the Auditor-General by the Under-Treasurer on 22nd April, 1943, sets out, very clearly, the Treasury view of the situation in the following terms:—“Referring to your Memorandum of the 19th instant, in which you express the opinion that the provision of funds by the Governor under the abovementioned Regulations, while Parliament is sitting, is irregular and unconstitutional, I desire to say that whilst I feel unable to agree that this is the position in all cases, I fully appreciate the need, in the interest of proper Parliamentary control, of avoiding recourse to the Regulations in question, whilst Parliament is sitting, in respect of policy which does *not* come within the ambit of a Parliamentary Vote and other than to meet exceptional cases of emergency when Parliament is not sitting. In cases where the Regulation is used to supplement insufficiency of funds for purposes recognised or provided for by Parliament, I suggest that any rigid rule that the Regulation is not operative while Parliament is sitting, and that consequently Bills for further Appropriation Acts must be submitted for ‘excesses in detail’ would prove to be most cumbersome, if not impracticable. In my opinion, our system of providing elasticity for emergencies meets the requirements of proper Parliamentary control much more effectively than the practice of providing hundreds of thousands of pounds in a lump sum as ‘Treasurer’s Advance’ as in some States. I appreciate the responsibilities placed on you by the Regulations and the fact that much must depend on your good judgment to make them effective, and also practicable. It does appear to me that ‘excesses in detail’ and also ‘cases of emergency’ are in separate categories, and that, in respect of the former, G.C.A.’s for excesses could be issued when Parliament is sitting, without detriment to its control, when the proportion of excess and the explanation submitted are satisfactory. A reasonable degree of restraint has been exercised by the Treasury, and the proposal has been submitted to your good judgment. I trust that you will concur in this view. In the present year, notwithstanding the exigencies of war conditions, I am hopeful that the total authorised under the Regulation will prove to be lower than for many years past.”

“Too Frequent Use of Emergency Clauses.”

Under-Treasurer to Auditor-General on 22nd April, 1943.

Rigid Rule Impracticable.

The Auditor-General’s reply, as indicated in the letter quoted in his Report on page 31, was that he could not make a distinction between “excesses in detail” and “cases of emergency.” The Committee notes, however, that this distinction has been made in the Supplementary Estimates submitted to Parliament for very many years past. The Under-Treasurer testified that several years ago it was decided by the Government that no application for emergency funds by G.C.A. should be submitted by any Department without the knowledge and consent of the Treasury. This rule is certainly in conformity with proper Treasury functions, and established practices elsewhere. The existing Tasmanian position is more rigid than in most States and countries in that our Parliament does not provide a Vote in the form of an advance to the Treasurer. For example, in 1942-43, the advance to the Treasurer of New South Wales was £200,000 and this amount was available for emergency expenditure entirely at the discretion of the Treasury subject to later ratification by Parliament of the actual expenditure. An equivalent “Advance to the Treasurer,” in this State, on a proportional per-capita basis, would be £20,000, whereas the Treasurer of Tasmania has a Vote of £500 only for “unforeseen expenses to be hereafter accounted for” (Division 26, Miscellaneous, Treasurer, Item 20). It is interesting to note here that a similar Vote in the year 1901 was for double that sum.

Distinction Drawn in Supplementary Estimates.

Practice in Other States.

Comparison with other States in 1942-43, also incurring emergency expenditure under war conditions “in excess of Parliamentary authority,” while admittedly not entirely satisfactory without close examination of total expenditure in the required detail, undeniably provides a clear indication of the consequences of those conditions in the year in question.

Figures for all States.

State.	Emergency Expenditure.		
	Amount. £	Per Head of Population.	
		£	s. d.
New South Wales	1,774,821	0	12 6
Victoria	3,497,321	1	15 6
Queensland	6,992,223	6	14 8
South Australia	447,531	0	14 8
Western Australia	627,145	1	6 8
Tasmania	47,595	0	3 11½

Treasurer's
Memorandum
to Premier of
19th February,
1943.

The Premier testified that he had received a Memorandum from the Treasurer in the following terms, dated 19th February, 1942, and headed "War Purposes Appropriation of £10,000":—

"Gravely
Improper
Threat."

"I desire, for the protection of the Government, to have a record of my statement when moving the second reading of the Appropriation Bill for £10,000 for war purposes not otherwise provided for. This seems all the more necessary in view of your recent Report to Cabinet of a gravely improper threat to interpose difficulties in connection with G.C.A.'s required by the Government. I stated twice, *i.e.*, both when moving the second reading, and even more emphatically when replying to the second reading comments, that, while only £10,000 was asked for, this amount would be increased by G.C.A.'s if required to any amount required. You will be able to verify this by your own recollection. The war is too serious to justify any hold-up of any money required by the Government for war purposes and an extra amount of £5000 was made available by G.C.A. a few days ago for conservation of food purposes though Parliament itself was in Session."

Committee
Cannot
Agree With
Auditor-
General.

It is impossible, in view of the established facts of the case, for the Committee to concur in the Auditor-General's view that there has been any noticeable tendency in Tasmania in the direction of "a too frequent use of the emergency clauses of the financial regulations," and the unusually low total of Treasury expenditure in excess of Parliamentary authority in 1942-43 points in a precisely opposite direction, since it was only £47,595, the lowest figure since 1926-27, as, indeed, may be easily noted from the list published in the Auditor-General's Report for 1941-42, and the contents of previous Reports.

Auditor-
General's
Eight
Instances.

However, it is obviously proper for the Committee to deal, in detail, with the eight instances, when the Auditor-General (as he states on page 33 of his Report to Parliament for 1942-43) "withheld" his report to the Treasurer that the amounts in question had been duly authorised by the Governor-in-Council, involving a total amount of £7778 6s. 8d. It may be mentioned here that the Treasury sometimes receives no report whatever from the Auditor-General on Governor-in-Council Authorities. This appears to be contrary to the real intent and commonsense application of the Audit Regulations, and, whatever view may be taken of the actual legal effect of the text of those Regulations, the regular receipt of such reports by the Treasury from the Auditor-General, whatever their nature, would certainly assist in securing rational co-operation between the Auditor-General and the Treasury. This would in no way limit the Auditor-General in reporting to Parliament in such terms as he might deem proper, according to the facts of each case.

Absence of
Reports from
Auditor-
General.

No official reports were received by the Treasury from the Auditor-General in respect of the undermentioned Governor-in-Council's Authorities in 1942-43:—

No Reports
Received by
Treasury.

Date.	Department.	Amount.
26.6.42.	<i>The Judges.</i>	£ s. d.
	One Complete Set of Halsbury's Laws of England	130 3 2
30.1.42.	<i>Miscellaneous—Minister for Works.</i>	
	Blackout Blinds for Davey-street Buildings	295 0 0
13.2.42.		
	Parliament House—Screening Lights for Brownout	180 0 0
19.6.42.	<i>Miscellaneous—Minister for Agriculture.</i>	
	For the purposes of the Homes (Old Age Pensioners) Act, 1940, for the year 1941-42	1500 0 0
26.5.43.	<i>Miscellaneous—Chief Secretary.</i>	
	Item 14, Free Passes, &c., on Railways	700 0 0
	To make provision for Clerical Assistance to the Australian Comforts Fund	70 0 0
3.9.42.		
	Allowance to Public Relations Consultant for the Government of Tasmania in Sydney	500 0 0
29.1.43.	<i>Sundry Public Works Suspense Account.</i>	
	Purchase of Hydro-Electric Commission's Land and Buildings, Salamanca-place	2000 0 0
29.6.43.	<i>Miscellaneous—Minister for Agriculture.</i>	
	Town and Country Planning. To provide for preliminary investigations in connection with the proposed legislation to be placed before Parliament to enable adequate provision to be made for Town and Country Planning of Housing	500 0 0

No Reports
in 1941-42.

Similarly, no reports were received by the Treasury from the Auditor-General in respect of the year 1941-42. Following the Report of the Auditor-General to Parliament for 1941-42, a file, regarding "blackout blinds," was obtained by the Treasury from

the Public Works Department, and the Auditor-General's letter to the Minister for Lands and Works thereon, dated 16th February, 1942, indicates his attitude regarding Reports to the Treasury. This reads: "The Honourable the Minister for Lands and Works, Hobart—G.C.A. for £250—Black-out blinds, Davey Street buildings. With reference to my Memorandum of the 5th instant, I am now in receipt of advice from the Director of Public Works to the effect that the cost of black-out blinds for the Davey Street public buildings should be charged to Item 17, Division No. 9 of the Appropriation Act, 1941-42. Under these circumstances, my report to the Treasurer required by Section 21 of the regulations of the Audit Act, 1918, *will not be furnished*. The provision made by G.C.A. will therefore lapse. (sgd.) F. J. Batt, Auditor-General."

Auditor-General's
Attitude.

The Auditor-General seems to have become confused in regard to the number of Governor-in-Council Authorities not approved by him in 1942-43. In the paragraphs under the heading of "Expenditure Authorised by the Governor," printed on page 33 of his Report to Parliament, he certainly purports to be dealing with Governor-in-Council Authorities (Audit Act, Regulations 20 and 21) in 1942-43, and states that "his report to the Treasurer that the expenditure had been duly authorised was withheld in eight instances and the authorities therefore lapsed." He adds, "These cases, with the reasons for withholding them, are detailed hereunder." That is not correct. In his evidence before the Select Committee of the Legislative Council, also considering the contents of his Report, in reply to a direct question, he supplied a tabulated return showing that the number he did not approve in that year was six and the amount involved, £3945. That is equally incorrect. In his list of "eight" as set out in his report to Parliament, he has included three instances of "withholding" his report, which relate to the current year of 1943-44, and not to the year 1942-43, namely, Clerical Assistance to the Australian Comforts Fund—£175, which was approved by the Governor on 8th July, 1943; Tasmanian Public Library, £1500, which was approved by the Governor on 17th September, 1943; and Howard Road to Shipbuilding Yards, which was approved by the Governor on 12th August, 1943. The Committee considers that more careful accuracy could be expected from the Auditor-General when reporting to Parliament. The number of Governor-in-Council Authorities (Regulations 20 and 21) in connection with which he "withheld his report," as not approved (and which therefore "lapsed") was five in 1942-43, and the amount involved was £3770; the number he did not approve in 1943-44 up to the date of his Report for 1942-43 to Parliament (18th September, 1943) was five, and the amount involved £4008 6s. 8d., total number eight. These eight instances involved the sum of £7778 6s. 8d., as set out in his table on page 33 of his Report to Parliament.

Auditor's
Statements
Not Correct.

More
Accuracy
Could be
Expected.

The first listed G.C.A. that lapsed in 1942-43 on account of the Auditor-General's Report that it had been duly authorised, being withheld, was for £500. "Allowance to Public Relations Consultant for the Government of Tasmania in Sydney."

This related to a prominent citizen of Sydney, who has long given voluntary and efficient publicity and other services to the State without remuneration. It was decided in 1939 that his sphere of usefulness could be increased if he were given official status. It was, therefore, decided to designate him as "Public Relations Consultant for Tasmania." This professional description is well-known in the United States, and is becoming known in Australia, and the citizen in question is, in fact a Public Relations Consultant. He has continued from 1939 up to date to discharge the duties of this position for Tasmania in an honorary capacity. In view, however, of personal expenses arising from valuable services to the Government of Tasmania and the State, it was decided in January, 1942, to pay him an annual allowance of £500 a year, and accordingly provision for this amount was made in the Estimates for 1942-43. As, however, the Government considered that some modest remuneration for valuable services rendered was long overdue, it was decided to provide the amount by G.C.A. in anticipation of Parliamentary approval, on the basis that salary would commence on 1st August by a pre-payment of one quarter's salary. In September the Auditor-General, in a Memorandum to the Premier, asked to be advised of the circumstances which rendered the proposed expenditure through G.C.A. a case of emergency, and was informed of the facts just stated, and that arrangements had been made with the citizen in question as indicated. On 2nd October the Auditor-General indicated that he could not regard the fact that commitments had been entered into before funds had been provided by Parliament as establishing a case for the utilisation of the emergency provisions of the financial Regulations. The Government accepted this view of the position and agreed to await appropriation of the amount in question by Parliament. The Legislative Council subsequently insisted upon the excision of the Estimate in question.

Public
Relations
Consultant in
Sydney, £500.

Government
Accepted
the Situation.

The second listed G.C.A. which lapsed under similar circumstances was for £2000 for the purchase of Hydro-Electric Commission's land and buildings in Salamanca Place.

Land at
Salamanca
Place, Hobart,
£2000.

It was testified that the decision of the Government to purchase the Hydro-Electric Commission's property in Salamanca Place, Hobart, arose as a result of the Office Accommodation Board's representations that there was urgent need for additional accommodation for Public Departments and its recommendation that, subject to additions and alterations, these premises would be suitable for the purpose. At the time, the purchase was first under consideration, the valuation was £2000, and it was desired by the Government that the transaction should be finalised without delay, so that reasonable notice might be given to the Hydro-Electric Commission to transfer the property.

Provided in
Public Works
Execution Act.

Accordingly, steps were taken to provide £2000 by Governor-in-Council Authority. However, there were difficulties in securing labour to effect the required alterations immediately, and the Auditor-General raised a query as to urgency. Under these conditions, it was decided to hold over the provision of money until Parliament met, and the amount was subsequently provided in the Public Works Execution Act.

The third G.C.A. item listed on page 33 of the Auditor-General's Report for 1942-43 was in relation to an amount of £70 for "Clerical Assistance to the Australian Comforts Fund."

The facts are as follows:—

Clerical
Assistance to
Comforts
Fund, £70.

During the year the Government responded to representations made and agreed to make some clerical assistance available to those in charge of this very patriotic fund. It was then ascertained that no officer of the Public Service was available to be seconded for this purpose, and accordingly the Committee of the Comforts Fund was requested to select some suitable person, on the basis of a salary payment by the Government. In order to do this, arrangements were made for the Governor-in-Council's Authority for £70 to cover a period to 30th June, 1943. Parliament was not then in Session. A query was received from the Auditor-General as to "why the proposed expenditure was deemed a charge against the Consolidated Revenue" and also the circumstances which rendered it "too urgent to await the sanction of Parliament." He was thereupon informed that the need for the G.C.A. arose from the decision of the Government to make such assistance available, and that the urgency was that funds were required immediately to pay the salary of the officer appointed. The Auditor-General replied that "Parliament only had the right to make grants from Consolidated Revenue and consideration by the Government for a purely voluntary movement did not justify recourse to the emergency clauses of the financial regulations." He also expressed the opinion that the case might be covered by the Vote under Division 27, Item 29, of the Appropriation Act "For Unforeseen War Purposes not elsewhere provided for," Treasury Miscellaneous. This vote being under the express jurisdiction of the Treasury subject to approval of the Governor-in-Council, the matter was referred directly by the Premier's Department to the Treasurer, as requested by the Auditor-General; the Treasurer's concurrence was obtained and the £70 required to 30th June, 1943, was then made available. In regard to this matter and another involving £700, the Treasurer directed a Memorandum to the Auditor-General which he received on July 1st, 1943, in course of which the Treasurer intimated, "I am anxious to show expenditure of a like nature under the usual heading and, for that reason, am disinclined to use the War Purposes Vote for any service coming within the ambit of policy long recognised by Parliamentary Votes. The Chief Secretary will, in due course, justify the excess on the free railway pass Vote, and in my opinion, this is the most regular course to follow." The Treasurer intimated, at the same time, that "there is bound to be an occasional genuine difference of opinion."

The Treasury
to Auditor-
General.

Occasional
Genuine
Difference.

The fourth G.C.A. item listed by the Auditor-General on page 33 of his Report for 1942-43 was for an amount of £175 for "Clerical Assistance to the Australian Comforts Fund."

Further
Provision for
Comforts
Fund, £175.

The facts here are as follows:—A provision of £350 was made in the Estimates for 1943-44 for "Clerical Assistance to the Australian Comforts Fund." In order to release money for the payment of salary until the Estimates were passed, a G.C.A. for £175 was approved by the Governor-in-Council, being one half-year's salary. The Auditor-General again inquired as to the urgency of the provision, and a reply was sent to him in similar terms to that given in his query as to the earlier G.C.A. of £70 for the Australian Comforts Fund. The Auditor-General thereupon suggested that "there was no apparent reason why £175 should not be charged to the same Vote as the £70, namely, the Vote 'for the purposes not elsewhere provided for'." On reference to the Treasurer, he strongly objected for the following reasons: "A G.C.A. for £70 to provide assistance for the Comforts Fund was passed towards the close of the financial year, and charged to Division 27, Item 29, but it could be held, at that date, that the expenditure was unforeseen, but how can I legitimately regard, as unforeseen, expenditure which the Treasury now well and truly foresees, since arrangements have been made, by a specific item in assistance of the Comforts Fund, in this year's Estimates?"

The Treasurer
Objected.

Chief
Secretary's
Memorandum
of 27th July,
1943.

In quoting in his Report certain correspondence in regard to this matter the Auditor-General omits the essential details of the Chief Secretary's reply to him of 27th July, 1943, which was in the following terms: "Your Memorandum of the 23rd instant, regarding the G.C.A. for £175—Clerical Assistance for the Australian Comforts Fund—is acknowledged, and it is noted that you consider the amount should be charged to Miscellaneous Treasurer, Item 29, 'for war purposes not elsewhere provided for' in the same way that the previous amount was charged. By suggesting this course, it is assumed that you are advocating that the Government should not ask Parliament to make special provision for the amount. Your ruling in regard to the first G.C.A. for £70 was regarded as an expedient, but the Government is now anxious to place the matter on a proper basis, and has included an item in the Estimates to cover the amount required for 1943-44. As was stated in my reply to you of the 19th June, the G.C.A.

is for the purpose of releasing part of this amount to enable the clerk at present employed to receive his salary. The effect of the Government's action in providing an amount in the Estimates will at least enable Parliament to discuss the item, whereas a charge against the Treasury Vote would mean that the necessary money can be made available without having to go through Parliament. The Treasury Vote has been regarded as a provision for emergency expenditure arising during the year—on that ground the commitment now in question was met from the Vote up to the end of June. It cannot be said that a full year's expenditure, known at the beginning of the year, represents an emergency, and, for that reason, it was decided to put the item on the Estimates." The Auditor-General, in his reply to the Chief Secretary, makes no particular comment on the quoted communication, but reiterates the substance of his own view that emergency had not been established, and that it would not be regular for him to approve of payment under the G.C.A. indicated. The Auditor-General was asked by the Under-Secretary to reconsider his decision as the officer affected was being employed by the Comforts Fund and was, therefore, fully entitled to receive payment for his services. The Auditor-General's final reply, declining to alter his attitude, is published in full in his Report for 1942-43. The Acting Under-Secretary testified: "As a result the Government found itself placed between a conflict of views of the Treasury and Audit officials. On the one hand the Audit Department would not accept a G.C.A. in anticipation of the Estimates, and on the other hand the Treasury would not agree to adopt the Auditor-General's suggestion that the expenditure be made a charge against Division 27, Item 29. The propriety of the Government's arrangements with the Australian Comforts Fund was never questioned and agreement only was required as to the correct heading for the expenditure involved. Accordingly it was decided to ask the Comforts Fund to bear the cost until the passing of the Appropriation Act."

Proper
Opportunity
for
Parliament.

Auditor-
General's
Reply to
Chief
Secretary.

Result of
Auditor's
Action.

Clearly, such a result of difference of opinion cannot be regarded as satisfactory or creditable to the State. An important question of principle is involved in relation to such differences. To this question of principle, very necessary allusion is made at the end of this section of the present Committee's Report.

The fifth listed G.C.A. as set out on page 33 of the Auditor-General's Report for 1942-43 that lapsed because the Auditor-General withheld his report that it had been duly authorised by the Governor-in-Council was for an amount of £700 for "free passes and special concessions on railways and expenses incidental thereto."

Not Creditable
to the State.

G.C.A.
£700 for
Railway
Concessions.

The facts are as follows:—There was an appropriation item for 1942-43 in "Miscellaneous, Chief Secretary, of £2000 (Item 14)" for "free passes and concessions on railways, £2000." During the year this was exceeded by approximately £700. In accordance with usual practice a G.C.A. for £700, to be charged against this item, was arranged. On June 3rd, 1943, the Auditor-General enquired as to the reasons for the excess, and was informed that the excess was required to meet commitments for concessions to the Red Cross Society, the Australian Comforts Fund, the Women's Land Army, and the free transport on the "Lurgurena" of soldiers encamped on the eastern shore of the Derwent, and was further informed that a number of accounts for these services were awaiting payment. The Auditor-General replied to the Chief Secretary's Department, that, in his opinion, the excess expenditure of £700 should be charged against Division 27, Item 29, of the Appropriation Act, namely, for "war purposes not elsewhere provided for." The difference thus arising was referred by the Chief Secretary's Department to the Treasury through the Under-Treasurer, who replied as follows on the 25th June, 1943:—

"I am unable to agree that the excess expenditure can be properly met by an allocation from the Treasurer's Vote for 'war purposes not elsewhere provided for.' The Chief Secretary's Vote is a long established one in the Appropriation Act. The Vote has been exceeded in the past few years. Last year's excess, £467, was provided for by G.C.A. without question, although the excess was caused by similar concessions to those granted throughout this year. The accounts now outstanding include concessions of a type which have been charged to this Vote for years. In my opinion it would be very harmful to good financial order to regard the Treasurer's 'War purposes not elsewhere provided for' Vote as being available to meet excesses on any established Vote on the excuse that the extra expenditure was due to war conditions. It would be no exaggeration to say that every Department in the Service could plausibly contend that an excess of Estimate was due to war conditions. It is very obvious that the Treasurer's Vote in question must be applied with utmost discretion if financial order, proper Departmental responsibility, and intelligible costing are not to be upset. It is very important that the published accounts should be systematically compiled, and be thoroughly intelligible to Parliament. An endeavour was made last year to show, by means of a schedule at the back of the Estimates, how the blanket Vote of £10,000 for 'War Purposes not elsewhere provided for' had been applied. But this was devised by the Treasury to record unusual expenditure, and any extension of it, in respect of regular Votes, would be the reverse of good financial order in the Statements. The burden on the Consolidated Revenue is the same whether charged or recorded against the Votes which form the regular and recognised system of costing, or to a blanket vote which was intended to meet costs not recognised by Parliament."

Under-
Treasurer's
Memorandum
of 25th June,
1943.

"£10,000 for
War
Purposes."

Acting Under-Secretary Testifies.

The Acting Under-Secretary testified to the Committee: "The views expressed in the Under-Treasurer's Memorandum are in unison with those held by officers of this Department. In endeavouring to obtain the G.C.A. the Department was trying to place charges where they properly belong, and if the G.C.A. had been permitted to go through, the item in the Appropriation Act, 1943, 'free passes and special concessions on railways' would have shown an expenditure of £2700 instead of last year's Parliamentary appropriation of £2000, whereas now, owing to the Auditor-General's ruling, expenditure under this item is incorrectly shown to be just the bare £2000 provided."

Auditor-General Replies on 30th June, 1943.

The views of the Under-Treasurer, as expressed in his Memorandum of June 25th, 1943, were conveyed by the Chief Secretary's Department to the Auditor-General. He replied on the 30th June, 1943, that he was "still of the opinion the Treasurer's Vote for 'War Purposes not elsewhere provided for' could not only be charged with the excess expenditure in question, but was intended to meet all such classes of expenditure arising out of war conditions, and to supplement the ordinary Votes for such payments would destroy any complete record of expenditure arising from the war." He adds, "I shall be pleased if the matter be referred to the Treasurer, as he is aware of the purpose for which the Vote was placed on the Estimates."

Auditor-General Visits Treasurer 2nd July, 1943.

Accordingly, the Treasurer invited the Auditor-General to attend in his office on 2nd July, for the purpose of discussing the G.C.A. for £700 indicated and a G.C.A. issued on 29th June for £500 "to make preliminary investigations in connection with the proposed legislation to be placed before Parliament to enable adequate provision to be made for town and country planning of housing." The Auditor-General's version of what took place during this discussion on 2nd July, 1943, is presented on page 32 of his Report to Parliament for 1942-43.

Treasurer's Evidence to Grants Commission, 11th February, 1944.

The Treasurer submitted certain sworn evidence to the Grants Commission in Hobart on the 11th February, 1944, in regard to several statements in the Auditor-General's Report and tabled his evidence before the present Committee. He testified to the Grants Commission as follows in regard to his discussion with the Auditor-General of 2nd July, 1943:—

The Treasurer's Testimony.

"In February, 1942, the Auditor-General refused to give evidence before the Grants Commission, although requested by the Commission. There was absolutely no justification for his refusal. The Auditor-General of South Australia is Chairman of his State's Disabilities Committee, whilst the Auditor-General of Western Australia has often appeared before the Commission. Mr. Batt refused to assist Tasmania in its claim. I was compelled, in the interests of the State, to dissociate myself publicly from any responsibility for his non-attendance. The Auditor-General has never forgiven me for my action on that occasion. In fact, he let it be known that he would attempt to 'get even' with me. It was then learnt, on most reliable authority, that Mr. Batt made the very grave and improper threat *to impose difficulties in connection with G.C.A.'s required by the Government*. This threat was reported to Cabinet, and is recorded in a Memorandum which I was obliged to write to the Premier concerning provision of funds for war purposes. On page 32 of his Report for 1942-43, the Auditor-General has raised what, on the face of it, appears a most important issue, and one which, unless seen in its proper perspective, reflects serious impropriety on my part. The Auditor-General's version of the conversation on July 2nd, 1943, is a distortion, and I say that the two G.C.A.'s in question were a proper charge against the Consolidated Revenue Fund of the year in question. As a matter of principle the expenditure should have been debited against the accounts for 1942-43. The expenditure was incurred in that year, and correct accounting therefore required that the amount be brought into account during 1942-43, and not during 1943-44. I may, perhaps, be excused in adding that I suspect that the Auditor-General quoted this interview, which I regarded as of a purely personal character, in order to embarrass me in my relations with the Commonwealth Grants Commission. It is quite apparent, however, that he has little appreciation of the Commission's principles and methods. The total expenditure involved was £1200. The Grants Commission, in all its calculations, works to the nearest £10,000, and rounds its grants off accordingly. The amount in question, therefore, could not possibly influence the amount of the grant by one penny."

"Very Grave and Improper Threat."

"Account of Conversation a Distortion."

Total Expenditure Only £1200.

The Committee's Conclusion.

It is clear to the Committee that there was a grave difference of opinion between the Treasurer and the Auditor-General as to the original intention and proper application of the £10,000 provided by Appropriation for "War purposes not elsewhere provided for," a formula adopted after consultation with the Auditor-General. This formula has consequently been altered in the Appropriation Act for 1943-44 and now reads:—"For unforeseen purposes arising out of war conditions and not recognised by Parliament as coming within the ambit of specific Departmental Votes (Items to be approved by the Governor-in-Council)." The new formula removes all doubts about this matter and is in accordance with the Treasury opinion that the money provided, or any G.C.A.'s issued and to be charged against this Vote, must be confined to war expenditure, or expenditure arising out of war conditions, which are of a plainly reasonably unforeseen character, and were not consequently provided for in the Appropriation Act, except to the amount as qualified by the new terminology quoted. It was testified that when asking Parliament to provide £10,000 under the old formula for "War purposes not elsewhere provided for" the Government's sole intention was that this Vote

New Formula Will Remove Trouble.

should be kept for expenditure of a purely unforeseen character, hence, indeed, the additional qualification "To be approved by Governor-in-Council." However, the new formula admits of only one interpretation and complies very precisely with the Government's original intention in these regards.

The Government's Original Intention.

The sixth G.C.A. listed by the Auditor-General on page 33 of his Report for 1942-43 as having lapsed in consequence of the fact that he withheld his report to the Treasurer that it had been duly authorised by the Governor-in-Council was for £500 for preliminary investigation in connection with the town and country planning.

Town and Country Planning, £500.

The facts are as follows, as testified by the Manager of the Agricultural Bank:—On the 16th June, 1943, the Minister for Agriculture forwarded an Executive Council Minute to the Treasurer for £500 for town and country planning and full particulars were supplied to the Treasurer on 22nd June. The explanation stressed the fact that the amount required was "not for house planning" but "rather for the re-planning of urban, suburban, and rural areas." It was further testified that the matter had been brought under the attention of the Minister in charge of the Agricultural Bank, who, for some time, had authorised investigations into the position by both technical and administrative officers of the Bank, and that these officers had been engaged "in making investigations and preparing legislation to give effect to the recommendations made." It was further explained that, at the time this work was undertaken, the magnitude of the task was not apparent, and, in consequence, no application had been made for a special vote. A fair allocation, in the practice of the past, was stated to be (1) Proportion of salaries of architectural staff in investigating, making reports, and framing legislation, £300, (2) proportion of travelling expenses, £50, (3) proportion of salaries of other Bank officers, £100, and (4) proportion of general administration costs, £50, or a total of £500. The Manager of the Agricultural Bank further testified to the Committee: "On the morning of 30th June it was ascertained that the Minute had not reached the Treasury, although it was known that it had received the approval of the Governor-in-Council. As a result of this action, the course of the Minute was accelerated and after receipt by the Treasurer at about 2.30 in the afternoon, it was immediately forwarded to the Auditor-General for his approval. In anticipation of his approval, the necessary contra-voucher was deposited with the Treasury so that there would be no delay in effecting the transaction before the close of the financial year. Unfortunately, the Auditor-General apparently failed to report to the Hon. the Treasurer and, so far as I am aware, no inquiries or investigations were made in this Department by the Auditor-General." On 1st July the Auditor-General addressed a Memorandum to the Minister for Agriculture stating that the G.C.A. in question had reached him "too late yesterday afternoon to make any inquiry whatever. The G.C.A., therefore, automatically lapses." On 2nd July he addressed the Memorandum to the Premier, set out on page 32 of his Report to Parliament. It was claimed by the Manager of the Agricultural Bank, in his testimony to the Committee: "It will be observed by the narrative that steps were taken to adjust the matter of this expenditure early in June; that the most exhaustive inquiries were conducted by the Under-Treasurer, and that the information obtained by him (and which satisfied him as to the validity and correctness of the procedure and the subject matter of the Minute) was submitted to the Auditor-General with the Minute approved by the Governor-in-Council." The unfortunate effect of the lapsing of this G.C.A. for £500 has undoubtedly been to cast a burden on this year's Consolidated Revenue for expenditure incurred in 1942-43, and properly chargeable to that year.

Testimony of Agricultural Bank Manager.

On Morning of 30th June, 1943.

Failed to Report to Treasurer.

Effect of Auditor's Action.

The seventh G.C.A. listed by the Auditor-General as lapsing by a withholding of his report to the Treasurer that it had been duly authorised by the Governor-in-Council was for £2333 6s. 8d. for Howard Road to Shipbuilding Yards.

The simple facts are as follows:—On 27th July, 1943, the Minister for Lands and Works was advised that Cabinet had decided that Howard Road to Shipyards would be completed at a cost of £3500, one-third of the finance to be found by the Glenorchy Municipal Council and the other two-thirds by the Government. The instructions were to complete a G.C.A., Miscellaneous Minister for Works, for £2333 6s. 8d., and to include the amount in the Estimates for 1943-44. The G.C.A. was prepared on 29th July, 1943, and had no relation to any of the State's accounts for 1942-43. The Auditor-General questioned the urgency of this provision and the G.C.A. lapsed. But it was testified to the Committee by the Director of Public Works on the 8th March, 1944, that in any case "owing to the non-receipt of the Glenorchy Municipality's contribution the work has not been proceeded with."

Howard Road to Shipbuilding Yards, £2333.

The eighth G.C.A. listed by the Auditor-General on page 33 of his Report for 1942-43 as having lapsed because of the withholding of his report to the Treasurer that the expenditure had not been duly authorised by the Governor-in-Council was for £1500 in connection with structural alterations at the Tasmanian Public Library, now the State Public Library.

The facts of this case, as testified, are as follows:—At the end of May, 1943, the Chief Secretary received from the Trustees of the Tasmanian Public Library a request for the Government to undertake certain structural alterations and re-arrangements, including additional shelving and re-decoration, in accordance with proposals formulated by Mr. H. L. White of Australia's National Library at Canberra, who had assisted

Tasmanian Public Library, £1500.

Premier's
Request
to Minister
for Lands and
Works.

G.C.A.
Approved on
17th Septem-
ber, 1943.

Auditor-
General on
6th October,
1943.

A Way Out
Was Sought.

Completion of
detailed
Examination.

Important
Questions
Raised.

Preliminary
Treasury
Investigations.

Treasurer
and Under-
Treasurer
Initial
G.C.A.'s.

the Government with the new library legislation, and which alterations and arrangements were designed to secure the minimum of accommodation and facilities under the State Library Act. The services of an architect were made available, and plans, and an estimate of cost, were supplied to the Trustees at the end of August. On 7th September, 1943, the Premier requested the Minister for Lands and Works to have the following item included in the schedule of the forthcoming Public Works Execution Bill, namely, "Tasmanian Public Library, structural alterations, electrical installations, and purchase of furniture and equipment, £1500." It was pointed out that most of the furniture and equipment would be available for eventual transfer to the proposed new State Library Building; but that, in any case, as the existing building would probably have to be used for the next three or four years, the expenditure was necessary. The Minister concerned was also informed that a good deal of equipment was urgently required and that a Governor-in-Council Authority (for inclusion in the schedule under the heading "Works in progress under the authority of the Governor-in-Council") was therefore justified. The Minister for Lands and Works advised the Director of Public Works on 13th September, 1943, that he felt, after a conversation with the Under-Secretary, that a G.C.A. should be obtained for the full amount of £1500, as this would enable tenders to be called and a commencement made with the work much earlier than would be the case if the passing of the Public Works Execution Bill in Parliament had to be awaited. Accordingly, the Governor-in-Council approved of a G.C.A. as indicated for £1500 on 17th September, 1943. On 22nd September, the Auditor-General requested the Minister for Lands and Works to inform him as to the circumstances which rendered this proposed expenditure by G.C.A. a matter of urgency. On 29th September, the Minister replied to the Auditor-General in the following terms:—"Both the Government and the Library Committee are anxious for the work to commence as early as possible, particularly as members of the staff are at present working under conditions which are far from satisfactory, and, in particular, the lighting arrangements are inadequate. If the G.C.A. is approved, it will enable tenders to be called, and a commencement made with the urgent work much earlier than if we have to wait until the Public Works Execution Bill passes both Houses of Parliament." Parliament had commenced its Session on 21st September, 1943, and on 6th October, the Auditor-General drew attention to the fact that Parliament was sitting and maintained that "it would not be regular for him to issue his report to the Treasurer that the payment had been duly authorised." Consequently, the G.C.A. approved on 17th September lapsed and it was decided to await Parliamentary appropriation in the Public Works Execution Bill, to which the Governor's assent was given, as an Act, on 25th November, 1943. But owing to the work obviously being of an urgent character, and to facilitate completion as soon as possible, the Trustees of the Tasmanian Public Library were authorised by the Governor-in-Council on the 5th November, 1944, to use their reserve funds temporarily to the amount of £1500, so far as required, for the purposes stated, pending the voting of this sum by Parliament.

The above completes the examination of the facts in regard to the eight cases of G.C.A.'s listed as lapsed by the Auditor-General in his Report for 1942-43, and attention must now be given by the Committee to the important question of principle and law raised by this lapsing. Should the fiat of the Auditor-General in regard to G.C.A.'s be final, and does the law intend it to be so? If the answer, in both cases, is in the affirmative, the further question is whether Parliament intends that this should be so? And in the terms of the present law, should the Auditor-General always report to the Treasurer in regard to G.C.A.'s or, as Regulation 21 requires, convey "intimation to the Treasurer of every Authority issued by the Governor-in-Council?" The Under-Treasurer testified that "several years ago it was decided that no application for emergency funds could be submitted by a department without the consent of the Treasury. This rule is in conformity with Treasury functions and established practice elsewhere. Our system is undoubtedly more rigid than in most countries, in that Parliament does not provide a Vote in the form of an advance to the Treasurer. The preliminary investigations of the Treasury are made to see whether the call for the excess expenditure is really so urgent as the department supposes, and whether in particular, by hook or by crook, the expenditure cannot, without detriment to the Public Service, be postponed to the coming year so that it may be included in that year's Estimates. In the exercise of its functions in this regard, the Treasury occasionally rejects applications after investigation and discussion with 'the department concerned' and has experienced no difficulties in this respect."

Usually Treasury-approved applications for G.C.A.'s by the departments are initialed by the Treasurer and the Under-Treasurer before submission to the Governor-in-Council, and it seems very regrettable indeed that the Auditor-General should have stated in evidence, that since the time when the Treasurer's initials have become attached to such documents, the Under-Treasurer's initials "counted for nought with him," for the Under-Treasurer testified that, though he had "on some occasions declined to attach his signature," he "could only recall a single instance on an unimportant matter, but a question of principle was involved, when the Treasurer was rather insistent and he had attached his initials." The Under-Treasurer served for eight or nine years in the Audit Department as Chief Inspector, and, in another part of his evidence the Auditor-General expressed his opinion of him in the following terms: "Mr. Steele is an old Audit officer, and I respect his ideas on financial procedure," and again: "I got a ruling from the Under-Treasurer, whose opinions I respect and value." The Treasurer, who could not

give evidence, explained to the Committee that there was no warrant whatever for any assumption that he ever put any sort of pressure on members of the State Finance Committee or any Treasury officials, and that, plainly, their technical advice to him would be altogether worthless to him if they felt that their convictions in regard to correct procedure, must be made to suit whatever happened to be his own view or that of the Government.

No Pressure
on Officers.

In evidence the Auditor-General indicated that the numbers of G.C.A.'s in 1942-43 (Audit Regulations 20 and 21) totalled 217, amounting to £147,989. This appears to be made up as follows:—£58,522 "excess," £42,281 "new purposes," and £47,186 "arising out of the war." The following is the Treasury view of the position:—

Total
G.C.A.'s in
1942-43 was
217.

	£	s.	d.	
"1. Items pending passing of Appropriation Act	53,643	6	0	
2. Excess on Votes pending passing of Appropriation Act	61,590	1	2	
3. Sundry Public Works Suspense Account (Loans) Money	26,844	10	0	
4. Federal Aid Roads Funds	6,150	0	0	The Year's Details.
	<u>£148,227</u>	<u>17</u>	<u>2</u>	

"Item 1. Represents expenditure subsequently Voted in the Appropriation Act, passed on 10th November, 1942, and, therefore, not in the excesses (£47,710 6s. 9d.) on Votes of Parliament for 1942-43. Furthermore, the £53,643 6s. included £30,625 for Civil Defence and Civil Evacuation, which would ordinarily be covered by the Supply Act had it not been found desirable to alter the designation of individual Votes, to conform to the Commonwealth's classification, which was unknown when the Votes for the previous year were passed. The Governor-in-Council's Authority in this case merely gave formal authority to the new headings in the accounts, compiled in a form which would facilitate recoup claims on the Commonwealth.

Large Number
Formal.

"Item 2. Represents the total gross amount authorised, but the actual expenditure under the Governor's Authorities was £13,995 7s. 11d. less, making the actual total of excesses £47,594 13s. 3d.

Loan Total
Expenditure.

"Item 3. Represents Loan moneys expenditure, having no relation to the excess in Consolidated Revenue Votes.

No Relation
to Excess in
Estimate
Votes.

"Item 4. Represents formal temporary authority to allocate Federal Aid Roads Trust Fund moneys."

Formal and
Temporary.

The number of G.C.A.'s (Regulation 20 and 21) issued while Parliament was sitting in 1942-43 was 31, and of this number, 26 were for "excesses in detail" and five represented cases of emergency for which there was no express application Vote. The total number of G.C.A.'s was 217 as already stated.

In regard to the "Audit Act, 1918," and its applications in respect to the matters discussed the pertinent Regulations read as follows:—

"20. No expenditure shall be incurred in excess of any Vote of Parliament or for any purpose not provided for by Parliament, unless such expenditure has been authorised by the Governor, and the Governor shall issue such authority in cases of emergency only.

Audit Act,
1918, Quota-
tions.

"21. Intimation shall be conveyed by the Auditor-General to the Treasurer of every authority issued under the preceding Regulation; and it shall not be lawful for the Treasurer to make any payment under such authority without the previous report of the Auditor-General that the payment has been duly authorised. The Auditor-General, before appending his report, may make such queries or observations, addressed to the Treasurer or other Ministers, and ask for such explanation as he may deem necessary, and upon making such report he may attach any observation he may deem advisable.

"Intimation
of Every
Authority."

"22. After the lapse of every financial year, the Treasurer shall prepare as soon as practicable supplementary estimates of all expenditure during such financial year, which is in excess of any Vote of Parliament, or has been incurred for any purpose not authorised by Parliament. All such supplementary estimates shall be, without delay, submitted to the Governor, and transmitted by message from the Governor to Parliament. Authorities issued by the Governor under Regulation 20, which are not afterwards confirmed by Parliament during the following financial year, are to be considered as having lapsed."

Supplementary
Estimates.

If everything is not clear in the quoted texts, the Committee considers that there is one matter that does seem to be beyond doubt, namely, that the Auditor-General should "report to the Treasurer" in connection with every G.C.A. issued by the Governor-in-Council under these Regulations, and, therefore, quite apart from any question of past practice, the opinion is expressed by the Committee that this should be done in every instance in the future. It appears to be an express and very direct breach of the Audit Act "not to report to the Treasurer" and it is clearly desirable that such a report should be invariable. This would apply equally to G.C.A.'s to which the Auditor-General objects.

"Auditor
Should
Report to
Treasurer"
Breach of
Audit Act.

Has Auditor
Power to
Veto?

Do the above texts confer upon the Auditor-General power to veto a G.C.A. and cause it to "lapse automatically" because he questions its propriety? It should be said that Regulations 20, 21, and 22 are designed to provide for a method of control over expenditure authorised by the Governor in accordance with provisions of the Audit Act, 1918, relating to the control of expenditure authorised by Parliament, *vide* especially Section 15 of the Act relating to the issue of warrants for the issues of moneys which are "legally payable" under Parliamentary authority. Under that section it will be observed that the Auditor-General is required to certify that the amounts mentioned in a warrant are available for the purposes specified therein. It can be maintained, with seeming justification, that similarly, under Regulation 21, the report of the Auditor-General referred to in that Regulation is a report to the Treasurer that the authority of the Governor-in-Council for the particular expenditure is in order and that funds therefrom are, therefore, available.

Authority of
the Governor
and not the
Auditor.

In this view, the powers of the Auditor-General, under Regulation 21, are confined to reporting that the Governor's authority has been duly given and to making such queries, or asking for such explanations as he may think necessary, and to making such observations on the proposed expenditure as he thinks desirable. If this view is correct, it would appear that the functions or powers of the Auditor-General, under this Regulation, do not extend any further, and it would therefore seem clear that the only "authority" contemplated by Regulations 20 and 21 is the authority issued by the Governor-in-Council and not any authority given by the Auditor-General. The Committee considers that if Parliament had intended that the Auditor-General should have a power of veto on expenditure under the authority of the Governor-in-Council, it would surely have provided expressly to this effect. It follows, therefore, that the Auditor-General, in dealing with authorities of the Governor under Regulation 20, does not in any sense himself "authorise" the expenditure, but reports whether or not the expenditure has been duly authorised, *i.e.*, by the Governor.

What is
"Emer-
gency?"

It would be impossible in practice to give any inclusive definition of the meaning of "emergency" in Regulation 20. The same expression occurs in other places in the Act (see, *e.g.*, Section 15 (3)). What is contemplated apparently is the sudden or unexpected occurrence of a state of affairs not contemplated by Parliament in the provision of funds under the Appropriation Act. The emphasis is on the sudden or unexpected nature of the expenditure for which the authority of the Governor-in-Council is required, and not on any idea of pressing need for the expenditure (see the definition of "emergency" in the Shorter Oxford Dictionary). In other words, what appears to be contemplated in a state of affairs which could not have been provided by Parliament in advance, and which arises suddenly. It is not necessarily confined to urgent or critical matters. It seems to the Committee that Parliament has by Regulation 20 conferred on the Governor-in-Council the power of confirming in effect what is an emergency, subject to later confirmation by Parliament as provided by Regulation 22. The Auditor-General may disagree with the opinion of the Governor-in-Council on this question, and is entitled, under Regulation 21, to report as he thinks fit on the question.

The Com-
mittee's
View.

Legal
Opinions
Differ.

When it comes to the textual interpretation of Acts of Parliament, it is almost inevitable that legal opinions will differ, and the Committee had under consideration legal opinions on the texts of the Regulations of the Audit Act, 1918, in relation to the matters discussed, of the usual conflicting character. Parliament could express its real will in these respects, through amendments to the Audit Act, 1918, but if the Committee's general interpretations are accepted in practice, and the co-operative modes of procedure which it is suggesting are brought into operation these actual amendments of the law might be considered quite unnecessary, at all events pending the test of experience in regard to their results.

A Study of
the Past.

No very definite conclusions as to the real intentions of Parliament in these respects in connection with the enactment of the Audit Act, 1918, can be derived from a study of the relevant contents of previous Audit legislation in this State. However, it is at least interesting to note that under the provisions of the Audit Act, 1877, it was not lawful for the Governor-in-Council to authorise any expenditure "for purposes not recognised or provided for by Parliament unless in cases of emergency—but this Regulation shall not apply to cases of excesses in the details of Establishments, not being salaries." Thus "excesses in details" required, in those times, no particular application of emergency, except in regard to salaries. Under the provisions of the Audit Act, 1888, it became unlawful for the Governor-in-Council to authorise expenditure "for purposes not provided by Parliament unless in cases of emergency or excess in the details of Establishments." Thus "excesses in details" again required no sanction of "emergency," but the excision of the words "not being salaries," as in the text of the legislation of 1877, has, of course, its own particular significance. Under the provisions of the Audit Act, 1901, and the Regulations in its schedule, the law became considerably altered and the relevant Regulation read: "No expenditure shall be incurred in excess of any Vote of Parliament, or for any purpose not provided by Parliament, unless such expenditure has been authorised by the Governor-in-Council, and the Governor-in-Council shall issue such authority in cases of emergency only." Thus in 1901 for the first time, both "excesses in detail" and "purposes not provided for" became subject to the condition or contingency of "emergency." In all the Audit legislation, prior to the Audit Act, 1918, there was always some provision prohibiting actual payments from amounts authorised by the Governor-in-Council until a report had been

"Excesses"
Required no
"Emergency."

Change in
1901.

received from the Auditor that the expenditure had been "duly authorised." In actual fact, Regulations 20 and 21 of the Audit Act, 1918, are identical with Regulations 19 and 20 of the Audit Act, 1901, except that "Auditor" has become "Auditor-General."

The question as to whether the Auditor-General should, or should not, have a power of absolute veto in connection with G.C.A.'s, was raised, in 1931, in this State, not as a matter of the interpretation of texts in the Audit Act, but as a grave issue of practical public policy. On 18th August, 1931, the then Auditor-General (late Mr. E. H. Pretymann) reported to the Treasurer unfavourably in relation to a G.C.A. for £800 as a special subsidy to the North Mount Farrell Mine. A little later the then Minister for Mines (now Sir Claude James) sent a Memorandum to the Treasurer in the following terms:—

"1. The Auditor-General's query herein seems to me to raise a most important issue. Sir Claude James to Treasurer.

"2. The position is that the Government is called upon to meet a situation which, in some aspects, is tantamount to a national emergency, and upon that account the Cabinet is forced to take from time to time steps in regard to the expenditure of public funds which are without precedent and which in normal times might be questioned.

"3. If the Executive Government is to function effectually in these present extraordinary circumstances, the Cabinet must be in a position to authorise, with the approval of the Governor-in-Council, the expenditure of relief moneys in such reasonable avenues as will, in the judgment of Ministers, afford the maximum relief, not only to men actually unemployed, but also in directions calculated to prevent further unemployment. Such considerations are obviously matters of policy for which the Government must accept responsibility; if that policy is held by the Parliament to be unsound, and if the appropriation of the money now in question is challenged by the Legislature when the Estimates are presented, the Government would have to consider its position. It cannot be held that the Auditor-General is expected by Parliament to become responsible for the policy of the State. Nor can the decision of the Executive to expend money on urgent and essential unemployment relief be subject entirely to the concurrence or otherwise of the Auditor-General. Auditor-General's Position. "Not Responsible for Policy of State."

"4. In the present instance, the subsidy is provided to meet an emergency, and the amount will be included in the Appropriation Bill; its withdrawal at the present time would result in the immediate closing of the North Mount Farrell Mine, thus throwing some 500 persons at Tullah on the State for sustenance. The whole of the papers relating to the payment are available for the Auditor-General's perusal. (sgd.) Claude James, Minister for Mines."

Neither the Audit Department, nor the Treasury, can be regarded as infallible, and, in respect to the action of the Auditor-General in "withholding his report" to the Treasurer, on five occasions in 1942-43, as shown, and thereby causing (as he claims) those G.C.A.'s to "lapse," illustrates this truth. For, in the Committee's opinion, in at least three instances, any impartial examination of the whole of the facts must lead inevitably to the conclusion that the Auditor-General was essentially wrong in his judgment and that his action was unjustified. Neither Treasury nor Auditor are Infallible.

The opinion is expressed by the Committee that (1) the Auditor-General has, not to-day, and should not have, any power to "veto" expenditure under the authority of the Governor-in-Council; (2) he should invariably report in accordance with the Act to the Treasurer that expenditure has been duly authorised by the Governor, if he is satisfied, in fact, that it has been so authorised by the Governor; (3) if he disapproves of any expenditure authorised by the Governor, that fact, with the reasons for his disapproval should be set out as an attachment to his report to the Treasurer; (4) following any report from the Auditor-General to the Treasurer, accompanied by an attachment that expresses the Auditor-General's disapproval of a G.C.A., the Treasury should consider every possible alternative course likely to be satisfactory to the Auditor-General, provided that the circumstances of the case and time permit of this being done; and (5) if it proves impossible or impracticable to provide a basis of agreement between the Treasury and the Auditor-General in regard to a particular G.C.A., the Auditor-General should set out the whole of the facts in his Annual Report to Parliament in such terms as he deems fit; and (6) Ministers of the day must accept the responsibility of subsequently justifying to Parliament and the public the expenditure thus incurred through a G.C.A. of which the Auditor-General has disapproved. Committee Holds Auditor neither has, nor should have, any Power of Veto.

The Auditor-General, in co-operating on the basis of these proposals, should set out clearly in every case in his report to the Treasurer that the expenditure has been duly authorised by the Governor, if satisfied that it has, in fact, been so authorised, but, where he disapproves, he should attach to his report to the Treasurer a supplementary report expressing his disapproval, and his reasons for such disapproval, in such terms as he deems fit, together with any suggestions for any alternative course, if such is, in fact, practicable. Co-Operation by Auditor-General Required.

The attention of the Committee was directed to the provisions of Sections 22 and 23 of the Audit Act, 1918, which empower the Auditor-General, in certain cases, to "surcharge the Treasurer," and direct the Treasurer to take action for the recovery of Surcharging the Treasurer.

any deficiency or loss arising from the fraud, default, mistake, or error of any accounting officer. The surcharging provisions are expressed to apply to cases of expenditure without the authority of the Governor and it appears to be provided that in such cases, if any should arise, the surcharge of the Auditor-General would be directed to the Treasurer himself.

Directed to the Treasurer.

Position in Other States.

The sections of the Tasmanian Act are not very clear. It may be noted that the provisions of the Acts of the Commonwealth and most States make clear and specific provision for the surcharging of the *accounting officer or other person concerned* and require the Treasurer (to whom surcharges are reported) to take such measures as he thinks fit for recovering the amount of any such surcharge (see Commonwealth Act, S. 43 (2), N.S.W. S. 47 (1), Queensland, S. 34). The South Australian Act refers to "surcharging the deficiency," which apparently has the same significance. The Victorian Act is in very much the same terms in this respect as the Tasmanian Act, and speaks of "surcharging the Treasurer." An examination of all the legislation shows clearly that Sections 22 and 23 of the Audit Act of this State do no more than provide for a system similar to that in the Commonwealth and the States of New South Wales and Queensland where the language is more precise and less antiquated, and that the power of surcharging is one to be applied against "defaulters" (as the head note to Section 23 says). It is somewhat difficult to follow the application of Section 23 to cases other than those of "deficiency or loss," that is, to cases where expenditure has not been properly authorised, but this matter is of theoretical interest only.

Our Legislation is Unique.

The provisions of Regulations 20 and 21 of the General Regulations in the second Schedule to the Audit Act, 1918, relating to expenditure under the authority of the Governor-in-Council, are, it seems, unique in the financial legislation of the Australian States and the Commonwealth. Provision is made in the mainland legislation for the transfer of expenditure from Votes on which there is a surplus unexpended to items on which the amount voted has been exceeded, and, in some cases, for expenditure in excess of appropriation out of the Vote "Advance to the Treasurer," but no procedure comparable to that of Tasmania can be found in any other State.

No Power to Frame Regulations.

The Committee notes that another remarkable difference is the total absence in the Tasmanian Audit Act of any power to enact any Regulations, so that the only Regulations in existence are those printed in the Act itself, and they cannot be amended, or added to, in any way except by an amendment of the law. The New South Wales Audit Act says, "the Treasurer may make such Regulations, not inconsistent with the provisions of this Act, as appear to him to be necessary, or expedient," for various listed purposes, but all such Regulations can be disallowed by resolution of either House of Parliament. In Victoria, the Governor-in-Council can frame Regulations from time to time, which must be laid before Parliament, but there is no express provision in the Act for any disallowance by Parliament. In Queensland, subject to disallowance by the Assembly, the Governor-in-Council has plenary power to make Regulations. In South Australia the Governor-in-Council may make any Regulations "for any of the purposes required, permitted, or contemplated" by the Audit Act, and there is no express provision for any power of disallowance by either or both Houses of Parliament. In Western Australia the Governor may make Regulations not inconsistent with the Audit Act and they must be laid before Parliament, but there is no express provision for any disallowance by Parliament. The Commonwealth Audit Act gives the Governor-General power to make Regulations, and there is no express provision for any submission to Parliament. In all these cases, however, it is probable that Parliament can disallow Regulations (where this is not expressly enacted in the Audit Act) in consequence of the various Interpretation Acts.

General Australian Situation.

Reference 6, being "Expenditure Authorised By The Governor," allusion to which is made on page 33 of the Auditor-General's Report for 1942-43.

Sufficient comments have already been made by the Committee on various aspects of this question, which was considered in relation to details, and also as a matter of principle.

Auditor-General Wrong and Unjustified.

To the Committee, the Auditor-General's apparent refusal to recognise the clear distinction between a Governor-in-Council's Authority for expenditure in excess of an Appropriation Vote, and a Governor-in-Council's Authority for expenditure for which there is no Appropriation Vote, seems altogether wrong and unjustified. For generations this distinction has been drawn, year after year, in the year's "Supplementary Estimates." Clearly both classes of Governor-in-Council Authorities for such purposes can only be issued in cases of emergency as set out in the Audit Act. But "emergency" is a term quite incapable of anything like satisfactory definition. It might be defined as an "unexpected necessity," but even such an expression would become a matter of interpretation. It is, however, clear, firstly that a lesser degree of "emergency" would justify a Governor-in-Council's Authority for expenditure in excess of an Appropriation Vote than would be required to justify a Governor-in-Council's Authority for expenditure for which there is no Appropriation Vote. For in the one case, Parliament has approved of the policy involved, and in the other case, Parliament has had no opportunity of considering the policy concerned. Secondly, it seems equally clear that the Governor-in-Council is a better authority on the whole question of what constitutes an "emergency" than the Auditor-General, not only on a *priori* grounds, as having much more

Excesses and New Policy.

Who is to Judge?

knowledge of the facts, but also because, under responsible government Ministers are under even more direct responsibility to Parliament and to the public than the Auditor-General, who is only a checker of correctness, but one who can and should report to Parliament everything which he considers incorrect, if the circumstances, in his opinion, are such as to warrant such report. Nor, in the opinion of some, is the Governor entirely without certain personal rights in these respects in the counsels of the Governor-in-Council, though in general he should not advise his advisers.

Clear Case of Ministerial Responsibility.

The difficulty which arises in these matters, and one which seems to recur from time to time, is that there can be no precise definition (or even limitation) in the legal or constitutional sense of the administrative powers and functions of Cabinet and the Executive. These powers and responsibilities rest substantially on good and reasonable practice and to some extent upon precedent, although the latter factor becomes modified in the course of time. As an example of Executive responsibility, when the late Sir Herbert Nicholls was Attorney-General, the Governor of the day, who had possibly, an undue sense of the Governor's powers, demurred at a certain G.C.A. as presented to him for approval, upon the ground that the proposed expenditure was not of an emergency nature, and should, therefore, await inclusion in the Appropriation Bill then in the course of preparation. The minute was then withdrawn. It should be noted here, however, that a proposed G.C.A. must be for a reasonable and proper purpose. If it could be held that a G.C.A. was for a purpose of very clearly doubtful propriety, and if the Governor accordingly refused to sanction a proposed expenditure of that nature, his action would, no doubt, be upheld. Audit authority at one time held that the Governor, as such, was absolutely entitled to withhold approval to a G.C.A., but that concept is not really tenable except in circumstances so far without precedent. However, in the case quoted, a meeting of the Executive Council was summoned the next day and that particular minute was again presented with the advice of Ministers that the expenditure was necessary. The Governor was asked whether he accepted the advice of his Ministers or whether he saw fit to reject that advice. The Governor accepted that advice and approved of the expenditure, thus re-affirming the principle that Cabinet is responsible to Parliament and not to any other authority.

When Sir Herbert Nicholls was Attorney-General.

Governor's Personal Authority.

Accepted His Advisers' Advice.

Usually the State's Supplementary Estimates for a year have been submitted, in Tasmania, to Parliament for ratification after the Appropriation Act for the succeeding financial year has been passed. It is due to the present Auditor-General, and his predecessor, to stress the fact that they repeatedly protested against this long-sanctioned but wrong practice. The Supplementary Estimates of a year should always be brought forward for the ratification or otherwise, of Parliament, before the succeeding year's Appropriation Bill is introduced, and as early in the first Session of the new financial year as possible. Last year the Supplementary Estimates for 1942-43 were presented in the Assembly on 21st September, 1943, a record early date for this State, and the Appropriation Bill was introduced in the Assembly on the 27th October, 1943. Such procedure, at least, should, in the opinion of the Committee, always be possible, but even this procedure could be considerably improved in connection with a year's Supplementary Estimates.

Submission of the Supplementary Estimates.

Early Date Last Year.

Such Supplementary Estimates represent Governor-in-Council Authorities for expenditure in excess of Parliamentary Authority and in anticipation of it. Ministers are responsible to Parliament for it. To the Committee, therefore, it seems highly desirable to seek to establish the principle that every Governor-in-Council's Authority should be submitted to Parliament at the earliest reasonable opportunity for the ratification, or otherwise, by Parliament of the excess expenditure so incurred. There seems no substantial reason for awaiting the advent of a new financial year for the presentation of a year's Supplementary Estimates as a whole to Parliament. It is not suggested that Parliament should be assembled specially to deal with any such Supplementary Estimate or Estimates, but that whenever Parliament reassembles, after any considerable adjournment, or for a new Session, a Supplementary Estimate or Supplementary Estimates should be forthwith submitted to Parliament for any or every excess in expenditure over Parliamentary authorisation incurred in consequence of Governor-in-Council's Authorities since Parliament adjourned for any considerable period, and up to the time when Parliament reassembles for a new Session or otherwise. This course is recommended by the Committee for the Government's consideration, as a very desirable improvement on even the earliest possible presentation of the Supplementary Estimates of a financial year as a whole in the succeeding financial year.

Change of Procedure Recommended.

This new system would lead to a much closer discussion of the Supplementary Estimates of a year, and a much clearer understanding of the justification, or otherwise, of the excess expenditure incurred, and, in fact, afford better facilities for either criticism of such excess expenditure, or a convincing defence of such excess expenditure, than can ever be the case when the Supplementary Estimates of a year are submitted as a whole in the following financial year, when, not unnaturally, the chief interest of Parliament, so far as finance is concerned, is centred in the Appropriation for the new financial year. The suggested alteration in procedure might involve a little more trouble for the Ministers of any Government, but it would, as a compensating advantage, tend to reduce criticisms of excess expenditure as a whole, by presenting a better opportunity for the serious consideration by Parliament of the details justifying particular items of such excess expenditure. It would increase the real control of expenditure

Effects of the Alteration Proposed.

by Parliament without prejudicing the legitimate use of Governor-in-Council's Authorities with their attached Ministerial responsibility for the use of such Governor-in-Council's Authorities for expenditure in excess of Parliamentary Authority by appropriation.

"Expenditure Under Query."

Reference 7 is in relation to the allusions made by the Auditor-General on page 34 of his Report for 1942-43 to an "Advance of £5000 to the Tasmanian Wooden Shipbuilding Board" as set out under the general heading "Expenditure Under Query."

Advance of £5000 to Shipbuilding Board.

The following are the facts:—The Shipbuilding Act, Section 9 (1), authorised the Board to borrow £60,000, and under the provisions of Subsections (3) and (4) the Treasurer received authority to lend the Board £30,000 if satisfied that a binding agreement had been entered into between the Board and the appropriate Commonwealth authority. The first funds made available to the Board consisted of £5000 received from the Commonwealth and this is the subject of the Auditor-General's query and comment. At the request of the Commonwealth, this £5000 was, at first, treated as a loan to the State and not as a direct loan to the Board under Section 9 (1). Later the Board agreed to its being treated as a direct loan to the Board, which incidentally removed it from the provisions of Subsection (4) and thus disposed of the Auditor-General's query. However, subsequently the Board borrowed £30,000 from the Treasurer under Subsections (3) and (4) and the matter of the "agreement" was revived. An agreement had been concluded between the Premier and the Prime Minister, but as doubts were raised as to whether the requirement of Subsection (4) had been complied with, this question was referred to the Crown Law Department for an opinion. The Solicitor-General advised:—"I consider that the correspondence on the file discloses that a contract or agreement binding on both the Board and the appropriate Commonwealth authority has been entered into sufficient to satisfy the provisions of Section 9 (4) of the Act, 1942." The Auditor-General was advised of this on December 3rd, 1943.

Crown Law Department's Advice.

The Committee considers that the Government was, obviously, warranted in acting on the advice of its Crown Law Department in such a matter, especially in relation to an industry affecting Australia's war effort in connection with which any avoidable delay would have been entirely unwarranted. In reply to interrogations, some evidence was courteously submitted to the Committee by the Chairman of the Shipbuilding Board in reference to the organisation, the difficulties, and general methods of business of the Shipbuilding Board, but this is not relevant to the contents of the Auditor-General's Report, and, therefore, is not relevant to the Committee's terms of reference, and it is not, consequently, considered proper to attempt to pass any judgment thereon. The shipbuilding industry in Tasmania has now been taken over by the Commonwealth, which closes the chapter in the history of this undertaking in Tasmania, as under the attention of the Auditor-General of this State when he prepared his Report for 1942-43. It is only fair to stress the fact that at that time the Auditor-General was not acquainted with the Solicitor-General's opinion on the legal position in relation to the "Agreement" as quoted above. The Agreement for transfer to the Commonwealth was signed on 8th May, 1944.

Agreement Signed on 8th May, 1944.

Reference 8 is in relation to "The Travelling Expenses of Judges and Officers" to which allusion is made on page 34 of the Auditor-General's Report for 1942-43 under the general heading "Expenditure Under Query."

Travelling Expenses of Judges and Officers.

The facts are as follows:—If the Auditor-General queries expenditure vouchers, the Treasury has always regarded his decisions in relation thereto as final. The Treasury expenditure voucher No. 3106, of January 1943, in question, had the usual Departmental certificate to the effect that it was "correct, recorded, and funds available." The amount in question, £3 17s., was therefore paid and charged up to the Estimate item "Division No. 31, the Judges, Item 3, Travelling expenses, Judges and Officers." The travelling expenses included were as follows:—(1) Car hire, Chief Justice, residence to railway and return on 23rd and 26th November, 1943, £1 4s.; (2) Car hire, Chief Justice, residence to Hobart Patriotic Regatta and return on 5th December, 1943, £1 9s.; and (3) Car hire, Chief Justice, residence to St. David's Cathedral to attend the obsequies of the late Right Rev. Dr. Hay, Bishop of Tasmania, and return on 6th December, 1943, £1 4s., total, £3 17s. This voucher was queried by the Auditor-General on 18th May, 1943, in respect to car hire for attendance at the Hobart Regatta and the car hire for attendance at St. David's Cathedral, totalling £2 13s., a distinction thus being drawn in the interpretation of Appropriation item "travelling expenses, Judges and Officers," which would exclude all travelling expenses other than those arising directly from the Judges' actual judicial duties. The Secretary of the Attorney-General's Department testified that "a refund of £2 13s. was made" by the Chief Justice "as well as a further sum of £2 10s. similarly expended before the query as to the £2 13s. arose, a total of £5 3s." The refund of this £5 3s. was made on 8th November, 1943. The reference to £2 10s. "similarly expended" before the query as to the £2 13s. relates to Treasury voucher No. 2938, April, 1943, under authority of which £5 15s. 7d. was paid by the Chief Justice in connection with the following expenses:—(1) Car hire from residence to Hobart Regatta ground and return on 6th March, 1943, £1 10s.; (2) Car hire, residence to Government House and return on 9th March, 1943, £1; (3) Car hire to railway and

A Refund of £5 3s.

return, Hobart-Launceston on 20th March, 1943, £2 3s. 7d.; (4) Car hire to railway, Launceston, Hobart, single, on March 30th, 1943, £1 2s., total £5 15s. 7d., which includes £2 10s. on account of car hire from residence to Regatta ground and return and car hire from residence to Government House and return.

Asked at the Committee why, if he objected to certain payments, totalling £2 13s. under Treasury expenditure voucher, No. 3106, January 1943, he did not at the same time object to payments of an analogous nature totalling £2 10s. under Treasury expenditure voucher 2938, April, 1943, the Auditor-General stated that these latter payments had not been brought under his notice at the time. As a matter of fact the Treasury received no intimation of any objection by the Auditor-General to payments under Treasury expenditure voucher 2938, April, 1943, till June 29th, 1943.

"Not Brought Under Notice."

There is no record of any previous objection by any Auditor-General to expenditure vouchers for the recoupment of the travelling expenses of judges. In the opinion of the Committee there was no sustainable reason for reporting this small matter to Parliament considering that the Auditor-General must have known that it was the practice of the Treasury never to question his decision on any expenditure voucher and that, therefore, a refund was certain if he maintained his objection. It was an unjustified and unnecessary thing to do, and in regard to the comment "no reply has been received from the Treasurer" the Treasurer properly referred the Memorandum to the Attorney-General, who was likewise entitled to give some reasonable degree of consideration to the courtesy due to a very distinguished member of the Tasmanian Judiciary. When the matter was finalised in a seemly way, the Treasurer reported to the Auditor-General on 6th November, 1943: "Your views on this matter have been fully complied with, and a recoupment has now been made, but I am bound to say I am totally opposed to your decision in this matter."

Auditor has Full Power.

No Record of Previous Objection.

It is considered by the Committee that the Auditor-General in his solitary objection placed a somewhat narrow interpretation on the word "travelling." In any event it is unquestionably as right to recoup the travelling expenditure of judges, when, as on this occasion, they attend important functions in their official and not private capacities, as it is to recoup the travelling expenses necessarily incurred as a direct consequence of the discharge of their actual judicial duties. However, in order that there may be no further trouble of this character, the 1943-44 Appropriation Act provides for "Travelling Expenses of Judges and Officers, car hire for Judges attending State and civic functions and funerals in an *ex officio* capacity."

New Item in Estimates.

Reference 9 is in relation to the "loan of £500 to the Municipality of Spring Bay" to which allusion is made on page 34 of the Auditor-General's Report for 1942-43 under the general heading of "Expenditure Under Query."

The following are the facts:—This particular reference is one of those very specially emphasising the undesirability and impropriety of attaching a date to the Auditor-General's Report which is not, in fact, the date on which he finalised it. The Auditor-General's Report, as presented to Parliament, purports to have been signed on 18th September, 1943, and it would be strange indeed if he considered it necessary, on September 18th, 1943, to draw the attention of Parliament to the fact that no reply had been received up to that date to a Memorandum in relation to this matter addressed by him to the Treasurer on 16th September, 1943. It was testified as follows by the Under-Treasurer:—

Spring Bay Municipality Loan of £500.

"The Auditor-General's letter of 16th September, 1943, included an observation to the effect that the agreement entered into between the Public Works Department and the Spring Bay Municipality provided for repayment of loan with interest at £2 12s. per cent by fifty half-yearly payments of £13 5s. and that this would not be sufficient for the purpose. The calculations had been made by the Public Works Department and that Department has secured an amendment to the agreement to provide for half-yearly payments of £13 13s. 4d. The Treasury views on the matter were sent to the Auditor-General on 29th October, as follows:—'The Vote of £3000 under Item 25 in the Division "Miscellaneous, Minister for Works" was wide in its terms and the Treasury sees no reason to doubt the correctness and sufficiency of the Governor's authority to apply £500 of it to an extension of water reticulation to the Cool Stores at the Triabunna Deep Water Jetty. It is doubtful if the Treasury could validly object to a free grant (with consequential reduction in water charges) from the Vote. The Cool Stores are a public work and the necessary co-operation of the local authority was obtained on reasonable terms. A loan from a miscellaneous revenue vote could hardly be said to be subject to the provisions of the State Loans to Local Bodies Act and similar loans have been made from the Unemployment Relief Vote in the same Division. The matter of compliance with the provisions of Section 193 of the Local Government Act might be taken up with the municipality direct.'"

Under-Treasurer's Testimony.

The £500 in question was charged against the Appropriation item for the year "Miscellaneous and unforeseen expenses as may be determined by the Governor-in-Council, £3000." The net expenditure recorded against this item totalled £2294 6s. 3d., and the whole of this expenditure is listed on page 34 of the Auditor-General's Report, and the Committee notes that only this £500 for "Water Supply to Cool Stores, Triabunna," has been queried by the Auditor-General. Though charged against Revenue

What the Committee Notes.

Just a Loan from Revenue.

this £500 is a loan repayable by the Spring Bay Municipality. This local authority was carrying out work which was particularly desired in connection with a straight-out public work. The Triabunna Cool Stores were paid for out of State loan money and the local authority was asked to assist by putting a pipe line down. The reply of the Spring Bay Municipality was that while co-operation would be willingly extended, the Council had no money available and could not raise loan money. The Council was, therefore, loaned £500 from the revenue vote mentioned. The Under-Treasurer expressed the opinion, in evidence to the Committee, that the expenditure of this particular £500 had more merit than any other item mentioned as expended from this vote as listed by the Auditor-General on page 34, "since it was simply a loan," and also emphasised the Treasury view that, in any case, the Treasury would not be justified, in view of the nature of the vote, in raising an objection to expenditure under this vote as determined by the Governor-in-Council in accordance with the terminology of the Appropriation item as sanctioned by Parliament. This was a block vote to be expended on anything by the Minister for Works of a miscellaneous and unforeseen character, subject to the determination of the Governor-in-Council.

Block Votes in General.

It is a vote of almost precisely the same character as that approved by Parliament year after year during the period of the depression and unemployment on a large scale. This particular type of block vote was originally utilised as a means of alleviating mass unemployment and has been approved by Parliament in lesser amounts ever since. But it was testified that the Treasury and the Audit Department have used their influence for years past to reduce the amounts entered for revenue expenditure in this class of vote, and the vote has become gradually reduced from £70,000, as it once was, to about £3000, while the Appropriation for Miscellaneous Minister for Works, Miscellaneous and Unforeseen as may be determined by the Governor-in-Council was only £3000 in 1942-43 and is £5000 for 1943-44. Although all such block votes have their dangers, they also have their utilities and advantages, and the amounts at issue are not now large. Further, the fact that only one item of the expenditure in 1942-43 under this vote has been criticised does not appear, in the view of the Committee, to indicate that there is very much to criticise. So far as the Spring Bay loan itself is concerned, in justice, it should be recalled that for long years the municipalities of Tasmania received large amounts for works from revenue which were not repayable. No doubt the object of assisting the municipalities in these works was to assist unemployed workers to get work. The loan for the Spring Bay Municipality was, in the circumstances, amply justified. The Triabunna Cool Stores constitute a required facility associated with the war effort, and an ample water supply for the Spring Bay Municipality had that additional reason to recommend it. If the transaction can be regarded as "a result of expediency to meet the issue," as the Auditor-General claims, the conditions imposed by the war assuredly constitute some reason for regarding expediency with a reasonable degree of leniency.

"Expediency" in Total War.

Reference 10, being allusions to "Travelling Expenses of Ministers of the Crown" as set out on pages 34, 35, 36, 37, 38, and a few lines of page 39 of the Auditor-General's Report for 1942-43.

Significant First Sentence.

The first sentence of the Auditor-General's lengthy reference to this matter reads:—"For some time it has been apparent that some reform was necessary in the manner in which Ministers' travelling expenses have been financed during recent years." The expression "during recent years" is obviously a plain implication that some practice in reference to the purchase or use of cars for Ministers or by Ministers, and the mode of financing the same, had been in operation, for at least some years, before the Auditor-General penned his 1942-43 Report, which he considered undesirable. Yet it was reported at the Committee's sittings that an examination of the Auditor-General's Reports since 1933-34, by the appropriate Treasury official, disclosed no specific reference whatever to the travelling expenses of Ministers similar to that given on page 34 of the Auditor-General's Report for the year ended 30th June, 1943, and that there is no trace whatever in the Treasury records, for years back, of any correspondence with the Auditor-General on this subject. Further, the Acting Under-Secretary reported that, with the exception of the relevant contents of the Auditor-General's Report for 1942-43, there is no record in the Premier's and Chief Secretary's Department of any communications from the Auditor-General on this subject. Requested to explain this curious position, the Auditor-General testified before the Committee that "he had examining officers for all these things," that "he could only report these matters when they were brought under notice," that the matter had "only been brought under his notice recently by an officer," and that "it had not been reported before because it was not brought under his notice."

But no Record of Previous Objection.

"A Matter of Principle."

Having occupied a full four and a half pages of his Report to Parliament with references to this matter, the Auditor-General states, in the last lines of his long allusions to this subject:—"It is because of the importance of the principles involved that the matter is so fully reported." He further testified: "When I heard of it the first time I reported it to the Premier so that it might be rectified," while the actual contents of page 38 of his Report to Parliament themselves sufficiently indicate that, long before the purported date of that Report, the Auditor-General was fully acquainted with the fact that any seeming irregularity in the purchase of a Buick car for the Minister for

Forests, as detailed by him, was about to be cured, and that definite provision could be made in the Appropriation Act of 1943-44 for an express item covering the purchase of cars for Ministers. Under these circumstances, the Committee considers that the least that can be said is that it seems remarkable for the Auditor-General to have deemed it necessary to devote four and a half pages of his Report to Parliament to a situation which he knew was about to be entirely cured. However, it is also proper for the Committee to endorse his statement that the principles involved are important, though, assuredly, in the circumstances stated, some brief relevant mention ought to have sufficed for any Auditor-General to inform Parliament of the facts and express his appreciation of the alterations proposed to be made in the Appropriation Act, 1943-44.

Situation
About to be
Cured.

So far as the actual transaction in connection with the Buick car for the Minister for Forests is concerned, the facts can be very simply stated and without introducing any irrelevant complications. The Under-Treasurer received a voucher claim from the Forestry Department in February, 1943, for the purchase of a Buick sedan car for £423 15s., plus car wireless £30, total £453 15s., as mentioned by the Auditor-General. The amount claimed was paid on 19th February, 1943. The Under-Treasurer testified that the voucher claim "was in the prescribed form, was certified by the Forestry Department and, *prima facie*, the car was for the use of Departmental officers." He added that, in such a case, the Treasury has no status unless the Treasury or Treasurer receives a report from the Auditor-General. Asked whether "Ministerial travelling expenses" had been charged to other votes other than the specific Appropriation item which provides for the travelling expenses of Ministers in connection with the business of the Australian Loan Council, the Under-Treasurer replied: "Not to the knowledge of the Treasury. We depend on the Auditor-General. He is the Treasury's auditor as well as Parliament's officer." And no reports were received by the Treasury from the Auditor-General in respect to any such matters in recent years. However, the voucher claim, in question, was for the purchase of a car in 1942-43, and the amount involved, namely, £453 15s., was at first charged by the Treasury against the Forestry Fund which was derived from the Appropriation item, Forestry Department, Subdivision No. 1 "Expenses in connection with afforestation, reafforestation, and other necessary works of Forestry Improvement, £40,942 14s. 4d." This was a block vote under the Forestry Act, and, as the Under-Treasurer stated, the only view the Treasury could possibly take (the voucher claim being in perfect order) was that the expenditure was for the purchase of a car for the permanent forestry establishment, and, in the absence of any report from the Auditor-General to the Treasurer or Treasury, the Committee agrees that the payment was undeniably correctly charged by the Treasury against the Forestry Fund. But, since it was subsequently ascertained that the car in question was purchased for the use of a Minister about to become Minister for Forests (whose connection with the transaction was entirely blameless and, in fact, has been in no way questioned), the Committee reports that the evidence submitted indicates quite clearly, that, if fully informed, the Treasury view of this transaction would almost certainly have coincided with that of the Auditor-General and the Solicitor-General, namely, that the purchase of a car for the Minister of Forests, or somebody about to become Minister of Forests, could not be legitimately charged to the Forestry Fund, and would have to be financed by some other means. The fact that a full refund of the amount so charged was made to the Forestry Fund, from a direct Appropriation item in 1943-44, which includes provision for the purchase of cars for Ministers, in accordance with the Premier's undertaking of June 17th, has definitely put these matters right.

The Buick
Car Purchase.

Block Vote
Under
Forestry Act.

Minister's
Conduct not
Questioned.

Refund to
Forestry
Fund in
Full.

The Committee's particular conclusion in respect to the issue raised by the Auditor-General in his Report to Parliament in connection with the purchase of cars for Ministers is that he was fully justified in reporting the matter to Parliament, but that he made a great deal too much in a Report to Parliament, purporting to be signed on September 18th, concerning a matter which he knew, in the middle of June, was about to be radically remedied.

The Com-
mittee's
General
Conclusion.

So far as the general "travelling expenses of Ministers" are concerned, apart from the purchase of cars, the same observation is entirely just in reference to the Auditor-General's comments in his 1942-43 Report to Parliament thereon. For as long ago as June 17th, 1943, he knew that not only the purchase of cars for Ministers, but also "the travelling expenses of Ministers" would be charged in the future only to votes provided for that purpose, and the further fact that the necessary alterations to regularise anything that was, in reality, irregular in past practice would be effected in the Appropriation Act, 1943-44. The absence of any reports from the Auditor-General to the Treasurer on the very matters of which he thus complains during recent years would have constituted another very sensible reason for reasonable reticence on his part even in a Report to Parliament on these matters.

As Long Ago
as 17th June,
1943.

Reference 11, being the allusions to alleged "Forestry Department Irregularities," as set out on page 39 of the Auditor-General's Report to Parliament for 1942-43.

The Auditor-General informed the Committee that he had been advised by the Solicitor-General on March 2nd, 1944, that the investigation into the reported irregularities in the Forestry Department, which had been proceeding for a considerable time, should now be conducted by the police with the assistance of Audit officials, but that he (the Auditor-General) wished to have the decision of the Committee on the whole

Solicitor-
General's
Advice of
2nd March,
1944.

Committee's
Unanimous
Resolution of
14th March,
1944.

matter, and as to the action to be taken by him, in the light of the information available in Audit Department File No. GD 9/8 which he handed to the Committee on the 10th March, 1944. The Committee, after some discussion, read it in camera and deliberated on the contents without delay. Having so deliberated, on 14th March, 1944, the Committee conveyed the following unanimous resolution to the Auditor-General, at the same time returning to his custody Audit Department File No. GD 9/8—"That the Audit Department File No. GD 9/8 in connection with alleged irregularities in the Forestry Department be returned to the Auditor-General with an expression of its (the Committee's) considered opinion that he should take immediate action to follow the advice of the Solicitor-General contained in the Solicitor-General's letter of the 2nd March 1944, in reference to the criminal matters contained in the file."

Auditor's
Explanations
Far From
Clear.

The Committee is concerned at the procedure adopted by the Auditor-General on the whole subject of the report on the alleged irregularities in the Forestry Department. These matters had been the subject of investigation by the Auditor-General from July, 1943, until the meeting of the Committee. The Auditor-General's explanations to the Committee of his actions in this matter were far from clear. He seemed to take the view that, although he had carried the investigation to the limits of his jurisdiction as Auditor-General and had the advice of the Solicitor-General to the effect that the matter had earlier become essentially one for the police, nevertheless he considered that, in some way, the responsibility for the next step rested with the Committee.

Charge of
Breach of
Provisions of
Audit Act.

The Committee is frankly unable to understand why the Auditor-General did not, at the earliest possible stage, which seems to have been as early as December, 1943, report any irregularities which had come under his notice in respect of the Forestry Department to the Governor, as he is expressly required to do by Regulation 48 of the General Regulations in the Second Schedule to the Audit Act, 1918. The Auditor-General seems, most improperly to have wished to avoid reporting any such matters to the Governor-in-Council, and even hinted that he did not wish to do this because he suspected that, in view of the nature of the alleged irregularities, some action might be taken to suppress his report. It need hardly be added by the Committee that this is a most serious matter, and that the Auditor-General, in a most important respect, failed to comply with the provisions of the Audit Act. The Committee cannot agree that his explanations justify this serious departure from the law.

Auditor-
General at
Legislative
Council's
Committee on
29th February,
1944.

It seems a notable fact that when asked by the Legislative Council's Committee on the 29th February, 1944, whether he was working with the Public Service Commissioner and not the Auditor-General, in connection with the alleged forestry irregularities, the Conservator testified: "Not with the Auditor-General until we found difficulties about the accounts. It had been suggested that there had been leakages of royalties. Mr. Terry (Secretary) could not trace these leakages, and there was not much delay in asking the Auditor-General to take action." But there is no evidence that the Auditor-General reported these difficulties about the accounts of the Forestry Department and the alleged leakages of royalties to the Governor in any manner whatever.

So far from this being the case, at the date of the signing of the Report of this Committee, namely, 15th June, 1944, the position was as follows, according to responsible statements in the public press:—

Position as at
15th June,
1944.

(1) The Committee now reporting expressed to the Auditor-General, when handing back to his custody confidential Audit File No. G.D. 9/8, on March 14th, 1944, its considered opinion that he should carry out the advice tendered to him on March 2nd, 1944, by the Solicitor-General, in the course of which advice the Solicitor-General said:—"Some part of the investigation, at least, requires to be conducted by the police, with the assistance of your officer, and it is desirable that it should go on forthwith . . ." The Auditor-General has not carried out the wishes of this Committee, nor taken any steps to carry out the advice of the Solicitor-General.

(2) In evidence before the Select Committee of the Legislative Council, the Auditor-General made the following statement in regard to the file in question on the 16th March, 1944:—

Before
Legislative
Council's
Select
Committee on
16th March,
1944.

" . . . As to the file, personally I think I should send the whole of it to the Attorney-General with a request that action be taken by the police, and to advise him that my Department will assist the Police Department in every way possible in their investigation . . . "

Nevertheless, to date he has taken no such action and it is reported that File No. G.D. 9/8 is still uselessly locked away in the Legislative Council's premises.

A "Notice of
Motion" of
28th Septem-
ber, 1943.

Having failed to carry out the express provisions of the Audit Act, in regard to such matters, the Auditor-General states in his Report to Parliament, which purports to have been signed on 18th September, 1943, when alluding to these reported irregularities that "as I note by the House of Assembly's Notices of Motion and Orders of the Day, No. 14, that the reports, &c., having reference to these transactions are to be tabled in the House of Assembly, I considered that the foregoing documents are necessary for the information of Parliament." But No. 14 Notice of Motion is dated 28th September, 1943, and no such "Notice of Motion" could possibly warrant the Auditor-General's statement that "the reports, &c., having reference to these transactions are to be tabled . . ." If the Auditor-General of this State regards Notice of Motion in Parliament as an all sufficing reason for reporting certain matters to Parliament, on

the assumption that such a "Notice of Motion" is equivalent to the carrying of a Motion, that throws grave doubt on the sufficiency of his knowledge and the accuracy of his thought. The consent of a majority of members was required in the Assembly, and the "Notice of Motion" to which he alludes, necessarily conveyed no intimation warranting the strange assertion that "reports are to be tabled."

Majority in
Assembly
Required.

The comments made by the Auditor-General in his Report, purporting to be signed on 18th September, then proceed:—"Since writing the above I received on 7th October the following Memorandum from the Minister for Forests," which he proceeds to quote. The impropriety, and utter lack of wisdom and commonsense, of alluding to events in October in a Report to Parliament, purporting to be signed on 18th September, are sufficiently obvious without further emphasising this impropriety by unduly stressing the not unnatural inference drawn by the Minister for Forests (Col. Taylor, M.H.A.) in his testimony to the Committee as follows:—"On page 2 of the 'Mercury' of 18th September, 1943, the proposed retirement of Mr. Batt appears. Parliament opened on the 23rd September, 1943, but the Auditor-General's Report was not tabled till 28th October, 1943. The deduction therefrom, to be drawn from the above, is that on 3rd August, 1943, Mr. Batt was given all information in the possession of the Forestry Department regarding the irregularities, but when he found he was to be retired, he delayed his Report in order that he might make something in the nature of a spectacular attack upon the Government. This is all the more apparent when he utilises 5½ pages of his Report in an attack on the Government, when only one page is devoted to the misapplication of special moneys by municipal bodies totalling £9000." Any Auditor-General who puts himself in a false position and gravely wrongs a Minister of the Crown in a Report to Parliament, especially under such peculiar circumstances, must expect natural inferences to be drawn from his conduct. He wronged Col. Taylor, as present Minister for Forests, most seriously, by publishing in his Report his own Memorandum in connection with the alleged Forestry irregularities dated 11th October, 1943, and then suppressing the Ministers reply to his dated 15th October, 1943. This was not only a grave wrong to the present Minister for Forests, but was also a serious wrong to Parliament of which Mr. Batt is the servant. The following is the text of the Memorandum of the Minister to Mr. Batt, dated October 15th, 1943, which the Auditor-General most illegitimately and unfairly withheld from Parliament in his Report to Parliament.

The Memorandum of Minister for Forests Dated 7th October, 1943.

The Minister's Natural Inference.

Minister for Forests to Auditor-General, 15th October, 1943: "I have to acknowledge receipt of your Memorandum of 11th instant. I should observe that, even though the Conservator's request of August 3rd for your investigation may have followed on his interview with you, I had suggested the desirability of such an investigation with both the Conservator and the Public Service Commissioner prior to the Conservator's interview with you. Such delay as there was in handing the case to you, for your investigation was entirely due to the wishes of the Conservator and the Public Service Commissioner to obtain definite information for you to work on. I cannot accept your suggestion that I am now in accord with your view that the Government should have taken action earlier. Action was taken, without delay, to obtain necessary information."

Ministers Reply of 15th October, 1943, not in Auditor's Report.

Asked during the course of the Committee's enquiry why he had withheld the contents of the above Memorandum from the Minister from inclusion in his Report to Parliament, the Auditor-General stated that the Memorandum in question, which was dated 15th October, reached him on 18th October, that the last typescript he delivered to the Government Printer in connection with the printing of his Report, was so delivered on 15th October, and that he had advised the Government Printer on 18th October that his Report was closed. But he gave insufficient reason why he did not cancel those instructions to the Government Printer, which instructions were issued on the very same day that he received the Memorandum from the Minister which he withheld from Parliament. The inconvenience caused by the due inclusion of this Memorandum in his Report would have been undeniably negligible. It might have involved a delay of one day in the presentation of his Report to Parliament. It would not even have involved that if he had instructed the Government Printer by phone on 18th October to include the Minister's Memorandum of 18th October by means of a special interleaved insertion in his Report with a line or two explaining that, in order to avoid the delay in placing it, at the last moment, in its proper position in the context of his Report, it had been treated as a special interleaved insertion. The explanation of his conduct in this matter, given by the Auditor-General, cannot be regarded by any intelligent and impartial person as either satisfactory or *bona fide*. The Auditor-General's Report for 1942-43 was presented to Parliament on 28th October, 1943, the earliest date for 19 years (with the single exception of that for 1940-41, which was presented on 14th October, 1942), so that a day's delay, or even two or three, if necessary, in the interests of justice and propriety, and for the fair treatment of Parliament itself, could not possibly have been criticised by any responsible informed person.

The Auditor-General's Explanation.

"Neither Satisfactory nor Bona Fide."

Attention has already been drawn to the fact that the Public Service Commissioner swore that certain statements testified to the Committee by the Auditor-General, and imputing to the Public Service Commissioner observations of a most sinister intent reflecting on the *bona fides* of the Government, in regard to any proper suggested inquiry into the alleged Forestry irregularities, were simply not true, and that he had

Public Service Commissioner's Evidence.

And also to
Forestry
Secretary's
Testimony.

never made the observations imputed to him by the sworn testimony of the Auditor-General. In a similar manner, the Secretary of the Forestry Department testified to the Committee that, though the Auditor-General had sworn that he had expressed to this official his (the Auditor-General's) astonishment at certain action taken by the present Minister for Forests on Friday, 13th August, 1943, and had advised the Secretary that, in consequence of that action, neither he nor the Minister would be advised in future of any action to be taken by him (the Auditor-General), Mr. Batt had never made any such remark to him. The Secretary testified: "Mr. Batt did not make this statement to me. He said, 'What is his game?' I said, 'No game at all. As far as I know the Minister is bringing them (certain persons the Auditor-General was to interview in Launceston and Devonport) to Hobart in connection with supplies of timber urgently required by the Wooden Shipbuilding Board'."

The
Arrangements
of 17th
August, 1943.

The Committee reports that it is quite true that arrangements had been made, through the Secretary of the Forestry Department, for the Auditor-General to interview an Audit officer in the North on Tuesday, 17th August, 1943, and that the Minister was aware of, though he did not advert to, this fact when he decided on 13th August to summon a conference including two Forestry officers whose conduct was in question, in Hobart on Tuesday, 17th August, 1943, with other divisional men, to consider, on the spot, the pressing shipbuilding timber needs of the Shipbuilding Board. That conference was summoned at the very urgent request of the Shipbuilding Board, and the Minister just decided that the case would admit of no delay, and the conference on shipbuilding, and the timber requirements of the shipbuilding industry was, therefore, held in Hobart on 17th August. But it was testified that when reminded on 13th August of the prior arrangements with the Auditor-General made through the Secretary (Mr. Terry) the Minister very promptly directed that both the Public Service Commissioner and the Auditor-General should at once be informed by 'phone that the two officers in question would be in Hobart on Tuesday, 17th August, and could then be interviewed by them. If the Auditor-General took a serious view of the altered arrangement, he should have at once communicated with the Minister, but he did not. That is the simple story of what occurred and there never was anything either occult or suspect about it.

Conflicting
Evidence
Compels
Attention.

"Repellently
Unfair and
Unjust."

Making all allowances for deficiencies in memory, the absolutely contradictory evidence submitted to the Committee in respect to the alleged Forestry irregularities, and other matters, were of a sufficiently startling character to compel direct attention to them. But it is no part of the duty of the Committee to accept the responsibility of drawing any very definite conclusions for them. It feels, however, that it is necessary to record its very decided displeasure with, and disapproval of, one feature of the Auditor-General's evidence, arising out of the alleged Forestry irregularities. Quite irrelevantly and unnecessarily, and in the presence of the press, he three times in one day passed reflections upon a past Minister for Forests by informing the Committee that it had been reported to him that this ex-Minister for Forests was known in some parts of Tasmania by a nickname (which he gave) and which necessarily carries an implication of dishonour. No matter by whom the Auditor-General was so informed, it is obvious that such a report might easily have originated in the mischievous invention of some unscrupulous gossip or person with a grudge. No such hearsay had any relevancy to anything whatever definitely before the Committee arising out of the contents of the Auditor-General's Report and it was an unworthy act on the part of the Auditor-General, and repellently unfair and unjust to the ex-Minister mentioned, to repeat any such hearsay in proffering evidence to the Committee in the presence of the press and the public.

Present
Minister
Appointed on
12th April,
1943.

Difficult to
Understand
Auditor's
Impression.

The Audit
Act's
Requirements
not Observed.

In simple justice to the present Minister for Forests, it is proper to point out that he only became Minister for Forests on the 12th April, 1943, and that, therefore, he carries no responsibility whatever for the administration of the Forestry Department prior to that date, while the alleged irregularities (if there were, in fact, any irregularities) to which allusion is made in the Auditor-General's Report for 1942-43 as referred to the Committee, date back to years long past. The charges laid against two officers of the Forestry Department in accordance with the Public Service Act were allegedly committed in 1938, and the Public Service Commissioner exculpated those officers as a result of the statutory investigation concluded by him at Launceston on December 15th, 1943. In the opinion of the Committee, it is indeed, difficult to understand how there could ever have arisen any justified impression, on the part of the Auditor-General, that the present Minister for Forests desired to hinder or hamper him or anybody else, or any properly appointed body, in any enquiry into the alleged irregularities in the Forestry Department and the Committee is quite satisfied that the Minister for Forests, the Premier, the Conservator, and the Public Service Commissioner were all equally desirous of having these matters properly investigated, and all proper action taken in accordance with the evidence available. No matter on whose advice he acted, the Auditor-General is himself responsible if the situation in connection with these alleged irregularities could not be regarded as satisfactory, at the time this Committee took its evidence, either to those allegedly implicated, or the State, and this would not have been likely to be the situation if he had carried out his duties in respect to the Audit Act, 1918, by due compliance with Regulation 48 of the General Regulations in the Second Schedule of that Audit Act, and reported the alleged irregularities to the Governor in December, 1943. The Committee could not regard itself as an adjudicating

body to investigate whether or not there were any irregularities in the Forestry Department, whether under the heading of "improper conduct" within the meaning of Section 36 of the Public Service Act, 1937, or within the meaning which would justify an indictment under the Criminal Code. All that was referred to the Committee were the contents of the Auditor-General's Report dated the 18th September, 1943, to Parliament, and except for explanatory and other obviously necessary purposes, it was regarded as no part of the duty of the Committee to deal with any events, or alleged events, or developments occurring after October, 1943, and least of all to search into and report upon the administration of the Forestry Department or other Departments, or that of the Shipbuilding Board, since no such questions of administration were referred to the Committee by Parliament excepting so far as they related to the actual contents of the Auditor-General's Report to Parliament as referred to the Committee.

Committee not
Adjudicating.

Nevertheless, some latitude was reasonably allowed in evidence and whether considered altogether regular or not, the Committee expresses the decided opinion that for the purpose of removing sources of public uneasiness and suspicion, and in the interests of the State itself, and of all concerned, whatever steps are required to settle the question of Forestry irregularities once and for all should be forthwith taken, no matter whom such steps can be regarded as contingently or supposedly implicating till all the facts are fully assembled. If wrong has been done by any, whether through impropriety in the Public Service sense, or in the Criminal Code sense, they should be duly punished; if wrong has been done by none, all should be clearly exculpated, and further, none should be prejudiced, in either private or public reputation or position, by mere unsupported hearsay statements and stories having no established foundation in fact.

Strong
Forestry
Recommendation.

Reference 12 in relation to the allusions to "War Purposes Expenditure" as set out on pages 39, 40, and 41 of the Auditor-General's Report for 1942-43.

"War Pur-
poses
Expenditure,
£10,000."

The correspondence between the Treasury and the Auditor-General in respect of this matter is quoted by the Auditor-General. The actual charges to the Appropriation Vote "For War Purposes Not Elsewhere Provided For, Items to be Approved by the Governor, £10,000" took place under the four headings listed by the Auditor-General on page 41. The first amount mentioned, £195, was in no way questioned by the Auditor-General. The second amount, £9000, was to provide "working capital" for the scheme to obviate shortages of firewood. It was certified that funds were very urgently necessary to finance cutting of timber and other expenses pending the sale of firewood to merchants. This scheme had been previously operated by the Forestry Department and was, at that period, financed through a Suspense Account considered to be legal under the provisions of the Forestry Act, but it was later considered desirable to transfer administration of the scheme to an Emergency Supplies Committee, which had no legal right to incur a debit balance in the Suspense Account. Consequently, in May, 1943, a careful estimate was made of the finance that might reasonably be required to operate the scheme, and on 3rd June, 1943, £9000 was allocated by the Governor for the purpose from the War Purposes Vote. The credits to the account during the month of June from the proceeds of the sale of firewood totalled £11,227, compared with £2171 received in May. It was explained that, in those circumstances, the Treasury could not agree that there was anything whatever "remarkable" in the fact that the credit balance in the account on June 30th was £2603, as claimed by the Auditor-General. In his Report the Auditor-General says; "In view of the reluctance of the Treasury to use the vote ('War Purposes') it seems remarkable that at the close of the year £9000 was charged to it and transferred to the credit of the Firewood Suspense Account, which was approximately £6400 in debt." The Under-Treasurer was asked, by the Legislative Council's Select Committee, what he had to say about the transference of this £9000 at the last moment. The Under-Treasurer testified; "The Auditor-General did not raise the question with the Treasury, or I could have given him an explanation. He says it is remarkable, but it is not remarkable if you know the circumstances. I could have explained it had I been asked." It can be firstly commented that it seems remarkable that the Auditor-General should have reported a transaction as remarkable to Parliament about which he had sought no explanation whatever from the Treasurer before so reporting to Parliament. Subsequently the £9000 was found to be insufficient and a further £5000 has been provided. The third item, being £59 9s. for "Clerical Assistance, Australian Comforts Fund," has been already very fully explained in connection with the Governor's Authority for £70. As the purpose of the expenditure was in the nature of a subsidy for an outside body, the Treasury considered the expenditure should ultimately be submitted for Parliamentary ratification as a separate and distinct item, but was charged to the block "War Purposes Vote" indicated at the express instigation of the Auditor-General. The fourth item, £699 13s. 5d. represented an excess on the long-established vote for "Free Passes and Special Concessions on Railways," and has already been fully explained. This was also charged to the block War Purposes Vote at the instigation of the Auditor-General.

Nothing Very
Remarkable.

Under-
Treasurer
Testified.

The Treasury view differed from that of the Auditor-General in regard to the proper utilisation of the War Purposes Vote indicated, and especially in regard to its correct limitations. In this respect the Under-Treasurer testified:—

A Question
of Principle.

"In my opinion, it would be very harmful to good financial order to regard the Treasurer's 'war purposes not elsewhere provided for' Vote as being available to meet excesses on any established Vote, on the excuse that the extra expenditure was

What Could
Occur.

due to war conditions. It would be no exaggeration to say that every Department in the Service could plausibly contend that an excess of estimate was due to war conditions. It is very obvious that the Treasurer's Vote in question must be applied with the utmost discretion, if financial order, proper Departmental responsibility, and intelligible costing are not to be upset. It is very important that the published accounts should be systematically compiled, and be thoroughly intelligible to Parliament. An endeavour was made last year to show, by means of a schedule at the back of the Estimates, and suitable footnotes throughout, how the blanket Vote of £10,000 for 'war purposes not elsewhere provided for' had been applied; but this was devised by the Treasury as an expedient to record unusual expenditure, and any extension of it in respect of regular Votes would be the reverse of good financial order in the Statements. The burden on the Consolidated Revenue is the same, whether charged and recorded against the Votes which form the regular and recognised system of costing, or to a block Vote which was intended to meet costs not recognised by Parliament."

Parliament
will Support
Treasury
View.

The Committee is of the opinion that Parliament will inevitably take the view that the Treasury position as thus expressed, is fully warranted and correct, and that the Auditor-General's judgment in these particular matters was wholly faulty. The terminology of the Unforeseen War Purposes Appropriation item has been altered, as already stated, to prevent any misinterpretations in the future, but it is suggested by the Committee that it would be appropriate to set out in the Treasurer's Annual Financial Statement, in future, complete details of all transactions arising from this vote. The Auditor-General, on special request, supplied a return to the Legislative Council's Select Committee showing the itemised war expenditure in 1942-43 (£89,475) and the appropriations for the various items of war expenditure, but, except for minor differences in presentation, the whole of this information was specially supplied to Parliament, in at least as clear a form, in the Treasurer's last Annual Financial Statement. The Committee now reporting entirely supports the contention that Parliament should be supplied with particularly full information on all matters relating to war expenditure.

Reference 13, being the allusions made on pages 41, 42, and 43 by the Auditor-General in his Report to Parliament for 1942-43 under the heading "Parliamentary Standing Committee on Public Accounts."

The Present
Committee.

Three
Alternative
Proposals.

The British
Committee.

The present Committee is a Parliamentary Standing Committee on Public Accounts, but, admittedly, its functions are exceedingly limited, and it usually only assembles to consider applications from Local Bodies for Loans from the State. Quite apart from the lengthy comments and suggestions made by the Auditor-General in his Report for 1942-43, voluminous evidence was placed before the Committee, much of it of a documentary and authoritative character, in favour of the appointment of a Parliamentary Standing Committee on Public Accounts, charged with more or less similar duties as those very efficiently discharged by the British Parliamentary Standing Committee of Public Accounts. As an alternative there was also suggested a Parliamentary Standing Committee on Public Accounts with similar functions to those entrusted to such a body by the Audit Act of New South Wales, and as a further alternative, a Parliamentary Standing Committee of Public Accounts, as advocated by the State Finance Committee in a Report to the Treasurer, dated 18th August, 1942, and which was submitted to this Committee. The functions entrusted to the British Standing Committee on Public Accounts are almost plenary in the financial sense. All proposed excess expenditure has to be submitted to it, and even the form and arrangement of the Chancellor of the Exchequer's yearly Estimates come within the scope of its functions. Its membership is fifteen. No Minister can be a member and its Chairman is always a member of the Opposition, and has been occasionally the Leader of the Opposition. Membership of this Committee is a prerogative of members of the House of Commons, which has the exclusive "power of the purse" in Great Britain since the enactment of the British Parliament Act in 1911, and no member of the House of Peers has ever been associated with the British Public Accounts Committee, which was first established in 1862. Durrell says in his well-known "Parliamentary Grants," that members of the House of Commons "are nominated to serve on it who have shown their interest in financial questions, even though, as opponents of the Government, they might, during the investigations of the Committee, obtain further facilities for criticising its policy. It is recognised that the question of public accounts is a national and not a party question, and, as such, investigation is made in the public interest and from a financial, and not political, point of view." But Durrell also points out that, though this Committee undoubtedly functions efficiently, and has been found a very useful instrumentality of the British House of Commons, the Auditor-General "must report to it," but "the Treasury is under no obligation to accept the reports of the Public Accounts Committee."

The N.S.W.
Committee.

New South Wales is the only State in Australia which has a "Public Accounts Committee" constituted in accordance with the provisions of an Audit Act. Its functions are to "enquire and report to the Legislative Assembly" anything "referred to it, in connection with the public accounts by a Minister of the Crown," or "by the Auditor-General" or by "a Resolution of the House of Assembly" and "to enquire

into and report upon all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation." This Committee consists of "five members, each of whom shall be a member of the Legislative Assembly, not being a Minister of the Crown."

The Tasmanian State Finance Committee proposed the constitution of a "Public Accounts Committee," with the following functions:—"(1) Examine and inquire into all matters contained in the Auditor-General's Report to Parliament, concerning which an investigation and report by the Committee to the House of Assembly is considered desirable; (2) Examine and report to the House of Assembly on expenditure authorised by the Governor under the provisions of Regulation No. 20 under the Audit Act; and (3) Inquire into and report to the House of Assembly on all matters submitted to it by a Minister of the Crown or by resolution of the House."

The State
Finance
Committee's
Proposal.

It was suggested by the State Finance Committee that this proposed Public Accounts Committee should consist of "five members, including a Chairman selected from the Opposition."

The Auditor-General testified to the Committee that he advocated the appointment of a Public Accounts Committee constituted of representatives of both Houses of the Tasmanian Parliament, and in his evidence before the Select Committee of the Legislative Council, also appointed to consider his Report to Parliament for 1942-43, he testified, in reply to a direct question, that he "would prefer a Committee of both Houses." But this proposition clearly cannot be entertained for a moment by the House of Assembly. In further evidence, to the Public Accounts Committee of the Assembly, the Auditor-General intimated that a Committee constituted on the same basis as the Public Accounts Committee constituted by the Audit Act of New South Wales would, in his opinion, meet the requirements of the case. In the further course of his evidence the Auditor-General stated that "knowing that a Public Accounts Committee is operating in New South Wales," he had applied to the Auditor-General of that State, for a copy of the Audit Act of 1902, in which provision was made, by a special amendment in 1926, for the appointment of a Public Accounts Committee, and which sets out its powers and duties and mode of election of members, &c. But no specific evidence was submitted indicating that the New South Wales Committee is carrying out its functions satisfactorily or that it is an efficient and useful instrumentality of the New South Wales House of Assembly.

Auditor-
General's
Preference.

The Government of New South Wales reports that the Committee's powers under Section 16 (1) of the Audit Act of that State are limited to the consideration of matters referred to it in the prescribed manner, the Audit Act of that State was passed in 1902, and for over twenty years only one question has been submitted for report. It is also stated that the value of the Committee's inquiries is minimised by the fact that the Appropriation Act (in which the expenditures made without authority in the previous financial year are submitted for endorsement by Parliament) is more often than not considered and passed before the Committee has completed its investigations and furnished its report. While the examination by this Committee of the expenditure unauthorised in suspense and its justification before the Committee may be said to constitute a somewhat useful purpose, it is stated that the Committee's reports on such matters are not available prior to the validation of the expenditure by Parliament. It is justly explained by the New South Wales Government that these inquiries are restricted to an examination of the items of unauthorised expenditure and do not extend to the various questions which have arisen in connection with the Public Accounts, and to which the attention of Parliament is directed by the Auditor-General in his Annual Reports.

Report from
N.S.W.
Government.

The Committee now reporting to the Assembly cannot recommend the constitution of a Public Accounts Committee similar to that existing in New South Wales, which, it is considered, would be a futility in this State.

Government files submitted to the Committee show that, in September, 1942, the Tasmanian Cabinet considered the proposals of the State Finance Committee for the constitution of a Public Accounts Committee on the lines already indicated and rejected these proposals.

The Tas-
manian
Cabinet in
September,
1942.

The Committee now reporting, having examined all aspects of the situation, does not recommend the appointment of a Public Accounts Committee charged with permanent functions and duties associated with the requirements of the Audit Act. It is pointed out that, while the British Public Accounts Committee undoubtedly functions efficiently and very usefully, it is easy to select, from a House of Commons consisting of about 600 members, a considerable number of men (after excluding Ministers) "who have shown their interest in financial questions" and who, in addition to some real financial qualifications, are prepared genuinely to approach the question of public accounts strictly as a national matter and not as a party matter, no matter to what party they belong. But it would be a different proposition to make the required selection, with the required qualifications, from the membership of the Tasmanian House of Assembly, which consists of only thirty members, with no fewer than seven of that number disqualified as Ministers of the Crown. It is not probable that any Government in Tasmania will ever submit a Bill to Parliament for any such purpose, no matter what type of Government it may be. Further, as a practical proposition, in

No Special
Committee
Recommended.

What is
Proposed is
Sufficient.

the circumstances of Tasmania, any such Committee, if entrusted with such functions to be of any utility at all, would (unless this issue is altogether excluded from its jurisdiction) introduce fresh difficulties and fresh sources of delay in the presentation of the State Budget, already always much delayed because of the late arrival of the Grants Commission's Reports on the State's Special Grants each year, and also, most certainly, in connection with the legitimate use of Governor-in-Council's Authorities. The existing Audit Act, even if it could be improved by amendments, is sufficient to secure orderly finance and due control of expenditure by Parliament, if it is reasonably interpreted, and faithfully administered in a commonsense manner, and in that spirit of cordial co-operation between the Treasury and Audit Departments which has been so lamentably interrupted during the last couple of years, and in such circumstances, it is considered that the suggestions made by the Committee, in other parts of this Report, will, if adopted be found quite sufficient to meet the situation.

Reference 14, being the comments on the accounts, &c., of "The Hydro-Electric Commission" made on pages 54, 55, 56, 57, 58, 59, 60, 61, and 62 in the Auditor-General's Report for 1942-43.

The Chief
Controversial
Issue.

The chief controversial issue raised by the Auditor-General is thus set out in his Report on page 56; "Since the Auditor-General's Certificate to the net profits (of the Hydro-Electric Commission) is accepted by Parliament and the people of Tasmania as showing the true results of the year's transactions, amending legislation seems desirable to provide that the Auditor-General should certify to the profits *before the same are appropriated for various purposes.*"

The Under-
Treasurer's
Evidence.

The Treasury view of the actualities of the position was expressed in the following terms by the Under-Treasurer; "The Auditor-General is required by Section 47 of the Hydro-Electric Act to furnish a certificate as to the correctness of a balance-sheet, a trading account, and a profit and loss account, because Section 45 of the Act provides that interest (arrived at in a prescribed manner) and contributions to a sinking fund, shall be treated as a charge in the profit and loss account. And it goes further, in that it prescribes that contributions to a contingency reserve and a special reserve may be so treated. In the operation of these statutory obligations and discretionary powers the Commission charges the profit and loss account with certain amounts which a private company would treat, not as a charge in the profit and loss account, but as an appropriation of profit. In this regard the Auditor-General refers, on page 54, to a 'surplus' of £124,392 and of this amount it might be said that the first and two last items would ordinarily be treated as an appropriation of profit, that is to say, the net profit would have been stated as £61,136. Actually the accounts published by the Commission disclose fairly clearly the basis on which the net profit of £4136 is arrived at, but it is likely that anyone, making a superficial examination of the accounts, or who merely took the net profit figure without analysing the statements at all, would be under a misapprehension of the position." The figures to which the Under-Treasurer alluded appear in the Auditor-General's Report in the following form:—

"The Commission submitted its Thirteenth Trading and Profit and Loss Accounts for the period 1st July, 1942, to 30th June, 1943, together with the Balance-sheet as at 30th June, 1943.

"The result of the year's transactions is shown thus:—

Accounts as
Set Out by
Auditor-
General.

	£
Net profit payable to Treasurer as shown in Profit and Loss Account	4,136
Special writing-down—	
Air Raid Precautions	12,414
Nive River Investigations	5,424
Interest on loans for works under construction charged to revenue by order-in-council Hydro-Electric Commission Act, Section 38 (8)	45,418
Appropriation for General Reserves	24,000
Appropriation for Special Redemption Reserve	33,000
Surplus for the year	<u>£124,392</u>

"This surplus of £124,392 has been achieved *after providing £65,573 for depreciation, £83,458 towards repayment of loans, and £309,056 for interest and exchange.* The abovementioned Special Redemption Reserve of £33,000 appears for the first time in this year's account. The statement of accounts has not yet been examined, but the following figures are furnished for the information of Parliament."

Figures Not
Altogether
Justified.

The position disclosed by the above facts and figures could undoubtedly be adjusted without making any difference in the discretionary powers of the Commission by means of amending legislation. There is, however, some reasonable doubt as to the justification for the Auditor-General's mode of setting out the financial facts in his Report. The six amounts listed, total £124,392, and that total is regarded by the Auditor-General as the "surplus" for the year. Some of it, as the Under-Treasurer stressed, is profit, and some of it is not profit at all.

The Commission's view on the general question raised was put before the Committee in the following terms by the Commissioner of the Hydro-Electric Department:—

"The Auditor-General draws attention 'to the desirability of amended legislation to provide that he shall certify to the profits of the Commission before same are appropriated for various purposes.' He omits to state that he is at present not required to certify to the profits of the Commission *after appropriation, or at all*. The Hydro-Electric Commission Act, 1929, merely requires him in accordance with standard audit practice to certify to the correctness of the Profit and Loss Account, the balance-sheet and accounts—See Section 46 (3) and Section 47 (1). The Auditor-General uses the words 'for various purposes' but does not say what 'purposes,' nor does he define 'purposes' in regard to the Hydro-Electric Commission Accounts. Does he object to the whole of the 'purposes' for which the Hydro-Electric Commission Act enables appropriations to be made or if not all, then which 'purposes'? The matter is, in our opinion, not capable of easy solution. It was investigated by the Board of Enquiry and referred to in the Board's Report presented to His Excellency the Governor on the 18th March, 1941, page 28, Financial Matters, Section 3, in which the Board recommended:—'That the balance in the Profit and Loss Account shall be arrived at after the payment to the Treasurer of interest on loans owing by the Commission to the State, the setting aside of an adequate provision for depreciation of plant, machinery, and other assets as now provided by Section 45 (2) I. and II. and a fee to be agreed upon for reimbursing the Treasury and the Auditor-General's Department for book-keeping and other services. This balance should be credited or debited, as the case may be, to a reserve fund which would thereby serve as a profits equalisation fund as well as a contingency reserve. In addition to being used as now prescribed under Section 45 (2) III., it would also be used to cover any loss on working, instead of such loss being recoverable from the Treasurer. We further recommend that the present reserves held under Section 45 (2) III. should be paid into this new reserve fund.'

Evidence of
the Com-
missioner.

The Board of
Enquiry's
Report of
18th March,
1941.

"This Commission does not recommend any departure from accepted practice. If the Committee decides that the present practice is undesirable we suggest that the approved method of accounting, as followed by bodies incorporated in accordance with the Companies Act and by statutory undertakings responsible for the generation and distribution of electric light and power, be adopted. For example, the State Electricity Commission Act, 1928, of Victoria, 19 Geo. V. No. 3776, prescribes:—

The Victorian
Electricity
Commission.

'34 (1) The Commission shall in respect to its electrical undertakings cause—
(a) full and faithful accounts to be kept of all moneys received and expended under this Act and of all assets and liabilities profits and losses; and (b) a balance-sheet for each financial year to be prepared together with a statement of accounts (including a capital account and a profit and loss account); (2) Such balance-sheet and statement shall be so prepared as to show fully and faithfully the financial position of each undertaking and the financial results of the Commission's operations for the year; (3) The balance-sheet and statement of accounts duly audited shall be included in the annual report of the Commission.

'36 (1) The Commission shall establish a fund to be called the general fund;
(2) All moneys whatever received by the Commission (including loan moneys) shall be carried to the general fund; (3) The general fund shall be applied by the Commission to the doing and performing of all acts, matters, and things which the Commission is by this or any other Act empowered or required to do or perform.

'37 The Commission shall cause to be kept in its books of account a separate account to be called the "loan account" and provide entries to be made therein of all loan moneys and of the several purposes to which such moneys are applied'."

The Committee recommends that, provided that there is some assurance that practical difficulties can be overcome, the Government should give serious consideration to amending legislation by which it would become the duty of the Auditor-General to certify each year as to the correctness of the gross profit of the Hydro-Electric Commission before the Commission allocates and distributes its profits, but very strictly reserving the Commission's discretionary power in the rightful distribution of its profits.

The Com-
mittee's
Recommendation.

The Committee also recommends that the Government should review the financial relations between the Commission and the Government and adjust those relations, by amending legislation, on the basis that, while the Hydro-Electric Commission should contribute a yearly reasonable amount or amounts to the State Treasury, the real object of initiating and developing the Hydro-Electric undertaking was not Treasury profit, but economic advantage.

Review of
Financial
Relations
with the State.

Increasing economic advantage would eventually advantage the Treasury much more than any direct payments by the Commission to the Treasury. A scientific analysis of all the financial factors in the situation might result in a reasonable and just estimate of the amount of a suitable fixed yearly payment by the Commission to the Treasury, or one that would automatically adjust itself to a slightly variable standard, having regard to all the financial factors in the situation.

Increasing
Economic
Advantage
of Much
Value to
Treasury.

The "net profits" earned by the Commission since it assumed control as from July, 1930, have been as follows:—

		£
Paid Into Consolidated Revenue.	1930-31	5,594
	1931-32	7,490
	1932-33	7,585
	1933-34	8,518
	1934-35	8,435
	1935-36	10,163
	1936-37	10,254
	1937-38	3,583
	1938-39	5,744
	1939-40	3,500
	1940-41	4,648
	1941-42	5,440
	1942-43	4,136
	Total	<u>£85,090</u>
	Average, 13 years	<u>£6,545</u>

In each case the profits were paid to Consolidated Revenue one year later. The aggregate position prior to 1930-31 was a profit of £23,098, of which Consolidated Revenue received £3954. The Auditor-General contends that there was a total expenditure of £97,696 of the Hydro-Electric Department which is not incorporated in the Capital Accounts (as at 30.6.1931). The Commission does not agree that it would have been proper to include it. If it were included the additional charges for interest would be approximately £3988 at present rates (4.0827 per cent).

The Auditor-General's Prepared Evidence.

In prepared evidence, submitted to the Committee, on 8th March, 1944, the Auditor-General certainly appeared to claim that it was not lawful for the Commission to charge £45,418 against its revenue in 1942-43 on account of interest on loans raised for works under construction. Before the Select Committee of the Legislative Council on 27th January, 1944, he expressly testified; "The Act provides that interest on loans for works during construction is chargeable to loans. Here they are charged to revenue." But that was a wholly incorrect statement. The Hydro-Electric Act of 1937 (1 Geo. VI. No. 4) amended the Principal Act in this respect, and the Auditor-General was wrong in his law.

"Wrong in his Law."

Accountancy Practice.

The Committee considers that no useful purpose would be served by attempting to be an adjudicator in accountancy practice in connection with the Hydro-Electric Department, or by setting out a series of complex figures in this Report in relation to such matters, or by commenting in its report, upon contentions in connection with depreciation, reserve funds, renewal amounts, and the like, which require both accountancy competence and trained business capacity, and in this case, very specialised technical knowledge, to judge with any authority. The evidence in these matters reflects the fact that even specialists differ on such issues, and differ quite genuinely.

Two Further Matters to be Decided.

There are, however, two matters which must be mentioned with decisive resulting recommendations by the Committee. Attention was drawn to (1) the sentence in the initial paragraph of the Auditor-General's Report, under the heading "Hydro-Electric Commission," as already quoted by the Committee:—"The Statement of Accounts has not yet been examined, but the following figures are furnished for the information of Parliament." Attention was also drawn to (2) the nature of the Auditor-General's certificates as to the correctness of the accounts of the Hydro-Electric Commission after the statement of accounts has been examined by him.

Figures Not Examined of Little Value to Parliament.

The first matter raises the question as to whether the financial figures submitted to Parliament by the Auditor-General in regard to the operations of the Commission "for the information of Parliament" have any dependable value as a means of correctly informing Parliament, when they are accompanied by the statement that the accounts of the Commission have not been examined by the Auditor-General. On behalf of the Commission it was testified by the Commissioner:—"We have protested on many occasions about the length of time it takes the Auditor-General to give us his certificate after we have presented our accounts. Invariably he makes his Report to Parliament before he has sent us his comments, and given us an opportunity to reply. Therefore Parliament gets a totally wrong view of the transactions. There is no explanation from the Commission in his Report, and we get no opportunity to make one except in our report. There are cases on record when it took nine or ten months to get the Auditor-General's certificate, yet his Report has been presented to Parliament months before." The Commissioner complained that the Commission had no chance of refuting adverse comments or disputing the accuracy of statements made by the Auditor-General in his Report to Parliament.

Nine or Ten Months' Delay.

Consultations for Cure.

The Committee considers that steps should be taken, following consultations between the Audit Department and the Commission to cure the situation thus disclosed, which is manifestly neither fair to Parliament, nor to the Commission, or even to the Audit Department itself.

Strong complaint was also made of the nature of the certificate eventually attached by the Auditor-General to the fully examined accounts of the Commission. Under the Hydro-Electric Act, the Auditor-General is required to certify as to the correctness of the accounts. When Mr. Pretyman was Auditor-General, his certificate to these accounts was in the following form:—"I hereby certify that the accounts, statements, and balance-sheet have been examined in accordance with the provisions of the Hydro-Electric Commission Act, 1929, and the Audit Act, 1918. I further certify that the statements in my opinion exhibit *a true and correct view of the transactions during the year ended 30th June*, as shown by the books of the Commission, and according to the information and explanations given to me and of the financial position of the Hydro-Electric Commission as at 30th June." It was testified by the Commissioner that when the late Mr. Pretyman was on the point of retiring, the certificate to the Commission's accounts was signed by the present Auditor-General, on his behalf, and that the same phraseology was then used. But in the Commissioner's report, as since signed each year by the present Auditor-General, the formula used reads:—"I hereby certify that the accounts, statements, and balance-sheet have been examined in accordance with the provisions of the Hydro-Electric Commission Act, 1929, and the Audit Act, 1918. I further certify that the statements, in my opinion, exhibit *a fair summary of the transactions during the year ended 30th June*, as shown by the books of the Commission and according to the information and explanations given to me and of the financial position of the Hydro-Electric Commission as at 30th June." It was further claimed that if the Auditor-General were consistent he would certify to the Transport Commission's accounts, after examination, as exhibiting "*a fair summary of the transactions*," but, in the case of the Transport Commission, his phraseology is "a true and correct summary" and "a true and correct view" of the transactions. The Commissioner testified that his evidence before the Committee afforded the Commission the first opportunity it ever had of protesting publicly against the nature of the Auditor-General's certificate, which it also claims is not in compliance with the requirements of the Hydro-Electric Act, and testified that the Commission had repeatedly expressed that opinion to the Auditor-General. He expressed the further opinion, with considerable justification, that if the auditor of an important company merely certified that the accounts of the company exhibited "a fair summary" of the year's transactions; such a company would find it exceedingly difficult to persuade any prospective purchaser of its business that its business was sound. The Committee considers that the Auditor-General should in the future "certify as to the correctness of the accounts" of the Commission and abandon such ambiguous phraseology as "a fair summary."

Nature of Auditor's Certificate.

"Fair Summary of Transactions" Not Approved.

Certify as to Correctness.

Finally as the Auditor-General can report to Parliament at any time, it is suggested by the Committee that it would be an improvement if he refrained, in the future, from inserting, in his Annual Reports, figures in relation to important State undertakings, such as those conducted by the Hydro-Electric Commission and the Transport Commission, unless he has fully examined their statements of accounts. The Committee considers that it could also be regarded as desirable and correct for the Auditor-General to communicate to such bodies, when possible, any criticisms of their accounts which he proposes to report to Parliament, and proffer to them an opportunity for the insertion in his Report of their replies to such criticisms, so that Parliament may be fully informed.

Give Reasonable Opportunities for Replies.

The Auditor-General himself testified: "I have a continuous audit of the Treasury, Hobart Corporation, Transport Commission, Hydro-Electric Commission, and Agricultural Bank Accounts." A continuous audit thus being the case, it ought usually to be possible for the Auditor-General to certify as to the correctness of all these accounts for the preceding year, when he is compiling his Annual Report for Parliament, in view of the fact that it is suggested by this Committee that his Annual Report should be presented to Parliament at approximately the same date as the Treasurer's Annual Financial Statement and the Estimates, which, admittedly, cannot usually be presented, under existing circumstances, until after the lapse of three or four months of the new financial year.

There is a Continuous Audit.

Special Reference—Consideration of the question whether it would be practicable to arrange for an earlier presentation to Parliament of the Annual Reports of the Auditor-General.

The Committee had specially referred to it the question as to whether or not it would be possible for the Auditor-General's Reports to Parliament to be presented in the future at an earlier date than has been usual in the past. During the last quarter of a century, the latest date when the Auditor-General's Report was presented to Parliament was 22nd January, 1924, in connection with the Auditor-General's Report for 1922-23, and the earliest date was 14th October, 1942, in connection with the present Auditor-General's Report for 1941-42.

Earliest and Latest Records.

The complete dates for the twenty-five years were as follows:—1918-19, December 3rd, 1919; 1919-20, November 30th, 1920; 1920-21, November 29th, 1921; 1921-22, November 7th, 1922; 1922-23, January 22nd, 1924; 1923-24, December 9th, 1924; 1924-25, November 19th, 1925; 1925-26, November 30th, 1926; 1926-27, November 23rd, 1927; 1927-28, December 4th, 1928; 1928-29, December 3rd, 1929; 1929-30, November 26th, 1930; 1930-31, November 24th, 1931; 1931-32, November 17th, 1932; 1932-33,

Complete Dates for 25 Years.

November 1st, 1933; 1933-34, November 22nd, 1934; 1934-35, November 21st, 1935; 1935-36, November 26th, 1936; 1936-37, November 16th, 1937; 1937-38, November 15th, 1938; 1938-39, November 2nd, 1939; 1939-40, November 27th, 1940; 1940-41, October 23rd, 1941; 1941-42, October 14th, 1942; 1942-43, October 28th, 1943.

Before or
Shortly After
Treasurer's
Financial
Statement.

As a practical proposition, the Committee considers that when possible the Auditor-General's Report to Parliament should be presented a few days before or at the same time, as the Treasurer's Annual Financial Statement, and when this is not possible, as soon after as is possible. But it is quite clear that the date on which the Treasurer's Annual Financial Statement, and the Estimates, can be presented, under existing circumstances, is necessarily governed by the date on which the Government receives the Report of the Grants Commission and ascertains the amount of the Special Grant recommended for the new financial year. These circumstances must result, under present conditions, in the presentation of the Treasurer's Annual Financial Statement and the Estimates much later in the new financial year than would otherwise be possible. The evidence submitted appears to indicate that the Auditor-General's Report cannot be presented to Parliament at any much earlier date than has been the practice during recent years, and that any extension of the time allowed to the Auditor-General, by law, for the presentation of his Annual Report to Parliament, as suggested for consideration by the Auditor-General himself, would naturally have precisely the opposite effect to that desired by the House of Assembly. The Auditor-General testified that

Whenever it is
Possible.

"A couple of years ago I had my Report complete and ready for presentation to Parliament before the Treasurer had presented his Financial Statement. That was the first time, in my fifty-three years' knowledge of the Audit Department, that the Auditor-General's Report was ever ready for presentation to Parliament before the Treasurer's Annual Financial Statement." Such an exceptional achievement obviously could not safely be made the basis of a recommended rule, or amendment of the law. But if, in any given year, the Auditor-General's Report can be prepared for presentation to Parliament considerably before the Treasurer's Annual Financial Statement, there is no sustainable objection to such a prior presentation, and in this matter, not long-established "custom," but the will of the Assembly should prevail. But, at the same time, it must be recognised that war conditions effect the Audit Department as well as the Treasury and the community generally, and, for some years, at all events, it seems quite certain that it would not be reasonable to expect the Auditor-General's Report to be usually ready for presentation to Parliament before the date of presentation of the Treasurer's Annual Financial Statement, or, in fact, much earlier than has been usual in recent years.

In Practice
Not Much
Earlier Than
Usual.

CONCLUSION.

Auditor-
General Not
Entitled to
Continued
Confidence.

The final conclusion of the Committee is an inescapable consequence of the facts testified to it, and is that the contents of the Auditor-General's Report to Parliament for 1942-43 seriously misinformed Parliament in some most important respects, and that there is cumulative proof that his conduct, in many aspects, has been such as not to entitle him to the continued confidence of Parliament, and the Committee so reports to your Honourable House.

E. DWYER-GRAY, Chairman.

Ministerial Party Room,
House of Assembly,
Hobart, June 15, 1944.

MINUTES OF PROCEEDINGS.

THURSDAY, DECEMBER 2, 1943.

The Committee met in the Members' Room, Legislative Council, at 10 a.m.

Members present.—Mr. Treasurer, Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The Clerk read the Order of the House appointing the Committee.

A Motion was made, and the Question being proposed—That Mr. Treasurer be appointed Chairman. (*Mr. Brooker.*)

An Amendment was proposed to be made to the Question by leaving out the word "Treasurer" and inserting "Deputy-Premier." (*Mr. Baker.*)

And the Question being put—That the word proposed to be left out stand part of the Question;

The Committee divided.

AYES 4.

NOES 3.

Mr. *Brooker.*
Mr. Treasurer.
Mr. Madden.
Mr. West.

Mr. *Baker.*
Sir *Walter Lee.*
Mr. *Soundy.*

So it was resolved in the Affirmative.

The Clerk read the Resolutions of the House referring the Report of the Auditor-General for the year 1942-43 (Paper No. 10) to the Committee for inquiry and report, and giving the Committee power to send for Persons and Papers and Records relevant to the inquiry.

The Clerk read the Resolution of the House authorising the Committee to exercise the powers granted to Select Committees under Standing Order No. 381 in respect to allowing its proceedings to be open to the Press during its inquiries into the Auditor-General's Report.

The Committee deliberated.

Resolved, That, unless the Committee at any stage otherwise orders, the Press be admitted during the taking of evidence given before the Committee. (*Mr. Baker.*)

Resolved, That evidence given before the Committee be given by Statutory Declaration. (*Mr. Brooker.*)

A letter was read from Mr. W. G. Wedd, Honorary Organising Secretary of the New World Reconstruction Movement, requesting permission to procure a verbatim report of all evidence submitted to the inquiry.

Ordered, That a reply be sent to Mr. Wedd informing him that the evidence will be taken verbatim, and in due course will be tabled in the House when it will be available to the public. (*Mr. Brooker.*)

The Committee deliberated.

Resolved, That the Chairman be authorised to arrange for the recording of the evidence to be given before the Committee. (*Mr. Brooker.*)

Ordered, That the Chairman arrange for the summoning of witnesses. (*Sir Walter Lee.*)

The Committee deliberated.

Resolved, That the next meeting of the Committee be held as soon as possible after the conclusion of the sittings of the Commonwealth Grants Commission in Hobart. (*Mr. Baker.*)

At 11.35 a.m. the Committee adjourned.

MONDAY, 6TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Mr. Madden, Mr. Soundy, and Mr. West.

An apology was received for the absence of Sir Walter Lee.

The minutes of the last meeting were read and confirmed.

The Chairman reported that arrangements had been made for the employment of three shorthand writers at £4 4s. per day, and three typists at £1 1s. per day, for the recording of the evidence given before the Committee.

On the motion of Mr. West, these arrangements were confirmed.

The Chairman reported that arrangements had been made for the various witnesses to be called as the particular subject matter arose during the Committee's investigations. These subject matters were those which had been agreed to by the Committee at its last meeting.

Mr. Baker at this stage said that he desired to make a protest on behalf of the Nationalist members of the Committee, against the manner in which the Committee had

been constituted in respect of its personnel. He claimed that as the chief matters before the Committee were issues between the Treasury Department and the Audit Department, the Committee should be composed of members who were in an independent position in relation to these departments. Instead of which there were three Ministers on the Committee, the Treasurer, who is one of them, being the Chairman. Mr. Baker claimed that this put Mr. Dwyer-Gray in a position which was unique in the British community, that is, of being both a party to a dispute and the chief judge. He claimed that this was fundamentally wrong and reduced the proceedings to the level of a farce. He repeated his protests.

The Chairman expressed regret that the Leader of the Opposition had made such a "remarkable" statement and had made such an improper reference to the personnel of the Committee and to suggest that the proceedings were a farce. He stated that this Committee was a permanent Committee of the House of Assembly, and the supposition was that in any such Committee, no matter what its personnel, it is impartial. He had no doubt that the Committee would conduct its proceedings in a proper manner, and suggested that if the Leader of the Opposition considered the proceedings a farce he should at least have the grace to retire from it rather than try to deprive the Committee of its proper status by such extravagant statements. He pointed out that he could not give evidence before the Public Accounts Committee even if he desired, which most emphatically he did not, but that he had given evidence before the Grants Commission in Hobart as was his duty in the interests of Tasmania. He could give evidence before the Select Committee of the Legislative Council if so requested, but he had not been so requested. He said that the matter of his Chairmanship of the Committee was settled by his election to that position at the last meeting of the Committee, and he accordingly ruled all further discussion on that issue, or arising out of that issue, out of order. He appealed to every Member of the Committee to assist him to conduct the inquiry in a fair, proper, impartial, and courteous manner.

The Committee then proceeded to take evidence.

The following witnesses were called, made the Statutory Declaration, and their examination was commenced:—Frederick John Batt, Attorney-General, and Frederick William Steele, Under-Treasurer.

Messrs. Batt and Steele withdrew.

It was decided that the following times be adhered to for the taking of evidence during each day's sittings, unless otherwise ordered by the Committee:—10 a.m. to 12.45 p.m., and 2.30 p.m. to 4.30 p.m.

At fifteen minutes to one o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past two o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Mr. Madden, and Mr. West.

Messrs. Batt and Steele were recalled and further examined.

Mr. Soundy took his seat.

Mr. Batt put in a graph showing expenditure above and below amounts authorised for the years 1923-24 to 1942-43.

The witnesses withdrew.

The Committee deliberated.

In view of the absence from Hobart of the Acting Under-Secretary and the Manager of the Agricultural Bank, it was agreed that consideration of Item 5 of the subjects listed by the Committee for inquiry be deferred until Wednesday next.

At half-past 4 o'clock the Committee adjourned until 10 o'clock to-morrow morning.

TUESDAY, 7TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The minutes of the last meeting were read and confirmed.

The Committee proceeded to take further evidence.

Messrs. F. J. Batt, Auditor-General, and F. W. Steele, Under-Treasurer, were recalled and further examined.

At twenty minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

Messrs. Steele, Under-Treasurer, and Batt, Auditor-General, continued giving evidence.

Horace Clitheroe Smith, Secretary for Agriculture, was called, made the Statutory Declaration, and was examined.

Mr. Smith withdrew.

Charles Edward Cox, Secretary of the Attorney-General's Department, was called, made the Statutory Declaration, and was examined.

The Auditor-General was recalled and further examined.

At a quarter to 5 o'clock the Committee adjourned until 10 o'clock to-morrow morning.

WEDNESDAY, 8TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The minutes of the last meeting were read and confirmed.

The Committee proceeded to take further evidence.

George Davey Balsille, Director of Public Works, was called, made the Statutory Declaration, and was examined.

Messrs. F. J. Batt, Auditor-General, and F. W. Steele, Under-Treasurer, were further examined.

Mr. Steele submitted a file (No. 4996/42) containing correspondence between the Prime Minister and the Premier regarding the construction of wooden ships in Tasmania and the provision of funds by the State Treasury. (Exhibit A.)

Mr. Balsille withdrew.

William Eustace Maclean, Commissioner of the Hydro-Electric Department, was called, made the Statutory Declaration, and was examined.

Mr. Batt was further examined.

At fifteen minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

Mr. Batt continued his evidence.

Mr. W. E. McLean, Hydro-Electric Commissioner, was recalled and further examined.

Francis Jackson Carter, Acting Under-Secretary, was called, made the Statutory Declaration, and was examined.

The witnesses withdrew.

The Committee deliberated.

On the Motion of Mr. Brooker it was resolved that the Committee would continue its sittings to-morrow and on Friday until 4.30 p.m.

At fifteen minutes to 5 o'clock the Committee adjourned until 10 o'clock to-morrow morning.

THURSDAY, 9TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The minutes of the last meeting were read and confirmed.

The Committee proceeded to take further evidence.

Mr. F. J. Carter, Acting Under-Secretary, was further examined.

Mr. F. J. Batt, Auditor-General, was further examined.

Mr. Carter withdrew.

Messrs. F. W. Steele, Under-Treasurer, and F. J. Batt, Auditor-General, were further examined.

Walter George Oakes, Commissioner of Police, was called, made the Statutory Declaration, and was examined.

Mr. Oakes put in statements showing—

(a) Salaries of superintendents, inspectors, sergeants, constables, special constables, medical officer, and female searchers;

(b) Salaries, 1942-43. (Exhibit B.)

Mr. Oakes withdrew.

Messrs. F. W. Steele, Under-Treasurer, and F. J. Batt, Auditor-General, were further examined.

At fifteen minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, and Mr. West.

The Committee took further evidence.

George Vickery Brooks, Director of Education, was called, made the Statutory Declaration, and was examined.

Mr. Brooks withdrew.

Charles Leslie Park, Senior Medical Officer, Public Health Department, was called, made the Statutory Declaration, and was examined.

Dr. Park withdrew.

Samuel William Steane, Conservator of Forests, was called, made the Statutory Declaration, and was examined.

Mr. Steane put in a file containing correspondence between the Conservator of Forests and the Secretary of the Forestry Department regarding alleged irregularities in the Forestry Department, statements from the officers concerned, and a copy of the findings of the Public Service Commissioner in connection with charges preferred against—

1. Senior Forester Melville Roy Garrett, Forestry Department; and
2. Acting Divisional Forester Donald Wallace Chisholm, Forestry Department, Devonport.

Mr. F. J. Batt, Auditor-General, was further examined.

At fifteen minutes to 5 o'clock the Committee adjourned until 10 a.m. to-morrow morning.

FRIDAY, 10TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The minutes of the last meeting were read and confirmed.

The Committee deliberated.

Sir Walter Lee drew attention to a report in the "Mercury" of this day concerning yesterday's proceedings of the Committee. Sir Walter stated that the "Mercury" had quoted him as having said, when the question of the Premier and the Public Service Commissioner being present, during the evidence given yesterday afternoon by Mr. Batt, was raised by Mr. West: "It is serious, but you might go further. Mr. West is concerned about the Commissioner, but what about the serious charge relating to Mr. D'Alton? He should be here."

Sir Walter Lee claimed that he had not said anything like that, but in view of the seriousness of the charges he thought Mr. D'Alton should be here the same as the Premier and the Public Service Commissioner. He said: "I made no charge against Mr. D'Alton." He asked that the "Mercury" be requested to make this correction. Mr. West said: "Further to the remarks of Sir Walter Lee, I would like to draw attention to the fact that in the same report occurs the statement that I concur with the views of Sir Walter Lee, but does not go on sufficiently far to qualify my remarks by saying it may be necessary at some later time for Mr. D'Alton to be called, but, on the other hand, evidence had been given by witnesses which showed there would be no necessity for it."

The Chairman said he felt sure that the press would do justice to the position so far as Sir Walter Lee and Mr. West were concerned.

The Committee proceeded to take further evidence.

Mr. F. J. Batt, Auditor-General, was further examined.

Mr. Batt withdrew.

The Committee deliberated.

A Motion being made, and the Question being put—That the Auditor-General be requested to put in his file

covering the Audit Department investigation into certain alleged irregularities in the Forestry Department; (*Mr. Brooker.*)

The Committee divided.

AYES 5.	NOES 2.
Mr. Treasurer.	Sir Walter Lee.
Mr. Baker.	Mr. Soundy.
Mr. Brooker.	
Mr. Madden.	
Mr. West.	

So it was resolved in the Affirmative.

Mr. Batt was recalled and acquainted with the decision of the Committee.

Mr. Batt accordingly put in correspondence file of the Audit Department, No. GD9/8, relating to forestry investigation. (*Exhibit C.*)

Mr. Batt withdrew.

The Committee proceeded to examine the file.

At fifteen minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The Committee deliberated.

The Committee gave further consideration to the Audit Department file in connection with the Forestry Department investigation.

At fifteen minutes to 5 o'clock the Committee adjourned until Tuesday, the 14th instant, at 10 a.m.

TUESDAY, 14TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Sir Walter Lee, Mr. Madden, and Mr. West.

The minutes of the last meeting were read and confirmed.

The Committee deliberated.

Mr. Soundy took his seat.

A Motion being made, and the Question being put—That this Committee remit to the Government, through the Attorney-General, the Audit Department file, No. GD9/8, *re* alleged irregularities in the Forestry Department for such action as may be deemed required; (*Mr. Chairman.*)

The Committee divided.

AYES 3.	NOES 3.
Mr. Treasurer.	Mr. Baker.
Mr. Madden.	Sir Walter Lee.
Mr. West.	Mr. Soundy.

The numbers being equal, the Chairman declared the Question passed in the Negative.

The Committee deliberated.

A Motion being made, and the Question being put—That the Audit Department file, No. GD9/8, *re* alleged irregularities in the Forestry Department, be returned to the Auditor-General with the expression of this Committee's considered opinion that he should take immediate action to follow the advice of the Solicitor-General contained in the Solicitor-General's letter of the 2nd March, 1944, in reference to the criminal matters contained in the file; (*Mr. Baker.*)

The Committee divided.

AYES 5.	NOES 1.
Mr. Treasurer.	Mr. Madden.
Mr. Baker.	
Sir Walter Lee.	
Mr. Soundy.	
Mr. West.	

So it was resolved in the Affirmative.

The Committee deliberated.

The Committee proceeded to take further evidence.

Stanley Rupert Adams, Manager of the Agricultural Bank, was called, made the Statutory Declaration, and was examined.

Mr. Adams withdrew.

At 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The Committee deliberated,

The following accounts were passed for payment:—
To recording shorthand evidence taken before the Committee—

R. E. Shone: March 6, 7, 8, 9, and 10, 1944 (five days at £4 4s. per day)—£21.
S. V. Mitchell: March 6, 7, 8, 9, and 10, 1944 (five days at £4 4s. per day)—£21.
J. Holden: March 6, 8, and 10, 1944 (three days at £4 4s. per day)—£12 12s.
A. Shipton: March 7 and 9, 1944 (two days at £4 4s. per day)—£8 8s.

The Auditor-General, Mr. F. J. Batt, was called before the Committee and acquainted of the Committee's decision regarding the Audit Department file, No. GD9/8, *re* alleged irregularities in the Forestry Department.

The Clerk of the Committee formally returned the abovementioned file to the Auditor-General, who accepted it with a protest. (*See transcript of evidence.*)

The Committee proceeded to take further evidence.

Byron John Thompson, Public Service Commissioner, was called, made the Statutory Declaration, and was examined.

Robert Cosgrove, Premier, was called, made the Statutory Declaration, and was examined.

The Auditor-General then proceeded to cross-examine the Premier.

The Clerk of the Committee directed attention to whether the Auditor-General was entitled to question other witnesses before the Committee and suggested that the Committee should consider this question and make a decision thereon.

Members of the public and press withdrew, and the Committee deliberated on the question raised by the Clerk.

It was agreed that, provided the Auditor-General confined his cross-examination to questions, no objection would be taken to his examination of witnesses.

At five minutes to 5 o'clock the Committee adjourned until 10 o'clock to-morrow morning.

WEDNESDAY, 15TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, and Mr. West.

The minutes of the last meeting were read and confirmed.

Mr. Soundy took his seat.

The Committee deliberated.

Mr. F. J. Batt, Auditor-General, was informed of the Committee's decision in regard to him cross-examining witnesses.

Mr. B. J. Thompson, Public Service Commissioner, was recalled and further examined.

Mr. Thompson withdrew.

Ralph Gordon Terry, Secretary of the Forestry Department, was called, made the Statutory Declaration, and was examined.

Mr. Terry withdrew.

William Percy Taylor, Minister for Forests, was called, made the Statutory Declaration, and was examined.

At five minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

Mr. F. J. Batt, Auditor-General, was further examined.

Mr. F. W. Steele, Under-Treasurer, was further examined.

Colonel Taylor, Minister for Forests, was further examined.

Colonel Taylor put in a statement showing the details of the purchase of five motor-cars by the Forestry Department. (*Exhibit D.*)

Mr. F. W. Steele, Under-Treasurer, was further examined.

Mr. F. J. Batt, Auditor-General, was further examined.

At fifteen minutes to 5 o'clock the Committee adjourned until 10 o'clock to-morrow morning.

THURSDAY, 16TH MARCH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, and Mr. West.

The Committee proceeded to take further evidence.

Trevor Alwyn Adams, Production Engineer, Tasmanian Wooden Shipbuilding Board, and Chairman of the Board, was called, made the Statutory Declaration, and was examined.

Mr. Soundy took his seat.

Mr. F. J. Batt, Auditor-General, was further examined.

Mr. Adams withdrew.

Mr. F. W. Steele, Under-Treasurer, was further examined.

Mr. Steele put in a copy of the report from the Joint Select Committee of the Commonwealth Parliament on Public Accounts, together with the minutes of proceedings of the Committee. (Exhibit E.)

Mr. F. J. Batt, Auditor-General, was further examined.

Mr. Batt put in a copy of the New South Wales Audit Act. (Exhibit F.)

At twenty-five minutes to 1 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Mr. Soundy, and Mr. West.

Mr. F. J. Batt, Auditor-General, was further examined.

Sir Walter Lee took his seat.

The Chairman laid upon the table of the Committee an opinion by Mr. R. G. Osborne on the powers of the Auditor-General under General Regulations 20, 21, and 22 of the Audit Act, 1918, and a copy of a letter dated the 16th of December, 1943, from Mr. R. G. Osborne to the Treasurer. (Exhibit G.)

During the Chairman's examination of the Auditor-General, Mr. Baker objected to the way in which the Chairman was framing his questions to the Auditor-General, in that he was questioning Mr. Batt with regard to conversations which had taken place between the Chairman and the witness.

The Chairman laid upon the table of the Committee—

- (1) Commonwealth Grants Commission: Comments by Treasurer on Auditor-General's Report, 1942-43. (Exhibit H.)
- (2) Extracts from the Proceedings of the Commonwealth Grants Commission, which had its sittings at Hobart on 11th of February, 1944, containing evidence given by the Treasurer (Mr. E. Dwyer-Gray). (Exhibit I.)

The Chairman announced that he was not at present aware of any further witnesses that should be examined by the Committee, and therefore suggested that the Committee should adjourn for a reasonable period to permit members to peruse and analyse the evidence already given, before the Committee entered upon its deliberations.

Before Mr. F. J. Batt, Auditor-General, and Mr. F. W. Steele, Under-Treasurer, withdrew from the Committee, Mr. Brooker expressed the appreciation of its members for the assistance given by these two gentlemen in not only giving a great deal of evidence to the Committee, but for the assistance given by them in being in attendance during the whole of the time in which the Committee was taking evidence.

The Committee deliberated.

Owing to various important engagements to which the Chairman and other members of the Committee were committed, it was agreed that the date of the next meeting be left in the hands of the Chairman.

At 4 o'clock the Committee adjourned *sine die*.

TUESDAY, MAY 30TH, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10.30 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, Mr. Soundy, and Mr. West.

The minutes of the last meeting were read and confirmed.

A letter from the Secretary of the Tasmanian Wooden Shipbuilding Board enclosing a copy of the balance-sheet

for the year ending 30th June, 1943, was read and received.

A copy of the balance-sheet was provided for each member.

The Clerk of the Committee reported that representatives of the press had asked whether the proceedings of the Committee to-day would be open to the press.

He was directed to inform them that the press would be admitted only during the taking of evidence and not while the Committee was deliberating.

The Chairman formally tabled a copy of legal opinions obtained by the Government on the powers of the Auditor-General with respect to Regulations 20, 21, and 22. (Exhibit J.)

A copy of these opinions had previously been supplied to each member of the Committee.

The Committee deliberated.

Consideration was given to the 14 references upon which evidence had been heard by the Committee.

At half-past 12 o'clock the Committee adjourned until half-past 2 o'clock.

The Committee met at half-past 2 o'clock.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, and Mr. West.

The Committee continued its deliberations.

The Chairman undertook to prepare a draft report for the consideration of the Committee at its next meeting.

The date of the next meeting was tentatively fixed for 10.30 a.m. on Wednesday, the 14th June next, in order to give the Chairman time to prepare the draft report.

The Chairman said that, if possible, he would call the Committee together before that date.

The Committee adjourned at half-past 4 o'clock.

THURSDAY, 15TH JUNE, 1944.

The Committee met in the Ministerial Party Room, House of Assembly, at 10.30 a.m.

Members present.—Mr. Treasurer (Chairman), Mr. Baker, Mr. Brooker, Sir Walter Lee, Mr. Madden, and Mr. West.

The minutes of the last meeting were read and confirmed.

An apology was received for the non-attendance of Mr. Soundy owing to absence from Hobart.

The Chairman tabled correspondence between the Treasurer of Tasmania and the Premier of New South Wales in respect to the New South Wales Parliamentary Standing Committee on Public Accounts.

The Clerk of the Committee submitted a memorandum, dated the 9th June, 1944, from the Auditor-General, in which he referred to the fact that in giving evidence on the constitution of a Parliamentary Standing Committee on Public Accounts he had directed attention to the fact that he had fully stated, on pages 41, 42, and 43 of his last Annual Report, his reasons for advocating the establishment of such a Committee, and that when giving evidence he had stated that to save time he would not read this statement. The Auditor-General asked that these reasons as contained in his Report be included in the evidence. He also referred to the fact that he remembered, when giving evidence referring to the granting of a loan of £500 to the Spring Bay Municipality, asking the Chairman in his capacity as Treasurer what he would do with the money when it was repaid, but that he could see no reference to this question or the Chairman's reply thereto in the transcript of the evidence.

After considering the first point raised by the Auditor-General, the Committee resolved, on the Motion of Mr. Baker, that the Auditor-General be informed that the Committee did not consider it necessary to include the passages of his Report regarding the Public Accounts Committee in the evidence as they were already available for perusal in the Auditor-General's Report.

After considering the second point it was resolved, on the Motion of Mr. Baker, that the Clerk of the Committee inform the Auditor-General that it was not competent for a witness to question a member of the Committee, and therefore the Committee could not agree to include in the evidence the question and answer referred to in the Auditor-General's memorandum. The Chairman presented a Draft Report for the consideration of the Committee.

The Committee proceeded to consider the Draft Report.

Amendment proposed (Mr. Baker), page 1, line 1, after "on," by leaving out all the words to the end of the Draft Report and inserting the following:—

Item 1.—Date of Presentation to Parliament of Auditor-General's Report.

Evidence was tendered by Mr. Steele and Mr. Batt as to the date of the receipt by the Auditor-General of Treasury and other accounts and the late presentation of the Auditor-General's report to Parliament.

The Audit Act, 1918, Section 29, requires that the Treasurer shall, as early as practicable and not later than 31st August in every year, prepare his annual statements of accounts and forthwith transmit them to the Auditor-General. The same section requires that within two months after receiving the Treasurer's statements the Auditor-General shall, if Parliament is sitting, transmit his annual report to Parliament.

The Auditor-General's Report has, in fact, been submitted to Parliament for many years past later than the end of October, and in many years at a date a few days after the presentation of the Budget by the Treasurer.

The Auditor-General explained to the Committee that the work of preparing the report had greatly increased since the passing of the Audit Act, 1918, and printing difficulties had also made compliance with Section 29 difficult.

It also appeared from the Auditor-General's evidence that the custom for many years had been to present his report to Parliament after the Budget, and that he had been advised by the Solicitor-General and the Clerks of both Houses to follow the usual procedure. The Treasurer also, without definitely advising him on the subject, had suggested to him that it would be a gracious act on his part to follow the usual procedure.

It appears, therefore, from this evidence that the date of presentation of the report to Parliament has been fixed by reference to a consideration not recognised by the Audit Act. It is obvious that the Government of the day may have an interest to delay presentation of the report until after the Budget in order to obviate criticism during the Budget debate.

The evidence, in our opinion, establishes that in some years at least the real reason for the late presentation of the report to Parliament was that it should be tabled after the presentation of the Treasurer's Budget: whereas it should have been tabled before the end of October, regardless of whether or not the Budget had been presented by that date.

Item 2.—Revenue Overstated by £6857 14s. 9d.

This item relates to a statement in the Auditor-General's Report that the Treasurer's revenue for the year ended 30th June, 1943, is overstated by the inclusion of £6857 14s. 9d. in respect of tax instalment stamps and group scheme deductions not applied to payment of tax at 30th June, 1943.

The whole question depends upon whether the State, in collecting on behalf of the Commonwealth and State instalments of tax deductions from wages of employees and the sale of tax stamps, should have paid the amount in question into the Consolidated Revenue or into a Suspense Account pending final adjustment.

We think this is a question upon which there is room for differing opinions. We have studied all that can be said for the respective contentions, and incline to the view that the sum in question should have been paid into the Suspense Account until adjustment of the respective shares of Commonwealth and State.

However, the question is not important and we do not pursue it further.

Item 3.—(a) Discrepancy Between Actual and Estimated Deficit; (b) Large surpluses in Votes Irregular.

The first of these items refers to a comment in the Auditor-General's Report that the discrepancy of £168,232 between the estimated and the actual deficit for the year ended 30th June, 1943, was "too great": and the second, to the statement that large surpluses in votes of expenditure "are irregular and to be condemned, as they give departments the opportunity and temptation to expend money unnecessarily rather than surrender the balances of their votes at the end of the year."

Both these statements are matters of opinion, and depend upon whether the point of view is to discourage unnecessary expenditure. We think it clear, under the Audit Act, that the Auditor-General is not only justified but has a positive duty to call the attention of Parliament to any financial practice of the Government which he considers detrimental to the public interests and the reasonable

protection of taxpayers. In this instance, the Treasurer had seriously over-estimated his deficit, which turned out to be £168,232 below what was provided for. This was brought about chiefly by the expenditure being £127,108 below the amount authorised by Parliament, this being by far the largest surplus in votes of expenditure during the last 20 years. This abnormal situation was clearly a proper matter for comment by the Auditor-General. Even the Under-Treasurer, in his statement on this subject, admitted that surpluses in votes "are undesirable and call for explanation," though denying that they were "irregular."

Item 4.—Use of Loan and Trust Moneys.

The Auditor-General, in his report, stated that the accumulated deficit of £838,919 in the Consolidated Fund had been financed from loan money authorised and raised for capital purposes and from trust moneys: and he added "the use of such loan moneys to finance revenue deficits for an indefinite period is considered improper and illegal."

The Under-Treasurer, in his evidence, agreed that the use of these moneys was "improper and undesirable," but that he had great doubt whether their use was illegal. He saw no objection to the use of moneys raised for loan objects such as roads or bridges for the temporary financing of revenue deficits. He thought that pending the use of loan moneys for the authorised object it was quite legitimate for the Treasurer to make temporary use of them for any purposes. Also as to trust funds there was no objection to using them temporarily, but he added, "the first opportunity should be taken of putting it right with Parliament, probably, in the next session."

It is obvious that the conditions which the Under-Treasurer has laid down for the use of such funds have not been observed in Tasmania. Admitting that Governments elsewhere in Australia and, perhaps, in England follow the same practice, in varying degrees, in our opinion it has been carried altogether too far in this State. It has definitely approached the danger line, and immediate steps should be taken to rectify it. The position arises from the fact that revenue, loan, and trust moneys are all pooled in the same banking account, and any shortage in revenue funds is made up from the common fund. Of the total trust funds of £1,145,580, the sum of £566,115 has been invested and the remainder has been used as required for many years to finance current expenditure. And even the proportion invested is not all in trust securities, for £249,998 was used by the Government to buy shares in Australian Newsprint Mills Pty. Ltd. Such improvident finance fails to guard the State against variations of fortune in the future, and should a time of financial difficulty arise, the State might find it impossible to honour its obligations.

In our opinion, the present method of dealing with public moneys in this State should be drastically reformed. There should be three separate banking accounts, in which revenue, loan, and trust funds should be kept separate. There should be no difficulty about obtaining an arrangement with the bank for a set-off of accounts in credit against those in debit in order to minimise interest charges. The true position of the State's finances would thus become clear, and the trust funds, particularly, protected from misapplication. The fact that the period after the war may be one of extreme difficulty in public finance makes it all the more necessary that we should attempt at once to put our house in order. We realise that this plan cannot be completely carried out without the funding of the large unfunded deficit, but a start could be made with such trust funds as remain and any future trust funds, while the separation of all three funds for the future would prevent this practice going further and establish an important principle. The Government also should renew its efforts in the Loan Council to rectify the flagrant and illegal breach of the Financial Agreement by the failure to fund the revenue deficit of £838,919.

Item 5.—Expenditure in Excess of Parliamentary Authority.

The Auditor-General, in his report, drew attention to what he described as "the two frequent use of the emergency clauses of the financial regulations for the authorisation of expenditure, and have stressed that only expenditure, which is of such an urgent nature that it cannot wait for the sanction of Parliament, should be authorised by the Governor, and that no expenditure should be authorised in this manner whilst Parliament is meeting."

He proceeded to give a number of instances in which his views on this subject had differed from those of the Treasury.

The first question which arises is whether the Auditor-General has power under the Audit Act to veto any emergency vote authorised by the Governor in Council. This question was raised for the first time during the sittings of this committee.

It has always been recognised in practice that the power of veto existed, presumably under Regulation 21 of the Audit Act, 1918, which provides that "it shall not be lawful for the Treasurer to make any payment under such a Governor-in-Council authority without the previous report of the Auditor-General that the payment has been duly authorised."

It was suggested by the Treasurer that this regulation merely empowers the Auditor-General to refuse his approval if the authority is not in order on the face of it, so that all he can do is to ensure that the proper formalities have been complied with and that the correct signatures appear on the document.

Should that be the correct view of the Auditor-General's powers, there is no check on behalf of Parliament as against the Government upon the issue of such emergency votes. All that the Government has to do is to comply with the formal requirements of the Audit Act and the Auditor-General must approve.

This view reduces the office of Auditor to that of a mere rubber stamp. He has hitherto been called "the watchdog of Parliament," and has been regarded as being equipped with complete authority to ensure that the will of Parliament, as expressed in its votes of money to the Government, shall be enforced. Under the Audit Act, 1918, he is the officer of Parliament itself, not of the Government; his salary is secured by law, and he is removable only on an address of both Houses of Parliament. This position has been invariably recognised by all Governments up to the present time. There is no instance on record of a Government challenging the power of the Auditor-General to refuse consent to such an emergency vote. A letter from the Parliamentary Draughtsman (Mr. R. G. Osborne) to the Treasurer was tendered by the Treasurer which appears to support the objection to the Auditor-General's power, but on examination this letter appears to be of a personal nature, not purporting to be a considered legal opinion. We were informed that no opinion had been obtained from the law officers of the Crown on the subject, but that steps were being taken to obtain an opinion from a Melbourne Counsel.

Two such opinions have since been obtained, and copies have been provided for members of the Committee. They do not agree on the important question of whether the Auditor-General has a power of veto on the question of emergency, but we note with satisfaction that the opinion of Mr. Fullagar, K.C., is that he has such power under the regulations of the Audit Act. Mr. Fullagar has an acknowledged standing in Australia as a constitutional lawyer, and the Government should have no hesitation in accepting his opinion.

In these circumstances, we do not feel disposed to pursue the subject further, except to say that the established practice under successive Governments speaks eloquently of the fact that the Auditor-General is much more than a rubber stamp, and is, in fact, what he has always been supposed to be, the "watchdog" of Parliament. In our opinion, nothing but the final judgment of a court of law should be permitted to destroy, or even to impair, a principle of such great importance.

The principle that no public money can be validly appropriated except upon a distinct authorisation from Parliament itself is fundamental to our system of Government, and has been affirmed by the highest tribunals of the Empire. In the case of Auckland Harbour Board v. The King, decided by the Privy Council in 1924, on appeal from the Supreme Court of New Zealand, Viscount Haldane, in his judgment, said:—"It has been a principle of the British Constitution now for more than two centuries, a principle which their lordships understand to have been inherited in the Constitutions of New Zealand with the same stringency, that no money can be taken out of the consolidated fund into which the revenues of the State have been paid excepting under a distinct authorisation from Parliament itself. The days are long gone by in which the Crown or its servants, apart from Parliament, could give such an authorisation or ratify an improper payment." The judgment shows the extreme stringency of this rule, for in that case an unauthorised payment of £7500 was recovered against the Harbour Board even though it had been passed by the Auditor-General. A recognition of the same principle by the High Court of Australia will be found in New South Wales v. Bardolph 52 C.L.R. 455.

The evidence of the Under-Treasurer is that in reality very few clashes of opinion have occurred between the Treasury and the Auditor-General. In the last financial

year there were eight instances in which the Auditor-General refused his approval.

We feel justified, on Mr. Steele's evidence, in saying that on the whole the present system has worked remarkably well. Differences of opinion are bound to occur as to the interpretation of items in an Appropriation Act, many of which are very loosely worded or expressed in general terms. When the Auditor-General differed from the Treasury officials as to whether any particular expenditure was within the terms of a vote, his usual practice was to be guided by an opinion of the Solicitor-General. In taking that officer's opinion he acted in accordance with the Audit Act, 1918, Section 14. It is clear that, in some cases, there was room for differences of opinion, and in such cases it becomes a matter of judgment which particular opinion shall be adhered to. We do not think it necessary to examine in detail every instance in which the Auditor-General objected to an appropriation or proposed appropriation by a Government Department. There were cases in which, in our opinion, he was too insistent upon a technical objection, as, for example, when he refused to admit that provision for clerical assistance for the Australian Comforts Fund came under the emergency provisions and should be provided for under Division 27, Item 29, of the Appropriation Act, "For war purposes not elsewhere provided for." In one case, at least, that of an item of £700 for free passes and special concession on railways, we think he incorrectly took the view that an excess on an established vote due to the war was chargeable to the same special item 29 instead of being provided for under the emergency powers.

On the other hand, many of these questions are essentially matters of opinion, and the strength of the Auditor-General's position lies in the fact that he is the officer whom Parliament has selected to determine the point. In the great majority of such cases which occurred last year, we think it hardly open to question that the Auditor-General's attitude was not only justified by the Audit Act but was a reasonable exercise of the power confided to him by Parliament. The desirability or merits of the particular vote are not here in question. It is merely a matter of its regularity; that is, whether Parliament has authorised it or whether it is a genuine case of emergency under Regulation 20.

Item 6.—Instances of Conflict Between Audit and Treasury Opinions.

(a) *Free Passes and Special Concessions on Railways—£700.*—This question arose under Division 21, Item 11. "Free passes and special concessions on railways and expenses incidental thereto, £2000."

This is an old established vote. It became exhausted before the end of the year, and an additional £700 was asked for by the Department. A Governor-in-Council's authority under the Audit Act was passed, but the Auditor-General refused to approve of it, objecting that the sum required should have been charged to Division 26, Item 28—"For war purposes not elsewhere provided for, £10,000."

The Treasury refused to accept this view. It was admitted that the free transport on railways vote was inflated by war conditions, especially by the travelling of defence personnel, but it appeared in evidence that the travelling of defence personnel had been charged to this vote before the war. In our opinion, the fact that claims on the vote were greatly increased by war conditions does not render the vote any the less liable to meet this service, unless a new vote were available for the specific purpose of travelling by defence personnel. The only new vote related to the matter is "war purposes not elsewhere provided for." It appears to us that the words "not elsewhere provided for" exclude from the vote railway travelling of defence personnel because it is provided for specially elsewhere, though inadequately. But inadequacy of a vote to meet a service often arises and is no argument for excluding the excess. Regulations 20 and 21 under the Audit Act are provided for the expressed purpose of meeting such a position. In this instance we are therefore of opinion that the Auditor-General adopted a wrong interpretation of the items in question, though we think there is some ground for his opinion.

(b) *"Preliminary Investigation into Town and Country Planning, £500."*—An authority for this purpose was received by the Auditor-General on 30th June, 1943, too late to permit him to enquire into it before it expired at the close of business that day.

The manager of the Agricultural Bank contended, in evidence, that it came within the functions of his department at that time and should have been passed, but

in our opinion the Auditor-General acted rightly in holding it up. It was provided for in the estimates of the succeeding year.

Item 7.—Advance to Tasmanian Shipbuilding Board.

The Tasmanian Wooden Shipbuilding Act, 1942, authorises the Board thereby created to borrow £60,000 and the Treasurer is authorised to lend £30,000 when he is satisfied that a binding agreement has been entered into between the Board and the appropriate Commonwealth authority.

The Treasurer lent £30,000 to the Board, and the question discussed before the Committee was whether a binding agreement as required by the Act had been entered into.

It appeared in evidence that no formal agreement had been entered into, but that lengthy correspondence had taken place between the Tasmanian and Commonwealth Governments in which many details of the plan to build wooden ships at Prince of Wales Bay were agreed upon. In fact, so far as the correspondence went there was undoubtedly agreement between the Governments, and the Solicitor-General advised that this was sufficient to satisfy the requirements of the Act. But whether the agreement was sufficient to protect the State adequately against financial loss is a different question, and here, we think, the Government has seriously failed in its duty. The position as disclosed by the evidence is that no agreement has been reached between the Commonwealth and the State on a matter of great importance, namely, what items are to be debited to capital cost and what to production cost. The Commonwealth is to pay the State the actual cost of construction of the ships, and at the conclusion of the war agreed with the State to take over the yards at capital cost; but not sufficient attention had been given to defining what was meant by capital cost. The Chairman of the Board and Production Engineer (Mr. T. A. Adams) stated in evidence that the unsettled questions were of vital importance to the Board and the State, and that a fairly considerable proportion of the supposed capital cost of the yard was involved.

It is clear from Mr. Adams' evidence that the very thing which Parliament intended to guard against when it insisted upon the insertion of a clause that there must first be a "binding agreement" with the Board that the Commonwealth, has come to pass. Mere correspondence between Governments which did not settle fundamental questions as to capital cost has thus left the State unprotected in its relations with the Commonwealth. Before the State was irretrievably committed to large expenditure the position should have been clarified. Even assuming that the correspondence may constitute an agreement as advised by the Solicitor-General, that is not enough. In our opinion, the present position is due to the incompetence of State Ministers who have not sufficient knowledge of the subject to insist that the State was adequately protected.

Evidence submitted to the Committee by Mr. Adams, Manager and Construction Engineer, indicated a system of control that, to use his own expression, "often placed him in an embarrassing position as Manager." It appears also that the lack of clear-cut precision in regard to keeping costing accounts of capital and construction work has led to chaotic conditions: further, we are of the opinion those officers charged with the carrying out of this shipbuilding scheme had insufficient experience in that class of work. We believe these officers did their best under difficult conditions, but, in our opinion, the responsibility for the muddle rests upon the State Government, and, in some measure, upon the Commonwealth Government also.

Item 8.—Loan to Spring Bay Municipality.

A loan to the Spring Bay Municipality for extending the water supply to the cool stores at Triabunna was queried by the Auditor-General upon the ground that it was wrongly charged to the item "Miscellaneous and unforeseen expenses as may be determined by the Governor-in-Council," Public Works Department. He contended that the loan should have been made under the State Loans to Local Bodies Act, 1929.

This view was opposed by the Under-Treasurer, who argued that the loan had been rightly charged to the departmental vote.

Although we agree there is some force in Mr. Steele's argument on account of the past history of this vote in the public works estimates, we are definitely of opinion that the procedure laid down in the State Loans to Local Bodies Act should have been followed instead of using revenue funds for this purpose. We consider that the

departmental vote should now be confined to unforeseen expenditure arising in the department and a loan to a local body for water supply purposes is certainly not departmental expenditure. The making of loans to municipalities is governed by a special Act.

Item 9.—Travelling Expenses of Ministers of the Crown.

The Auditor-General, in his report, drew attention to the payment of £453 15s. out of the general vote for the Forestry Department for the purchase of a Buick motor-car for the Minister for Forests (Lieut.-Col. W. P. Taylor).

There can be no doubt on the evidence that this procedure was irregular. The Under-Treasurer stated that the vote was obtained, on the face of it, for a car for the use of departmental officers, not the Minister. He added that the money should have been obtained from the Ministerial division in the Estimates which is designed to show all ministerial salaries and travelling expenses, including purchase of cars.

Although the irregularity was acknowledged by the Government, after it had been brought under notice by the Auditor-General, no proper explanation was given in the evidence how this money was obtained from the wrong vote on the footing that the car was for the use of departmental officers. The Minister himself said he had no idea what vote the money was to be obtained from: he only knew he was to have a car. It, therefore, seems impossible to say who was responsible for this irregularity. In our opinion it is most important that the correct practice, as stated by Mr. Steele, should be observed. We were given further examples, in evidence, of the concealment of Ministerial expenses from Parliament by charging them to block votes. There was an estimated expenditure last year of £400 for driving the Attorney-General to Launceston and back at week-ends. This expenditure was charged against the Police Department vote. The case of the driver of the Premier's car (Constable G. P. Gray) was also cited by the Auditor-General. The existence of these cases shows that the Auditor-General has performed a useful public service in drawing attention to the matter.

Item 10.—Irregularities in Forestry Department.

This matter was investigated by the Committee on account of the remarks upon the subject contained in the Auditor-General's Report, from which it appeared that an investigation had been commenced into complaints against the conduct of two officers of the department, Messrs. Garrett and Chisholm. Sir Walter Lee, in the House of Assembly, insisted that an enquiry into these complaints should be held promptly, and shortly afterwards charges against these officers were made by the Conservator of Forests under the Public Service Act, and the Public Service Commissioner held an enquiry and brought in a finding of not guilty on all counts.

A considerable amount of evidence concerning the complaints against these officers and various related matters was tendered to the Committee by the Minister for Forests, the Auditor-General, and the Conservator of Forests. As much of this evidence related to charges of a criminal nature against various persons, known or unknown, we feel some embarrassment in deciding how far our report should go. The Auditor-General tendered in evidence a file containing extensive correspondence between himself, the Conservator, the Acting Solicitor-General, and other officials of the Audit and Forestry Departments. This file was submitted to the Acting Solicitor-General for his opinion, and we quote the following extract from it which is dated 2nd March, 1944:—"The investigation conducted by your officer, so far as it has gone, affords good grounds for suspicion of widespread and long-continued frauds on the public revenue and the public. Whether evidence can be obtained to support indictments for criminal offences can only be ascertained by a continuance of the investigation. Some part of the investigation, at least, requires to be conducted by the police, with the assistance of your officer, and it is desirable that it should go on forthwith. Certain charges were made under the Public Service Act against two forestry officers, and were heard by the Public Service Commissioner, but these by no means disposed of the matters being enquired into."

The file contains several important reports by audit officers, and particularly one, dated 10 December, 1943, by Mr. Poulter to the Auditor-General. That report reviews all the facts as ascertained up to that date at great length, and has left a deep impression of uneasiness upon our minds. We suppose it to be the report which the

Solicitor-General particularly had in mind when he referred to "widespread and long continued frauds on the public revenue and the public." It is important to observe that this report shows that the investigation was by no means complete, and a long list of specific matters requiring further investigation was attached.

The Solicitor-General advised that this further investigation should be undertaken. Your Committee, therefore, after deliberation, returned the file to the Auditor-General with an expression of its opinion that he should take immediate action to follow the advice of the Solicitor-General in reference to the criminal matters referred to in his letter dated 2nd March, 1944.

The Auditor-General took the file back from your Committee under protest, and stated he would consider what action he should take in regard to it. We are not aware what action, if any, has since been taken. If nothing has been done by the Auditor-General, then the duty rests upon the Government to complete the investigation by the appropriate means and to take such action in the light of full information as is deemed desirable.

We are strongly of opinion that no further time should be lost. The position already disclosed gives such grounds for suspicion of the Commission of grave offences that the interests of all concerned demand that it should be cleared up promptly.

Item 11.—Hydro-Electric Commission.

Objection was taken by the Commissioner (Mr. Maclean) to comments by the Auditor-General in reference to the wide powers conferred on the Commission by Section 45 of the Hydro-Electric Commission Act, 1929. It would appear that some ill feeling has been occasioned by comments of this nature over a period of years. The Commissioner's complaint appears to be that the Auditor-General has inferred, rather than expressly stated, that the Commission's powers as to charges against the profit and loss Account have been exercised in an arbitrary and capricious manner, so as to leave only a small amount of profit for transfer to the Consolidated Revenue Fund. The Commissioner states the fact is that all appropriations to depreciation, reserve, and special redemption funds have been based on the best technical advice and can be fully justified.

On examining the Auditor-General's evidence and annual report, we find such comments as (evidence, p. 193), "The Commission can apparently make as large a contribution as it likes towards Reserve Fund and so absorb most of the profits"; and, again, that the amount of net profits "in reality is simply the amount the Commission decides to pay into the Treasury." For these and other reasons the Auditor-General claims that he should have power to certify to the profits before same are appropriated for various purposes.

The Auditor-General's comments do not assert that the Commission's powers and discretions have been exercised in an unreasonable or improper manner or upon wrong principles. They assert, in substance, that the powers are arbitrary in the sense that they belong to the Commission and are not subject to audit control. The figures of profit transferred to Consolidated Revenue are stated, and the inference may be thought to appear that too much is retained for the various reserve funds and too little handed over to the Government.

As it appears from Mr. Maclean's evidence that a consolidation of the Commission's Acts is in course of preparation for submission to Parliament, we refrain from any full discussion of the evidence submitted to us. In our opinion, the Auditor-General has not sufficiently recognised the fact that by law the charges against the profit and loss account mentioned in Section 45 are entirely withdrawn from his purview, and their determination is confided to the Commission itself. He is not able to point to any wrong exercise of these powers by the Commission. On the other hand, the Auditor-General's comments are not, in our opinion, sufficient to justify any substantial complaint by the Commission.

There was some comment upon the fact that the Auditor-General refrained from certifying to the "correctness" of the Commission's accounts and certified only that they were a "fair summary" of the Commission's transactions. No reason appeared why the correctness of the accounts should not have been certified to; but on the other hand the Auditor-General is not bound by law to express his certificate in any special form of words.

The Auditor-General's report is not satisfactory in reference to the Commission's accounts, for it states that they had not yet been examined, and adds: "but the following figures are furnished for the information of Parliament." We think it unfortunate, in reference to

such an important public department, that a full and final report on the year's activities was not furnished to Parliament, and recommend that in future years such altered arrangements be made as will render this possible.

Item 12.—Public Accounts Committee.

We have given special consideration to the recommendation of the State Finance Committee communicated to your committee by the Under-Treasurer (Mr. Steele) that a Public Accounts Committee should be constituted by the House of Assembly with certain powers of enquiry as to the expenditure of public funds. We adopt the reasons for the Constitution of such a Committee submitted to us by Mr. Steele and regard it as unnecessary to repeat them here in full. In England, such a Committee was first set up by the House of Commons in 1862, and so useful has it been acknowledged to be by Governments, representative of all political parties, that its prestige and powers have tended to increase. We do not advise that the House of Assembly should at once constitute a Public Accounts Committee with all the powers which the English Committee possesses. In constituting its Committee, the House of Commons has acted upon the principle, not only that all money grants to the Government come from the House, but that the House is entitled to supervise the actual expenditure of such funds. The Budget is submitted to it before presentation to Parliament, and the Committee regularly examines heads of departments as to excess expenditure and the like. We do not suggest that in Tasmania we should slavishly copy and adopt the constitution which the English Committee has reached, only after many years of experience. A Tasmanian Committee should first earn its title to respect and confidence before being endowed with such extensive authority, if, indeed, it should ever be deemed advisable to so endow it. We advise, adopting the recommendation of the State Finance Committee, that a Public Accounts Committee, consisting of five members, including a chairman, selected from the opposition, should constitute a suitable body for this State, and that the best method of setting it up would be by a standing order of the House, charging it with the discharge of the following functions:—

- (1) To examine and enquire into all matters contained in the Auditor-General's Report to Parliament, concerning which an investigation and report by the Committee to the House of Assembly is considered desirable.
- (2) To examine and report to the House of Assembly on expenditure authorised by the Governor under the provisions of Regulation No. 20 under the Audit Act.
- (3) To inquire into and report to the House of Assembly on all matters submitted to it by a Minister of the Crown or by resolution of the House.

Though such a committee would be an experiment in Tasmania, we see no reason why it should not be a success. Membership of it would encourage a greater interest in financial matters in the House of Assembly, and if its problems are approached, as they should be, in a spirit free from party feeling its decisions should be of great assistance to Treasury and Audit officials in resolving their difficulties and generally facilitating their labours.

CONCLUSION.

Having considered all the evidence submitted, we are of the opinion that there is very little in the Auditor-General's Report to which any serious objection can be taken. It is clear that there have been occasions when a difference of opinion has been quite possible, but in the exercise of the wide discretionary powers that an Auditor-General must have if he is to be of any real use as a check on improper or unauthorised expenditure of State Funds, there is no evidence that the Auditor-General has abused the power vested in him. In fact, the Under-Treasurer admitted, in evidence, that there had been very few instances of expenditure being disapproved by the Auditor-General. His duty is to act in a supervisory capacity on behalf of Parliament.

We are also of the opinion that Mr. Batt has generally carried out his duties in a fearless and zealous manner. Nothing has been brought before the Committee that warrants any expression of want of confidence by this Committee or by Parliament in Mr. Batt as Auditor-General.

The question being put that the words proposed to be left out be so left out;

The Committee divided.

AYES 2.

Mr. *Baker*.
Sir *Walter Lee*.

NOES 4.

Mr. *Brooker*.
Mr. *Treasurer*.
Mr. *Madden*.
Mr. *West*.

So it passed in the Negative.

A Motion being made, and the Question being put—That the Draft Report, as submitted by the Chairman, be adopted; (*Mr. Brooker*.)

The Committee divided.

AYES 4.

Mr. *Brooker*.
Mr. *Treasurer*.
Mr. *Madden*.
Mr. *West*.

NOES 2.

Mr. *Baker*.
Sir *Walter Lee*.

So it was resolved in the Affirmative.

On the Motion of the Chairman it was resolved that a minute be recorded expressing the appreciation of the Committee of the advice and assistance rendered during the inquiry by the Clerk of the House (Mr. C. K. Murphy),
At 12 o'clock the Committee adjourned *sine die*