

R E P O R T.

ATIONAL EXPENDITURE

*Ordered, by The House of Commons, to be Printed,
4 December 1902.*

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1902.

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R E P O R T

FROM THE

SELECT COMMITTEE

ON

ATIONAL EXPENDITURE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

*Ordered, by The House of Commons, to be Printed,
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1902.

ORDER OF REFERENCE.

NATIONAL EXPENDITURE.

Ordered,—[*Wednesday, 28th May 1902*]:—That a Select Committee be appointed to whether any plan can be advantageously adopted for enabling the House, by Select Committee otherwise, more effectively to make an examination, not involving criticisms of policy, in details of National Expenditure.—(Mr. *Balfour*.)

[*Tuesday, 8th July 1902*]:—Mr. Austen Chamberlain, Mr. Churchill, and Mr. nominated Members of the Select Committee.

Motion made, and Question proposed, "That Sir John Dorington, be one other Member Committee."—(Sir *William Walrond*;)—And the Motion being opposed, Mr. Speaker permitting a brief statement from the Member who opposed and from the Member who the Motion respectively, put the Question thereon in pursuance of Standing Order 16.

Question agreed to.

Sir James Fergusson, Sir Walter Foster, Mr. Bonar Law, Mr. Hugh Law, Mr. Lough, Sir M'Iver, Sir Robert Mowbray, Mr. W. F. D. Smith, Mr. Trevelyan, Sir Edgar Vincent, and Eugene Wason nominated other Members of the Select Committee.

Ordered, That the Committee have power to send for persons, papers, and records.

Ordered, That Five be the quorum.—(Sir *William Walrond*.)

Ordered,—[*Tuesday, 21st October 1902*]:—That Mr. Austen Chamberlain be discharged the Select Committee.—(Sir *Alexander Acland-Hood*.)

Motion made, and Question proposed, "That Mr. Hayes Fisher be added to the Committee."—(Sir *Alexander Acland-Hood*;)—And the Motion being opposed, Mr. Speaker permitting a brief statement from a Member opposing the Motion, put the Question in pursuance of Standing Order No. 16:—The House *divided*; Ayes 222, Noes 76.

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R E P O R T.

THE SELECT COMMITTEE appointed to inquire whether any plan can be advantageously adopted for enabling the HOUSE, by SELECT COMMITTEE or otherwise, more effectively to make an examination, not involving criticisms of policy, into the details of NATIONAL EXPENDITURE;—HAVE agreed to the following REPORT:—

YOUR COMMITTEE were nominated on the 8th July, held their first meeting on the 15th July, and since that date have examined a number of important Witnesses. They are of opinion that they have now taken sufficient Evidence for the purposes of the Inquiry, but at this late period of the Session it is not in their power to present a final Report on the matters referred to them. They have, therefore, agreed to report to the House the Evidence taken, and to recommend that a Committee upon the same subject be re-appointed in the next Session of Parliament.

4 December 1902.

PROCEEDINGS OF THE COMMITTEE.

Tuesday, 15th July 1902.

MEMBERS PRESENT:

Sir Walter Foster.
Mr. Trevelyan.
Mr. Lough.
Sir James Fergusson.
Mr. Eugene Wason.
Sir Lewis M'Iver.
Mr. Churchill.

Mr. Bonar Law.
Sir Edgar Vincent.
Mr. W. F. D. Smith.
Sir John Dorington.
Sir Robert Mowbray.
Mr. Austen Chamberlain.

Sir JAMES FERGUSSON was called to the Chair.

The Committee deliberated.

[Adjourned till Tuesday next, at Twelve o'clock

Tuesday, 22nd July 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Austen Chamberlain.
Mr. Bonar Law.
Mr. W. F. D. Smith.
Mr. Dillon.
Mr. Trevelyan.
Mr. Eugene Wason.

Sir Edgar Vincent.
Mr. Churchill.
Sir Walter Foster.
Mr. Lough.
Mr. Hugh Law.

Mr. *William Blain* was examined.

[Adjourned till Friday next, at Twelve o'clock

Friday, 25th July 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Austen Chamberlain.
Mr. Bonar Law.
Mr. Dillon.
Sir Walter Foster.

Mr. Eugene Wason.
Sir Lewis M'Iver.
Mr. Churchill.
Mr. Lough.

Sir *Eldon Gorst*, K.C.B., was examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 30th July 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Churchill.
Sir Edgar Vincent.
Mr. Trevelyan.
Mr. Eugene Wason.
Sir Lewis M'Iver.
Mr. Dillon.

Mr. Lough.
Mr. Austen Chamberlain.
Mr. Bonar Law.
Mr. W. F. D. Smith.
Mr. Hugh Law.
Sir Walter Foster.

Mr. *Robert Chalmers*, C.B., and Sir *Richard Awdry*, K.C.B., were examined.

[Adjourned till Tuesday next, at Twelve o'clock.

SELECT COMMITTEE ON NATIONAL EXPENDITURE.

Tuesday, 5th August 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.
Mr. Churchill.
Sir Edgar Vincent.
Sir Lewis M'Iver.
Mr. Eugene Wason.
Mr. Trevelyan.

Sir John Dorington.
Mr. Bonar Law.
Mr. Austen Chamberlain.
Mr. Dillon.
Mr. Lough.

Mr. D. S. Richmond was examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 7th August 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Dillon.
Mr. Eugene Wason.
Mr. Bonar Law.
Sir Edgar Vincent.
Mr. Hugh Law.

Mr. Trevelyan.
Mr. Churchill.
Mr. W. F. D. Smith.
Mr. Lough.

Mr. Thomas Gibson Bowles (a Member of the House), was examined.

[Adjourned till Tuesday, 21st October, at Twelve o'clock

Tuesday, 21st October 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Hayes Fisher (added 21st October, vice Mr. Austen Chamberlain, discharged).
Mr. Bonar Law.
Mr. Trevelyan.
Sir Edgar Vincent.

Mr. Eugene Wason.
Sir Robert Mowbray.
Sir Walter Foster.
Mr. Churchill.
Mr. Lough.

The Committee deliberated.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 27th October 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.
Mr. Bonar Law.
Sir Lewis M'Iver.
Sir Edgar Vincent.

Mr. Hayes Fisher.
Sir Robert Mowbray.
Mr. Hugh Law.
Mr. Lough.

Mr. Thomas Gibson Bowles (a Member of the House), was further examined.

[Adjourned till To-morrow, at Twelve o'clock.

PROCEEDINGS OF THE

Tuesday, 28th October 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.
Sir Edgar Vincent.
Mr. Churchill.
Mr. Trevelyan.
Mr. Hayes Fisher.

Sir John Dorington.
Mr. W. F. D. Smith.
Sir Robert Mowbray
Mr. Lough.

Sir *Francis Mowatt*, G.C.B., was examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 3rd November 1902.

MEMBERS PRESENT:

Sir WALTER FOSTER in the Chair.

Sir Lewis M'Iver.
Mr. Eugene Wason.
Mr. Trevelyan.

Mr. Hayes Fisher.
Sir Edgar Vincent.
Mr. Lough.

Sir *Ralph Knox*, K.C.B., was examined.

[Adjourned till To-morrow, at Twelve o'clock.

Tuesday, 4th November 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Hayes Fisher.
Mr. Bonar Law.
Mr. Eugene Wason.

Sir Edgar Vincent.
Sir Robert Mowbray.
Sir Walter Foster.

Sir *George H. Murray*, C.B., was examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 10th November 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Bonar Law.
Mr. Eugene Wason.
Mr. Churchill.

Sir Edgar Vincent.
Mr. Hayes Fisher.
Sir Robert Mowbray.

Sir *Ralph Knox*, K.C.B., was further examined.

Mr. *Alfred Major* was examined.

[Adjourned till To-morrow, at Twelve o'clock.

Tuesday, 11th November 1902.

MEMBERS PRESENT :

Sir JAMES FERGUSSON in the Chair.

Mr. Hayes Fisher.
Mr. Bonar Law.
Sir Robert Mowbray.
Sir John Dorington.

Mr. Eugene Wason.
Sir Edgar Vincent.
Sir Walter Foster.

Sir *Edward W. Hamilton*, K.C.B., was examined.

[Adjourned till Monday next, at Twelve o'clock.

Tuesday, 18th November 1902.

MEMBERS PRESENT :

Sir JAMES FERGUSSON in the Chair.

Sir Edgar Vincent.
Sir John Dorington.
Sir Lewis M'Yer.
Mr. Eugene Wason.

Mr. Bonar Law.
Mr. Hayes Fisher.
Mr. Lough.

Mr. *Gordon W. Miller*, C.B., was examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 24th November 1902.

MEMBERS PRESENT :

Sir JAMES FERGUSSON in the Chair.

Sir Edgar Vincent.
Sir Walter Foster.
Mr. Hayes Fisher.

Mr. Eugene Wason.
Sir Robert Mowbray.
Mr. Lough.

The Right Hon. Sir *John Eldon Gorst* was examined.

[Adjourned till Thursday, the 4th December at Twelve o'clock.

Thursday, 4th December 1902.

MEMBERS PRESENT :

Sir JAMES FERGUSSON in the Chair.

Mr. Bonar Law.
Sir Edgar Vincent.
Mr. Eugene Wason.

Sir Robert Mowbray.
Mr. Hayes Fisher.
Mr. Lough.

The Lord *Welby*, G.C.B., was examined, by leave of the House of Lords.

The Committee deliberated.

DRAFT REPORT, proposed by the Chairman, brought up and read the first time, as follows :—

“YOUR Committee were nominated on the 8th July, held their first meeting on the 15th July, and since that date have examined a number of important Witnesses. They are of opinion that they have now taken sufficient Evidence for the purposes of the Inquiry, but at this late period of the Session it is not in their power to present a final Report on the matters referred to them. They have, therefore, agreed to Report to the House the Evidence taken, and to recommend that a Committee on the same subject be re-appointed in the next Session of Parliament.

Report read a second time, and *agreed to*.

Ordered, To Report : together with the Minutes of Evidence, and an Appendix.

MINUTES OF EVIDENCE.

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ARMY EXPENDITURE.

FINANCIAL ADMINISTRATION IN THE WAR OFFICE.

- I.—Military Departments.
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 - V. Special Procedure in regard to the Annual Army Estimates.
-

A P P E N D I X.

APPENDIX.

PAPER handed in by Mr. F. T. Marshall, C.B.

ARMY EXPENDITURE.

FINANCIAL ADMINISTRATION IN THE WAR OFFICE.

I.—Military Departments.

Under the order in Council of the 4th November, 1901, the following duties involving financial responsibility are (*inter alia*) assigned to the principal Military Officers of the War Department, under the supervision, in each case, of the Commander-in-Chief.

1. The Adjutant-General is charged, "with annually submitting proposals to the Commander-in-Chief for the establishments" of the Army.

2. The Quartermaster-General is charged "with supplying the Army with food, forage, fuel and light, and quarters, with land and water transport, conveyance of stores and provision of remounts; with the movement of troops, and with the distribution of their barrack stores and equipment; with administering the Army Service Corps, the Pay Department, the Veterinary Department, and the establishments employed on the above services." He also "submits proposals for the Annual Estimates for the above Services."

3. The Inspector General of Fortifications is charged "with the construction and maintenance of fortifications, barracks, and store buildings; with military railways and telegraphs and engineer stores, and with the purchase of land." He also "submits proposals for the Annual Estimates for Engineer Services, including Engineer Stores."

4. The Director-General of Ordnance is charged "with supplying the Army with Warlike Stores (except Engineer Stores), equipment and clothing; with the direction of the Ordnance Committee, and of the Manufacturing Departments of the Army." He also "administers the Army Ordnance Department and the Army Ordnance Corps," and "submits proposals for the Annual Estimates" for the services with which he is charged.

The following office instructions define the duties of certain officers subordinate to the Director-General of Ordnance, who are responsible under him for the direction of the Manufacturing Departments of the Army:—

"The Chief Superintendent of Ordnance Factories is charged with the administration and working, so far as possible upon a commercial basis, of the Ordnance Factories at Woolwich, Enfield, Waltham, and Birmingham. He will submit estimates of the expense necessary to carry out the orders he may receive for Army, Navy, India, and Colonial Services; and will prepare the accounts of expenditure incurred in the factories for audit in the Finance Division and submission to Parliament.

"The Chief Mechanical Engineer will give such advice and assistance as he may deem necessary, or as may be asked for by the Chief Superintendent, or by the Superintendents of Factories on all matters relating to the introduction, extension, improvement, and maintenance of all machinery and appliances in the Ordnance Factories. He will have free access to all Ordnance Factories, workshops, and other buildings, and will report to the Chief Superintendent on the general character and output of the work, with especial reference to speed and feed, piece-work rates, wages, quality and cost of labour, and he will advise generally as to the most economical methods by which the work can be carried out.

"He will report direct to the Chief Superintendent, who, if the recommendations involve the saving or expenditure of money, will transmit them to the Financial Secretary, through the Director-General of Ordnance."

5. The Director-General, Army Medical Service, is charged "with the administration of the Medical Establishments of the Army and of the Royal Army Medical Corps, and with the supply of Medical Stores to the Army." He also "submits proposals for the Annual Estimates for the Medical Services."

II.—Civil Department.

1. The Financial Secretary is charged, under the same Order in Council, with the following duties:—

"With financially reviewing the expenditure proposed to be provided in the Annual Estimates for Army Services, and with compiling those Estimates for submission to Parliament; with financially reviewing any proposals for new expenditure, or for any proposed redistribution of the sums allotted to the different sub-heads of the Votes for Army Services; with seeing that accounts of all expenditure of cash and stores are correctly and punctually rendered; with auditing and allowing all such expenditure, and recording the same under its proper head of service in the annual account for Parliament; with issuing all warrants for the payments of moneys; with making all imprests to accountants and others; with the financial control of the Manufacturing Departments of the Army and with controlling and recording all contracts for Army Services; and with advising the Secretary of State on all questions of Army Expenditure."

2. The Accountant-General of the Army—as an officer subordinate to the Financial Secretary (except in his capacity as “Accounting Officer”)—is not referred to in the Order in Council above-quoted; but in office instructions issued in connexion with the order, his duties are defined as follows:—

“The Accountant-General, as permanent head of the Finance Division, and Accounting Officer for all Army expenditure of cash and stores under the Exchequer and Audit Act, is charged under the Financial Secretary with compiling the Estimates for submission to Parliament; with issuing money for all Army Services; with securing that accounts of all expenditure of [cash and stores are correctly and punctually rendered; with auditing and allowing all such expenditure, and recording the same under its proper head of service in the annual account for Parliament; with issuing all warrants for the payments of moneys; with making all imprests to accountants and others; with the preparation of the annual account for Parliament; and with advising the Financial Secretary upon all financial questions.”

3. The Director of Contracts' duties are also defined, in office instructions, as follows:—

“The Director of Contracts is charged, under the Financial Secretary and in concert with the heads of the Divisions concerned, with the supervision of all contracts for transport; with the purchase or sale of supplies, stores, clothing, lands, and buildings; and with the supervision of all special local purchases. He will report the cost of production of stores in the Manufacturing Departments, in comparison with the rates at which similar stores could be purchased from the trade.”

III.—General Office Procedure in Regard to Financial Questions.

1. The Office instructions as to financial procedure are as follows:—

“The principal Military Departments have power to authorise, without previous reference to the Financial Department, all expenditure covered by regulation and provided for in the subheads of the Estimates. All papers, authorising charges in Army accounts, will be marked to the Financial Department for consideration by the auditors.

“Proposals by the principal Military Departments for new expenditure, for expenditure not provided for by regulation and in the subheads of the Estimates, for changes in authorised establishments, for new patterns, for alteration in existing patterns, or for changes in the quality of supplies or stores, or in the extent of authorised reserves, will be referred to the branch of the Financial Department which deals with the subject for report. The Financial Department will return the papers, when reported upon, to the Military Department, and the head of the Military Department concerned will obtain the decision of the Secretary of State, if there should be a difference of opinion between him and the Financial Department.

“All questions that have to be submitted to the Treasury will be referred to the Financial Department and all letters to the Treasury will be signed by the Financial Secretary after the drafts have been approved by him.

“Correspondence arising out of the examination of Army accounts, and all questions of the interpretation of regulations relating to pay and allowances, will be dealt with by the Financial Department in communication, where necessary, with the Military Department.

“Appeals, by Officers and others, against decisions given in the Financial Department will be referred to the Military Department for remarks. Where the Military and Financial Departments differ in opinion on such questions, the latter will submit the papers for the decision of the Secretary of State.”

2. The progress of expenditure under the various Votes is watched by the Finance Branch, who supply any information that may be required by the Military Departments.

3. With a view to securing that expenditure requiring Treasury sanction is not incurred without such sanction being obtained, it is laid down that “no instructions should be issued which involve expenditure without reference to the Finance Branch, if such expenditure is not covered by Warrant or regulation, or is of an abnormal character requiring Treasury sanction. In any case of doubt the Finance Branch should be consulted.”

“The Members of the Finance Branch” are also directed to “bring to the notice of the Accountant-General any case in which it may appear that Treasury concurrence ought to have been obtained, and was not obtained before expenditure was sanctioned.”

4. It should be added that the Accountant-General of the Army is *ex-officio* Chairman of a Standing Committee to which every Army Order and new regulation is referred before issue, so that no general order or change of regulation can be promulgated without his knowledge. The existence of this Committee does not, however, dispense with the necessity of referring Orders and regulations having a financial bearing to the Financial Department for consideration.

IV.—The Army Board.

1. The Army Board (which consists of the Commander-in-Chief as President, the Adjutant-General, the Quartermaster General, the Inspector-General of Fortifications, the Director-General of Ordnance, the Assistant Under-Secretary of State, the Military Secretary, the Director-General of Military Intelligence, the Director-General, Army Medical Service, and the Accountant General, together with any additional officers who may be summoned by the President), is constituted for the purpose, *inter alia*, of reporting upon—

“(a) Proposals for Estimates.

“(b) The annual Estimates prepared by Heads of Departments, and the allocation of the sums allotted for military purposes.

“(c) The establishments of officers and men of the Regular, Militia, Yeomanry, and Volunteer Forces.

“(d) Any important subject which the Commander-in-Chief or the head of a Military Department may desire to bring forward for discussion.

“(e) Such other questions as may be referred to it by the Secretary of State.”

“The Accountant-General will supply the Board with any calculations or information as to the cost of the proposals before them.”

“When proposals for Estimates are under review the Board will proceed to consider, and in their report they will indicate, the relative importance to Army requirements of the various proposals, and they will state which proposals they recommend for insertion in the Estimates of the year.

“It will also be the duty of the Board to consider and to state in their report what economies are practicable in expenditure on Military Services.”

2. The presence of the Accountant-General at the Board does not dispense with the necessity for submitting formally to the Financial Department all questions requiring financial consideration.

V.—Special Procedure in regard to the Annual Army Estimates.

1. Besides the regulations as to the functions of the Army Board in connection with the annual Estimates set forth under IV. supra), the following general instructions as to Estimate procedure are laid down :—

“When the Secretary of State has decided upon the proposals for Establishments and other services for the ensuing year, his decision will form the basis upon which the preparation of the detailed Votes and Appendices” (in the form presented to Parliament) “will be proceeded with.

“Vote 6. Transport and Remounts,

“Vote 7. Provisions, &c.,

“Vote 8. Clothing,

“Vote 9. Stores,

“Vote 10. Works,

be prepared in detail by the Military Departments concerned.

“The other Votes will be prepared and completed by the Financial Department, which will also finally incorporate all the Votes, complete the Army Estimates, and submit them to the Secretary of State.

“When the Votes for war material for the Navy and Army have been decided upon, the Financial Secretary, in consultation with the Director-General of Ordnance, the Director of Naval Ordnance, the Accountant-General of the Army, the Director of Army Contracts, and the Chief Superintendent of Ordnance Factories, will prepare a statement apportioning between the Manufacturing Departments and the contractors the sums provided under each item of the Army and Navy Store Votes, and the sum estimated to be spent on orders from India. This will form the basis of the Estimate for the Ordnance Factories.”

2. It may be added that Votes 6, 7, 8, 9, and 10 are, in practice, prepared by the Military Departments in concert with the Finance Branch.

3. Each Vote, as completed, is submitted to the Treasury with an explanatory letter showing the reasons for increases or decreases on the various sub-heads, and furnishing reference to previous correspondence when the increase has already been sanctioned by the Treasury.

REPORT

FROM THE

SELECT COMMITTEE

ON

NATIONAL EXPENDITURE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE

AND APPENDIX.

Ordered, by The House of Commons, to be Printed.

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