

## CONTROL OF EXPENDITURE.

*Constitutional Principles involved.*—An important ruling in connection with the constitutional principles governing the parliamentary control of expenditure has been brought under my notice. This was a ruling given by the High Court of Australia in a case "*The Commonwealth v. The Colonial Ammunition Co., Ltd.*," in which it was held that the authority of Parliament is necessary before the Government may undertake works and services, *and that an appropriation of moneys for a particular work or service does not, as a general rule, in itself provide the necessary authority.*

The general principle that parliamentary authority is necessary has of course long been accepted and upheld as one of the basic principles of the British Constitution, but there has been a certain amount of doubt as to whether the provision of an appropriation in itself provided such authority. The ruling mentioned seems to definitely establish the principle that, as a general rule, an appropriation does not in itself authorize the carrying-out of the work or service to which it relates, though in exceptional cases it may do so. Generally speaking, a statutory authority to undertake a work or service and an appropriation of moneys for that particular work or service are both necessary before such work or service may be undertaken by the Government at the cost of the public funds.

*Expenditure for which no Estimate is submitted.*—In connection with the control of expenditure from the Public Account, it is found that, out of a total expenditure of £61,260,754 shown under the various funds and accounts within the Public Account for the year 1928–29, only £24,949,896 was covered by annual appropriations, while £36,310,858 was made under permanent appropriations, over which Parliament exercises no direct annual control. Of this £36,310,858 no less than £14,815,554 was expended without having been included in the estimates submitted to Parliament. As mentioned in my report for last year, there are constitutional objections to the taking of permanent appropriations in cases which could without detriment be provided for by annual vote, and in England it is a rule that all such charges shall be provided for in the estimates, even if the appropriation is a permanent one.

I would suggest that, with a view to giving Parliament fuller information and therefore increased control over each year's expenditure, steps be taken to ensure that all the projected expenditure for the year under permanent appropriations be included in the estimates submitted to Parliament, and that a statement showing the estimated and the actual expenditure under each head be afterwards submitted as is now the case with annual appropriations.

In this connection I would draw attention to section 7 of the Public Works Act, 1928, which requires that the Minister of Public Works shall each session lay before Parliament full and detailed estimates of the expenditure proposed to be made upon *all Government works* during the financial year, and states that no such works shall be undertaken unless Parliament appropriates money for the execution thereof. The intention of this section appears to be that no public works shall be carried out unless an estimate in detail of the relative expenditure has been submitted to Parliament and such expenditure has been covered by appropriation. At the present time public works are in some cases being carried on from separate accounts under permanent appropriations without any estimate being submitted as required by this Act.

*Control of Accounts outside the Public Account.*—With regard to Departments whose accounts are outside the Public Account, the difficulty of control is increased owing to the fact that the authority of the Treasury (which, pursuant to section 3 of the Public Revenues Act, 1926, is charged with the administration of that Act, and is therefore primarily responsible for the control of public moneys) is naturally less effective than when the moneys are under the direct control of the Treasury in the Public Account. Steps have been taken during the last two years, with the assistance of the Treasury, to make the control of expenditure from the accounts outside the Public Account more effective, but there still appears to be room for improvement, and the Treasury has this matter under consideration.

Special difficulties exist in the case of the Post Office, which, pursuant to the Post and Telegraph Amendment Act, 1927, was entirely separated from the Public Account as from the 1st April, 1928. It has been found that, owing to the system of accounting in use in the Post Office, and the large variety of payments made at offices throughout the length and breadth of the Dominion, including many payments on behalf of Departments whose moneys belong to the Public Account, it is not at present possible to control issues from the Post Office Account in the same manner as issues from the Public Account are controlled. It has therefore been necessary to rely in the case of the Post Office almost entirely on a post-audit of the transactions and not on a control of the issues. The matter of improving the control of this account, if possible, has been brought under the notice of the Treasury, and is still under consideration.

In this connection it may be pointed out that the leading authorities indicate that it is one of the fundamental principles of national finance that all transactions should be passed through the one account (known in England as the "Exchequer" or the "Consolidated Fund"), where they come under the direct review of the Treasury and of Parliament. Any departure from this principle tends to weaken the parliamentary control of expenditure.

It is of interest to note that had the Post Office transactions not been separated from the Consolidated Fund as from the 1st April, 1928, the deficit shown in the Public Accounts for the year 1928–29 would have been reduced by approximately half a million, as the Post Office figures at present available indicate that the Post Office net receipts for the year exceeded by approximately that amount the sums paid to the Consolidated Fund as interest on Post and Telegraph capital liability and Post Office Savings-bank profits for the year.

*Relation of Commercial Accounts to Control Accounts.*—Audit has given much consideration to the question of the possibility of in some measure co-ordinating the system of commercial balance-sheets with our present system of public accounts, and in this connection it is necessary to keep in mind the fact that accounts on commercial lines, though in themselves admirable and necessary, cannot in the