

SUGGESTIONS AND COMMENTS BY THE CONTROLLER AND AUDITOR-GENERAL.

SECTION 90, PUBLIC REVENUES ACT, 1926.

Use of "Disbursements Account" for the Public Account and Insurance Accounts.

Section 55 of the Public Revenues Act, 1926, sets out the method by which moneys are to be issued and paid from the Public Account, and reads as follows:—

"(1) The Paymaster-General shall from time to time prepare a requisition (in the form numbered (4) in the First Schedule hereto) comprising an account of such of the vouchers as are proposed to be paid, charging each item against the vote and fund or account as stated on the voucher; and the requisition shall be sent to the Audit Office, together with all the vouchers relating thereto.

"(2) The Paymaster-General shall also prepare and send to the Audit Office a bank order (in the form numbered (5) in the First Schedule hereto) directing the bank to honour the cheques of the Paymaster-General on the Public Account for the several amounts and at the several branches of the bank specified in the order, not exceeding in the whole the sum named in the requisition.

"(3) On being satisfied that the issue named in the requisition and bank order is within the limit of the Governor-General's Warrant, and that there is a sufficient balance in the Public Account to the credit of the fund, vote, or account to meet the charges named in the requisition and bank order, the Controller and Auditor-General shall forthwith countersign the requisition and bank order, and return the bank order to the Paymaster-General, together with the vouchers relating thereto.

"(4) The bank order, when so countersigned by the Controller and Auditor-General, shall be sufficient authority to the bank to pay the cheques of the Paymaster-General to the several amounts specified in the order.

"(5) Notwithstanding anything to the contrary in this section, if the Controller and Auditor-General is of opinion that any such voucher as aforesaid is in any respect not in accordance with law he may refuse to countersign the requisition; but in any such case he shall, if so required by the Treasury, submit the question of the legality of the voucher to the Attorney-General in accordance with section eighteen hereof, and the provisions of that section shall apply accordingly."

Subsection (2) clearly indicates that the cheques covered by a bank order are to be drawn by the Paymaster-General on the Public Account, and the authority to pay given to the bank by subsection (4) appears to refer only to cheques so drawn. It has been customary for many years for the cheques to be drawn not on the Public Account, but on an account known as the "Public Account Disbursement Account." This account is in the nature of a suspense account, and is funded by means of the bank orders drawn on the Public Account, and is debited with the cheques when these are presented for payment. The use of the Disbursement Account enables the total of each bank order to be at once debited against the Public Account, without waiting for the individual cheques to be presented.

The question as to whether the procedure now followed is in accordance with law was referred to the Crown Law Office, which has ruled that such procedure is lawful only if the Public Account Disbursement Account forms part of the Public Account. The Disbursement Account, however, has never been treated as forming part of the Public Account, and to treat it in such manner would mean that the published accounts for many years past have been incorrectly drawn up, as they have not included the balance of the Disbursement Account in the balance of the Public Account, but have shown the amounts paid into the Disbursement Account by means of bank orders *as issued and paid from the Public Account*.

A somewhat similar position obtains in the case of the Government Accident Insurance Account, the Government Insurance Account, and the State Fire Insurance Account. In each case the statute governing the payment of moneys from these accounts—namely, the Government Accident Insurance Act, 1908, section 11; the Government Life Insurance Act, 1908, section 26; and the State Fire Insurance Act, 1908, section 30—requires that the account shall be operated on only by cheque signed by the Commissioner or General Manager, as the case may be, and countersigned by the Audit Office. In the case of these accounts it is customary to make payment by means of a requisition and bank order to a Disbursement Account, from which the claims are paid by cheque. The requisition and bank order are countersigned by the Audit Office, but the cheques are signed and countersigned by officers of the Insurance Department and not by the Audit Office, and are not drawn on the account established by statute as required by the relative Acts. As a result, it is possible for a cheque to be drawn and paid from the Disbursement Account for a purpose other than that for which the moneys were placed in that account, and thus to make payments not authorized by law. The Crown Law Office has ruled that the procedure followed in the case of these accounts is contrary to law.

It is desirable that the payment of Government moneys from the accounts established by Parliament should be placed on a proper footing so that not only will the law be complied with, but the necessary safeguards will be provided to ensure that public moneys are expended only in accordance with parliamentary appropriation and authority.

The Audit Office realizes the convenience of the system of paying through Disbursement Accounts, and is of opinion that this system could safely be authorized by statute, provided the necessary safeguards were imposed by the Acts authorizing the use of Disbursement Accounts. If such Acts authorized the payment of moneys from the respective accounts to a Disbursement Account by means of a requisition and bank order on the lines of section 55 of the Public Revenues Act, 1926, and