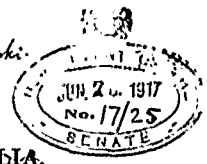


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Clerk of the Senate.  
14-6-17.

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FEDERAL CAPITAL ADMINISTRATION.

REPORT

OF THE

ROYAL COMMISSION.

(2.) ACCOUNTS AND FINANCE AT CANBERRA.

*Res. by Command; ordered to be printed, 18<sup>th</sup> June, 1917.*

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# ROYAL COMMISSION ON FEDERAL CAPITAL ADMINISTRATION.

## R E P O R T.

### 2. ACCOUNTS AND FINANCE AT CANBERRA.

*To His Excellency The Right Honorable SIR RONALD CRAUFURD MUNRO  
FERGUSON, a Member of His Majesty's Most Honorable Privy Council,  
Knight Grand Cross of the Most Distinguished Order of Saint Michael  
and Saint George, Governor-General and Commander-in-Chief of the  
Commonwealth of Australia.*

#### MAY IT PLEASE YOUR EXCELLENCY—

1. In pursuance of the intention stated in the first part of my Report, I proceed now to deal with the two subjects of Accounts, and Finance, at Canberra. These matters deserve the earliest possible mention because I find that the evidence discloses very serious defects in the way in which the accounts have been stated and kept—defects so serious that immediate and complete change is urgently required. I have not seen any proof of fraud or dishonesty, but the evidence discloses continuous instances of error, carelessness, and incompetence on the part of persons entrusted with the duty of dealing with and accounting for Commonwealth moneys and Commonwealth goods at Canberra. These are words which can only be justified by strong and clear proof, but the difficulty that I am under in this behalf is not to find proof in support of the statement, but to select from the multitudinous instances of each ground of default those which should most properly be reported to your Excellency. To report them all would be to repeat the greater part of the large body of evidence taken on this subject by the Commission.

2. As to the finances at Canberra, the evidence discloses that there never has been efficient Parliamentary or Ministerial control, and that moneys have been expended by the officers without authority or knowledge of the Minister, and without any proper revision by the officers of the Auditor-General's Department.

#### ACCOUNTS AT CANBERRA.

3. For some reason, which I have not ascertained, the practice of Parliament in voting moneys for works and services at Canberra has not been to appropriate sums for subdivisions and items. In almost every instance a lump sum has been voted to cover the expenditure for a year or shorter period. The moneys so voted have not the protection of Section 37 of the *Audit Act* 1901-12, which provides that moneys voted for one item in a subdivision may only be expended upon any other item in that subdivision under an order of the Governor-General. It has been usual for a Minister when moving for an appropriation for expenditure at Canberra to state at least a few of the main items upon which the money asked for is intended to be expended. But even if such items are mentioned there is no restriction upon the Minister to devote the money when voted to those items, and very frequent instances occur where an amount stated to be required for one purpose has been applied, in the exigencies of administration, to other and very different purposes. For instance, £40,000 voted for 1913-14

and at first intended for the manufacture of cement was used only as to £2,000 for that purpose, the balance being applied to various other items. Another case is where £30,000, said to be required for purchase of cast-iron pipes, as was doubtless at the time intended, was devoted as to £14,075 of the amount to various other uses, and the balance, not having been expended on specified items, was made available, under the system that has prevailed, for use in respect of any other item under which the expenditure authorized by the Minister had been exceeded.

4. A total sum having been voted by Parliament the practice then has been for the Minister to authorize expenditure of various amounts at his discretion upon various specified items. These authorizations are sent to the Clerk in Charge of Accounts at Canberra, and it is his duty to see that no more than the specified amount is spent upon any such item.

5. Mr. P. A. Piggin has held the position of Clerk in Charge of Accounts at Canberra since February, 1913; he has been paying officer and collector of public moneys there from December 1910. Until February, 1913, the accounts were kept in Melbourne. I have not investigated the accounts prior to the financial year 1912-13, but it appears from the evidence that those accounts were not better kept when the books were in Melbourne than they have been since Mr. Piggin has been in charge at Canberra. As I shall have to make strong comment concerning Mr. Piggin's books and competence, I wish now to say that I found him a candid witness, and that he showed perfect willingness to explain any matters connected with his accounts, and did not attempt even to conceal the defects of his work. He is, I think, a diligent officer and works very hard to get through the work that his defective bookkeeping imposes upon him. If he had had the guidance he was entitled to expect from others more experienced in the Service, and had been shown the errors in his methods, palpable to any accountant or bookkeeper, he might have proved himself worthy of the position he holds; but he apparently had no proper knowledge of bookkeeping and still less of accountancy when he was appointed to the position, and has not been taught anything of either since.

6. On 24th November, 1913, Colonel Miller, writing to the Chief Clerk of the Department of Home Affairs stated, "In my opinion there is no officer in the Accounts Branch at Canberra competent to keep a set of books. This is not intended to reflect upon Mr. Piggin, who has no time to devote to bookkeeping." A "Clerk in Charge of Accounts" who has "no time to devote to bookkeeping" is strangely placed, but I have to concur with Colonel Miller in his estimate of Mr. Piggin's ability. One fact that in itself is a complete condemnation of his books, and his practice in keeping them, is that it cannot now be stated, and never can be certainly known, upon what items the money spent at Canberra has been expended. The first object of bookkeeping is to show how much money has been spent and how it has been spent. Here the items cannot be reconciled with the total expenditure by a sum of £2,417. There is no doubt that this money has been expended; the question is how it has been spent, and the evidence throughout indicates that no reliance can be placed upon any one total of expenditure in respect of any one work or service in any year.

7. The two principal books kept by Mr. Piggin for the purpose of showing expenditure are known as the Authority book and the Appropriation book. In the Authority book under separate headings are entered the various works and services at Canberra, the original intention of that book being to set out each amount authorized by the Minister to be expended, and the expenditure under each such authority, so as to insure that the authority should not in any case be exceeded. Each Authority book, there is one for each financial year—has on the left-hand page a money column for the "Amount authorized" and another money column for "Appropriation and unexpended balance of authority." But these headings are not regarded, the practice being to carry forward from page to page the total authorizations for all preceding items, and then usually there is pencilled the amount of authorization for the item stated on that page, or if the amount is inked in in either column it is added to the balance and carried forward to the next page. The only useful entry on that left-hand page is the ink or pencil statement of the amount of authority; the progressive totals of authorities have nothing whatever to do with the account, and their computation from page to page is an utterly useless labour. On the right-hand page the debits of expenditure are shown, but in order to ascertain the total expenditure on any work the Authority book for each year would have to be examined and the totals extracted and added.

8. In 1913 Mr. Piggin attempted to keep a General Ledger for the purpose of showing the gross total of expenditure on each item. This of course was very necessary, and such a ledger should have been opened and properly kept from the time of the first expenditure at the Capital city. Mr. Piggin says that he was unable to get the figures of cost for the years 1910-11 and 1911-12 as the books were in Melbourne. It is perfectly clear that he could not have obtained the desired object of showing the full expenditure on items without these figures, but instead of obtaining them then, as he did later, he started his General Ledger in 1913 with the figures of that year. This book was kept from 1912-13 to the end of 1915 by Mr. Piggin or by clerks under his supervision.

9. This "ledger" is a futile record. The year's expenditure on each item is posted, frequently incorrectly, from the Authority book, each year being ruled off separately. In 1914-15 and 1915-16, posting was done at irregular intervals during each year, and the progressive totals instead of the periodical totals entered. As an instance in the Brickworks account, progressive totals having been three times posted in 1915-16, the year's expenditure of £19,689 is shown as £60,103, other like errors abound. There never was any effort to balance with anything, and no bookkeeping purpose could have been served by this book.

10. Mr. Piggin at the end of 1915 "was not satisfied with this General Ledger" (10512-38, 32426-37, 32463-5)\*. He thought "it was not a fit book to put before any one who wanted to go into the expenditure" (9995), and in April or May, 1916, he started afresh. This time he had obtained the figures from Melbourne for 1910-11 and 1911-12, and therefore was able to make a complete statement. He next obtained five books, one for the expenditure up to the end of 1912-13, and one for each year following, and a fifth book in which the totals from each of the other books might be posted. Why the five books were necessary he was not able to explain. The only result of using five books instead of one was to waste four books and to increase the labour involved. The practice of opening a separate book for each year seems to be generally followed at Canberra, sometimes for good reason, sometimes without any reason at all. Many of the account books shown to me have not been used to the extent of one-half of their space, and I think that upon a fair estimate, one-third of the cost of these account books would be saved if this practice was applied in proper cases only. If the figures had been correct in the first ledger which Mr. Piggin opened, he might have saved himself all the trouble of starting a new ledger by adopting the simple expedient of summarizing the totals for the consecutive years in the money columns in his book available for that purpose, adding of course the figures for the earlier years. He would then have obtained something like the same result he achieved by opening the five new ledgers—not quite the same result, because in taking out the figures afresh he obtained totals very different from the totals in the first ledger.

Upon my drawing his attention to contrasts in figures for the same accounts in the first and subsequent ledgers, he explained that no two clerks would take out the figures in the same way (31117). Earlier (10530) he had stated as to one statement of account, "if half-a-dozen persons went through the account they would probably all summarize it differently." Looking at the Authority book in respect of these figures, it seems to me that Mr. Piggin's statement is perfectly correct; the accounts are stated in such confused form that it is very difficult to say in many cases to what item an amount should be debited. Mr. Piggin having completed his General Ledger then tried to balance his totals with the totals of expenditure in the Appropriation book. In this latter book the items of expenditure are added so that the total for each year is shown. These totals to the end of 1916 amounted to £855,995; his ledger totals only amounted to £853,578, and up to the present he is unable to say how the deficiency of £2,417 is to be accounted for. These figures showing the expenditure on each item for each year and the gross total of each item amounting altogether to £853,578, were stated in a list which was put in evidence as Exhibit "B.60." Clerks seem to have been working on the books at various times and with much labour to discover the error. The result of their search is that (31112-18) "alterations and mistakes have been found in the accounts which will affect the reconciliation of the Authority book and the Appropriation ledger." Still Mr. Piggin says, "They are mistakes which anybody keeping books would be liable to make." "He thought these alterations and mistakes affected the figures in Exhibit "B.60" to some extent, and that until the figures are reconciled they are not to be taken as authoritative." Mr. Piggin says also with regard

to this discrepancy that "£2,417 is not much to be out in a big account like that" (4403), or, as he explains in evidence (4192) that he meant by this "That the expenditure on any individual work would not be greatly affected." It appears to me that it would be a waste of time attempting now to find out where that discrepancy is. I say this because in my search through the books in an endeavour to find information as to particular matters I have incidentally discovered discrepancies, erroneous entries, and other gross blunders in bookkeeping, so frequent in occurrence that I think the only possible way to obtain a balance would be to make out a new set of books in proper fashion, and even then there could be no certainty as to the result arrived at, because entries in the various accounts cannot now be verified, nor their proper allocation ascertained. In speaking thus of Mr. Piggin's books I am not using greater condemnation than he himself has employed. He informed Mr. Hiscock, a public accountant, who was sent to examine the accounts last year (4996) that "he would not verify any statements in the ledger," and he admits (9944-47) that "the Authority book and General ledger are not intended to balance"; that he could not be "certain that the books are correct unless they did balance"; that he "cannot be certain of their correctness until a reconciliation has been effected and a balance arrived at." The entries in the Authority book are not audited, and as that book is neither totalled nor balanced, it is easy to see that errors in bookkeeping, even as to the addition of figures, and their being properly carried forward, might occur, and that such errors might never be discovered and rectified. There are very many instances of such errors.

11. Another book kept by Mr. Piggin is the Appropriation book. In this is entered on the left-hand page the total of "Treasury Warrants available" and the amount of "Advances from the Public Accounts"; and the payments made from time to time are also entered in cash-book fashion on that page, the items in respect of which the payments are made being shown on the opposite page. This book is checked by the Audit officers who are able to see that the total payments do not exceed the amount of Treasury warrants and advances available, but it shows no record of the Minister's authorizations. There is also a Cash book kept, and this too is subject to audit.

12. Another book kept by Mr. Piggin is the Individual Register of Accounts. This book, as I was assured by several witnesses, was opened to provide that "no account should be paid twice." The necessity of keeping a book for that one purpose when other books are kept showing all payments, is not at all apparent, and how with ordinary care there could be any liability of paying an account at Canberra twice over, I am unable to understand. The case there is not as in a merchant's office, where orders for goods are given verbally, in many cases over the telephone, and where there are many transactions making up a gross total payable at certain times. Here the transactions are such as would seem to make it impossible that an account could be paid twice over. A requisition has to be made out, an order sent upon that requisition, the goods received, and then a claim sent in for the amount, and this claim cannot be passed until it is vouched for by the officer incurring the expense, and until after comparison with the requisition and receipt of the goods. It would seem impossible that blundering could be carried so far as to permit of a double payment under these circumstances; the necessity of having a document properly vouched would seem to be sufficient protection against such an error and also against fraud, except in the case of a conspiracy between the officer keeping the books and the officer having authority to certify to the correctness of the claim, and as against such fraud this register affords no protection whatever. Each payment when made is entered in the Cash book, the Authority book, and the Appropriation book. If these entries are not sufficient to prevent double payment I fail to see how writing down the payment in another book can do so. If the Individual Register contained ledger accounts with persons supplying goods to the Commonwealth this would show the amount due to such persons from time to time, but would not, I think, afford any additional security against double payment. But the Individual Register is not kept in that form at all. Turning to page 10 of the Individual Register for 1912-13 there is an account with a certain firm shown. This merely states particulars of goods ordered by the Department from time to time and the amount claimed," but it does not show when the amount was paid, nor the balance due from time to time. On other pages of the book are shown the quantities of goods ordered from various persons, and the amount due in respect of them, but, as before, there is no ledger balance of account. On some pages are references to the voucher under which amounts were paid, but in other cases there is no such indication. I

regard the whole of the time and labour spent upon this book as having been absolutely wasted. It is of no use as a Stores record, for there is nothing to show what became of the stores; its only purpose is to "prevent accounts being paid twice over" and I cannot see how it in any way tends to achieve that object.

13. Another instance of unnecessary labour due to a want of system and an appreciation of the real purpose of keeping accounts, is revealed by the fact that besides the Authority book, there has been kept at Canberra a Works Branch Account book. The purpose of each book is the same—to show the amounts expended under each particular item of expenditure. The Works Branch book is concerned with buildings and works only, whereas the Authority book includes expenditure for all other services. But so far as the Works Branch book goes, its purpose must be to show the exact cost of a building or a work. Properly kept the Authority book would also show this. Therefore it is clear that if both books are properly kept, one is unnecessary. If they are not properly kept, then both books are misleading. If the totals agree the double account is unnecessary; if they do not, one book must be wrong, probably both. I have not made a close comparison of the two books, this being unnecessary to demonstrate the valuelessness of either of them as a record of expenditure. Two instances of their varying totals are given in evidence, in the only accounts that came into comparison. The cost of the Administrator's residence is shown in the Works book at £5,480, in the Authority book at £6,356. Another work, the Bachelors' Quarters, is shown in the Authority book to have cost £1,465, which is roughly about half the amount that was certainly spent upon it; in the Works Branch book the cost is stated at £4,200, and this amount is probably as far from the truth as the Authority book record. It appears to me that the time and labour involved in keeping one of these two books has been wasted. With regard to the Authority and Appropriation books, I think that one book properly kept would satisfy every requirement. The purpose intended by each,—to show the expenditure for the year,—could be served by one book which ought to have separate accounts for each item, and not an account kept in cash-book style as in the Appropriation book, and with a General ledger balanced weekly or monthly to show that the total of Treasury warrants has not been exceeded. A Cash book, Appropriation book, and Authority book are certainly not all required. The waste of one-half of a book, as in the Authority book, could be avoided by entering at the top of each page the amount of the Minister's authority. The foolish labour of carrying forward progressive totals of authorizations for all works mentioned in preceding pages would thus be avoided, and the book, of which both pages could be usefully employed, would last twice as long and be more convenient for the bookkeeper.

14. With regard to the Authority book it is necessary to cite some instances to prove its complete failure to show how the public moneys have been expended and for what purposes. One such instance appears in respect of the Bachelors' Quarters mentioned in the preceding paragraph, another is to be found in the Administrative Offices Account, which in the Authority books and in Exhibit "B.60," shows a total of £15,336. This total according to Mr. Hiscock, Public Accountant, who visited Canberra in April and June, 1916, to inspect the accounts and value the buildings there, "is inconceivable," and I fully accept his evidence. Mr. Piggin was quite positive always about one thing—that there could be no debit to any building or work unless it was authorized by the officer incurring the expense, and that therefore there could not be an error in any debit to any particular account. On examining this account I find that debits amounting in the whole to £8,945 4s. 5d. have been made, from time to time during many months, vaguely described as "Paying Officer, Federal Territory," and later described as "R 1 to 57 Federal Territory." Mr. Piggin could not state what these amounts represented, but thought they must be "reimbursements," the suggestion being that certain amounts were paid by the Paying Officer out of his account, and some time afterwards that the amount was reimbursed by the Treasury and the amount of reimbursement, which might include a number of different accounts was debited to this account. It is only fair to Mr. Piggin to say that these entries were made before he took charge of the books, but I rely upon them, and upon Mr. Piggin's inability to explain them, as some evidence of the impossibility of depending upon any total shown in any Authority book or in Exhibit "B.60." As to this total of £15,336, it is manifestly wrong. The account has certainly been loaded with debits that ought to have been made in some other account. Another instance of the inaccuracy of these accounts is shown by the proceedings in connexion with what are described as the allocations in December 1913. In 1911-12 there had been an authority

of £20,000 for buildings at Acton, and the money having been made thus available was spent for all sorts of purposes at Acton and debited to Acton Buildings, &c. Then in March 1913 Colonel Miller having insisted that a competent officer should be sent up to adjust the accounts so that it might be ascertained upon what buildings or works money had been spent, Mr. James Kimmond, Sub-Accountant in the head office in Melbourne, was deputed to visit Canberra for that purpose. The debit to "Acton Buildings" Account was then £23,317. Mr. Piggin had been unable to inform Colonel Miller of the items upon which this money had been spent. Colonel Miller writes that he had been "endeavouring for 12 months to obtain this information." However, on Mr. Kimmond's visit in March an effort was made to ascertain the items, but this investigation stood over until Mr. Kimmond's second visit early in December 1913. An allocation was then made which it is impossible to regard as other than a mere guess, the total being debited to various heads of expenditure and the amount distributed mainly by adding certain sums to other accounts then existing. For instance, Acton Water Supply Account showed a debit of £4,029, this account was debited with a further sum of £250; Administrative Offices Works Branch had a debit of £965, this was debited with £604 more, and it is now explained by Mr. Rolland and proved by the documents that this debit was intended to be made against a totally different item. Acton sewerage showed a balance of £346, and to this account £1,387 was allocated; the Administrator's residence showed a debit of £692, to this was added £1,304, (a circumstance which drew from Colonel Miller the complaint that the residence was "loaded" with this sum), and so on with regard to a number of other works and services.

15. It is quite clear that these amounts were not the result of close calculation. What Mr. Piggin could not do in December 1912, with the assistance he was entitled to obtain from officers, it was impossible for other officers to do in December 1913; and the accounts affected by this allocation can certainly not be regarded as showing correct totals. Altogether the allocation extended to 25 different items, mainly buildings. There are some items, however, which require particular notice. For instance, Acton Roads and Bridges Account which already showed a debit of £228 5s. 8d. was further debited with £600, the round figures showing that the amount was a mere guess: "Limestone quarrying £450," stands in the same footing. With regard to another item of the allocation, "stores in hand, £1,700," somewhat more serious considerations occur. Mr. Rolland, Supervising Architect at Canberra, says that there was no Stores authority at Canberra at all in 1913; all material that came into the Territory was charged direct to the job (26948-65), and that £1,700 was "an assumed figure" and that "any stores that there were in March would have been used in buildings before December." Colonel Miller (9412) states that he was assured that these stores had been checked and certified by an officer. Considering that the allocation was made on 6th December 1913, and the amount stated as for stores, was in respect of stores in hand in March of that year, it is impossible to see how any such tally could have been made. Mr. Rolland says "he did not tally any stores: he could not do it" (26919). But assuming even that there were stores to this extent on hand in March 1913, these would according to Mr. Rolland, have been used before December 1913, and should have been debited to the particular works upon which they were used. This £1,700 from the time of its allocation up to the present has remained at that amount as a debit. It purports to represent assets: there are no stores to balance the entry, and I am quite clear there were none at the time when the entry was made. The debit was made merely as an aid in extinguishing the debit of £23,317, and it is much to be regretted that it was made not only inaccurately, but in a very misleading form.

16. The allocation having been made the various accounts should have been debited in the Authority book and "Acton Buildings" Account credited, but this was not done. The lax practices in bookkeeping—one cannot say methods—may account for this omission, but I have also to point out that if the debits had been made the fact would have been revealed that the Minister's authority for expenditure had been exceeded in many instances, and that in some instances work had been undertaken without any authority whatever. The Hon. W. H. Kelly (B. 98, 6434) had given no authority to erect Nursery Buildings, and had no knowledge of the work, yet £1,837 15s. 1d. had been expended on these buildings and debited to the "Acton Buildings" Account, and then nearly a year later allocated to its appropriate but wholly unauthorized item of expenditure. Colonel Miller says the work was begun upon the Minister's verbal approval: Mr. Kelly's evidence is that it was against his orders. The official papers are in an unsatisfactory state, but I fully accept Mr. Kelly's view of the matter.

17. Remarkable proof of the laxity with which the Canberra accounts are kept and the impossibility of relying upon any total is shown in Exhibit "B.67." Mr. Hiscoek, during the course of his inquiries desired to ascertain what charges were included in the item Running and Miscellaneous Expenses £9,602 12s. 10d. to the 28th July 1916, and after some time a return was furnished to him which purported to set forth the allocation of that amount. The items stated are first of all "running expenses since December 1915," £3,119 3s. 10d., and "preparation previous to that date" £1,402 12s. 4d., making a total of £4,521 16s. 2d. The other items are, with one exception, in round numbers. "Flood repairs to the power-house, weir, embankment," are stated at £800; "Works Superintendent and Clerk of Works' cottages," £700; "removal and fixing cook-house, mess-room, power-house, engine-room staff," £150; "removal of stores' sheds from Acton erection of store's depot," £140; "removal of original depot from Queanbeyan to site near power-house, Canberra," £200; "setting up sheds, stables, offices at Canberra," £590; "removal from Acton and setting up and fixing of carpenters' shop at Canberra," £250. Then a balance is obtained by adding a total £2,250 16s. 8d., which is stated to be "small items not subdivided, but mostly in connexion with the depot at Canberra," and these are stated in a long and varied list of matters which seem to be all in connexion with works or buildings, and there is a footnote which appears to be wholly unnecessary "that except as to the first item of £4,521 16s. 2d., the list is made up of estimated amounts." The items evidently are less than mere estimates—they are mere guess work and a very considerable portion of the total amount has nothing whatever to do with the running expenses or with miscellaneous expenses of current order. Clearly the Works Superintendent's cottages ought to have been debited to the capital account. The removal of the cook-house and stores' sheds is also claimed in the evidence to have been a part of the cost of the item "Buildings for work-shops, stores, &c., £14,463." This list was prepared by the Supervising Engineer and apparently represents the best effort that the officers at Canberra were able to make in the way of showing how the public money spent under this item has been applied. Another item in "B.60" is wholly inexplicable and upon the evidence affords proof of serious mis-statement of the accounts: that is the item "buildings for work-shops, stores, workmen, &c., £14,463 3s. 9d." The work represented by this total apparently is the machine-shop and the building at the back of it constructed of galvanized iron, and also some other smaller buildings round the power-house. The machine-shop is valued by Mr. Hiscoek at £3,687—that amount is said to have been its cost and his valuation of the other buildings is £2,435, which leaves a deficiency of £8,341. An effort was made in evidence to prove that the cost of removal of buildings was included in the item; but this cost with respect to at least three of the buildings is included in the estimate of running and miscellaneous expenses, £9,602. One other definite case is worth citation: that is with regard to the Acton roads account. The debit to that account is stated at £1,967 7s. 8d., but on the evidence it appears (£2409-23, 33654-715, 34363-82) that £510 5s. for labour expended on this road was debited to "road construction and maintenance," an item which now shows a total of £50,611. These "allocations" and items of £9,602, £15,336, £14,463, and £1,967, and the evidence relating to them and to the matters in the next paragraph mentioned appear to me to prove the impossibility of relying upon any of the totals in the Authority books in B.60, or in Mr. Piggin's ledgers, or of correcting those totals by ascertainment of the true amounts.

18. On his visit in March Mr. Kimmond had directed that no more entries should be made to the debit of this account of "Acton Buildings," &c. Mr. Piggin regarded this direction as far as materials were concerned, the charges for which he debited the several works, but in respect of payment for wages he continued in spite of Mr. Kimmond's order to debit these to the "Acton Buildings" account as before. To do otherwise would have involved some labour in dissecting the vouchers to ascertain the items chargeable to different works. These amounts so debited to that account by December totalled the sum of £4,926 and this amount had also to be allocated in fashion similar to that followed in respect of the £23,317. The allocation was made by distributing the total among 24 different works, and the observations made with regard to the previous allocation apply with almost equal force to the present one, except that in this case there were no round totals of debit and no debit of superpositions stores. A further debit of £1,066 was made to the Administrator's residence. These two allocations make it impossible to assume that the items affected show correct

totals, but there is also in other accounts not at all affected by the allocation very clear evidence of incorrectness. For instance, the Recreation Hall at Canberra is said to have cost £33. It is valued at £175, and it probably cost £250 or more. Upon examination of other accounts one finds clear evidence of inaccuracy in their compilation. For instance, although traction-engines with trailers, &c., have been bought at a total cost of £5,821, this cost is not shown in any one account. In order to arrive at the cost of the engines search had to be made through the books and a return (Exhibit C.44) was then furnished containing the information. This cost has been charged to various accounts: for example the traction engine with trucks purchased from the Wingadee Shire Council was first of all debited to east-iron mains (page 18, Authority book, 1912-13) then struck out of that account and debited to engine plant account (page 198), then struck out of that page and again debited to east-iron mains (page 18). This latter entry was clearly made after the conclusion of the year, because the unexpended balance of the amount authorized by the Minister had been marked in red ink, and upon the further entry had been struck out and the amount corrected by the deduction of £1,095. Another traction engine purchased in that year for £750 was debited to "Cotter River Road." What accounts the other engines were debited to I have not taken the time necessary to discover, but somewhere in the accounts works have been loaded with portions of the remaining sum of £3,976, and so according to the accounts traction engines and trailers bought for £5,821 have cost nothing. The position as to items generally is fairly summed up by Mr. Piggan, who, when he was asked (9894) "Can you swear that the amount shown has been the cost of that building?" replied, "No, I cannot swear. Our books show that amount has been the cost." Also on the occasion of Mr. Hiscock's visit, when information was required as to the cost of buildings, he asked whether there was one building that they could concentrate upon to show what the cost was, and Mr. Piggan says that it was decided "that the work-shop at the power-house would be that building; Mr. Muir had the total cost of that, that is why we concentrated on that building" (9890) "but as to the other buildings for which the amounts are shown, if I said that to him, it was because the allocated amount was not one that we could swear to ourselves." As to the cost of buildings, very early in the inquiry I asked for a list of all the buildings at Canberra, stated in accordance with the items of Exhibit B.60, so that I might see what buildings were included under any one such item. This return was not furnished and after the inquiry had proceeded to some length I saw that it was perfectly useless to press for it. The whole official staff at Canberra together did not possess the information, and the books did not enable them to say what buildings had to be considered with regard to any one total sum of cost. For instance as to the Bachelors' quarters £1,465, which as already stated must have cost twice as much, it was said that this item had to be taken together with the Administrative block and quarters, but then it could not be discovered what other buildings were included in the latter item.

19. Instances of error in the accounts abound as one might expect where accounts are neither checked nor balanced, and several of these have to be noticed specifically later. But I may here mention as an instance of the carelessness with which the accounts were kept that the brick-works expenditure for 1915-16 up to 30th June is stated to be £19,579 7s. 7d. The amount is stated in the ledger for that year as £19,597 15s. 5d., but after the end of the year other entries were made bringing the total to £19,672 15s. 10d. and on 15th January following, more than six months after the end of the financial year, a further amount of £16 13s. 8d. was debited bringing the total to £19,689 9s. 6d., but the ledger total has never been corrected. Another instance is on page 45 of the Authority book 1913-14, where an excess of expenditure above the authority to the extent of £350 14s. 2d. is stated as an "unexpended balance" and in that form carried forward to next year's accounts. This error of £701 8s. 4d. was never rectified or discovered.

20. Mr. Piggan's books are not kept in better manner now than they were three years ago, although special visits have been made by Mr. Kimmond at the instance of the Administrator, for the purpose of putting the accounts on a proper footing, and also by Mr. Walters for the same purpose. Neither of these officers appear to have done anything to assist Mr. Piggan in improving his methods, nor to have shown him how faulty those methods were. It is true that Mr. Kimmond on his first visit in March, 1913, started a General ledger, and instructed Mr. Piggan to keep it posted up. This duty Mr. Piggan wholly neglected. On his second visit in December Mr. Kimmond completed the posting of his General ledger, and in his memorandum directed that the

General ledger should be kept regularly posted up. Mr. Piggan made no further entries in Mr. Kimmond's General ledger, but started the ledger that I have already referred to. I am unable to see what purpose Mr. Kimmond's ledger would have served. I do not profess a knowledge of accountancy, but I think it elementary that a General ledger should balance with the book or books from which its entries are posted, and that at the conclusion of the financial period, whether that is a year or half-year, the ledger should show at a glance the totals of the various accounts of the book or books from which the ledger is posted. Mr. Kimmond's ledger was apparently not intended to show a balance either with the Appropriation book, the Authority book, or the Cash book. Sometimes his accounts show periodic totals posted from the Authority book, these accounts sometimes in their totals differing from the accounts in the book from which they are taken, and in some cases detailed items of expenditure are posted (pp. 30, 31, 33, 34), but as neither the Authority book nor this ledger are totalled, except as to separate accounts, I cannot see how any balance can be made. In his report (B.130) of the 8th December 1913, Mr. Kimmond says "The Authority book, Summary book, and ledger," were balanced by me up to 31st March 1913." The Summary book was not produced but for the reasons stated, I am not able to see how a balance was struck. As far as I can see, it would only have been useless labour to continue to write up the ledger in its present form. During his examination I pointed out to Mr. Kimmond that there were entries in his ledger to the debit of the Administrator's residence that did not appear in the Authority book, and that therefore it would be impossible to balance these two books, and just before the conclusion of the evidence, Mr. Kimmond on Friday 16th February, asked to be allowed to give further evidence as to the accounts. I reminded him that he had already been fully heard, having given evidence on two occasions, but said that if there were any new facts that he had discovered since giving evidence, or if there was any matter that he had stated erroneously, I should be prepared to hear him at 11 o'clock on the following Monday. He did not appear on that day, and it was explained that he had not yet been able to complete the matter upon which he wished to give evidence. He appeared on Tuesday morning and stated that he was then able to prove that the books did balance, and explained that the debit to the Administrator's residence that I have referred to, although it did not appear in the Authority book, did appear in the "Acton Buildings" &c. account (£23,317) which had never been extinguished by credits in the Authority book. If that is so, then it would appear that these two books, even if their totals agree, do not agree as to individual accounts, and a General ledger that does not agree in its totals with book from which its entries are taken, is not a proper book of account. And further, this ledger had been completed on 30th June, 1913, yet in 1917 it took Mr. Kimmond two days to balance it with the Authority book. Its uselessness and the quality of the bookkeeping may be judged by comparison of its figures with the figures of three among the first half-dozen accounts in the Authority book. The figures as stated in the several books are as follows:—

	Mr. Kimmond's Ledger.	Authority Book.	Mr. Piggan's General Ledger.
	£ s. d.	£ s. d.	£ s. d.
Acton Water Supply .. .. .	425 11 9 350 6 2 (p. 48)	425 11 9 178 19 6	4,379 11 11
Acton Bachelors' Quarters .. .. .	1,416 19 9 (p. 187)	3 13 4 29 18 0	1,416 19 8
Administrator's Residence .. .. .	3,003 16 11	1,698 18 0	3,003 16 11

21. With regard to the first account, the item £350 6s. 2d. represents the amount added in the first allocation. This entry was not made in the Authority book, but debits to the extent of £178 19s. 6d. were added during May and June, and in October the account was credited with an amount of £76 16s. 6d. Mr. Kimmond's ledger was said to be complete to December 1913. This inconsistency would of itself make it a matter of difficulty to balance the books. The total in Mr. Piggan's General ledger is wholly incomprehensible. I have searched to find some explanation of it but the amount remains a complete mystery. In Mr. Piggan's first ledger begun in 1913, the total was stated in agreement with Mr. Kimmond's total, £775 17s. 7d. Mr. Kimmond's total of £1,416 19s. 8d. for Acton Bachelors' quarters, represents the amount debited in allocation of the £23,317, but he omits the two debits shown in the Authority book. These two items

chiefly consist of wages of persons employed at the Bachelors' quarters; in the Authority book they are debited to Acton Bachelors' quarters and so I must assume that they were intended to be charged against that building. Here again the inconsistency of the figures imposes a difficulty in balancing. As to the Administrator's residence the difference between the Authority book and the other two is explained by Mr. Piggini's omission to debit that account with the amount of £1,304 18s. 11d. allocated. But Mr. Kinmond also in some accounts omits to debit the allocated amounts, for instance in Acton Roads £228 5s. 8d., he does not debit the £600 allocated and does not state the amount elsewhere, and this omission with others of like nature would make any balance of accounts impossible.

22. With regard to Mr. Piggini and Mr. Walters and Mr. Kinmond, I was surprised to find that a balance does not appear to be regarded as being at all necessary for Canberra Account books. I have already mentioned Mr. Piggini's reference to the "smallness of the discrepancy of £2,417 in a big account like this at Canberra." He shows the same want of regard for accuracy (10677) where he states that the amount of £938 2s. 4d. "fairly tallies" with the amount of £969, stated in his books. Mr. Kinmond (27089-27135) states that "The discrepancy of £2,417 does not come into the matter of balance at all, that it is a matter between the account of subdivisional books and the Appropriation ledgers, and is not a matter of accountancy at all." He states that the Authority book accounts "balance to a penny" with the expenditure given by the Works branch books, and this after it had been pointed out to him that there is no balance at all. It is evident that a book which is not totalled as to all items included in it, and the Authority book is not so totalled, cannot be said to balance with anything. Later he explained that what he meant by this was that two of the individual items did agree. In his last evidence also, Mr. Kinmond uses the words "The expenditure in the Authority book practically agrees with the General ledger." Mr. Muir also falls into the same error. He says (32179) that the Works account book and the Authority book should "approximately balance": that (32185) if "they are properly kept they should not be far apart." I cannot understand the use of such phrases as these by any person claiming knowledge of accountancy or experience in bookkeeping. Books in a set either balance or do not balance. If they do not balance they are not proper books of account, because they do not state the truth as to the transactions recorded. Books that only "practically agree" are wrong. These truisms would be too elementary for statement if they had not been denied by the evidence quoted.

23. Another matter to which I must refer is that it seemed to be assumed by several witnesses that it was quite enough in defence of any irregularity or error to say that that was the "practice of the Department." This phrase was repeated continuously and witnesses appeared to think that if an error had been repeated continuously no further justification was needed.

24. Responsibility for defects in bookkeeping at Canberra must largely rest upon Mr. H. L. Walters, Accountant of the Department of Home Affairs, a position that he has held during the last fourteen years. He admits (19345) that such responsibility does rest upon him. His first acquaintance with the books at Canberra was in the year 1913. At the urgent request of Colonel Miller that "the highest official authority" should go to Canberra to see that all books of accounts were properly kept, Mr. Walters went up, but after spending some time there was compelled by ill-health to return to Melbourne, and Mr. Kinmond took up the work of remedying defects in Canberra bookkeeping. Mr. Walters says that he had laid down a system of keeping these accounts in 1910, when they were kept at Melbourne, and (19330) that his "system" ought to have been followed but was not. He visited Canberra again in 1915, and also in March of the present year. He states (19332) that when he was there in 1915 his system was not being followed. Asked whether he took any steps to improve the system he said, "I could not," and states that the reason for that was that "there was a misconception on one part or the other whose responsibility it was. The Administrator at the time seemed to argue that he was in charge of the officers up there and that they were under his control and that my responsibility in regard to them was limited." He admits that Colonel Miller did not interfere to prevent his inspection of the books. The evidence as to Mr. Walters being in any way restrained from carrying out his duty there (19334-47) is so vague that I did not think it necessary to call upon Colonel Miller for any evidence that he might desire to give on this point. Colonel Miller had insisted that proper books should be kept, and his

very strongly worded representations to this effect, and his requests, twice made, that an officer should be sent up to see that the books were so kept that expenditure upon each item might be ascertained, all seem to me to negative the likelihood of his doing anything to frustrate the purpose which he had so strongly in mind. And Mr. Walters does not assert any definite fact to show any limitation of his proper action. As to the accounts he states (19293) that "there is no justification for their books not balancing so far as the system is concerned." That they did not balance is unquestionable, and this must have been apparent to him upon each visit. But (19287) he says he regarded those books "as proper books of accounts." I have come to the conclusion that Mr. Walters had the responsibility and the duty of enforcing a proper system of bookkeeping at Canberra and that he did not perform this duty.

25. Mr. Walters was able from his knowledge of the books to assure me that Mr. Piggini had kept a General ledger between 1913 and 1915. He said "It was there in March 1916, because I took some figures out of it myself. all the years were posted in it"; and further that the General ledger ought to have balanced with the Appropriation book. This was the ledger that even Mr. Piggini was not satisfied with and discarded as useless for its intended purpose. Mr. Walters takes no exception to this book as a General ledger, nor as to the way in which it was kept. Mr. Piggini was clearly right in the opinion that this book was not satisfactory, but Mr. Walters appears to have been satisfied with it and even used it for the purpose of extracting some of its figures.

26. Another matter in which Mr. Walters seems to me not to have discharged the responsibility that was upon him, is in respect of the Stores' ledger. He says (19349) that it should be a part of his duty as accountant to see that a proper Stores' book is kept, and that he "had laid it down in his first system that there should be proper storekeeping." But although he visited the Territory on those two occasions it was only quite recently that he became aware that no proper Stores' book had ever been kept. He says (19350) "Actually I do not know that there has been no proper storekeeping until this year: I have heard that it was so." As he neglected to see that his instructions as to keeping a Stores' ledger had been followed, it is not remarkable that junior officers in the Territory regarded this matter as being one of little consequence.

#### COMMONWEALTH STORES.

27. The carelessness shown by officers in accounting for Commonwealth moneys is equalled if not exceeded by the carelessness shown in dealing with and accounting for stores at Canberra. Mr. Clair Muir was appointed Storekeeper in January 1912, and as he had had some experience in that work it was no doubt assumed that he would be able to keep proper records. He opened his Stores ledger when first appointed, but only wrote this up during the first two months (32093) of the three years that he held the office of storekeeper. He admits (32096) that a Stores ledger was "necessary," but states that as he was not only storekeeper, but had other duties as well, he found other work "more essential," and therefore for the rest of his time he wholly neglected to keep any record of stores on hand. He says that he kept a record of everything that arrived at any work, and also a record of everything that was paid for and which had not arrived there, and so was safeguarded so far as that was concerned. The insufficiency of such a record is apparent. Without a Stores ledger it would be impossible for him to say what goods were on hand at any time, and the want of such a record would obviously leave open a clear way for the perpetration of theft and fraud against the Commonwealth. He states (32100) that the "stores amounted to only about £200,000 in five years, making about £40,000 a year, and that as to 50 per cent. of that there would be no trouble, so that that only left about £20,000 of material coming on the job during each year, and that that would not warrant keeping a very expensive staff to check it." Asked why an expensive staff would be required to deal with £20,000 worth of material in the year he said, "Even for a small job an expensive staff would be required if you keep every item in detail." In paragraph 15 reference is made to a debit of £1,700 as for stores on hand. As to this amount he was not consulted and his position as Storekeeper seems to have been so little regarded that no reference was made to him. He states that he is not able to make any estimates of the stores in hand in March 1913, but that any stores then on hand would have been used before the debit of £1,700 for stores was made in December.

28. During the time that he held office as Storekeeper the Audit officers visited the Territory from time to time and Mr. Kimmond was there as stated for the purpose of putting the accounts in order in March and December 1913. I defer for the present further reference to the Audit officers' visits. Mr. Kimmond seems not to have concerned himself as to stores. His evidence (22191-3) is as follows:—"When you first went to Canberra was any Stores ledger kept?—No; not that I know of. When you went to Canberra a second time was there any record of stores kept?—No; not that I know of. In your opinion is it not absolutely essential that there should be a Stores' ledger?—I consider it would be very much easier to work the accounts if there was one." His report dated 8th December B.130 makes no mention of stores and as he took no care to see that there was a Store ledger kept, Mr. Muir continued his neglect in this regard. The expenditure at Canberra during Mr. Muir's term of office as Storekeeper amounted in round figures to £600,000. Of this total perhaps £350,000 may be taken to represent stores and material. It is impossible now to say whether these were properly used in works and buildings, or whether they were to any extent wasted or misappropriated.

29. In February 1915, Mr. Francis, Acting Stores and Materials Officer in Melbourne, went up under instructions from Colonel Miller to inaugurate a new system with regard to stores at Canberra. This task from various causes occupied much time and it was not until January 1916, that Mr. G. McRae Dunn was appointed Storekeeper. It was Mr. Francis' expressed intention that Mr. Dunn should take control of all stores in the Territory, and should keep proper record of them and he seems to have so instructed Mr. Dunn. But these instructions were never carried out. Mr. Dunn certainly took control of a limited quantity of stores at the Territory, but neglected to undertake the responsibility of looking after or keeping any record of the greater quantity of stores there. Mr. John Bethell, Chief Storekeeper, Melbourne and Metropolitan Board of Works, on 13th November 1916, went to Canberra for the purpose of reporting as to stores at Canberra, and their custody, and he reports that "under present conditions there is practically no supervision or control for the stores and plant in the Territory, and until this is put on a proper basis and facilities given for storing, checking and controlling, the same, the present waste will continue." He states in evidence that "the present system fails badly, Mr. Dunn has no control" (18511). He also says (18460 7) there was at the time of his visit "no record of stores received or issued." From his report it appears that about £10,800 worth of stores were under Mr. Dunn's control and about £78,000 of plant and material were not at all controlled or looked after by him. For instance, there was material in the storeyard not returned to stock, £10,704; in the electrical store, £9,614; in Mr. Brilliant's yard and store, £7,750 worth of stores, besides £14,795 worth of plant, and on various works in the Territory stores amounting in round numbers to £4,200 and plant, some of it in use, some not, worth about £10,500. In his report Mr. Bethell says, "Mr. Dunn is particularly anxious that the stores should be placed on a proper basis and if this is done I believe he will make good his position." Mr. Hiscock had also stated (3645) that "Mr. Dunn is a capable officer and takes great interest in his work." I am sorry I am quite unable to agree with Mr. Bethell or Mr. Hiscock. Mr. Dunn had been in office for 10 months at the time of Mr. Bethell's visit and yet had been content to deal only with a small portion of the stores mentioned, neglecting his duty with regard to others. There was no reason why he should not have taken over all stores. Mr. Brilliant was quite willing that he should do this, and Mr. Dunn states (31726) that he was unwilling to take over some of the stores because they were not properly enclosed in a proper yard and as to the electrical stores that that store was 50 yards away, or as he afterwards found 203 yards away and that this would have necessitated employing a second storeman (31738), that to take over these electrical stores would interfere with the general working of his own store. This excuse of appointing an extra storeman cannot be regarded seriously for that clearly would not be a consequence of the control passing from Mr. Brilliant to Mr. Dunn. The goods there could have been looked after in exactly the same way under Mr. Dunn's control as under Mr. Brilliant's. The vice of having part of the goods only under the Storekeeper's control is shown in this, that in order to obtain goods from the Storekeeper, there has to be a properly certified order, but if the Storekeeper for any reason refuses to supply goods on this order the person producing it can go to the goods which are not under Mr. Dunn's control and get what he wants without any requisition or formality whatever. I therefore cannot assume with regard to Mr. Dunn that he will any more

highly regard his responsibility in the future than he has done in the past. It seems to me that the limited control that he exercised is a very slight improvement on the utter absence of control that prevailed before his appointment. The state of affairs prevailing at the time he was appointed and when he took over the stores on hand on 1st March 1916, may be seen by the fact that according to his evidence (31702), "A certain amount of material was handed to me with an intimation that that was the balance of material purchased against stock and that that was the material which I was to check as it would be the basis of the stock held by me." It is stated (20964) that although the Accounts Branch books showed stores on hand to the value of £2,865, the stores handed over to him only amounted to £2,399; yet no inquiry seems to have been made as to the deficiency. He was to be accountable in future, but whether he was receiving the amount of goods that should properly be in stock did not seem to matter. This is further shown by the facts as to cement. When Mr. Francis put Mr. Dunn in charge there was on hand a large quantity of cement stacked in such a way that the number of bags could not be ascertained without pulling down the whole heap and re-stacking. Mr. Francis thought that the cost of doing this, about £70, would not be justified, and therefore decided that Mr. Dunn should take it over without counting it, and that he should only be responsible for the cement that he received and dealt with in the future. Mr. Brilliant, who seems to have had control of the cement, had kept a record of what was received from time to time and of what was used on the various works, and another account intended to record identical transactions was kept by the Accounts Branch of the Department of Works. According to Mr. Brilliant's statement the amount of cement on hand was 10,549 bags, valued at £4,805 15s. 11d., and 4,874 casks valued at £3,411 16s., making a total of £8,217 11s. 11d. The quantity, according to the Works account was £6,877 6s. 7d. to which was added the cost of handling, £87 19s. 1d., making a total of £6,915 4s. 8d. Mr. Bethell having made account of the cement on hand in November 1916, found that there was a deficiency of £1,115 10s. 5d. Mr. Francis says that there was no shortage in the cement (20971), that "if the accounts are properly stated there is no shortage at all" and (20993) he elaborates this assertion by a lengthy statement of figures intended to show that the total of Mr. Brilliant's account is wrong and that in reality the shortage does not exist. I have not attempted to solve the puzzle presented on his figures, because the result of all his figures is this, that the cement on hand is £1,938 too much. If his figures had purported to show a balance I should have been obliged to follow them closely, to see whether they were right, but as he tried to prove his assertion by saying that there was in value of cement £1,938 worth more than there ought to be, I refuse to accept this as proof that no shortage existed. In some later evidence he produced further figures (30603) to show that there is in stock £186 worth of cement more than there should be, that being the difference between the balance according to the Works account figures and the actual amount in stock, and he asks me upon these figures to find that there has been this strange profit in cement. I am unable to do so. Mr. Dunn also puts forward some theories, strange to an accountant, with regard to this shortage. In his earlier evidence he said (31346) he could only "account for the shortage by assuming that some cement had been taken in an improper way": that he "could not account for the shortage" which represented 4,663 bags. He stated that there had been a dispute with a contractor as to whether a certain 100 casks had been delivered and that Mr. Francis had said that as there were in stock "44 more casks than there should be the contractor was probably right" (31312.) As to this matter of casks of cement, there had been only one purchase of casks, and the facts with regard to it are illustrative of the way in which accounts were kept. The purchase comprised 5,208 casks of cement sold from an interned ship. There was a claim against the railways for non-delivery of 97 of these casks but in the account although 5,111 casks had been received the debit for some unknown reason was for 5,066 casks only. This clearly was the reason of the surplus of 44 casks. But with regard to the bags of cement and their total value, Mr. Dunn puts forward an explanation with regard to a part of the deficiency. Before mentioning this more particularly I have to say that I was not favourably impressed with Mr. Dunn's evidence, particularly with regard to the matter I now refer to. He had given evidence on Saturday 27th January at Canberra and had been closely pressed as to the deficiency of bags of cement, and had given the answers that had already been cited. Then on Monday he stated that he wished to correct his statement "that the cement accounts were correct," because he had "discovered that they were not correct" and he then produced documents which he said accounted for 2,970 bags. These documents contained figures which he had prepared a month before and had



sent to the Administrator on 29th December, 1916. He stated that on "thinking over his evidence he found that he had not given it correctly," and when asked why he had not mentioned this explanation on Saturday, said, "I do not see how I could have brought it in"; a reason which seems to me to be inadequate. I am inclined to the belief that the real reason why it was not put forward was because it was as unconvincing to Mr. Dunn as it has been unsatisfactory to me. Mr. Dunn took charge of the cement on 1st March, 1916. The explanation that he now puts forward is that on 23rd February 1916, eleven truckloads of cement had been loaded on the traction trailers, but although they were not then taken by Mr. Brilliant into his stores, he had debited his account with them as though they had been received, and that therefore the total as shown in his books was 2,970 bags in excess, which would account for so much of the deficiency of 4,663 bags. But on the stock card produced (Exhibit C.73) it is shown that these bags were not received into stock until the 1st April 1916, so that I am asked to infer that they were on the trailers for five weeks. The evidence as to there being such an error is an unsigned memorandum attached to the stores card asserting that it was admitted by the stores office that this entry of 1st April is "Wrong by 2,970 bags," and Colonel Miller in Exhibit B.249 says with regard to this that Mr. Brilliant had said to him during February 1916 "he had received 2,970 bags of cement on account of Order No. 2403, and that these 2,970 bags were in the stock of 18,760 bags when it was handed over by Mr. Brilliant to Mr. Francis on 1st March 1916." If so Mr. Brilliant's total is not liable to any reduction. But the record on the stock card is that the bags were received on the 1st April 1916. The explanation is entirely unsatisfactory. The shortage of 4,663 bags was alleged to be in respect of the cement handed over by Mr. Brilliant to Mr. Francis. It is impossible to prove that that quantity was wrongly stated by saying that Mr. Dunn debited himself with 2,970 more bags than he actually received on 1st April. As to Mr. Dunn's explanation on this point I find that his memorandum to the Administrator includes some figures that I have not tried to follow because it reaches the extraordinary conclusion that "taking tally on 26th September 1916, it is correct that there was excess of 722 bags of cement in stock." I cannot accept this conclusion nor the figures that show it. One more point as to the way in which Mr. Dunn's accounts are kept. In Exhibit C.73 which he produced there is a stores card showing the receipt of cement. The first entry is on 30th April 1916, the next following is on the 29th April, and the next and last is on the 1st of that month, recording the receipt of 4,320 bags, which include the 2,970 in question. The entries on the credit side of that card appear in proper order of date. As to the excess of 44 casks, C.74 debits as stock taken over from Mr. Brilliant only 5,066 casks, whereas a red ink memorandum on the face of the same card says that the number of casks received by Mr. Brilliant was 5,111; and Mr. Dunn's stock is accordingly 44 casks over, one cask having somehow disappeared. Cement should be very easily accounted for; it comes in and goes out in the same form either in casks or bags. Yet on the evidence given, according to Mr. Bethell there is a shortage of 4,663 bags, a surplus of 44 casks and a value shortage of £1,115. Mr. Francis says there "is no shortage at all," also that "there is a surplus of £186," and also "a surplus of £1,938," while Mr. Dunn says allowing for 2,970 bags said to have been debited in error that "there is a shortage of 1,693 bags," which he assumes were "taken in an improper manner," and also that there is "an excess of 722 bags." The Accounts branch says there was an excess of cement to the value of £186. To me the most astonishing thing about the whole of this deplorable business is that officers seem to think that they have satisfactorily explained everything, when they have by statement of many figures produced an impossible surplus.

30. One thing more as to the control of stores at Canberra needs to be stated, and that is that up to three months ago there was neither a weighbridge at Canberra station, nor scales, and therefore goods received had to be taken on trust as to weight, the way-bill if it came with the goods being accepted, and if not, there was no means of ascertaining the weight of a consignment. The scales supplied recently weigh up to 25 cwt., and this maximum is stated to be, and probably is, sufficient for all goods except coal. There the way-bill of the despatching station must still be accepted.

#### FINANCES AT CANBERRA.

31. The lack of Parliamentary control over the finances at Canberra is sufficiently shown by the fact that the expenditure is not limited to items nor even sub-divisions, and that although the Minister may indicate the main items of intended expenditure,

he is not in any way bound to apply the moneys voted to those purposes. The lack of Ministerial control must be shown by instances of expenditure without the authority of the Minister or in excess of authority given by him. The two allocations already referred to are evidence in point, for as has been shown, the moneys were expended upon particular works or services without precedent authority by the Minister and when, later, allocation was made in excess of authority, or without authority, no confirmation by the Minister was ever obtained. The expenditure on the Nursery mentioned in paragraph 16 is a strong instance of this irregularity. But first it may be mentioned that the Minister's authority although formally given was subject in practice to alteration by the Authority bookkeeper. It is stated (9753-7) that the balance of the Minister's authority was recorded by the bookkeeper at the close of each year and carried forward, and when the Minister issued a new authority for further expenditure in the following year, the latter authority was reduced by the amount of the balance carried forward. If the Minister in any one year approved of the expenditure of £1,000 and there was a balance of £930 carried forward the Minister's authority for that year would be cut down to £10, the difference between the amount of the authority and the amount carried forward: and it is admitted (9757) that the Minister would have no knowledge of that reduction. This matter is important, because money authorized as for one item and not used for that purpose has, under the custom at Canberra, been made available for any item of expenditure. At first this practice of carrying forward the unexpended balance of authority obtained to a certain extent but in the books in recent years it seems not to have been done: the reason for the omission no doubt being that the Minister's authority was so little regarded that it did not matter what amount had been authorized in one year or another, or at all. On this point Mr. Piggini's evidence (9776-83) is clear. He stated that "The Authority book is supposed to be a check that the Minister's approval has not been exceeded," but on being shown that on the item under consideration the authority had been exceeded by £5,000, he says, "In connexion with the main works last year it was the custom for the Administrator and Senior Works Officer to go through these approvals from time to time, and where the work was not gone on with to allocate an amount from that work to another, when it was found that the amount provided was not sufficient to carry them over the period for which provision had been made." On its being pointed out to him that this and other amounts were being charged and paid for without any Ministerial authority for the expenditure his reply was, "It was the custom to do that." And (9782) on its being further pointed out to him that from the 1st of March this year moneys were being expended at the Cotter Dam without any Ministerial authority his answer was, "Not exactly, the facts are that the expenditure was being incurred in connexion with the main authority which was the custom at the time to transfer from one to the other main works and it was the Authority bookkeeper's responsibility to see that this expenditure would not exceed the total Ministerial authority"; and he admits (9783) that the authority for that item had been exceeded. What is put forward here is that the officers according to the "practice at Canberra," were entitled to spend on one work money that had been authorized by the Minister to be expended on another. An instance of this practice is shown in B.130 where it is recorded that the Administrator, Mr. Hill, and Mr. Kimmond in December 1913 without reference to the Minister varied the authorities by reducing the amounts authorized for certain items by £55,425, and by increasing others to the extent of £15,281. Two other instances may be given. On 30th November 1915, the Honorable King O'Malley, Minister for Home Affairs, issued a memorandum to the Acting Secretary as follows:—

"In regard to the attached statement of authorized and actual expenditure in connexion with the Federal Capital Territory, I direct that no further expenditure beyond the amount of actual expenditure to date shall be incurred without submission to me for my approval."

This minute seems not to have been at all regarded. Expenditure went on just as before and without any close adherence to the Minister's authorizations. Then on 27th January 1916, Mr. Piggini prepared a list of works in case of which the authorized expenditure and actual expenditure were stated in parallel columns, and with the estimate of probable expenditure to 31st March, and a proposed disposition of moneys to provide for expenditure. That list shows (B.140) that at the date of the memorandum there had been an excess of expenditure in respect of two items; upon road construction for which £3,000 had been authorized, and £4,108 had been expended; the expenditure on this item increased to £3,411 before the end of the year and the excess thus reached £5,411: for draughtsmen, engineers &c., the authorization was £4,800 for the year and the

expenditure was £354 in excess of that amount. To provide for the probable expenditure in excess of authority intended in respect of eight items, and amounting altogether to £14,075, Mr. Piggin proposed to transfer £14,075, portion of the amount of £35,000 authorized for "cast-iron pipe mains," and to distribute it in varying amounts; £1,000 in the case of brick-works, £2,500 for road constructions, £2,800 for draftsmen, engineers, and other smaller amounts for other items. This document was sent by him to Mr. H. L. Walters, and by Mr. Walters, who stated that he had "conferred with the engineer who concurred in the proposal," forwarded to Mr. Bingle, Acting Secretary. Mr. Bingle marked this "Approved, total original authority not being exceeded," and signed it as "Acting Secretary," and it was again signed by Mr. Piggin on 3rd February, and so the Minister's authorizations in respect of items stated in this list were, without his knowledge and without his approval, altered, and the alterations acted upon. Mr. Bingle says that this document ought to have been shown to the Minister and he asserts the Minister's absence from Melbourne as a reason why this was not done. But I do not think, looking at the document, that it was ever intended that the Minister should approve of the alterations of authority. Mr. Bingle purports to sign on his own authority and I think it is clear that it was intended that the matter should be so adjusted by the officers, without the knowledge of the Minister, and without regard to his minute. Another case in point is more recent. On the 14th July 1916, Mr. Piggin forwarded to Mr. Walters, the sub-accountant, a report showing that the authorized expenditure had been exceeded in certain instances and said that "in order to provide sufficient to cover the expenditure on each work I would suggest that the following transfers be approved." The first of the transfers that he suggests is that £15,466 should be taken from the same ornamental item of "cast-iron pipe mains" as before and should be credited to work-shops, cottor-dams, sewers, and brick-works. The amount of authority available for 1916 for "cast-iron pipe mains" was £16,425. This was the balance remaining after the account had been reduced by the transfer of £14,075 already noticed on account of cast-iron pipe mains only £912 19s. 11d. had in 1915-16 been spent. From the authority for the railway from Queanbeyan to Canberra, £3,912, only £818 had been spent, and from the balance of £3,094, Mr. Piggin proposed that the Red Hill Reservoir authority should be increased by £1,428, and that the authority for draftsmen, engineers &c., should be increased by £1,454. Other transfers from other authorities amounting in round numbers to £6,300 were also recommended: a further significant suggestion being that it was proposed to transfer from power-house plant £1,573 2s., an authority that would represent a permanent asset, a sum of £1,316 for running and miscellaneous expenses, which would represent nothing more than current expenses. The schedule itself shows that there had been excess expenditure in respect of brick-works £1,579, work-shop £2,233, dam and reservoir Cotter River £4,997, power-house mains £2,706, road construction £3,233, service reservoir Red Hill £1,428, draftsmen, engineers &c. £1,454, main sewer and part minor sewer £6,657 0s. 7d., running and miscellaneous expenses £1,316 6s. 8d., and travelling expenses £140 5s. 5d., making a total of £25,746. This proposed transfer was not carried out. Whether it reached Mr. Bingle or not the papers do not indicate, and therefore as no transfers have been made up to the present time the following accounts show excesses as indicated:—Brick-works £1,689, the authority is stated at £18,000 and this appears to be made up of the Minister's authorization of £14,000 and the transfer from cast-iron pipes in February 1916, of £4,000, so that really the excess expenditure is £5,689. Workshops &c., shows the expenditure of £9,732 17s. 10d. against an authority of £6,810. Included in the authority for this work on earlier pages of the account was a credit of £300 from "original authority" and numbered 15/292, but this seems to have been for some special work and is not included in the authority afterwards, although it is added in with the meaningless total in the first line of the page. Another authority of £300 stated in an earlier page of the account is also omitted, but the authority for £6,810 includes the unauthorized transfer from cast-iron pipes under the previous allocation £1,500, and therefore the excess of expenditure on this account really is £4,422. For the dam and reservoir Cotter River, the expenditure reached £25,002, or £5,000 in excess of the amount authorized. It is unnecessary to go through the other accounts on which excess was shown in Mr. Piggin's statement, but the fact remains that in this last completed year the expenditure in excess of the Minister's authority in respect of the cases cited exceeds £25,000. Instances of such excesses could be multiplied, but in view of the evidence that expenditure beyond or without authority was the "practice at Canberra" I do not think this labour necessary.

32. Another matter that points to great laxity in the finances is one that has already been referred to in respect of traction engines. It has been shown that two of the engines had been debited to "cast-iron pipes," and "Cotter River Road" respectively, so that there is still £3,976 of purchase money for traction engines to be accounted for, and the only thing that one can certainly say is that it has not been debited to the account that it ought to have been, namely "traction engine account." It is hardly necessary to emphasize the importance of these unjustifiable entries the fact being clear that officers by this means could carry out works and purchase plant without the knowledge and even against the instructions of the Minister. The debit to traction engine account at the end of 1915-16 is £685 3s. 9d., and this represents only the loss on working during that financial year. Mr. Piggin supplied further figures showing receipts and expenditure on that date was £1,436. This account is supposed to be credited with amounts at the rate of 7s. 6d. per hour working time for all the haulage done by the traction engines for other works. Working these figures out I found that instead of charging 7s. 6d. per hour the proper charge allowing for depreciation should be 18s. 6d. per hour, and upon my suggesting this to Mr. Piggin he was able to point out that this was not so "because no credits had been entered up since November." Seven traction engines, or at least five, as that is the average in work, had been working during that time, and almost day by day there should have been some credit given to their work and debited to other works or services. But the extraordinary laxity in making these entries is only in accordance with what is found in other directions. Looking at the account I am very much inclined to doubt whether this alleged system of allowing 7s. 6d. or any sum per hour has ever been followed. The credits in just half the number of cases where credits have been made are simply described as "Dr. various authorities" and in these cases there is no reference whatever to any voucher or account on any other page in the Authority book. In the other cases of credits the entry is "Dr. other votes." The amounts credited which very frequently include odd shillings and pence, do not seem to be the product of an hourly charge at the rate stated. On the left-hand page of the account no authority for the account is stated, but there is a pencil note to the effect that "authority is being obtained." Mr. Piggin is confident that it was obtained, but there is nothing to show this, still one cannot infer from the fact of its not being entered in the book that it ought not to have been. The first traction engine was purchased in May 1911. This working account was not opened until 10th March 1916. To what accounts traction engine expenses were debited in the interim I have not ascertained.

#### REQUIREMENTS OF THE AUDIT ACT.

33. Evidence having been given of the absence of any proper accounting for stores, and of expenditure of moneys without the Minister's authority, it became necessary to take the evidence of Mr. I. W. Israel, Auditor-General, a position that he has held for fifteen years. Section 40 of the *Audit Act* 1901-12 provides that the Treasurer shall keep a Cash book in which all receipts and payments shall be entered, and shall send all vouchers for these entries with a cash sheet to the Auditor-General who shall, 41 (c),

ascertain whether the moneys mentioned on the credit side of the cash sheet have been actually and duly disbursed under competent authority and on the prescribed certificates.

and

(d) whether the moneys mentioned in such entries have been debited to the proper heads of expenditure.

Mr. Israel as to that section says (19267) "The vouchers on the face of them indicate the Minister's authority and are supported by the signatures of the proper certifying officer." He further states that he has been advised by a former Attorney-General "That there is no obligation on the part of the Auditor-General to go behind the certifying officer." I have not seen that opinion and do not know how the requirement that the Auditor-General should ascertain "whether moneys have been actually and duly disbursed under competent authority"—as well as "on the prescribed certificates"—is dealt with, nor the view that it asserts as to the duty to ascertain "Whether moneys have been debited to the proper heads of expenditure."

34. Section 41 also provides that the Auditor-General shall ascertain whether the moneys paid were legally available for and applicable to the service or purpose to which the same shall have been applied or charged. Section 42 (2) provides that—

If it shall appear to the Auditor-General from any examination, audit, or inspection made by him or any person appointed by him;

(c) that any money shall have been applied or charged to any service or purpose to which the same is not legally available or applicable or

(d) that any expenditure shall not have been duly authorized.

he shall take certain steps to surcharge the Treasurer. These requirements are not, as I understand, covered by the opinion referred to. It is not suggested that there ever has been any attempt to comply with those provisions with regard to accounts at Canberra. Excesses of expenditure beyond the Minister's authority, and expenditure without any authority of the Minister, admittedly would not have been detected in any audit that has been carried out at Canberra. The Authority book is never looked at in audit, and the only duty performed by the Officer of the audit has been to check the Cash book and the entries in the Appropriation book, and to see that the total expenditure as shown in the latter book, does not exceed the total of the Treasury Warrants.

35. The Auditor-General puts forward the view (19264) that money is available at Canberra as soon as it has been voted by Parliament, and he does not take the word "applicable" in the Section to have any reference to the Minister's authorization, and therefore the contention is that as soon as Parliament has voted a total sum for works at Canberra, the money voted is "applicable" to any payments that Officers without the knowledge or authority of the Minister may certify. I cannot take this view of the requirements of the section. I think that the Auditor-General was bound to see not only that the money was "available" under the Treasury authority, but also that it was "applicable" under the authority of the Minister; and upon that view I must find that there has been failure to comply with the requirement stated. The money voted by Parliament, in the form in which this vote was made, must be taken to be the amount to be expended under the Minister's direction, and not to be "applicable" to any expenditure until his authority has been given. To view it as a vote to be expended by the officers at their sole discretion is not only inconsistent with the constitutional practice of Ministerial responsibility for expenditure, but what is of greater consequence here is also inconsistent with what I regard to be the clear construction of the Act.

36. The Auditor-General puts his contention somewhat further. He was asked (19270) whether he regarded the accounts at Canberra as being entirely outside the Audit Act, and his reply was "Yes, that is a departmental system entirely outside the Audit Act; it is not necessary to the carrying out of the will of Parliament or the requirements of the Audit Act." Upon revision of his evidence the Auditor-General suggested the insertion after the word "accounts" of the words "in relation to the Authority book." These words were not in the question as put, and they are inconsistent with the contention that he had before then made in evidence, and with the contention that he subsequently put forward. For instance he says (19278) as to the Appropriation ledgers "I do not regard those books as being within the Audit Act for checking purposes." He also puts forward another contention in relief of his responsibility under the Act. He says (19268) he is advised that it is

"An established practice in the Home Affairs Department to allow an excess on a particular item under what they call a Main authority to be incurred and take it from another item under that Main authority, anticipating the Minister's approval of such transfer and that the Minister has invariably confirmed that transfer. I am advised by the Department that the Minister has never refused to confirm an alteration of his own authority. I do not regard the Minister's authority as having any application to this section."

The contention here is in effect that the practice of the Department has amended the Act. Further (19282) he states

"My inquiries have satisfied me that where an excess has occurred the officer invariably calls up the officer concerned who is keeping the accounts and brings it under the notice of the Minister, who approves of any excess made or variation of his authority, and in that way all temporary overdrafts on that account have been covered up and approved, so that in the end there is no such thing as an excess of Ministerial authority, as he approves of the system that obtains."

Asked

"Although there has been excess of expenditure up to the time that the Minister ratifies it?"

He replied

"Yes, I am informed by the Department that he has never failed to ratify any temporary overdraft of his authority."

The contention is here made that the Minister has handed over his power of authorization to the officers at Canberra. The mischief that has resulted from the want of control of expenditure at Canberra would, I think, have been averted by an exercise of what I regard as the Auditor-General's powers under the sections quoted.

37. Another provision of the *Audit Act* is section 45 (2)

"The Auditor-General or such person as he shall appoint shall—

(d) ascertain the quantity, description and price of all stores purchased on account of His Majesty and of all stores supplied for the use of every department of the Public Service and whether any person in the Public Service has requested for or obtained any stores in excess of the reasonable requirements of his office;

(e) examine whether the proper quantities of all such stores are remaining in stock in the proper store or building;"

There has been no attempt whatever to comply with either requirement of the section. As to the latter and perhaps more important duty of examining as to the proper quantities of stores remaining in stock, that obviously could never have been done, because there have been no books kept to show what quantity of stores of any description should be on hand at any particular date. Some records have been kept in respect of some stores, but no records sufficient to enable compliance with the section.

38. Mr. Mulliner an officer of the Audit Department visited Canberra in July 1913, and he then in his report stated

"that up to the time of inspection no proper records had been made of the various articles and stores supplied to the Territory other than that of entering up material supplied for different purposes and its disposal on various works that were being carried out, but that the Administrator had promised that proper books were to be kept to record transactions in future."

The substance of that report was under section 35 clause 2 (f) of the *Audit Act* forwarded to the Treasurer. An Examiner of the Department again visited Canberra in January 1914, and the Examiner in Charge, Mr. Robinson, made a report to the Treasurer with regard to his visit, but in the extract from that report shown to me by the Auditor-General there is no reference to the subject of Stores, and as there was then no Stores' ledger (19253) the requirements of the section could not be performed. This is admitted by Mr. Israel (19255). In the report of Mr. Robinson on the 20th August 1915, he stated that

"it is considered essential by the Audit Office that a properly organized system for recording receipts and issues of stores, material, machinery, plant or other articles should be brought into operation as soon as possible,"

and suggested that

"If big works were going to be put in hand a Stores Branch should be formed through which goods of any kind and for any branch of the Department, pass, so that a correct record should be kept."

That report was sent to the Acting Secretary, Department of Home Affairs, and a reply received

"That a central store has now been established at the Power-house, Canberra, where all goods will be received and issued. A Stores' Officer and staff have been appointed;"

and it is stated by Mr. Israel that as far as could be done, Mr. Robinson was examining stores at Canberra on the 29th November 1916.

39. It does appear therefore that with regard to the requirement as to the inspection of stores, although the duty has never been performed, the fault has been rather with the Home Affairs Department for not keeping proper stores' records than with the Department of the Auditor-General. At the same time it is clear that the action of the Audit Department should have been more prompt and peremptory in respect of the endeavours made to bring about a better state of affairs.

## RECOMMENDATIONS.

Upon the facts stated herein I desire to make recommendations as follow:—

- (1) That in future the estimates for works and services at the Federal Capital should be submitted to Parliament in the ordinary form of sub-division and items.

This would ensure Parliamentary control and also Ministerial control of the expenditure. I find that there is a memorandum by the Treasurer dated 1st May 1914, stating that "in order to overcome the difficulty in arranging for transfers under section 37 of the Audit Act from item to item of the subdivision, the Treasurer has authorized expenditure not exceeding the total amount voted for such sub-division. Immediately after 30th June applications should be made for such transfers as may be necessary." I think it is clear that section 37 of the Audit Act provides that the Order of the Governor-General shall be obtained before any expenditure such as is provided by the section shall be made, and in the event of future votes for the Federal Capital being made under sub-divisions and items I think that the provisions of the section should be strictly regarded.

- (2) That there should be complete and thorough review of the bookkeeping and storekeeping methods at Canberra, so as to ensure a proper accounting for Commonwealth moneys and Commonwealth property.

I do not think I am going beyond my proper function in stating my opinion that such a review could only be made and change properly effected, by an accountant, and one who will not be influenced by the practice of the Department.

- (3) That there should be an adjustment of some of the items of expenditure by correction of obvious errors. As an instance, I would suggest that a Traction Engine Capital Account should be opened and debited with the cost of traction engines so far purchased, and the accounts which have been loaded with the purchase money of those engines should be credited. Other like adjustments making for accuracy would no doubt suggest themselves to an accountant upon a review of the books. I cannot recommend that any endeavour be made to attain complete accuracy in the statement of the accounts hitherto kept. I doubt whether it is worth while even to endeavour to ascertain the sources of error in respect of the shortage of £2,417; the reasons why I hold this latter opinion have already been indicated.

I have the honour to be,

Your Excellency's most obedient servant,

(Signed) WILFRED BLACKET,  
Commissioner.