REPORT.

TIONAL EXPENDITU[illegible]

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

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1902.

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REPORT

FROM THE

SELECT COMMITTEE

ON

NATIONAL EXPENDITURE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

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1902.

387.

ORDER OF REFERENCE.

NATIONAL EXPENDITURE.

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

[*Tuesday*, 8*th 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, a 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*, 21*st October* 1902]:—That Mr. Austen Chamberlain be discharge 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 pur of Standing Order No. 16:—The House *divided*; Ayes 222, Noes 76.

REPORT.

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, 15*th 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, 22*nd 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, 25*th 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, 30*th 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.

Tuesday, 5th August 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.	Sir John Dorington.
Mr. Churchill.	Mr. Bonar Law.
Sir Edgar Vincent.	Mr. Austen Chamberlain.
Sir Lewis M'Iver.	Mr. Dillon.
Mr. Eugene Wason.	Mr. Lough.
Mr. Trevelyan.	

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. Trevelyan.
Mr. Eugene Wason.	Mr. Churchill.
Mr. Bonar Law.	Mr. W. F. D. Smith.
Sir Edgar Vincent.	Mr. Lough.
Mr. Hugh Law.	

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. Eugene Wason.
Mr. Bonar Law.	Sir Robert Mowbray.
Mr. Trevelyan.	Sir Walter Foster.
Sir Edgar Vincent.	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. Hayes Fisher.
Mr. Bonar Law.	Sir Robert Mowbray.
Sir Lewis M'Iver.	Mr. Hugh Law.
Sir Edgar Vincent.	Mr. Lough.

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

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

Tuesday, 28th October 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.	Sir John Dorington.
Sir Edgar Vincent.	Mr. W. F. D. Smith.
Mr. Churchill.	Sir Robert Mowbray
Mr. Trevelyan.	Mr. Lough.
Mr. Hayes Fisher.	

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. Hayes Fisher.
Mr. Eugene Wason.	Sir Edgar Vincent.
Mr. Trevelyan.	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.	Sir Edgar Vincent.
Mr. Bonar Law.	Sir Robert Mowbray.
Mr. Eugene Wason.	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.	Sir Edgar Vincent.
Mr. Eugene Wason.	Mr. Hayes Fisher.
Mr. Churchill.	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, 11*th November* 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Hayes Fisher.	Mr. Eugene Wason.
Mr. Bonar Law.	Sir Edgar Vincent.
Sir Robert Mowbray.	Sir Walter Foster.
Sir John Dorington.	

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

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

Tuesday, 18*th November* 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Edgar Vincent.	Mr. Bonar Law.
Sir John Dorington.	Mr. Hayes Fisher.
Sir Lewis M'Iver.	Mr. Lough.
Mr. Eugene Wason.	

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

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

Monday, 24*th November* 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Edgar Vincent.	Mr. Eugene Wason.
Sir Walter Foster.	Sir Robert Mowbray.
Mr. Hayes Fisher.	Mr. Lough.

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

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

Thursday, 4*th December* 1902.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Bonar Law.	Sir Robert Mowbray.
Sir Edgar Vincent.	Mr. Hayes Fisher.
Mr. Eugene Wason.	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.

LIST OF WITNESSES.

MINUTES OF EVIDENCE

Tuesday, 22nd July 1902.

MEMBERS PRESENT.

Mr. Austen Chamberlain.
Mr. Churchill.
Mr. Dillon.
Sir James Fergusson.
Sir Walter Foster.
Mr. Bonar Law.
Mr. Hugh Law.
Mr. Lough.
Mr. W. F. D. Smith.
Mr. Trevelyan.
Sir Edgar Vincent.
Mr. Eugene Wason.

THE RIGHT HONOURABLE SIR JAMES FERGUSSON, BART., G.C.S.I., IN THE CHAIR.

Mr. WILLIAM BLAIN, called in, and Examined.

Chairman.

1. Would you tell the Committee what is your rank and position in the Treasury?—I am a First-Class Clerk in the Treasury and Clerk in charge of the Estimates.

2. How long have you occupied that position?—Since February, 1899.

3. That is to say, you have been connected with the Estimates for four years?—The Estimates for 1899-1900 had been completed when I was made Estimate Clerk.

4. Then you have been connected with the Estimates for the last three years?—Yes.

5. You put in this Paper, I believe, which has been printed as Appendix Paper No. 1, which you have drawn up on purpose for this Committee?—That is so.—[*See App.* 1.]

Sir *Edgar Vincent.*

6. In paragraph 4 of this Paper which you have put in you say, "The Treasury Circular impressed upon Accounting Officers the duty of seeing that, while every necessary expense is provided for in the Estimate, the provision is restricted to such services and sums as are imperatively required." Will you tell us what precisely the office of the Accounting Officers is? Who are the Accounting Officers?—The Accounting Officer for a Vote is the officer in the Department which administers the service provided for by the Vote, on whom the duty is imposed of rendering the Appropriation Account of that Vote. The account has to be signed by him, and he is responsible for seeing that the expenditure corresponds with the Vote.

Sir *Edgar Vincent*—continued.

7. Is he subordinate to the Treasury, or does he belong to one of the respective Departments?—He belongs to the particular Department that administers the Vote, not to the Treasury.

8. He belongs to the War Office or Post Office, whichever the Department may be?—Yes.

9. He is not responsible or subordinate to the Treasury?—No; he is responsible to the Minister at the head of his own Department.

10. The point I want to bring out is whether or not he is the delegate of the Treasury in the Department, or whether he belongs to the Department itself?—The Treasury has a voice in his appointment. He must be an officer nominated by the Treasury.

11. But so far as the discipline and promotion and so forth are concerned, he belongs to the Department and not to the Treasury?—Yes.

12. Do you regard the Accounting Officer in each of these sections or Departments as responsible for the financial control of that Department?—The head of the Department, the Minister in charge of the Department, if there be a Minister, is, of course, ultimately responsible for the finances as for everything else in the Department.

13. But is the Accounting Officer responsible that the financial view is properly put forward and that the proper economy is maintained?—He is responsible for that; but there is a means by which he can divest himself of responsibility in particular cases. If it is proposed to him to sanction any expenditure from the Vote which he thinks is not a proper charge to the Vote, either

Sir *Edgar Vincent*—continued.

either because it is contrary to the wishes of Parliament, or because it is contrary to the wishes of the Treasury, it is his duty to offer objection, and if he is over-ruled by the head of his Department, it is then his duty to record his objection in writing; and if he does that he is absolved from personal responsibility, because presumably he was acting under the instructions of his superior, which he is not entitled to disobey.

14. That would apply not only to errors of form, I presume, but also to questions of extravagance or what not. Let me give a concrete instance of what I mean. Supposing he thought money was being spent without proper value being received in the Department, what would he be expected to do?—It would be his business to protest.

15. He would be protesting against the Minister under whose orders he is?—Yes; that is the duty imposed upon him by the Treasury on his appointment as Accounting Officer, that if orders are given to him which he believes to be wrong he must raise objection, and if he finds his objection is over-ruled, he must record his objection in writing; otherwise he would be held personally responsible.

16. You regard the Accounting Officer as personally responsible for economy in his Department?—Yes.

17. Does not that bring him into rather an invidious position with regard to the Minister under whose orders he is?—It might do so; but recognising the great responsibility that is imposed upon him, the Treasury endeavours to secure in every case that the Accounting Officer should be one of the highest permanent officers in the Department; in fact, they prefer that it should be the permanent head of the Department, wherever that is possible.

18. But still always without direct connection with the Treasury or direct subordination to the Treasury?—Yes, with no direct subordination to the Treasury.

19. At what period of the year does the Treasury first proceed to the detailed examination of the Estimates?—About the beginning of December.

20. That is the time when the Estimates are sent in by the Departments; they are immediately examined?—Yes.

21. What amount of detailed examination is made of the Estimate before the aggregate figure is settled by the Cabinet?—There is no aggregate figure settled by the Cabinet for the Civil Services and Revenue Departments; that applies to the Army and Navy Estimates.

22. Then they are two distinct sections?—Yes. I should say, perhaps, that my evidence here relates almost entirely to the Civil Services and Revenue Departments Estimates. Those are the only Estimates which I have directly to deal with.

23. You have not directly to deal with the Army and Navy Estimates?—No.

24. What other Departments are there outside what I may call close Treasury control besides the Army and Navy?—None other.

Sir *Edgar Vincent*—continued.

25. Your evidence relates to those which are more directly under the Treasury?—To all the Civil Services and Revenue Departments Estimates.

26. Should you consider the control over those Departments closer and more efficient than over the Army and Navy?—Decidedly.

27. That is to say, compared with the control you exercise over the Civil Services, the Post Office Services, and so forth, the control you exercise over the Army and Navy is comparatively lax?—As regards details, certainly.

28. As regards the Treasury in application to the Army and Navy, I want to know precisely what amount of detailed examination of the Army and Navy Votes is made by the Treasury, or officers under the Treasury, previously to their establishment by the Cabinet?—The establishment by the Cabinet comes first.

29. Previously to examination?—I believe so; previously to examination of the details.

30. Does that appear to you a satisfactory system?—I think it is an inevitable one.

31. On account of time?—Yes.

32. Then do I understand that the aggregate figure of the Army and Navy Votes is established by the Cabinet previously to any detailed examination by the financial Department?—By the Treasury. Of course, an important difference between the Army and Navy Estimates and the Estimates of other Departments is in the fact that both the War Office and the Admiralty have finance departments of their own.

33. Quite so; but the finance departments of the War Office and of the Admiralty are not under the Treasury?—No.

34. They are War Office and Admiralty Departments rather than Treasury?—Yes, they are.

35. Now with respect to the point of value for money received, which I take to be one of the main objects of financial control to obtain, what guarantee has the Treasury, as a Department, that the money expended on the Army and Navy is expended so as to get value for the money?—The proposals for new kinds of expenditure have to be submitted to the Treasury for sanction before the expenditure is incurred.

36. Quite so; but is any detailed examination of these very large Votes made from what I may call a financial standpoint?—Yes; by the Comptroller and Auditor-General.—[*See App. No.* 7.]

37. But is not the examination by the Comptroller and Auditor-General rather one in respect of form, and audit, and regularity, than in respect of the merit of the expenditure?—The Comptroller and Auditor-General frequently reports to the Public Accounts Committee cases in which he thinks that value has not been received for money.

38. Would the Comptroller and Auditor-General go so far as to say that he considered this or that establishment excessive?—Not if it had been sanctioned by the Treasury.

39. The point I want to get at is this: Assume as a hypothetical case that there is a Department where extravagance is going on, where the establishment

Sir *Edgar Vincent*—continued.

establishment is excessive, or where too much money is being spent, who would discover that and stop it?—If the establishment is excessive the Treasury must discover that for itself; but the other kind of extravagance, that of buying goods, for instance, at excessive prices, would, I think, very probably be discovered by the Comptroller and Auditor-General.

40. Is that distinctly within his attributions?—He certainly calls attention to cases, for instance, where an article has been bought by the War Office or Admiralty at one price, and another article of much the same character has been bought at a different price. He calls attention to cases of that kind as indicating that in the one case there may have been extravagance.

41. Is he authorised to do that; is it a clear part of the discharge of his duties, or is it rather an occasional and exceptional act on his part?—I think it is a frequent act on his part; but I am not aware that there is any regulation binding him to do it.

42. The case you gave was an obvious case of extravagance, but in the less obvious cases, such as redundant staff and so forth, would he have any power or authority to draw the attention of the Committee of Public Accounts to the case?—I certainly think not in the case of a redundant staff. It is his business to see that the staff, whatever it is, has Treasury sanction.

43. That is what I call form. That is a matter of order rather than of merit, if you follow the distinction I have in my mind?—Yes.

44. As regards the actual merit of the expenditure in the case of a redundant staff, would he be authorised to draw attention to it, or would he, as a matter of practice, draw attention to it?—I think not. I do not see how he could form an opinion upon that point.

45. If he could not do it, whose duty would it be to find it out?—The Treasury's.

46. But the Treasury do not examine the Estimate until after it has been authorised by the Cabinet in the aggregate?—That is so; but the passing of the Estimate does not necessarily sanction the expenditure. Taking the case of an Establishment beyond its necessary strength, the mere fact that the Treasury have approved of the Estimate which the Department was submitting to Parliament would not authorise the Department to increase its establishment. If the Estimate contained an establishment showing an increase over that of the previous year, they would still have to get a separate Treasury sanction for the increase of that establishment, and the Audit Office would not pass the expenditure without that.

47. As I understand it (and you will correct me if I am wrong), the Comptroller and Auditor-General looks primarily at the question of the regularity to authority and to proper accounting, and only subsidiarily to the question of value being received for money, or expenditure being necessary—is that so?—I believe that is so.

48. What I want to get at is this: Whether outside the question of auditing and accounting,

Sir *Edgar Vincent*—continued.

where I imagine the control is very efficient and close, the control is equally efficient and close in respect of merit and in respect of economy?—The expenditure itself must have received Treasury sanction, quite apart from the sanction of the Estimate. Apart from what one may call the necessary normal expenditure of the Department, new proposals, new departures, and new programmes must always come to the Treasury for sanction, and that is quite a separate matter from the approval of the Estimates.

49. That applies to increases of staff, does it not?—Yes.

50. But in a case where the staff, owing to an alteration, becomes redundant, in an office where, for instance, ten clerks were employed which now has only work for five, who raises the question whether those five ought to be reduced?—It would usually be raised by the Accounting Officer of the Department himself.

51. Who himself belongs to the office?—Yes.

52. Supposing he does not raise it, how would it be raised?—There must have been some specific cause for the change in the requirements of the office, and that would, I think, be almost invariably known to the Treasury, and they would themselves raise the question.

53. At what time would they raise it?—They may raise it without any specific occasion at all, or they may raise it on the Estimates of the Department, or they may raise it when any question comes before them with regard to the establishment of that Department of any kind whatever.

54. That is to say, they would raise it when the Department asked for an increase?—Certainly they would raise it then, and they might very well do it, even apart from that.

55. As a matter of practice, do they do it apart from that frequently?—I do not think the case frequently arises nowadays. I think it is a very rare occurrence indeed for any Government Department to find its work falling off.

56. With regard to another class of expenditure, say on stores or anything of that kind, if the Treasury considers that a high price is being paid for any particular stores, when does it, in the natural course of the year, raise the point? Let me give a specific instance, which is purely hypothetical; say, for instance, in the purchase of guns, a very large sum is expended annually, and you had reason to think at the Treasury that the price paid was in excess of the market rate, would that be raised by you, naturally, in the course of the examination of the Estimates, or not?—That is a question that arises in connection, of course, with the Army and Navy, with whose Estimates, as I say, I do not myself have to deal. I think that question would very rarely arise in the Treasury at all. I do not think the Treasury have any means of exercising control of that kind. When a proposal comes forward from the War Office to buy new guns, stating the price proposed to be paid, the Treasury might criticise it then to the best of their ability.

57. Supposing

Mr. *Churchill.*

57. Supposing it was new furniture for a Foreign Embassy, that would come under your section of the Estimates, would it not—under the Civil Services?—Yes.

58. Supposing an excessive price was paid for that new furniture, at what period would the Treasury draw attention to it?—That again is a question that would not directly come in that shape before the Treasury at all. Of course, the first security is the desire of the Department charged with the particular Vote to be economical, but the next security is the Comptroller and Auditor-General.

59. Or take, for instance, the case of paper, which comes under the set of Departments whose Estimates you are connected with; supposing too high a price is being paid for paper, no one at the Treasury draws attention to it?—Paper is supplied under contracts, and the Treasury has a voice in the settlement of those contracts.

Mr. *Austen Chamberlain.*

60. I do not know whether it comes within your knowledge that there has been a great deal of communication between the Treasury and the Stationery Office recently on the subject of their paper contracts?—Certainly.

61. Arising out of just such a point as was mentioned by the honourable Member, viz., a belief on the part of the Treasury that there was, at any rate, a *prima facie* case for supposing that the Stationery Office were purchasing for another Department an unnecessarily expensive article?—That is so.

Chairman.

62. That same matter would occur, would it not, in the case of the purchases for the Post Office, as regards contracts for post-cards or what not?—The contracts are settled with the concurrence of the Treasury. The honourable Member referred just now to the case of the purchase of furniture—tables and chairs for some particular office. That would not necessarily come before the Treasury, but if there were any reason to suppose that there was extravagance in the purchase, I believe the Comptroller and Auditor-General would call attention to it, as he has done this Session in a particular case of the purchase of certain chairs.

Mr. *Churchill.*

63. Is the Comptroller and Auditor-General authorised to call attention to that class of extravagance, or does he merely exercise in practice a control which in strict theory and correctness is not given to him?—I believe he is not bound by any regulation to call attention to such things; but he does so as a matter of habit.

Sir *Edgar Vincent.*

64. Then you consider that the Comptroller and Auditor-General would not be performing his duty if, seeing a case of extravagance, he did not report it?—I think that is so.

65. You think it is a clear duty of his?—I think so, according to his own settled traditions.

Mr. *Churchill.*

66. Is it a very old practice of the Comptroller and Auditor-General to call attention to these things, or is it one that is modern, and is increasing?—I think it has gone on ever since the Exchequer and Audit Act of 1866.

67. And yet there is no legal or regular authority for that class of scrutiny?—I am not aware that there is any definite regulation binding him to report whether he thinks that the cost of any particular article, or class of article, is greater than it need have been.

Sir *Edgar Vincent.*

68. But by practice you consider he is responsible not only for order, method, and regularity, but also for economy?—So far as he is able.

69. Now turning to another part of the subject, which is the question of the financial control by the House of Commons; to what extent does the control actually exercised by the House of Commons assist in maintaining proper economy?—I think it strengthens the hands of the Treasury very greatly.

70. In what respect?—The Treasury, if it objects to an increase of expenditure being provided on the Estimate of any Department, will take its stand on the ground that it will not be responsible for presenting an Estimate to Parliament for expenditure which it does not consider necessary.

Mr. *Churchill.*

71. Supposing the Department insists, what then?—Supposing it is the case of one of the Civil Service or Revenue Departments, the Department cannot insist against the wish of the Treasury. The Treasury is responsible for presenting the Estimates for all the Civil Services and Revenue Departments to Parliament.

Sir *Edgar Vincent.*

72. So that practically it is not a case of Parliamentary control, but it really is a case of Treasury control, the Treasury exercising its authority over a subordinate Department?—The Treasury bears in mind the criticisms that are made in Parliament on the consideration of the Estimates.

73. As regards the discussion in Parliament, what detailed information has Parliament to guide it in its discussions in Supply?—The information contained in the Estimates themselves.

74. And beyond that, nothing?—The general knowledge that Members of Parliament have of the Services administered by the Departments.

Mr. *Churchill.*

75. If the Treasury have some feeling of doubt we will say about some particular Estimate which they have presented to Parliament, is there any means by which the attention of Parliament can be directed towards that weak spot and greater scrutiny brought to bear upon it?—No, I do not think the Treasury would feel called upon to ask Parliament to say that its responsibility had not been properly exercised.

76. Then, in fact, as regards the control of Parliament

Mr. *Churchill*—continued.

Parliament, although the Treasury may utilies it in dealing with other Departments, the control or influence of Parliament is, in fact, quite blindly exercised, without any accurate or definite knowledge of the points to which criticism might be directed?—They have all the details of the Estimates before them.

77. In regard to new expenditure, the control of the Treasury is, I understand, always directed very particularly to new expenditure and new demands which are made by a Department?—Certainly.

78. But what control is there over obsolete expenditure? I see in paragraph 4 of the Paper which you have handed in you say, "Especially are Accounting Officers cautioned against regarding one year's Estimates as the starting point for the next." Supposing the Treasury are confronted with a demand which they meet, and by that provision something else which the Department previously needed is rendered obsolete and unnecessary, who points that out? Let me take an example. Suppose there is a ferry-boat, and after a time a bridge is built, who points out that the ferry is no longer necessary?—The Treasury, when it sanctions the new service, would certainly point out to the Department that this rendered the old service obsolete, and would also say that on the Estimates of next year they would expect the expenditure on that item to disappear. That would be done by one of the divisions in the Treasury. The divisions have the Departments classed among them, and any Treasury Paper on the question would be referred to the Estimate Clerk, who would make a note of it and see that it was carried out when the Estimates came before him.

79. That is to say, when the services involved are of such a nature that ordinary knowledge of affairs would enable the Treasury to detect the existence of obsolete expenditure?—Yes.

80. But supposing it were a very technical point? Supposing, for instance, an improvement in one kind of machinery rendered another kind of machinery unnecessary, then the Treasury would have no knowledge to guide them in detecting the obsolete expenditure?—The Treasury have to try to have knowledge, so far as they can, on all subjects which all the Departments of the Government deal with. It is true, no doubt, that when it comes to technical questions the Treasury cannot be expected to know as much as the Department itself would know, and there must be cases where it must be left to the officer controlling finance within the Department itself.

81. You mean the Accounting Officer?—It would be the Accounting Officer ultimately. But, of course, if the expenditure has become obsolete it ought to appear on the Appropriation Account of the Vote, that money has not been expended which was taken in the Estimate. Then the Treasury examination of the new Estimate, with the accounts of the expenditure of the previous year, would come in as a check.

82. Does the Treasury ever attempt to weigh the relative merits of two proposals which are put forward? For instance, in the case I put of a ferry and a bridge, would the Treasury urge that the ferry did the work nearly as well as the bridge, and at a very much smaller charge?—I might almost say that that is the constant business of the Treasury, not in connection necessarily with the Estimates, but when proposals are coming from Departments before the Treasury for any new item of expenditure, to see if they cannot suggest something else which is cheaper.

83. When the matter is of a technical nature the Treasury are, of course, unable to exercise that control?—Not absolutely; they have means of getting to understand even technical questions to a certain extent.

84. What means?—There are some officers in the Treasury who have themselves considerable knowledge beyond the mere knowledge of clerks about business affairs; and then they also frequently communicate privately with the officers of the Department concerned.

85. Are these officers who have this general knowledge, which would enable them to detect obsolete expenditure of a technical character, what you call in your Paper the Estimate Clerks?—No.

86. Would they be in a position above that?—They are Principal Clerks.

87. I do not see it mentioned in the Paper you have handed in. When would that scrutiny take place?—If the honourable Member will look at the last paragraph but one on page 2 of that memorandum he will see it is referred to there.

88. Yes, I see the Principal Clerks are referred to there?—The Principal Clerks in the Treasury are a very great stronghold, because each Principal Clerk is in charge of a division, which deals with a certain number of Departments as regards all their expenditure, and he is in constant communication, not only in the ordinary way of official correspondence, but privately also, with the heads of those Departments, and acquires a considerable knowledge of the internal affairs of those Departments.

89. You mean he deals with the same class of Estimates year by year?—Not the Estimates specially, but with all that goes on in the Department, so far as it has a financial aspect at all. The Principal Clerk in charge of the Revenue Departments, for instance, has a considerable knowledge of what goes on in the Post Office.

90. Turning for one moment to the question of "reduction of Estimates in the House of Commons," I see you have given on page 4 a list of cases where Estimates have been reduced?—That is so.

91. Is that a complete list practically, or are they mere specimens of reductions?—It is certainly intended to be complete. It is rather difficult to know what would be a complete statement. One or two items which had been put in this list have been struck out as not being necessary to put before the Committee. For instance, I might mention the case of a Vote of 5*l.* for the Army Medical Department, which was taken in order to allow a discussion

Mr. *Churchill*—continued.

cussion on South African hospitals. That Vote was dropped before Report.

92. There is also the case of the Cordite Vote? —Yes, that was another case which was struck out on the same ground. The money was actually re-voted afterwards in that case.

Mr. *Austen Chamberlain*.

93. I should like to ask you one or two questions. First, on the point of the knowledge possessed by the Treasury, you have described to the Committee the grouping of the work of the Treasury in certain divisions, each presided over by a Principal Clerk?—Yes.

94. In the first place, you have said that by experience and by personal communication with members of the staff of the spending Departments, these Principal Clerks are enabled to get a very considerable knowledge even of the technical side of the work of the spending Departments?—I believe that is so.

95. Is it the case that they also have assistance in many cases from clerks who have been transferred to the Treasury from those other Departments?—I do not myself attach much importance to that.

96. Take, for instance, the case of the Principal Clerk who deals with the Revenue Departments; he had until quite recently working under him a former Post Office clerk, had he not?—Yes.

97. And that Post Office clerk was certainly in a position to give him very detailed knowledge of Post Office working; was not that so?—That was so; and I think, perhaps, to some extent, because he continued to have special relation with the Post Office after his transfer to the Treasury. The reason why I do not think it very important in a general way is that a man so quickly becomes obsolete when he is transferred from a particular department.

98. I quite understand that. In regard to the matter of grouping, is it the case that the correspondence with what I may call cognate Departments is grouped under one Principal Clerk?—That is so.

99. For instance, the Principal Clerk who deals with the correspondence coming from the Army would deal also with the correspondence coming from the Navy?—Yes.

100. And the Principal Clerk who deals with the correspondence respecting the African Dependencies and Possessions of this country under the Foreign Office would also deal with the correspondence concerning the African Dependencies of this country on the West Coast under the Colonial Office?—That is the arrangement.

101. In that way he is enabled to check the proposals of one Department by the proposals and working of another Department?—Yes.

102. The question was put to you, in technical matters, such, for instance, as the purchase of stores, what control did the Treasury exercise; and I think you said that in matters of detail the Treasury was not, as a general rule, in a position to exercise control in these affairs?—That is so as regards detail.

Mr. *Austen Chamberlain*—continued.

103. Their control would be confined to main lines or to specific points to which some circumstances had drawn their attention?—Yes.

104. You were asked a good many questions as regards the Army and Navy expenditure; and although I quite understand you do not deal with them in the same way as you do with the Civil Service Estimates, I want to put to you one question upon that point. In the questions that were put to you it was rather assumed from your Memorandum that the total figure for either the Army or the Navy Estimates would be a matter of Cabinet decision; that would be substantially so, I suppose?—I believe so.

105. You were then asked whether a detailed examination of the Estimates by the Treasury was made before or after that decision?—Yes.

106. I suppose the decision of the Cabinet would probably be as regards large lines of policy; for instance, they would decide that there should be such and such a building programme for the year in the case of the Navy, or that there should be such and such a number of men maintained in the case of the Army?—I cannot speak from direct knowledge about this, of course; but I believe that is the case.

107. And that would leave to the Treasury full latitude to examine in detail all the Votes as they came along?—That would leave the Treasury latitude; but in practice the Treasury do not examine those Estimates in the same detail as they do the other Estimates.

108. Do you think from your experience of the examination of the Civil Service Estimates, and from what you know of the Army and Navy Estimates, it would be possible for the Treasury usefully to exercise the same detailed control over those great services as they do, for instance, over the Stationery Office or the Inland Revenue Department?—I do not think it would be possible. It certainly is impossible under present circumstances, because of the date at which the Army and Navy Estimates reach the Treasury.

109. But if the Treasury were to exercise such a detailed control as that they would need to be possessed of all the knowledge in the Admiralty?—That is so.

110. They would in fact become an Admiralty themselves?—Yes

111. Then passing again to the Civil Service Estimates, you were asked who would discover or how would the Treasury discover any redundancy of staff; and I think you said that such a redundancy must be caused by some circumstance which would probably be within the knowledge of the Treasury?—Yes.

112. Have you considered also as regards the information of the Treasury, and the checking of the staff of other Departments, the very frequent inter-departmental Committees which sit to consider the staff of different Departments?—Yes.

113. Within your own experience have you known many such Committees?—Yes.

Mr. *Austen Chamberlain*—continued.

114. Do you think that there is any office with a large staff where the question of its staff has not been the subject of consideration by an inter-departmental Committee on which the Treasury have been represented say within the last ten years?—I should think, probably not, as regards any large Civil Department of the ordinary kind—I should not like to say about the legal establishments particularly.

115. Do you consider that the control of the Treasury over the legal establishments is as strong as it is over most of the other Departments?—I believe not.

116. To what would you attribute that?—It has been attributed to the absence of any officer in those Departments corresponding to the head of an ordinary Civil Department.

Mr. *Bonar Law.*

117. You said in answer to Sir Edgar Vincent that in these various Departments it was the Accountant who was responsible for economy?—The Accounting Officer.

118. But surely that must only be very general, because he cannot control the placing of the contracts?—He must see all the expenditure which actually comes in course of payment out of his Vote.

119. But the chief means of exercising economy is, I take it, in buying things cheaply, and that can only be done by somebody who knows something about the value of various things, and the man at the head of any big Department like the Army or Navy cannot know the cost of all the different articles. The heads of these big departments must therefore depend upon the various men who place the contracts?—My evidence was mainly with regard to the Civil Service Departments; it does not apply in the same degree to the Army and Navy. I believe that distinction is recognised by the fact that when the Comptroller and Auditor General's Report on the Army and Navy Appropriation Accounts comes before the Public Accounts Committee, it is not merely the Accounting Officer who is summoned to defend the expenditure of the Vote, but also the various officers whom the honourable Member refers to.

120. Then I will not refer to Army and Navy, but there must be a great deal of purchasing even in the Departments which are directly under the Treasury. Is there any officer whose special duty it is to make the contracts, or are they made by the heads of the different Departments by whom they are required?—In the case of those contracts the Treasury itself would have responsibility, because the contracts would not be made without the consent of the Treasury.

121. But that must be from the nature of the case mainly formal, because nobody in the Treasury can possibly know the cost of the different articles and the best way of buying them, because that would mean, as was pointed out just now, that they were in the same position as the officers in the Department itself?—Yes.

Chairman.

122. But is it not the case that contracts, for instance, for stationery for the Post Office are made by the Treasury itself?—By the Controller of the Stationery Office with the consent of the Treasury.

Mr. *Bonar Law.*

123. As I understand, there are gentlemen in the Departments whose business it is to make these contracts?—Certainly; there is, for instance, the Controller of Telegraph Stores in the Post Office who would make the contracts in that Department.

124. In answer to Sir Edgar Vincent you said that the control as regards the Army and Navy was more lax than in the other Departments I presume you only meant that the control of the Treasury was more lax?—Yes, I believe that was the question put to me.

125. I rather thought that the words you used were open to the interpretation that there was not the same careful examination in the Departments themselves; but you did not mean that?—Certainly not.

126. You said that the Comptroller and Auditor General sometimes even checks prices?—Yes.

127. Does that apply to other Departments than those directly under the Treasury; for instance does it apply to the Army and Navy?—It applies certainly to the Army and Navy.

128. Is it not the case that that must be a more or less a haphazard check as it is quite impossible that any one man can have an intimate knowledge of all things bought by those Departments?—I think every check must be more or less haphazard unless you have all the work done twice over.

129. Then you would agree with me that the main reliance must be on the individuals in the different Departments, and in getting the proper individuals to make the purchases?—That is so.

Mr. *W. F. D. Smith.*

130. You said, I think, that the Accounting Officer has the power if he chooses to protest against the decision of the Parliamentary head of his Department?—Yes, he is not absolved from responsibility for anything his Department does that comes under the Appropriation Accounts, unless he has recorded a protest.

131. Would that extend to matters of policy?—In so far as they affect expenditure.

132. Is that power of protest a real power, is it constantly exercised within your knowledge?—Very rarely, I imagine.

133. In the case of the paper contracts which have been referred to, I suppose the connection between the Treasury and the Stationery Office is a particularly close one, is it not?—Particularly close.

134. Can you tell us how, for instance, the case which was referred to of an excessive supply, as I understand it, to one particular office arose, was it through one particular official in the Treasury

Mr. *W. F. D. Smith*—continued.

Treasury or the Stationery Office, or in the office to which the supply was sent?—I am afraid I cannot say what was the origin of that particular case.

135. Is there any particular official in the Treasury who is responsible to watch the supply in a case of that sort?—There is a Principal Clerk of one of the divisions of the Treasury who has special control over the Stationery Office and all its expenditure.

136. It would be his duty to watch the supply, I suppose?—It would be his duty to call upon the Stationery Office for explanations if he finds their expenditure is growing.

137. But that also would be a point to which the Accounting Officer of the particular Department to which the supply was sent might call attention; therefore it might have arisen in the Department to which the supply was sent?—Not the Accounting Officer of the Department to which the supply was sent. He has no concern with the amount of stationery supplied to his office because that does not come as a charge upon his own Vote. Stationery is all supplied by one office, the Stationery Office. But the Accounting Officer in the Stationery Office is the Controller of the Stationery Office, and it would be his business to draw the attention of the Treasury to any excessive demands received from any Department.

Mr. *Dillon.*

138. In the paper which you have handed in there is a Statement, under certain heads, of the increased expenditure during the last ten years; could you let us have a similar Statement for the decennial periods going back to 1852?—It would be a difficult thing to do, because if you go further back than the last ten years, so many changes have taken place in classification, that the Votes do not correspond with one another over a long period.

139. Would that affect these large heads as to which you have given the figures in the table on page 4: Army, Navy, Civil Services, Customs and Inland Revenue, and Post Office Services; would not those heads remain pretty much the same?—It would not affect that particular Table.

140. What I was asking was whether that Table could be extended back, giving us, for the purposes of comparison, similar figures for each of the ten years from 1852 onwards?—I think that might be done.—[*See App. No.* 2.]

141. There is another set of figures which I should very much like to have, and that would be the figures of the Supplementary Estimates for the last twenty years; could you give us those figures?—Certainly.—[*See App. No.* 5.]

142. Have you noticed a tendency to increase in the Supplementary Estimates?—There was a tendency a few years ago, which I think has been checked within the last year or two.

143. You could give us at all events the figures of the total Supplementary Estimates for each year for the last twenty years?—Yes.

144. Have you ever noticed any effect on

Mr. *Dillon*—continued.

the attitude of the Treasury towards increase of expenditure, proceeding from the alteration of our Rules of Procedure in the House of Common in Supply in the last eight years?—I think not.

145. Has the subject ever been discussed in the Treasury?—Not to my knowledge.

146. You said just now that the effect of discussion in Supply in the House of Commons was to strengthen the hands of the Treasury in dealing with new demands of Departments?—That is so.

147. Has it ever struck the Treasury officials that most of the Votes or half of the Votes are not now discussed?—I think the Treasury officials are under the impression that that has always been the case.

148. Has that not struck you as affecting the attitude of the Treasury towards new demands?—No, certainly not.

149. Now as regards the question of value for money received, is it the duty of the Treasury to take the initiative in noticing what they conceive to be improper contracts? I will try to make the meaning of my question quite clear. Supposing there came to your knowledge facts which made you suspect that a contract in connection with the Estimates for which you are responsible was an improper contract, would it be your duty, or the duty of the Treasury, to take the initiative in that matter?—The contract would presumably have been made with the knowledge and consent of the Treasury.

150. But supposing after you had given that consent, facts came to your knowledge which made you suspect that it was a dishonest contract and that money had passed, who would take the initiative in the matter?—If there were grounds upon which the contract could be set aside, if the Treasury had any reason to believe that could be done, it would certainly be the duty of anyone in the Treasury who had knowledge of such facts.

151. But I was supposing only a case of sus- suspicion. Supposing you were led to suspect from information you had received, we will suppose for instance from anonymous letters reaching you, that there was something wrong in connection with a contract, but that you had no evidence upon which public action could be taken, what would be the attitude of the Treasury in that case?—The Treasury would probably call upon the officer in charge of the Department for his explanation upon any allegation of that kind.

152. Would it then be the duty of the Treasury or the practice of the Treasury to initiate inquiry?—Yes.

153. Take the case of War Office contracts or contracts for the Navy; supposing those facts came to the knowledge of the Treasury in relation to contracts of the War Office or Navy, what would be the duty or practice of the Treasury?—In that case, I think, the Treasury would be content to communicate any information they had received (if they thought it worth communicating)

Mr. *Dillon*—continued.

cating) to the Department immediately concerned, because the Treasury have not the same responsibility in regard to the expenditure of the Army and Navy Departments as they have over the expenditure of Civil Departments.

154. And there their duty would end, would it, and they would take no further steps in the matter?—I think they would probably want to know what the result was of any inquiry that was made on the subject.

155. Surely cases of that kind must constantly have come before the Treasury, and they must have some settled procedure?—I do not know of any cases of the kind.

156. Perhaps that would be rather a question upon which we could get information from a later witness who, I understand, will deal more particularly with the Army and Navy Departments. Now you have been asked as to whether the total sum for the Army and the Navy is not settled by the Cabinet, and I think you said it was?—I believe so.

157. Perhaps any question in regard to that would be better put to the witness who will deal more particularly with those Departments. Of course, all the Irish Departments come under your cognisance, being all Civil Service Departments?—Yes.

158. What is the proceduce of the Treasury as regards Irish Departments—is it the same exactly as the procedure in regard to the Departments in England?—Yes.

159. In the event of the Treasury having reason to believe that the expenditure on an Irish Department is extravagant, what course do the Treasury adopt?—If they believed there was extravagance in a Department they would endeavour to secure that the provision on the Estimates should be reduced.

160. Do you chance to know whether any remonstrance of that kind has been addressed in regard to any Irish Department lately?—I believe there was one on the Estimates for the present year.

161. In regard to what Department?—It took this shape: that an increase was demanded for a particular Department, and the Treasury said they thought there should be a readjustment of the existing provision for the expenditure of that Department before any increase was granted.

162. But take the case of the Irish Constabulary, how would that be treated by the Treasury; supposing the Treasury were of opinion that the 1,300,000*l.* a year which is spent on it was excessive, and that the work would be adequately done for say 900,000*l.* a year, would the Treasury treat that as a financial question or a question of policy?—It would be mainly a question of policy. The financial consideration might very well be raised, and probably has been raised by the permanent officials at the Treasury, but the decision which would have to be taken by the Ministers concerned would no doubt depend upon questions of policy.

163. You do not recollect or chance to know whether any remonstrance as to the cost of that Department has ever been made on Treasury grounds?—The Treasury have on many occasions, I think, called attention to the number of the Irish Constabulary and invited the consideration of the question whether the numbers could not be reduced.

164. Then the ultimate decision would rest with the Irish Minister?—With the Irish Minister and the Chancellor of the Exchequer.

165. Now taking the case of the legal establishments—is the proceduce of the Treasury as regards legal establishments on all fours with its procedure as regards the other establishments?—There is some difference arising out of the fact that we have not got at the head of these legal Departments anyone corresponding to the head of an ordinary civil Department. We have to deal with the Judges.

166. Supposing the attention of the Treasury were directed to the fact that there was a large staff of we will say County Court Judges, who only sat for three weeks in the year and who got 2,000*l.* a year for so doing; what would be the action of the Treasury in such a case as that; would it feel bound to remonstrate or take notice of that fact?—Such a fact, no doubt, would have been taken notice of at some time, and it would be considered between the Chancellor of the Exchequer and the Lord Chancellor of Ireland presumably in that case.

167. But would it be in accordance with the practice of the Treasury from time to time to draw attention to the fact that there were a large number of highly-paid legal officers who apparently had not nearly sufficient work to do?—If attention had once been called to that state of things and no alteration of circumstances had taken place in the meantime I do not think the Treasury would go on calling attention to it.

168. But it would be within their usual practice to call attention to it once?—Certainly.

Mr. *Lough*.

169. I wanted to ask a question or two about the Accounting Officer: What is his status?—The office of Accounting Officer was one that was formed a few years after the Exchequer and Audit Departments Act was passed in 1866, and the Treasury then issued a Circular to Departments explaining to them the functions of the Accounting Officer, and how important it was that he should be an officer of high station in his Department, and they recommended that wherever possible it should be the Permanent Head of a Department.

170. Generally has that recommendation been carried out?—Very frequently, but the Permanent Head of a big Department is usually such a busy man that any definite work of that kind that you can take away from him it is desirable to take from him, and so it frequently happens that an Assistant Secretary is the Accounting Officer in such Departments as the Local Government Board and the Home Office.

171. When the Accounting Officer is not the Head of the Department is he considered to be the person responsible for the whole cost of the Depart-

Mr. *Lough*—continued.

ment in the year?—Responsible for any irregularity in the expenditure of the Department.

172. That is all?—He is not responsible for the amount of the Vote that the Department considers necessary; that would be the responsibility of the Minister in charge of the Department, but he is responsible for seeing that the money is spent in a proper fashion.

173. Who is there in the Department who would ask this question: "Are we spending too much this year for the work we are getting done in this Department?" Who would consider that question each year—would it be the Head of the Department or this Accounting Officer or the Minister?—That is a question that would most naturally come under the consideration of the Accounting Officer first, because he is the man who sees what the expenditure is going to be.

174. And it would be his duty, you say, to consider whither work was being done for the money that was being expended?—It certainly is his duty in every possible way to secure control over the expenditure out of his Votes, and to see that the expenditure is for proper purposes.

175. I leave that. Can you tell me anything of how the work of the Departments is distributed amongst them—I do not mean in its very broadest sense, but in some of the details; for example, how the Surveys were given to the Agricultural Department?—I am afraid I cannot say why they were placed specially under that Department.

176. Would it occur to you that the making of these maps would more naturally come under the Stationery Department?—I think there would probably be a much better control over the work of the Survey under the Board of Agriculture than there would be if it were put under the Controller of Stationery.

177. I suppose, then, it must be a Ministerial question how each branch of work should be taken up by a Department?—It is not a question that arises very frequently; we do not often create new services, and where possible we leave them where they were.

178. Is there nobody from time to time who looks at the question of whether a Service has become obsolete or not—whether an expenditure has become obsolete—and who would say, "This thing ought to be changed or extinguished"?—Certainly, it is the business of the Accounting Officer for the Vote that provides for the expenditure.

179. You gave us a list here of economies that had been effected through the interference of Parliament; there is very little economy in it?—Reduction of Votes, it is called.

180. I see in your Paper this remark: "The calls upon many Departments are continuously varying without regard to the limits of the financial year." Could you give us an example of that variation so that we might understand it?—An example might be this: you have a Works Vote to provide for the cost of building new Post Offices where wanted, and the keeping up or maintenance of those that exist, and after your Estimates have been laid before Parliament a Post Office is burned down, and you have to build a new one at once. That is one case.

Mr. *Lough*—continued.

181. And you have not an insurance or anything to meet that; that is a good illustration. Can you give me a different one to that? What I want to understand is why you cannot anticipate?—I take a Vote the Treasury controls, the Vote for Temporary Commissions; on the strength of experience of previous years we provide a certain sum of money for all the Commissions actually sitting according to the time they are expected to continue, and we provide a margin for new Commissions that may be appointed; and then the Government appoints a Commission to enquire, perhaps, into South African hospitals at a cost which is utterly out of comparison with the provision which we have made.

182. Commissions—that is obvious; I thought by the way these words read that it was not from Parliament this came, but those are very obvious cases of course?—I think most of the cases are obvious when one knows them; you might take the Local Government Board when an epidemic breaks out.

183. You mean by the "calls upon many departments" calls of Parliament; but apart from the calls of Parliament is there generally regularity?—I think on the whole that the Estimates do not vary very far from the actual requirements of the year, when you consider that they are made up sixteen months probably before the latest date at which the expenditure is charged against them. Any active Department is bound to find a good many changes occurring in a period of sixteen months.

184. I will just take another point with regard to a question of Mr. Chamberlain's: with regard to the large increase, say, for the Army, the question put to you was that the amount of the increase would be decided in the Cabinet, and you would not consider that you had control over it; that was practically what you said?—The actual total of the Estimates for the coming year would be settled by the Cabinet, whether an increase or a reduction of the actual total should be made.

185. Supposing there was a considerable increase—we were speeaking of these Army increases—and supposing there were three millions of an increase authorised for a particular year, you would not examine into that because you would assume it had been settled by the Cabinet?—The Treasury would examine the Estimates when they came before them from the War Office to see that they do not exceed the total that has been settled by the Cabinet; they would also examine them to see that no provision is included for any Service that has been discussed between the War Office and the Treasury, and which has not received the sanction of the Treasury. To that extent they would examine the Estimates.

186. Supposing, then, when it came to practically carrying this policy into effect it did not cost three millions, but two millions and a-half; supposing that would be sufficient for it, who would see to that, or what would become of the difference?—The

Mr. *Lough*—continued.

—The difference would be a saving on the Vote, and it would be surrendered at the close of the year, when it would go to the Sinking Fund.

Sir *Walter Foster.*

187. It would not be used for any other purpose?—With the consent of the Treasury it might be used for another purpose if the War Office discovered during the year that there was some other expenditure for which they wished to provide.

188. And that happens in other Votes; for instance, take the Vote for the erection of a Post Office which is not erected during the year, or even begun during the year—what becomes of that money in that case?—That would probably in that case be used for erecting some other building.

189. That is, the money of the Vote for building A might be used for erecting building B?—With the consent of the Treasury.

Mr. *Lough.*

190. At any rate it would not be for the Treasury to see whether those three millions would be taken for some definite work, and whether it was necessary to spend three millions on it or not; the Treasury would not see to that at all?—No, not if they themselves had been satisfied in the first instance that the work would cost three millions.

191. But you said they would not go into that?—They would go into the question of the definite work to be done out of the money; they would not go into that on the Estimate; but the War Office would have to come to the Treasury for sanction to the particular work that was to be done with this money before they began it, and if the Treasury then were satisfied that three millions would be required for the work the War Office would get sanction to spend three millions on it, and it would not be the business of the Treasury afterwards to see whether changes took place.

192. Whether it could be done for less?—The Accounting Officer of the Department would have to look after that.

193. I want to ask you with regard to the next page of the Paper, page 4: would it be difficult for you to give us greater detail about these increases, something like the same explanation you gave us on page 3. On page 3 you explain every item, but when we get to the next page you simply tell us that between 1892 and 1902 the Army Vote increased twelve millions; would it be difficult to have the items of that increase for each year?—No, that could be done.

194. And the Navy increase is larger still. One other illustration: we have a Supplementary Estimate given to us now about the West Indies, £250,000; has the Treasury looked into the question of whether £250,000 is wanted for that service or some smaller item, or does that come straight from the Colonial Office, and is it passed without examination?—That Estimate is presented by the Treasury to the House.

Mr. *Lough*—continued.

195. Did the Treasury examine to see whether that amount was required?—They received such explanation as satisfied them that it was not an unreasonable sum to ask Parliament to provide for that purpose.

196. It would be mainly policy?—Yes.

197. The Government are only mortal, and they cannot exactly tell what all they want to do will cost; they might estimate that it will be 250,000*l.*, and it might work out at 195,000*l.*?—Then that money would be surrendered ultimately; it would not be surrendered this year in the ordinary course, because it is a Grant in Aid, and is not liable to be surrendered on March 31st next, but the money would remain in the hands of the Crown Agents, and, if not required, would ultimately be surrendered.

Sir *Walter Foster.*

198. Mr. Lough put to you this point, that if you had an Estimate for, say, three millions, and it came to two and a half millions, the 500,000*l.* left might be used by the Department for other purposes with the sanction of the Treasury; what security is there that there is no extravagance in that expenditure? How does the Treasury look after it or follow it?—The particular Services on which the Department might want to spend this money would have to be explained to the Treasury just as carefully as though—

199. As a fresh Estimate?—As a fresh Estimate.

200. And all the details would be considered?—Certainly, but I do not say that it is not some temptation to extravagance having loose Estimates; that is to say, having Estimates in excess of actual requirements, and it is the business of the Treasury to prevent that as far as possible.

201. Is not that specially true in connection with the Post Office; for instance, where there are frequently Votes for the erection of buildings which are not done during the year, and sometimes not even contemplated being erected during the year?—I think they are always contemplated, or provision would not be made.

202. But they are not done during that year?—That is so.

203. You say that money might be used for the erection of another building?—With the consent of the Treasury.

204. Is there not a great opening for extravagance in that case?—I believe, taking that particular case, the difficulty usually is to select out of the number of post offices that are wanted a small enough number to satisfy on each year's Estimates, and there are always plenty more waiting if there is spare money; there are generally new schemes for post offices that the Treasury have approved already.

205. They have gone carefully into each of these?—Yes.

206. So that the money, although used for B which was voted for A, is still being subjected to

Sir *Walter Foster*.—continued.

the same careful supervision as the money voted for A?—Certainly.

207. The expenditure of it is controlled?—Yes.

Mr. *Trevelyan*.

208. On the whole, as far as the Civil Service, at any rate, is concerned, control mainly depends on two men—the Accounting Officer and the Treasury Clerk?—The Accounting Officer and the Financial Secretary of the Treasury, I think.

209. But the Financial Secretary of the Treasury works through a Treasury Clerk, who is supposed to have special knowledge of the Department concerned?—Yes.

210. But there is nothing in the system which offers a definite security that the Accounting Officer shall be a financier or shall have a financial conscience specially?—The Treasury have a voice in his appointment.

211. What does that mean? Of course, you do not know, I suppose, what has taken place in the appointment of these officers?—We always feel entitled to assume that the Permanent Head of the Department has a very real inclination to secure economy as far as he can in the conduct of his Department; he has more inducement to it than anybody else.

212. Has a Treasury clerk ever been transferred from the Treasury to any of the Departments as an assistant for financial purposes?—Yes, there was a case in the Post Office years ago; a Treasury Clerk was transferred to be Accounting Officer for the Post Office.

Mr. *Austen Chamberlain*.

213. The present Permanent Secretary to the Post Office is an old Treasury clerk?—Yes; in Sir Arthur Blackwood's case he was transferred specially to secure financial control.

Mr. *Trevelyan*.

214. You say, with regard to the Treasury clerks, you try to count on having somebody who knows the Department; does he have the run of the Department?—He is in constant communication with the heads of all the Departments whose expenditure he deals with, he frequently sits on Committees connected with their affairs, and gets a great deal of insight into their management in that way.

215. But is there any regular annual, biennial, or triennial overhauling of the accounts of a Department?—No, except what comes in connection with the Estimates.

216. Do you know of any cases of regular meetings between the Accounting Officer of the Departments and any Treasury clerk for the purpose of overhauling the Estimates?—No, no systematic arrangement.

217. That is to say, all that really happens is that the Treasury clerk asks questions from any suspicion he may get from looking at the figures or from any hearsay?—Yes, every source of information he can command.

Mr. *Trevelyan*—continued.

218. Should you feel that you might be able to bring out to any extent cases of waste of money or oversight in the matter of expenditure if there were any regular kind of overhauling of the accounts before a Committee?—Before a Departmental Committee?

219. Either a Departmental Committee or a Committee of the House of Commons—supposing it were the duty of some Committee to look into the accounts of a spending Department?—There is such a Committee.

220. Previous to the expenditure?—The Estimates rather than the Accounts?

221. Yes, the Estimates rather than the Accounts; should you feel that you and the Treasury were in a stronger position to bring out any wasteful expenditure or to discover wasteful expenditure if you met, so to speak, the Accounting Officers of the Departments in public?—I think that the present Treasury control would be rather injured than otherwise by an arrangement of that kind.

222. For what reason?—Because the Treasury now is able to raise its objections to any proposals of a Department for expenditure, and if the Department objects it can reason with the Treasury, but ultimately the Treasury can decide whether it will recommend to Parliament this expenditure. It the Estimates had to go before a Committee of this House the Treasury could never give a final decision on its own ultimate responsibility, and the Department would always be able to say, "Well, at any rate, this is a proper thing to submit to a House of Commons Committee," and the Treasury control, I think, would be very considerably weakened by creating a new appeal.

223. You think so, even if the Estimates came in the usual way before Parliament first and were then submitted by Parliament to a Committee of this House?—That is the case I am referring to, because the Department would always say, "This is going to be examined by a Committee; at any rate let it go into the Estimates."

224. I wanted to ask you a question about these last two pages; what you practically make out, I take it, is that almost the whole of this great increase of expenditure is due to policy?—I think that is so.

225. The whole of the last page you consider policy; I have added up the items here, but outside these particular items you do not leave room for anything except policy?—That is not perhaps a correct conclusion, because this table is merely drawn up to show in each class the services which have mainly contributed to cause the net increase on the total of the class, but there are other Votes which have diminished in the meantime, and therefore the real increase on those which have increased is, of course, greater than the net increase on the whole of a class.

226. I am not quite certain what you implied by an answer to Mr. Chamberlain just now; do you think that there need be any essential difference between the relation of the Treasury to the

Mr. *Trevelyan*—continued.

the Army and Navy and its relation to the Civil Services?—I think there certainly must be; there is, of course, to begin with, the difference that the Treasury has not the same responsibility in connection with their Estimates that it has with the Estimates of the Civil Services, and that is marked by the fact that the Army and Navy Estimates are presented by their own Ministers.

227. I am not talking about what the policy is at this moment, but I want to know whether there would be any great financial difficulty in having the same control over the Army and Navy that you now have over the Civil Service?—I think one reason is that so much of their expenditure is of a technical nature from the point of view of an ordinary Civil Department, and another is that the conditions which govern that expenditure are such that the Treasury cannot profess to have an opinion upon them against that of the responsible Department.

228. I mean there is not really any difference of nature?—It is a difference of degree, perhaps, but it is an enormous difference.

229. The Pacific Cable is just as much out of your way as a 47 gun?—I believe the Treasury was consulted all along about the scheme for the Pacific Cable, and had a voice in it all through, but the Treasury could not profess to have an opinion upon the question whether a particular type of gun should be bought or a particular kind of ship constructed.

230. Only one more question following up what Mr. Dillon asked you; you said you could provide the figures for the Supplementary Estimates for the last few years: that would show which of the Departments had asked for Supplementary Estimates?—Well, it would be a rather large return, I think, for twenty years if we put in all the Votes that have had Supplementary Estimates, but it could be done.

231. Would it be a very large return, at any rate, if we said the Civil Services and the Army and Navy?—They would certainly be shown separately.

Mr. *Eugene Wason*.

232. How many of these Accounting Officers are there?—There is an Accounting Officer for every Vote; there are 105 Votes, I think, in the Civil Service volume, and every Vote has its own Accounting Officer—not always a different officer, as one officer may account for several Votes.

233. How many are there altogether accounting for all these different Votes?—I can only guess at the number, but I should think probably sixty or seventy.—[*See App, No.* 4.]

234. Is the Principal Clerk the same as an Estimate Clerk?—An Estimate Clerk in the Treasury is of the rank below that of Principal Clerk.

235. What relation does he bear to the Accounting Officer?—The Accounting Officers of other Departments?

236. Yes; the Estimate Clerk or the Principal Clerk of the Department has got to report to the Accounting Officer?—The Estimate Clerk spoken of here is the Estimate Clerk at the Treasury,

Mr. *Eugene Wason*—continued.

the clerk who deals with all the Estimates of the other Civil Service and Revenue Departments that come to the Treasury.

237. Each of these Departments has got a Solicitor, has it not?—Not by any means all.

238. The Post Office has, at any rate?—Yes.

239. And the Inland Revenue?—Yes.

240. And the Customs also?—Yes, the Revenue Departments.

241. In the event of such a case of fraud as was suggested by the honourable member for Mayo it would be reported to the Solicitor, would it not?—Yes.

242. And you would act upon his advice?—This is a case of fraud under a contract?

243. Yes.—Probably the contract would have been settled with his knowledge.

244. Are the contracts generally submitted to the Solicitor of the Department?—Yes, I think the contracts are generally seen by some legal officer.

Chairman.

245. In the Post Office expenditure, considerable items of which might be postponed as we heard just now, that might be caused by such circumstances as contracts with individuals in the case of new post offices not being completed?—Yes.

246. Or differences of opinion with local authorities and so forth?—Yes.

247. There might be many cases?—There are frequent cases where you cannot get the site; you may have anticipated getting the site, and then find that there are difficulties.

248. Your largest Civil Service spending Departments would be the Post Office and the Board of Education?—Yes.

249. As regards the increase of expenditure in the Board of Education, that is chiefly automatical under Acts of Parliament?—Chiefly it is automatic, so far as it arises from the growth in the number of children and the increase in their attendances at school. There is also their increased power to earn grant, and alterations of the Code may increase that.

250. The Treasury could exercise very little control over the expenditure of that Department?—Very little, so far as it is expenditure on Education Grants.

251. But in the Post Office, in which the expenditure must be always growing as the Service increases, you do exercise control over almost every item?—Certainly, those that are optional.

252. The main point before the Committee is the degree in which the Parliamentary control over the Estimates could be increased. Can you suggest to the Committee any way in which that could be done?—I can only give, of course, my own personal opinion about a matter like that; but I think that the discussion of Estimates in Committee of Supply might perhaps be improved if Members, after examining the Estimates which are laid before Parliament and before they come on in Committee of Supply, communicated with the Minister responsible about points they intended

Chairman—continued.

intended to question. Many of these questions would probably be dissipated by the Minister's reply beforehand; but those they did ultimately decide to bring before the Committee would probably be better discussed than they are now. Although I do not personally think that any advantage as regards control of expenditure would be got by having a regular annual Committee going into the Estimates, I think that probably the House of Commons could usefully improve its control over the Estimates and the control of the Treasury also by having reviews of different classes of Estimates at longer periods, say at intervals of ten years; they might take up the Education Estimates and refer them to a Committee, or at another time the estimates for Foreign and Colonial Services.

253. Before the Committee of 1888 it was suggested that the attention of the House of Commons could be more concentrated in the Estimates by grouping them under heads, and I think it was suggested that instead of being in 140 Votes they could be reduced to 69 groups?—Yes.

254. Was that carried out in any degree, to your knowledge?—There were two proposals, I think, in view then; one was actually to amalgamate two or more Estimates into one, and another was to group Estimates merely for the purpose of their discussion in Committee of Supply. That latter proposal has never been carried out, but the first one was, to some extent, within a year or two afterwards; there was a considerable reduction of the Estimates, and you will see that the Civil Service Estimates, which were then 140 odd, are now 105, largely as the result of the changes made then.

Mr. *Lough.*] On that point perhaps you would ask the witness this question: We were just told that there was an Accounting Officer for each Vote, or about seventy altogether, and I would like to know is there not a Head Accounting Officer for each Department?

Chairman.

255. (*To the Witness.*) I think you stated that the Accounting Officer might have charge of several Departments?—Yes, of several votes.

Mr. *Lough.*

256. Is there a Head Accounting Officer in the Local Government Board, for example?—There is only one Vote for the Local Government Board, and one Accounting Officer for it. If you take the Treasury, the Treasury has about fifteen or sixteen Votes in this volume, but one officer, the Assistant Secretary to the Treasury, is Accounting Officer for all of them. There is only one Accounting Officer in each Department, but he has as many Votes as the Department is concerned with.

257. That is just what I wanted to get at, but that is not exactly your previous answer. You did not say that there was one for each Department, I think?—I said one for each Vote, meaning that each Vote has its own Accounting Officer; but from the other point of view, one Accounting Officer may have several Votes. In front of the volume of Estimates there is a table which gives the Accounting Officers for each Vote.

Sir *Edgar Vincent.*

258. In the War Office or Admiralty is there more than one Accounting Officer?—One Accounting Officer for the whole of the Votes.

259. One for the whole of the War Office?—Yes, the Accountant General for the Army accounts for all the Army Votes.

Mr. *Churchill.*

260. How many Accounting Officers are there altogether?—I was asked that question before, and I said I thought perhaps sixty or seventy; but that is a mere guess.

Mr. *Eugene Wason.*

261. That was only with reference to the Civil Service?—The Army and Navy would add two, but my estimate of the number may be putting it too high.

Mr. *Churchill.*

262. Do I gather that there are, at any rate, more than twenty Accounting Officers in the Departments with which the Treasury deals?—Certainly.

263. And in the Departments with which the Treasury does not deal, namely, the Army and Navy, there are only two?—Two Accounting Officers.

Mr. *Lough.*

264. How many Departments are there in the Civil Service—is it not fifteen?—If the honourable Member would look at Class II. of the Civil Service Estimates, which is headed Salaries of Civil Departments, he would find there are forty Votes there for different Civil Departments. There are a few cases there where one officer would account for two or three Votes, but, generally speaking, they are accounted for by different officers.

Friday, 25th July 1902.

MEMBERS PRESENT:

Mr. Austen Chamberlain.	Sir Walter Foster.
Mr. Churchill	Mr. Bonar Law.
Mr. Dillon.	Mr. Lough.
Sir John Dorington.	Sir Lewis McIver.
Sir James Fergusson.	Mr. Eugene Wason.

THE RIGHT HON. SIR JAMES FERGUSSON, BART., IN THE CHAIR.

SIR ELDON GORST, K.C.B., Examined.

Chairman.

265. You are the Financial Adviser to the Egyptian Government?—Yes.

269—270. Will you tell us of whom the official Hierarchy of the Government of Egypt, with which you are immediately connected, consist?—There is the Minister of Finance, as there are Ministers of all the other Departments; there is a body called the Finance Committee, and then there is the Council of Ministers. All financial questions of importance are brought before the Finance Committee and Council of Ministers

267. Of whom does the Finance Committee consist?—The Finance Committee consists in the first place of the Minister of Finance, who is President.

268. Is he an Egyptian?—He is an Egyptian—all the Ministers are Egyptians. The Finance Committee is presided over by the Minister of Finance. The Financial Adviser (who is an Englishman—at present it is myself) is a member; the Under Secretary of Finance is another member—he is also an Englishman; and then there are the Director General of Accounts and the Controller of Indirect Taxes.

269—70. Then as regards the English control, of whom does it consist?—The Financial Adviser, who is the representative of the English Government on the Council of Ministers. He sits on the Council of Ministers, and it is laid down by the English Government that no financial decision is to be taken against his veto. In other matters which are not financial he gives his views and advice. Then practically over the whole system of administration is the representative of the British Government—the Consul General in Egypt.

Chairman—continued.

271—72. Perhaps you will tell the Committee what is the process as regards the preparation of the Budget in Egypt?—Each Department draws up its own Budget, taking as its starting point the Budget of the year before, and making any changes or alterations which they consider desirable. Then it is sent to the Ministry of Finance. The Director-General of Accounts goes through all these Budgets and notes all the changes between the Budget of the previous year and the Budget of the new year. Each Budget is passed on to the Under Secretary of Finance, who makes any observations he thinks proper upon it, and then in practice it is submitted to the Financial Adviser, who looks through the Budget of every Department, and virtually decides the new Budget. If there is any important innovation imposed in the Budget he generally sees the head of the Department concerned, and they talk the matter over together, and arrange it amicably. When the Budget has been got into shape in this way, it is sent to the Finance Committee, who approve it, and then it is submitted to the Council of Ministers, who must also approve it. After that the Budget has to be sent to the Legislative Council, who have no right to alter it, but content themselves with expressing general desires, which usually take the form of asking for reductions of taxation; finally

Chairman—continued.

finally the Khedive signs a decree approving the new Budget.

273. But an essential process in preparing the Estimates is the personal contact between the authorities concerned—is that not so?—That is really the whole thing. The proceeding really consists firstly in finding out through the Financial Department what are the changes which are proposed in order that whoever is going to look through the Budget may not lose himself in the mass of details. The Estimates are put in a convenient form, and the head of each Department concerned, if there is any important question raised, has a personal interview with the Financial Adviser, and they would thrash out the matter together. In practice, if the Department was not satisfied, the Consul-General would intervene and would ask the Financial Adviser to come and discuss the matter personally with him.

274. That obviates the necessity for correspondence?—Yes, there is practically no correspondence about the Budget, except in connection with its official transmission.

275. In practice are the Estimates modified considerably in these personal communications at the early stage which you have described?—Of course there is always the painful operation of cutting them down, because every Department asks for a great deal more than can be given. In countries like Egypt, where everything is expanding and new needs continually arise, you must be prepared for expenditure increasing every year, and therefore you have to estimate what is the increased amount you can afford, and try to divide the estimated increase fairly between the different Departments. Egypt being a small country, one sees the whole working of the machinery very clearly, and can form a very good idea of what the Departments are which most require increased expenditure. That question, of course, must be decided by the Finance Department. The prevention of extravagance is not so difficult in Egypt, as it may be perhaps in other countries, because everybody in Egypt is inspired with the idea of economy. Egypt having been for many years in a very poor financial position, economical instincts prevailed in every Department, and the habit remains, although we are now in a very good financial position.

276. Is not the Army "a daughter of the horse leech" in Egypt?—The Army, of course, had to be considerably increased for the Soudan campaign, but since that time we have been trying to reduce the strength of the Army from a war to a peace footing.

277—78. Would the reduction of the strength of the Army and the consequent saving of expenditure form a subject of consideration in the way you have described to us?—Yes, except that in such very important matter we should have a meeting with the Consul General. That is what happens in practice. The Sirdar and myself meet at the Consul General's house, and we each argue our side of the matter, and then Lord Cromer decides. Of course the Committee will remember that Lord Cromer is himself a financier, and therefore understands the financial side of the question.

279. As to transfers from one chapter of the Estimates to another, is that a thing that is competent?—Every Department has to spend according to the chapters of the Budget, and it is not in the ordinary course allowed to take money from one chapter and spend it under another. The Finance Committee has to sanction a transfer from one chapter to another. If, however, it is a question of spending economies on the pay of the staff, on other items, the proposal has further to be submitted to the Council of Ministers for their sanction.

280. Then will you tell us about the special credits which you have to have recourse to sometimes, I believe?—Yes; every year there always happens some unforseen requirements for which new credits are necessary, and for those application has to be made to the Finance Ministry by the Department interested. Those applications are brought before the Finance Committee, who consider them closely, and if the expenditure is not urgent decide that it may be deferred to the next year's Budget; but if the proposal is urgent it is sent on to the Council of Ministers who decide upon it as they would decide upon the Budget.

281. But, practically, special credits are of annual occurrence, are they?—A certain number of special credits are always necessary, because unforseen contingencies happen during the year; for instance, an epidemic of cholera or of plague or something of that kind may occur which necessitates expenditure which was not foreseen in the Budget. There is also expenditure which is incurred once and for all. That is not usually included in the Budget, but forms the subject of a special grant voted for the particular purpose.

282. When such a credit is used, would it require an amendment of the Budget or would it come into the accounts afterwards?—It comes into the accounts—that is to say, once a credit is accorded by the Council of Ministers it is looked upon as an addition to the estimate for the expenditure of the year for that Department. The Budget is not published again, but in the comparison at the end of the year between the Estimates and the actual expenditure, you include any extra credits on the side of the Estimates.

283. But in the ordinary expenditure a surplus on the estimates of the Department would be refunded at the end of the year, would it not—that

Chairman—continued.

that is to say, if there be an unexpended balance on the Estimate of any Department it would be refunded?—It lapses as it does here if it is part of the Annual Budget.

284. But as regards these special credits what happens?—As regards special credits given for a particular purpose, at the end of the year a list is made of those which are not entirely expended and the Council generally votes the continuation of the expenditure as a matter of course. Occasionally a special credit of this character will be struck out of the list, because the object for which it was granted no longer exists. But all the cases are passed under review once a year.

285. In the result have the Budgets been realised—that is to say, with a larger surplus than you expected and a smaller expenditure, or has it been *vice versa*?—The expenditure is generally about the estimated expenditure, but the receipts are usually more than the estimated receipts.

286. The receipts are more?—Yes.

287. In forming your Budget you put down your requirements in order of merit, do you not?—Each Department presents a list of new proposals, which, as I said before, is generally more than can be granted, and the first step taken in dealing with them is to invite the Department to put its requirements in order of merit before it is decided what addition can be made to the Budget in question. As a general rule the order suggested by the Department is accepted by the Financial authorities.

288. If economies are realised in any Department, how is the saving applied?—Actual savings in the course of the year lapse, but we give a free hand to the Departments to effect economies in making up their Budgets. The Finance Department, in fact, never approves the economies while refusing the extra expenditure proposed. That would be a very bad plan, because you would thereby discourage all Departments from making economies. In all growing Departments in Egypt (and, as I have said, in Egypt the needs in nearly all the Departments are increasing) a great deal of their new expenditure is met by making economies within the Departments themselves. We encourage this system because the head of the Department is really the only person who can detect what economies are possible. You may go to the head of a Department and say, Do not you think you can economise here or you can economise there? But you are bound to go by what he answers. You do not know his work, and you do not know how all his staff are employed, and, therefore, unless you have the head on your side, it is very difficult to effect economies in a Department. But if he wants money, and you allow him to find it out of economies which he makes, you at once get him on your side.

Chairman—continued.

289. You said, I think, that there was a ruling spirit of economy in the administration of Egypt?—Yes; but even with a ruling spirit of economy, it is desirable to give some direct encouragement to the Departments to make economies.

290. But such a tendency to economy has been effected in the administration, has it not?—A constant growth of expenditure must be expected in a country like Egypt which is developing very rapidly; but this growth has been largely met by economies effected in other directions. As an illustration, I may say that during the last four years, speaking roughly, an increased annual expenditure to the amount of something like 400,000*l.* has taken place without the total annual expenditure having increased.

291. Economy was so necessary fifteen years ago in Egypt that you began on very strict lines, did you not?—Yes, fifteen years ago when the whole object of the Government was to make expenditure and revenue meet, it was necessary to conduct the administration of the country on the most economising lines possible.

292. The result of what you have been telling us, as I understand, is that you have a close control over the expenditure; that the Estimates are kept down by personal communications between the various authorities concerned, that the Budgets are realised and the expenditure is kept as moderate as the needs of the country will allow?—I do not know whether I directed sufficient attention to the fact that the whole of our efforts are directed to keeping the Estimates down. Of course, a control is kept over the actual expenditure to see that it is in conformity with the Budget, but that is a minor matter. What is really important is to see that the Estimates are kept down. It does not so much matter if a small sum is spent under a wrong heading, or if one chapter in a Department is a little exceeded, if all general extravagance is prevented.

Mr. *Lough.*

293. You spoke just now of the desirability of encouraging Heads of Departments to effect economies in their own Departments; did you explain how that was done—I did not quite catch what you said?—I said that if the Head of a Department can effect an economy in the expenditure of his Department he knows beforehand that he is generally allowed, subject, of course, to the sanction of the proper authorities, to utilise the money for other needs in his own Department.

294. Do you give them any other inducement than that?—That is found quite sufficient.

Sir *Walter Foster.*

295. I think you said that your receipts are always more than your Estimates?—Yes.

Sir Walter Foster.

296. I suppose that is achieved by always taking a minimum Estimate for your receipts?—We always take a very moderate Estimate. It is usual, I think, in all Oriental countries, and also in agricultural countries to do so, because the Revenue is rather an uncertain quantity. If, for instance, there is distress, or if the crops fail, it may not come in—consequently it is prudent to take a moderate Estimate of the Revenue.

297. That is an old habit which has existed, I suppose, as long as financiers and chancellors have existed?—I believe so.

Chairman.

298. But in Egypt it is a novel habit, is it not?—In Egypt it is not an old habit In the days of Ismail Pasha the Government rather went to the opposite extreme.

Sir *Walter Foster.*

299. As regards what you said as to money specially voted for special grants, I suppose that would be for buildings and public works generally?—It would be for that class of special credits, or else for something unexpected. I gave as an instance a cholera or plague epidemic which would be a suitable subject for an extra credit.

300. But you would follow that carefully every year?—Yes.

301. That is to say, if you have voted for a specific object a sum of morey say for a public building, if it is not expended within the year you have to renew it before it can be used—is not that so?—In Egypt that is true, as I said just now, as regards all credits which are considered additions to the annual Budget. There are other sorts of special credits which are charged to the Reserve Funds In those cases the credit is given once and for all, and there is no question of when the money is expended

302. Such as an epidemic of plague?—Yes, it must be an expenditure incurred once and for all—not a recurring expenditure.

303. I was thinking of such an expenditure as you might have for a public building. If you voted money for such a purpose as that in one year and it was not expended in that year, does it always come back into your control?—Yes, a credit in the ordinary Budget of the Public Works Department for public buildings would lapse at the end of the year.

304. And would then be voted again?—No, it would not be voted again. The fact is that the sort of works, to which I think the honourable Member is alluding, are never charged to the ordinary Budget—they are almost invariably charged to special credits, and paid for out of the special Reserve Fund, which is a fund made up of accumulated economies from past years, or from another fund which is called the General Reserve Fund, which is a fund under the control of the *Caisse de la dette.*

Sir *Walter Foster*—continued.

305. Suppose you have a specific object, which I will call A, for which you vote 1,000*l.*?—May I ask voted in what way?

306. I mean as a special grant—say there is a special grant of 1,000*l.* for barracks; you vote that this year by a special grant outside the Budget; then suppose the money is not spent in the year, at the end of the year what is done?—A list is made of the special credits which have been opened, but not wholly expended. That list is prepared by the Finance Department and submitted to the Council of Ministers with the object of their allowing the sums voted to continue for the next year.

307. In that you keep the sums so voted under revision?—Yes, at the end of the year.

308. But you would, I suppose, inquire into the reasons why the money has not been spent?—Yes, we inquire into the reasons. The date is put down when the original sum is voted, and if we notice that the sum has not been expended within a reasonable delay, we inquire the reason, and occasionally the item is struck out of the list in consequence of the reason being insufficient.

309. It remains in your charge until it is expended?—Yes, it remains in the Treasury.

310. It remains in the Treasury until either the money is expended or it is struck out?—Yes.

311. So that it is brought up from year to year, practically during the whole period for which the expenditure is running?—Yes.

Mr. *Churchill.*

312. I gather that in Egypt financial considerations have the predominance practically, so that when there is any question at issue between a spending Department and the Finance Department, on the whole the Finance Department will be in the better position?—It is not unduly so. Of course, everything is a question of ways and means in a sense—that is to say no Department can spend money unless the money can be found by the Finance Department.

313. It is not considered sufficient, for instance, for a spending Department to have a good case for expenditure?—You have to discover, of course, how

Mr. *Churchill*—continued.

how you will find the money to pay for it. The Finance Department will say whether or not they have funds sufficient to pay and if they have not, the ruling authority, the Government, whatever it is, must decide whether they can do without the proposed measure, or whether they will have more taxation.

314. When you speak about the Finance Committee do you consider that the Finance Committee might roughly be said to be considered to be in the same position as the Cabinet is in this country?—No, I should say the Council of Ministers rather represents the Cabinet. The Finance Committee would represent, I should think, the Lords of the Treasury—it is a body which contains all the higher officials of the Finance Department, and it is very convenient that they should look at all important questions together.

315. I thought that the Consul-General very often arranged matters by discussion with the Ministers concerned before giving a financial decision?—It would not quite be done in that way—it is generally done in a more unofficial friendly manner. He might say, for instance, to the Financial Authorities such and such a thing appears necessary—do not you think you could find the necessary money for it; and then the Finance Department would do its best to find the money, and generally succeeds.

316. That is to say, he exerts by advice the sort of power which the Cabinet here exerts by authority?—If you want to understand how the control is exerted by the Consul-General, by Lord Cromer, that is to say (because of course every Consul-General might have his own methods), it is entirely done by the method of personal influence. The chief officials, both Egyptian and English, are in the habit of going to his house almost every morning, and any questions of importance are submitted to him; and as there is a general feeling of confidence in what he prescribes, it is very rare that any difference of opinion arises.

317. As regards any questions between the Spending and Finance Departments coming before the Consul-General would you present the Estimate *en bloc* before it has been examined before the Finance Department or after the Finance Department has made its criticism—are the Estimates for any other Department examined by the Finance Department before the amount is settled?—Yes; before it is decided what each Department is to have, you must know what the requirements of all are, in order to see what are the most important. Practically the Finance Department decides that.

318. You would not think it a good system, for instance, to fix a total lump sum first and look into the details afterwards?—No, because unless the Finance Department has looked into the details I do not see how they can decide what the lump sum should be. Some Departments have more pressing needs than others and that question must be decided by some outside authority—they cannot decide it themselves.

Mr, *Churchill*—continued.

319. Then would you think it an unwise system for instance for the military authorities to fix a lump sum in the Estimates and for that to be filled in as a lump sum before it is presented to the Consul-General, or whatever the authority was that was analagous to our Cabinet, and then afterwards for the Treasury to look into the details; would you think that an imperfect process?—Yes, I do not think I should recommend such a system as that.

320. Now I want to ask you some questions about the military expenditure. In Egypt you have had to raise a great army in recent years?—Yes.

321. Now I understand there is a reduction in the strength of the Army going on?—Yes, since the war was over, during the last two years, the army has been reduced in strength and economies have been effected.

322. Was that on the recommendation or advice of the War Office in Egypt?—I do not say that the War Office recommended the reduction, but they concurred in it.

323. How did you deal with the Estimate in that case? The moment must have come, I presume, when it was necessary to reduce the Army Estimates?—It was not considered as a financial question. It was considered as a question of what the Army strength ought to be. That is to say, the whole question discussed in the presence of Lord Cromer was what the strength of the army ought to be; there was no question of cost or figures gone into, but we discussed how many garrisons there ought to be in the Soudan, and of how many men they should be composed and so on, and whether there was a possibility of economising so much artillery, so much cavalry, and so much infantry. Having decided what the strength of the army was to be, it was then a very simple matter to work out what the financial economy was. In fact it was not done by saying, we wish to economise so many thousand pounds off the Army Budget, but it was done by saying we think the Army ought to consist of so many men less than at present. That is why I said just now that I did not agree with the system which was suggested of fixing a lump sum, because if you did that you could onot at nce see what the effect would be.

Mr. *Austen Chamberlain.*

324. But surely when you fix the number of men you do practically fix a lump sum?—It causes

Mr. *Austen Chamberlain*—continued.

causes the Estimate to increase or decrease to that extent of course.

325. If you say that your Army should consist of so many men by fixing the number of men, you have practically fixed the Estimate *en bloc*, subject to minute examination of details as to the necessity of each item of expenditure having regard to the number of men you have fixed. What I mean is, that the main item in the cost of the Army will be the number of men which you have fixed prior to your financial examination in the case that was suggested?—Quite so. Having fixed the number of men there cannot be very much discussion as regards the rest.

Mr. *Churchill.*

326. Surely apart from the number of troops, there would be the questions of armament and the scale of pay and equipment, and the system of pension, and so on, all of which would necessarily be a matter of discussion and variation?—Such questions would be discussed when the annual Budget is under consideration. For instance, the Commander-in-Chief may wish to raise the scale of pay of some of the officers, and that question is discussed as a financial question with the Finance Department?

327. Or he may require a special credit for new rifles—how would you deal with the question of refusing or acquiescing in such a requirement?—He would make his demand to the Finance Department, and there would generally be a personal discussion on the matter. He would have to convince the authorities that the expenditure is necessary.

328. He has to convince them of that?—Yes.

329. But supposing the matter is a technical one, is he still required to give his reasons?—No matter is so technical, I think, that it cannot be understood with a little common sense.

330. Now, leaving the question of military expenditure, can you say at all about what sort of percentage the cutting down of the Estimates, when they are first presented to you, would represent?—It is very difficult to estimate that; it varies so enormously between the different Departments. Some Departments do not ask for more than they think they are going to get, while others ask for a great deal more in the hope of getting a little more.

330*. Are there very substantial reductions effected on the original Estimates?—Yes, considerable reductions.

331. Would it amount to about 25 per cent.?—Nothing like 25 per cent. of the whole Estimate.

Mr. *Churchill*—continued.

The whole Estimates of expenditure come to a figure of about nine millions. The reduction would represent nothing like 25 per cent. on that.

331*. I mean upon the Estimates as sent in by the Departments?—I will try to give an instance. I will take the Sanitary Department, which is one of those which is constantly growing, especially in Egypt, where we are liable to periodical epidemics. The annual expenditure upon that Department is about 100,000*l.* I should say roughly the actual new credit demanded may perhaps be a matter of 10,000*l.*, that is 10 per cent., and perhaps the Finance Department might in the end accord 5,000*l.*—that is 5 per cent. That I should think might be the proportion for that particular Department, and that would be rather above the proportion generally accorded, because it is a Department in which everybody recognises that increased expenditure is very necessary.

332. You would never from the point of view of Financial control in Egypt fix an arbitrary limit, and say that is all we have to pay any Department?—No, not until we had come to the end of our revenue. We should have to do so in such a case as that, I suppose.

333. As to what you said about money being voted for a specific purpose, as I understand, if the money is not spent in the year, it lapses?—It is not quite correct to describe it in that way. It is not voted for a specific purpose. The ordinary Budget cannot be considered as voted for a specific purpose.

334. But supposing a Department is given money to carry out certain works, say barracks, and those barracks are only about half completed at the end of the year, what happens then?—That would be carried over with the approval of the Government. It would require the approval of the Government to carry it over, but in the ordinary course it would be carried over without discussion. But what you are now mentioning is not an ordinary Budget item; what you are mentioning is a special credit. In the ordinary Budget there would not be such an item as a grant of say £1,000 for particular barracks. There is an item in the Budget for so many thousand pounds for works But that is not carried over—that is not for any specific works—that is the ordinary Budget provision for works, and a similar amount would probably figure in the next year's Budget. That is a different point from the other case, in which a sum is given for a specific work.

335. Supposing you allow credit for military works, and the money is not all expended at the end of the year, is there not great danger, when the end of the year approaches, of the military authorities

Mr. *Churchill*—continued.

authorities spending the money when they see that they have only two months, we will say, to spend the money in, and it will go back to the Treasury unless it is spent?—I think there is a risk of that. It would be difficult to modify the existing system as regards ordinary Budget expenditure, but I have often thought that it might be desirable to make some other arrangement as regards those items which comprise special works. I think the present system is open to the objection to which you have alluded.

336. I gather you are of opinion that the best way to increase economy in the Departments is to interest the Departments themselves in economy?—Yes.

337. You think that the head of a Department will very easily put his finger on the weak points in the expenditure of his Department?—I will not say it is very easy, but he can do it much better than an outsider who does not know the details of the work.

Mr. *Dillon.*

338. Supposing in Egypt you had reason to believe that there was corruption or extravagance in any Department, what would be the procedure taken?—We should generally nominate some small Committee, on which the Finance Department, and the Department itself would be represented, to inquire into the case.

339. On whom would the responsibility of taking the initiative in such a case lie?—That Committee would probably make a report to the Minister of Finance.

340. On whom would the responsibility of appointing the Committee lie?—The Minister of Finance.

341. Would the Financial Adviser take the initiative?—He does not take any initiative—he is only an adviser. It would probably be the Minister of Finance after private consultation with the Financial Adviser.

Mr. *Churchill.*

342. I wish to ask one further question as to the system by which you interest heads of Departments in absorbing obsolete expenditure within their own Departments, by giving them the advantage of their own economies. Would you describe how you give them an interest in their own economies?—It is done when the annual Budget of the Department is presented. Supposing a Department has been enabled to effect an economy in some branch of its work by reducing the staff, or by finding some more economical way of obtaining its supplies, that Department knows that if it proposes to utilise that economised expenditure for some other purpose there will be no objection raised.

343. Supposing it, in fact, saved 100,000*l.* on, we will say, horses this year, would the Government authorise them to expend that money for some other purpose?—Supposing in future they were to effect an economy in the Remount chapter of 100,000*l.*, they would be allowed to increase some other chapter by that amont of 100,000*l.* if it were necessary. The Government does not, of course, make any engagement on this point, but it has been the custom to do so, and consequently Departments feel that if they can effect an economy they will be allowed to utilise it to obtain greater efficiency in some other branch of the same Department.

344. Do you think that that internal effort in the Department towards economy would be strengthened, if instead of that informal arrangement or understanding being carried out, there was a definite system by which a Department effecting an economy had a nominal credit at the Treasury?—I do not think it would make any difference in Egypt because the system is well understood. I think it would be very dangerous for any Government to formally establish such a system, because if they had given an assurance that credits would not be diminished their liberty of action would be hampered in a bad year.

Mr. *Eugene Wason.*

345. How many of these Departments are there?—That is rather a difficult question to answer off-hand.

346. Can you tell me roughly?—There are six Ministres—there is the Ministry of the Interior, the Ministry of War, the Ministry of Foreign Affairs, and so on. Many of those Ministries are sub-divided into a large number of Departments, such as the Customs, the Post Office, the Sanitary Department, the Prisons Department, etc.

347. You stated that, in your opinion, it was only by the heads of Departments that economies could be effected?—Yes.

348. When you said that, did you mean the head Minister of the Department or did you mean the head of one of these sub-Departments?—I mean rather the head of a sub-Department, as, for example, the head of the Sanitary Department, or the head of the Prisons Department, or the head of the Customs Department.

349. So that there would be a great number of heads of sub-Departments?—Yes, a considerable number.

350. You

Mr. *Eugene Wason*—continued.

350. You said the expenditure was always increasing in Egypt?—I said the needs for expenditure were always increasing, but I said also that the total expenditure had not increased much during the last four years because of the savings in other branches.

351. Has there been an increase in the expenditure irrespective of the savings in the Departments?—Practically none, I may say, but the question is difficult to answer, because the expenditure includes remunerative expenditure, such as railway expenditure, where the expenditure varies with the receipts. Putting aside that class of expenditure, I should say that the expenditure had remained more or less at an equilibrium.

352. Do you think that your system in Egypt is better than that of this country?—It is not for me to give an opinion upon that because I have no personal experience of the system in this country.

353. Do you think it is a more economical system than ours?—It would be impossible for me to give an opinion as to that.

Mr. *Lough.*

354. What is the population of Egypt?—About ten millions.

Mr. *Austen Chamberlain.*

355. Is that including the Soudan?—No; there has been no census of the Soudan.

Mr. *Lough.*

356. I think you practically told us that finance is the foundation of Government in Egypt, that it is the most important thing?—I think that is the case everywhere, if I may say so.

357. But you told us just now you did not know about this country, for example?—I mean finance must be the foundation in this sense that ways and means must be found for everything which Government desires to do.

358. What I meant is, that more attention perhaps is given to finance than anything else in Egypt—is that what you say?—No, I do not think it would be quite fair to say that.

359. What is your position exactly?—I am Financial Adviser to the Egyptian Government.

360. But I want to understand what that means. You do not control any Department yourself, I understand?—I sit in the Ministry of Finance, in the room next to that of the Minister of Finance, who is the official head of the Office. He and I sit side by side practically, and every paper I wish to see is brought to me, and I note my opinion upon it, and then the Minister of Finance sees all those papers with my opinion upon them, and if he agrees the question is finished. If he does not agree he would probably ask me to step into his room and we should discuss it.

Mr. *Lough*—continued.

361. But the machinery is all complete in the country without you?—Yes.

362. You are put there as an additional adviser, with full power, or full advisory power at any rate, practically over all—they cannot put you aside if you chose to insist?—No.

363. What would happen supposing the Minister you speak of would not listen to you?—That would not be likely to arise because the business of the office is conducted in a spirit of reasonable compromise.

364. Is there any other Department of State but the Finance Department which has got an outside man like you?—Yes, several of them have.

365. Would it apply to the Army?—No, not the Army. It is not the case of an adviser there at all. The Commander-in-Chief is an English officer. There is also the Minister of War, who is an Egyptian.

366. You gave one very interesting answer to Sir Walter Foster about the form in which the Estimates came to you. Supposing there is a new service, does the Department fix the amount of the new service and say, "We want a million for that service," or do they rather tell you what works they want to get done?—They do both things so to speak. Supposing, for example, the Post Office wished to institute a new service, the Postmaster-General would describe what he proposed to do in the first place, and in the second place he would give a rough estimate with regard to it.

367. He would put the service first and the amount second?—I may take as an instance the Post Office Savings Banks which we started. The Postmaster-General would say, "If I have Post Office Savings Banks in so many towns it will cost so much a year." When the whole Budget is considered that matter is taken into consideration, and it is decided whether or not, as compared with other items, it should be done.

368. If you decide it could be done as you say, the services are put first; you are more interested, I suppose, in examining the services than in just passing the amount that is asked for?—I am not quite sure that I apprehend the honourable Member's question.

369. Supposing

Mr. *Lough*—continued.

369. Supposing the Postmaster-General says he wants to open forty Savings Banks, and he estimates they will cost £1,000 apiece, and therefore he wants £40,000, would you put aside his demand for £40,000, and consider whether the forty Savings Banks could not be provided at £250 apiece, or would you look at the services first?—I see what you mean. The point you put would be a minor matter; if you have a good Postmaster-General he would know what the cost ought to be, and be able to give an explanation that of it. You might perhaps like to make further inquiries, but you would not arbitrarily alter his estimate until you had discussed the matter with the Postmaster-General himself.

370. You would not pass an amount of one million or £40,000 just because that amount was asked for?—No, not just because it was asked for.

371. You would look into it?—We should look into the details.

372. Just one question about another point. You said your Government is generally assisted by the heads of Departments in securing economy, and you, as it were, give inducement to heads of Departments to restrain expenditure, and you succeed in getting their sympathy and their help in keeping down expenditure?—Yes.

373. You have given only one inducement. You say if they want to do fresh things in their Department they are allowed to do them if they can save on the other items?—Yes.

374. Is there any other inducement than the one you have given?—In Egypt the Departments in general do not treat the Finance Department as being hostile—they look upon it more as a friend. They know by experience that if they have urgent needs money is found for them, and consequently they have a general feeling against extravagance.

375. But do you not find sometimes a disposition on the part of heads of Departments to maintain old officers in their old places when they are getting past their work, and generally a tendency to let things go to sleep and maintain the thing as it was instead of trying to see what other means may be found?—There is always a certain tendency that way; but I consider that the method of allowing them to utilise any saving they can make is the best way to secure greater efficiency in the Department.

376. You are unable to give them any other inducement than you have mentioned to get rid of out-of-date and useless expenditure?—The only other inducement I can suggest would be the general desire on the part of every official to render good service to the Government by whom he is engaged.

Mr. *Lough*—continued.

377. One question as to the expenditure lapsing at the end of the year. You gave one or two illustrations, and I will venture to put to you another. Supposing for a national museum you voted 1,000*l.* in order to buy curios, would you consider it a good plan to let them know that if they had not bought them by a certain date they would lose the money?—No, I should not; I should think that would be a bad plan.

378. Is it your system that, say, for instance, all money granted for military works would lapse at the end of the year, if it was unexpended?—No, all Budgetary credits lapse at the end of the year.

379. Would you explain what is a Budgetary credit?—The amount the Government authorises a Department to spend within the year. That lapses when the year is closed.

380. I am speaking of the case of works?—I think I have already answered that question. In so far as the works form part of the annual Budget, the money lapses—in so far as they form the subject of special grants, the money does not lapse, the money is revoted.

Mr. *Bonar Law.*

381. I was very much interested in your saying that in your opinion economies can only come from inside the Departments; therefore, as I understand, the general control should be rather with the view to try to get good men in the Departments than to examine the accounts in detail?—I think so, certainly. Perhaps it is too much to say that economy can only come from within the Department; I would rather say only with the help of the Department.

382. You would not think yourself qualified to criticise the details of expenditure in other Departments?—Not the details.

383. Your view as to the control would be that it should be like that of the Chancellor of the Exchequer here—when the head of a Department presents an Estimate to you, do you say, "That is too big, cannot you cut it down"?—One discusses the matter in a reasonable spirit with the man who knows all the technical details, and although one cannot know all the technical details oneself the man who does explain them sufficiently to enable one to understand them for the purposes of finance.

384. Is there an Englishman at the head of these different spending Departments in Egypt?—Practically there is an Englishman connected with the head of each of these Departments.

385. In the actual purchases of material that is required by the spending Departments who makes the purchases?—The Departments themselves. The rule is that up to quite a small limit (which

Mr. *Bonar Law*—continued.

(which I think is 100*l.*) the Department can purchase as it chooses, but for anything over that it has to put the supply up to adjudication, unless it can get sanction from the Finance authority.

Mr. *Austen Chamberlain.*

386. When you speak of putting it up to adjudication, you mean to tender?—Yes, to tender.

Mr. *Lough.*

387. You say that is compulsory unless it gets your authority?—Yes; no Department can order supplies beyond a certain limit without putting them up to tender, unless it obtains Financial sanction; it is not difficult to get Financial sanction if good reasons can be shown.

388. There must be good reasons shown, and then you freely give sanction?—Yes.

Mr. *Austen Chamberlain.*

389. What is your financial year in Egypt?—From the 1st of January to the 31st of December.

390. By what time do you expect the different Departments to have their Budgets ready for consideration by the Finance Ministry?—By about the end of October.

381. That is about two months before the beginning of the year?—Yes. During the whole of November those Estimates are being considered in the Ministry of Finance.

392. And you have December for further consideration?—Practically the Budget must be settled by the end of November, as it has to be submitted to the Legislative Council by the 2nd of December.

393. In your evidence you have divided the financial expenditure of the year into the ordinary Budget expenditure and special credits?—Yes.

394. As regards those two divisions of expenditure, except in regard to their treatment at the close of the year, do I understand that they are all on the same footing as regards examination and control?—A special credit which is an addition to the Budget grant is treated in the same way. When once it is has been approved by the Council of Ministers, it is incorporated into the ordinary Budget allowance of the Department concerned.

395. Do you know enough of our system to know what is meant by a Supplementary Estimate?—Yes.

396 Is the special credit of which you are now speaking practically an equivalent to a Supplementary Estimate with us?—Yes.

Mr. *Austen Chamberlain*—continued.

397. Then I understand there is another form of special grant?—There are two other sorts of Special Credits. We have two Reserve Funds consisting of the accumulated economies of past years. Certain sorts of non-recurring expenditure, if approved, are paid out of the Reserve Funds, and do not appear in the annual expenditure at all.

398. Is it from those Funds that you would meet any large expeniditure on works or barracks or schools?—Yes.

399. If I understood you rightly, you said for instance that in the Military Budget there would be a single item "works," with no details?—Yes.

400. And no details are submitted to the Legislative Council?—There are no details submitted even to the Ministry ef Finance.

401. Even the Ministry of Finance has no details submitted to it?—No—all we insist upon is that the money is spent upon works—upon military buildings.

402. I will hand you a copy of the Navy Estimates, Vote 10, which is the Works Vote for the Navy (*handing the same to the witness*). You have never submitted to the Finance Committee anything in that detail I understand?—Oh, no.

403. Would you consider the Finance Committee competent to criticise effectively details of that kind, if they were submitted to them?—No, I do not think it would be of the slightest use.

404. In fact, you consider that the only control which you can usefully exercise is the control over the total sum?—Yes, in a case like works. Perhaps I ought to explain that our item for works in the Budget is a comparatively small one, because all important works are met by Special Credits on the Reserve Funds. The item for works really means keeping the existing works in repair, and minor works of no great importance.

405. It is what practically would form one of the headings under our Works Vote, the heading for "Repairs and Maintenance"?—Yes. A better instance in the case of Egypt would be Irrigation Works on which large sums are spent. We discuss with the Public Works Ministry how much can be expended upon such works, but we do not ask where they are making them.

406. Therefore, for the economical administration of the money that you are able to allot to these services, you trust to the heads of the Departments themselves?—Absolutely.

407. You think that is your best security?—Yes.

408. Take

Chairman.

408. Take the illustration of an inundation through an extra high Nile, and your expenditure in labour in lieu of the *Corvée;* how would you get the funds for that?—There is a sum specially provided in the Budget for that. If there were some abnormal expenditure (which is perhaps what the honourable Member has in his mind), in connection with a very high Nile, a special grant would be asked for, and probably charged to one of the Reserve Funds.

Mr. *Austen Chamberlain.*

409. You mentioned that one of the inducements to economy (and I quite understand and appreciate its importance), is that you are accustomed to allow the head of a Department the benefit of any economies he makes for his own Department?—Yes.

410. You gave some interesting figures as to the extent to which fresh needs have been met by economies, effected in the last four years?—Yes.

411. Can you give me some indication of the kind of economies which have been possible. You told us that practically all the Departments have growing needs?—Yes, I can illustrate my meaning by the case of the Army—two battalions were economised in the Egyptian Army.

412. I understand the case of the Army when you are reducing the strength of the Army from a war to a peace footing; but let me take as an illustration another case which you gave yourself of a Department having growing needs, namely, the Sanitary Department—have they been able to economise within their own chapters?—No, I do not think they have.

413. In that case it has been purely increase. —Yes, though it is possible that minor economies may have been effected; for instance, perhaps they have reduced their clerical staff in order to have another Sanitary Inspector. If the result of economising in the clerical staff was not that they could appoint an additional Sanitary Inspector, they probably would not effect the economy. It is true that the Finance Department have to pay the same bill in either case, but it is to the country's advantage that the money should be spent in the most effective way, and the head of the Department who is responsible for the carrying out of the work of the Department will always spend his credits as effectively as he can.

414. Can you give me any illustration of any considerable economies being effected outside of the Military Department? — There was a Department for the manufacture and sale of salt, which was a Government monopoly. This Department has been abolished and the business conceded to a private company, who pay a royalty to the Government.

Mr. *Austen Chamberlain*—continued.

415. In a case like that you only got the net revenue instead of the gross revenue, so that there was not necessarily a real saving?—There was a saving on expenditure so to speak. On the expenditure side of the Budget there was no longer this sum appearing.

416. Did you thereupon allow the Department to spend the same sum as before?—No, because the Department had disappeared altogether.

417. The Salt Department was not a branch of the Revenue Department?—No, it was a branch by itself, and it consequently disappeared.

418. But the saving represented by the abolition of the Salt Department was not necessarily a real saving?—No, that is true; but the measure was desirable for other reasons. As I said, all these economies effected in the administrative expenditure have amounted to about £400,000 in the last four years, or, in other words, although it would appear, if you take the total of the Egyptian expenditure, that it had been more or less stationary for the last four years, in reality new credits amounting to £400,000 have been accorded.

419. I think you said the whole of your Budget was about ten millions?—Yes.

420. Your expenditure, I presume, is practically limited to Egypt. You have not got an Egyptian Navy for instance?—No.

421. And you have not got a Diplomatic Service? —No. The only outside expenditure is the tribute and interest on the debt.

422. Therefore it requires practically no staff and no institutions outside Egypt proper?—That is so.

423. Or that might very much facilitate the kind of personal control which you explained yourself was possible in a small country like Egypt?—Yes.

424. But it would not be possible to apply in detail (though it may be in principle) your methods of control to a Budget of one hundred and fifty millions in this country with interests in establishments in every quarter of the globe?—I think the same principles might be applied. I do not imagine that any individual here, the Chancellor of the Exchequer for instance, could possibly do what the Financial Department can do in Egypt, but I should have thought he might follow the same system, and by delegation of powers arrive at the same result.

425. I understand that in the case of special credits for works of importance, the unexpended balance comes under your review at the end of the year, and that it is your practice to vote without question unless you have reason to believe that the need for it has ceased?—Quite so. As long as the work is going on it would be re-voted without question.

Mr. *Austen Chamberlain*—continued.

426. Unless you see reason to suppose that the circumstances have changed you would renew it as a matter of course?—As a matter of course.

427. You would not think of going over again the kind of inquiries which you made when the expenditure was first proposed?—Quite so.

Chairman.

428. Is there anything else you would like to say to the Committee?—I do not think so—I think that all the points on which the Committee desired information have been thoroughly exhausted.

[The Witness withdrew

[Adjourned to Tuesday next at twelve o'clock.

Tuesday, 29th July 1902.

MEMBERS PRESENT:

Mr. Austen Chamberlain.	Mr. Hugh Law.
Mr. Churchill.	Mr. Lough.
Mr. Dillon.	Sir Lewis McIver.
Sir James Fergusson.	Mr. Trevelyan.
Sir Walter Foster.	Sir Edgar Vincent
Mr. Bonar Law.	Mr. Eugene Wason.

THE RIGHT HON. SIR JAMES FERGUSSON, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., called in; and Examined.

Chairman.

429. YOU are a Principal Clerk at the Treasury?—Yes.

430. You hand in a Memorandum, which has been drawn up for the purpose of this Committee, in regard to the Treasury control over the expenditure of the War Office and the Admiralty?—Yes. (*The same was handed in.*)

Sir *Edgar Vincent.*

431. Can you give the Committee a sketch of the manner in which the Budget of the War Office is prepared, and the different stages through which it goes?—The first stage is of a non-official character between Ministers. The various heads of Departments in the War Office and in the Admiralty (for the procedure is the same there) prepare their schemes of expenditure for their individual branches of the War Office or the Admiralty, as the case may be. Those are submitted to the Minister at the head of the whole Department, and he then, in communication in the first instance with the Chancellor of the Exchequer, arrives at a general total for the War Office, or for the Naval Services as a whole. That is the first stage. When that total has been arrived at, then the War Office proceeds to put that Ministerial agreement into an official form, and submits the various Estimates for the several Votes which go to the Army or the Navy Services respectively. Those are sent to the Treasury, with covering letters, and explained with a considerable amount of detail, and those detailed Estimates are subject to scrutiny in the Treasury, as in the case of Civil Estimates.

432. What part in the preparation of the Estimates does the Accounting Officer of the War Office, or of the Admiralty, as the case may be, play?—I do not know that I should be quite so good a witness on that point as the Accountant General for the Navy, who is, I understand, to give evidence to-day. I imagine his part is a very considerable part, but you will hear that at first hand from Sir Richard Awdry.

Sir *Edgar Vincent*—continued.

433. The point I want to arrive at is, what amount of financial examination and financial criticism do the Estimates of the Army or of the Navy receive before they are submitted to the Cabinet?—As I said, I cannot speak at first hand about that within the Departments of the War Office or the Admiralty, as the case may be; but though I cannot speak at first hand, I am aware that a very considerable amount of financial supervision, check, and criticism is exercised over them. In the case of the Navy, Sir Richard Awdry will be able to tell you about that at first hand.

434. Then the stages, I understand, are as follows: First of all, preparation within the Department; secondly, the Cabinet; and thirdly, the examination by the Treasury?—That is so.

435. The examination by the Treasury takes place subsequent to the fixing of the aggregate Vote?—Yes.

436. You probably agree with me that the essence of financial criticism is knowledge?—That is so.

437. But if no criticism takes place previous to the fixing of the aggregate Vote, is the aggregate Vote settled with sufficient knowledge?—I think it is. I can speak only at second hand as regards what goes on inside the individual Departments. I believe, however, speaking at second hand, that a very effective control is exercised in the Departments. As regards the control that is exercised in the first instance by the Chancellor of the Exchequer as regards the totals which are proposed to him informally by the Minister at the head of the Department, whether it be the War Office or the Admiralty, those are scrutinised with as much knowledge as the Treasury possesses before a decision is come to by the Chancellor of the Exchequer.

438. What amount of examination takes place by the Treasury previous to the acceptance of the amount by the Chancellor of the Exchequer?—The Estimates for a new year naturally go

Sir *Edgar Vincent*—continued.

to a great extent, but not to a final extent, upon the basis of the past. You start from that. Then there are new proposals which have been considered individually and specially by the Treasury on official papers as regards particular proposals, such as for the messing allowance to the Army this year; or, again, the case of the armament of fortresses, which is referred to in the Secretary of State's Memorandum on the Army Estimates. Those essentially new things have been considered separately on our registered papers by the Treasury before they are included in the Estimates, and so far, therefore, as those things have been approved, and the total has been considered with regard to those specific things, so far there has been that amount of financial control which is possible beforehand.

439. At first sight it appears somewhat anomalous that the aggregate figure should be settled previous to the examination of details?—I had in mind in making my last answer the difficulty which you present in that question. The new details are, in the main, considered specially, so far as they are important things, before the Estimates come in; before the proposals of the Minister are actually made to the Chancellor of the Exchequer. It is a small residue (unless it be for a very big question of policy) which has not been considered when the Secretary of State for War or the First Lord of the Admiralty approaches the Chancellor of the Exchequer with his proposals.

440. Now, comparing the increase in the Army and Navy Votes, which you have special charge of, with the increases of the Votes of other Departments, there would appear to have been during the last ten years a larger increase in the case of the Army and Navy than in other chapters; do you attribute that at all to the difference in system of control?—No; I attribute it entirely to policy.

441. In your opinion, the revision, from a financial point of view, of the Army and Navy Votes is as close as in the case of Votes of other Departments?—Subject to my remarks about policy, I think it is. I had to do with the Civil Estimates before I went to deal with the Army and Navy Estimates, and I therefore speak with some knowledge on the point.

442. With your experience, can you suggest any method by which the Treasury could acquire greater knowledge of the Votes, and therefore make their criticism more effective?—As you said a little time back, control is based on knowledge, and the Treasury control can only be effective to the extent to which it is based on such knowledge. In my opinion, the adequacy of the Treasury control is a thing which requires a vast amount of knowledge which practically no human being can acquire in the course of his official life. If I may put it in the form of a paradox, I think adequate Treasury control is best exercised by control within the Departments themselves, by a strong Accountant-General for the Army, or for the Navy, as the case may be, and by his being aided and the Treasury being aided by as much knowledge as can

Sir *Edgar Vincent*—continued.

be collected by sympathetic working with the Departments, by sitting on their Committees (which is done to a great extent), and generally being able to see the reasons for which they propose things, and to be seized with the principles which are actuating the Department in making its proposal. But the essence of Treasury control is really the control of the Department in itself, reinforced by the Treasury.

443. But comparing what you desire with what exists, do you see any point in which improvement could be effected?—It would be difficult to say there is nothing in which improvement could be effected. Taking, for instance, the case of the Department which is to be represented here to-day, in the case of the Navy, I think in the main the control is as efficient a control as it is desirable in the public interest there should be.

444. That is to say, no closer financial control could be exercised without danger to efficiency?—That is my belief.

445. That control, I gather from your evidence, is mainly exercised now through the financial officer of the Department concerned, that is to say, the Accountant-General in the case of the Navy?—With the assistance of the Treasury, which I should imagine they would regard as a very great part of their strength in dealing with the matters which they have to consider.

446. You say that knowledge is essential to financial control? What part does the control now exercised by the House of Commons play?—Taking the case of the Navy, for instance (the Navy is a very simple case, and I have taken it in preference to the Army, because of its simplicity), if you know the number of ships they have in commission and the number of ships they are going to build, the amount of their programme of new construction, practically the whole of the Navy Votes are a mere corollary, and you could tell beforehand about what the total amount would be within a very small margin. In the case, therefore, of the Navy, the control of the House of Commons must be restricted in the main to big questions of policy, and in my judgment the control of the House of Commons before the event (not after the event) must in the main be restricted to great questions of policy and the larger lines of administration.

447. Is that altogether so? Take, for instance, the question either of the cost of construction of ships or prices paid for guns, or the desirability of building in dockyards in preference to private yards, or *vice versa*; surely outside the question of policy there are very large financial questions involved there on which two opinions are entitled to respect?—Certainly. But in the course of my last reply I used the words "before the event"; I distinguished between before the event and after the event. Personally, I do not believe to a very great extent in a rigid control. I do believe in criticism, and I do believe very much in this: getting the best man you can get, and observing the way in which he will act, and finding fault with him after the event, if you find him to have gone wrong, though I do not lay that down for universal

Sir *Edgar Vincent*—continued.

universal application; but as regards the minor sphere of detail, to which the honourable Member referred, I do think that it is unwise to fetter a man in these subsidiary matters before the event.

448. That is to say, speaking generally, you favour revision of Accounts and criticism of Accounts rather than criticism of Estimates?—For small matters, yes.

449. And for large matters what do you say?—Those are matters of policy which, of course, come under the consideration of the House, and on which the House never fails to express some opinion.

450. But outside questions of policy, there are surely large questions of expenditure, such as those I mentioned just now, where it would be possible, with sufficient knowledge, to criticise the Estimates advantageously before the event?—I perhaps did not follow the honourable member as to the particular case—perhaps he would take a particular case.

451. You say, as regards large matters, they are questions mainly of policy; I then suggest that outside questions of policy there are questions, such as the purchase of guns or the construction of ships in dockyards in preference to private yards, and so forth, where large financial questions are involved, which cannot be really considered to be questions of policy?—I had thought of those rather as questions which would come under the category of policy.

452. You consider those questions of policy?—I had thought so. Questions, for instance, as to making all your ammunition and guns at Woolwich, and building all your ships at your own yards, are very important questions of policy which are very far-reaching in their effects, as the honourable Member, of course, knows.

452*. They involve large financial considerations?—Certainly.

453. But on those you do not consider that examination before the event would be a financial benefit?—Not examination otherwise than by the House as a whole.

454. My point is not so much the question of examination by the House as a whole, as between examination with knowledge and examination without knowledge, without witnesses. My point is this, whether examination by the House of Commons, in Committee, with adequate witnesses, would not be an assistance to the Treasury in maintaining economy?—Before the event I do not think it would be. After the event, within certain boundaries and limits, I think it would be of the greatest possible assistance to the Treasury and to the Departments.

Chairman.

455. Do you mean by "after the event," after the Estimates are prepared?—I meant not in connection with the Estimates, but in connection with the Accounts of the actual expenditure.

Sir *Edgar Vincent.*

456. That is six or nine months after the expenditure has actually been made?—Yes, but the expenditure as a rule is of the same type from year to year, and the review which I understand to be suggested is not merely a review of what is past and gone and dead for all time, but it is a review of the application of the principle that will be required for future years also.

457. That is to say, recurrent expenditure?—Yes.

458. Taking the examination after the event, do you consider with the present limits the examination of the Comptroller and Auditor General as fully meeting your requirements?—I can conceive in individual cases inquiry by the House of Commons as being of greater use, in certain cases, because there is a wider scope about a Committee of the House of Commons than there is about the examination of definite sums expended in a definite year.

459. Therefore you mean the examination by the Committee of Public Accounts has a wider reach, and is more effective than the mere examination by the Comptroller and Auditor General?—That is so; but I also had in my mind other inquiries, not necessarily by the Public Accounts Committee alone. There have been other inquiries, which, I may say, with all respect, have been of the greatest possible assistance to the Departments, including the Treasury.

460. Could you give an example?—For example, there was the inquiry into the Diplomatic and Consular Services about thirty years ago. That is to say, where a definite unit of expenditure, something, I may so say, within a ring fence, has been considered by the House.

461. Would the sphere of the examination by the Committee which you suggest be one merely of formal accounts and auditing, or would it extend to the question of the merits of the expenditure?—It would not be for me to suggest any limit to the scope of the Committee. I may add, I was not suggesting a permanent Standing Committee. I was speaking of the case of a definite branch of expenditure which it occurred to the House it would be well to inquire into.

462. It has been suggested by another witness that it would be advantageous if the Estimates or the Accounts were periodically revised by a Select Committee of the House?—The Accounts, of course, are brought under review by the Public Accounts Committee, but for the Estimates there is no such Committee.

463. But it has been suggested as an addition to the actual machinery that an examination should take place periodically of the Estimates of certain Departments, each Department coming up for examination say once every five years, or once every seven years; would such a scheme appear to you to be useful financially?—In connection with the Estimates it would not strike me as being financially useful.

464. As regards any of the Accounts would it be useful?—As regards the general scheme of expenditure. I could conceive its being of a great use in individual cases; I gave as an instance the inquiry into the Diplomatic and Consular Services.

465. With regard to the Comptroller and Auditor General,

Sir *Edgar Vincent*—continued.

General, I want to know what your view is respecting his duties; as to whether it lies within his power to draw the attention of the House of Commons to extravagance, or whether he is limited to questions of faulty accounting or misappropriation?—His functions in practice and theory are much wider than the latter alternative you put of faulty accounting and misappropriation. The Comptroller and Auditor General has never restricted himself merely to those functions. He has commented on the principles applied, and any extravagance which came within his purview he certainly would draw attention to, and it is a most important thing that he should exercise his functions in that wide sense.

466. So that in reality the examination by the Comptroller and Auditor General is considered by you as a guarantee against extravagance?—With regard to extravagance in a general sense, yes. He is the only person who comes in after the expenditure and observes what has been done. The Treasury comes in before the expenditure has been incurred. Then the Department expends the money, and the Comptroller and Auditor General is the only person who is in a position to know what the Department has done, and he understands it to be his duty to report any extravagance that comes under his notice to the House of Commons, of whom he is an officer.

467. The fact that he does not report extravagances justifies the conclusion by the House of Commons, that no extravagance has been incurred?—I mean extravagance generally. There are cases where it would be very difficult for anybody, unless an expert, to know, for example, whether the proper price has been paid, it that if the sort of point in the honourable Member's mind.

468. Has he the means for ascertaining whether proper prices have been paid?—I am not aware that he has any means other than the general knowledge that a prudent man ought to have of such things—he would investigate and ascertain to the best of his power.

469. The reason I press you on these points is that the certificate of the Comptroller and Auditor General is not worded in such a way as to include any reference to extravagance—it merely refers to the question of formal accounting?—In practice, he does undoubtedly take a considerable part in drawing attention to any extravagance he may discover.

470. Now I want to ask you a question with regard to the Accounting Officers of the Departments over which you exercise control. To what extent are they financial controllers, or financial officers exercising power in the interests of financial control?—They undoubtedly do act very much indeed in the direction of financial control. We undoubtedly look to the Accountant General of the Army, and the Accountant General of the Navy as the people inside the Department whose disposition is towards economy, and who do scrutinise expenditure to see that the money expended is expended to the best advantage; and I believe if you inquire from the Accountants General of the Army and of the Navy, you will find that that is a very considerable portion of their work, and that they understand it to be within the scope of their duty.

Sir *Edgar Vincent*—continued.

471. Are they in any sense delegates of the Treasury to the respective Departments?—They are not delegates in the sense that we actually appoint them for the Army and Navy. There is a special clause in the Exchequer and Audit Act in regard to them. It is our chief function to support them to the full extent of our powers, in the exercise of the very responsible functions which are placed upon them.

472. But as a matter of administration, the Treasury has no more direct connection with them than with any other officers of the War Office or Admiralty, has it?—Oh, yes. We are cognisant of the existence of the Accountants General of the Army and of the Navy, but we are not cognisant of the existence of any other officers in either the War Office or Admiralty, except the head of the Department.

473. That is to say, you are in direct relations with them?—We are aware of their existence. They have a statutory existence, and an independence, and powers as Accounting Officers, which give them an individuality which is not vested in any other person who may be called in merely to assist the Secretary of State for War or the First Lord of the Admiralty. They are in fact an *imperium in imperio.*

474. Do they correspond directly with the Treasury?—No. Just to make myself perfectly straight upon this point, I may say that as a fact, in the case of the War Office, the Accountant General does sign all letters to us, but that is a mere accident; he does not sign them as Accountant General. There is a very great deal of semi-official communication which goes on between those officers necessarily.

Chairman.

475. And personal contact?—Yes. Daily.

Sir *Edgar Vincent.*

476. Now, respecting responsibility for economy in the War Office and the Admiralty, do you consider the accounting officer as responsible for economy, or only the ministerial head of the Department?—I should say that the Accountant General should, in all cases, make for economy, but that the responsibility for economy was ultimately that of the head of the Department.

477. We heard the other day that the Accounting Officer in each Department had the right and duty to protest in the case of any extravagance being committed contrary to his advice.—I was not aware that it would extend quite to any case of extravagance.

478. I think the evidence was that he had the right to protest as to any expenditure of which he disapproved?—Any expenditure which is contrary to regulations, I should imagine, was the evidence given to you.

479. The former witness, in answer to question 13, said, "If the Accounting Officer has proposed to him to sanction any expenditure from the Vote which

Sir *Edgar Vincent*—continued.

which he thinks is not a proper charge to the Vote, either because it is contrary to the wishes of Parliament, or because it is contrary to the wishes of the Treasury, it is his duty to offer objection."—Quite so.

480. "And if he is over-ruled by the head of his Department, it is then his duty to record his objection in writing."—That is so. That is not as to extravagance generally.

481. Surely extravagance would come under the head of "contrary to the wishes of the Treasury"?—The "wishes of the Treasury," as used by the witness from whose evidence you have quoted, would be the wishes of the Treasury as expressed in particular instances; that is to say, for instance, that they must not buy certain things or employ certain persons in a specific case.

482. Can you give us the reference showing the exact powers and duties of Accounting Officers? Under what Act is it that they come?—Under the Exchequer and Audit Act of 1866, and there is also a Treasury Minute, which I shall be pleased to put in if the Committee desire.

Chairman.

483. That will be put in by a later witness?—Yes.

Mr. *Churchill.*

484. You are yourself a Treasury official?—I am.

485. Distinctly and definitely under the Treasury?—Yes.

486. Without any responsibility to any Department of any kind whatever outside the Treasury? Only to the Board of Treasury.

487. In that way you differ altogether from the Accountant-General of the Army and the Accountant-General of the Navy?—That is so.

488. To whom do you consider that the Accountant-General of the Army is answerable?—As an ordinary official, he is responsible to his Secretary of State.

489. To the Secretary of State for War?—Yes. As Accountant-General he is his own master, and has his own responsibility within the limit that ultimately he may be over-ridden by the Secretary of State.

490. Supposing, as I daresay may sometimes occur, there is some discussion in process between the Treasury and the War Office, to which side does the loyalty of the Accountant-General at the War Office go—to the Treasury or to the official head of the War Office?—Perhaps you would ask the Accountant-General that point.

491. I am putting the question to you in order to see as far as possible how the ground is covered. We want to see whether there are any gaps which are not covered over, and it is for that reason that I ask the question: In the event of discussion between the Treasury and the War Office, who would be responsible at the Treasury to see that the Treasury point of view was put forward?—I am afraid that I do not quite follow the case the honourable Member has in view.

492. In the case of expenditure being proposed by the War Office which the Treasury are questioning, who is responsible for putting the Treasury case forward?—The Treasury.

Mr. *Churchill*—continued.

493. But what official at the Treasury; are you responsible—is that your function?—It is my function to my Board to put the Treasury case forward. That is what I am paid for.

494. Do you think that the Treasury control over Army and Navy expenditure is weaker than over that of other Departments?—Yes; I think the Treasury control in the strict sense is weaker, because I take it it is to a very great extent delegated to these Accountants-General.

495. There is only one Accountant-General for the War Office and one for the Admiralty?—That is so.

496. While in regard to the other Departments under the control of the Treasury, there are many Accounting Officers?—Yes.

497. Do you think that the fact that you have only two Accounting Officers for those two great spending Departments, whereas there are many Accounting Officers for the other small Departments under the control of the Treasury is the reason why the control of the Treasury over the Army and Navy Estimates is not so strong?—No. You must have one man responsible; you cannot have a variety of men. But, as a matter of fact, each of these men (I am speaking of the Accountants-General of the Army and of the Navy) has an expert staff, who deal as lieutenants with individual cases in detail, referring to him those matters which they regard as necessary to trouble him with; that is to say, he is the head of a large organisation.

498. You yourself examine the accounts and statements sent in by the Accountant-General?—Sent in by the Department.

499. That is practically made out by the Accountant-General?—That is so.

500. You are not able, I presume, to look into the details of Army expenditure in the same way, for instance, as the Treasury is able to look into the details of the Civil Service expenditure?—That is so, because of the volume; and I think it is distinctly undesirable and impolitic to enter into the details with too great minuteness, and to attempt to assume for the Treasury the responsibility which should be vested in the Department itself. The Department can do the work much better, and does it much better, itself than if we had a hundred more clerks added to the Treasury living apart from the War Office to try to do their business for them.

501. What I am putting is this: that mainly the War Office is responsible for its own economy, and the Admiralty is responsible for its own economy?—Within wide limits I think that is so, and I think that is a desirable thing.

502. Still, I suppose sometimes you do make reductions in the Estimates that are sent in, even from those two Departments?—Yes, that is so.

503. Have you any idea of the percentage of reductions which are made in ordinary years upon the Estimates which are sent in?—I have no idea, but the honourable Member may take it as not being a very large sum on the Estimates, seeing that they have already been approved by the

Mr. *Churchill*—continued.

the Cabinet in the aggregate and to a great extent by the Treasury in detail. But we do undoubtedly refuse to allow any services which may have been stuck into the Estimates improperly, the Treasury having previously said that they should not go into the Estimates.

504. As a matter of order you mean?—It is more than that; it is not merely a matter of order; what I mean is a case where on the previous paper a proposal has come to us and we have said, "We do not agree with that," and have maintained that view, and then by inadvertence, perhaps, it has occurred in the Estimate; we say that the inclusion of this item in the Estimate is not to be allowed—you are not to spend a penny of this money for a purpose for which we do not agree to allow its expenditure.

505. Do you often find in respect of Estimates presented by the War Office that propositions are put forward in the order of merit, and that those which are the least necessary may perhaps be put first?—That is not the form in connection with the Army and Navy Estimates. That is the form in which proposals in connection with certain Civil Services come forward, but in regard to the Army and Navy Estimates all that preliminary work before the final decision has been gone through already by the Secretary of State. He does not tell us what is his first or his second thought; he tells us what are his final thoughts.

506. Can you tell me any instance of reductions effected by the kind of scrutiny you exercise—I do not want the actual cases of reductions, but the kind of reductions you have been able to effect by the control which the Treasury exert?—There have been instances, but as a rule they are not very large in extent, in connection with the Army and Navy Estimates.

Mr. *Austen Chamberlain.*

507. You might perhaps quote an instance; it is within your knowledge, is it not, that certain important proposals have not infrequently been abandoned by the War Office, for a time at any rate, in consequence of Treasury protest?—Certainly, I was speaking quite generally, because I understood the honourable Member was only anxious to know the extent of such cases.

508. I only mention that as a class of cases?—Yes, there is that class.

Mr. *Churchill.*

509. I take it the War Office Estimates pass through the Treasury after they have been sanctioned by the Cabinet *en bloc* with practically no substantial reductions except on ground of breach of rule, or as being matters which you have previously objected to?—That is so, but the honourable Member must understand that the Estimate as submitted is not a proposal which comes for the first time to the Treasury. It is a record, a summary of previous proposals which have been dealt with separately—it is a record of decisions already come to. I will go so far as to say this: that in my judgment the perfect Estimate would be one on which we should not want to say anything, because it expressed correctly what we had already agreed with the Department upon before they sent in the Estimate.

510. There is a point about which Sir Edward Vincent asked upon which I want to get your answer a little further: what is the effect of the Parliamentary influence and discussion in this House upon the control, such as it is, which you are able to exert upon the War Office and the Admiralty expenditure?—That is a general question, but my general opinion would be that the effect is very considerable, though it would be evidence of things unseen to a very great extent Still, indirectly, I believe the control to be very considerable indeed.

511. Do you think, if the House of Commons knew more of the real questions at issue under the Estimates, that control would be able to be strengthened?—Certainly.

512. Do you think that would be an advantage?—I say that the control would certainly be greater if the knowledge were greater.

513. Do you think that that would be an advantage in the cause of economy, and that it would enforce a more rigid scrutiny of the Estimates?—I do not think that, given complete knowledge of the thing, the House of Commons can waste its time in going into small details, or comparatively small things. With all respect, I should say it was a misuse of its powers to go into details, if I may venture to express such an opinion. It is upon larger lines of policy that the control of the House is most felt.

514. Let us assume there was a Committee of the House delegated for the purpose of going into small specimen details which excited suspicion, or where there was a weak point; that would strengthen Parliamentary control, would it not, and would strengthen again the power of resisting expenditure?—Yes; perhaps the point upon which the honourable Member does not quite feel with me is whether it should be before or after. That is the point in my mind. I think, within certain limits, it might be an extremely useful thing to the House, and to the Departments, that there should be inquiries into specific subjects treated as a whole.

Mr. *Eugene Wason.*

515. That would be afterwards?—Afterwards, in the case of a recurrent charge; it is not afterwards in spirit, though it appears to be so in form. But before the event there would be the point of pressure of time. The Estimates have to be got ready, and have to be presented, and action has to be taken upon them within a very short time. If there were a Parliamentary Committee dealing before the event with the proposed expenditure—take, for instance, the Naval Works Vote, Vote 10 of the Navy Estimates. I imagine the Committee, in order to admit of the expenditure taking place, would have to sit every day for at least half a dozen hours a day for some three weeks, before it could get through the mass of work, if it is to go into detail. There is an enormous amount of detail, and a Committee of course cannot act so speedily as any individual member of it can act.

516. Then

Mr. *Churchill.*

516. Then you deprecate the antecedent control of the Estimates by any Parliamentary Committee?—Yes, in detail.

517. You do not think that would be practicable?—I do not think it would be practicable, and I think it would be impolitic from the point of view of the House, if I may say so.

518. But only because of the actual physical difficulty as I understand, and the time?—For other reasons too, I think. I think there would be a general disposition to impose the responsibility on that Committee which at present is exercised by the Departments. When you get a thing coming into the Army or Navy Estimates it represents a survival out of a number of competitors; it may be you might have a whole heap of these things coming forward which would be not merely ordinary survivors, but those which had been competing with those survivors before. They would say, "Let us have one more chance—it may be this Committee will take a different view from you," and the head of the Department might feel himself in an awkward position. My belief is, that you would be deferring the decision; you would be weakening the responsibility.

519. When new expenditure is proposed, you do not think it possible that that should be inquired into by a Parliamentary Committee in the form of the Estimate?—Not in detail.

520. You think after it had been already spent, as regards subsequent review after the event, control is not necessarily so undesirable?—So far from being undesirable, I can conceive instances where it would be very desirable, and if I may say so again, it will be observed that the effect of it in the case of a recurring expenditure is on the future, and is not merely a question of the past. But any control must be based on knowledge, and knowledge means a great acquaintance with detail, and involves a great deal of time, which time must be very much greater for a Committee than for any individual member of the Committee.

521. So that practically, I gather, the position is this: antecedent control of the Estimates is bad, practically, the first year an expenditure is proposed, but in the second year when the expenditure is proposed it might be useful?—That was not quite my meaning.

522. I gathered that it practically came to that from the point of view of physical difficulty and the actual time available?—Yes.

523. So that really there is no objection to the control of the Estimates, except the objection of actual time and physical difficulty?—There is undoubtedly a very great difficulty about the time, and there is the very great difficulty too (and it is still more important in my opinion) in regard to the responsibility for the Estimates presented to this House; they must be the Estimates of the responsible Ministers of the Crown.

524. I gather that you are very much in favour of periodical revision, or that at least you think periodical revisions of certain specific branches or chapters of Estimates at either regular, or irregular, intervals might be useful?—It struck me as a way in which the reference of the Committee might be met, and I adduced an instance (there are many other instances) where that sort of action has been taken by the House with great use to all the Departments concerned.

Mr. *Churchill*—continued.

525. It has been useful in clearing away obsolete expenditure?—I think any review that is based on knowledge by a body of competent men must be of great use.

526. What is your view of the value to the Treasury of the Public Accounts Committee?—I think it is of very considerable value in this way, that it brings individual officers, the Accounting Officers, who are trustees of the public money, to sit in the witness-box to answer with their own lips for the deeds they have done, and for which they are responsible. That is done in a public manner, and there are the reports of the Committee, as to which, although they may have no direct effect to which I could point specifically, I have no doubt whatsoever that the indirect effect is very great indeed.

Mr. *Trevelyan.*

527. I should like to understand quite clearly why you think that there is any reason for different treatment of the Army and Navy Votes and of the Civil Service Votes. As I understand from your evidence so far, your chief reason is that there is a much greater expenditure in the case of military Votes, and that it would, therefore, be, practically, more difficult to deal with them?—In the case of the Army or the Navy it is a huge thing. If you have an ordinary Civil Service Vote it is a very small thing indeed, and it can be followed by any man quite readily; but if you take the case of the expenditure of the Army or the Navy, in the case of the Army there can be no one man who understands the whole of the Army expenditure—it requires a number of men. So again in the case of the Navy, with the exception perhaps of one man, I do not know anybody who can be said to understand the whole of the Navy expenditure. It is quite impossible to imagine that this comprehensive, catholic knowledge, which is so rare in the Admiralty or War Office itself, could be vested in one man at the Treasury, and I think it would be an undesirable thing, if we had got it, that there should be any such interference with a big Department in managing their own Department.

528. But I presume it is equally impossible for one man to understand all the Civil Service expenditure. You have six millions there against twelve millions in the case of the Army?—With the exception of two or three Departments in the Civil Service, there is very little in the Civil Services involving large questions of policy, or large and difficult technical questions. But there are very divergent questions of great importance which occur both with regard to the Army and the Navy.

529. But when you were dealing with the nature of the expenditure in one of those two Departments, in the Navy, you said a little time ago it was very simple, because when you knew the number of ironclads you could tell that the cost would be so much, and therefore there was not such great difficulty in checking the expenditure

Mr. *Trevelyan*—continued.

of the Navy?—I was speaking generally, and what I said I adhere to, that if you know the number of ships in commission and the number of new ships that are building, then, within half a million or so, you can tell what the total of the Navy Estimates must be. But I did not mean to say that every detail of the expenditure would follow from that general observation. In making that remark about the Navy Estimates following almost as a corollary from the number of ships built, or being built, I was using that argument with regard to the functions of the Chancellor of the Exchequer in his previous dealing with the Estimates.

530. Do you see any greater difficulty in the nature of the expenditure, in checking the cost of building or maintenance of an ironclad, than in checking the educational expenditure; what is the reason why it should be more difficult for the Treasury to have an effective control in the one case than in the other?—I do not think the Treasury has got an effective control over the Education Vote, and I believe that was the opinion expressed by the previous Treasury witness. There is an effective control over an ordinary small Department which does certain things, and merely has to have a staff to send off a few telegrams in the year, and so forth; its business is very simple, and anyone could control that from the financial point of view. But when you come to a large question like either the War Office, or the Education Department, or the Navy, there could be in a centralised Department like the Treasury no absolutely effective control over details; and I think it undesirable that it should be attempted.

531. But I suppose the Treasury might have the control, we will say, over such a question as contracts. Does the Treasury ever go into the question of whether contracts for any particular purpose are being carried out in an economical way? For instance, the Treasury might suspect that particular kinds of contracts under, perhaps, a particular set of men, were being very extravagantly conducted, and on going into that it might, if it had power, set the whole thing on a different basis, and then contentedly go on without any further enquiry for five years. How far does the Treasury do that in the case of the Civil Departments, and not do it in the case of the Army and Navy?—In the case of contracts in the Civil Services it only takes such action in connection with those contracts which are its own business. I am speaking of things which are not immediately under my personal control, but I know the facts. The contracts it does deal with are those of the Stationery Office, which is a Department subordinate to the Treasury; those it can and does investigate.

532. What about the Office of Works in this country?—The Office of Works is not so immediately subordinate to the Treasury as the Stationery Office; but there is a very close personal relation between the Treasury and the Office of Works in these matters, and if any Treasury officer came to have any suspicion that a contract was of a very wasteful character, and that it should be put on another footing, I am quite certain, whoever the officer was, he would take immediate action to try and have the thing put on a better footing.

533. Are you supposed in the case of the War Office to be watching contracts and ready to interfere if you think they are extravagant?—It is not our business to interfere with the primary and necessary responsibility of the War Office to carry out their own contracts, but if facts came to the knowledge of the Treasury which the War Office could usefully use, undoubtedly there would be a communication made to the War Office privately, and I have not any doubt they would take action upon it; but I have had no such knowledge myself.

534. Then in the case of practically acknowledged extravagance, such as that recently going on in the case of the War Office, the only person really responsible is the Accountant-General; you do not consider yourselves really responsible for the cases of waste which have been recently made public in regard to the Army?—No, we do not, because the War Office is not a subordinate Department of the Treasury; it is a responsible Department on its own account. But it is more than the Accountant-General who is responsible. There is the man who wants the articles and the man who makes the contracts for them; those persons are also responsible.

535. Supposing there was any sort of Committee of the House of Commons which had the power to investigate a case in regard to the Army or Navy (we will only deal with the Army and Navy for the moment), where any suspicion occurred to them that there was wastefulness, or where the Treasury suggested there was wastefulness, would not that be of advantage to the Treasury. Let me take the concrete case of what went on in certain Departments of the War Office during the war as acknowledged on all hands. As the Treasury is not accustomed to investigate contracts in the case of the Army, would it not be an advantage to the Treasury to have the assistance of a Select Committee of the House of Commons when there was any suspicion that contracts were being managed in a very uneconomical way?—The honourable Member does not give any specific instance which he has in mind, and so I can only speak generally.

536. I will take as a concrete instance the case of remounts. I quite understand you when you say you could not submit the original Estimate for remounts (which is a very good instance) to a Committee of the House of Commons because the horses had to be bought at once. But, then, afterwards there arises public suspicion as to the remounts, and the public and the Treasury suspect that the remounts are not being bought in the most economical way; I want to know whether it would not be an advantage to the Treasury to have some Parliamentary Committee to which the Estimates could be referred, which could at once in the case of new purchases of remounts (which would succeed the original contracts) start an inquiry into the remount contracts, so as immediately to prevent any further

Mr. *Trevelyan*—continued.

further extravagance, and so discover an extravagance which is only discovered six months or a year or eighteen months afterwards, under the present system?—I do not see how any Committee of the House of Commons could have discovered what was going on more quickly than the War Office did, which instituted a Committee on its own account many months ago. As regards the general policy of submitting contracts to a Committee of the House and the form of contracts before they are complete, I think no business at all could be possibly carried through if the Committee were to be the ultimate authority, and if all the facts were to be submitted to the Committee, which it would require to consider before it exercised the responsibility imposed upon it.

537. I did not suggest that for a moment; I guarded myself against that by saying that in the first instance it would be impossible for the Estimates for the first remounts to come before the Committee. But here you have a case where the public discovered (before the War Office) that there had been extravagance. Supposing it had been the habit for a Committee of the House of Commons to be ready to investigate into a question of this kind, would it be an advantage to the Treasury, as the guardian against public extravagance, to have had the assistance of a Committee of the House of Commons to investigate at once into the question of the remounts that had been already bought, in order to prevent future contracts of the same undesirable kind?—I think in those cases the better form in which the House can give assistance is by taking very stringent action against the Minister who is technically responsible for the *laches* of his subordinates; practically to hang the man who has committed the fault. That, I think, is the best means in which the responsibility of the House of Commons can come in.

538. Have you really confidence in the financial control of the Army at the present time, or I will put my question in this way: comparing the Army and the Navy, do you think there is any difference in the efficiency of the control exercised in those two Departments?—I think it is stronger in the case of the Navy than the Army.

539. I should like to refer to something that occurred recently in regard to the War Office, and to ask if you do not regard it as rather remarkable. When the war was concluded the House of Commons asked for a fresh estimate from the War Office, as the result of the conclusion of the war. The War Office produced a fresh Estimate, but this Estimate consisted of exactly the same total as what they had asked for when the war was expected to continue for some time, only the figures had been shuffled between the different Departments of the War Office. Does that strike you as showing on the face of it that the War Office exercises a very intelligent and careful control over its Estimates?—On the face it would suggest suspicion, but under the face, as a matter of fact, I believe it was a matter of very careful investigation. I am aware that they did want the money, but they wanted it in another way; it is wanted for terminal charges. As a matter of fact, they would have liked to have a little more money than they had. The ending up of a war is more expensive than its continuance.

Mr. *Trevelyan*—continued.

540. In that sort of case would the Treasury usually make any remark?—We were well acquainted with what the War Office were going to say.

541. You did know that?—Yes, certainly.

542. And the Treasury made no protest?—No, there was nothing to protest about. They did want the full amount of money expressed in the revised form. It is a very expensive thing ending a war.

543. In that case, did the Treasury make any new and special investigations into the matter?—We investigated it very considerably. We said, "What amount of money do you want? You have got this money for the continuance of the war; what money do you want now that the war has come to an end; what are the bases of your calculation?" They told us, and their statements were considered very carefully indeed by the Treasury before the Paper you refer to was put out by the War Office.

Mr *Eugene Wason.*

544. You have nothing to do with any contracts entered into by these Departments?—No, except when there is any departure from a covenant in the contract. If there is a departure from a covenant proposed by the Department, it is referred to the Treasury, as an impartial outside tribunal We do not make the original contract—we only agree to a departure if there is one.

545. So far as economy is concerned, it must depend in the main upon the Accountant-General of the Department concerned?—That is so.

Sir *Lewis McIver.*

546. I understand your position is that the contracts in the War Office are originated by the Sub-Departments of the War Office—they are checked and controlled and criticised by the Accountant-General and his staff of experts, and to some limited extent, such as you have just indicated, controlled by the Treasury, or rather I should not say controlled, but referred to them in a certain event?—I think the position is rather this. Supposing there is a sum for the purchase, we will say of guns, in the Estimates. There is the money available; then an individual man, the head of the proper Department, says he wants the particular guns; then he has to go to a separate person, the Director of Contracts, who orders the guns for him and makes the contracts. That is the procedure.

547. And that is supervised by the Accountant-General, is it?—I think not; I think the Accountant-General in that case is not necessarily the supervising officer. Take the case of these stores; you go first to the man who wants them.

548. And then to the Director-General of Contracts?—Yes, as to the form of the contract and the price.

549. The question of economy there is entirely within the responsibility of the Director-General of Contracts?—Yes.

Sir *Lewis McIver*—continued.

550. In those cases, the Accountant-General's influence is eliminated?—I think that is so.

551. Except in very rare cases of a covenant being altered, the Treasury does not intervene?—No, we never come in except in the case of the alteration of a covenant.

552. Even with such a limited control, you are not inclined to think that the assistance of an outside Committee, a Standing Committee, would be of any great service?—I think not before the event; I think you must get the best man you can, and put him there under a scheme by which all his actions are public, and you must judge him by the result.

553. But when you used the words "after the event," that, as you explained, referred to recurrent expenditure?—I use it here of a case where it is not recurrent, but as meaning after the event of the contract in that particular case.

554. Then if things had already got wrong, it would merely mean shutting the stable door after the steed had been stolen?—I do not think there is any alternative to that, though you may put it in that form.

555. Take a case of recurrent expenditure, an item that comes up every year; you would approve of an outside Committee of sufficient strength revising or reviewing that expenditure with a view to future expenditure?—Reviewing the general policy of the expenditure, do you mean?

556. No; I am speaking of the details of the expenditure?—Certainly; it must go into details before its mind would be informed by knowledge. What I was referring to in my earlier evidence was inquiring from time to time into a definite mass of things, some one subject, because it is a very long investigation. That is what I was basing my remarks upon.

557. I was referring to the subsidiary point raised by Mr. Trevelyan as to the extent of the existing control of Army contracts, which is practically confined at present to the Director-General of Contracts?—That is so.

Mr. *Dillon*.

558. In the Paper which you have handed in you say, in paragraph 4, "New charges of any importance are not to be inserted in the Estimates unless they have been previously sanctioned by the Treasury. It is very frequently the case that the Treasury is represented on the Committees with which such new proposals commonly originate." Let me take a special instance. In the case of the recent increase of pay of the Army, was the Treasury represented upon the Committee that considered that question?—As a matter of fact, the Treasury was very, very much involved in the question before it actually took shape in the Estimates. It was a matter that took up a very considerable amount of the time of certain officers of the Treasury for some weeks before that, to investigate the matter. I am not aware that there was a specific Committee in that case to recommend it. It was not a subject for a Committee; it was not a proposal that would follow from a great mass of investigation; it is a question of policy that does not require such investigation.

Mr. *Dillon*—continued.

559. Let me take another case. Supposing a proposition from the War Office of re-armament, either rifles or guns, would the Treasury be represented on the Committee that would consider that matter?—Yes; for instance, take what is referred to in the Memorandum of the Secretary of State for War prefixed to the Army Estimates—the re-armament of coaling stations and fortresses, to a certain extent—the Permanent Secretary to the Treasury was Chairman of the Committee, which did investigate that question, and which made a Report involving the expenditure of some millions of money.

560. He presided over the War Office Committee, did he?—Yes; he presided over that Committee. It was an Inter-Departmental Committee.

561. In that case you say it was an Inter-Departmental Committee, not a War Office Committee. But take the case of a change of the armament of the Army itself, which would involve an immense expenditure, such as new rifles for the Army or new field-guns—that would naturally, of course, be investigated by a War Office Committee; would the Treasury be represented on such a Committee?—When it is wholly a technical question we should not have to be represented.

562. But would you call it wholly technical when it involved the expenditure of many millions of money?—The amount of millions would not necessarily affect the question of its technical character. When the question at issue is a purely technical one, the Treasury could not claim to have a representative of their own on a War Office Committee.

563. But that is just what I wanted to get at. The Treasury is represented on these Committees, for what purpose? Is it for the purpose of giving the War Office their views on the technical merits of the scheme, or for the purpose of informing themselves or the Treasury as to the necessities of the scheme in view of the resources of the country?—Most of these questions are not technical questions ultimately; they are questions of a general character. Let me take, as an instance, the case of Committees I have been recently on, which inquired into the establishments of different offices and the functions of different people in both the War Office and the Admiralty; those are very important questions. We have been through the Naval Ordnance Department, the Engineers' Department of the Admiralty, and the Constructor's Department. At the bottom the facts are very divergent and separate, but at the top the principle is very much the same, and when anybody is seized of the information he can express an opinion. We like to know what they are doing, and why they are doing it; and also they are interested in getting us into friendly relations with them.

564. But those matters which you have alluded to now are administrative matters?—Yes.

565. Which, of course, the Treasury is quite as competent, or more competent, to consider on

Mr. *Dillon*—continued.

on their merits than the War Office. But what you say in this Memorandum is, "New charges of any importance are not to be inserted in the Estimates unless they have been previously sanctioned by the Treasury"?—That is so.

566. And you say, "It is very frequently the case that the Treasury is represented on the Committees." I would take that to refer quite as much, or rather more, to new charges such as I described, such as armaments?—I gave the honourable Member an instance in which the Permanent Secretary to the Treasury was chairman of a Committee dealing with the question of armament.

567. That was an Inter-Departmental Committee, not a purely War Office Committee—there is a certain distinction between the two?—What I was referring to in Paragraph 4 of my Memorandum is, that in the case of a Committee being appointed, there is generally a Treasury man on it. I do not mean to say that there might not be an Admiralty man on it, if it was a War Office Committee, or *vice versa*. That is the only distinction, I think, in the case of the Committee to which I have referred.

Mr. *Austen Chamberlain.*

568. Is it not made an Inter-Departmental Committee the moment two Departments are represented on it?—Yes.

Mr. *Dillon.*

569. But my point is that the question of the armament of coaling stations is rather one of general policy, and is a wider question than the question of some new expenditure confined to the Army itself. I gave two or three specific cases such as an alteration of armament which involves a great burden upon the ratepayer, or an increase in the Army, or an improvement of the rations of the Army, or an increase of the pay of the Army—those are technical matters; but I wish to know whether we are to understand that wherever any question of that character, involving great additional burden upon the tax-payers is being considered by an Army Committee, a Treasury representative is always present?—Most of those cases, with the exception of the one where Sir Francis Mowatt was chairman of the Committee, have not been, so far as I know, the subject of actual Committees, but they have been very much considered before a decision has been reached at the Treasury. I mentioned the case of increase of pay; I may also mention messing allowance and clothing; all those cases have been very much a matter of consideration at the Treasury, though it may not be that it is done on official papers actually; there has been agreement between the Departments, and there is a formal letter written, and a formal Report sent for the purpose of record. But whether there is a Committee or not, the honourable Member may take it that the Treasury has a very considerable voice in the matter before a decision is reached.

570. In considering the matter, what class of considerations does the Treasury give weight to; do they investigate to what extent necessity is made out and also take into consideration the amount of burden which it may necessitate in regard to taxation?—Yes, that would be so.

571. Now I want to ask about another point. Is it not true that great development has taken place in recent years in the Naval Works, and Military Works Bills?—That is so.

572. Do you find that the Treasury is able to control the money granted under those Bills as effectively as it can control their Estimates, or their Votes?—Perhaps not so fully.

573. What is the nature of the examination given by the Treasury to one of those Bills, periodical Bills as they are now, before they are placed before the House of Commons?—To take the Naval Works Bill for example, the nature of the examination would be this. There is the last Bill; there is a certain amount of expenditure for a certain number of specific objects approved by Parliament. What the Navy propose would be an instalment. I am going back two years to the time when we had the last Bill; the Navy would say, "We propose to take two years' expenditure for the old purposes, and we think that that will be so much." It would be on the basis of past expenditure; and we should say, "It is likely they will spend that amount, and right that they should have these further instalments." So far, I venture to think, there is no difficulty in the matter; that is to say, so far as it is a further instalment of money to be spent on works which have been already approved by Parliament in previous Bills.

574. But I mean when the proposals for these works first come up in Army and Navy Works Bills?—There is not a very effective control so far as the official Treasury is concerned. They result from considerations of policy, and they are based on the best opinion which the State as a whole can get.

575. But what examination are they subjected to? As I understand, the business of the Treasury is to put a certain check and control on the results of policy to some extent, at least by a consideration of the resources of the country, and the tax-payer to see that there is due relation between the necessity of the demand made and the burden to be cast upon the tax-payer. What I want to know is, whether the same amount of consideration is given to the inauguration of these Naval Works Bills and Military Works Bills that is given to the ordinary Estimates?—There is not the same official examination and investigation, the examination and investigation being more confined than in the case of Estimates to the Ministers concerned; but they are the subject of very close examination in all cases by the Chancellor of the Exchequer.

576. But not so much in the Treasury?—Not in the subordinate Treasury.

577. Has the extraordinary tendency of the works contained in these Bills to prove elastic and immensely exceed the original Estimate come under the notice of the Treasury?—Yes.

578. Has

Mr. *Dillon*—continued.

578. Has that ever struck the Treasury as a natural consequence of this procedure?—The Treasury has pointed out the increase in certain cases, and explanations have been received showing why they must be so increased.

579. What I am referring to is the extraordinary expansion of particular works, so that in fact the original Estimate bears no relation to the ultimate charge, which does appear a thing demanding explanation?—It is the subject of inquiry, and has been in every individual instance on the part of the Treasury. To take one instance that occurs to me at the moment, I may mention the case of the "Britannia"; you will find there has been a very great increase there. On the other hand, there has been a very great increase to the Fleet; there has been a very great increase in the number of cadets, and they added an extra term; that must necessarily affect the expenditure. The adding of an extra term adds to the building, the number of rooms, and to the space required, and so forth. There are considerations of that kind which have to be borne in mind. I mention that as a specific instance that occurred to my mind at the moment.

580. Now to come to another matter. Take a recent case, such as the question of boilers in the Navy. Supposing it is a question of the adoption of a type of boiler in the Navy, how does the Treasury come into that?—Not at all.

581. In that case is the entire responsibility upon the Navy?—Absolutely.

582. Supposing a demand came from the Admiralty to-morrow, to say that owing to recent investigations it was necessary to re-boiler all the ships, at a cost of many millions, what would the Treasury say?—That is a question on which the answer would have to be that of the Chancellor of the Exchequer.

583. Do you say the Treasury would not investigate it?—I am far from saying that, but the honourable Member will remember that I am a subordinate officer, and that is a question that would come to the Chancellor of the Exchequer.

584. I quite understand that?—The Treasury's functions are not merely those of recording, if that was what was in the honourable Member's mind.

585. That is what I meant?—It is very far from that. The Treasury has not merely to record it. The service may be an essentially good service; the question is, is it the best service on which to expend the resources which are at the command of the Chancellor of the Exchequer? Upon that point the Treasury is always very strong. If there be no money, the Treasury would not do it.

586. Would the Treasury in ordinary practice look into the question at all as to the necessity for the proposal, or would it simply sign a cheque, or make the credit. I want to know what the procedure is?—In a case like that, if I may take that hypothetical case, the Treasury (and when I speak of the Treasury I speak for myself and those below me, for whom alone I can speak) would not think of questioning the advice of the Admiralty as to the technical desirability of the proposal, but beyond that there is the financial question: whether we have got the money, and how it should be distributed. And in a matter of that kind the Treasury would undoubtedly say, if there was a disagreement, that that was a matter that must be considered by the Cabinet. We should not give a decision before it had been considered.

587. But I am still in some doubt as to the extent to which in matters of that character the Treasury, as contra-distinguished from the Chancellor of the Exchequer in his capacity as Cabinet Minister, does consider the financial aspects of demands from the War Office and the Admiralty?—It never fails to consider the financial effects of the demands; but as to the merits of an individual demand, the Treasury cannot go into the question of which boiler out of two boilers should be adopted.

588. I do not suggest that at all, but what I wanted to ascertain is whether the Treasury in dealing with the War Office and the Admiralty act in a similar spirit to that which they show in dealing with the Civil Departments; namely, that when a demand is made they inquire into the extent or urgency of the necessity of that demand, having regard to the burthen of taxation and the resources of the country?—They always do inquire into it, having regard to the taxation and resources of the country—that is always done. As to the inquiry into a specific subject, that may be so purely technical that the Treasury have no possibility of expressing any opinion of their own or venturing to differ from the Department responsible for the judgment and settlement of such things.

589. I quite understand that, as regards the merits of rival guns and so on in technical matters; but still it seems to me there is an open question, when a demand is made, for instance, for so many hundred guns, whether so many hundred guns are required and what is the urgency of the demand?—Inquiry would always be made as regards that as to numbers.

590. Could you give any general idea of what the Treasury control is in war time?—Practically none.

591. That is to say, whatever the War Department says is necessary for the public service is given?—You may go further than that and say, practically what the man who has been selected to represent the country on the spot—the General in command—feels is necessary. And generally speaking (I speak with some reservation) that must be the basis.

592. As regards this question of contracts in war time, of course it is a matter of experience that contracts are continually going wrong. Is it the duty of the Treasury or is it the practice of the Treasury to keep a sharp eye on contracts in war time, and do they feel it to be their duty to take the initiative in case there is ground for suspicion?—If there were any ground that were known to the Treasury, the Treasury would not fail to take action in the matter in bringing it to the notice of the Department. But the Treasury is not responsible for the contracts of either the Army

Mr. *Dillon*—continued.

Army or the Navy either in peace or war time. The Treasury is responsible generally as the Department which is responsible to the House for financial regularity, but only in that way; the War Office and Admiralty are not Departments subordinate to the Treasury.

593. When you say the Treasury take action, would you say in what way?—If the hon. Member wants what actually takes place, if I knew of such a thing, I should inform my superiors, and they would say—Let So-and-so know.

594. And that is all?—No, I do not say that is all—I am taking a hypothetical case, and of course I do not know what would follow from that in the particular case.

Mr. *Hugh Law.*

595. Following what Mr. Dillon has said about the elasticity sometimes shown in these Works Bills, I quite understand that there is a certain inevitable elasticity about all such things; but over and above that, in your opinion is that elasticity attributable in any way to any defect in either Parliamentary or Treasury control?—No, I think it is not attributable to either of those two forms of control. To the extent to which there is any excess it is assignable to one of two reasons: either that the policy has been altered since the original Estimate was made; or that the original Estimate was made with a certain measure of human frailty.

596. I understand in the War Office and the Admiralty the responsibility for economy (within certain limits as you said) is thrown upon the Departments themselves?—Yes.

597. And it is vested actually in the Accounting Officer?—The Accounting Officer is the chief apostle of economy. He is the person who, in either Department, makes for economy always.

598. Supposing it should happen that a disagreement should take place between the Accounting Officer and what I may call the spending portion of the Department, who has the last word?—The head of the Department; that is to say, the Secretary of State in the case of the War Office, and the First Lord of the Admiralty in the case of the Admiralty.

Mr. *Bonar Law.*

599. In your remarks you incidentally implied that you thought that as regards the Navy the control was as efficient as it could be. I do not want to say that you do not think the same as regards the Army, but I gather in your opinion it really depends largely upon the individual man at the head—the Accountant General in each Department?—It must depend very considerably on him, but it must also depend upon the organisation of the place and the significance which is given to his office in the Department.

600. Then you think in respect of organisation the Navy is perhaps better at present than the War Office?—That is my own individual opinion.

601. Most of the honourable Members who have examined you have seemed to me to aim at getting more Treasury control of economy. In my opinion that is impossible; I think the control of economy must come within the Department itself. Is that your view also?—That is my very decided view in the case of the big Departments.

Mr. *Bonar Law*—continued.

602. Such as the Army and Navy?—Yes.

603. Mr. Trevelyan referred to the distinction between the Army and Navy and the Civil Departments; but it is not the case that the Chancellor of the Exchequer is the head of the Civil Departments, and therefore is responsible for them in a way in which he is not responsible for the other two Departments?—There is a very little difference as regards the expenditure. The Chancellor of the Exchequer has to find the money for all services, whether Civil, Military, or Naval.

604. But I understood that the purchases for the Civil Departments were actually made under the direction of the Treasury?—The Stationery Office was what was mentioned. The Stationery Office contracts are immediately under Treasury consideration and control.

605. To pass to another point. There is a great deal of interest in the question whether a Committee of the House of Commons could in any way control the expenditure before it takes place. I gather you think that is not possible as a matter of business?—I think it would not be possible as a matter of business in the main, and also I think it would strike at the responsibility of Ministers.

606. But do you not think it would be practicable to appoint, say, three Select Committees of a certain number of Members of the House of Commons, each Select Committee to go in detail into the accounts of each great spending Department, and to have the right to see all the contracts and examine into the way the money was spent, if they desired?—As regards seeing the way in which the money is spent, that power is already in the hands of the Committee of Public Accounts.

607. But is not that too much for any single Committee to undertake as regards the expenditure of all the Departments?—No doubt in individual cases there might be separate inquiries by the House, which would tend to supplement that general inquiry by the Public Accounts Committee.

Mr. *Austen Chamberlain.*

608. With regard to the last question, you are aware that the Financial Secretary to the Treasury always sits upon the Public Accounts Committee?—That is so.

609. And that one of the methods by which the attention of the Treasury is drawn to any lessons which are to be learnt from what passes before that Committee is, by the action of the Financial Secretary and by his presence on the Committee?—That is so; and I may add that is also enforced on individual members of the Treasury by their having to answer questions before that Committee.

610. Therefore in view of the last suggestion that was made, if you multiply these Committees there would be the difficulty that you cannot multiply the Treasury officers to the same extent, and they would have difficulty in being always in attendance to hear what passed?—That is so. That would apply to the big officers in the Army and Navy as well as to the Treasury officials.

611. It

Mr. *Austen Chamberlain*—continued.

611. It was suggested, I think, by an honourable Member to you that contracts should be referred not for examination afterwards, but for preliminary examination to a Committee of the House of Commons; do you think it would be practicable to secure tenders at all if before acceptance tenders were to be submitted for discussion or examination by a Committee?—No, I think not.

Mr. *Trevelyan.*

612. That was not quite what I had in my mind. The case I put was that when certain contracts had been undertaken and there was suspicion as to their being extravagant there might be a Committee which should inquire into the contracts which had been already concluded, and should give advice or warning to the Departments in regard to future contracts. I do not say that they should inquire into the succeeding contracts necessarily, but that they should let the Department know at once that they were very much dissatisfied with the contracts already undertaken, and so warn the Department to mend its ways at once. That was my proposal?—Yes

Mr. *Austen Chamberlain.*

613. That would be a proposal for a subsequent examination with a view to gaining experience for the future?—Yes.

614. Do you see any advantage in having that done by a Committee of the House of Commons rather than by a Departmental or Inter-Departmental Committee?—No. Of course the Public Accounts Committee does it to a certain extent. There is one of the Reports of the Public Accounts Committee this year, for instance, which has reference to the mistakes made by the War Office in connection with contracts they made. To that extent the House does get the benefit of a subsequent investigation as I understand; but as to investigation beforehand, I think that would be impossible altogether.

Mr. *Austen Chamberlain*—continued.

615. You were asked what you considered was the effect of Parliamentary discussion, even under present conditions, upon the Estimates in future years; and I understand you to say you thought that those discussions even under present conditions had a very great effect?—I do think so.

616. Is that effect habitually or ordinarily in the direction of the reduction of expenditure or limitation of expenditure?—It perhaps is not so much in the way of reduction of expenditure as it used to be when I first entered the Treasury; at that time it was nearly always in that direction. That was nearly twenty years ago. Now it nearly always points in the direction of an increase except in the case of individual Members of Parliament; but I was referring to the line taken by individual Members.

617. Is it within your experience as an official of the Treasury that Ministers of other Departments not infrequently represent, as the reason for allowing expenditure, the strong pressure that has been put upon them in the House of Commons?—Yes, I have seen repeated instances of that.

618. And their inability to resist that pressure for another year?—That is so.

Chairman.

619. Would not an *ex post facto* examination of expenditure, such as has been suggested, be in fact a slight extension of the functions of the Committee on Public Accounts?—The Reference to the Committee on Public Accounts (which I have not got with me) would tend to answer that question. They have to deal only with the accounts of a given year, and the expenditure of a given year. I had in view the possibility of an inquiry into a specific subject, without reference to a given year, but with reference to the subject as a whole, including a certain measure of policy.

SIR RICHARD AWDRY, K.C.B, called in; and Examined.

Chairman.

620. You are the Accountant-General of the Navy?—I am.

621. What we want to have from you is a short account of the financial control exercised at the Admiralty?—Yes. In the brief Memorandum which I sent to you I said I thought that probably I should best put any facts before the Committee by stating shortly what my own functions are, and then on what principle we prepare Estimates, when the Estimates have been approved how we follow them up by keeping records of liabilities, and how it ends in the Appropriation Account, and the criticism of the Comptroller and Auditor-General and the Public Accounts Committee.

622. In the first place, would you describe your functions as Accountant-General?—I may say briefly that the office of Accountant-General of the Navy was established in 1832, and then his position was kept more as an accountant than as a Finance Officer. The duties of the Accountant-General then consisted in keeping all books and accounts connected with the receipt and expenditure of the Navy, all those relating to the Victualling, Medical, and Marine establishments of the Navy, in seeing that all accounts which were brought before him for liquidation had been duly examined, and that all demands or payments on account of the Naval Service were accompanied by proper vouchers, that all stores supplied by contract, and all services performed were conformable with the terms of the contracts or Warrants, and when satisfied of their correctness, to prepare bills for the payment of the same on

Chairman—continued.

Chairman—continued.

on the Paymaster-General. If you will permit me, Sir, I will put in copies of these various Orders, in order that you may see them *in extenso* [*See App.* 9.] In 1879 the duties of the Department were considerably enlarged, and then he became I will not say an independent officer, but he had a certain independence amongst the principal officers of the Navy, which placed him in a higher position than he had occupied before. In 1885 an Order in Council was obtained; this followed the Report of the Committee, I think, of the House of Commons of the same year, when expenditure in the Transport Department largely exceeded the Estimate, and Lord Goschen, then Mr. Goschen, inquired into the whole procedure, and recommended that the position of the Accountant-General should be strengthened. In the Order in Council it recited with this object, that he should be charged under the Parliamentary and Financial Secretary with the preparation of the Navy Estimates, with financially reviewing the expenditure under those Estimates, with advising or deciding as to any redistribution of Votes or Transfers which may from time to time be found necessary, with satisfying himself that such expenditure is properly allowed and brought to account, with advising on all questions affecting naval expenditure, and that he should not only be made acquainted with expenditure after it had been incurred, but be regarded as an officer to be consulted on all matters involving the expenditure of Naval Funds.

623. Then in practice you not only are consulted as to the expenditure of money, but as to the undertaking of branches of expenditure?—Yes, not only before the money is voted, but watching the progress of expenditure after it has been voted.

624. Perhaps we had better now turn to the manner in which the Navy Estimates are prepared?—Mr. Chalmers told you how the Estimates came to the Treasury, how they came first before the Chancellor of the Exchequer, in a statement giving the gross sum. I do not think he told you that the details of that gross sum were worked up by a sketch Estimate previously prepared; that is to say, a sketch Estimate is prepared for the First Lord and the Board; leaving out questions of policy we go through the Votes and show what the expenditure we estimate will be, guided by the knowledge we have of future events. We leave dormant the question of numbers and the shipbuilding programme, which is entirely a policy controlled by the Board. They have only to add those two ingredients and they complete the whole. When it has been decided by the Chancellor of the Exchequer and by the Cabinet what shall be provided, the two ingredients that we need for the preparation of the Navy Estimates are the materials for Vote 1, (*i.e.* the numbers of the Fleet), and the materials for Vote 8 (*i.e.* the shipbuilding programme), and then the Estimates are prepared, the Accountant-General being answerable for putting them forward and generally for all the figures therein contained except those based upon policy. I have prepared a Return here showing each Vote, who

Chairman—continued.

inaugurates it, who prepares it, and what individual members of the Board of Admiralty it goes to, and probably that is a return the Committee would wish that I should put in. [*See App.* 10.]

625. Then you are responsible for the economy of the Estimates and of the expenditure?—I am not responsible for any question of policy or any question of technical detail, but I am responsible for certain Votes. If you have not a copy of the Navy Estimates by you, it would be rather a lengthy process to go through them, because there are 15 Votes and a large number of sub-heads. The one, however, is a corollary to the other, and if you have so many men they must have so much food and so much medical comfort, and the ships must have so many stores and so on.

626. The actual amount of the Navy Estimates depends on the extension of the Fleet or of the Establishments?—Quite so.

627. And then that must rule the amount of money for which the Exchequer is asked?—Quite so.

628. As regards the expenditure of the sums voted by Parliament there is a periodical record of the liabilities of the Department under the various heads, I suppose?—Yes. We supply the spending Departments with periodical information to show to what extent we have paid money on account of their Votes, and they record that fact and add to it the liabilities which they have incurred but which have not matured for payment, and we compare what we have got to spend with what we have spent, and what we are going to spend to ascertain from time to time exactly how we stand with regard to our liability. I have here a specimen we prepared to 28th February, 1901; you will see there the different headings with explanations of how the surplus or deficit arises. I think we may congratulate ourselves on the way that that liability statement is made out, seeing that last year in the Appropriation Account the difference between our Estimate and the actual gross expenditure of over 30 millions was about 2,000*l.* or 3,000*l.* only.

Mr. *Churchill.*

629. On which side?—It was a surplus.

Chairman.

630. Of course the shipbuilding item is a very important one, and the amount of money taken in the year is regulated by the rate at which the building goes on?—Yes.

631. I suppose the policy of the Department might change in the course of the year, and the ships be advanced at a greater rate than was contemplated originally? It might be necessary to absorb the Shipbuilding Vote in a shorter time than was contemplated, and on the other hand circumstances might prevent your expending it?—Yes, but we have no power to alter the Shipbuilding Vote in any way or the Repairs Sub-head for example, and if ships are advanced to a greater extent than we anticipated and we are liable to over-spend, we should have to go to the Treasury and get authority

Chairman—continued.

632. And the reasons for that extra expenditure would be studied and judged of in the Treasury?—Quite so, and they are subsequently printed with the Report of the Comptroller and Auditor-General which forms the basis of the Public Accounts Committee review.

633. There is a Finance Committee in the Admiralty, is there not?—Yes. The Finance Committee has followed on the Order in Council of 1885, and sits once a month; it consists of the Financial Secretary, the Accountant-General, and a representative of the Controller's Department. The Liability Statement for the month is produced, and the heads of the various spending Departments attend that Committee and explain why their Estimate has not been arrived at, or why there has been an over expenditure. With your permission, I will put in the Admiralty Minute constituting the Committee, as you may like to see it. There is one very important thing it will show, and that is that by its means an effective check on the financial administration of the spending Departments has been brought into operation without impairing the responsibility of the officials under whose directions they are conducted.

Sir *Edgar Vincent.*

634. You are quoting from what?—From an office memorandum based on the Order in Council of November, 1885. May I hand it to you? (*Handing the same to the honourable Member*).

Chairman.

635. The liabilities and the provisional account in the Department are regularly examined by the Finance Committee?—They are regularly examined by the Finance Committee.

636. And finally there is the Appropriation Account of the Department, which leads to the Report of the Comptroller and Auditor-General, which is reviewed by the Public Accounts Committee?—Yes, it is a very elaborate account, as you know, to prepare and shows exactly how Parliament voted the money and how we spent it.

637. Then the Public Accounts Committee no doubt has its attention called by the Comptroller and Auditor-General to any departure from those limits, and such departures are accounted for to the Committee and reported on by them?—Yes. I daresay you are aware that it is a very elaborate Report, and goes very carefully into the matter. As a matter of fact the Audit Department are constantly reviewing the work in my Department; they live with us, and they watch the appropriation of money day by day, so that their Report, although it is actually on the final account, is really the evidence they have obtained by a day to day examination.

638. Of course in the Navy with enormous expenditure on works and so forth there must be a great risk of waste. How is a check exercised upon waste of material, waste of time, and waste of labour?—That is checked by the Expense Account Department in the dockyards; they

Chairman—continued.

bring to account every day every penny spent on labour and on every store that is used, and they charge it to the various services according to an arrangement that we have with them either to the ship direct or to the incidental charges of the yard, or to the different shops, but every item of labour is checked in the dockyard and every ounce of stores. The Recorders under the Expense Accounts branch visit every man in the dockyard about twice a day and see that the work is actually being performed, whether by job, piece work, task work, or day work, and they bring his labour to account to the service on which he is engaged.

639. Have those checks been increased of late years with a view to greater economy?—I think the checks in that respect have always been [illegible].

640. It has been commonly supposed that formerly there was a very great waste of labour, time, and material in the dockyards; for instance, when the commission of a ship came to an end she was half pulled to pieces and put together again without any useful purpose being served. Do you know whether that custom has not been very largely checked indeed, and that unnecessary labour put an end to?—It has been very largely checked indeed by the appointment of an officer at the Admiralty, called the Director of Dockyards, who is a technical officer with technical officers underneath him, and who goes down and surveys the proposals of the dockyard officials and sees that no waste is allowed in the way of pulling ships to pieces, and that no unnecessary expense is incurred in the way of repairs.

641. As a matter of fact the great and useless expenditure which used to be carried on in past times has been corrected?—I can only say that it has been more perfected; I have heard of those instances of waste and extravagance, but I have no personal knowledge of them.

642. But if there was such useless expenditure?—It would be checked now.

643. If such useless expenditure were allowed it would be an increase of the naval expenditure and a reduction of its efficiency?—Yes.

644. Who could speak to the extent to which that unnecessary expenditure had been checked?—The Director of Dockyards; it is his province to look after all dockyard ships, the constructive staff are more or less under him, and he it is to whom the Admiralty look for seeing that the Dockyards are carried on with economy and efficiency.

645. That is a class of expenditure over which Parliament could exercise no personal control at all?—Well, in the Dockyards Expense Accounts the cost of the various ships is compared; it is shown either that they are not up to the period when they were expected to be completed, or that they have cost more than they were estimated to cost, the Public Accounts Committee very narrowly watch any expenditure of that nature, and have the officers before them and unravel any mysteries there may be in connection with them.

646. But

Chairman—continued.

646. But a Committee of the House of Commons could have no opinion whatever as to the propriety of the cost of refitting a ship?—No, they must accept more or less the statements made to them with regard to that.

647. And yet there might be an enormous waste in that direction if ships were pulled to pieces unnecessarily and refitted?—I think you may rely upon it that the officers of the dockyards have no desire for unnecessary expenditure.

648. Is it not a well-known fact that there used to be immense unnecessary expenditure caused in that way which you told me just now had been checked?—Yes, there is no doubt of it, although as I say I do not know it of my own knowledge.

Mr. *Churchill.*

649. How many accounting officers are there under you in the Admiralty?—The staff of my Department?

650. Yes?—The staff of my Department consists of about 260 people, and I have cashiers at dockyards, and there are paymasters on board every ship, so that it is almost an army.

651. You are the Accountant-General for the whole of the naval expenditure?—I am the one officer responsible.

652. You are aware that in regard to other Departments excepting the War and Navy Departments, returns are made by a good many different accounting officers, each accounting officer accounting for a different sub-head of expenditure as it were?—For each branch of the service, I think, not each sub-head.

653. There are considerably over twenty in the Civil Service?—Quite so, but one would be for the Office of Works or for the Stationery Office, and another might be under the Home Office.

654. How many accounting officers are there under you who would do duty under you similar to that done by the accounting officers in the small separate services to the Treasury?—I can hardly tell you; you see my Department is administrative in its way as well as accountant and financial, and the paymasters who act as my agents on board ship also act as storekeepers and stewards, and so on, so that it would be very difficult to ascertain what proportion of each man's duty was purely accounting.

655. I suppose the Ordnance, for instance, or the pay of the men are services as different within your Department as the Post Office, and let us say the Consular Service?—Yes, quite.

656. For both these heads are they differently accounted to you?—Oh no, they are all accounted to me in the same way; I bring them together and classify them.

657. Everything in fact converges upon you?—Everything comes to my Department.

658. In other words you are the only accounting officer?—I am the only accounting officer.

659. You are of course an Admiralty official?—I am.

660. You belong entirely to the Board of Admiralty?—I do.

Mr. *Churchill*—continued.

661. You have nothing whatever to do with the Treasury?—The only dependence on that Department I have is signing the Appropriation Account, to say that I recognise that the proper authorities have been obtained wherever money has been paid requiring Treasury sanction, but further than that I am not under the Treasury.

662. You would be bound in the event of those conditions not being fulfilled, irrespective of any duty you might owe to the Admiralty, to draw the public attention to that?—Certainly.

663. In what way would you do it?—I would draw attention to the fact in the Appropriation Account that I certified that to such and such an extent all the regulations have been complied with, but with regard to some particulars, as to which I disagree, superior authority has not been obtained.

664. You are responsible to the Treasury for order?—Yes, and regularity.

665. And for everything else you are responsible to the Board of Admiralty?—Yes.

666. In your responsibility to the Board of Admiralty, putting the question of order out of the case for the moment, do you consider yourself responsible for enforcing economy in the administration of the Navy?—To the best of my ability.

667. How do you enforce it?—If any proposition comes before me I am called upon to give its financial results. I do so nakedly, and I not only show what the effect of such a proposition would be, but I should also consider it my duty to say that there are other and important matters which are now before the Board which involve money, and I should bring them together to show that only so much money, perhaps, was available, and say that it was for them to decide which was the most important, which was the most pressing, and which was the one that demanded the most instant attention.

668. You work within the Department in favour of economy in the sphere of the Department?—I do.

669. Supposing the Admiralty were involved in a discussion with the Treasury—perhaps such discussions very frequently take place, either on detail or on a mass of Estimates—do you range yourself on the side of the Admiralty or upon the side of the Treasury? Let me put it in this way: Are you a financial advocate of the Admiralty, or are you a financial emissary of the Treasury?—I stand in the position, that the First Lord of the Admiralty is my master, and I must obey his instructions, as if I did not he would get a new Accountant-General of the Navy.

670. You said that you could not interfere, of course in any way with matters of policy. What do you understand by "policy" in regard to the Navy?—I look upon policy as above accounts, that it is not in my province to say how many men are needed for the Navy, or, indeed, how big that Navy should be.

671. There must surely be many minor matters, which do not actually amount to great matters of policy, which are settled by the Cabinet and

Mr. *Churchill*—continued.

by the Lords of the Admiralty; there must be many minor measures necessary for carrying out any policy which is selected?—Yes.

672. I do not quite know how to classify them?—I perfectly understand, and I think that acting as I do in the interests of economy, that if I pointed them out, and if my points were worthy of attention, the Admiralty would agree with me; I do not think they would take an opposite line.

673. Do you very frequently point out to the Admiralty these sort of things, as it were carrying out the policy decided upon by not the cheapest or not the best method? Do you frequently point out instances of that to the Admiralty?—Not many questions of that sort ever arise, but as to questions which are purely financial and accounting, let me instance Vote 11, the Miscellaneous Vote, which means passage money, pilotage, towing ships, telegraphic communications, lodging allowances, and compensation for damage—practically most of those matters are left in my hands, and the Board will accept my decision or recommendation upon them.

674. Will you tell me in what way the scrutiny which you bring to bear upon these Estimates, not including matters of really great policy, differs from the scrutiny which is exerted by Mr. Chalmers at the Treasury when he examines the Naval Estimates?—Mr. Chalmers at the Treasury is perfectly well aware that before any scheme comes down to him, before any letter is written, it has previously had my concurrence. No letter is written from the Admiralty to the Treasury on any financial matter until it has been referred to the Accountant-General, and if Mr. Chalmers has any doubt he comes up, or I go to him, and we personally discuss it.

675. So that he would not go over the details; certainly not the technical details of the Naval Estimates after they had been presented by your Department?—No, and I think Mr. Chalmers also told you that although we present the Estimates to him Vote by Vote at the end of the year, there is nothing included in those Estimates that has not had the previous sanction of the Treasury, if the previous sanction of the Treasury is necessary. As to any Establishment Vote, if we had added a man or two or given them more pay, before we put that in the Estimate we should have taken the proper course by obtaining Treasury sanction.

676. Of course, one of the great apparent channels of waste is the fact that obsolete expenditure may not be always detected. I have quoted an instance before where you have a ferry across a river, and then a bridge is built; unless there is someone who is to discover that the ferry has now become useless and to strike off the money formerly required for that, you run a great risk of money being wasted on obsolete expenditure?—We followed that up in almost an analogous case to your own; in the Ordnance depôts we used to have watchmen and warders; they were the ordinary labourers and they watched all night; we substituted police for them, but those warders and watchmen did not last a day after the police came in.

Mr. *Churchill*—continued.

677. You detected that; it came within your province?—Yes.

678. Do you think the Treasury could bring control to bear upon that kind or class of question?—They, no doubt, would, but they expect the responsible accounting officers to report these cases themselves.

679. And in practice they do; in practice the Treasury do not go into these Estimates from the same point of view?—They cannot go into it so microscopically as we can, naturally.

680. Because they have not got the technical knowledge?—It is not the technical knowledge; I have no technical knowledge.

681. I should not say the technical knowledge, but they have not the intimate knowledge of it that you have?—They do not know all the intricacies of the Admiralty.

682. Can you give me any instances of reductions which have been effected lately? I do not want to know any special reduction which may not be of a public nature, but the kind of reductions you are able to effect by the scrutiny you bring to bear on the Estimates?—It is like the Auditor; an Auditor may discover very little, but if that Auditor was not there, there would be a good deal of waste.

683. Then practically your function is mainly audit?—Yes, we do not use the term "audit," because it entirely belongs to the Audit Department, but criticism.

684. Criticism directed at order or criticism directed at Estimates?—Actual criticism.

685. At Estimates?—At anything; take the Paymaster's Account. The Paymaster of a big ship in the Mediterranean or on the China Station has to pay the men, and he has to make purchases; every one of these items is checked, and if he pays for any particular items we compel him to produce proper authority for it; we exact that a merchant in the place shall certify that he has not paid too much for it, and generally we take every precaution to see that we get what we pay for, and that we do not pay too much for what we get.

686. You do not bring any criticism to bear upon minor matters of policy; I call them method as I do not know any other expression to fit them?—Yes.

687. Can you give me any instances in which you have brought criticism of that nature?—In a case of this sort, say retirement of officers, there may be some suggestion that a particular class of officer should retire at a certain age rather than at another age; I come forward then more or less as an actuary, and I point out the effect that if an officer is retired two years earlier according to the expectancy of life they are adding on to the State so much liability, so that they may see whether the increased efficiency they will get by a younger officer is sufficient to compensate them for the heavier charge they will have to bear for an earlier retirement.

688. May I take another instance. Supposing you noticed that the ships that were built in a Government dockyard cost a good deal more than the ships of a similar class built by contract, would you

Mr. *Churchill*—continued.

you draw attention to that?—No; because, curiously enough, that comes under the Controller through the Dockyards Expense Accounts.

689. Would that not be presented by you?—No, it would not; and that is an officer you will have to examine—the Inspector of Dockyard Expense Accounts. Those accounts used to be under me; but they are now kept by the officer I have referred to.

690. Does this officer correspond direct with the Treasury?—No; his accounts come through the Controller of the Navy.

691. But you are not entitled to comment on them?—Yes, I may criticise them.

692. But in practice you do not?—I do on certain matters; but there is very little to criticise, as they are statements of absolute facts which cannot usefully be criticised without the help of the machinery by which they were built up.

693. Supposing these statements of absolute facts show a great discrepancy between the cost of a ship built in a Government dockyard and a ship built by contract?—I should know very well that you could not make a fair comparison between the two.

694. I am taking a hypothetical case. In the absence of those explanatory circumstances, if you noticed a discrepancy between the prices paid for the two similar articles in the different places, what would you do?—I should point it out.

695. Practically the scrutiny of the Naval Estimates is made by you?—Yes.

696. And no similar scrutiny is made, to the best of your belief, by anyone else?—Each individual officer in charge of a Vote is responsible for his Vote, and it does not relieve him of his responsibility because I scrutinise it.

697. No, no?—I simply play the last card.

698. You hand the matter over to the Treasury?—I hand the matter over to the Treasury if necessary.

699. With your imprimatur upon it?—Yes.

700. The Treasury have neither the power, nor the knowledge, nor even the time to go over in detail the same kind of scrutiny which you have already made?—It would be without avail, because I think, as I explained to you, all the matters which are introduced in the Estimates are not crowded in during the last three weeks of the period for preparing the Estimates; they are events which have occurred during the 365 days, and they have seen them from day to day. We do not include in the Estimates any matter which requires Treasury sanction for which we have not already got that sanction.

701. Of course, you will realise that to keep expenditure down, it is necessary that either in Parliament or in the Departments, or between the Departments, there should be vigorous controversial discussion of Estimates somewhere?—I quite admit that.

702. It may be done officially or by private conversation, but that is absolutely essential?—Yes.

703. What I want to get at is this: It is under you and under your scrutiny, either by you or by the agent you set in motion, that the whole of this controversial discussion within the Navy Department is done?—It is; I act on behalf of the Financial Secretary, who has the power, and it is on the information which I afford him that he is enabled to get at the core or bottom of it. It does not rest entirely with me, because my master, if you like to call him so, is a representative of the House of Commons and a representative of the Admiralty.

704. Practically when the Navy Estimates have received your imprimatur, unless some defect is discovered, in order or in regularity, by the Comptroller and Auditor-General, or by the Public Accounts Committee, or by the Treasury—practically, once having passed you, they may be roughly said to have come into actual definite existence, beyond any likelihood of challenge?—Yes; life is brought into them directly they have passed my hands.

705. I will not press that point any further, and there is only one other question: I wondered whether you could give us some information as to which it may be necessary to ask for a Paper; there has been an increase in the Navy Estimates during the last ten years of nearly 50 per cent.?—Yes.

706. So that they are double now what they were ten years ago? Is the strength of the Navy double now what it was ten years ago? I am aware there are many complicated considerations?—It is a very difficult thing to say, but I should say that as 30 millions is to the Navy of the present day, so is 15 millions to the Navy of those days.

707. You think the money was equally economically spent?—Yes. I should say more so; I should say the restrictions on the expenditure of money in the present day far exceeded what they did ten or fifteen years ago.

708. To what do you attribute that increase in scrutiny—to the more efficient working of the Department, or to House of Commons pressure?—I think the better organisation of the Department as a whole.

709. If it would not be too much trouble and labour, could we have a statement showing the increase of expenditure in the Navy during the last ten years, and a statement of the increase in men, in guns, and in class of ships, as far as possible?—What I could very readily do would be to take every year and say what the Estimates and the expenditure were, but the difficulty would be in regard to ships and guns, because the number of ships would not convey anything, nor would the number of guns convey anything; you would be comparing unequals.

710. You think the men would be a fair indication?—Yes, if you wish to limit it to men, but the relative strength of the Fleet would be difficult to work out, there are such varying complications.

Sir *Edgar Vincent*.

711. You said that in your judgment a vigorous controversial examination of Estimates was requisite to the maintenance of economy?—Yes.

712. Does that take place now to an adequate extent in your opinion?—It does.

713. Within

Sir *Edgar Vincent*—continued.

713. Within the four walls of the Admiralty?—Yes, within the four walls of the Admiralty—almost into altercation sometimes.

714. For the maintenance of this examination of altercation you have all the support which you require?—Both at the Admiralty and at the Treasury.

715. You do not require any further support from the Treasury or from the House of Commons?—No.

716. My suggestion is this, that it might be difficult for you sometimes to maintain your objections unless you were in a position to say, "Well, I cannot get that through the scrutiny of the House of Commons"?—I prefer to remain as I am.

717. Your certificate to the Appropriation Account practically says, "I, the undersigned, declare to the best of my knowledge and belief that no part of the expenditure contained in this Appropriation Account has been incurred without authority superior to that of the Department when such superior authority is required by the Regulations." That certificate in reality is one to order and not to merit?—Quite.

718. You have already told the Committee that in practice your examination bears also upon the merit of the expenditure?—Yes.

719. Would there be any objection to augmenting this certificate with words such as the following: "Properly incurred with a due regard to economy"?—It would be a very difficult certificate to give, even if the Head of the Department were authorised to give it to me, because I should then practically have to go much deeper into, say Dockyard and other transactions than I can possibly do now; and that would be putting me in a position superior to my equals.

720. You will agree with me, I think, that it is desirable that for each item of expenditure somebody should be in a position to say that it has been incurred with a due regard to economy?—Apart from the Dockyards every payment which is made is only made on a certificate to say that the work or store was good and efficient for the Service, that it was required, and that it came up to the standard in every way.

721. What I want to obtain is, if possible, that money should not be spent without someone being responsible, and signing a certificate to say that he is responsible that that has been incurred with a due regard to economy; and you are practically the Finance Minister of the Admiralty, if I may use the term, are you not?—The Deputy Finance Minister.

722 It occurred to me that it might be desirable that your examination should be specifically extended to economy, as well as to order?—Yes, but I should be very sorry to take duties upon myself of that nature, because practically it would be relieving the heads of the spending Departments from the onus of defending their own payments. When payments are reviewed by the Public Accounts Committee, they have complete power to send for any person in our office from the First Lord downwards, and to call upon him to make that statement in person.

Sir *Edgar Vincent*—continued.

723. Is the difficulty precisely as you have stated, because you in your turn would be in a position to obtain a similar certificate from your subordinates?—I might, but there are 52,000 different stores used in the dockyards, and it would be impossible for me to give a certificate to say that every one of those stores had been bought with a due regard to economy.

724. Leaving aside the question of certificate, you told us you were in practice responsible for the finance of the Navy?—Yes.

725. And maintenance of economy in the Navy?—Yes.

726. If you are responsible for the maintenance of economy in the Navy, what difficulty can there be in signing a certificate to say that economy has been maintained?—I could sign a certificate to say that to the best of my knowledge and belief economy has been maintained.

727. Taking your evidence, you say, "I am responsible for the maintenance of economy in the Navy"?—Yes.

728. My point is this, that I see your control and your certificate are complete as far as regards order, but they are not complete in my judgment as far as regards economy, although you say that you are in effect responsible for the maintenance of economy in the Navy. I want that practical responsibility, which you declare you have, made more formal; that is my point; do you see any objection to that?—It is a point I should like to consider; I do not think I should like to answer straight off, it involves so many considerations.

729. I do not want you to extend the meaning of what I say at all; I merely want put in a concrete, crystallised form what you have told us in evidence you now do. Turning to another point, the Chairman mentioned the question of unnecessary repairs and overhauling of ships. Let us assume that what occurred in the past occurs now—taking it as a mere hypothesis—who would discover that, and who would draw attention to it?—It would be discovered by the technical officers in the Controller's Department, and they would draw the Controller's attention to it; the Controller would probably either take action himself, or, if he thought it was a serious waste of money in the dockyard, he would call the Board's attention to it, and they would take very serious notice of it. Since 1885, as I have explained to you, not only has a new office—the Director of Dockyards—been created, whose specific duty it is to see that no unnecessary expense is caused, but the Admiral Superintendent has been given a constructive officer, his right hand and his eye, a civil assistant, to go round the yard and watch and see from his own observation that no waste of labour or material takes place.

730. So that you consider that such extravagance as occurred in the past, or similar extravagance, is no longer possible?—I think it is impossible.

731. You have given us a Memorandum respecting the Admiralty Finance Committee; could you tell the Committee whether in your judgment that organisation is satisfactory, and works to the public

Sir *Edgar Vincent*—continued.

public advantage?—I think it does; I think it might almost be extended.

732. I think what the House of Commons desires is that for all money spent in any Department value should be received. Do you consider that your powers in the Admiralty now enable you to see that value for money is received for all expenditure?—I think so.

733. Turning to the functions of the Comptroller and Auditor-General with reference to the Admiralty, on how many occasions in the last ten years within your recollection has he drawn attention to expenditure which in his judgment was extravagant; I am not referring to questions of extravagance as opposed to economy?—He has done it on very many occasions; the Comptroller and Auditor General is hardly called upon to comment upon it, but he notifies it in such a way in his Report that it draws the Public Accounts Committee's attention to it. He could hardly come into our Department and say, "The building of that ship is an extravagance," but he can report in such a way that he brings out very conclusively that A cost a good deal more than B, and he does not know the reason why; then the Public Accounts Committee can take up that item and examine the Admiralty witnesses, and ascertain what was the cause.

734. And you consider that any extravagance which may have crept in will probably be discovered by the Comptroller and Auditor-General?—I do.

735. Would you suggest or consider it advisable that there should be any extension of his present powers or functions?—I hope not.

736. Why?—They are pretty extensive at present.

737. There is only one other question I have to ask, and it is again about the Admiralty Finance Committee; does this Admiralty Finance Committee examine the Estimates either before or after they have been submitted to the Board and to the Cabinet?—No, the Finance Committee takes up its line after the Estimates have been passed. It is on liability and expenditure and not on Estimate.

738. You would not suggest any extension of their power to Estimates?—No, I think not.

Mr. *Trevelyan.*

739. Is the interference of the Treasury frequent after the Estimates have been submitted to the Cabinet? I understood the Treasury has nothing to do with the preparation of the Estimates; they practically do not see them until they have been presented to the Cabinet, after they have been compiled by you and presented by the First Lord?—I think I said that the sketch Estimate is prepared in the first instance before the Cabinet take the question of policy up; then the Estimate is prepared in my Department in detail and, as each Vote is prepared, the Vote and all the explanations connected with it are sent to the Treasury.

Mr. *Trevelyan*—continued.

740. Are they constantly referring back to you for explanations and criticisms?—Yes, they give most helpful criticism, and very often point out what I may safely say are defects either in the way we have explained it or in the action we propose to take. Naturally, from the outside point of view really they see more what is going into our house than we do ourselves—from a general point of view.

741. Are there often large differences between the original estimate which has been submitted to the Cabinet—quite apart from very big alterations of policy—and the estimate submitted to Parliament?—No; I do not know that I have really any right to answer that question, because as a rule I really do not know what figures are presented to the Cabinet.

Mr. *Eugene Wason.*

742. The whole of this 30,000,000*l.* passes through your hands?—The whole of it.

743. And of course it would be absolutely impossible for you to keep a check upon every item?—It is really impossible to know whether an officer abroad is working with strict economy with regard to his numberless transactions.

744. You gave us an instance of the way in which you checked expenditure, stating that when you got policemen to watch the dockyards you dismissed the warders and watchmen?—That was only an explanation to Mr. Churchill; he instanced the ferry and the bridge, and I thought that was a somewhat analogous case.

745. When you dismissed them, did you give them penisons?—We gave them whatever they were entitled to. They were either granted a pension or gratuity or they were employed in some other way.

746. Are the Finance Committee and the Audit Department the same?—They have nothing whatever to do with one another.

747. The Finance Committee meet once a month; how often do the Audit Department meet?—Every day; it is a large department, and they see my ledger and carry on the appropriation audit *de die* in *diem.*

Mr. *Hugh Law.*

748. You were stating just now that it was not possible for you to have a knowledge of small details, say in a dockyard, which would enable you to give, as was suggested, a certificate that due regard had been had to economy. There was some question asked as to the number of your subordinates, which I think is over 200, and I think you said that those 200 were not engaged in such work as would enable them to testify to the effect suggested. Would you welcome an increase of the subordinates under you, charged with that special work of informing you, and being your eyes so to speak, in the dockyards and elsewhere?—No, I should look upon such a class of people as being more or less detectives, and I should not welcome the change at all.

Tuesday, 5th August 1902.

MEMBERS PRESENT:

Mr. Austen Chamberlain.
Mr. Churchill.
Mr. Dillon.
Sir John Dorington.
Sir James Fergusson.
Sir Walter Foster.
Mr. Bonar Law.
Mr. Hugh Law.
Mr. Lough.
Sir Lewis M'Iver.
Mr. Trevelyan.
Sir Edgar Vincent.
Mr. Eugene Wason.

The Right Hon. Sir JAMES FERGUSSON, Bart., in the Chair.

Mr. DOUGLAS CLOSE RICHMOND, C.B., called in; and Examined.

Mr. *Austen Chamberlain*

749. You are the Comptroller and Auditor-General?—I am.

750. Your powers and duties are prescribed, I think, by the Exchequer and Audit Departments Act of 1866?—That is so.

751. Can you give the Committee a summary of what those duties are?—I could, perhaps, best do that by reading certain sections of the Exchequer and Audit Departments Act of 1866.

752. Perhaps you would call attention to what you consider the most important parts?—May I ask whether the Committee would wish me to go into the first part of the functions, which relates to the Comptrollership of the Exchequer, or whether I should confine myself to my work as Auditor-General of Public Accounts? Those are two separate functions, and perhaps I might explain that I come to exercise those separate functions in this way: Before the Act of 1866 there was an officer entitled the Comptroller-General of the Exchequer, and there was a Board of Auditors for auditing the Public Accounts. They were separate officers. By the Act of 1866 those two officers, or sets of officers, were abolished, and the whole of the duties vested in the Comptroller-General of the Exchequer, and the Auditors of Public Accounts, were concentrated in one officer, to be called, in the full title of the Act, the "Comptroller-General of the Receipt and Issue of Her Majesty's Exchequer and Auditor-General of Public Accounts," or, briefly, the Comptroller and Auditor-General—the title "Comptroller" relating to the Exchequer, and "Auditor-General" relating to the Public Accounts.

753. Then, as I understand, your duties as Comptroller of the Exchequer are to watch any issues of public money from the Consolidated Fund or other sources?—That is so.

754. To see that no money has been issued without due authority?—That is so. I receive a requisition signed by two of the Lords of the Treasury asking me to grant a credit upon the Exchequer account at the Bank of England, or the Bank of Ireland, as the case may be, and thereupon, after examination having satisfied myself that the Grant would be within Parliamentary limits, I grant the credit, and then the money issues from the Exchequer to the Paymaster-General through the Treasury.

Mr. *Austen Chamberlain*—continued.

755. That part of your duties is confined to seeing that the requisition upon you is properly made, and that there is proper authority for making it?—Practically, you may say, that is so. There are certain subsidiary duties prescribed by the Act, but perhaps it is hardly worth while to go into those.

756. I think it is rather with the other part of your duties that the Committee are concerned; they would be glad to know what your duties are as Auditor?—In the briefest way I could put it, I should say that my duty is to examine the accounts of the expenditure of the Grants in Supply on behalf of the House of Commons—that is to say, I am a Parliamentary officer whose duty it is not only to certify to the correctness of the accounts as rendered, but further I am directed by the Act to report to Parliament. As regards reporting, I conceive I have something of a free hand. There are some points which I am obviously to report, such as any excess over a Grant of Parliament, any clear irregularity, and so forth; but I have also a duty to report on the accounts; and availing myself of that opportunity, I think it my duty to report anything which, in my judgment, falling within my proper functions, it concerns the House of Commons to know. In the first instance, my object is to report in such a way as to assist the House of Commons in making its way through what may be a very bulky volume of accounts; but beyond that I do not feel myself debarred from calling attention to anything which has occurred in the course of my audit during the year, which indicates loss or waste, or anything of that kind which I think it is well that Parliament should know. Of course, in doing so I have to act with great care and discretion. It

Mr. *Austen Chamberlain*—continued.

is not for me to criticise administrative action as such; the Departments are responsible for their own action as regards general administration; but if I find the result of administrative action has been a loss or a wastefulness in public money, then I think it is not going beyond my duty of reporting as an officer of the House of Commons if I call specific attention to matters of that kind, even though the account itself would not disclose the facts.

757. I may take it that even if an account were in perfect order you would, in practice, call the attention of Parliament to any instance of waste or extravagance, and still more to any instance of peculation or corruption, which was disclosed on your examination of the account?—Quite so. My examination goes on *de die in diem* all through the year. What I report finally is, to some extent, the gathering together of incidents that have occurred during the preceding twelve months. From time to time, as the monthly accounts of the Civil Departments come in to me, I raise points which I may think should be considered ultimately by the Committee of the House of Commons.

758. To take an instance to see how that works in practice, assuming there were a Department in which the staff was too large for its work, would that be a matter which you could in the course of your examination discover, or which, if you discovered, you would call attention to?—I should scarcely have the means of discovering that. As regards such a matter as that, I should assume, if all is correct in the way of account, that the staff, having been approved by the Treasury, is proper for the purpose; I have no means of investigating the amount of work which falls upon the men in a Department.

759. Of course in regard to such a matter as the purchase of stores by the great spending Departments, I take it that neither you nor your staff profess to have any technical knowledge?—No technical knowledge.

760. If you discover wastefulness there it is by comparison; it is by comparison of one purchase with another, or of one paper which you see with another paper, rather than by any outside knowledge possessed by you or your staff as to the price of the articles in the markets?—Quite so; it is only from what I find in examining the accounts; I may, perhaps, observe a contrast between one figure and another figure.

761. Then in examining the accounts you are not confined to the mere figures of the account?—No.

762. You have access to all the papers in the offices whose accounts you are auditing?—That is so. I habitually call, and I have a statutory right to call, for all documents relating to accounts.

763. If you found an apparent irregularity, what would be your course of procedure?—My first step is always to communicate with the Department concerned. The great mass of my work takes the form of what are known as queries, of which we send out hundreds in the course of the year to the different Departments. That is the first step. Then there would follow an explanation, and upon the explanation I should consider whether I need go further or not; and I may say in the great majority of cases the explanation is one that is satisfactory.

764. Do you consider yourself in any way the servant of the Treasury?—No.

765. You are responsible to Parliament?—I am responsible to the House of Commons.

766. You are, as you said, the officer of the House of Commons?—Yes. It is open to me to criticise the accounts of the Treasury as well as those of any other Department; in fact, I do audit Treasury accounts.

767. The Treasury, therefore, would have no kind of control or influence over any decisions you come to?—Absolutely none; unless it be a matter in which the decision is reserved to the Treasury by statute or otherwise. I not infrequently act with the Treasury in that way. If I see that Treasury authority has not been given, or has not been properly taken advantage of, I communicate with the Treasury on the matter if necessary.

768. That is to say, that in cases where the Treasury is specially called upon to act you treat it as you would any other Department under similar circumstances?—That is so.

769. But the Treasury have no power and never seek to restrain your investigations or to check your inquiries?—Not at all.

Sir *Edgar Vincent.*

770. Could you tell us what is the form of the certificate which you give after examining the accounts?—The simplest form of certificate is this, "I certify that this account has been examined under my directions, and is correct." That is a very simple and unguarded form of certificate. Sometimes I have to guard my certificate.

771. "Is correct" means what?—It means that the whole of the money is accurately accounted for in the account as laid before me—that it has been examined point by point by my officers.

772. That it has been paid under proper authority and with proper vouchers?—Quite so.

773. But that certificate does not include, specifically, examination from the point of view of loss or waste or extravagance?—Not necessarily. There might possibly under that certificate be loss which had not come to my notice, or rather, I would say, not loss but extravagance, for any loss would probably come before me.

774. But so far as the letter of the certificate is concerned, there is no statement by you that the account has been examined from the point of view of extravagance or economy?—I make no statement to that effect, but if I have any reason to believe that there has been waste or extravagance, I consider myself free to mention it in my Report; but if the accounts are all properly certified and everything is correct in regard to authority, I should not hesitate to give the complete certificate which I have read.

775. But neither in your certificate nor, I think, in the Act of 1866 is there any specific mention of examination by you with the view to detecting

Sir *Edgar Vincent*—continued.

extravagance or waste?—No, there is no such direction.

776. So that what you do upon that matter is to a certain extent an excursion outside the strict limits of your office as laid down in the Act?—I should say I am doing more than is, in words, enjoined upon me by the Act of Parliament. I put together the two facts—that I am told to examine these accounts on behalf of the House of Commons, and that I am to report on the accounts; and with those duties upon me, it seems to me I ought to offer the House of Commons of my best. If I see any reason to think it might be of advantage to the House of Commons that I should mention certain facts (always seeing that I am acting within my proper limits), I think it is right I should do so; and that is what I do.

777. The point I want to get at is this: whether that examination which you have informed us you make with a view to detecting extravagance is within the four corners of your appointment, or whether it is an extension of it?—I consider it is within the four corners of my appointment; and I think it has been so held by my predecessors; I think they have never supposed that they were simply to act as though they were accountants, to certify that the accounts are correct, but that in reporting to the House of Commons there is a further duty enjoined.

778. That being a matter of such importance, is there not some danger in its not being specifically laid down?—In all these matters I naturally take my guidance from the Committee of the House of Commons, which I appear before; and I notice that so far from being in any way checked in the line I have taken in these matters, I should say that if there is any part of my business which more closely engages the attention of the Public Accounts Committee than another, it would be just those points in which I have gone beyond the mere certificate of an accountant and called attention to matters underlying the accounts.

779. I am not at all criticising any extension you may have taken of your powers. On the contrary, I approve of it highly; but what I want to know is whether you have full and specific authority for examining the accounts from that point of view or not?—I certainly hold that I have until I am corrected by the House of Commons.

780. The reason I asked was this: that I see some time back the audit was held to be "an operation to ensure truth and accuracy in the accounts of public expenditure," and that the Board of Audit might properly be termed a Board of Verification, but that it had no controlling powers. That was a statement made by Mr. Gladstone in 1862; but you consider your powers now are more extensive than those of the old Board of Audit?—I do not consider I have any power now of controlling Departments; I have nothing to do with the Estimates, and I do not control their administration in any way.

781. You have said that everything which concerns redundancy of staff, excessive pay, and matters of that kind would not fall within your

Sir *Edgar Vincent*—continued.

powers of examination?—Those points are under examination constantly, and my officers watch any instances of excessive salary and so forth; but I do that in order to support the decisions of the Treasury. I let the Treasury know that their rules as regards salaries have not been observed in such and such an instance; that is all I have to do with it. But I take it that if there is Treasury authority for the salary or for the staff, I have nothing further to say.

782. So that if the proper authority has been granted for a certain staff, you do not inquire in the question whether it is redundant or excessive?—No.

783. Can you tell us what proportion of the total expenditure on administration is devoted to staff?—You mean what proportion of the total expenditure of the country?

784. Yes?—I could not say that off-hand.

785. Would it be a considerable proportion?—I should not like to venture upon an estimate.

786. With regard to contracts, you said, I think, in answer to Mr. Chamberlain, that practically you only drew attention to contracts when the price appeared to be excessive by comparison with other contracts brought before you?—I should not say only in those cases. I think I gave that as an instance: that if I found under similar conditions widely different prices being paid for an article, I should ask the Department to explain it.

787. But in the case of ordinary contracts, say for ships or for guns, do you examine whether the contract price paid is a fair one or not?—As a general rule I should have no knowledge on the point as to whether the price is a fair one or not. If I observe, as I did in the case of the cold meat storage contract which has been more or less before the public, that a contract is made for one article, and I find that under it something else which ought to be cheaper is being supplied, then I think I have the right to call attention to that. But if I have simply a contract for the purchase of guns at a certain price, I have no means of knowing whether those guns ought to cost the price named or not.

788. You have no staff who could aid you in forming a judgment upon that point?—I have, for instance, a staff continuously at the Ordnance Factories who are very closely acquainted with all the details of the accounts of the Factories, but in that case also they are not technical officers in the sense of knowing the cost of a gun.

789. May I put it in this way: you really criticise from the point of view of inconsistency rather than from the point of view of excessive payment?—Yes; I could not take a contract and investigate it and say whether I thought it a reasonable contract to be entered into or not; I have no power to do that.

Mr. *Austen Chamberlain.*

790. When you say you have "no power to do it," what do you mean precisely?—I have not sufficient knowledge to enable me to do it.

791. That

Sir *Edgar Vincent.*

791. That does not, in your opinion, fall within your duties?—I have the right to call for all documents, and I should not say it was beyond my duty to examine a contract if, even apart from any inconsistency or breach of contract, I still thought it worth while to look into it.

792. May I repeat a question I put before: do you not consider that in the vagueness of your duties, as you understand them, and the lack of specific authorisation to do a great deal which you do do to the public advantage, there is a certain amount of danger?—I do not know that I feel any danger, because I have not been corrected on the point at all.

793. That is not my point. The danger I am referring to is not that you should be corrected, but the danger is that there should be gaps in what I may term the financial defence?—I am afraid I do not quite catch the honourable Member's point.

794. My point is this. You told us you perform certain duties in the way of financial criticism which do not lie strictly within your statutory authority and statutory responsibility?—I would rather say which are not imposed upon me directly by statute.

795. Is there not a danger in those duties being performed with such a large measure of personal judgment and appreciation on your part?—I cannot say I think so.

796. Now, with regard to the Committee of Public Accounts, do they examine in detail the various Reports that you make?—They do.

797. Is their initiative in examination in practice limited to points raised by you?—No, it is not so limited. Generally the Committee take any points I may mention in my Report into special consideration; but it is very often the case that an honourable Member raises a point quite outside my Report, drawing it from the account itself.

798. At what period is your examination made; how long after the expenditure is incurred?—The Civil Service Accounts for the year ending on the 31st March are due to be delivered to me by the 30th of November following, and the Appropriation Accounts of the Army and Navy on the 31st of December; and between those dates and, I might say, the meeting of Parliament I have to get my Reports ready.

799. You have nothing to do with the Estimates, I understand?—I have nothing to do with the framing of the Estimates. The Estimates are my guide in my examination of the Accounts.

800. But the fixing of the amount in the Estimate is altogether outside your functions?—Altogether.

801. The examination by the Committee of Public Accounts takes place with the evidence of the officers of the Department concerned?—It is usual that the Accounting Officer of the Department concerned should appear before the Committee and be questioned upon his accounts.

802. You consider the control of the Committee of Public Accounts of high value?—Very high value.

Sir *Edgar Vincent*—continued.

803. Both as supporting your authority?—Certainly.

804. And generally in maintaining due regard for economy in the Departments?—I certainly value its services very highly in that sense.

805. Do you value examination by the Public Accounts Committee more than the examination by the Committee of the whole House?—I am not aware that the Committee of the whole House does examine accounts after they have been passed.

806. Surely they receive the Reports of the Committee of Public Accounts?—I assume the House can deal with the Reports of the Committee of Public Accounts, but I was not aware that the House itself examined the Accounts.

807. Do you attach great importance to the power of the Public Accounts Committee to call evidence and to examine in detail the responsible officers?—I think that is the right way to examine accounts, that the officer should be put through his facings as to any point that strikes the Committee.

808. Have you at all given your attention to the subject of the possibility of examination, by a similar Committee, of the Estimates as well as of the accounts?—I have had no occasion to do so officially, because, as I have already said, I have no authority as regards the framing of the Estimates, and therefore any opinion I might give upon that would be simply that of a general observer.

809. Do you consider that an examination of the Estimates by a Committee such as the Committee of Public Accounts would be of public value or not?—I think the members of the Public Accounts Committee would be the body which would most effectively examine the Estimates, if the Estimates were to be examined by a Committee of the House, because I think it would be a vain thing to examine Estimates without a very considerable knowledge of the working of the Departments, such as is gained by attendance on the Public Accounts Committee.

Mr. *Churchill.*

810. By whom was your appointment to be Comptroller and Auditor-General made—by what authority?—By Letters Patent under the Great Seal.

811. But who selects you?—His Majesty, on the advice, no doubt, of the Prime Minister or the First Lord of the Treasury. In my case I believe it was actually the First Lord of the Treasury; Mr. Balfour himself communicated with me.

812. You are appointed by a party official under the usual constitutional forms; you are not appointed by any impartial or non-party authority?—I think my position is as nearly as possible analogous to that of one of His Majesty's Judges. I am appointed by the Crown, dismissible only by the Crown on a joint address from the two Houses of Parliament. My salary is charged upon the Consolidated Fund in the same manner as that of the Judges, and in every way I think my office is intended to bear somewhat of a judicial character.

813. For instance, supposing in drawing attention

Mr. *Churchill*—continued.

tion, as you have said you do, to irregularities in the accounts, much discredit were brought upon the Government of the day and much ill-feeling were caused thereby, your position would not be in any way impaired?—Not in the least. I should be as perfectly free to criticise accounts in which discredit might fall upon the Government of the day as I am in other cases. I am independent of that altogether.

814. Of course, what applies to your independent position also applies to the people in your Department under you—all your subordinates?—My subordinates were to be appointed originally by the Treasury. I do not appoint my own officers. I can promote them and I can dismiss them; but the actual appointments are now made either through open competition or through the Civil Service Commissioners.

815. Can anyone but you dismiss them?—No; I have full power of dismissal.

816. In fact, once a subordinate comes into the Comptroller and Auditor-General's Department his whole official future rests with the Comptroller and Auditor-General?—That is so. So far as possible, I conform myself to the general rules of the Service; but the Act of Parliament under which I am appointed gives me very ample power of dealing with my staff.

817. I hope you will not mind if some of the questions I am going to put rather go over the same ground as some that were put by Sir Edgar Vincent. Do you think you could define your duties by saying that you were responsible for economy?—I should not like to say that. I could not accept that responsibility, because it is quite possible that matters may go on of which I cannot have any knowledge. The Committee should understand that although as regards the Civil Departments I examine the accounts closely in detail, it is wholly impossible for me to examine in the same detail the vast mass of accounts affecting the Army and Navy. There, for the purpose of the Appropriation Act, to satisfy myself that the money is in the mass applied as Parliament has directed it to be, my audit is complete enough; but as regards detailed investigation, I can only do that by means of what is known as a test audit—that is to say, I can take any point or any section of the accounts and submit it to the closest possible detailed audit; and that I do as far as possible in a way to cover the ground in a certain number of years. At the same time I should not like the Committee to suppose I have no other means than by a test audit of ascertaining important points, because, my officers being skilled examiners, have their eyes upon the whole of the accounts of the Army and Navy for the purpose of the Appropriation Act, and, if anything strikes them as at all remarkable or noticeable, it is at once referred for further investigation.

818. You would regard their successful vigilance in that respect and their detection of any waste or irregularity as very much to their credit within the Department?—And of great value to me. It would be quite useless to increase my staff suddenly with a large number of inexperienced men. It might be suggested in connection with the recent war whether, seeing that the War Office expenditure was suddenly raised from some twenty-five millions to ninety millions, I should not have a large additional staff to do my work. My answer is that it is a vain thing to give me inexperienced men to do what requires a great deal of skill and care and training.

819. The point I wish to elicit by my question is whether the officers who are your subordinates have every incentive to discover and to detect instances of waste or irregularity?—That they certainly have, because an officer takes great credit to himself if he brings forward a point of that sort.

820. It would stand him in good stead, would it?—Yes. In fact, one of the trials of my office is that I have often to overrule points which are brought up, and which are, perhaps, to the credit of the officer, but which I think on the whole are not such as I can pursue.

821. You said just now that you have not quite the same facilities in detecting irregularities in the Army and Navy Accounts as you have in the other branches of accounts?—It is only on account of the enormous magnitude of the accounts that I cannot give, and I am not required by statute to give, the same detailed examination to the Army and Navy Accounts as I am required to give to the Civil Service Accounts.

822. In other words, the scrutiny which the Army and Navy Accounts undergo before you is perforce weaker, through the great volume of the accounts and their complicated nature, than the scrutiny which other branches are subject to?—It is less complete; but because of their magnitude and importance I naturally am very careful about the officers I select from time to time for the responsible work in connection with the Army and Navy Accounts.

823. Of course you derive the information on which you report to the House chiefly from this careful and continuous scrutiny of the accounts of all Departments?—Yes.

824. You said, in reply to Mr. Chamberlain, I think, that a case of excess of staff, of too many clerks in one office, was hardly a thing you would be able by your scrutiny to detect?—Quite so.

825. Following that up, may I say that in proportion as the work of a Department is more technical and more complicated with special and expert details, you find it more and more difficult to detect irregularities?—Yes, that would be so, except that I very closely scrutinise those very points where it seems to me likely there may be lapses—I choose my ground advisedly.

826. Do you think you would be able to detect obsolete expenditure—that is, expenditure which has become unnecessary because of some new provision which discharged the old service with equal or greater efficiency?—I might, for instance, call the attention of the Public Accounts Committee to articles on stock account which have been unused for years—in fact, that is what I do occasionally. I have a store audit as well as a cash audit, and it not infrequently happens that I raise questions as to whether some surplus stores ought

Mr. *Churchill*—continued.

ought not to be disposed of as being apparently obsolete and useless.

827. Do you think that the knowledge which you possess through your skilled officers enables you to make a complete scrutiny of the accounts presented, so that, humanly speaking, all irregularities could be detected?—I think irregularities in the Civil Service Accounts would all be brought out in my scrutiny. I do not think that much can happen, even in the accounts of the Army and Navy, of any magnitude which would escape notice, but I could not guarantee that there has been no omission or failure on my part to observe any irregularity of that kind; it is impossible for me to say that.

828. When you certify an account as correct in the form of certificate we have heard read this morning, that means that it is financially regular?—Yes; but I think I mentioned that that was a very simple and unguarded form of certificate; in many cases I guard myself by saying that I certify that it is correct, subject to the remarks in my Report, so that the Committee may see that there may be some points for the Committee to decide.

829. But although the account which you certify as correct might be thoroughly regular from a financial point of view, it might of course be irregular from the point of view of some of those other considerations?—There might be an extravagant purchase, for instance, properly vouched for, as to which I should have no ground for suspicion.

830. Therefore, would you consider you were absolutely responsible for detecting all irregularities?—I do not think I could be held to blame. I should not consider that I was to blame, if I failed to discover some irregularities. If they were fairly clear upon the account, I should consider I was very much to blame; but, there might be something hidden under the account (though I think not very often) which I might not detect.

831. You used the expression that you give of your best to the House of Commons, whom you regard as the authority to whom you are responsible?—That is so.

832. Without, of course, availing yourself of expert knowledge other than financial knowledge?—Quite so.

833. Do you think that imposes a serious limitation upon your functions; do you think that it leaves a large possible opening for irregularity?—It is very possible that a Department might make unwise contracts, and I should have no opportunity of forming any opinion upon that point. I hardly see how I could with advantage call in expert knowledge in such a case as that, because I should be really sitting in judgment upon the administrative action of the Departments; and that I consider is beyond me, and properly beyond me.

834. You said in reply to a question of Sir Edgar Vincent's that you had no statutory power to deal with questions of irregularities not arising from audit, but that you very frequently did deal with them and call attention to them, and that that extension of your duties, or that construction of your duties, had been very much encouraged by the Public Accounts Committee?—Yes; I should not wish it to be understood that I wish to go beyond my statutory authority; what I mean to say is that I use the statutory authority in a somewhat liberal sense, because I do not find any precisely limiting words in the statute; and if I find that it is, as I believe it is, to the interests of the public that I should go a little beyond mere questions of accounts (always keeping clear of the administrative discretion of the Departments), then I think it is right I should do so.

835. Supposing you noticed, we will say, that two cruisers built at the same time under similar conditions in different dockyards were charged at very different prices to the public, would you be actually responsible for reporting on that; would you consider yourself culpable if you failed to report upon it?—I should most certainly do it; in fact, I do habitually take note of cost in different dockyards, and I think I should have somewhat failed in my duty if I did not report anything striking of that kind.

836. You feel actually responsible in regard to cases of that kind?—I do, because I think the Committee whom I serve expect it.

837. Has that always been the view or the construction which the Comptroller and Auditor-General has put on his duties, or is it rather the result of a more recent tendency on the part of the Committee of Public Accounts?—I think not. I think that has been the view taken by Sir Charles Ryan, and also by my immediate predecessor, Sir Richard Mills.

838. How many years would that cover; would it be for the last twenty years?—Practically ever since the passing of the Act in 1866.

839. Do you think that a more precise definition of your authority and duties and responsibility in regard to the set of questions we are now talking about, outside mere audit, would be of assistance to you and strengthen your hands?—It might perhaps have the limiting effect which I have referred to.

840. You think, in fact, it is better to leave it somewhat elastic and undefined?—Personally, I am content to work for the Public Accounts Committee, and take from them any indication of their wish in the matter. I have never been restrained so far, although this year it has been my duty to report a good many matters which are a little beyond bare questions of account.

841. You do not think it would be better to have cut and dried exactly what your powers are?—I think it would be better not.

842. You do not feel that your hands need strengthening in that respect?—No; I feel myself quite sufficiently supported by the Public Accounts Committee.

843. Would you give me one or two instances of the kind of extravagance or irregularity or waste which you have found it possible to report, not only in the last year, but in the last two or three years; could you name one or two noteworthy cases?—Perhaps I may mention as a noteworthy case one that has lately attracted the attention of the

Mr. *Churchill*—continued.

the House of Commons, namely, the first contract with the South African Cold Storage Company. That was a contract for the supply of a large amount of meat which I have heard described as "meat on the hoof"—that is to say meat from living animals—to follow the troops. It came to my knowledge that the greater part of the meat supplied under that contract was not meat from live animals, but was refrigerated meat; but only one price was named in the contract. I observed, however, that afterwards a second contract was made with the same company, in which refrigerated meat was allowed, with a deduction of 2d. in the pound in the price. I then communicated with the War Office, and I said that this first contract appeared to me to be clearly one for meat from live animals to follow the troops, and not for refrigerated meat, and under the circumstances I thought they ought to ask for a refund. Upon that the War Office claimed a refund, and some 28,000*l.* was refunded by the company. I was able to take action in that case because the contract itself was in my opinion not complied with. I considered there would be a right of action against the company for supplying refrigerated meat under a contract the whole tenour of which was clearly for meat from live animals following the troops. I had my ground there in a breach of contract.

844. How did you detect it?—It was first noticed in connection with the following contract, the second contract with the same company, in which this difference was made between the price of meat from live animals and that of refrigerated meat. I then looked into the first contract, where there had been no such discrimination, and on examining that contract I satisfied myself that there was no room in it for anything else but meat from live animals.

845. You found it out in the ordinary course of examining the accounts?—I also observed from the papers that the War Office had noticed it, too. I give that as a mere instance because, if the contract itself had come before me simply for meat at 11*d.* a pound, it would not have been for me to say that 11*d.* was an extravagant price to pay for meat somewhere up-country in South Africa—I could not judge as to the proper expense of distributing meat or the proper expense entailed in having drovers and butchers, and so on, to follow the troops; I could not judge of that, but as soon as I saw there was something wrong I took action.

Sir *John Dorington.*

846. How did you know that under the first contract refrigerated meat was being supplied?—I found that out from the War Office papers. The attention of the War Office themselves was directed to that point; they found it out themselves. The War Office thought they were entering into a contract for nothing else but meat from live animals. It appears from the evidence given before the Public Accounts Committee that the officer who made the contract out in South Africa was under the contrary impression; he thought that refrigerated meat was allowed under the contract. This appeared on the War Office papers which came before me.

Mr. *Churchill.*

847. That is to say, in the instance which you have given you detected the irregularity through the second contract coming up?—Yes.

848. If there had been no second contract you would not have been able to detect it?—I might not have seen any reason to call for the papers; but, as I said, I see the War Office papers covering the accounts, and those papers showed the War Office itself was under the belief that the contract was not being complied with.

849. Can you give the Committee any idea of the volume of this kind of criticism which you can bring to bear upon accounts—I mean the number of instances which you notice or the amount of money affected during the course of the year?—I should not be able to give any answer to that question which would be of any value. A great many points are brought up to me. My officer notes some peculiar feature in an account, and the point is investigated. It comes up to me for consideration; sometimes it is a matter involving a small sum and sometimes a large one; sometimes I over-rule it and sometimes I carry it on. I could not, therefore, from memory say at all what number of cases, or covering what amount of money, I deal with in that way.

850. Could you give any more instances?—I am afraid I can give a good many instances if the honourable Member desires me to do so. I do not know whether the Committee would like to hear about a case in connection with the Ordnance Factories which is the subject of the sixth Report of the Public Accounts Committee of this year. That is somewhat different from the case I have just mentioned. That was a case of waste ashes from the Brass Foundry, mainly at the Royal Laboratory at Woolwich. The attention of my officers was directed to the fact that for the first time a sum of 6*l.* or 7*l.* a ton was being got for the sale of this waste product, of which some hundreds of tons were sold. I then looked to see what had been the amount in previous years, and it appeared that up to that time these brass ashes had been sold for 3*s.* 4*d.* a ton. Then, of course, I inquired—How is this? The matter had been already discovered, obviously, by the authorities of the Factories themselves. But seeing that there was such a strange difference between the price that had ruled shortly before and the price that ruled afterwards I thought it my duty to report the matter to the House of Commons. I may say in this case there was nothing in the account itself irregular. I have no doubt the contractors who had got this stuff for 3*s.* 4*d.* were very ready to give proper receipts. But on comparing the two figures I thought it absolutely necessary to bring the matter forward.

851. But if the improved price had not been paid to the War Office authority you would never have been in a position to detect it?—I could no more

Mr. *Churchill*—continued.

more have detected it than did the Superintendent of the Factories. He had a much better opportunity of discovering it than I had; I could never have raised any question as to whether 3*s.* 4*d.* was the proper value of this waste product.

852. As I understand you feel yourself very strongly supported by the Public Accounts Committee?—I do.

853. And your interpretation of your functions would be, to some extent, determined by the view which they take?—Certainly.

854. If the functions of the Public Accounts Committee were strictly limited to audit and to regarding the authority for the money being spent, and not going into these questions of irregularity apart from audit, that would impose a serious limitation upon your action?—Quite so.

855. In fact, you follow their lead, as it were?—Yes.

856. You procure for them the kind of information that they want?—Quite so.

857. Do you think that that tendency to strike out into the larger realm of irregularities is increasing?—I should scarcely say that, but I think the present year has been unusually prolific in matters of interest, as one might suppose, because of the extraordinary expenditure in South Africa.

858. But this particular incident which you have just mentioned had nothing to do with the war?—That was wholly outside the war expenditure.

859. Can you suggest any direction in which the functions of the Public Accounts Committee could be further extended with advantage?—I think it rests entirely with the Committee itself. They have ample power to investigate every single item in the accounts. I do not imagine they lack power from the House of Commons to investigate anything they like. In connection with this very meat contract, for instance, they took evidence at great length from the officer concerned, from South Africa, Colonel Richardson; they do not limit themselves simply to the Accounting Officer of a Department.

860. Do you think the extension of their functions is growing?—No, I should hardly think so, apart from the exceptional circumstances of this year's expenditure.

861. Do you think fifteen years ago, for instance, their practice was precisely the same as it is now?—Yes, I think very much the same.

Sir *Walter Foster.*

862. You have given us two very interesting examples of what we may call waste in connection with two matters; they were entirely discovered by the accident of the peculiarity of the figures which you came across?—They came to my knowledge through the papers connected with the accounts.

863. That is to say, in comparing the figures in connection with those different points, the cold storage contract and the contract for waste products at the Woolwich Laboratory, you noticed this difference in one case between what the contract intended to be supplied and what was actually supplied; and in the other case between

Sir *Walter Foster*—continued.

prices obtained in different years for the same waste product?—Quite so.

864. That was entirely due to your careful scrutiny of the figures?—It was so.

865. Did the War Office call your attention to this matter in connection with the meat contract?—No; they would not call my attention to it at all. My officers would see the account. They would see the large sum being paid to the Cold Storage Company, and they would then look into the matter.

866. Although the War Office were aware of the fact that the contract had not been complied with, you received no notice from them?—I might say I never receive notice of initiatory action from Departments; but they are very free to send me their papers; the papers are passed regularly to my officers.

867. In all cases the motion has to come from you for papers in a case of that kind?—Yes; it would be so, speaking generally.

868. Does it occur to you that we might have some better method of discovering such little incidents as those which you have described to us; does it occur to you that there might be any method by which they might be discovered except by this reference to figures?—I doubt if it could be done in any other way than, perhaps, by somewhat strengthening my staff at some points.

869. That is to say, by giving you special expert assistance on some points?—I think my men are expert enough, but they are somewhat few in number. The whole staff I have in connection with the War Office Accounts is something under forty men. It is quite a small body compared with the Department which works under the Accountant-General of the Army. I have a staff of some six or eight men at Woolwich and about thirty men located in Cleveland House, side by side with the War Office officials.

870. You think that possibly an increase in the strength in these Departments might enable you to detect these cases more frequently?—We might more completely cover the ground. As I have already said, I do not think serious cases escape us.

871. You mean by the same methods of detection as you apply now?—Yes.

872. I was thinking more particularly of other methods. Are there no other methods which suggest themselves to you as being useful in detecting a case like that which has been referred to at Woolwich, for instance?—I cannot say that I see any course which would be open, at all events to my Department.

873. Surely there must be some other means by which the culpable neglect and waste of a valuable product like these ashes ought to be found out except by the figures of the prices happening to come almost accidentally before your eye?—That is so; but still in that case one sees that even the experts at the Ordnance Factory were slow to find it out. I do not know whether any expert that I could appeal to would have been more successful.

874. What we want to get at is some method of preventing these things, apart from the very valuable

Sir *Walter Foster*—continued.

valuable methods which you apply?—I am afraid I have no suggestion to offer with regard to that point.

875. You said you called attention to cases of loss, waste or extravagance where they are brought under your notice in the course of your examination of the accounts?—Yes.

876. In the case of contracts for, we will say, a homely article like coal, do you ever find any differences in the prices paid which lead you to think there has been any extravagance?—I did call attention this year to an unfortunate coal contract in connection with the war in South Africa. In that case coal had been supplied which was found when it arrived in South Africa to be useless for its purpose, and it had to be sold almost as waste.

877. That was an illustration of coal sent out for war purposes?—Yes, it was in connection with the war.

878. Have you any illustrations in regard to coal for home consumption?—I have no particular cases in my mind at the moment of excessive prices being paid for coal apart from the one I have mentioned.

879. Will you give us the particulars of the case you have just mentioned?—The case was this. The authorities in South Africa asked for a particular kind of coal for baking purposes, and the order was sent by telegraph. A particular kind of coal called Cramlington coal, which comes from a place in Northumberland, was supposed to be particularly serviceable for this kind of baking purpose, and a consignment of that coal was sent out to South Africa. When surveyed there it was described as mere dust, and was sold off for a small sum. On that coming to my knowledge I thought it worth while to report the case for the information of the House of Commons.

880. That waste occurred through the ignorance of the people on the spot in South Africa, I presume, or the ignorance of the people here?—It must have been through some misunderstanding between the officer there, who telegraphed the order in a very short telegram, and the officer who received the telegram.

Chairman.

881. May I ask was the coal you speak of similar to the coal called Cannel coal in Scotland—of exceedingly slow combustion?—I believe it was a slow combustion coal; it was a very small class of coal.

882. And which requires some other coal generally to start it?—Yes. I am not an expert upon the point, but I think it required a particular sort of oven, or was useful for some kind of oven which they had not got out in South Africa.

Sir *Walter Foster.*

883. Can you give us any example of any errors of that kind or losses or extravagances in connection with coal contracts for Government offices?—No, I have no recollection of any such case.

884. Your functions, I think you said, were not precisely defined, and I gather from your replies to Mr. Winston Churchill and Sir Edgar Vincent, that you think probably your hands are stronger from the absence of that definition than they would be if your functions were precisely laid down by statute?—I think so. Certain functions are already prescribed by statute; those, of course, I comply with, but I should deprecate any attempt to define exactly what I do beyond those points.

885. Being an officer practically independent of any Department and responsible to the House of Commons, you feel yourself justified when anything comes before your notice in examining the accounts in taking steps outside what might be the very strict limits of an Act of Parliament?—I think it is within my right to report facts to the House of Commons without attempting to cast blame or to criticise administrative action by itself. That I must leave the Committee to take their own course upon. I limit myself to stating facts which come before me which I think are significant.

886. You find the Public Accounts Committee a very useful vehicle for placing these matters before, and having them further reported upon?—Certainly, I think so.

887. I understand your function is, having verified and examined the accounts, to issue an order to the Paymaster-General for the money?—I do not issue orders for the payment of the money.

888. You send it to the Treasury?—I think the honourable Member is passing now to my other function as Comptroller of the Exchequer?

889. Yes?—There I have, as it were, my hand upon the money in the Exchequer; it cannot escape from it except under my hand, nor can I issue money at all myself. The Treasury have to apply to me. It is by joint action between the Treasury and myself that money passes from the Exchequer to the Paymaster-General.

890. Can you tell me anything about the Paymaster-General's functions?—I could not do so to advantage.

Chairman.

891. As a matter of fact you do often object, do you not, as Auditor-General to a contemplated issue from a Department which you do not think in agreement with the Vote of Parliament?—I call attention to any excess expenditure over the Vote of Parliament; I always do that. If there has been an excess on any one of the sub-heads of a vote I mention it.

892. But if an issue was proposed which was not correct according to the Appropriation, you would call attention to that, would you not?—I see that all money is appropriated to the purposes intended by Parliament.

Mr. *Eugene Wason.*

893. Do you always attend the meetings of the Public Accounts Committee?—Yes, always.

894. Are the Reports which we receive Reports made by you?—The Reports which are submitted to the Public Accounts Committee on the Appropriation Accounts are my Reports.

895. I understood you to say you have got something like seventy-six subordinates in your Department

Mr. *Eugene Wason*—continued.

Department who look after the War Office expenditure?—In the War Office itself, about thirty.

896. I thought you said you had forty at the War Office, six at Woolwich, and about thirty at Cleveland House?—The six at Woolwich and those at Cleveland House make up the total; I have less than forty men in connection with the War Office.

897. And how many have you in the case of the Navy?—There are more in the case of the Navy; it would be about forty-six or forty-eight. I have a staff at Chatham, a staff at Devonport, and a staff at Portsmouth. Altogether I have about forty-six in connection with the Navy.

898. How many would you have in regard to the Civil Service?—My whole staff is about 200; that is to say, there would be on the Civil Services about 100, or rather more.

899. All of whom are directly responsible to you, and who can be dismissed by you?—Yes; they are all under my control.

900. It is really the Accounting Officer in the different Departments who has the checking of the expenditure and the looking after the contracts, is it not?—Yes; it is to the Accounting Officers I address myself always in the first instance. If any point is raised I raise it with the Accounting Officer.

901. Do you send for them to come and see you?—No; it is done by the issue of a vast number of queries to the Departments. Every query, I may say, passes personally through me—that is to say, possible absences excepted, I see every query in the case of every Department.

902. In the event of a fraud being discovered, you would not put the law into force, would you?—No, I should not put the law into force.

903. That would be left to the Accounting Officer of the particular Department to report to the Solicitor, I presume?—It would be managed probably by the Solicitor to the Treasury.

Mr. *Trevelyan.*

904. How long have you been Comptroller and Auditor-General?—For very nearly two years.

905. Of course you would know about the records of past cases brought before the Public Accounts Committee? Can you say at all whether there has been an increase in cases of any importance in recent years?—I think there has been an increase in cases this year, as I have said, in connection with the war.

906. But I meant before that?—No, I think not.

907. You do not think there is any alteration in the general number of cases brought up?—I think at the earlier stages, after the passing of the Act of 1866, there was a great deal of work to be done by the Audit Department in the way of getting the accounts into good condition; there was a great deal to be learnt by the Departments. But most of the Civil Service Accounts now are rendered in excellent form, and give very little trouble; therefore there is very much less arising on the Civil Service Accounts now than was the case some years ago. If there has been any extension lately, it has been rather due to the

Mr. *Trevelyan*—continued.

increased expenditure upon the Army and Navy.

908. Apart from the war contracts, have you had more cases from the Army and Navy?—No; I should not say so, apart from the war.

909. With regard to the meat storage contract which you mentioned, how many months had it been running before you discovered that it was not being fulfilled?—I think the first contract had run for some four months or so, and then the contract which ensued, the second contract, came before me in the month of August just two years ago. It came before me, I should say, certainly within six months. The first contract was made in October, I think, and I discovered what I did discover in the following August.

910. After the second contract had been signed?—After the second contract had been signed.

911. You say that the War Office knew that contract was not being properly fulfilled?—I saw that they were dissatisfied on the point. I am not sure that they were quite clear about the legal position; but looking at it from the legal point of view, I was satisfied the War Office were right in thinking the intention of the contract was not carried out.

912. They had not called public attention to it themselves?—No.

913. Had they taken any action that you could discover?—They had not taken the action which I suggested to them, and which they did ultimately take, of claiming a refund.

914. That suggestion came entirely from you?—Yes, I believe so.

915. And that was taken up by the Public Accounts Committee?—I reported the matter to the Public Accounts Committee.

916. Was it previous to your reporting it to the Public Accounts Committee that the War Office took your advice in asking for the refund?—Yes, it was before it came before the Public Accounts Committee; I was able to report that the refund would be made or was on the point of being made.

917. Could you say at all how many important instances of that kind you yourself have called attention to or discussed with the Public Accounts Committee in regard to the war?—I jotted a few of them down. I think there are some eight or nine instances in the two years, last year and this year, to which I called the attention of the Committee in connection with the war expenditure.

918. Could you tell us at all how you first came to hear of those cases; was it in any case owing to information from the War Office?—The information is obtained by my own officers at the War Office. Papers as settled by the War Office are passed to my auditors, and they note anything which they think ought to be brought forward. It is not for the War Office to suggest these points to me—they let me have the papers.

919. Did you generally find that the War Office knew that these things were going wrong, or did you discover it for them?—I think, so far as I could answer that question safely, I should say in a general way that the War Office has usually become aware of what I have afterwards reported before I have reported.

920. Did

Mr. *Trevelyan*—continued.

920. Did you at all, during the war, institute special inquiries where you had not any original suspicion in the cases of important contracts?—No, I cannot say I have done that.

921. You only asked for papers and made investigation where you found that there was some public suspicion or where some private information reached you?—Or if it was a very important contract, or for a large sum, we should call for it. We are very free to call for papers. We see a great deal that never results in anything in my Report.

922. That is to say, the only people who can have, or ought to have, thorough control over contracts are the officials at the War Office?—Certainly.

923. And it is the same with regard to the Navy?—Yes.

924. You do not overhaul all the contracts?—No. There is a Director of Contracts, whose business it is to deal with the whole of that branch.

Mr. *Dillon.*

925. One of your chief functions is to see that all the money which is voted by Parliament is appropriated to the purposes for which it is voted?—Yes.

926. There is a system, is there not, in the Army and Navy by which savings on one sub-head can be transferred to another?—In all Departments transfers from one sub-head of a Vote to another sub-head are made under Treasury authority; but in the Army and Navy the expenditure is divided into a number of Votes, and there is no power to transfer from one Vote to another except through the action of Parliament.

927. But in the Army and Navy it is done, is it not, without coming before Parliament?—The transfer is provisionally allowed, for financial reasons, by the Treasury, and it is confirmed by the House.

928. Before it is confirmed by the House the money is actually spent?—Yes, the whole of the money has been spent twelve months before, probably.

929. That is to say, on purposes for which it was not voted by Parliament. What I want to ask is this. At what stage in that transaction is your authority sought for?—My authority is not required to empower the Treasury to provisionally permit money to be transferred from one Army Vote to another Army Vote; that is done under statute.

930. How can you describe it as "provisional" when the money has actually been issued and spent?—I call it "provisional" because Parliament has yet to confirm it.

931. But, as a matter of fact, that particular money is spent on a purpose for which it is not voted by Parliament without your sanction?—That is so. Suppose, for example, there is an excess in Vote 6 and a saving on Vote 7, that adjustment is made first, as I have said, provisionally, under the authority of the Treasury, and then finally approved by Parliament.

932. How long has that system been in existence?—My impression is, but I may be wrong, that it is under the Act of 1891—the Public Accounts and Charges Act.

Mr. *Dillon*—continued.

933. That system does not prevail in the Civil Service?—In the Civil Service it is only the case of a single Vote for each Department. Each Department of the Civil Service has its own Vote and sub-heads. But the sub-heads of a Vote are one thing and the several Votes of the Army and Navy are another.

934. But you cannot in the Civil Service transfer a saving on one Vote to another Vote in the same class?—Not to another Vote.

935. It must be surrendered?—Yes.

936. In your opinion, does that system interfere with sound accounting?—So long as it is all brought to knowledge I do not see that any harm can happen. In a vast expenditure like that of the Army and Navy, it is impossible to bring Expenditure and Estimate absolutely together. There must be some room for saving on one Vote and over-expenditure on another.

937. Have you ever considered the system of Appropriations in Aid as it bears upon the clearness of account?—The system of Appropriations in Aid, I think, is a very convenient one. It is all under the control of the House of Commons. A Department has no power to spend its Extra Receipts as Appropriations in Aid of its Vote except with Parliamentary knowledge and authority.

938. But in the case of the Army and Navy, does not that Parliamentary authority come long after the money is spent?—In the first instance, a certain Estimate is taken of these Extra Receipts to be applied as Appropriations in Aid. That comes before Parliament on the Estimates, and therefore receives Parliamentary authority. If, then, a Department gets additional Extra Receipts over and above those so appropriated by Parliament, it still has no power to apply them in aid of its Vote, except by the authority of Parliament.

939. Has it not power to apply them in aid of the Vote by provisional Treasury sanction, as in the case of a transfer such as you described just now?—It may be actually done, because the money is all fused, as it were, in paying the expenses of a Department; but the Departments know that the amount estimated for as Appropriations in Aid is the whole amount that may be so applied until Parliamentary approval is obtained.

940. But let me take a concrete instance. Take the case of the Appropriation in Aid of over 300,000*l.* from the sale of captured cattle in South Africa—was not that money actually spent long before it was brought before Parliament?—I am afraid the War Office could answer that question best. I have not handled that money; I could hardly say how it has been used. I see how it comes out in the account, and I see that Parliament has full knowledge of what has been done with the money; but how the actual cash was dealt with is beyond me.

941. My point is this: Has not the money actually been spent as an unexpected Appropriation in Aid a year before it was brought to the knowledge of the House of Commons or submitted to the House of Commons?—In the Estimates approved by the House of Commons there is a large

Mr. *Dillon*—continued.

large sum taken for Appropriations in Aid, and whether that particular sum of £300,000 is part of that large sum or not I could not say. Very likely it is all within the scope of the estimated Appropriations in Aid.

942. Do you think it would be an improvement in the system of accounting to require all Appropriations in Aid to be surrendered to the Treasury, to be paid into the Treasury, so that the whole expenditure on any head in the Estimate should be voted and set forth?—That would be to revert to the system which obtained some years ago, and which obtains even now in respect of some Votes. But I think there would be some cases in which the system indicated by the honourable Member would be very misleading. There are some Departments which are largely self-supporting. One can conceive of a Department whose total Estimate is 100,000*l.* a year, but which recoups itself to the extent of 50,000*l.* by Appropriations in Aid. In such a case it seems to me better that Parliament should vote the net sum of 50,000*l.*, rather than be asked to vote the unnecessarily large sum of 100,000*l.* It gives a truer view of the thing to the ordinary mind, I think.

943. Would not that argument entirely alter our method of voting for the Revenue Departments, the Post Office and Telegraphs, for instance. There are Services which actually make a profit?—Yes; but that is revenue. That is another matter altogether.

944. You stated it was impossible for you to go in full detail into the mass of accounts of the Army and Navy?—I am absolved by statute from going in the same detail into all the vouchers. I have to see that all expenditure has been examined by the War Office authorities and passed by them as proper, and I may accept their certificates as vouchers.

Mr. *Churchill.*

945. Are you actually exposed to statutory limitations in regard to these War Office and Navy Accounts?—I am allowed to accept certain certificates. I must see that the accounts have been examined and passed by the proper departmental officers. Take, for instance, an account of the pay of a regiment; I am not required to see and examine each item of each man's pay, and it would be wholly impossible for me to do so. I may take it in the gross, but I must see that it has been properly looked at by the proper War Office authority.

946. In that respect your control over the Army Accounts is different from that over the Civil Service?—Yes. As regards the Civil Services, I examine them in complete detail.

947. Then in the case of the Army your control is different and weaker?—It is not so thorough. In fact, it would be an impossible thing for me to do it in detail, as the honourable Member will see.

Mr. *Dillon.*

948. Taking the case of the pay of a regiment, in the event of the pay being drawn for more men than are actually on the books of the regiment, would that come under your notice?—It might or it might not. I could not confidently say that I should be able to discover that, for the reason I have just mentioned to the honourable Member, that I do not examine in detail the pay lists of the regiments.

949. You spoke of test audits, and you said it was the practice of your office to take every year certain matters in the Army and Navy Accounts and subject them to a test audit?—Yes.

950. Take a case like that which we were discussing yesterday of the purchase of remounts in Ireland by the Yeomanry Committee, would that be a class of case you would subject to a test audit?—The question would be whether I could find out that the price paid by the War Office was largely in excess of the price paid by the purchaser of the horses. If that came to my knowledge I should certainly take notice of it.

951. But supposing it came to your knowledge that there were some suspicious circumstances about such a transaction, would that direct you to select it as a case for a test audit?—Very likely it would be so. I may mention that I did actually report within the last two years a case of a purchase of horses in Spain, where it came to my knowledge that the agent who was supplying the officer of the War Office, and who was to receive a commission for every horse he passed, was also receiving a commission from the subordinate dealers who brought him the horses. That case, of course, I reported.

952. In that case I observe that you reported there were no vouchers from those who sold the horses originally?—Yes, I asked for the vouchers of the subordinate dealers who had supplied this foreign agent with the horses, and they were not forthcoming.

953. As a matter of fact this Irish case was not made the subject of a test audit, was it?—It has not come before me as a matter of test audit. I am not sure at the moment whether it would come chronologically in the year ending March, 1901.

954. I think it would, because it was the Yeomanry Committee, who were formed early in the war, who made these purchases, I think, within that period?—It might very possibly be as I have indicated, that the accounts of that transaction would show no weak spot—that is possible. But my men look somewhat critically into any case of that kind, where there is a large purchase anywhere, simply on the ground of its magnitude and importance, and I do not think anything important of that kind is likely to escape notice; but I cannot say that I have had that particular case before me.

955. Now, I wish to ask about the auditing of the Naval and Military Works Acts Accounts; have you found any difficulty in dealing with the accounts under those Acts?—I think everything, so far as I remember, has been quite correct as a matter of account as regards the Naval Works Act and the Military Works Act.

956. They

Mr. *Dillon*—continued.

956. They present no special difficulties?—No, I find no special difficulties as regards audit.

957. Then I wanted to ask whether you or any of your subordinates watch the proceedings in the House of Commons, and whether their attention is directed to particular matters by questions raised in the House, or by debates?—I have always taken notice of anything that takes place in the House of Commons, whether in answer to questions or in respect of Bills, which in any way tends to enlighten my Department as to its duties.

958. Would the attention of the Department be directed to a particular matter by questions in the House of Commons?—I have the questions in the House of Commons looked through for me every day, and if there is any matter which seems to concern my business one of my officers draws my attention to it.

Sir *John Dorington.*

959. Your salary and that of your assistant is charged on the Consolidated Fund, is it not?—Yes.

960. Therefore it does not appear on the Votes?—That is so.

961. Apart from that, what is the total Vote for your Department generally?—The Vote for the Exchequer and Audit Department is about 60,000*l.* a year.

962. You do not audit the Army Accounts, I think; they are audited by the Department themselves?—They are examined by the Department themselves, but they are audited by me. I discriminate between examination and audit. "Audit," as I understand the term, is examination by an independent authority.

963. But they have them examined by an outside authority in their own Department, have they not?—I should say it is an examination by an inside authority. The Accountant-General of the Army is charged with the examination of Army expenditure.

964. He carries out a detailed audit, we will say, of regimental pay, for instance?—Yes, he examines all that.

965. And you make an occasional test to see whether he has efficiently done his work?—I do it from another point of view. The Accountant-General would do it for the Secretary of State for War—for his chief; I do it for the House of Commons.

966. But you do not absolutely go over the whole ground again?—Not the whole ground.

967. You apply a test to see if he is doing his work efficiently?—I apply tests, and I also have, under statute, to see that the mass of money is expended for the purposes, and under the sub-heads, that Parliament intends.

968. I want to trace that money. Do the Treasury make an application to you to permit them to direct that money shall be issued for the service, we will say, of the Ordnance Factories, or would it be for the Army generally?—For the most part for an ordinary supply service, I receive simply a requisition for, it may be, ten millions of money.

Sir *John Dorington*—continued.

969. For the Army?—I may not know what it is for, except that it is for Supply Services.

970. And then you ascertain that the ten millions has been expended?—I see that they do not exceed the Votes.

971. In the first instance your permission to issue the money does not apply to any particular service, I understand?—In some instances it would. For instance, in the case of money issued under statute, such as the Naval or Military Works Act, I should be asked for money for that particular purpose. But generally for Supply Services, I may authorise the issue of perhaps ten millions and not know in what particular direction the money may go.

972. So that your scrutiny of the proper application of the money only comes in after the money has been spent?—Yes.

973. Not before?—No, afterwards.

974. With regard to the case of the Woolwich ashes, I understand it had been discovered at Woolwich?—Yes.

975. You only discovered that it had been discovered?—It was obviously discovered at Woolwich because the contract had been entered into at the higher rate, and it was that fact that directed my attention to it.

976. It would be obviously impossible for you to discover things that depend upon chemical analysis there?—Yes; I have no staff for that.

977. It arose on the accounts. Your attention was drawn to it, and, very properly, the attention of the House of Commons was drawn to it through you?—Yes, quite so.

Mr. *Bonar Law.*

978. May I ask what was your experience or training before you got your present appointment?—Before being appointed Comptroller and Auditor-General I was for four years Assistant Comptroller and Auditor.

979. Was your training that of an accountant in a general way?—No.

980. Are your subordinates mainly trained as accountants?—I could not say that they are trained as accountants in the sense that they have gone through a course of training at an accountant's office; some of them have. But by practice they become expert in dealing with accounts.

981. You mentioned, and I was interested to hear, that your subordinates are very proud to detect any irregularity; that is to say, they are encouraged to detect irregularities?—They look upon it as being to their credit if they bring up a good point.

982. Now, practically, your duties are those of an auditor of a large public company, are they not?—I am not closely acquainted with the functions of an auditor of public companies.

983. What I mean is that, after all the questions you have been asked, the fact remains that practically all you can possibly do efficiently is to correct irregularities. You cannot inquire into questions of prices, for instance, or control economy in

Mr. *Bonar Law*—continued.

in that sort of way?—Only indirectly. I think the points I bring up in my Report, and which are inquired into before the Public Accounts Committee, have a very important influence in the direction of correction of faults and the promotion of economy.

984. There is one thing I should like to ask, which was suggested by a question of Sir Edgar Vincent. Is there not this danger, to which you are liable to some extent in checking extravagance, that the proper officials in the War Office may think it your duty rather than theirs to check extravagance?—I think the Accountants-General of the War Office and of the Admiralty would both look upon my functions as being in aid of theirs. I think the fact that matters come afterwards before my independent scrutiny would often be found a strength to the Accountant-General, who is himself working in the interests of economy.

985. What suggested that question to me was this: You told us that the War Office found out that there was something wrong in the case of the meat contract you referred to, but that it did not occur to them to get the money back?—I should not like to say that absolutely; possibly it did occur to them. I can only say that I made the suggestion to them, and they did get it re funded.

986. But they did not do anything to get it back, although in my opinion they ought to have done it, until you suggested it?—It is very probable that they were not so clear as I was that the contract did not allow of what had been done.

987. To come to another point. Who is it makes the purchases for the War Office; is it one man who makes all the purchases?—I know there is a Director of Contracts who enters into the contracts, but I could not answer for the detail of the administration of the War Office.

988. You spoke very highly of the value of the Public Accounts Committee?—I think very highly of the value of that Committee.

989. It seems to me it is impossible that one Committee should control the whole expenditure of the country; would you not think it advisable to have two or three such Committees, each dealing with separate Departments?—I should rather have thought that one Committee would be best, and if it required to go more closely than it does into the accounts, it might perhaps sit more frequently. At present the Committee sits only once a week. We have had this year, I think, eighteen sittings, in the course of which I think something like 5,000 questions have been asked and answered; that represents a considerable amount of work. But perhaps it would be possible for the Committee to sit twice a week, if necessary.

990. I do not think that Committee could do more work than it does, but I would like to have two or three Committees each doing as much as the Public Accounts Committee now does, but each Committee confining itself to certain Departments; for instance, to have one Committee to examine all the accounts at the War Office, and perhaps to sit in the War Office, where it might more easily get information; what would you say to that?—I have not closely considered that point. It depends very much upon the convenience of Parliament itself; I do not know how far that would be more convenient. I should have thought for some reasons it would be well that there should be one set of eyes over the whole of the expenditure. There might be a risk of divergent views if there were several Committees.

991. Passing to another point. In all the business work as regards making contracts, and so on, in the War Office and in the other public Departments, it is done by persons who have had no business training—that is to say, they have never had experience of buying and selling in competition with others, such as men have who have to make their living out of it?—They have never been engaged in commerce, I suppose.

992. Would you not think it a valuable thing to have someone put into each of these Departments simply on account of their having had experience in connection with buying and selling?—I think that great benefit might occasionally arise from some such action as was taken by the Admiralty in bringing in the late 'Constructor from business works in the North of England.

993. My idea was rather this: if the Government of the day were to select somebody in the House of Commons, not on account of his speaking power or anything of that kind, but simply because he was a good business man, and were to say, "Now it is your business to look after all contracts," do not you think it would have a great effect in making the Departments more business-like?—I should think it is very possible that knowledge of that kind brought into a Department might be of great value. Whether it should be brought in by one method or another I scarcely know.

994. The drawback of the method you speak of, of bringing in somebody from outside works, is that when a man has been some years in the Department he is as much an official as the others. My suggestion would have the advantage of introducing a constant infusion of outside blood?—That is a large question, and I would rather consider it deliberately before giving an answer.

Mr. *Lough.*

995. I think you used the expression that experts were not economical. I think that is very true. I take it what you meant was that in a Department the expert who may understand the technical details may not be economical in the matter of expenditure—was that what you meant?—I did not intend to say that experts were not economical; and, if I did say so, I should like to correct it because I have no sufficient grounds for saying that.

996. Then I will not press that further. Now, I want to ask a question about the coal contract, which you mentioned, in South Africa, for I think it is a good illustration. I want to go a step further in the way of getting information than we seem to have got. Was any inquiry made when that

Mr. *Lough*—continued.

that mistake in the quality of the coal was discovered, or was any report asked for as to how the coal had been disposed of?—I think the War Office had a report from a survey taken on the spot. If I remember rightly, they said there was a survey and a report upon it, and it was condemned.

997. But when it was condemned, and when it was seen that it was all wrong, was any inquiry made as to whether the proper price had been got for it, or did they merely say, "Oh, this is all bad," and then it was thrown away?—I believe it was acknowledged that it was sold for a very small sum because in South Africa it was supposed to be almost useless.

998. Was the cost of returning it considered; could it not have been returned?—I believe it was sold on the spot for a small sum.

999. But was there any inquiry as to whether the best realisation was made or not?—I am afraid I cannot tell you any more about it; the War Office could, no doubt, inform you as to that.

1000. To carry the question which Mr. Dillon asked a little further, as to applying surpluses in one Department to expenditure in another, did I understand you rightly to say that that method has been nine or ten years in existence; I think you said it was authorised under the Act of 1891?—I thought the method to which the honourable Member referred was taken under the Act of 1891; but I spoke from memory only.

1001. I think it is older than that?—I daresay it is older.

1002. Do you really think that economical; I think you used the expression that there must be a power of that kind?—I think it is almost inevitable in the Army and Navy that there should be some power of transfer where, perhaps not on a very large scale, there is an excess on one Vote and a saving on another.

1003. Let me give you an example. Suppose the House of Commons votes two millions for guns, and that someone in the Department chooses only to spend one million and a quarter on guns, and applies three-quarters of a million to transports, we will say, or something that is as much removed from guns as it can be, do you think it right that that power should exist?—I should say that would be a bad use of the power. I should think the power was intended to be exercised only within moderate and reasonable limits. So large a transfer as that I should think would be questionable.

1004. Nearly all the examples we have are as large as that. The House, for instance, votes a certain sum for wages, and we find fewer men are employed, and the saving is used for cordite, it may be, or for guns?—I think what the honourable Member refers to is incidental simply to the war services of this year. It would not be so in a normal year.

Chairman.

1005. That could not occur in peace time, could it?—I should not think so, not on that scale.

Mr. *Lough.*

1006. Have you formed any opinion as to whether borrowing for an expenditure is an economical method or not, or does it affect your control where the money comes from? Take, for instance, the case of borrowing to build a public building in London, instead of having the money voted by Parliament. For example, you have the South Kensington Museum at present, which is being built under loan, a building which was deferred for twenty years because the money could not be voted out of ordinary taxation; therefore at last they borrowed the money for it. Do you consider that borrowing for building is economical?—In the case of public works of that kind, under the Public Works Act and under the Military Works Act, in all those cases it is usual to borrow on terminable annuities.

1007. The practice is growing up?—It is done almost consistently now in all cases of that kind.

1008. Do you consider it economical?—I see no reason to think it is otherwise than economical.

Mr. *Austen Chamberlain.*

1009. In regard to the Public Accounts Committee, there are fifteen members now on that Committee who cover the whole range of the accounts. Do you think that the work would be more efficiently accomplished supposing that Committee were sub-divided into three or four small Committees, each of which dealt with some specific point?—I think I would rather see the whole Committee devote itself to each point, perhaps sitting rather more frequently than the Committee does at present.

1010. Would you think it a good thing if there was a Committee which canvassed and examined the Estimates, and reported to the House of Commons upon them, in the same way as the Public Accounts Committee examines and canvasses Accounts and reports to the House of Commons?—If that were done I think it would be very important that it should be done in such a way as not in any degree to detract from the responsibility of the spending Departments. I think the responsibility of the Departments ought at any cost to be whole and complete, so that it should not be possible for a Department to turn round and say that a Select Committee of the House had altered its Estimate, and therefore it was not responsible for the consequences.

Thursday, 7th August 1902.

MEMBERS PRESENT:

Mr. Churchill.	Mr. Lough.
Mr. Dillon.	Mr. Trevelyan.
Sir James Fergusson.	Sir Edgar Vincent.
Mr. Bonar Law.	Mr. Eugene Wason.
Mr. Hugh Law.	Mr W. F. D. Smith.

RT. HON. SIR JAMES FERGUSSON, BART., in the Chair.

Mr. THOMAS GIBSON BOWLES (a Member of the House); Examined.

Chairman.

1011. You have been so good as to spend some time in preparing for your evidence before this Committee, and you have been so good as to give me in the form of a memorandum the substance of the evidence you propose to give at this stage. I think you would like to begin your evidence by giving an account of the way in which the present system of control has grown up. Perhaps you would give us an account of that in your own way?—Certainly. I should like to say that the memorandum which I have given you, although a long one, is really only a series of rough notes I have jotted down very hurriedly in the short time at my command. I have set down the points as they occurred to me, and therefore it is rather haphazard, and its logical sequence is not right, nor is it complete; nor I think is it without technical mistakes which I should require to remedy. Therefore I should prefer to postpone putting this in as a definite memorandum; at the same time if the Committee would like to have it for what it is, viz., rough notes in preparation for a final Memorandum, I place it entirely at the disposal of the Committee.

1012. Will you first tell us how the present system of control has grown up?—As to the origin of the present system, of course an Exchequer—that is to say, a place for keeping the King's cash—has always existed in this country from the very earliest time. But the Exchequer properly so called had its name brought over for it from Normandy with the Conquest, and I believe the name is derived from the checkered cloth upon the table of the place where the cash was kept which was used in order to facilitate calculations. The Exchequer, then, is the place where the King's Revenue was received, where it was kept, supervised and controlled, and from whence it was issued. It was kept there and managed there. It was at first the actual coin that was received there by tale and weight. There were three officers of Exchequer, each of whom had a control over the issue of the money, for the money was kept in chests, each chest having three locks and each of those officers having his key to one of the locks. One of those officers was called the Teller, who was the cashier who received and issued the money; then there was the Clerk of the Pells, who recorded on a pell or parchment all receipts and issues: and then there was the auditor, who

Chairman—continued.

examined the records, and whose duty it was to see that no money was issued except in accordance with law, and with the sanction of Parliament. The auditor was an officer of very great importance who had absolute control over the issues, and could refuse them even though he were required to make an issue by the Treasury, if in his opinion the conditions of the issue did not comply with the law. [Thus, in 1811, Lord Grenville, then Auditor of the Exchequer, refused to make an issue of £500,000, though required to do so by the First Lord and four other Lords of the Treasury, for want of the due authority from the Crown, which, in consequence of the incapacity of George III., could not then be obtained. Another similar instance occurred in 1832 in reference to the Russo-Dutch loan, when the Auditor's scruples were removed by the opinion of the Law Officers of the Crown.—T. G. B.] In 1834 a considerable change was made. The Exchequer was not indeed abolished, but it was remodelled. All moneys were ordered by the Act of 1834 to be paid into the Bank of England "to the credit of the Exchequer." By that same Act the offices of Teller, of Clerk of the Pells, and of Auditor were abolished, and in lieu of them there was instituted an officer called the "Comptroller-General of the Receipt and Issue of His Majesty's Exchequer," to whom were transferred and in whom were vested "all the powers and authorities now vested in the Auditor of the Exchequer or Clerk of the Pells, either by law or usage." In the person of the Comptroller of Exchequer, therefore, the control over Exchequer issues and the check on the Treasury were maintained intact, and, as a matter of fact, they were used in 1841, in 1852, and in 1854, when the objections of the Comptroller to authorise a specific issue demanded by the Treasury were accepted as valid by Sir Robert Peel, Lord Derby, and Mr. Gladstone respectively. That was the system under which the receipt and issue of the money was provided for. Now as to the system of audit there is this to be said. An ultimate audit—that is to say, an audit which should secure that the moneys provided by Parliament have arrived at their proper destination—has been practised in this country from the most ancient times; and at the time of the Act of 1834 the functions of audit were exercised by what I may call the Board or

Chairman—continued.

Audit. That was a Commission which had been established in 1806 in succession to a previous Commission of Audit established in 1785 which had proved entirely inadequate. The Board of Audit existing in 1834, then, was presumed to be an independent authority. But, as a matter of fact, it was entirely under the control of the Treasury, and in case it disallowed an item in the accounts which the Treasury thought should be allowed, it was the Treasury that prevailed and not the Board of Audit. Perhaps I might cite with regard to the relations between the Board of Audit and the Treasury, the Finance Committee on the Audit of Public Accounts which reported in 1810 as follows: "The inconvenience has been that the Auditors have considered themselves bound in all their proceedings to obey the directions of the Lords of the Treasury." And subsequently on the 16th of April, 1851, the Board of Audit itself declared that "with respect to sums allowed to the Accountant's credit" (that is to say, to the credit of the Accounting Officer) "the decision of the Auditors is final. They are to decide whether the payments are duly authorised and vouched, and if they are of opinion that they are so, the Treasury cannot direct them to disallow them. With respect, on the other hand, to sums disallowed by the Auditors, the case is different. Here, according to long practice, an appeal lies to the Treasury, who are empowered to direct, if they think fit, by warrant signed by two Lords, that for all such sums or any of them, credit should be allowed to the Accountant." So that while the Board of Audit had power to allow items, it had no power to disallow them in case the Treasury were opposed to the disallowance. Then after 1834 an interval occurs in what I may call action with regard to these matters, till 1866, which is a notable year, for in that year the Exchequer and Audit Departments' Act of 1866 was passed, which is still in existence. I say "in existence," because as I shall show some of the most essential parts of it have been successively gnawed away. This Act abolished the Comptroller General of the Exchequer, as well as the Board of Audit, and authorised the appointment in their place of the now existing "Comptroller General of the Receipt and Issue of His Majesty's Exchequer and Auditor General of Public Accounts." Thus it fused the two offices of Comptroller and Auditor into one, and appointed one person to exercise the functions of both. This charge I think was a very dangerous and undesirable one to make; but I am now giving a historical account, and I will not interpolate remarks of my own at present, except to say that the effect of this was to commit to one and the same officer the control over issues from the Exchequer and the subsequent audit of those issues, and thus in a sense to make him the Auditor of his own acts.

Mr. *Eugene Wason.*

1013. Had those offices always been separate before that date?—Before that date they had been separate, the Act of 1866 fused them. I may add that the Comptroller-General of the Exchequer was an officer of great importance, who had on many occasions successfully resisted the Treasury when directed to make issues which he thought unlawful. This Act of 1866 also prescribed that the Treasury was to appoint the whole of the officers and clerks of this new official, the Comptroller and Auditor General. The Treasury was also to determine by what Departments the Appropriation Account should be prepared and rendered; the Treasury was to design the plan of account books and accounts; and it was empowered to sanction unauthorised expenditure and to approve of Regulations as to what should constitute a voucher or proof of payment. And, finally, the Act prescribed in Section 31 that any objections to any item arising in the course of the Comptroller and Auditor General's examination not answered by the Department concerned to his satisfaction "shall be referred by him to the Treasury, and the Treasury shall determine in what manner the items in question shall be entered." Again, Section 43 enacts that every "Accountant" (which is a short term for the Accounting Officer who renders the Accounts, and is responsible for them), dissatisfied with a disallowance or charge made by the Comptroller and Auditor General, "shall have a right of appeal to the Treasury," who may "make such order as shall appear to them to be just and reasonable," and the Comptroller and Auditor General "shall govern himself accordingly." Those were the conditions (unfortunate conditions in many respects, I venture to think) under which the new and now existing official, the Comptroller and Auditor General, was placed. In effect, he was, as I think I have shown, very nearly as much under the control of the Treasury as the preceding Audit Board had been in respect of his auditing side (for he had two sides or two functions), and far more under the control of the Treasury than his predecessor, the Comptroller General of the Exchequer, had been in respect of his issue controlling side. The Comptroller and Auditor General is far from being the great authoritative official as Comptroller which his predecessor the Comptroller of the Exchequer was, and is far from venturing upon the same quality of resistance to the Treasury, however necessary that resistance may be. As Auditor he has practically no power except that of calling the attention of the Public Accounts Committee to questions that have arisen. He is the pointer who finds the game, for the Committee to shoot or miss. And he is not able either to find all the game, there being instances in which the Committee have stumbled over it themselves unaided and almost by accident. Nor are the conditions of his audit unexceptionable His body of assistants, as I have already said, are appointed by the very Treasury (that is to say, they are appointed under the ominally Civil Service conditions—I believe it is open competition, but the appointment rests with the Treasury) whom he and the Committee often have to resist. Those assistants work largely in the offices, and with the officials whose accounts they are to check. The Auditor General himself (that is the Comptroller and Auditor; General, but I am at present dealing with him as Auditor) is appointed nominally indeed by the Crown, but

Mr. *Eugene Wason*—continued.

but really by the First Lord of the Treasury, who is usually the head of the very Government which will most resent and chafe under a jealous questioning of its acts of expenditure, and it is that same First Lord who at the end of his official services will, or will not, recommend him to the Sovereign for that Order of the Bath, or other appropriate honour, which crowns his career.

Chairman.

1014. The Comptroller and Auditor-General, when he was before this Committee, laid stress upon the fact that though appointed by the Government of the day he was only dismissable by an Address from both Houses; that, in fact, he was in a position analagous to that of a Judge?—That is quite true.

1015. And that his subordinates, though they are appointed, as you have said, are only dismissable by himself?—That is quite true. He promotes and he dismisses his assistants. It is quite right that that should be said, and it is quite right, as you have reminded me, that it should be borne in mind that this officer is an officer of the House of Commons most especially, and is placed under certain securities, and is only dismissable by an Address from both Houses. It is true that he was intended to be independent; it is also true that he is himself essentially an officer of the House of Commons, appointed to examine the accounts "on behalf of the House of Commons" (to quote the words of the Act). That is his most special characteristic; he specially represents the House of Commons. But it is also true that, as matters now stand, he has practically very little power indeed, except such as the Treasury may allow him to exercise. He is in constant touch with the Treasury. I think he feels an allegiance to the Treasury; he has very often been a Treasury official. He has no doubt considerable powers in theory. But in practice (and this is my point) I think they can only be exercised when the Treasury is agreeable to their exercise. He has a telephone, but it only communicates with the Treasury, which is significant.

Mr. *Eugene Wason.*

1016. He does not appear in any of the lists of the House of Commons as an officer of the House of Commons?—That is true. He is a great State officer appointed "on behalf of the House of Commons" by the Crown by Letters Patent under the Great Seal—he is not an officer of the House of Commons in name, but, I take it, in intention he is one of the most important officers acting on behalf of this House.

1017. Can you tell me when the Public Accounts Committee was first set up?—I think it was in 1862. I shall come to that a little later on. Before I pass from the Comptroller and Auditor-General perhaps I might be allowed to say that it seems to me desirable that an official so essentially a House of Commons officer, whose salary is charged upon the Consolidated Fund, and whom an Act of Parliament empowers to examine the accounts of the Empire, to quote again the words of the Act, "on behalf of the House of Commons," should be appointed by the House itself, or at least by the Speaker of the House, a method which would preclude all idea of favouritism, jobbery, or reward for personal or party services, and would add to the dignity and importance as well as to the authority and independence of the office and of its holder. Now, I think, perhaps, it would be advisable that I should say a few words as to what is called the course of the Exchequer, which consists of certain formalities, not formal alone, but of very high importance, which are required for the issue of public moneys from the Exchequer Account of the Bank of England and Ireland respectively. The money having got into the Exchequer Account of the Bank of England or the Bank of Ireland, certain formalities are required for its issue, and they are these. In the first place, in the case of payments to meet the permanent charges on the Consolidated Fund authorised by Parliament in Acts which make a permanent charge (because all these sums are theoretically granted to the Treasury permanently) there are two formalities which are required: first, a requisition by the Treasury to the Comptroller and Auditor-General for a credit on the Exchequer Account; and, secondly, the Comptroller and Auditor-General's order for that credit, which he gives if satisfied that the requisition complies with the Act or Acts of Parliament involved. That is an act which he does in his function as Comptroller of Exchequer issues. But, then, in the next place, in the case of payments for the supply services, which, instead of being permanently granted by continuing Acts, are granted annually to the Crown by the House, a further step is required, namely, a Royal Order, which in that case comes first; that is to say, a Royal Order under the Sign Manual countersigned by two Lords of the Treasury is first required, and then following that the requisition by the Treasury to the Comptroller and Auditor-General, and the Comptroller and Auditor-General's Order. So that in the one case there are two steps, and in the other three. It will thus be seen that any payment for any supply service requires the concurrence of the Crown, the Treasury, and the Comptroller and Auditor-General, without whom not a penny can be drawn from the Exchequer. Then, after the money has been drawn and expended at a considerable interval, the Appropriation Audit occurs, conducted by the Comptroller and Auditor-General in his capacity as Auditor-General. The accounts from all the various Departments showing the appropriation of the sums expended by them during the financial year ending the 31st of March reach the Comptroller and Auditor-General by about the 30th of November—in fact I believe that is the last date, and in the succeeding February his Report upon them is laid before the House, if the House be then sitting, and is then referred to the Public Accounts Committee. That brings me to the Public Accounts Committee, as to which I should like to say a few words. I need hardly remind this Committee that the Committee of Public Accounts is a Standing Committee of eleven members (I think it has been increased

Mr. *Eugene Wason*—continued.

now to fifteen), whereof five constitute a quorum. It was established in 1862; that was the date of the first Standing Order. The Committee is nominated at the commencement of every Session by the House of Commons under Standing Order 57 for the "examination of the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure"—a phrase which, as will, I think, be seen, by no means completely describes the duties it performs, those duties being considerably wider than that phrase would suggest. The Chairman of the Committee is by usage always appointed from amongst the members of the Committee belonging to the Opposition. Though not restricted to the ground covered by the Comptroller and Auditor-General in his annual Reports on the Appropriation Accounts, the Committee in its usual practice is guided by those Reports in its selection of subjects for consideration, and of the officials, whether Accounting Officers or others whom it directs to attend for examination. The Comptroller and Auditor-General calls its attention to the points whereon question has arisen during the audit of those accounts conducted by himself and his staff, and the Committee elucidates each point and reports on the whole to the House. Thus the Comptroller and Auditor-General is, to a large extent, the acting hand of the Committee. He detects the points of question, presents them with such information concerning them as he has obtained, and leaves the Committee to pursue them further, to consider them, and to report on them. It is therefore essential that the preliminary work of the Comptroller and Auditor General should be well and thoroughly done, or the Committee may fail in its subsequent work, and in its final object of securing and enforcing Parliamentary control over the public accounts. The Comptroller and Auditor-General, I may say, always attends the Committee sittings, as does also a principal permanent officer of the Treasury. Now the functions of the Public Accounts Committee extend beyond the formality of the expenditure, to its wisdom, faithfulness and economy. Those functions, it must be remembered, embrace as well the receipt side as the issue side of the account. They amount to an enlarged revision of the Comptroller and Auditor-General's Report on his Appropriation audit. They supplement the inquiries made by him and his officers in the course of that audit, by further inquiries made by oral examination, not alone of the Accounting Officer strictly so called, but of any other officials concerned in the expenditure whom the Committee may call before them. Moreover, and this is most important, the functions of the Committee extend to a supervision over the form and number of the Estimates for the Grants in Supply, any change in which should be submitted to and approved by the Committee before being made, as was done in 1867 and 1881. The Committee has always shown itself, I may say, strongly opposed to any diminution in the number of Votes of which the Estimates are composed as being calculated to diminish the control over those Votes of the House

Mr. *Eugene Wason*—continued.

of Commons; it has set its face generally against making large Votes of lump sums, and has favoured the sub-division of Votes rather than their inclusion in one. I have illustrative references here to a number of documents with which I need not at present trouble the Committee. I may add that the functions of the Committee extend to an examination of the executive action of the Treasury as regards its compliance with the law (see second Report, 1900). With so wide an horizon, so considerable a freedom in action, and so great opportunities in its methods of inquiry as the Public Accounts Committee possesses, its capacities for public uses are great. It does actually on the Appropriation Accounts what the House of Commons does theoretically on the Estimates, and does it to far more purpose; for it deals not with possibly inaccurate Estimates of expenditure, but with the actual ascertained expenditure itself; and has before it for examination, not alone a Minister often imperfectly informed, but the very officers concerned with all the details of the expenditure, whom, in case of question, it puts upon their defence and elicits their first hand explanations. As a check upon, not merely extravagant or unauthorised expenditure, but also upon unwise methods of management, this Committee is probably more effectual than the House of Commons itself. It is to be remembered that no part of the expenditure can be withdrawn from its examination, as large parts of the Estimates are now annually withdrawn from discussion in the House of Commons, by the modern method of guillotining undiscussed, all Votes in Supply outstanding on a given day. No corresponding process occurs or can occur in the Public Accounts Committee. There is indeed ground for believing that the spending Departments stand more in awe of the Public Accounts Committee than of the House itself, probably because, for the reasons given, there is less chance of escaping its close scrutiny. That being so, this suggestion occurs to me, that it might be worth consideration whether the methods of this Committee might not advantageously be extended, and the scrutiny made closer, by increasing its members and allowing it to appoint for each of the three great classes of Estimates—the Army, the Navy, the Civil Service and Revenue Departments—a sub-Committee chosen by itself fromamong its own members. Or as an alternative scheme the House might possibly appoint three Public Accounts Committees, one for each class. There would be ample work for all. That is a suggestion I would make. There are, I think, certain objections to it, but the suggestion is, I think, not unworthy of considera tion.

Chairman.

1018. You would suggest, as I understand, that the Estimates should be submitted to the Public Accounts Committee or to some Select Committee before being laid before Parliament?—No, that is quite a different question from the one I am dealing with at present. I am now dealing with the work of the Public Accounts Committee

on

Chairman—continued.

on the Appropriation Accounts; I am upon the control of the actual expenditure; I am not dealing at present with the Estimates or the way in which they should be handled.

Mr. *Trevelyan.*

1019. As regards the examination of the actual expenditure, I understand you to recommend the appointment of three Committees?—I would not use the word "recommend," but I suggest it is possible that the Public Accounts Committee, for the exercise of its functions as regards the subsequent examination of actual expenditure—as a continuation, in fact, and a development of its present functions—might be divided into three Sub-Committees, to which would be submitted each of the three great classes of Estimates, the Army to one, the Navy to another, and the Civil Services to a third; and that they should report to the Committee at large.

Mr. *Eugene Wason.*

1020. That would involve, would it not, having different Comptrollers and Auditors General; the Comptroller and Auditor-General always attends your Committee at the present time, does he not?—I do not think it would involve three Comptrollers and Auditors General, it would involve more Committee attendance for the Comptroller and Auditor-General. The Committees would not be able to meet on the same day, but each Committee would meet probably one day in the week. That is how it would be met, I should think; but I should not like to commit myself absolutely to that; it is only a suggestion I throw out.

The Public Accounts Committee, however, is under some serious disadvantages. It has no power, even after the most minute examination and on the clearest evidence, to disallow any item. It can only "call attention" to that item. Moreover (and this, I think, is serious), there is no provision, either in the Standing Orders or in the unwritten law of the House of Commons, providing for the certain consideration of the Reports of the Public Accounts Committee in which it has called attention to matters of question. Matters of very high financial importance or irregularities and abuses of a most mischievous character thus escape all public attention or Parliamentary discussion. I should suggest (and this I suggest most definitely) that, in order that the work of the Committee may have its due effect, some certain occasion should be provided for the consideration by the House of Commons of its Reports when presented, and for taking a decision of the House upon the recommendations embodied therein.

Chairman.

1021. May I remind you that in the last few days matters which have been commented upon by the Committee of Public Accounts have been brought before the notice of the House in the debate on the Appropriation Bill?—Quite so, and that and that alone, I think, is the way in which the recommendations or the Reports of the Public Accounts Committee ever do come before the House. That is rather my point. That is an

Chairman—continued.

accidental way, and it may never occur. What I suggest is that instead of leaving to accident the bringing before the notice of the House of the Reports of the Public Accounts Committee, a proper set occasion should be in some way provided either by a motion for the reception of the Report or by motion for its consideration.

That concludes the general statement which I desire to make as to the present system and the present officials and bodies whereby it is carried out. I should desire to say this at this point, that the system of control both of the Receipt and of the Issues of money and the system by which the Issues are audited would appear, to a student who studied the system alone, to be good, if not to be adequate and complete. But in practice the checks which are provided by that system are constantly being eaten away, and infringed upon, sometimes to the extent of making them disappear altogether; with the result that anybody who compares the present state of things with what existed in 1866 under the original working of what I may call our present charter, will see that between 1866 and the present time many of the checks provided then have disappeared, and that on the whole the power of the Government and the power of the Treasury has been largely increased, and the power of Parliament and even the power of the Public Accounts Committee considerably reduced. I think I could not give a better instance than what occurred yesterday. Yesterday a new clause was proposed in the Appropriation Act—I do not say it was wrong, but it certainly very largely increases the powers of the Chancellor of the Exchequer, for it gives him, or will give him when it is passed, besides the power he has now of borrowing in a very limited way from the Bank of England on condition that he repays the sum borrowed during the next quarter, a further power of borrowing by Treasury Bills, sums which he may repay, not in the next quarter, but at any time during the financial year. That very considerably enlarges the period for which he may obtain temporary credit.

Mr. *Eugene Wason.*

1022. He may be able to borrow very much cheaper in that way, may he not?—I am not in the least saying that it is not a right thing to be done—I do not say that at all—I think there are considerable advantages attached to it, but what I am saying is that it does very largely increase the powers of the Government—that is my point.

Chairman.

1023. Are you quite sure that that is so; did not the Chancellor of the Exchequer state that it would give him no additional power of borrowing, but that it would only enable him to do so under better security, and therefore probably on better terms?—It is true that under the proposed clause he could not borrow a larger sum, but he could borrow it under different conditions—under conditions which will enable him to hold it unrepaid for a longer time. It is an instance of enlargement of the power of the Government in that sense, and that is why I cited it.

Then

Chairman—continued.

Then, broadly before I go any further, I should like to say this:—I am myself of opinion that the present system as existing and practised is not an adequate one of control over public expenditure. I do not think it is adequate in the control of issues. I do not think it is adequate in the audit of accounts, indeed I think it is so inadequate that, but for the very high character of our Civil Service, and, I may add, but for the very proper feeling and high traditions of the Treasury, I think much mischief would have been worked in consequence of the inadequacy of the system. I think the system does not provide adequate Parliamentary control, and it seems to me that such control as there is by Parliament is constantly being diminished.

Now the rest of the Memorandum which I have prepared is concerned with particular instances of what I consider to be abuses, which are not prevented by the present system. I do not know how far the Committee would desire me to go into those particular instances, or whether it might perhaps be advisable now to cross-examine me on what I have already said.

1024. The question whether it is desirable you should enter upon that branch of the subject depends upon whether the abuses you refer to interfere with the effective control of the House of Commons?—Quite so, they do; it is from that point of view throughout that I have dealt with them.

1025. If so, they would be material for us to consider?—Before I enter upon particular instances I might perhaps offer some general remarks on the general effect of the system, as regards the Estimates, and the way in which it works. The principle which governs the accounts and the treatment of the British national expenditure is that of what may be called annuality, strictly applied. I need not tell the Committee that this is not the case in all countries. In France, for instance, the year is invested as it were with a kind of personality, and expenditure and receipts are applied to the year, and brought back to it or forward to it, though they have not occurred within the limits of the year itself. That is not our system. The grants to the Crown are made for the expenditure of the year alone; and if at the end of the year, on the 31st March, any portion of the sum so granted has not been actually expended, the Department is bound to surrender it, and it goes in diminution of the National Debt. The Departments thus begin the year without a balance in hand, and end the year without a balance to carry over. That of course does not apply to the general account kept by the Treasury of the national expenditure. They have Exchequer balances always, as the Committee knows; but, generally speaking, the spending Departments begin the year without a balance in hand, and end the year without a balance to carry over. This has led occasionally to the very mischievous practice of a Department which finds when nearing the end of the year that it has a balance in hand beyond its probable remaining needs for the year, applying some of that balance to expenditure which should properly belong to the succeeding year, in order to avoid the painful process of giving away, as it were, to the National Debt moneys voted by Parliament for the service of the Department. There is reason, indeed, to believe that the practice goes even beyond this, and that a Chancellor of the Exchequer finding towards the end of the year, his revenue to be larger than he expected, and in excess of the year's needs, has allowed it to be known to the Departments that he was prepared to submit to Parliament Supplementary Estimates for expenditure not included in his original Budget scheme, and such as would swallow up the greater part of the surplus which must otherwise be surrendered, and go to the extinction of the Debt. These practices are manifestly as inconsistent with economy as they are with sound financial practice, tending as they do to a hurried and lavish expenditure, which must be got through before the fatal 31st of March, with the inevitable result that much of it must be absolutely wasted, and tending, as they also do, in the latter of the two cases alluded to, to an unsound and abusive multiplication of Supplementary Estimates. I say "abusive" because a Supplementary Estimate is only to be justified by an emergency arising subsequently to the Budget statement of the Chancellor of the Exchequer, an unexpected sudden emergency which requires a new supplementary grant of public money beyond that contemplated by the Budget.

1026. Has any evidence ever come before the Public Accounts Committee to lead you to believe that such a practice obtains?—Yes, certainly. In saying that perhaps I ought to distinguish: there were two practices to which I have alluded. First of all I alluded to the practice of a Department applying balances in its hands to expenditure which ought properly to belong to the ensuing year; there has been evidence as to that. But then I also said that there was reason to believe that the practice had gone even beyond this, and that a Chancellor of the Exchequer, finding himself possessed, or likely to be possessed, of a large balance beyond what he expected, had suggested to a Department that he was prepared to propose a Supplementary Estimate. There is no evidence of that before the Public Accounts Committee, except what I think could be found in the public records, in the Supplementary Estimates, and in discussions in the House.

1027. But may not that have occurred from his having cut down the Estimates severely at the beginning of the year, and there being services which had been represented as being urgent, and which he then, finding himself in possession of a surplus, was able to meet?—Certainly, that may have occurred, and it is not for me to say whether that made it more justifiable; but it certainly would make it more excusable. The point I wanted to come to is this: it cannot be too strongly insisted upon; that except for such sudden, unexpected, and urgent demands as have been mentioned, the Budget Estimate, both of Revenue and Expenditure, is one which the House of Commons has a right to expect should be realised in the eventual facts. For it is upon that estimate, and upon that alone, that the Chancellor of the Exchequer induces the House to agree to the financial policy proposed by him and embodied in

Chairman—continued.

in his Budget; to the repeal, continuance, or alteration of old Duties or Taxes, or the imposition of new burdens. If the facts, as they turn out, differ to any wide extent from those estimated in the Budget, it is clear that the House has accepted the policy on false grounds, laid out on mistaken estimates; and it matters nothing that the mistake may have been made, as the phrase is, "on the right side." A large surplus is as great a fault as a large deficit, though less inconvenient to deal with. Each represents a serious mistake on the part of the Chancellor of the Exchequer in the calculations on which he has commended his policy to the House. But to eat up a large surplus by large Supplementary Estimates not necessitated by unexpected emergencies, is to add a fault to a mistake—a very serious fault to what may have been a very excusable mistake.

1028. In saying that you do not overlook that it often happens that circumstances have unexpectedly increased the revenue since the time the Estimates were made?—I do not at all overlook that. Of course, the Committee will understand I am generally expressing my personal opinion which may be incorrect, but in my opinion any large and unexpected increase of revenue beyond that estimated for for the year, and set out in the Budget, should be treated according to the regular system; that is to say, it should be surrendered and go in diminution of the National Debt. I do not think it is justifiable because you have a large surplus to eat it up by large Supplementary Estimates.

The discussion of the Estimates by the House of Commons must, in its nature, be eclectic and incomplete. With so large a number of votes, involving so many and such varied considerations, it is impossible to expect that the House can give adequate consideration to all in the course of any one Session; and, as a matter of fact, it gives adequate consideration scarce to any, and only to a comparatively few out of the whole any consideration whatever. The method whereby those few are to be chosen out of the many is, therefore, of considerable importance. It is most desirable that at some time or other every Vote should in its turn be considered by the House; that is to say, even if it were once in five years, or once in ten years, there should be some system whereby we might know that at some time or other such and such a Vote would come up in its turn for consideration. This is far from being the case at present. It is also desirable that the particular Votes to which the special circumstances of the year seem to challenge special attention should be discussed that year, even if it be to the exclusion of other Votes of less present importance or interest. And it is not less desirable that, from this point of view, some method should be found of allocating a sufficient proportion of the available time, for the discussion of each Vote having a special claim to attention. But it is not easy to say exactly how this should be done; for any plan of selection of Votes or of allocation to certain Votes of a certain number of days must, to a certain extent, fetter the free action of the House, exercised from time to time as emergencies arise, and to that extent be calculated to breed rather the discontent than the satisfaction of the House itself. What I mean is this: if any body or any Committee had selected a certain number of Votes and allocated, say, all the days in Supply to those Votes, I think the House of Commons would feel discontented at that because it might perfectly well say, "We want to discuss some other Votes—circumstances have arisen since this selection was made which induce us to desire the discussion of other Votes." But it is easy enough to perceive that the present methods of selection are haphazard and inadequate. The Leader of the House does not alone lead the House; he also represents the Government; and, as the interest of the Government is to get the largest sums voted in the shortest time, it is apt always to give precedence to the Votes of the largest amount, irrespective of the class or number in the class of the Vote itself, and as little respective of its importance as an object of debate in that year, and thus to put other votes aside. This, however, is to some extent remedied by the pressure put upon him by members of the Opposition or of his own party, who represent the claims of certain Votes to special consideration; but these are Votes selected by such members on account of the interest they themselves take therein, which does not always precisely represent the interest belonging to them, either on political or on financial grounds. Up to recent years, however, the Opposition and members interested in particular Votes always had a power of bargaining with the Government of the day, and with the Leader of the House as representing that Government. Since the Government must obtain all the Votes before closing the Session with the Appropriation Bill which recites and appropriates them all, it was possible, so long as the time devoted to Supply was unlimited, to extort concession as the price of acquiescence. But since the new Sessional Order limiting the number of days to be given to the annual Estimates things are wholly different. The Government now cares nothing whether the debate on particular Votes be prolonged or not, for at the end of the twenty or twenty-three days, as the case may be, the guillotine automatically falls and they get all their remaining Votes together, whether discussed or not, and including, as invariably happens, many Votes which urgently need much discussion, but have obtained none. The evil effects of this system on the financial control of the House have been greatly increased by the alterations introduced into the Supply Sessional Order as it was agreed to on the 28th April, 1902. For whereas, before that, the guillotine only fell upon the single Vote and only cut off each Vote separately, it now falls upon the whole class of many votes at once, and thus deprives the House of the power of saying "Aye" or "No" to any particular Vote without saying the same to all the other Votes in the same class, with the result that the sanction of the House is deemed to be obtained in the lump to grants it might otherwise have rejected in detail I would suggest that it is perhaps possible that a Committee might be appointed, or that the Public Accounts Committee might be utilised for that purpose, to make

at

Chairman—continued.

at the beginning of each Session a selection of the particular Votes entitled to special precedence, and that it might also make some rough estimate of the time to be given to those Votes; and to the same Committee might be referred special representations made as to other Votes. But it is again to be remembered that this would deprive the Leader of the House both of some of his power and of his responsibility in ordering the proceedings, and that it would also to some extent hamper the freedom of the House itself. For these reasons, the decision of such a Committee could hardly be final, but must rather take the shape of recommendations.

Mr. Trevelyan.

1029. They might take a certain number of days possibly?—Quite so; they might take a portion of the whole time, say half the time, or ten days out of the twenty days. But even then if the Committee went beyond recommendations you really would be depriving the Leader of the House of a considerable amount of responsibility, and the Opposition of many chances of complaining of him.

I have prepared a short Memorandum which I think will end the general sketch, if I may read it.

Chairman.

1030. Will you please do so?—Expenditure must mainly depend on policy, and policy must be, and can only be, elaborated and proposed by the Government of the day, and, on its proposal, accepted or rejected by Parliament. Yet, when this is settled, the limits between economy and extravagance, in the amount of expenditure required for a given policy, will still be very large; and nearly as large will be the limits between a sufficient and an insufficient control over grants, issues, and audit. This being so, it is most essential that the National Accounts should be plain and simple and that they should accurately represent the facts. In no one of these respects can the present system be declared to be wholly satisfactory. The control of Parliament over the grants to the Crown has recently been greatly diminished, by the diminution of opportunities for discussing them, and the deprivation in certain cases of all opportunity whatever. The control over the Exchequer issues has also been weakened. The Appropriation Audit is insufficient and the Auditor invested with inadequate authority. Finally the National Accounts are involved, complicated, and inaccurate because incomplete. But these defects exist because the people love to have it so, or because at least they will not be at the pains of insisting on having it otherwise. Where formerly there was mistrust and jealousy of the Government, the Treasury and all the Departments, resulting in close scrutiny, close questioning, and a strenuous determination to insist on the maintenance of hardly-won guarantees, there is now confidence in and affection for the Government and all the Departments, and a predisposition to accept all they do and propose. Constant vigilance, unflagging attention, instant detection of attempts at irregularity, usurpation

Chairman—continued.

of increased powers, or the breaking down in practice of the safeguards provided by a prudent jealousy the fruit of a bitter experience; and as instant a resistance of even the least of such attempts—this is the price at which alone can be had a continuance either of political liberty or of financial security. But vigilance is no doubt wearisome, safeguards are no doubt cumbrous, resistance always troublesome and sometimes dangerous or even ruinous to those who make it. To many it seems sad and unnecessary, amid repeated professions of purity, disinterestedness and goodwill, to live a life of continual combat with the good kind Ministers and the honourable and distinguished officials of the Departments. To such it seems at once simpler, more comfortable, and more wise to trust the Minister and the Departments with everything, and to relieve the machine from all those cumbrous brakes and safety-valves which the caution of less virtuous times had provided. Yet even these would hesitate perhaps before they accepted that simplest of all systems to which their method inevitably leads—the uncontrolled will of one alone, supreme and unquestioned over all. Meantime it would be wise to stand upon the ancient ways, to return to the ancient traditions, and even at the cost of much trouble and cumbrance, to renew the never-ending task of bringing back into working order those old checks whose action has been impaired, and of devising new safeguards to meet the new requirements of these later times. But until something like the old spirit is again aroused it would be idle to expect either that effectual safeguards will be sought for and adopted, or that those who are supposed to apply them will be put into a position to do so. The form of the Estimates needs revision; the device of Interception demands suppression; the practice of diversion of moneys from one Vote or one Sub-head to another requires to be, if not abolished, yet checked; the methods with regard to Appropriations in Aid need alteration; as does also the increase of Grants in Aid. And what is perhaps of even greater importance is the need for affording the country that full and complete information of the Public Revenue and Expenditure which is withheld by the present form of the Accounts professing to give this information. In theory the Comptroller and Auditor General and the Public Accounts Committee may be competent to deal with all these things; in practice they are unable to deal effectively with any of them; for neither one of them nor both together, are in a position to withstand the Treasury and the Government. And, while the Comptroller and Auditor General may appeal to and be certain of a hearing by the Committee, the Committee itself, however strongly it may appeal to the House on however strong a case of misdoing, is not certain of any hearing at all, nor does it usually get any hearing for its appeals. In the absence of any provision for the reception or consideration of its Reports, these Reports, though read by some few, remain unread by and unknown to most Members of the House; and unless the Treasury chooses to adopt them, their most important recommendations, as well as their occasionally most startling revelations,

Chairman—continued.

revelations, pass unnoticed into the dust and oblivion of the Blue-Book that perishes.

1031. You suggest as a means by which the control of the House over the Estimates might be further increased, that they might be referred to a Committee to suggest the order in which they should be presented to the House. That is one point you suggested. And you also suggest a separation of the offices of the Comptroller and Auditor-General, and that both those functionaries should be appointed by the House of Commons, as I understand?—To take your first question first, I put forward the suggestion of a pre-consideration of the Estimates by some Committee as a suggestion; but I put it forward with diffidence. It must be remembered that the House enters upon the consideration of the Estimates almost as soon as they are presented, and that consequently there would be very little time for that Committee to sit and to determine the order in which each Vote should be taken; because they must necessarily first go through the whole of the Votes, and go through them with a certain amount of attention, followed by a certain amount of deliberation. Therefore there would be, I think, considerable inconvenience, in that any such methods would involve a delay of the discussion of the Estimates in the House. I therefore only put that forward as a suggestion; I hope the Committee will understand that I see considerable objections to its practical working.

1032. The Committee which I understood you to be suggesting was one which should merely regulate the order in which the Estimates should be submitted to the House of Commons. I did not understand you in your evidence to suggest that there should be a Committee which should deal with the amount of the Estimates in advance?—Certainly not with the amount.

1033. You distinctly have not suggested that?—Certainly not.

1034. I mean like the French Committee?—No; the French system is wholly different. Under the French system it is a Committee chosen by lot—the Committee of the Budget, a very large Committee which forms sub-Committees. I certainly should be strongly opposed to any Committee taking off the shoulders of Ministers the responsibility for the amounts to be proposed to be granted. I should never suggest that.

1035. You think that would diminish unduly the control of the Ministry, and it might also diminish the carefulness of the Departments, might it not, if you divert the responsibility to the House?—I think it would. I think it would improperly divert responsibility from the Minister who has all the information to a Committee which could not possibly have it all. Then you also asked as to the division of the offices of Comptroller and Auditor-General, and I think you suggested that I had proposed that both functionaries should be appointed by the House of Commons.

1036. I asked whether that was what you proposed?—No. I did not propose that. These two offices are now cumulated upon the head of one person; I hold that the functions are such that there should be two persons. But it is only as to the auditing person, as to the Auditor-General, that I hold he should be appointed by the House of Commons, because his auditing is done, and professedly done, on behalf of the House of Commons.

Chairman—continued.

1037. There are some paragraphs in your Memorandum that you have not read to the Committee?—Yes, a considerable number as regards details.

1038. Those paragraphs illustrate the manner in which you think there has been an irregular and undesirable treatment of some of the public revenues?—I should say undesirable, but I could not say in every case irregular, because the system has been regularised (if I may use the expression), though it be an undesirable one.

1039. Those paragraphs I observe deal with such subjects as "Interception," "Appropriations-in-Aid," "Diverted Appropriations and Excesses," and "Grants-in-Aid"; they seem to be very pertinent to our inquiry?—Yes, I think they are very important. They go into those points in detail. I should have included them in my evidence to-day, but for want of time to deal with them adequately.

1040. Perhaps you could put those additional paragraphs in the shape of a note or memorandum which might be distributed to Members of the Committee with the print of your evidence?—If the Committee would allow me I might hand in my rough notes upon the points you have referred to as supplementing my evidence to-day. They might, perhaps, be useful to the Committee.

1041. I think they would be extremely useful. They might be printed as an Appendix Paper. Will you hand them in?—Certainly. (*The same were handed in, vide Appendix.*)

Mr. *Churchill.*

1042. I take it that the functions of the Public Accounts Committee exceed in practice and in usage what is actually prescribed by the Standing Order under which the Committee exists?—No. I do not know that it can be said that the functions exceed the Standing Order. What I should say is that the Standing Order leaves out of mention some of the functions properly belonging to the Committee. The functions are wider than the Standing Order would, I think, lead a casual reader to divine.

1043. Of course the Public Accounts Committee only deals with accounts and criticises the expenditure of money; it does not in any way examine the merits of the propositions upon which the money is spent, does it?—Yes, indeed it does; the Public Accounts Committee goes into the wisdom of the expenditure.

1044. And for that the Committee have Parliamentary authority?—Certainly. I should hold so.

1045. Is the authority absolute and efficient?—As to the authority of examination that I should say is sufficient; as to the authority which would enable us to strike out improper expenditure,

Mr. *Churchill*—continued.

that I think is insufficient. I think our powers of examination are adequate as far as they go.

1046. In regard to order and regularity, you think your powers are sufficient; are they sufficient in regard to looking into the merits of the expenditure?—I think so as regards the merits of the expenditure. Of course the Public Accounts Committee has nothing to de with the policy of the Grant or the amount of the Grant; but in regard to the manner of the expenditure and the merits of it, so far as its wisdom and economy are concerned, I think our powers of examination are adequate.

1047. Has any attempt been made to challenge or restrict those powers?—Well, there is a constant kind of conflict going on between the officials of Departments and the Public Accounts Committee, and it is not to be denied that we have sometimes a greater desire for information than a Department may have to afford it. But at the same time it is right to say that I have not been conscious in the Public Accounts Committee of an undue desire to conceal things which the Committee insisted upon knowing.

1048. You would not suggest any way in which your hands could be strengthened in regard to a rather extended form of examination, what I may call an examination on the merits?—I really think we do examine on the merits. We go into the question of whether such and such expenditure was warranted on general grounds. It is true we are sometimes met by a Department by a statement that this expenditure, although unusual and apparently extravagant, was warranted by reasons of high policy which it would not be desirable to divulge. When we are met by a barrier of this sort we do stop short, but I am not at all sure that we are bound to do so except at our own discretion.

1049. On the whole you are satisfied with the power which is exerted by the Public Accounts Committee?—The power of examination of the Public Accounts Committee does satisfy me; the machinery by which the matters in question are suggested to, it might be improved I think. And it must be remembered that the Committee has very little power of independent investigation; it must depend upon the Comptroller and Auditor-General to a large extent. But I think our powers of examination (I restrict myself strictly to that) as to the merits of the decided expenditure are adequate.

1050. Supposing the composition of the Public Accounts Committee were enlarged to embrace a more detailed examination and a periodical examination of certain classes of the Estimates, and supposing it were extended in its numbers in the manner you suggest in your evidence, do you imagine there would be a difficulty in obtaining suitable Members of the House of Commons for the functions required to be exercised?—I think not. My experience is that the attendance, especially recently, at the Public Accounts Committee is extremely good and that most of the Members take a very considerable interest in the work.

1051. There is, I understand, some competition among honourable Members to become members of the Public Accounts Committee?—I do not know that, but it may be so.

1052. So that there would not be any practical difficulty if the Public Accounts Committee were extended to, say, twenty-five members?—I think there would be no practical difficulty in doing that if it were deemed desirable.

1053. You would suggest, I gather, from your evidence that there is at present a weakness in the fact that the Reports of the Public Accounts Committee do not come in any regular definite manner before the House of Commons?—I think that is a very serious defect

1054. You think the Public Accounts Committee would be strengthened in its operations if their Reports were regularly considered by the House of Commons?—Yes, upon an appointed day; I think that most undoubtedly would add very considerably to the value of the work and to the importance of the Reports upon the work.

1055. How many Reports does your Committee issue every year?—It varies; three or four, I think, as a rule; we issued six this year.

1056. There is, of course, no limitation?—No. I have not examined into the question, but it may be that the number of the Reports is to some extent governed by the classes of the Estimates. I do not think it is. I think we report when it is convenient.

1057. Are you able to go over the whole range of Accounts in the work of the Committee in a single Session?—Not completely.

1058. You rely upon the Comptroller and Auditor-General to indicate for you the most fruitful lines of inquiry?—Generally speaking, yes; but we do sometimes go into adventures on our own account, not suggested by the Comptroller and Auditor-General; as, for instance, in the case of the Czar of Russia being excused Death Duties; that was not suggested by the Comptroller and Auditor-General.

1059. Do you suggest that your scrutiny and inquiry would be more effective and far-reaching if the function of the Comptroller and Auditor-General were extended and his powers enlarged?—I think the range of his functions suffices, but I do think his powers of disallowance should be increased; he should not be entirely subordinate to the Treasury. I think he should have greater power of disallowing items when he is convinced they are improperly brought into the Account.

1060. It is the fact, is it not, that the Comptroller and Auditor-General can only direct your attention to discrepancies which he discovers from the examination of the Accounts?—That is so.

1061. He has no means of examining matters upon their merits, has he?—He has none.

1062. All he can do is to detect a discrepancy in the Accounts of one year, or by comparison between the Accounts presented in two years?—He detects discrepancies and irregularities.

1063. Consequently, assuming, for instance, a contract in one year is fixed at too high a price, and that in the next year it is fixed at a much more proper price, that discrepancy would be noticed in all probability; but if, on the other hand, the contract terminated in the first year, there

Mr. *Churchill*—continued.

there would be no materials for comparison, and the discrepancy would not be noticed?—I think it would be impossible to allow an auditor, whose business is audit, to run loose into every question of the proper price of a contract. I do not think he could do that.

1064. But another officer might be associated with him for that purpose?—Yes. It is a different function from that of audit.

1065. In regard to Parliamentary control, do you suggest that more time should be given by the House of Commons to the consideration of Supply?—I think it would be desirable that more time should be given, and most desirable that some method should be found of better allocating the time that is given. Under the present system the time is not adequate. Under some other system which might be conceived it might be more than adequate.

1066. You mean some other system of giving preference to Votes in Supply?—Yes; giving precedence to certain Votes of greater interest.

1067. But surely that would rather hamper the House of Commons, who utilise these Votes in Supply for raising questions of policy?—No doubt it would, and it would also hamper the Minister who finds it necessary to get a large lump of money, and consequently is anxious to get a Vote that contains a large lump of money at an earlier period.

1068. As regards the increase of Parliamentary control, I gather you think that any extension ought to take the form of an extension of the Public Accounts Committee itself, or the creation of some similar Committees?—The question of the increase of Parliamentary control is really a very difficult one. I think it depends more upon the spirit of the House than on anything else. I think if the House has the proper spirit it will get through the Estimates in their due precedence, and will examine them with adequate but not with excessive time; and that that is the remedy to be looked to. I am a little doubtful of what Committees can do beyond a certain limit.

1069. That would be making an exception of the Public Accounts Committee?—I have no doubt as to the service the Public Accounts Committee renders in its present duties; but I am speaking of the suggested new duties, of the selection and allocation of time for the Estimates at the beginning of the Session, which is quite distinct from what the Public Accounts Committee now does.

Chairman.

1070. In your experience, the time given by the House to Committee of Supply is very largely consumed by discussions of grievances, is it not?—Yes.

Mr. *Churchill.*

1071. You used the word "annualities" as being the keynote of our financial system?—Yes.

1072. Do you consider, on the whole, that is an advantage or not?—I have considered such other systems as I have been acquainted with, and I believe, on the whole, that although it has many

Mr. *Churchill*—continued.

disadvantages our system of annual cash accounts, if I may so call it, is really the system best calculated to secure control in a Parliamentary assembly. Of course, it is not complete; a cash account is necessarily incomplete. You require, in order to make it complete, a balance-sheet which would involve the valuation of the whole Assets of the Empire, including probably the good goodwill of Australia and Canada, if there be such a thing, the value of the Suez Canal shares, and all that. I believe I am right in saying that, strictly speaking, there is no such thing as a Capital Account of the Revenues of the British Empire. In the system of Accounts of the British Empire there is no such thing as a Capital Account, though the term is occasionally used by the Treasury, I observe, where it is a question of expenditure.

1073. Do you favour the idea of a periodical revise, a quinquennial survey as it were, of certain Classes of the Estimates by a Committee of a more extended form or consisting of Members chosen by the Committee of Public Accounts?—I think such a survey would be certainly very useful; but I should be inclined to hand it over to a Select Committee rather than to the Public Accounts Committee.

1074. The Select Committee might consist of members of the Public Accounts Committee?—You might have some members of the Public Accounts Committee, but it should not be composed exclusively of members of the Public Accounts Committee; I should not hand it over to the Public Accounts Committee as such.

1075. Is there a hard and fast line drawn in the operations of the Public Accounts Committee between audit as strictly interpreted and those wider questions which arise upon the merits of the expenditure, or does one thing arise out of the other?—One thing merges in our practice into another. The points are called out by audit; that is strictly the function of the Comptroller and Auditor-General. Then upon those points we certainly do make excursions into matters of economy and policy up to a point, the propriety of the expenditure made, the propriety of the compromise effected which often arises, the propriety of the pensions that have been granted for instance; and in that respect we have gone, and often do go, so far as to inquire into the character of any individual who may have been recommended to an exceptional pension on exceptional grounds, so that you will see we do cover a wide ground; a much wider ground than the Comptroller and Auditor-General would be justified in covering.

1076. The Comptroller and Auditor-General is the agent of the Public Accounts Committee, is he not?—Not quite that; he is the agent of the House of Commons, but he is our provider, if I may use the expression.

1077. Do you suggest that his functions could be extended and enlarged?—In respect of his powers to disallow improper charges I think they should be enlarged—I think they should be wider.

1078. But only in regard to irregularities and to order?—Certainly.

1079. You

Mr. *Churchill*—continued.

1079. You would not allow the Comptroller and Auditor-General to go into merits?—Certainly not. That would not be proper for a functionary of his kind.

1080. Surely if he is restricted to an examination on the order of the Accounts many irregularities must slip through his net and consequently never be brought to your notice?—I am afraid that certainly is so.

1081. Does not that seem to indicate to your mind the need of some other officer who should endeavour to collect for your attention these other irregularities which slip through in that way?—I think not. I think it would be very unwise to multiply examining and auditing officers of this sort. Even the existence of the Comptroller and Auditor-General, it must be remembered, brings disadvantages with it—that is to say, it is calculated to remove from the heads of Departments responsible for the expenditure that greater responsibility which they would feel if they had nobody to look after it. At present what they feel is, You do not trust us; you trust the Comptroller and Auditor-General. If there were no Comptroller and Auditor-General they would feel, We are trusted, we are on our own honour; we must look after this expenditure. I do not say that is a reason for omitting the check which the Comptroller and Auditor-General supplies, but I think it is a thing to be kept in mind in regard to it.

Mr. *Churchill*—continued.

1082. That is almost as much as to say, is it not, that the uncontrolled exercise of departmental authority would be more efficient than control?—As I have just said, I do not say that would justify removing the Comptroller and Auditor-General's check, but I say it is in my mind adequate as a reason for not making more Auditors-General. I would not make other officers of the kind.

Chairman.

1083. The Committee are extremely obliged to you for the trouble you have taken to put you experience and your opinions before them in such a very clear manner. After we have read your evidence in print and your memorandum you will perhaps give us an opportunity of again examining you when we sit again in the autumn?—I shall be delighted to hold myself at the disposal of the Committee at any time.

Monday, 27th October 1902.

MEMBERS PRESENT:

Sir James Fergusson.
Mr. Hayes Fisher.
Sir Walter Foster.
Mr. Bonar Law.
Mr. Hugh Law.
Mr. Lough.
Sir Lewis M'Iver.
Sir Robert Mowbray.
Sir Edgar Vincent.

The Right Hon. Sir JAMES FERGUSSON, Bart., G.C.S.I., in the Chair.

Mr. Thomas Gibson Bowles (a Member of the House); further Examined.

Chairman.

1084. The Committee are very much obliged to you for the pains you have taken in preparing the interesting memorandum, which we had read at length at our last meeting.—[*See App.* 8.] That memorandum was in fulfilment of an expectation which you gave us that you would deal with some points which you omitted to go into, owing to want of time, when you last gave evidence, relating to "Interception," "Appropriations in Aid," "Divided Appropriations and Excesses," and "Grants in Aid"; and also as to the manner in which the provisions of the Exchequer and Audit Act, of 1866, have, as you say, been "gnawed away," or rendered nugatory. I should like to ask you one question first with regard to Appropriations in Aid which you say are brought into revenue and expended without having undergone the examination of Parliament. Those Appropriations in Aid have in some cases at least been voted by Parliament and are being repaid. I refer particularly to the payments of the Indian Government. Those payments of the Indian Government, which you specially refer to, I think, are in respect of the establishments kept at home for the supply of British regiments in India. Those establishments at home have been voted by Parliament, have they not?—Yes, certainly.

1085. Therefore, they have been passed by Parliament and presumably examined, but the Indian Government has to repay them, and consequently the monies accruing from that expenditure have come under the cognisance of the House of Commons, is not that so?—No, I should not agree with that. No doubt the general gross expenditure on the men has been voted by Parliament, but this is a receipt from the outside which is taken and treated in alleviation of the gross expenditure, and is deducted from that gross expenditure. It is not the gross expenditure which the House votes, but the net expenditure. I may say on that point that I am prepared to make a further observation on the subject of Appropriations in Aid, and to quote the opinion of Mr. Raikes and Mr. Dodson, which agrees with mine, that the House should be called upon to vote the gross sums.

Chairman—continued.

1086. Then you will come to that in the course of your statement?—Yes. I do not know whether I have answered your question.

1087. I understand you to say that although that money has been voted by the House of Commons, and is now being repaid, that repayment constitutes an addition to the funds available for the War Department beyond the sum voted for the Service for the year?—I say that that sum never was voted, because the estimated payment of the Indian Government is deducted from the gross sum representing the totality of men; it is the net sum alone that is voted by Parliament.

1088. But the troops at the depôts in England are included in the home establishment voted by Parliament, are they not?—Certainly.

1089. Then those men, after attaining the proper age, are posted to the battalions serving in India, which are wholly paid by the Indian Government?—Yes.

1090. Then the Indian Government repay the cost of their training?—That is so.

1091. It is that money that is the Appropriation in Aid from India?—That is so; there is no doubt the totality of the men are voted, but the totality of the expense is not voted by the House, because, before the House of Commons comes to vote it, that contribution from India is deducted. No deduction is made in respect of the number of men; the men, it is true, are voted by the House in their totality, but the expenses are not.

1092. At the depôts there are recruits, who probably are kept there for a year, or two years, until they are of age to go to India; all expenses on their account, I understood, were voted by the House as part of the home establishment, because they do not come on to the Indian Exchequer until they go to India, but the Indian Government ultimately repay the cost of their training, so that the House votes the money as well as the men, does it not?—No, because, from the total vote, including the vote for these depôts and all the expenses, is deducted, that million and a-half (I use rough figures, but I think it

Chairman—continued.

it is about that) which is contributed by India; and the total expenditure less that million and a-half is all that the House votes. This power of ordering certain sums to be considered as Appropriations in Aid was brought into full blossom by the Public Accounts and Charges Act of 1891, which gave the Treasury full power, and the effect of that Act is this, that the Appropriations in Aid are granted to the Crown not by the House of Commons, for it never votes them, but by the Treasury, under the authority of the Public Accounts and Charges Act. That is rather my point, and that is exactly what Mr. James William Lowther said when I appealed to him—and put that point, he said: These are not granted by the House, "but they are granted by the Treasury under the powers conferred upon them by the Public Accounts and Charges Act."

1093. Would, what you are referring to now come under "Grants in Aid"?—No, they are Appropriations in Aid; Grants in Aid are a different category. They are voted by Parliament. Appropiations in Aid are not; they are sums received by a department, otherwise than from a grant of Parliament.

Sir *Robert Mowbray.*

1094. They appear on the face of the Estimates?—They appear as deductions.

1095. As deductions from the total amount that would otherwise be required?—That is so; the only intervention of Parliament in Appropriations in Aid is in the Appropriation Act, which sanctions them.

Chairman.

1096. I believe you desire to add something to your former statement?—Yes. First of all, I desire to mention what I have just mentioned as regards the Public Accounts and Charges Act of 1891; secondly, I should like to be allowed to refer the Committee to the evidence given by Mr. Raikes on the 19th of December, 1878, before the Committee on Public Accounts (Paper 350, of 1881), on page 136, where Mr. Raikes suggested what I think would have been the proper way of dealing with this matter. He says, in answer to Question 1144:—"The form which it has occurred to me to suggest is, roughly speaking, this: I would leave the Resolutions in Supply in their present form, to grant a sum to Her Majesty which would represent the total expenditure of the year; but I would meet that by voting in Ways and Means the minor sum which it is suggested here should form the second part of the Resolution; that is to say, that if, taking this which appears in Mr. Mills's scheme as a specimen, a Vote for a total expenditure not exceeding 2,600,000*l.* is required for wages to seamen and marines, I should vote that sum as now, in Committee of Supply, but the corresponding Vote in Ways and Means should be (taking the figure given in Mr. Mills's Memorandum) for the sum of 2,597,000*l*, being the sum that would be required to be voted freshly from the Consolidated Fund, taking credit for the 3,000*l.*, which is the estimated receipt. In that way the Votes in Ways and Means would represent the real annual burden, while the

Chairman—continued.

Votes in Supply would represent the total expenditure." That was Mr. Raikes' opinion as to the right way of dealing with it, and that is my opinion. I would also ask the Committee, if I may, to refer to Mr. Dodson's memorandum on pages 140 and 141 of the same paper; it is too long to read to the Committee, but it comes to the same thing. I think those rather support my opinion that the gross sums should be voted by Parliament, and not the net sum, and the method which they have suggested I think is the right one.

Now there is one other remark which I also wish to add to my memorandum as regards Grants in Aid. Of course, a Grant in Aid is not obnoxious to the criticism which I have made as regards Appropriations in Aid, for it is wholly and fully granted by Parliament, while an Appropriation in Aid is not, except by the Appropriation Act. A Grant in Aid, as I said in my evidence, is, no doubt, under certain circumstances justifiable, but the point I have insisted upon is the enormous exaggeration of these Grants in Aid which has arisen of late years. Here I should like to refer to the Report of the Public Accounts Committee in 1896 (Paper 297 of the year 1896). On page iv it will be seen that the Committee recommend that, "With a view to the attainment of this end, the Comptroller and Auditor-General suggests that in the interest of financial control the use of Grants in Aid should be as much as possible restricted." Then on page 212 is the Treasury "Memorandum on Grants in Aid" of the 1st July, 1896, in which the Treasury say, "On the first point the Treasury are in entire accordance with the Comptroller and Auditor-General. They regard Grants in Aid as exceptions to the rule which should prevail in our financial system; and desiring that such Grants should be restricted as much as possible, that is to those cases in which ordinary grants and the rules governing them are not applicable, the Treasury will review each of the present Grants in Aid, in order to see whether any of them are unnecessary and could be dispensed with, and how far any more of such Grants can be usefully followed up by the Comptroller and Auditor-General." That represents what I think is the sound view, and it represents my view. My objection, as the Committee will remember, is to the very great increase in these Grants in Aid. Now by the courtesy of the Comptroller and Auditor-General, I have obtained from him a list of the total Grants in Aid for the last three years, and it is the increase in these Grants in Aid that has disquieted me so much. If the Committee will allow me, I think it is allowable to put in this paper—I can see no objection to its being put in—which has been furnished to me by the Comptroller and Auditor-General.—[*See App.* 2.]

Mr. *Hayes Fisher.*

1097. Did you suggest to him that you should put the paper in?—I did not ask him as to that. Of course, it is all public information which anybody can get out of the Estimates.

1098. Is it merely tabulation?—It is work consisted merely of compilation and tabulation. It is no doubt troublesome work, and it is very good of him to have worked it out, but there is nothing

Mr. *Hayes Fisher*—continued.

nothing in this paper which is not already public, and I can see no objection to its being put in.

1099. I see no objection to its being put in; I merely asked whether you had suggested to him your doing so?—I have not asked him as to that. I only wished to use it in order to show the great increase which there has been in Grants in Aid. In 1900-01 (and here there may be an error, because I added it up myself) the total amounts to 1,600,000*l.*; in 1901-2, instead of 1,600,000*l.*, it amounted to 7,683,000*l.* That is largely in consequence of Grants to the Colonies. In 1902-3 so far, it amounts to 3,600,000*l.*, but there can be no doubt that that will be very largely added to before the end of the financial year.

Sir *Lewis M'Iver.*

1100. That is for six months?—Yes; I think there is no question that that must be very largely added to before the close of the year.

Mr. *Bonar Law.*

1101. What was the nature of the Grants to the Colonies in the previous year you referred to; was it for South Africa?—Largely for South Africa.

Sir *Robert Mowbray.*

1102. Do those Grants in Aid which you have last given appear in the Estimates of this year?—Yes.

1103. Then, in order to be increased, they would have to be increased by a Supplementary Estimate?—Yes, no doubt. Then the Comptroller and Auditor-General has been good enough to mark for me on this paper from the Estimates, first those that are audited, but as to which there is no surrender of the unexpended balance at the end of the financial year; secondly, those as to which there is no audit, nor any surrender of the balance; and, thirdly, those as to which there is audit and surrender. There are three categories of Grants in Aid. With regard to those subject to audit and surrender (which, in my opinion, I will not quite say they should all, but they should generally be) there is only one item in this list, and that is the item for the Coronation expenditure. That is liable to audit, and to surrender. The greater part of these items are liable to audit, without surrender, while a good many of them have neither audit nor surrender.

Sir *Robert Mowbray.*

1104. Could you give us instances of those which are neither audited nor surrendered?—Yes. Taking the list from the bottom, I see "Female Orphan House," "Hospitals," "Universities," "Scientific Investigation," "Chelsea Physic Garden," "Incorporated Law Societies." That indicates the sort of case.

1105. Does that refer to the Estimates of 1901-2?—It refers to all three years. There are grants for each of those items in each of those three years.

Mr. *Hayes Fisher.*

1106. With regard to those items you have named, I suppose, they would be a very small amount?—They are mostly small, but some of them are considerable; the grant to universities, for instance, is 105,000*l.*

1107. The Grant in Aid for Chelsea Physic Garden is 150*l.* a year, is it not?—It is quite small.

Sir *Walter Foster.*

1108. In those cases you could hardly have an audit, and you could not expect a surrender; they are in the form of donations to public bodies to carry on their work?—I quite recognise, and in my original evidence I recognised that there are cases in which it is desirable that Grants in Aid should be given in that way.

Mr. *Hayes Fisher.*

1109. You stated that there were a few cases in which you would yourself share the opinion that it would be advisable that they should neither be audited nor surrendered, or at any rate, not surrendered?—Certainly. My own view is, that if you do not have a surrender, there is no need for audit.

Sir *Robert Mowbray.*

1110. You consider that where they are audited the balance ought to be surrendered?—Yes.

Sir *Walter Foster.*

1111. The object of an audit is to follow the money and see that the surrender is accurate, and that would only apply to those cases where surrender is part and parcel of the Grant?—Exactly; but, of course, the Committee will remember that my great objection to Grants in Aid is to their great increase. I think that there are certain Grants in Aid which are proper to be made, but I think that they should be restricted with very great jealousy.

Sir *Edgar Vincent.*

1112. Before we leave this subject I wish you would tell us what is the precise nature of Grants in Aid—what is the difference between them and other Votes?—A Grant in Aid is a Grant that is made by the State, to be expended not by State officers. It is an out-and-out gift. It is a gift to an institution, to a person, or to a colony, for them to expend. My own notion is that, for instance, it is a very serious thing to make out-and-out Grants like 6,000,000*l.*, to the Transvaal to be expended by them; but if the House of Commons wishes to do so let us do it as it should be done, that is, make an out-and-out free gift of it, and then my suggestion is, that all those free gifts should be put in a separate Vote at the end of their class, so that you may have all free gifts together and know what you are doing. My further suggestion is, that in any case where it is not contemplated that an unexpended balance at the end of the year should be surrendered, that is to say, in every case where it is contemplated that the ordinary financial conditions are not to be observed, then you should give up the audit, which seems to me quite useless under those circumstances.

1113. But

Mr. *Bonar Law.*

1113. But suppose a Grant is given to a colony for a particular purpose, is it not right that we should audit it to see that it is employed for that purpose?—Not if you are not going to have the balance surrendered.

1114. I should have thought it was our interest to see that it was properly expended, even though we do not get the balance back?—If you are going to make an out-and-out Grant to a Colony not to be expended by your own officers, and if you at the same time agree that the Colony is to keep what it does not spend, and to spend it at another time, I do not see what use there is in auditing it, and I do not see what claim you have to audit it. What I have at the bottom of my mind is this. If this system I suggest were adopted with the knowledge that that is to be the system, I think the House of Commons would be very much more chary of making these Grants, and that is what I should desire.

Mr. *Hayes Fisher.*

1115. Are not some of these Grants made on conditions; they are not free gifts without any conditions?—Not all of them. There have been Grants made for specified purposes, and specified purposes alone, in which the inference was that any part of the money not used for the specified purpose should be surrendered.

Chairman.

1116. Such, for instance, as the West Indies, where 250,000*l.* was voted in aid of the sugar estates?—Yes, or the Bechuanaland Grant.

Sir *Robert Mowbray.*

1117. Is not an audit a guide to a certain extent as to whether a similar Grant in Aid would be required in the following year; for instance, in the case of Cyprus, do we not make a Grant in Aid to Cyprus, and that Grant in Aid is audited, is it not?—I think it is.

1118. Is it not necessary that it should be audited in order to see whether the necessity which exists this year for that Grant in Aid for the purpose of that island will exist next year. If you simply hand over the money without taking any audit, what guide have you as to the requirements of the following year as to whether that Grant in Aid will be necessary or not?—The Committee will remember the principle of the audit conducted by the Comptroller and Auditor-General: that audit is solely directed to ascertaining whether the Appropriation made by Parliament has been carried out, or whether it has been departed from. As soon as you make a free gift to a colony there is, as it seems to me, an end of it.

Mr. *Bonar Law.*

1119. Unless it is a free gift for a specified purpose?—Yes, but even then I think you have difficulty in doing it.

Sir *Lewis M'Iver.*

1120. The case of Cyprus which has been put seems rather outside your definition of a Grant in Aid, is it not, because that is money granted to be expended by our own officers, and, therefore, in the ordinary course would be liable to audit?—Yes.

Chairman.

1121. It is money to make up deficiency of Revenue for necessary Expenditure over and above the Tribute due to Turkey?—Yes, I suppose Cyprus is in a position analagous to a Crown Colony. I do not know that there is any essential difference between the Grant to Cyprus and the Grant to the West Indian Islands, for instance. They are distributed by the Colonies' officials.

Now, I think I have already incidentally, in reply to questions, said all that I had intended to say on the question of Grants in Aid. My objection to them is as regards their very great increase, and what I should propose with regard to them would be this, either that you should submit all Grants in Aid which have now reached this very large sum, to the ordinary rule of audit and surrender in every case, or else that you should put all Grants in Aid which are not to be subject to surrender in a separate Vote of what I might call free and out-and-out Grants, and put each lot of them at the end of its own class, and abandon the audit in those cases. If that were done, the House of Commons would have notice that that particular lot of Grants in Aid were really free, out-and-out gifts, which the Comptroller and Auditor-General was not expected to follow.

Sir *Walter Foster.*

1122. You think the effect of that would be to make the House more careful in giving them?—Yes. That is my suggestion as regards Grants in Aid.

Mr. *Hugh Law.*

1123. Do you think that the House expects in these cases some of the money will come back and that it does not realise that it is giving the money completely away?—I do not think that you ever get any of the money back from the Grant.

1124. But is that the impression which you think is in the mind of Members, and which would be removed by placing these particular Grants in a class by themselves as you suggest?—My object would be to give the House complete notice of the totality of the out-and-out Grants which it was making in each class, which at present it does not get, because they are mixed up with other Estimates. That would be my object—my purpose is to restrict them.

Sir *Robert Mowbray.*

1125. As regards the Coronation Grant, to which you referred, how was it notified that the balance of it was to be surrendered?—In the absence of any notification that is the rule. You grant a certain sum for the Coronation, and if that sum is not expended on that purpose in the year, the Appropriation fails and the balance must be surrendered. It is only when you wish to exempt these Grants either from audit or from audit and surrender, that you are bound to make a note upon the Estimate, and that note is made, but in my opinion that does not sufficiently call attention to the nature of the question, considering the very large amount that these Grants in Aid have now reached.

Now, with the permission of the Committee, I should like to make a remark or two on certain small matters of detail which, nevertheless, if the suggestions which I ventur

Sir *Robert Mowbray*—continued.

venture to make should be carried out, would have an important effect. In the first place, the Civil Service Appropriation Accounts to the 31st of March, reach the Comptroller and Auditor-General by the next 30th of November, and in the case of the Army and Navy Appropriation Accounts by the 31st of December. That is under the Exchequer and Audit Act. Now it seems to me that the interval between the date at which the Accounts end and their delivery to the Comptroller and Auditor-General, which is an interval of eight or nine months respectively, is longer than need be taken. It must be remembered that the Comptroller and Auditor-General in the interval between the 30th of November and the 31st of December respectively, (when he gets the Appropriation Accounts of the Civil Services and the Army and Navy) and the next meeting of Parliament, which may be early in January, has to prepare the whole of his reports. It, therefore, seems to me it would be a very great advantage if the time he has for the preparation of his reports could be increased, and I, myself, think that that period of eight or nine months ought to be capable of being shortened so as to increase by that amount the time which the Comptroller and Auditor-General would have for the preparation of his reports. That is a small suggestion, but it would have a very considerable effect if it were carried out. Of course, I make that suggestion subject to any objections which may be raised on the practicability of the thing.

Sir *Walter Foster.*

1126. That is a change that would have to be made by Act of Parliament, is it not?—I think not. I do not think it would require any additional Act of Parliament to enable the Treasury or a Department to send their accounts to the Comptroller and Auditor-General earlier than is prescribed by the Act, although it might if it were proposed to send them later.

Sir *Robert Mowbray.*

1127. Is there any correspondence between the Comptroller and Auditor-General and the Department before the Accounts are finally sent to him?—He has a staff in a good many of the Departments all the year round, and he is constantly obtaining information, but at the same time the thing is not completely before him until the dates I have mentioned, and he therefore gets less than a month sometimes for the preparation of all his Reports.

1128. But the final form of the Appropriation Account is one which has probably solved a certain number of questions which would otherwise arise owing to the correspondence which has previously gone on between the Comptroller and Auditor-General and the Department?—That no doubt is so. It would be quite impossible but for the evidence that he has accumulated during the year, for him to make his Report during the fag end of the year which is left.

Perhaps I might also suggest that other Accounts might perhaps be delivered a little earlier. I observe that the Finance Accounts up to the 31st of March of this year were

Sir *Robert Mowbray*—continued.

only issued on the 31st of August, that is five months after the 31st March, and the Statistical Abstract of the United Kingdom, which is a Board of Trade publication which deals with nothing after the 31st of March 1902, was not issued till the 10th of October 1902, or more than six months after the 31st of March. The Committee will see that the reason I have dealt with these questions as regards the Comptroller and Auditor-General is that everything that advances the work of the Comptroller and Auditor-General tends to give Parliament more ample and full control over expenditure. But that is essentially a suggestion which I think requires the criticisms of departmental authorities and the Treasury. It may not be possible to carry out the suggestion.

Mr. *Hayes Fisher.*

1129. Has any complaint come from the Comptroller and Auditor-General that he has not sufficient time to prepare his reports?—Not so far as I know.

1130. Whereas of course it has been hinted at least by one of the witnesses that the Treasury do think that if the War Office or the Admiralty would give them longer time to criticise their estimates it would be exceedingly beneficial; we are always hurrying them up. I understand from you the Comptroller and Auditor-General has not made any complaint that he has not time to prepare his reports?—No; but with reference to what you have just said may I remark that the Army and Navy Accounts which get a month's less examination by the Comptroller and Auditor-General, in reality ought to get really a month's more examination because throughout they get less examination than the Civil Service and the Revenue Department's Accounts, and therefore that I think rather emphasises the suggestion I have made, at any rate it emphasizes it with regard to the Services.

Mr. *Bonar Law.*

1131. You say, as I understand, that this could be done without an Act of Parliament; would you explain how?—Because the Exchequer and Audit Act only lays down the limit within which the Accounts shall be delivered. It sets out in Schedule A the "dates after the termination of every financial year to which Appropriation Accounts relate on or before which they are to be made up and submitted." Therefore, if the Accounts were made up before that time that could be done without any alteration of the Act.

I have already intimated to the Committee my opinion that the Comptroller and Auditor-General has not sufficient power to disallow items if and when he finds that money voted and appropriated by Parliament has been applied to other purposes than those to which it was so appropriated. I think he has insufficient power in that respect and that he ought to be rendered more independent of the Treasury. As to that point I desire to show the present situation of things by an additional quotation. The Exchequer and Audit Act of which I have quoted some sections as showing the restrictions

Mr. *Bonar Law*—continued.

placed upon the Comptroller and Auditor-General, was drawn up by the Treasury, and the Treasury hold that the Comptroller and Auditor-General should be dependent upon the Treasury. I was rather surprised to find that, but I think there can be no doubt about it. In the Sixth Report from the Committee of Public Accounts of 1871 (Parliamentary Paper 350 of 1871), at page 55, Mr. Foster, C.B., gave evidence, and there are three questions to which I should like to call the Committee's attention as showing the view the Treasury has taken of the situation of the Comptroller and Auditor-General which coincides with the view which I put before the Committee on the last occasion when I was examined. Mr. Foster is asked, at Question 2803, "I notice that in your remarks you say a great deal about Treasury authority, but according to my reading of the Act of Parliament, the Comptroller and Auditor-General is appointed on behalf of Parliament to check all expenditure of public money, and even the action of the Treasury as well as any other Department." And his answer is: "The Act in certain cases gives the Treasury the power to decide whether expenditure shall be sanctioned or not, and it is upon that point that the greatest danger of evading the intention of Parliament arises." Then at Question 2806, Mr. Foster is asked: "If I have gathered the drift of your replies correctly, your opinion is that to some extent, and to a considerable extent, the Comptroller and Auditor-General must be under the direction of the Treasury." And he says: "The Act places him, in that respect, under the direction of the Treasury. That is not necessary; Parliament might by Act, and not at the discretion of the Treasury, have given him a direction to investigate in every case whether expenditure had taken place with Treasury sanction." Then, at Question 2808, he is asked: "It should be reported in every case without any reference to the Treasury at all; I want to have your opinion whether or no it might not be desirable that the Comptroller and Auditor-General should be perfectly independent of the Treasury, as he is of the Army and Navy Departments"; and his answer is: "I think that it would be highly undesirable." That is the evidence of Mr. Foster, a Treasury official. I think that shows that the Comptroller and Auditor-General is (as I think the Act of 1866 shows that he is), to a considerable degree, dependent upon the Treasury, and I think to too great a degree. That is the suggestion which I put before the Committee as regards that point.

Sir *Robert Mowbray.*

1132. Have you ever found any instances in which Section 43 of the Act of 1866 has been applied by the Treasury where the Comptroller and Auditor-General has made a disallowance with which the Accounting Officer was dissatisfied, and therefore appealed to the Treasury? —No, but perhaps I may say that the very existence of that section renders the probability of such a conflict extremely unlikely, because the Comptroller and Auditor-General knowing, as he does, that under that section he is capable

Sir *Robert Mowbray*—continued.

of being overridden by the Treasury would not, I think, disallow an item unless he had agreed with the Treasury before hand that they would support him.

Then, coming to another point, perhaps the Committee will allow me to say, with regard to a suggestion which I made, that the Public Accounts Committee might be divided up into Sub-Committees. I have thought over that suggestion, and, on the whole, I think that is not necessary, and therefore it is inadvisable. I believe the Public Accounts Committee as at present constituted can perfectly well do all its work, or that at any rate it could completely do all the work it is intended to do by meeting, if necessary, two days a week instead of one. Therefore, I abandon that suggestion which I made on the previous occasion. The Committee will remember that I made it then quite tentatively and hesitatingly, and I think it is one which I should not recommend now.

Sir *Edgar Vincent.*

1133. Do you consider that the Estimates should be submitted to the Public Accounts Committee or merely the Accounts?—I am proposing to come to that point very shortly, if the honourable Member will allow me to come to it presently.

I do very strongly adhere to my recommendation that some provision should be made for the reception of the Public Accounts Committee's Reports by the House; for instance, that after the Report has been presented the Chairman of the Committee or, failing him a Member of the Committee should be entitled to make a motion that the Report of the Public Accounts Committee be now considered, or that the House do agree with the recommendations of the said Committee. That would ensure proper consideration for the Reports of the Committee.

Mr. *Hayes Fisher.*

1134. Before you go away from that portion of your evidence may I ask you this: Do I understand you to say now that looking back at your evidence on page 66 you now abandon the suggestion you then made for increasing the number of Members of the Public Accounts Committee "and allowing it to appoint for each of the three great Classes of Estimates, the Army, the Navy, the Civil Service and Revenue Departments a sub-Committee chosen by itself from among its own Members." That is the suggestion which I understand you now to abandon?—Yes, on reconsideration I think that that is unnecessary, and if unnecessary I think it is inadvisable. I think that the object could be obtained without that.

Chairman.

1135. We understand you now to suggest more frequent sittings of the Committee in substitution for the suggestion of dividing it up into three Committees?—Yes, I suggest that as an alternative.

Now before I come to make very serious suggestions which I have considered and wish to make to the Committee I should like to wipe up, if I may use the expression, the question of interceptions generally. My suggestion

Chairman—continued.

gestion is that it would be proper to revert to the provisions of the Exchequer and Audit Act of 1866 which provides that all revenues should be paid into the Exchequer, and in "All Revenues" of course I include revenues intercepted for local taxation which now amount to some 10,000,000*l.* as to which it would be necessary to alter various Acts of Parliament in order to make the change. Secondly, I should include the sums received by Departments and treated as Appropriations in Aid amounting in this year to over 13,000,000*l.*, which also would require some modification I take it of the Public Charges and Accounts Act, 1891. And, finally, I should include in the sums paid into the Exchequer sums paid by Departments out of their own gross receipts amounting now to some 2,000,000*l.*

Sir *Robert Mowbray.*

1136. How does that last item figure at present?—I think it is mainly in the Post Office. I have got the Return here. The payments out of gross receipts are payments made by the Post Office, Telegraph Service, Woods and Forests, and Miscellaneous Revenue. They amounted in 1890–91 to 1,700,000*l.* Now they amount to more than that. Those are really of the nature of Appropriations in Aid, only in formal treatment it is a little different. Taking the case of the Post Office, for instance, they pay the railway companies for the Parcels Post 815,000*l.* a year; they take that out of the money they have received, and pay it over to the railway companies, and it is not included in their Estimate.

Chairman.

1137. That refers to the arrangements made some 12 years ago, I think, with the railway companies, by which the companies do the work and the Post Office take the money; and instead of running their own vehicles, they pay the railway company a certain specified sum?—Yes.

1138. You think that that is incorrect as a system of account?—I do. It seems to me that this is all expenditure and it is all income, and that it ought therefore to figure on both sides of the Account. Of course, as you will remember, the total amount of these matters is very large now and it is an increasing amount, that is what renders it so important. If these were small amounts I do not think I should have drawn the attention of the Committee to them.

Sir *Robert Mowbray.*

1139. These are in fact part of the working expenses of the department which it pays itself instead of getting an estimate for it voted by Parliament?—That is so.

Chairman.

1140. Before you pass away from that point, to see that it comes under the head of your objections, I think I am correct in saying that the arrangement stands in this way at present, that the railway companies, in consideration of the handling of the parcels get a fixed percentage of the receipts?—I am sure you know better than I do the exact situation of the matter, but it is a payment for services rendered by the railway companies, no doubt. I myself cannot see how in principle it differs from any other payment made by the Post Office for other services. I believe it has always been treated separately and distinct. So again, for instance, in the case of the Cable Companies it is treated as a deduction. I do not know why it should be so treated, it is an expense.

Mr. *Lough.*

1141. It is not included on either side in the Post Office Account?—No, that is my point.

1142. So that when we speak of the Post Office as expending altogether, say, 17,000,000*l.* a year we are not really stating the figure accurately?—It is not included on either side.

Chairman.

1143. The position, as I understand it, is that where the Post Office is working for itself they have certain establishments and incur certain expenses which appear on the expenditure side under the Estimates?—Yes.

1144. But where the work is done for them at a fixed percentage they only bring to account the net revenue which they receive, that is the precise point, is it not?—Yes, I think that represents it. But you will remember the old practice generations ago was that all the Revenue Departments deducted their cost of collection and only paid into the Exchequer the nett remaining sum. That was and was considered to be a very improper system and one liable to great abuse, and they were subjected to the new Rule, and the Act of 1866 subjected everything and everybody to the new Rule, but that has not been carried out. It is quite clear to me that what was always present to the minds of those who admitted the present system, which I consider mistaken, was this: they said, What we want the total Revenue to represent is the burden of taxation on the people, not the Revenue which we get from other sources. My view, on the other hand, is totally different from that. I say that in a question of accounts you must show all your revenue, whatever source it comes from. You may make your distinctions afterwards if you please, but your accounts of revenue should contain the whole revenue, and your accounts of expenditure should contain the whole of the expenditure. That is not the case at present by a very large amount.

1145. If the principle which you are indicating was adopted it would mean this, would it not, that the amount received from the parcels say, would show a larger total, and on the other side of the account there would be an item: "amount paid to the railway companies in connection with the above"?—That is so.

1146. A parcel may be collected in the country and brought by the Post Office Service to a station, and carried by a railway company, and taken over again by the Post Office Service on the other side, it is a mixed amount. If it were done in the way you indicate it would show the whole of those transactions?—Taking this figure of 815,000*l.*, I say that is revenue on one side and expenditure on the other side, and that it ought

Chairman—continued.

to appear on both side of the Account, but at present it appears on neither.

Sir *Edgar Vincent.*

1147. The practical advantage which you aim at is to bring all the expenditure under review?—That is so.

Sir *Robert Mowbray.*

1148. Of course the Comptroller and Auditor General only audits money granted by Parliament and when a Department spends out of its own earnings so to say on its working expenses, as the Post Office does, that expenditure does not come under the review of the Comptroller and Auditor-General, does it?—I am not sure that strictly according to the Act it does, but I think that a Department would not prevent him from auditing it, or if they did I think they would have considerable difficulty.

1149. Do you know whether, as a matter of fact, that part of the account is audited. Of course it does not come into the Appropriation Account, which follows the form of the Estimates, does it not?—Yes, I do not know whether that is actually audited but I should say it is.

Mr. *Hugh Law.*

1150. Could you say approximately the total amount of money that thus escapes from appearing on either side of the account?—There is a return which I moved for this year, Paper No. 148 of 1902, but it only gives the figures up to March 1901. Up to March 1901 the total amount of Intercepted Revenue which appears on neither side of the account amounted to 19,510,000*l.* That figure you will see quoted in my notes. As a matter of accounts I do think it is extremely important that we should have drawn up and published every year an account of the Public Revenue and Expenditure which should contain all the items on both sides of gross receipt and gross expenditure; and then afterwards let such distinction between the items be made as is thought necessary. At present we have not that at all. We used to have it, and the fact that the present system differs from the old system makes any comparison very difficult, as well as being an improper way of keeping accounts. If no Member of the Committee desires to ask me any other questions upon this matter, perhaps I might now come to two serious suggestions which I have thought over, and which I desire to present to the Committee.

Mr. *Lough.*

1151. Before we pass away from that subject altogether, there is one question of mere accuracy which I should like to ask about. On the first page of your memorandum, under the head of "Interception," you speak of the Intercepted Revenues as amounting to 9,529,110*l.*; is that figure correct?—That is the amount of Intercepted Revenues paid over by Acts of Parliament to the Local Taxation Account. That is only a portion of the Intercepted Revenue. In addition to that there are the Appropriations in Aid, and there are also sums

Mr. *Lough*—continued.

representing payments made by departments out of their gross receipts such as those in the case of the Post Office to which I have been referring.

Sir *Robert Mowbray.*

1152. How are these proportions ascertained—whose business is it to see that the right statutory proportion is paid into the Exchequer, and no more than the right statutory proportion is paid to the Local Taxation Account?—With regard to the Finance Act, 1894, that is a thing which is wrapped in mystery; it is left entirely to the Inland Revenue officials. There is no check over them whatever, so far as I know. My belief is that the Comptroller and Auditor-General has no power to check their calculations (I am talking now of the portion which represents the old Probate Duty). They are no doubt governed and guided and bound by the Regulations laid down in the Finance Act, 1894, but as a matter of fact all the calculations are made in the recesses of Somerset House, and are not known to or followed or checked by anybody, I believe.

1153. But would not the Comptroller and Auditor-General check the amount which had been paid into the Exchequer?—I do not think he could check the exactness of that amount.

1154. It is a certain statutory proportion, is it not?—Yes, it is supposed to be the amount that would be represented by the share of Probate Duty accruing to the Local Taxation Account if the Probate Duty were as it used to be.

1155. And the amount which is not paid into the Exchequer is paid into a separate account I suppose at the Bank of England?—It is paid to the Local Taxation Account.

1156. That is at the Bank of England?—I think so, but I am not sure.

1157. Your point is that in the first place it is not paid into the National Accounts of the Exchequer at the Bank of England?—Yes.

1158. And in the second place that being paid into a different account altogether it never passes under the review of the Comptroller and Auditor-General's Audit?—That is so.

1159. How is the amount that goes into the Local Taxation Account audited?—As regards other matters, I think the sums are definitely fixed by Act of Parliament. May I qualify the answer I gave just now. I said I thought the Comptroller and Auditor-General would not have any power of looking into the sums paid into the Local Taxation Account. I think he would in this sense that he would have the power as regards the Receipt side, but not as regards the proportion paid in.

1160. I should have thought he would have had to see that the right proportion reached the Exchequer, it being his business to audit the Exchequer Account?—I do not think so. Supposing, for instance, you receive 16,000,000*l.* of Death Duties, and pay 4,000,000*l.* to the Local Taxation Account, my opinion is that the power of the Comptroller and Auditor-General would extend over the whole of the 16,000,000*l.*, to see that they were properly received, but that when you had once allocated under the Finance Act of 1894 4,000,000*l.* to the Local Taxation Account, you would not have authority to see that

that

Sir *Robert Mowbray*—continued.

that allocation was correct, at any rate, not in respect of that part of it which depends upon the calculations made by the Inland Revenue of the proportionate sum representing Probate duty.

Perhaps I may come now to my final suggestions. I have considered whether anything could be done to increase the control of the House of Commons over the expenditure; and there are two suggestions which have occurred to me, one which would leave things as they are, with the addition of some further securities which I will describe, and the other, which is of a very drastic and revolutionary character. My first suggestion is that of an Annual Select Committee. The Estimates are prepared, as I understand, about November and December, and are presented to Parliament, in peace time, for the Army and Navy before the 15th January, when Parliament has assembled before Christmas, or, when it assembles after Christmas, then within ten days of the opening of Committee of Supply. That is under the Resolution of 21st February, 1821, which is, indeed, not a Standing Order, but which has always been followed in practice as to the presentation of the Estimates. Now, my first suggestion is this: If the existing procedure for Supply is held to be such as it is desirable to adhere to, then I think this might be done. You might ordain the appointment at the beginning of each Session of a Select Committee for one class of the Estimates—that is to say, for either the Army Estimates, the Navy Estimates, the Civil Service Estimates, or the Revenue Department Estimates for that year. To that Committee I would give power—and this is the really important thing—to call for persons, papers, and records, so that they might have the officials as well as the Minister before them. Now the Committee will see why I have been rather anxious to press forward the earlier delivery of the Papers, because if this Committee is established it will be seen it is rather important it should begin to sit at the beginning of Parliament, so as to prepare the work for the Committee of the House itself, which under this proposal I should leave as it is at present. The Committee would begin to sit as soon as the Estimates are presented, and it would sit as continuously as possible, so as to present its report or reports as soon as possible. There seems to me to be no reason why the Estimates should not be presented immediately on the meeting of Parliament. After all, they are but an amplification, as it were, of the King's Speech as regards Estimates, and my belief is that they are always ready or could easily be made ready at the very beginning of Parliament. If you were to have a Committee of this sort it is, as I say rather important that the Committee should begin its work at once, so as to leave time for the House to do its work. In this way each class of the Estimates would be thoroughly overhauled every four years with the information obtained from the officials of the Department.

Sir *Edgar Vincent.*

1161. You would have four Committees, as I understand, one for the Army, one for the Navy, one for the Civil Service, and one for the Revenue Department?—Yes, I think they should be treated separately.

Sir *Edgar Vincent*—continued.

Mr. *Lough.*

1162. Would you have four Committees each year?—No; one Committee each year.

Mr. *Hayes Fisher.*

1163. Your suggestion is, as I understand, to appoint at the beginning of the year a Select Committee for one class of the Estimates?—Yes.

1164. You divide your Estimates into four classes?—Yes, I should.

1165. So that in every four years each of these classes of estimates would have been overhauled by that Committee and reported upon?—Yes.

Mr. *Hugh Law.*

1166. Do you contemplate taking the four classes in rotation, or would that be a matter for the House to decide?—That would be a matter to be considered. I should suggest that taking them in ordinary rotation would be the natural course, and would be sufficient, because it would be known that any particular class would come up in the fourth year for revision again in the House, and I think that would be sufficient.

Sir *Robert Mowbray.*

1167. Do you propose to give these Committees power to alter the Estimates in any way, or only to report upon the Estimates as presented to them?—Only to report. Perhaps I might again say here that I do not think any power should be given to any Committee which would relieve the Ministers from the responsibility of proposing a definite sum. That, I think, is not the province of any Committee. Then, if this plan were adopted, as the Committee will see, these Select Committees each year would boult out the truth, if I might use the expression, as regards the Estimates of that particular class, and there would be a body of information acquired in a way in which the House could not possibly acquire it. We should have provided for the next three years use of the House, and, indeed, for that year's use a certain body of information, because the Committee might report, vote by vote if it were desired, or whenever it had acquired a sufficient amount of information. Then if you had such a Committee, I think it might point out which of the votes in the Estimates under its review seemed in its opinion to be most pressing, and that would amount to a recommendation that those should be taken first and most fully considered. Then again, I think that Committee might consider what the Public Accounts Committee has occasionally considered, namely, any suggested alteration in the form of the Estimates. That is my first, and as I have said, my mildest suggestion. It is one which would leave everything standing as it stands now, and would add an annual Select Committee to the methods of the House for obtaining information.

The other suggestion which I have to make, and I put it forward not as a recommendation but as a suggestion, is rather a revolutionary one—it is that of a Grand Committee of Supply. It is one that was made in effect by Lord Randolph Churchill, I believe, or was intended to be made by him. I have not seen what he has written about it, but this is my suggestion: If the existing procedure should, it is thought, be alter-

and

Sir *Robert Mowbray*—continued.

and could be altered with advantage, it might, perhaps, be altered by a system of delegation; in other words, the present Committee of the whole House—the Committee of Supply—might be abolished and its work be delegated to a Standing or Grand Committee formed as our present Standing or Grand Committees are, that is to say, I believe, they consist of from 60 to 80 members, and the Committee of Selection has power to add 15, so that as I read the Standing Orders you may possibly have as many as 95 members on the Committee. This Grand Committee of Supply, therefore, according to this suggestion would supersede the Committee of Supply as it exists at present, and would do its work. I hope by the way I made it clear that as regards my previous suggestion of an annual Select Committee, that Committee would report on each Vote with its own proceedings, and the evidence taken before it to the House. So with regard to this Grand Committee of Supply, I would suggest that it would report on the whole Estimates of all the classes with its own proceedings to the House. The House would then consider the Report as with Bills that come from a Grand Committee. Thus the Committee would examine the officials and the Minister, and they would, I think, be in a better position than a Committee of the whole House is now for ascertaining the whole truth and for criticism. Then on the Report, with the Speaker in the Chair (that is to be remembered as altering the frame of the debate), would come an opportunity of raising great questions of policy with regard, for instance, to the action of a Minister and great grievances; but my notion would be, that if this system were adopted the Grand Committee would deal with smaller matters and small grievances, and then the House would adopt or reject those Reports as it pleased. Now, I think there would be advantages in that system. The House, in the last session occupied 32 days in Supply. Under a system of this sort, the whole of those 32 days would be saved, except such part of them as might be applied to the debate on the Report, say half. You would spend, say 16 days on the Report, but the Committee would probably spend the whole 32 days on its work, and consequently the whole work — which the House now does, would be done, and, I think, better done and more minutely done with better sources of information before that Committee than it is done now; and at the same time there would still be left an opportunity for making such attacks upon the Government or criticism of the Government as might be required on any questions of high policy.

1168. May I ask whether you have considered the fact that in view of the House now meeting at two o'clock this Committee would either have very little time, or it would have to sit during the sitting of the House?—Yes, that has occurred to me, and it is one of the difficulties raised by the new hours. I do not know how all the other Committees are going to be provided for when we come to have to set them up. I may, perhaps, add that of the two suggestions which I have had the presumption to place before the Committee my own leaning is rather to the first, because it makes less alteration than the second one, and leaves the House perhaps more power. I am very much obliged to the Committee for having heard me with so much attention.

Sir *Robert Mowbray*—continued.

Sir *Edgar Vincent.*

1169. I understand from your notes that you consider the present control over National Expenditure somewhat defective?—I do.

1170. And as tending towards extravagance?—Certainly; defective control always tends to extravagance in my opinion.

1171. I gather that you attach only small importance to the present examination of the Estimates by the House in Committee of Supply from a financial point of view?—I do not think I said that. I do not think it is adequate, but I do attach importance to it.

1172. Taking this new Committee which you propose to establish under your first proposal, the Annual Select Committee, that would take the Estimates of one of these four great Departments each year, and it would then report to the House upon them, having heard the evidence of the officials of the Department?—Yes, and the Minister.

1173. Would it make suggestions in respect of those Estimates?—Certainly. It would report, for instance, that such and such items should be disallowed; it could report anything it pleased.

1174. And the reports of that Select Committee would be discussed in the House on certain specified reserved days?—No; Supply would be dealt with in the ordinary way in Committee of the whole House, but with this difference, that in dealing with the Supply of that particular class of Estimates, the Members that year would have the great advantage of having before them the work of the Select Committee.

1175. You would not reserve special days of those allotted to Committee of Supply for the consideration of the report of your new Select Committee?—No. I do not think I should do that. I think I should present the Members in Committee of Supply of the whole House with this mass of information which the Committee had obtained, and which would be useful, not only that year, but the next, and the next, and the next; and then in the fourth year they would have a new mass of information on that same class of Estimates.

1176. You stated in reply to a previous question, Question 1049, that you were satisfied with the present powers of the Committee of Public Accounts. Under the powers which now exist are they in a position to detect cases of extravagance?—They are certainly not in a position to detect every case of extravagance, but we have occasionally detected instances of extravagance and have reported upon them.

1177. Because so far as I can see, in the Act of 1866, both the Comptroller and Auditor-General and the Committee of Public Accounts appear to be limited to reporting upon the proper appropriation?—I do not at all agree with that view of the functions of the Committee of Public Accounts. I think that if it were worth while I could, by the ordinary canons of construction, show that the House intended the Committee to have fuller power than that. It is a Committee that acts on behalf of the House, and it has

Sir *Edgar Vincent*—continued.

has the power to go into the proper appropriation of what? Of the receipts. It has, therefore, power to look into the receipts; it has first to ascertain what the receipts are.

1178. Is not that rather extending the interpretation?—I think not, considering its character, that it is a Committee acting on behalf of the House of Commons.

1179. I take it that in practice the Committee of Public Accounts acts mainly at the instigation of, rather the indication of, the Comptroller and Auditor-General?—That is so.

1180. So far as I can discover in the terms of his appointment, he seems to have no power to go beyond reporting upon the proper appropriation?—Of course, that is his function. The Committee will remember that I, myself, drew attention to some disadvantages attaching to the very existence of a Comptroller and Auditor-General; but as I may remind the Committee there are two audits now. You expect the Department to see to the audit of its own accounts, to a large extent. That is an audit of control. They order A. B., their official, not to spend such-and-such money. That the Comptroller and Auditor-General could not do. He accepts their vouchers. His primary function no doubt is as you have described it—to see that the Appropriation as sanctioned by Parliament is carried out.

Chairman.

1181. In fact, the Public Accounts Committee was designed in order to guarantee financial regularity and audit?—Yes.

1182. But you rather argue that it is concerned also with economy?—I certainly, most distinctly hold that, and the Public Accounts Committee has itself always held that opinion, and acted upon that opinion.

Sir *Edgar Vincent.*

1183. I want rather to press the point, because it seems to me there is great danger in there being certain specified duties for the Comptroller and Auditor-General, and there being also a vague idea that he is entitled to go beyond those duties?—I think it will be found that when the Comptroller and Auditor-General could be considered to have gone in any way beyond his strict duties, it has been more by way of pointing out facts, but without drawing any inferences from them; that the Public Accounts Committee does.

1184. But under the present practice, suppose there is a case of great extravagance in one of the Departments which the Comptroller and Auditor-General does not report upon, has he neglected his duty?—I should say, certainly, if it has come to his knowledge, he has neglected his duty in not putting bald facts before the Committee of Public Accounts.

1185. And his duty, if properly executed, would have given him cognisance of this gross extravagance?—Not necessarily. It must be always remembered that the Comptroller and Auditor-General's audit is not by any means complete. He has his test audit, which he applies now here and now there, now to this period, now to that. It is not a complete audit; that is done by the Department itself.

Sir *Edgar Vincent*—continued.

1186. I think you suggested in a portion of your evidence that the two posts of Comptroller-General and Auditor-General should be separated?—I do hold that opinion. The Comptroller of the Receipts and Issues of the Exchequer (which is his proper title) was a very important person, and it was his business to control the Minister, and he did control the Minister, and he did actually prevent the Minister from doing what he wished to do before it was done, which is quite another thing from auditing the expenditure after it is made. Constantly, again and again, he refused to obey the Order of a Minister to issue certain monies. He was also the Comptroller of Receipts; it was his business to look after Receipts. When you add to those important functions, the duty of auditing, the acts of this very functionary, it seems to you put together two inconsistent offices, because now you have fused those two offices into one, and the Comptroller of the Exchequer Receipts and Issues is the same person as the Auditor-General of the Public Accounts.

1187. You suggest their separation?—I do. I do not attach immense importance to that point, but I think the proper way would be to separate them.

1188. When were they united; was it in 1866??—Yes, it was the Act of 1866 which made the two one.

1189. You state in this Memorandum that Parliament is always ready to sanction an accomplished fact. That, of course, tends to render audit after the event less effective than criticism of the Estimates previous to the event?—I think that is so in a large sense. I think criticism previous to expenditure is likely to be more effectual than audit after the expenditure. But as you will see it is a little worse in the case to which I referred. If I remember rightly I was there referring to sanction required to be given by Parliament to diversion or disappropriation of balances.

1190. You were referring to cases of excess of expenditure over the authorised expenditure?—Yes, to departures from the Appropriation Act. In those cases the expenditure has been made a long time; the money has gone, and you cannot get it back again, and you would never induce Parliament to disagree, and I do not know quite what the consequences would be if Parliament did disagree, because the money is gone; so it is not very effectual.

1191. So that, speaking generally, you would be inclined to attach greater importance to criticism previous to expenditure than to criticism after the expenditure?—Yes. Only it must be remembered (if it is not taking too fine a distinction) that the expectation of criticism after expenditure does tend to moderate the enthusiasm of those spending the money; if they knew their expenditure is going to be audited it makes them more careful.

Mr. *Lough.*

1192. With regard to your objection to this large amount of revenue transferred to the Local Taxation Account, I want to know how far you carry your objection. Do you go so far as the late Dr. Hunter went in suggesting that it is wrong to assist local rates by any amount out

Mr. *Lough*—continued.

of Imperial taxation?—I do not think it is for me to go into the policy of assisting local taxation out of Imperial funds. I am really only upon the question of accounts and control. As regards the question of accounts, I am distinctly of opinion that every farthing ought to appear in the Public Accounts.

1193. I wanted to know how far you would go if grants are still to be made to local taxation from the Central Exchequer, for instance, what is it that you wish to appear—what details do you want?—I will take, for instance, the Local Taxation Account itself. In 1890-91 there was paid out of Customs, Excise and Estate Duties to the Local Taxation Account 9,739,626*l.* My view of the way in which that should be treated is that instead of being paid to the Local Taxation Account without ever going into the Exchequer or into the Public Accounts it should be paid into the Exchequer, and should appear in the Public Accounts as receipt and as expenditure.

1194. That I understand; but what I was asking was as to the other side of it, what would you desire to have shown on the other side—simply that the 9,739,000*l.* was paid over to the Local Taxation Account?—Yes.

1195. That is all you want. You do not want to follow the disposal of it amongst the local authorities?—No, not at all. These are of the nature of Grants in Aid.

1196. All you want, as I understand, on the other side is one large sum representing the whole?—I am only dealing with questions of account and regularity of account.

1197. You do not want to pursue the details of the expenditure of the 9,739,000*l.*?—If I understand your question rightly, you ask whether I would extend my audit to the local authorities who receive this money?

1198. Yes, that is what I am asking?—No, I should say not; but, of course, I am not dealing with questions of policy at all, but only with the question of the regularity of account.

Chairman.

1199. Surely the Local Government Board do follow the expenditure of these Grants in Aid to the local authorities?—Yes.

Sir *Robert Mowbray.*

1200. With regard to Appropriations in Aid, your suggestion, as I understand, is rather to go back to the old system in which they were treated as extra receipts?—As receipts. The term "extra receipts" has, of course, a technical meaning.

1201. But what are now Appropriations in Aid were in a technical sense extra receipts, were they not?—Not all of them, I think—they were generally.

1202. The main result would be to swell the total on either side?—That is true, no doubt.

1203. Beyond swelling the totals on either side, and thereby perhaps frightening people with the idea that we were spending larger sums of money than they think we are spending at the present moment, do you think it would have any effect beyond that?—In the first place, I say you are spending that money, and you ought

Mr. *Robert Mowbray*—continued.

to tell the public that you are spending it, but my next point, and a much more serious point, is that you would then, for the first time, give the House of Commons power over Supply—you would then be called upon to Vote these Appropriations in Aid.

1204. The Appropriations in Aid are all put down upon the Estimates now, so that anybody looking at the Estimates, and taking the sums voted and the Appropriations in Aid together would get at the total cost of a Service, would they not?—That is so. If you make the calculation, you can get at what the thing comes to, but you do not vote the whole expenditure, and I say you should. Even the Appropriation Act does not show you exactly the sum expended unless you add the two totals together. It is a deception—you never get at the total amount of the national expenditure, and with regard to Appropriations in Aid, you have no control over them whatever, as the system now stands—you do not grant them.

1205. What I mean is this: the system of treating these things as extra receipts used to be in force, and was abandoned deliberately in favour of the system of treating them as Appropriations in Aid. I do not know whether you could give any further information as to the reasons which led to that change?—I do not think it can be said that the system was abandoned deliberately. It was originally sanctioned, somewhat doubtfully, in 1881, with regard to the Army and Navy receipts. Then came the crowning act, by Act of Parliament, the Public Accounts and Charges Act, 1891, which gave the Treasury power to make anything they liked an Appropriation in Aid. So that there has been a gradual increase.

1206. I only used the word "deliberate," because it was brought about by Act of Parliament?—That is so, no doubt; but I have always referred, as the charter of our financial system, to the Act of 1866, which is contrary to any such system as now exists, and which, as I have already said has been gnawed away.

1207. With regard to the second suggestion which you made for a Grand Committee to examine into the whole of the Estimates, do you think it would be possible for a Committee of 95 Members to conduct the examination of a series of witnesses?—I do not think it is impossible. In the olden times the whole House used to examine witnesses. Again and again witnesses have appeared at the Bar of the House and been examined by the House.

1208. That has been only occasionally?—Quite occasionally, no doubt. It is no doubt a large number of Members to examine witnesses, and if each Member wished to ask questions it would, no doubt, be somewhat long.

1209. I did not want to go into that question. I only wanted to know whether it was your suggestion that this large Committee should have the power to examine the Minister and all the people connected with the Estimate?—I may say that we, on the Public Accounts Committee are, I think, 21 in number, and theoretically, each Member has the right of asking questions; but, practically, as you know, it does not take so long as one might imagine it would. A good many

Members

Sir *Robert Mowbray*—continued.

Members do not ask questions on particular subjects.

1210. A Committee, such as you have suggested in the second of your suggestions would have the same power as the Committee of Supply of the House, that is to say, they could reduce an Estimate or strike out an Estimate?—Yes, but only as a recommendation to the House. No Committee has final power in this House, or could have, I take it. It could only report to the House, and then the House may agree or disagree with its Report.

1211. Leaving the strict responsibility upon the House?—Yes, certainly.

Mr. *Hayes Fisher.*

1212. I should like to ask you one or two questions as to your suggestions. The first suggestion which I find in your evidence is one which you have abandoned to-day, so I will not ask anything about it. That suggestion was to break up the present Public Accounts Committee into three compartments; that suggestion, I understand, you have abandoned?—On reflection, I should not press that suggestion, I think.

1213. I understand you to say that you are really satisfied with the work of the Public Accounts Committee, so far as its subsequent examination of expenditure is concerned?—Yes, I think so.

1214. Then your next suggestion is that the work of the Committee would be much more effective if a certain occasion could be provided for the consideration by the House of Commons of its Reports?—Yes.

1215. I understand that sometimes there are as many as six of these Reports in the course of a session?—Yes, I think this year there were six.

1216. Would you explain to this Committee at what time you would propose that the House should take into consideration those Reports. Would it be your suggestion that the House should wait until all the Reports had been issued or that they should now and again set aside a day for the consideration of a particular Report?—I think if there were one day for the consideration of the whole Reports, it would really meet the occasion, as long as there is a settled day.

1217. That day would have to be towards the end of the session?—It would, no doubt. I think the day should be settled by the Leader of the House; but my view is certainly that there should be a day. I do not think you would want six days, I think that would be more than could be reasonably asked.

1218. Pray understand that I am not in the least hostile to the suggestion. I only want to understand what it is?—Quite so. You see my point: At present very important matters sometimes are put in the Reports of the Public Accounts Committee, and then the Reports are put into pigeon holes, and no one sees or hears anything of them. I think in the case of a Committee of this importance there should be an occasion found by the House—one occasion at least in the Session—on which its Reports should be considered.

Chairman.

1219. Up to date?—Yes, I think one occasion would suffice.

Mr. *Hayes Fisher.*

1220. Would you be inclined to make it part of the Supply rule—the Standing Order—that one day should be set aside for the consideration of the Reports of the Public Accounts Committee, on the motion of the Leader of the House?—I do not care who makes the motion so long as the occasion is found; that is rather a question for the Leader of the House and the authorities of the House.

1221. So that it would, at most, add but one day to the time we now give to the consideration of supply?—That is so.

1222. On Page 68 of your evidence you stated that the method in which Supplemental Estimates are now allowed to be brought forward by a Minister undoubtedly, in your opinion, leads to lavish expenditure and great extravagance—I will read your answer. You say: "There is reason indeed to believe that the practice goes even beyond this, and that a Chancellor of the Exchequer finding towards the end of the year his revenue to be larger than he expected, and in excess of the year's needs, has allowed it to be known to the Departments that he was prepared to submit to Parliament Supplementary Estimates for expenditure not included in his original Budget scheme, and such as would swallow up the greater part of the surplus which must otherwise be surrendered, and go to the extinction of the Debt. These practices are manifestly as inconsistent with economy as they are with sound financial practice, tending as they do to a hurried and lavish expenditure, which must be got through before the fatal 1st of March, with the inevitable result that much of it must be absolutely wasted, and tending, as they also do, in the latter of the two cases alluded to, to an unsound and abusive multiplication of Supplementary Estimates." Have you any suggestions to meet that complaint beyond those which you have given us for the examination of the Estimates, or may I take it that you would think that that would be sufficiently controlled by one of the two suggestions which you have made to-day?—I think either one of the two suggestiona which I have made would have an effect; but for the remedy of such evils as may be found to be well founded in this respect I should look really to the Treasury and to the Chancellor of the Exchequer. I think they should avoid Supplementary Estimates, and certainly when there is a surplus they should avoid withdrawing any part of it going to the extinction of the National Debt.

1223. I suppose you would admit that many Supplementary Estimates are absolutely necessary?—That is so, but Supplementary Estimates upset the whole of the Finance and should never be presented unless it is to meet an absolutely new and unavoidable emergency which has arisen since the Budget. Then it is justifiable, no doubt.

1224. You do not think that the mere fact that the Service for which the Supply was taken had become more expensive would be a justification for a Supplementary Estimate?—Undoubtedly. For instance, supposing there had been a certain rise in the price of coal, that would be precisely the sort of case within what I have defined as a sudden and new emergency.

Mr. *Hayes Fisher*—continued.

1225. But I wanted to know whether you had any specific proposal to meet the complaint which you have made as regards Supplementary Estimates. I imagine in your view that is mainly met by the better control which you would establish by one of your two alternative systems which you named to-day?—I think they would have a tendency in that direction.

1226. Then your fourth suggestion was that at some time or another every Vote should be considered by the House; that would again be covered by the suggestion, No. 1, which you made to-day of submitting each of the four classes to a Committee?—Yes, an Annual Select Committee of Supply.

1227. Your fifth suggestion related to suppressing the present device of interception, I understand you would meet that evil by bringing every item both of expenditure and of revenue into Parliamentary review?—Yes, my desire is that the Exchequer and Audit Act of 1866 should be re-enacted.

1228. Would that, in your opinion, lead to much more lengthened consideration of the Estimates?—I do not think so; besides which the consideration of the Estimates is now strictly limited to the days prescribed in the Supply Order.

1229. But still there might be more Votes to be closured?—Yes.

1230. Your sixth suggestion was that the Comptroller and Auditor-General of Public Accounts should be made more independent of the Treasury, has there ever b en any complaint by Comptrollers and Auditors-General that they were too dependent upon the Treasury?—I do not know that there have been, what you may call, complaints. The honourable Member will remember that I read an extract to-day from the Report of the Public Accounts Committee of 1871. I do not know of any complaint being made, and I think in the present situation of the Comptroller and Auditor General it would be very unwise of him to make any complaint. But he is under the control of the Treasury, and in the dependency of the Treasury to a very considerable degree. I have pointed out the sections in the Act.

1231. But are not the objects of the Comptroller and Auditor-General and the Treasury the same in striving to check expenditure?—They may be entirely opposite, because the Treasury may desire to retain as one of its own items an expenditure which the Comptroller and Auditor-General may desire to disallow.

1232. But that is rather in the region of speculation, is it not; you have no instances to give of that kind, I understand?—No, I have no instances, but it seems to me manifest that that is so. An auditor should be independent of the Department he is to audit.

1233. I will call your attention to Answer 769 given by the present Comptroller and Auditor-General in which he stated that the Treasury have no power and never seek to restrain his investigations, or to check his inquiries?—Perhaps you would allow me to see the passage. I have not seen his evidence (*a Copy of the Evidence was handed to the honourable Member*). The Comptroller and Auditor-General admits that where the decision is reserved to the Treasury they would have a control over his decisions.

Mr. *Hayes Fisher*—continued.

Mr. *Bonar Law.*

1234. He mentions that rather in the way of assisting him than in the way of thwarting him, the whole of his evidence bears out that that is his opinion, I think?—I do not suggest that the Treasury is given to thwarting the Comptroller and Auditor-General, and perhaps I may be allowed to say that my firm opinion is that the great mischiefs which I think are incident to our system have only been avoided by the very high character of the Treasury officials and the high character of the Civil Service generally. I do not for a moment suggest that the Treasury endeavour to thwart the Comptroller and Auditor-General, but I am talking of their proper position, and it seems to me that the Auditor ought to be quite independent of the Treasury.

Mr. *Hayes Fisher.*

1235. If he were independent of the Treasury do you think he would have any more power than he has now to check extravagance in Estimates or in Contracts or in Salaries, or in anything of that kind?—Certainly, I do. Every added independence you give him is added power.

1236. Then I would ask you to point out in what direction would his power be increased over what it is now. Where does the Treasury come in to thwart that power which you give him?—May I ask you to look at Section 31 of the Exchequer and Audit Departments Acts, which says: "If during the progress of the examination by the Comptroller and Auditor-General hereinbefore directed, any objections should arise to any item to be introduced into the Appropriation Account of any Grant, such objections shall, notwithstanding such Account, shall not have been rendered to him, be immediately communicated by him to the Department concerned, and if the objections should not be answered to his satisfaction by such Department, they shall be referred by him to the Treasury, and the Treasury shall determine in what manner the items in question shall be entered in the Annual Appropriation Account." Now if that enactment were not there, if the power were not given to the Treasury to determine over his head he would have more power. Then again Section 29 obliges him to be content with such vouchers as the Treasury may deem to be correct. It is true the word is "may," but it is always read as "must."

1237. But practically have you ever heard of a single instance in which the Treasury has exercised the power to prevent the Comptroller and Auditor-General from calling attention to extravagance in Estimates or in contracts or in salaries, or to any irregularities?—No, I never have heard of it, but the very fact of the Comptroller and Auditor-General being, to some extent, dependent upon the Treasury might be sufficient to induce him to refrain from attempting any such thing. I hope you will understand that I am by no means attacking

Mr. *Hayes Fisher*—continued.

attacking the Treasury. On the contrary, I have the highest opinion of the Treasury officers, and the whole of the Civil Service. I think it is their high character alone that has prevented great trouble because of the incorrectness of our system; it may perfectly well be that the abuses which are capable of taking place under the present system have been avoided, but if so that has been mainly in consequence, as I say, of the high character of the officials.

1238. As you made the suggestion that the Comptroller and Auditor-General should be made more independent of the Treasury I thought it was only due to the Treasury to ask that question as to whether you had in practice known any instance of the Treasury weakening the control of the Comptroller and Auditor-General?—No, I have not.

1239. I do not propose to ask you any questions in regard to the memorandum which you have put in as to Appropriations in Aid and Grants in Aid, because Sir Edward Hamilton is going to submit a paper as to that, and I daresay you will be willing to come back again and be asked some questions about it later on?—Certainly.

1240. Now I should like to ask a few questions as to the two alternative suggestions which you put forward to-day, and I will deal with your second one first, the suggestion which you yourself call revolutionary. Did I understand you to suggest that the present work of the whole Committee of the House of Commons in dealing with Estimates should be transferred to a Grand Committee?—That is the suggestion.

1241. What would you propose about the Chairman, would the Chairman of that Committee be chosen like the Chairman of the Public Accounts Committee, by Members of the Opposition?—No, I think he should be one of the Chairmen who now take the chair in Committee of the whole House.

Chairman.

1242. You mean one of the Chairmen's panel? Yes.

Mr. *Hayes Fisher.*

1243. What procedure would you adopt?—The same procedure as is usually adopted in Grand Committees, the Committee Procedure.

1244. But I do not think that has any analogy at all; I know of no Grand Committee which is set up for the consideration of any single thing except a Bill, and there, of course, you go through the clauses, just as you go through the clauses in the House of Commons; but here how would you commence your procedure in Committee, how would you deal with the Vote?—I should put the Vote down.

1245. You would put the Vote down for discussion on that day?—Yes, exactly as is done in Committee of the whole House. When I speak of Committee Procedure, what I mean is, that a Member could make more than one speech.

1246. Would you begin by allowing somebody to move a reduction if necessary?—In case that particular Grand Committee of Supply were instituted, I think it would be necessary to

Mr. *Hayes Fisher*—continued.

allow everything to be done there that can now be done in Committee of Supply of the whole House, because it would supersede that.

1247. You would have reporters present, I presume, as at Grand Committees now?—I think so.

1248. And you would take your Divisions in the same way as you take your Divisions now?—I think so.

1249. You would allow the same number of speeches that you allow now?—Yes, I do not see how you are to limit them.

1250. Have you considered at all how many days you think you would take to get through your Estimates in Committee if you allowed full discussion to that extent?—You have taken 32 days this year including Report stages, and you might allow 40 days to the Committee. The difficulty about the Committee, of course, is the time of its sitting in consequence of the early meeting of the House. That would be a great difficulty, I think.

1251. When would you propose to examine the Minister?—I think he should attend the Grand Committee of Supply as he now attends the Committee of Supply of the whole House, whenever his Estimates were on.

1252. And he would be examined in the same way as he is upon the floor of the House, not as a witness before a Committee as I understand?—No, he would defend his Estimate as he does now.

1253. It would not partake of the nature of an examination of a witness before the Public Accounts Committee?—No, it would not resemble that; he would be a Member of the Committee himself.

1254. But do you not think there would be considerable delay in dealing with Supply in the House of Commons if we had to wait for the report of a Committee such as you suggest?—No, because you would not any longer deal with it except upon the Report.

1255. But how are you going to establish a system by which the House will give up its control over the details of expenditure; who is to decide as to which of these questions are large questions of policy and which are questions of detail?—I am perfectly conscious of the difficulty there might be in inducing the House to agree to a system of delegation of this sort, but opportunities for the House to deal with such questions would not be wanting, you would have opportunities on the Report.

1256. Do you not think that the House would be very jealous indeed of the composition of such a Committee as you have suggested?—I think it might be, but I presume it would be selected by the Committee of Selection as Grand Committees are now.

1257. Would you propose that the Committee should be constituted once and for all at the beginning of a session without any regard to the particular class of Estimates to be brought before it for the day?—There is power as you know in the Committee of Selection to add 15 Members to a Grand Committee.

1258. For the consideration of a particular Bill?—Yes, and a similar practice might be

Mr. *Hayes Fisher*—continued.

pursued with regard to each class of the Estimates; they might add 15 Members for the Army Estimates and another 15 Members for the Navy Estimates.

1259. But even supposing that were done do you suppose that the Scotch Members or Irish Members or Welsh Members would submit to the criticism of their particular class of Estimates by this Committee which contained a majority of English Members?—They submit to criticism of their particular class of Estimates by Committee of the Whole House now, and a Grand Committee, as I understand, is supposed to be a reflection on a small scale of the whole House.

1260. Do you not think that the House itself would spend a large portion of its time in discussing the composition of these Committees?—No, because they would be selected by the Committee of Selection.

1261. But surely Motions would be put down to discuss the method of that selection?—It would be difficult if the Government did not like it, I think. I do not know how I should put one down if I wanted to discuss it.

1262. Then I will take you to arrangement of the time; would you say it might be arranged just as the Committee of the Whole House says now, for instance, We will take the Scotch Estimates next Thursday, and we will take the Irish Estimates on Thursday week; do you not think there would be very great difficulty in apportioning the time between the different classes of Estimates, and the different Members interested in them;—I do not see that there would be more difficulty than there is now. I think the naming of the particular day for a particular Estimate must still be with the Minister.

1263. But do you not double your difficulty, you have first of all to name the time for the consideration, say, of the Irish Estimates in the Grand Committee, and then later on you would have to name a time for the consideration on Report of those Estimates as sifted in the first place by the Grand Committee?—Yes, but you certainly would not take so much time for consideration on Report as you now take for the Committee and the Report.

1264. But there again, are we not rather embarking in the region of speculation? You would rather hope that that would be so, but you cannot say positively?—I think it is most probable. If you have a Bill that has come from the Grand Committee it certainly does not take so long on Report.

1265. Can you yourself suggest any dividing line, between what you would regard as large questions of policy and questions of detail?—Yes, certainly; for instance you would raise on Report the question of the policy of the Foreign Minister with regard to Russia or Persia or the question of the Dardanelles, but you would raise in Committee questions of additions to the Embassy at Constantinople, or St. Petersburg, and I think the question having been raised in Committee no one would seek to raise it again on Report.

1266. I am afraid I cannot agree with you in thinking that, but can you suggest any words of reference to the Grand Committee by which they might divide all questions into questions of policy and questions of detail?—I think that would be difficult, but I should like here to repeat what I have already said, that I fully recognise that this is a subversive, or revolutionary, suggestion of mine. I have made it in consequence of the difficulty the House finds itself in now and in accordance with the principle of delegation. I think the House might very strongly object to part with so much of its powers as would be involved in this suggestion.

1267. Personally I think you would have the greatest difficulty in getting the House to part with its control?—I think that is quite possible.

1268. I am inclined to think it would only double the time which you now spend upon these questions. Now I have only one or two questions to ask on your first alternative suggestion, which personally, I think, is a much more practical one, namely, that in every four years the four classes, the Army, the Navy, the Civil Services, and the Revenue Departments' Accounts should be considered by a Committee. What form of Committee were you thinking of when you made that suggestion?—A Select Committee, as I stated.

1269. Appointed much as the Public Accounts Committee is appointed now?—Yes, probably the same number would be convenient, that is to say, 21 instead of 15, which is the usual number on a Select Committee, but 15 might answer.

1270. Would you have a different Committee for the Army, for the Navy, for the Civil Service and for the Revenue Departments?—Certainly. My proposal is that a Select Committee should be appointed every year. There would be a new Select Committee this year for the Army, and next year a separate Select Committee for the Navy, next year a separate Committee for the Civil Services, and next year a separate Committee for the Revenue Department.

1271. In framing a Committee, say, for the Army, would your idea be to put a large proportion of those specially interested in Army Expenditure or experts on the Army Accounts on that Committee?—I think it would.

1272. And that principle you would follow in the case of the Navy?—I think that would be desirable, certainly.

1273. And in the case of the Civil Services?—Yes.

1274. What would the procedure be which you would adopt for that Committee, first of all as to your Chairman?—I think it would be the ordinary Select Committee procedure. The Committee would select its own Chairman, I suppose.

1275. Would you give the selection of the Chairman to the Opposition?—I do not think so.

1276. You would not follow the practice of the Public Accounts Committee?—I have very grave doubts as to the convenience of that arrangement; however, it is the arrangement that we found and so we follow it. But this is a little different from the case of the Public Accounts Committee.

1277. You are not at all wedded to that system of choosing your Chairman for the Select Committee

Mr. *Hayes Fisher*—continued.

mittee that you are now suggesting; you would leave the choice of the Chairman to either party?—Yes, I think I would.

1278. What procedure would you propose to adopt supposing you were considering for instance, the Army Estimates?—You must remember as to this scheme that this is not a superseding scheme at all; this is an inquiring scheme. This is a scheme not for considering and settling the sums that are to be voted, but for inquiring into the whole of the Estimates of any Department concerned, and therefore I should adopt the usual Select Committee procedure.

1279. Would you take power to call the Minister himself in charge of a Department as a witness?—The Minister, no doubt, would come if desired. You would have power to call for persons, papers, and records, and that power of course is always exercised sparingly. In the Public Accounts Committee we only ask for those whom we really require, and I do not suppose a Minister would be often required.

1280. Supposing certain demands have been put forward for an increased expenditure would you propose that this Committee should ask the Minister on questions of policy, and should go into questions of policy?—That is not my notion of the functions of the Committee at all. My notion of the functions of the Committee is, that it should act with the view of acquiring financial information. The purpose of all that I have been saying and suggesting has been to improve the control of the House of Commons over the National Finances, not over questions of policy.

1281. But your questions must be directed to this point, must they not; supposing you saw an increased Estimate for the year 1903–4 over 1902–3, you must in order to obtain control and knowledge of this Estimate be allowed to ask the question, Why is there this increase in this Estimate for this year?—It is extremely difficult to lay down hard and fast lines. I should say that the proper time for such a question as that would be in Committee of the whole House, which would still deal with Supply under this suggestion. That is not the sort of question which I should expect this Select Committee to deal with. I should expect it to deal with the working in regard to the expenditure of the Department, the manner of preparing Estimates, and the manner of making contracts, but I should not expect it to go into questions of high policy as to whether you want 100,000*l.* more for the Army or not. That would not be part of its functions, I think.

Mr. *Hayes Fisher*—continued.

1282. To take one or two samples: Supposing you saw that there was a considerable increase in the Vote for the Consular Service, what questions would you put about that?—I should ask why there was this increase, I should obtain the reasons for it, and I should judge whether they were good reasons or bad reasons. I should go into the whole question perhaps of the existence of Consuls, and the methods of dealing with them.

1283. Surely, would you not get into the question of policy at once?—I do not think so.

1284. Supposing the Foreign Minister were to say to you: "It is quite true that we have asked for an increase in the salaries of our Consuls for this year—that is a matter of policy—Germany and France have raised their salaries to their Consuls; there is a great commercial region to be opened, and we must do it." Supposing that was the answer, would you propose to pass any criticism upon that?—I should say, not in this Committee, that is a matter for the Committee of Supply of the Whole House which would still exist. This Committee is a Committee of Inquiry mainly with a view to the financial control.

1285. Please do not think that I am altogether hostile to your first alternative; I am to your second, but I only wanted to see how it would work, and that is one of the difficulties which presents itself to me which I wanted you to clear up: How are you going to prevent your Committee from going into questions of policy and criticising a Minister for that policy and the expenditure which that policy entails?—That is an objection that might be made to any Select Committee sitting on Estimates. Select Committees have sat upon Estimates and have made valuable Reports very often. Of course in this case I should say I have not come here prepared with a cut and dried scheme including every detail. I have endeavoured to give you some suggestions which might improve the system of financial control and perhaps diminish the labours of the House, but I do not pretend to be prepared with a cut and dried scheme in all the details.

1286. You do not think yourself that any plan of that kind would diminish the responsibility of Ministers or of the Departments for the expenditure?—No, I do not indeed. I certainly should be opposed to any plan that would do that. Of course the responsibility of the Minister is always assumed by the House when the House has agreed to the Minister's proposal; the responsibility of the Minister is discharged so far.

Tuesday, 28th October 1902.

MEMBERS PRESENT:

Mr. Churchill.
Sir John Dorington.
Sir James Fergusson.
Mr. Hayes Fisher.
Sir Walter Foster.
Mr. Bonar Law.
Mr. Lough.
Sir Robert Mowbray.
Mr. W. F. D. Smith.
Mr. Trevelyan.
Sir Edgar Vincent.

The RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., in the Chair.

Sir FRANCIS MOWATT, G.C.B., called in; and Examined.

Chairman.

1287. You are Permanent Secretary to the Treasury?—I am.

1288. I think you have had an opportunity of reading the paper put in by Mr. Bowles, and his evidence?—Yes, except the evidence he gave at your sitting yesterday, which I have only had an opportunity of looking at since I have been here this morning.

1289. You are aware that the Committee has been appointed to consider if, and how, the control of the House of Commons over the national expenditure should be increased?—I am aware of that.

1290. I think you have not brought with you any Statement of your own upon the point we have to consider?—No, I have not brought any Statement, for I was not quite sure of the lines upon which the Committee would like to examine me. I have seen all the statements that have been made by the Treasury witnesses and by Sir Richard Awdry, and I thought they so far covered the ground that I could not help matters by putting in any Statement, but I am prepared to answer any questions that the Committee may desire to put to me.

1291. Perhaps I had better, in the first place, put to you some of the suggestions which have been made not only by Mr. Bowles, but by other witnesses, which seem fairly to cover the ground. Apart from the matters which you have told me privately will be replied to by Sir Edward Hamilton—namely, Interceptions of Revenue, Appropriations in Aid and Grants in Aid—Mr. Gibson Bowles, for one ,has suggested that a greater control could be exercised over the Estimates by the increased action of the Committee of Public Accounts; that the Committee of Public Accounts might, by sitting oftener, give a particular examination to the Estimates as well as the expenditure?—I did not quite gather whether that contemplated examination of the Estimates was before or after the Estimates had been examined by the Treasury.

Sir *Edgar Vincent.*

1292. His last suggestion was that the Public Accounts Committee should examine the accounts more thoroughly than they do now by having more frequent sittings; and in addition to that, in respect to the examination of the Estimates, he proposed that the House of Commons should appoint a Select Committee at the beginning of each Session, such Select Committee to examine one quarter of the Estimates each year?—Yes.

Chairman.

1293. And alternatively he made what he called a more revolutionary suggestion—namely, that there should be a Standing Committee on the Estimates which, sitting with the forms of a Committee of the whole House, should deal with them more at leisure, and more particularly than the Committee of the whole House is able to do?—Yes.

1294. Perhaps I had better put to you the six suggestions he made. Those were two of them. Then, further (you will find this at Question 1222), he recommended a great avoidance of Supplementary Estimates, and that "when there is a surplus they should avoid withdrawing any part of it going to the extinction of the National Debt." Then, just to sum up his other suggestions, the fourth suggestion was that there should be an Annual Special Committee of Supply; the fifth suggestion was that the Exechequer and Audit Act of 1866 should be re-enacted; and the sixth suggestion was that there should be a separate officer for the Comptroller and the Auditor-General; and the next suggestion was that the Comptroller and Auditor-General of Public Accounts should be made more independent of the Treasury. Those were his chief points. Perhaps you might first take the suggestion that the control might be increased by the Committee of Public Accounts making a more detailed inquiry into the expenditure and sitting oftener for that purpose?—That proposal would command the Treasury sympathy. We are anxious that the examination should be as close and as detailed as possible.

1295. Then would you take the same view of the proposal that, as the House might determine, the Estimates should be considered by a Select Committee, which should take up in each year specially one of the four great branches of ex-

—penditure

Chairman—continued.

penditure—namely, the Army, the Navy, the Civil Services, and the Revenue Departments? —I understand that to be before the Estimates are voted.

1296. Yes; at the very beginning of the Session? —Of course, you will understand what I may call the difficulty of relieving a Minister from the responsibility of his own proposed expenditure. He will naturally say: "If my expenditure is admitted by the Committee, there is an end of it; on the other hand, if my proposals are not accepted by the Committee, I cannot accept any responsibility for the failure of my result." I confess that, personally, though perhaps that is not wholly a Treasury matter, I regard the responsibility of the Minister of a Department for all expenditure proposed by him as of the greatest possible importance.

1297. You think such a preliminary inquiry and detailed examinations by a Select Committee would tend to diminish the responsibility of the Minister, and consequently the care with which the Estimates are revised in the Department?—I think it would also have the effect of lessening the care with which the Estimates are revised in the Departments; but I do not think that is consequent upon the other point—it does not follow upon the first point, the responsibility of the Minister. Perhaps I may put it in this way: the Departments who come to the Treasury for examination of their Estimates are very well disposed upon the whole, certainly of late years, to accept our criticism, and to withdraw any expenditure against which we can make out a good *primâ facie* case; but our power would be a good deal gone if they had a Court of Appeal in the shape of a Parliamentary Committee. They would say to us: "Well, we are not disposed to accept your final decision; we shall wait for the Parliamentary Committee." The result of that would be that much more expenditure, at any rate, would make its appearance before the Committee than at present. The Committee, of course, would criticise it as we criticise it; but I should say that for a good deal of what I may call the technical expenditure, that Treasury criticism, with the means at their disposal, would perhaps be at least as efficient as that of the Committee.

1298. I suppose you would say that the alternative suggestion with reference to a Special Standing Committee examining the Estimates instead of the Committee of the whole House is rather a matter for the House itself to consider?—Yes, that is a matter that the Treasury would have no views upon.

1299. Then what should you say as to the proposal to separate the duties of the Comptroller and Auditor-General?—The duties of the Comptroller are so infinitesimal that it appears hardly a practical arrangement to appoint an officer who, to carry authority, must be of the highest class for work which probably would not take him an hour a week. The question of the division of the two offices was very fully debated by the House of Commons. You will recollect that Lord Monteagle raised the question, and the House, as I recollect, deliberately considered that there was no practical importance in the matter, and that they would not accept it. Our view at the Treasury has always been, and I think it was the view of those who prepared the Exchequer and Audit Act, that you could not by any arrangement prevent error or misapplication of money beforehand, and that your great object should be that whatever errors or whatever inaccuracies were committed were brought to book afterwards. Now, if you take the Comptroller's power of issue, it is not a control of discretion at all. He has simply to see that the Act referred to in the schedule of the proposed issue gives the power, limits the amount, and fixes the time; and those three conditions being fulfilled, his discretion is at an end. If, by any possibility, he were to overlook an Act or to make a mistake in the matter, it would come before the Public Accounts Committee, and the Public Accounts Committee could draw attention to it, and so far as I am aware that would fulfil the intentions with which the Exchequer and Audit Act was passed. Therefore, personally, I could not say that I should see any practical advantage in dividing the two offices.

Chairman—continued.

1300. Do you agree that the Comptroller and Auditor-General is to any extent under the control of the Treasury?—No. I saw that statement with some surprise. Parliament in creating his office followed the lines of the appointment and tenure of the judges, which has always been regarded, I think, as the best possible tenure for ensuring absolute impartiality. He is appointed by the Crown; he is paid from the Consolidated Fund, so that Parliament cannot interfere with him, except by a joint address of the two Houses, and the Treasury has absolutely no power over him.

1301. He is not removable except by an address of the two Houses, and his assistants are not removable except by himself?—Yes. I should point out that the terms of the Exchequer and Audit Act are that the Treasury should appoint the officers; but we have been so anxious that there should be no question of Treasury interference in the matter, that they are appointed by open competition. Anybody can apply to be examined, and the best man in the examination, provided that his health and character stand the test, has the right to be appointed, and the Treasury has no word to say about it either directly or indirectly.

1302. In your experience, have the Treasury ever weakened the control of the Comptroller and Auditor-General?—Never. If I may be allowed to say so, we do not regard ourselves as criminals for whom he is the police, but that we are branches of the same police force, and therefore we support him in every way in our power.

1303. You exercise as great a control as you possibly can upon the Departments?—Yes, upon the departments.

1304. But, as has been stated to us, your control is necessarily less over the War Office and the Admiralty, who have their own accounting officers?—Yes. The Treasury control, in theory, is much less. The Army and Navy expenditure depends so much on policy that a detailed examination of their Estimates by the Treasury has never been, or at any rate not for many years, very close. I think, however, I ought to say this: before the Estimates make their appearances

Chairman—continued.

ance the substance of them is discussed not only in the Cabinet, but directly between the Chancellor of the Exchequer and (taking the case of the War Office for the moment) the Secretary of State for War. I am bound to say that the War Office have for many years treated us with the most absolute frankness. Whether we have power to do it I do not know, but for some years now I have been commissioned by the Treasury to go over with Mr. Chalmers and see or correspond with the different heads of the Departments in the War Office, and the proposals which subsequently appear in the Estimates are very carefully canvassed as far as ordinary common sense suggests, and therefore the apparent want of examination of their Estimates is a great deal more than the reality. They are very willing that Inter-departmental Committees should examine into every proposal. For instance, Mr. George Wyndham, myself, and Mr. Burls were appointed a Committee to go into the reserve of guns and *matériel* for the Army. No one could have been more frank or shown a greater desire to place their whole case before us than the War Office. I am bound to say that the examination resulted in a very considerable reduction of the proposed expenditure, but it was accepted perfectly willingly by the War Office; and I think it would have been hardly possible for a Committee to have more complete information placed at its disposal. I quote that as an illustration, but it has happened in regard to many of the larger proposals.

1305. Take a large proposal; for instance, works to be made, such as docks and a harbour at Gibraltar or Dover, which has been resolved on by the Cabinet as a matter of policy—I presume the Treasury can form no opinion as to the sufficiency or the moderation of the estimate in a case of that sort?—I will not say "No opinion," but it certainly could not form a very responsible opinion. I will take, for instance, Gibraltar, for that is a very complicated and difficult question. I should like, if I could advise such a thing, some plan by which a somewhat more responsible examination could be made; but I confess, after trying a great many plans, I have been unable to devise one. The position, I believe, is this: First of all the naval authorities of the Admiralty say that a system of fortification of the harbour is necessary. Then the expert officers of the Admiralty prepare a scheme and plans, and they prepare an estimate. That estimate is no doubt examined as closely as they can examine it, but there are extreme difficulties in getting the highest engineering authorities to review each other's proposals.

Sir *Walter Foster.*

1306. Do you mean authorities connected with the Navy or the public service?—No, I was alluding to any proposal for submitting the schemes of the Admiralty or the War Office experts to the criticism of the authorities of an open profession.

Chairman.

1307. In fact, I gather your meaning to be that the Treasury could hardly apply to the engineering profession, or avail themselves of its assistance, without trenching on the duties of the Departments?—Yes, I should say it was not really within the discretion of the Treasury to criticise expert schemes of either great public buildings or works for the Army or Navy.

1308. Then do you see difficulties in the way of a Select Committee of the House of Commons reviewing an Estimate for great public works in advance, before they have been stated by the Minister to the House? What I mean is this: If the Select Committee which has been proposed is to sit at the very beginning of the Session upon the Estimates which are to be submitted to Parliament, that would necessarily be before the Minister had submitted them as now in Committee of Supply?—It would be the general scheme only that they would consider, because, of course, the details would not be drawn out or the tenders would not be obtained until after Parliament had accepted the proposal.

1309. And in that way it would be a matter of policy?—It would be a matter of policy.

1310. I gather from what you said just now that you attach great importance to nothing being done which would relieve the Minister of a Department from responsibility in connection with his expenditure?—Yes. I think that that is of the first importance.

1311. And the ground upon which the large expenditure is based would probably be of a very confidential character?—It might. There might be many proposals which the Committee could examine perfectly well.

1312. Can you make any suggestions to the Committee by which the control of the House of Commons over the expenditure would be made more complete?—The only proposal that has ever occurred to me is that a Committee might take up the total expenditure on a completed service, or a particular Estimate of the year preceding, and follow that out; this is to say, after the Cabinet has agreed upon it, and after the Treasury has threshed it out and the thing passed, you would then have accumulated material for the examination by a Committee which would enable them to get very closely indeed into the question of necessary or unnecessary expenditure.

1313. That would be in regard to Estimates passed in a previous Session?—Yes; if the Estimates which had been passed and as to which the money had been provided and the work done during a previous year came before a Committee, they would have materials for examination; and on the same principle that the Comptroller and Auditor-General brings any errors or mistakes to light by bringing the matter before the Public Accounts Committee. I have no doubt a Committee of the House of Commons, taking up any one Estimate, or, if necessary, any one great item of expenditure in an Estimate, could examine it very closely, and no doubt with excellent result.

Sir *Robert Mowbray.*

1314. That would really be an extension of the present work of the Public Accounts Committee?—Except that as regards actual policy, such a Committee could go much closer into it, I consider, than the Comptroller and Auditor-General can.

1315. The

Sir *Robert Mowbray*—continued.

1315. The Public Accounts Committee rather tends to widen its sphere of examination now?—No doubt.

1316. And your proposal is to widen it still further?—It might be done by the Public Accounts Committee itself or by a sub-committee.

1317. I am not suggesting that it should be done by the Public Accounts Committee?—No doubt the examination is very much in that direction, but I think it might carry its examination of particular items further than the Comptroller and Auditor-General can.

1318. But, of course, the Public Accounts Committee does not consider itself limited to points raised by the Comptroller and Auditor-General's report?—Certainly not.

Chairman.

1319. I understand you have no suggestion to make as to the House of Commons gaining increased control by a preliminary inquiry—that is, an inquiry in advance of the Estimates?—I should be very glad to see that, but I am afraid I have no proposal to make.

Sir *Walter Foster.*

1320. With regard to your view about the responsibility of the Minister, do I understand you to say that the Minister being responsible for the expenditure of his Department, and having discussed it with the Treasury, would feel that a Committee afterwards examining the whole expenditure of his Department, would be a kind of Court of Appeal for him against the decision of the Treasury?—No, it is not a question between him and the Treasury, I think; but it occurs to me he might say, "I propose to Parliament, with the assent of my colleagues, a certain measure of expenditure which I think necessary, and I am responsible for that." The inquiry you have alluded to in the Treasury is preliminary to his putting his proposal forward. When he puts forward his proposal to Parliament he puts it forward primarily on his own responsibility, and ultimately on the responsibility of the Cabinet. If a Committee of the House of Commons takes that proposal and says, "We will go into this, and we will see whether we think it desirable either from the political side or from the expenditure side," that Committee really overrides the responsibility of the Cabinet.

1321. That would only refer to policy, not to departmental expenditure?—If you could keep departmental expenditure apart from policy, then, I think, there would be no objection to such an inquiry, beyond a certain amount of delay; but, although in many items of expenditure you might so distinguish it, you would continually come across items of expenditure in an Estimate where you could not shut out political considerations.

1322. That is quite true with regard to increased expenditure in a Department consequent on new legislation or policy connected with new legislation; but all that expenditure now comes before the House of Commons after it has been estimated and the policy practically recognised. What we are trying to get at is, whether a careful analysis of all that expenditure by a Committee of the House in four years would not have a tendency to check waste and to find out sometimes superfluous expenditure which might possibly exist?—Certainly. If you can confine it to expenses of administration, then I entirely agree with that.

Sir *Walter Foster*—continued.

1323. So that your objection to this suggestion of Mr. Bowles's would mainly rest upon it as affecting expenditure connected with policy and not administration. Might it not in some respects be rather a strengthening element for the Treasury itself to feel that after your purview or your general review of the expenditure, say, of the Local Government Board, it would come under the careful analysis of a Select Committee of the House of Commons?—It would tell both ways, I think; it would to a certain extent lessen the responsibility of the Treasury, but, no doubt, indirectly it might be of assistance to the Treasury to get a decision of their own supported.

1324. You are acquainted no doubt with the procedure of Grand Committees in considering Bills passing through the Committee stages; do you think that a Committee of that kind would be as effective a method of controlling expenditure as the present Comittee of the whole House?—What you mean is, as I understand, preliminary to the Estimates being taken.

1325. Yes, or practically it would be in lieu of the review of the Estimates by the whole House—it would only be subject to the review of the whole House on report. Do you think that that would be as effective a method of control as the Committee of the whole House as at present?—I think that is hardly a question for me to give an opinion upon. Personally, I should say: Yes, it would be as effective.

1326. You think that the more deliberate procedure, possibly upstairs, or the more lengthened procedure might be an advantage?—I think I would rather not express an opinion upon that point; it is hardly a question for me.

1327. In regard to the Comptroller and Auditor-General, do you think his powers might be enlarged?—In what direction?

1328. In the direction, for instance, of making them less mechanical and less automatic—as to whether he might not have more judicial functions than he has at present?—You mean judicial functions as regards the policy of expenditure.

1329. And as regards administrative expenditure. Do you think that is possible in any way?—It would be possible, but I think his Department would have to be so very much enlarged that it would be extremely difficult to manage. I should say, speaking practically, the examination by the Treasury and the subsequent examination by the Comptroller and Auditor-General, and the power of bringing to the notice of the Public Accounts Committee the result of those two examinations, carries examination as far practically as you can carry it.

1330. And exercises a sufficient check?—I think so.

1331. You have suggested the consideration of Estimates in the year after expenditure and their

Sir *Walter Foster*—continued.

their comparison with former years, and possibly the immediately following year, as a useful method?—I should like to suggest as an alternative the examination of the expenditure of a particular Service. We have mentioned, for instance, the Gibraltar Works. I can well conceive that when those works are wholly or nearly finished an examination by a Committee of the House of Commons into the whole history of their expenditure would be extremely valuable.

1332. As showing possibly where money has been wastefully expended?—As very possibly suggesting what I have said I have been unable to devise, namely, some better method of expert control.

1333. That, you think, would apply also to other things not so much in the nature of public works?—Great public works are the real subject of difficulty. Questions of establishment and similar questions are very easily dealt with by comparison. To take another example—take any one of these great public buildings, as, for instance, the War Office buildings here—that will take three or four years to finish perhaps, but the whole story of such an expenditure from its inception to its conclusion would afford a subject of very useful examination by a Committee of the House of Commons.

1334. You think in that case the experience to be gained by such an analysis would result in making people more careful in future?—It would put us in a very much better position for criticising. We should learn a very great deal if we got the history of one piece of expenditure from beginning to end.

1335. As it is, we do not learn anything from our mistakes, because we do not examine into them?—I do not say that we learn nothing, but I think we should learn a very great deal more from such an examination as that.

Mr. *Churchill.*

1336. You consider that the business of the Treasury, apart from policy, and representing how much money it is wise or not wise to spend, is to find out waste by all official legitimate means?—Yes.

1337. And not only to find out waste, but to canvas unwise expenditure?—Yes.

1338. I gather that you think your control over the Army and Navy Estimates and over technical matters is necessarily weaker than it is over matters which are merely matter of account?—It is less complete.

1339. You said yourself just now that you had cast about in your mind for a method of making a more responsible examination of the proposals which were made?—Yes.

1340. Do you think that it would be possible for the Treasury to retain the services of certain experts, and do you think that the fact that they were, as it were, retained by the Treasury for occasions when they were needed would overcome the professional objection to renewing the opinions of other experts to which you have referred?—I am afraid in practice there would be considerable difficulty in that. First of all, you would require experts to deal with each class of expert expenditure, as, for instance, guns, ships, and buildings. I do not

Mr. *Churchill*—continued.

think that one Department like the Treasury could ever carry weight enough to enforce that sort of examination on those points. To take guns, for instance, a Committee of the best experts that the Army can get together is continually sitting on guns. They may propose an alteration in guns which is very expensive apparently, and a number of guns which appears to an outsider to be very large. In order to criticise that proposal with effect, you must have experts of an authority which it would be very difficult for the Treasury to get, or very difficult for the Treasury to utilise; and there again you would have the responsibility of the Secretary of State for War, who would greatly resent that sort of criticism. When you get to extremely technical and professional proposals for expenditure, I doubt whether in practice the Treasury would be able to enforce the views of their experts.

1341. I was not suggesting that the Treasury should avail itself of this expert staff for the purpose of overruling, by means of that staff, the other experts who had been previously consulted, but merely for the purpose of informing the Treasury of the weak points in the case presented by those experts, so that the criticisms of the Treasury might be as far-reaching in effect as possible. I suppose that now you do, in fact, informally consult a good many people who can help you make your criticisms upon the Estimates effective?—We do the best we can, but I do not think the Treasury ought to be an authority on extremely technical or scientific proposals. The side of those proposals that affects ordinary expenditure we do criticise, I think, fairly well, but there must be a branch of criticism which is outside the Treasury; we could not assume an omniscience of that sort.

1342. You do not feel that your powers need strengthening in the direction of technical criticism, or that, if it did, it would be practicable now to extend it?—If we are to exercise authoritative criticism on technical and professional points of that sort, certainly our power is not strong enough now, and would have to be greatly strengthened; but I do not think it would be possible for the Treasury to be a scientific critic of the larger professional proposals—as, for instance, the nature of a great ship, or the question of fortification of the land side of home fortifications. Things of that sort are really outside Treasury criticism.

1343. In fact, as regards those matters you feel yourselves in the hands of the experts, and you see no way in which you could get out of the hands of the experts?—I am afraid that is so.

1344. Are the official relations of the Treasury with the Comptroller and Auditor-General usually of a friendly nature? Is there ever any clashing of their functions?—I think I may say never. Of course, the Comptroller and Auditor-General questions the action of the Treasury occasionally, and if he differs from them, and if we do not come together, he would bring the difference before the Public Accounts Committee; but the question of audit and examination has become almost an exact science now, and the objects of the two departments identical

Mr. *Churchill*—continued.

being identical, practically there is never any friction.

1345. There is no jealousy or impatience on the part of the Treasury of the control of the Comptroller and Auditor-General?—Not in the least—we look upon the Comptroller and Auditor-General as our greatest support.

1346. And you welcome his support?—Yes, we should certainly see his powers increased (if a legitimate increase could be devised) with a great deal of pleasure.

1347. How does the Treasury feel towards the Public Accounts Committee?—In exactly the same way; the closer and the more extensive their inquiries the better the Treasury is pleased.

1348. Do you think that the influence of the Public Accounts Committee in regard to economy and scrutiny generally is a strong one?—Very strong.

1349. Do you think, for instance, in regard to economy and scrutiny it is actually more regular and efficient than that exerted by the House of Commons in Committee of Supply?—Yes, I think it is, and for this reason, that the questions that arise generally now are questions of detail or questions of scientific accounting, and the Public Accounts Committee has greater opportunity and much more leisure to take up these small points, which are small of themselves but important as matters of principle, and run them to ground than the House of Commons could have.

1350. I suppose the Public Accounts Committee is in a much better position than the House of Commons, because it can hear witnesses and examine officials, and it is served regularly and continually by a great public department under the Comptroller and Auditor-General?—Yes.

1351. Now, with regard to the influence of the House of Commons, I gather you think it works not always regularly in the direction of economy?—Not invariably.

1352. I suppose you must have noticed, in reading the discussions in Supply in the House of Commons that very often the House is led away into a discussion on some subject which perhaps is not a good one for discussion? They think, for instance, they have found some scandal—which perhaps is not in reality a scandal; whereas there may be some other very much weaker point in the Estimates of that particular Department which the House of Commons knows nothing about, and consequently, is unable to pursue?—I will not carry it further than my last answer—that I do not think they have the opportunity for close and detailed scrutiny which the Public Accounts Committee possesses.

1353. Have you been able to look over some of the evidence given at the previous sittings before this Committee?—Yes. I have not read Mr. Bowles's last evidence, or only so hastily that I should not like to criticise it, for I only received a copy of it just as I came here; but up to that I have been through all the evidence.

1354. Then you are familiar with the idea which has been several times referred to in the evidence, that expenditure after it has occurred may be examined in two ways, namely, in regard to the merit of the expenditure and in regard to the audit of the accounts; do you think that if on the one hand you exclude policy, which is in the domain of Parliament and the Cabinet, and if, on the other hand, you exclude audit strictly interpreted, there is between those two a middle field which for the sake of convenience we might call merit; or do you consider that everything that is not audit must be intermingled with policy?—Certainly not everything. There are a good many things which are fairly described as necessary expenditure, and the question whether there is extravagance, or not extravagance, in a very large number of instances is not a question of policy at all.

1355. And would not be covered by audit?—And would not be covered by audit. The Comptroller and Auditor-General, as I think he stated to the Committee, feels it to be within his provence to call the attention of the Public Accounts Committee to any expenditure which appears to him unnecessary or improper, but of course he has not the opportunity of testing that even as completely as the Treasury has.

1356. I gather that the control of the Comptroller and Auditor-General is defective, in that his first duty is to deal strictly with audit, and it is only if, in the course of pursuing his investigations into audit, he comes across something that is evidently unnecessary expenditure, that he draws the attention of the Public Accounts Committee to it?—Yes; and I should add that his power is limited to drawing the attention of the Public Accounts Committee to it. He cannot himself object to an expenditure as improper if it be properly vouched. The voucher is conclusive for him. All he can do is to call the attention of the Public Accounts Committee to a charge which appears to him to be improper, and leave them to take what action they think right.

1357. So that at present the Comptroller and Auditor-General's Department is not constructed with a view to examining the merit of expenditure?—No.

1358. Any work which he does in that direction is only of an incidental and, I might almost say, unwarranted nature?—I would not say "unwarranted," because the words of the Act of Parliament are that he may report upon the accounts.

1359. Do you think it possible that his Department should be so modelled or so extended as to be able to deal with these questions of merit that arise?—I think if that were done the Department would become too large and unwieldy for any single department. Take, for instance, the question of official establishments; if the Comptroller and Auditor-General had so very large a staff as that he could examine into the staff and duties of the whole of the Local Government Board establishment, which is very extensive, and express any opinion so authoritative as to carry weight, it would first of all remove a great deal of the Treasury work from the Treasury; but it would be too large a thing for one Department to manage.

1360. I was not suggesting that the Comptroller and Auditor-General should have to give an

Mr. *Churchill*—continued.

an opinion which would necessarily of itself carry weight. I was thinking of him rather as an official who supplies a Parliamentary Committee with information, and that the Parliamentary Committee would then give the requisite and necessary pressure and power?—But, taking a concrete example, such as I have mentioned, if you will accept that, how could he call the attention of Parliament to the fact that the establishment of a Department appeared to him somewhat larger than the work of the Department required, or to the fact that the salaries of the higher grade of officials were larger than he thought desirable. In order to enable him to call attention to points of that sort with any authority which would entitle him to the attention of the Committee, he would require a very large staff indeed.

1361. The idea I had in my mind was that the Comptroller and Auditor-General's Department should be continually and repeatedly turning over in their minds questions of merit as well as of audit of accounts, and that from time to time, at the meetings of the Public Accounts Committee, he should bring before the Public Accounts Committee the very best specimens which his researches had procured, and then that would leave to the Public Accounts Committee the responsibility of reporting upon any case duly to the House. Does that strike you as an impracticable course of procedure?—I should say if that were done at all (and I see difficulties in the way, I confess), it would be better done by a report from the Treasury to the Public Accounts Committee.

1362. Would it be possible to have an officer from the Treasury permanently for the purpose of reporting to the Public Accounts Committee such things as in the opinion of the Treasury they could deal with?—No, I would not say that, I do not recommend that, but it would no doubt be possible for the Treasury to call the attention of the Public Accounts Committee to an apparent increase of expenditure, and say: "This is a matter which we have gone into as well as we can, but the Public Accounts Committee might think it desirable to pursue it further." I think if it were done at all (as to which, as I say, I see considerable difficulty), I think it would be done more naturally, and probably more efficiently, by the Treasury than by the Comptroller and Auditor-General, because the necessary information is more continually before us.

1363. Has the Treasury at present any channel of communication with the Public Accounts Committee?—No.

1364. None whatever?—Not directly, but an official of the Treasury is always in attendance to afford the Committee any information for which they may ask.

1365. And no information which the Treasury procures ever comes before the Public Accounts Committee?—Unless, when the Accounting Officer of the Treasury is before it, he is asked questions.

1366. Does the Treasury draw the attention of the Comptroller and Auditor-General to any matters of this kind of merit?—No; it fights its own battles.

1367. So that the Public Accounts Committee, in regard to information on the merit of expenditure, is only imperfectly served by the Comptroller and Auditor-General's Department as at present constituted, and is not served in that direction by any other Department of any kind?—I have no doubt, if the Public Accounts Committee intends to take up the criticism of what you describe as merit in expenditure, arrangements must be made to supply it with a great deal more information than it has at present. Whether, in such a case, the Treasury would be the proper Department to afford the information may be a question, but I think it would afford it better and with greater ease than the Comptroller and Auditor-General.

1368. Would it, for instance, be an advantage to the Treasury if they were able to say, "We do not feel that we can resist this demand for expenditure on this head after the case which the Department has presented, but we will say this about it, that it must be a matter that we shall report to the Public Accounts Committee," assuming the existence of some such machinery as has been suggested?—Assuming that the Committee is going to undertake to report upon the merits of expenditure, then some such course would be necessary, but at present I do not think the Public Accounts Committee does consider itself called upon to report generally on the merit of Departmental expenditure.

1369. Would the Treasury object to the idea of an extension of the functions of the Public Accounts Committee into the realm of merit?—No; I do not think, as Treasury, it would object. I think it really is a question for the Cabinet more than for the Treasury.

1370. I suppose it would not be practicable for such a Committee, so extended with regard to merit, to examine Estimates in regard to merit before they were presented to Parliament—the time would be insufficient, I suppose?—I do not think you would have time.

1371. Of course, that would weaken Ministerial responsibility if it were done?—It would weaken Ministerial responsibility. Really detailed criticism of a large Estimate is a very elaborate business indeed, and it would take a Committee a very considerable time to go through.

1372. But I suppose there would not be any harm in their going through it a year afterwards?—Certainly not.

1373. And the certainty of subsequent criticism and searching subsequent examination would, you think, exercise a deterrent effect upon unwise expenditure?—Certainly; or I will not say it would exercise a deterrent effect, but it would make the departments more careful.

1374. There has been a very large increase, has there not, in expenditure in the last seven or eight years?—I am afraid that is within the general knowledge of the Committee.

1375. The increase has been much more rapid, has it not, than it has ever been before?—It has been very rapid.

1376. Under ordinary circumstances, in former years, before this latter period, I suppose any new item of expenditure has been very severely criticised by the Treasury and examined with great care?—I think it is still criticised with great care.

1377. But do you think this great volume of increase,

Mr. *Churchill*—continued.

increase, which has been such a feature of the last few years, has been subjected to the same severe and searching scrutiny by the Treasury as the increases of the former and more moderate times?—Yes; I am in hopes that it has never been more closely scrutinised.

1378. You do not think that the rapidity with which these accessions to our Estimates have taken place have interfered with the efficiency with which they have been scrutinised?—No, I think I may say, pretty confidently, not. The great increases which there have been in the fighting services and in education are really the result of Parliamentary decisions, but I think they have been scrutinised—I am, at least, in hopes that they have been scrutinised as closely as they have ever been.

1379. Surely that must have meant an immense increase of work in the Treasury?—Yes, it has meant an increase of work.

Sir *Edgar Vincent.*

1380. What is your general opinion upon the present system of control over the national expenditure? Do you consider it efficient and adequate?—No doubt Parliamentary examination in detail would have a deterrent effect on the growth of expenditure.

1381. But do you think the absence of Parliamentary scrutiny in detail has been a contributing cause to the recent increase of expenditure?—That must be a matter of opinion. I do not doubt that the closer the criticism of expenditure in Parliament the less that expenditure will tend to grow.

1382. You said just now that the Committee on Public Accounts has opportunities of close scrutiny, which the House, as a whole, in Committee of Supply, does not possess?—I think so.

1383. And, therefore, their examination is more effective?—I think that is so.

1384. That, of course, applies to the Accounts. Now, applying the same principle to the Estimates, is it not true that the examination by a Select Committee, such as that suggested by Mr. Bowles, would also be closer and presumably more effective than the present examination in Committee of Supply? To explain my meaning, let me add this: Would not the Select Committee suggested by Mr. Bowles for overhauling one class of the Estimates each year be analogous to the Committee on Public Accounts; my suggestion to you is that the examination by that Select Committee of the Estimates would be similar in character to the examination by the Committee on Public Accounts of the accounts of the year?—I have no doubt, viewed merely from the point of view of examination, that would be so. Whatever objections there may be to it I should think it probable that a Committee sitting, like the Public Accounts Committee, on the Estimates, would come closer to them than a Committee of the whole House could.

1385. Turning to the objections, you said you thought such a Select Committee would diminish Ministerial responsibility?—Yes.

1386. But do you think that an examination of the Estimates by a Committee preparatory to their examination by the whole House on report would diminish Ministerial responsibility more than the examination by the House

Sir *Edgar Vincent*—continued.

itself?—Not if it took place subsequent to the presentation of the Estimates to the House. Once the proposal of the Government is before the House, then I should say (although, of course, it is a matter of opinion) that a Select Committee would come closer than a Committee of the whole House.

1387. And that a detailed examination by such a Select Committee, subsequent to the presentation of the Estimates by the Minister, would not diminish Ministerial responsibility?—No, I think not. But I think I should point out that a Minister would be likely to object to tender himself for examination by a Committee. It would be difficult to exclude considerations of party.

1388. You also said that the fact of the establishment of such a Select Committee might diminish the care of the Department itself?—Yes. I was alluding to a Committee who should in some way frame the Estimates. It would not affect the Treasury position at all if the examination did not begin until the Estimates had been adopted. Perhaps I did not make myself clear as to that.

Chairman.

1389. You mean adopted by the Department, not adopted by the House?—No, I mean after they have been presented to the House.

Sir *Edgar Vincent.*

1390. To make things quite clear, let me put this: Assuming the proposal of a Select Committee to examine the Estimates subsequent to their presentation to the House by a Minister, to such a Committee would you see any objection, speaking as representing the Treasury?—No; I see no Treasury objection.

1391. Do you see any objection other than Treasury?—Well, it is really a Parliamentary question as to how such a Committee would work.

1392. What I meant was, rather, do you see any objection from the point of view of efficiency and economy?—No, I do not.

1393. Do you consider that it would be advantageous?—In so far as the examination was closer, I think it would be. I understand that the findings of such a Committee would still come before the House for review.

1394. Quite so. Now, regarding the financial control over the Civil Departments, which are directly under the Treasury, and the financial control over the Military Departments, I take it that there is a distinct difference in the efficiency of the financial control exercised?—As regards the Military Departments, I should draw a distinction. It would not be so as regards what you may call the Establishments, as, for instance, the number of the clerical establishment or the number of officers required to superintend at Woolwich. In all those matters the Treasury control is as close as in the case of the Civil Departments; but as regards the larger items of expenditure, as, for instance, the number of men, the supplies of the Army, and so on, there the Treasury control would be less, and certainly less complete.

1395. Do you see any plan of levelling up the Treasury control over the Military Departments to the level of its control over the Civil Departments?

Sir *Edgar Vincent*—continued.

Departments?—No, except with a great increase of work. But so much of the Naval and Military expenditure is, if I may use the expression, tainted with politics, that I can easily see that there would be serious difficulties in putting it before the Department of the Treasury for examination.

1396. You have referred to the action of Inter-departmental Committees as being extremely satisfactory. Would you suggest the development or the systematising of those Inter-departmental Committees?—They are very much developed now; it is extremely difficult to find time for sitting on them.

1397. But do they form at present part of the regular system of administration, or are they dependent merely upon the whim of the Minister of the moment?—Probably, if some discussion takes place in the Cabinet as to a particular expenditure, one or other Minister may say, "You had better get two or three people together from the Departments to look into it." That is carried so far now that, personally, I do not see how it is possible to carry it any further.

1398. My suggestion would be that given Votes, for instance, or given Estimates in the regular course of the annual business should be submitted to an Inter-departmental Committee?—I think it would be better not to draw a hard-and-fast rule. I quite agree that the machinery of Inter-departmental Committees is the most efficient way of examining into disputed questions of expenditure; but I am bound to say it is carried to such a length now that I do not see how you can carry it any further. To take my own case, for instance, I do not think my time now is spent inside the Treasury.

1399. But you consider the system of Inter-departmental Committees as tending to efficiency and economy?—Certainly.

1400. Regarding the functions of the Comptroller and Auditor-General, there appears to be some divergency of opinion respecting his duties. So far as I can gather from the Exchequer and Audit Act of 1866, and from his Reports, he is limited to reporting upon the proper appropriation of the moneys expended?—Yes.

1401. And he has no definite duty of expressing an opinion either respecting merit or extravagance or economy?—No specific duty unless you hold it covered by the words, "Report on the Accounts."

1402. Do those words, "Report on the Accounts," in your judgment, confer a right to point out to the Committee of Public Accounts all cases of extravagance?—As a question of legal construction, personally, I should have questioned it; but it is not of importance, I think, as all the Departments recognise it. I never knew a Department complain of attention being drawn to questionable expenditure.

1403. That is, one may say, the accepted view of the meaning of the Exchequer and Audit Act?—Yes, or, at all events, it is the accepted view of the practice that has grown up under that Act.

Sir *Edgar Vincent*—continued.

1404. Accepted by all parties?—Accepted by all parties.

1405. And you consider that view is a wise one in the interest of national finance?—Certainly, provided it is not carried too far. If a Comptroller and Auditor-General were to set himself up as the central authority for reviewing expenditure generally and the necessity of it, no doubt it would create great friction, and the thing would have to be brought to the test of Parliament; but, so far as it goes, it has always been accepted, in my time at least, with willingness by all the Departments.

Mr. *Trevelyan.*

1406. I wish to ask one or two questions as regards the different treatment of the Civil Service Estimates and the Estimates of the War Office and the Admiralty. You say, and it has been said generally, that the Military Estimates are either more technical or political, as the case may be, than the Civil Service Estimates?—Large parts of them.

1407. Are they really more so in their nature than some of the Estimates which come under the Civil Service Estimates, as, for instance, the Post Office?—I think so.

1408. At any rate, there is a great part of the Military Estimates which are of the same nature as the Civil Service Estimates, and which yet you have not got the same kind of control over. Take, for instance, the methods re regimental accounts, do you have any suggestions to make to the War Office with regard to the methods of the detailed expenditure in the Army?—Yes. There are two things to be considered: There is the sum of money which is put in the Estimates, and there is the sanction of the particular action which gives rise to the expenditure. If you take those accounts of the Paymaster, that matter is discussed with the Treasury, and so far as the expenditure goes the Treasury decision is final. They say: "We want so many men, and we want them to do such and such a work." But the Treasury may say: "No, that is not the right way to do the work. You shall have a different organisation, and we will pay for that." All that part of the Military or Naval expenditure is already controlled by the Treasury exactly the same as Civil Service expenditure of the same sort.

1409. Then what part of the Military expenditure is it that is not controlled in the same way as the Civil Service expenditure; is there anything except the big contracts?—I should say, for instance, guns and the number of men, or questions of the increase of pay of the men, although even those questions are carefully canvassed before they get into the Estimates. But, as I say, you must draw a distinction between them. As regards the different items of expenditure, the Treasury control is pretty much the same as in the case of the Civil Service. But the general Estimates of large expenditure depend upon questions of policy, and that part of it is accepted *en bloc*, or, rather, I will not say *en bloc*, because a great deal of friendly communication takes place with the Department; but it is so in theory.

1410. In

Mr. *Trevelyan*—continued.

1410. In the case of contracts, do you have as much supervision over the contracts in the Army and in the Navy as you have over the contracts in the Civil Service? To put my question in another way, assuming the Post Office had for some reason to increase its contract expenditure largely, owing to a war, would you be able to exercise a closer supervision over that exceptional contract expenditure under the Post Office than you were able to exercise over the exceptional contract expenditure of the Army in the recent war?—You must remember that the whole supply of the Army is carried out by innumerable contracts. They have a Contract Department, and for every single contract which a Civil Department would enter into, the War Office probably enters into 150, and it descends into the smallest possible items. For instance, on a Committee on which I sat, which inquired into the Reserves of the Army, few subjects gave us so much trouble as tent pegs. It looks the simplest thing in the world, but it required an elaborate system of contracts which were always breaking down, and new contracts requiring to be made, and the control of those would be a very large business indeed.

1411. I take it that your answer really amounts to this, that the contracts are so numerous in the case of the Army and the Navy that you cannot undertake to supervise them in the same way as in the case of the Civil Service?—Yes.

1412. Have you any suggestion to make as to the way in which contracts might be better supervised? There was a certain amount of exposure of bad contracts during the recent war; have you any suggestion to make as to any way by which under, at any rate, exceptional circumstances, something might be done to supervise the contracts better? Supposing, for instance, there were a Committee such as has been suggested on the Estimates, would it be of any value to provide that a certain number of contracts should come before them automatically—for instance, contracts where the lowest tender has not been taken?—The Hon. Member, as I understand, is now speaking of the Committee of the House of Commons which was suggested by Mr. Bowles.

1413. Yes, either that or the Treasury. Is the Treasury ever informed in any way if the lowest tender has not been taken?—No.

1414. It never has any information at all with regard to the contracts?—No; the Director-General of Contracts for the Army is responsible for that.

1415. As you apparently consider it impossible to go into all the contracts, let me ask you, would it be of any value, in your opinion, to have a certain number of contracts brought before the Treasury automatically in that sort of way, or a certain class of contracts, new contracts, for instance, or contracts where the lowest tender was not taken?—There would be no objection to our having a report upon all contracts in which the lowest tender was not taken.

1416. Do you think that would be of value?—I should say not. The answer that we should get would be a very simple one: "We have examined this contractor's plant, and we think he is not strong enough to carry out his contract"; or else the answer would be: "We have examined this contractor's securities, and we find he cannot produce proof that he has money enough in his bank to carry out the contract." Those are always the two explanations.

Mr. *Trevelyan*—continued.

1417. Unless you were to examine into all the contracts, and had a close supervision, you cannot think of any automatic way of getting things into a more satisfactory condition?—No.

Mr. *Lough.*

1418. As I did not hear the beginning of your examination, I will only ask you a question or two about Mr. Bowles's suggested Committee. I think I heard you say that you think the greatest incentive to economy is the criticism of the House of Commons?—I should rather say criticism that reaches the ear of the public.

1419. You think that is the greatest incentive to economy?—Yes.

1420. If the Select Committee which has been proposed were appointed to examine the Estimates which have been presented to the House before they were discussed in the House, do you not think the fact of the Estimates having been examined by this Select Committee and passed, or, at any rate, treated by the Committee, would have some influence in the direction of checking criticism in the House?—I think it would. At any rate, that would be its object.

1421. Would there be some such disposition as there is now, in the case of Private Bills coming before the House, to say, "This has been before a Committee," and to allow it to go on on that ground, rather than to exercise the same freedom of criticism that there is now?—I think there would be a tendency in that direction. It is probable that questions which have led to debate before the Select Committee would be revived before the Committee of the whole House, but I have no doubt, as regards the greater part of the smaller criticisms, you would hear no more of them. However, that is really rather a question for those who know the House better than I do than for me to speak to.

1422. You also said a minute ago that the matter of Departmental Committees has recently been carried nearly as far as it can be, in your opinion?—I think so.

1423. And yet the expenditure has grown immensely recently?—Yes, in spite of it.

1424. Do you think that the creation of those Committees tends rather to extravagance, or, at all events, fails to check extravagance?—I think not. The great growth of expenditure has certain easily understood abnormal explanations which are not affected by that. I have no doubt it would have been greater but for the effect of those Committees.

Sir *John Dorington.*

1425. Mr. Trevelyan's questions seem to suggest that these contracts come before you, but is it the case that contracts which are within the Estimates that you have approved of come before you in any way?—Yes; in the case of the Post

Sir *John Dorington*—continued.

Post Office, for instance, the contracts for the mails are always considered by the Treasury; and we consider the Stationery Office contracts, which are rather numerous, and the contracts entered into by the Office of Works for the large public buildings, are also the subject of discussion between the Treasury and the First Commissioner.

1426. So that practically all big contracts for the Civil Service Departments do come before you, although they are within the amounts of the Estimates which have been voted?—Yes. Take, for instance, the case of a small Post Office being required; the Post Office would report to the Treasury "We propose to put up a building, and we send you the plans, and the estimate is so much"; then that would go to contract, and then they would report to us, perhaps, that the offer was a thousand pounds higher than they expected, and we should then tell them either to take it or not to take it, as the case might be.

1427. There is a constant growth of Departmental expenditure on staffs. When an increase of that kind occurs, as it does almost every year in some Department or other, when it appears in the Estimates and comes before you for approval do you ever review the whole of the staff? Take, for instance, the case of the Local Government Board, to which you referred just now; do you review the whole of the staff in that Department occasionally?—Yes. I sat on a Committee which lasted over four months trying to get to the bottom of the question of the Local Government Board staff and the expenditure there.

1428. So that you did sift it out as thoroughly as it could be done?—Yes, as thoroughly as we could do it.

Sir *Robert Mowbray.*

1429. But is it not the case that not a single new clerk can be appointed in the Civil Service without Treasury sanction?—Yes.

1430. So that absolutely no increase can be made in any Department without the consent of the Treasury?—No.

Sir *John Dorington.*

1431. I was aware of that, but my question was whether, when an additional clerk is asked for in the Estimates for a Department, there is ever a general review of the whole staff?—We should not do it on a demand for a single clerk, but if there were any large proposal in any Department, it comes to the Treasury before it gets into the Estimates, and we should say: "This must be looked into by the Committee."

1432. So that all the public Departments are carefully looked over by the Treasury from time to time?—Yes.

Sir *Robert Mowbray.*

1433. I rather gather that your personal preference would be for examination by a Select Committee of the House of Commons, either of a certain Estimate, or class of Estimates, after the year's Estimates were closed, rather than an inquiry into the Estimate when it was first presented to Parliament?—I should not like to prevent inquiry into the Estimate when it was

Sir *Robert Mowbray*—continued.

first presented to Parliament; I think that is of great importance; but what I suggested for consideration was that if you took the actual expenditure either of a completed Service, which would be preferable, or even an entire departmental Estimate of the last year, a Special Committee of the House of Commons could learn a great deal from it, and, perhaps, also bring home to the Treasury the means of criticising future expenditure.

1434. Taking the case of a Select Committee to inquire into an Estimate when it was presented and before it was discussed, do you think it possible for any Committee to have before it all the information which the Treasury has when the Estimate is originally framed?—No, I think not.

1435. Of course, criticism, as we have been told on this Committee, to be effective must be based on knowledge?—Yes.

1436. You probably spend as many weeks, if not months, in the preparation of Estimates as the Committee can spend days in considering them?—I should explain, perhaps, that the proposals for expenditure reach the Treasury very long before they make their appearance in the Estimate—sometimes even more than a year before. For instance, queries suggest themselves, and the Divisions in the Treasury concerned make inquiries in their turn, and sometimes we say at the Treasury "We cannot do it this year, it must stand over until next year"; and then there is perhaps ten or twelve months before the thing is allowed into the Estimates at all.

1437. There were, I think, Committees appointed to investigate the Estimates in 1887 or 1888, were there not?—Do you mean the War Office Estimates?

1438. I think it was to investigate each class of the Estimates. I certainly served myself on a Select Committee which inquired into the Post Office and Revenue Estimates?—That, I take it, was in regard to the general system of Estimates.

1439. No. I think it was the Estimates of the current year that were referred to the Committee?—I was not aware of that.

1440. I wanted to ask whether the effect of those Committees had been of any value. I think it was about the year 1887 or 1888. Perhaps you would look the matter up?—Yes, I will mention it to Sir Edward Hamilton, and you will be able to ask him any question about it when he comes.

1441. As regards the question of experts, have you any people of the nature of experts in the Treasury with regard to buildings and contracts of that kind?—No; we refer that to the Office of Works. The Office of Works is a subordinate Department of the Treasury, and they have, I am bound to say, some very excellent experts in the case of buildings and all expenditure connected with buildings.

1442. But you consider that their experts, though they belong to the Office of Works, are directly under Treasury control?—They are directly under Treasury control.

1443. Whereas the experts of the War Office and the Admiralty are not so directly under Treasury control?—No.

1444. It is the fact, is it not, that some of the War

Sir *Robert Mowbray*—continued.

War Office experts are not necessarily military men. I have, for instance, in my mind, the case of the Ordnance Committee?—The members of the Ordnance Committee are not necessarily military men. There are, of course, some military men on it.

1445. Is that the only case in which the experts are not military men, or are there any others?—Yes; there is a Committee which decides on the rewards to be given to inventors, which is very technical, and the members of that Committee are not all military men. The Explosives Committee is another example.

Chairman.

1446. And the same would apply to such questions as clothing and boots and shoes?—Yes.

Sir *Robert Mowbray.*

1447. So that the experts of the War Office are not necessarily military men?—No; but they are generally experts in the particular matters referred to them.

Mr. *Hayes Fisher.*

1448. Apart from the large Army and Navy Votes which, as you say, are voted by Parliament as matter of policy, would you say that the control of the Treasury is generally effective to prevent extravagance in Estimates and wasteful Departmental expenditure?—Certainly, I think so.

1449. Would you say that the Treasury is constantly vigilant to secure the best method of spending money so voted, and obtaining the best value for the money?—To the best of our ability—I regard that as our first duty.

1450. Now you have said, in answer to one or two questions, that the detailed examination of the Army and Navy Estimates has not been very close, or, at all events, has not been so close as the detailed examination of the money expended on the Civil Services?—I should like to limit that to some branches of War Office expenditure. Some branches of expenditure we have had the opportunity of criticising quite closely.

1451. But is it not the case that the Estimate both for the War Office and the Admiralty is being gradually built up day by day, and that all new expenditure, at all events, has to be submitted to the Treasury for its sanction and investigation?—Yes.

1452. Is not the Treasury constantly represented on Departmental Committees of the War Office and the Admiralty when new expenditure is contemplated?—Yes.

1453. And does not the Treasury constantly suggest some diminution in the proposed expenditure, or some better method of the expenditure of the money?—Yes.

1454. In all cases where new offices are proposed to be created either in the Army or the Navy, must not that proposal be submitted to the Treasury?—Yes.

1455. Is it not the constant practice of the Treasury to suggest that the Department might be satisfied with smaller salaries, or to make some suggestion that if a new appointment is to be created some other appointment might be

Mr. *Hayes Fisher*—continued.

put an end to?—Yes, wherever we think the circumstances justify such a suggestion.

1456. Then, may I take it that, as far as all new expenditure is concerned, the detailed investigation and control of the Treasury is as great over the Army and Navy as it is over the Post Office or any other large spending Department?—Yes, I should say so as regards detailed investigations; but as regards detailed control, I should hardly like to say. That is arranged, after the different items have been examined by the Treasury, between the Secretary of State for War and the Chancellor of the Exchequer. Therefore, although we have examined the items, the total Estimates is proposed and settled by the Chancellor of the Exchequer and the Secretary of State for War.

1457. Long before the total expenditure for the Army and Navy is agreed to between the Chancelor of the Exchequer and the Secretary of State for War, or the First Lord of the Admiralty, have not most of the items that caused that expenditure been submitted for the examination of the Treasury?—Yes, for the examination and investigation of the Treasury, and for our observations upon them.

1458. Is not the result of our investigation constantly a diminution of the proposed expenditure by the Department?—Yes.

1459. To deal with the cases of large contracts for the Army and Navy which have been referred to, what control has the Treasury over those contracts? Let me put my question in this way: Money having been voted by Parliament for a certain purpose, when does the expenditure of that money under the contract come before the Treasury?—I am not quite sure that I follow you.

1460. I am referring to the class of cases where, for instance, the contracts have come before the Treasury, and the Treasury has criticised them, where the contractor has said: "Owing to certain alterations you have made in the terms I must have more money." You remember cases of that class?—Yes. No doubt where a sum for a service has been sanctioned, and the War Office has failed to get a contract for that sum, or has gotten a contract which has broken down, and leads to increased expenditure, then that comes before the Treasury—not as to the details of the contract, but as to the amount of the expenditure. For instance, if we have authorised 100,000*l.* to be spent, and the War Office come back and say, "We find that we cannot get it done under 110,000*l.*", then we consider that 10,000*l.*, but we do not consider the clauses of the contract, or the details of the contract, or the question of the contractor whom they have engaged.

1461. But would you say that any better method could be devised of increasing the Treasury control over these large contracts in the case of the War Office and the Admiralty?—No, I do not think so. I should be glad if I could see any way.

1462. You do not see any way of doing it without interfering with the policy and the responsibility of the Minister in charge of the Department?—No, I think not.

Mr. *Hayes Fisher*—continued.

1463. Admitting the control of the Treasury to be not so rigid as that which you would wish to see if an ideal system could be carried out, do you think any form of Parliamentary Committee could exercise a more complete and effective control than the Treasury do?—Not before the Estimate is accepted.

1464. I mean precedent to the expenditure?—I do not think so.

1465. Will you explain why you say that?—Merely from watching the operation of the two systems. We have opportunities of getting at the inside of proposed expenditure which, I think, are greater than would be enjoyed by a Committee of the House of Commons. Of course, without any pretence of expert knowledge, long experience of proposals of much the same sort from year to year enables the Division of the Treasury which deals with the particular class of works to criticise pretty closely proposals made to them.

1466. In fact, you can suggest no mroe effective method than that which we have at present of criticising these contracts of the War Office and Admiralty before the money is actually spent?—No, I should not recommend further Treasury interference with them.

1467. In the case of other contracts like the Stationery Office contracts, contracts for "Hansard's Debates," for instance, or Post Office contracts, and also those of other large spending Departments, would you say that the control of the Treasury is rigid and effective?—I think so.

1468. Is it not the case when contracts for the Post Office are submitted to the Treasury by the Office of Works, the Treasury constantly calls the attention of the Department to the fact that it has exceeded the general standard which the Treasury has set up for buildings?—Yes, we do repeatedly, and I think that illustrates what I have just been saying, that in the Department of the Treasury that deals with that class of work it is reduced to an exact science. By the number of letters, the district that the Post Office has to serve, and the amount of the telegraph and telephone messages, they arrive at a general average of what a Post Office for such a district should cost, and subject to small considerations of site and the difficulty of buying a piece of land, it has become, as I say, an exact science.

1469. In all that class of work, would you say that any Committee of the House of Commons could do that kind of criticism and control more effectively?—I doubt if any Committee of the House of Commons would undertake the control and scrutiny in that sense.

1470. If any Committee of that sort were appointed, would it not have to sit every day, or almost every day?—It would have to sit every day during the Session, or perhaps two or three days a week during the year.

1471. Is it not the case in practice that by the time the final Estimates are submitted for approval by the Departments the Treasury sanction has already been given piece by piece to a great portion of the expenditure asked for?—Yes, a very large proportion. There may be one or two items that have suggested themselves so recently that they have not had time to bring them before the Treasury, but as a rule every item of the Estimate has already been approved by the Treasury.

Mr. *Hayes Fisher*—continued.

1472. Then I will put it to you broadly: from your experience, are you yourself inclined to think that any form of Parliamentary Committee could be set up which could make a practically effective examination of the Estimates precedent to their sanction by the House of Commons?—Do you mean in lieu of the present Committee?

1473. No, I will not say in lieu of the present Committee—I say precedent to their examination by the House of Commons as it examines them at present by the Committee of the whole House; do you think any form of Parliamentary Committee could be set up that could make a more practically effective examination of the Estimates than we have at present?—No, I really do not see how it could be. I understand it really to be a question between a Select Committee and the Committee of the whole House?

1474. It might be a Select Committee or a Grand Committee; but do you think that more effective control by the House of Commons could be gained by submitting the Estimates in the first place for the consideration and examination and criticism of a Committee, whether a Grand Committee or Select Committee, before they are discussed by the whole House—which Committee, if you like, should report to the House?—No; on the whole, I think not.

1475. Again, supposing that the House of Commons did decide to set up such a Committee, would it not in practice double the work of the Departmental officials if they have both to appear before some Committee of this kind, and to be in constant attendance in the House of Commons with the Minister who is defending the Estimate?—It would increase their work—I will not say it would double it.

1476. It would largely increase their work?—Yes, it would considerably increase it.

1477. Now we will come to another proposal, and that is the one of Mr. Gibson Bowles's proposals, which I understand to take this form. Mr. Bowles, as I understand, proposed that at the beginning of each Session a Select Committee should be appointed for one class of Estimates, and he names four classes, Army, Navy, the Civil Service, and the Revenue Departments, and that each class should be overhauled by this Committee once in four years. Let me ask you, are not most of the items in the Estimates recurring items? Do they not figure from year to year in the Estimates?—A very large proportion.

1478. Supposing that it was proposed to submit to close investigation and criticism a Vote of the various items in those Estimates, would it be necessary, in order to defend any increase in them, that a great many confidential documents would have to be laid before the Committee?—Yes, there are items of expenditure in which that would no doubt become necessary.

1479. From your very great knowledge of the Treasury, is it not the fact that before an increase

Mr. *Hayes Fisher*—continued.

crease of the Estimate is sanctioned by the Treasury there is a great deal of confidential correspondence between the Treasury and the responsible officers of the Department concerned?—Yes.

1480. Do you see any difficulty in providing that Committee with the information which it would be necessary to enable them to understand why the Treasury had sanctioned the increase in the Estimate?—In some cases that would be so.

1481. In a great number of cases?—Not in a very large number of cases, I should say, but still the cases would be sufficiently frequent to make a complete review of the expenditure very difficult.

1482. Do you think that is a formidable difficulty in the way of examination of the Estimates by some such Committee?—At all events, it would limit their examination.

1483. I understood you to say that you would not object to the Committee proposed by Mr. Bowles if it was confined to questions of administration and did not include questions of policy; but are not the greater proportion of the Estimates governed by policy?—Certainly; and sometimes that is so in most unexpected Estimates.

1484. Do you think I should be extravagant if I were to say that 80 per cent. of the Estimates were governed by policy?—I would rather not go into the proportion.

1485. I will not pin you to any proportion, but you are inclined to think that the larger portion of the Estimates are governed by policy?—I should hardly like to answer that question; a considerable portion are. I would not say the larger portion, but I will say this to complete my answer, that the larger proposals of Army and Navy expenditure are those which are more likely to be influenced by policy.

1486. Have you any suggestion as to the way in which that Committee would decide when questions of policy came in?—No; it would be extremely difficult.

1487. You yourself see some difficulty in that?—Certainly.

1488. If the Committee were dissatisfied with the increase of an Estimate, would it not be necessary for them to ask the Minister in charge of the Department, which had obtained the sanction of the Treasury to the increased Estimate, on what grounds he had increased the charges under that Vote?—Either the Minister or somebody representing him.

1489. If he replied "That is a matter of policy," who then would decide that?—I presume that the Committee would report to the House.

1490. You think that the Committee would report to the House that the Minister had said that a matter of policy was involved, and that they could not follow the Vote or the reasons for its increase?—I would rather not give any opinion as to the action which the Committee would think it right to take. No doubt there would be a difficulty.

Mr. *Hayes Fisher*—continued.

1491. Would not their examination, therefore, almost necessarily lead them to review and to criticise the policy of the Minister in charge of the Department?—There would, no doubt, be a strong inducement to them to do that.

1492. Supposing such a Committee were set up, would you see any danger in this state of things; first of all, is it not the common practice for Departments to ask the Treasury to sanction a little more than they expect to get?—They are very much better than they were in that respect.

1493. That is not done so much as it used to be?—No.

1494. But if a Department felt that it could appeal from the Treasury to a House of Commons' Committee, might not they be tempted to ask for a good deal more than they ask for now?—I do not like putting it in the way of their being tempted, but no doubt they would very justifiably appeal from the decision of the Treasury to the opinion of the Committee. A Department may very properly think that they ought to have a larger sum; the Treasury may think that the other expenditure of the country so great that this particular item must be reduced, and the Department might very justifiably say "Let us leave that to the Committee, if you please; you are only a Judge of First Instance, and we will go to the Court of Appeal." I understand your question to be whether the Department would not have a fair ground for saying to the Treasury, "As long as it was left with you, it is for you to decide"?

1495. Quite so. Would not that have the effect of weakening the control of the Treasury as regards the proposals of other Departments for increased expenditure?—It would strengthen the position of a Department that was pressing the Treasury not to reduce its expenditure.

1496. Supposing the suggestion to set up a Committee of this kind were carried out, would it not be prudent to shut out from that Committee's consideration any proposal by a Minister or a Department for increased expenditure?—Fom the Treasury point of view it would be very wise; but if you appoint any Committee to review expenditure it would be difficult perhaps to limit it to mere reduction.

Mr. *Churchill.*

1497. In regard to the question which Mr. Hayes Fisher brought up of confidential matters which might be touched upon by the Committee, is it not the fact as regards the Committee on the Accounts of India at the India Office that all matters which are of a confidential or secret nature can be withheld from the Committee by a mere assertion of the fact on the part of the responsible Minister that they are secret and confidential?—I could not tell you that.

Monday, 3rd November 1902.

MEMBERS PRESENT:

Mr. Hayes Fisher.
Sir Walter Foster.
Mr. Lough.
Sir Lewis M'Iver.
Mr. Trevelyan.
Sir Edgar Vincent.
Mr. Eugene Wason.

SIR WALTER FOSTER in the Chair.

Sir RALPH HENRY KNOX, K.C.B., Examined.

Chairman.

1498. I THINK you were formerly Permanent Under-Secretary at the War Office?—I was for three or four years.

1499. In that position you, of course, became familiar with all the details of the financial arrangements at the War Office?—It was rather in my previous position as Accountant-General, which I held for I do not know how many years, some fifteen or sixteen years, that I became specially familiar with the financial arrangements of the War Office, and I served all my career, until I was Permanent Under-Secretary, in that Department, for something like forty-three years.

1500. May I ask what is the official position you held before you attained the highest position in the Office?—I was fortunate enough, very early in my career, to become Estimate Clerk, from the position of a junior clerk, when I had served about seven or eight years. From that time until I ceased to be Accountant-General, a period, I may say, of 33 years, I prepared the Army Estimates.

1501. The administrative control over the Army Service, as I understand, is in the hands finally of the Under-Secretary of State?—Absolutely.

1502. And he associates with himself, to some extent, the heads of the principal Departments, military and civil, who are responsible to him for the discharge of the duties connected with their offices?—That is so.

1503. That is the form of control which exists there?—Yes, in very general terms. The military Departments are responsible for making proposals which they think necessary for the efficiency of the Army. Those are duly weighed by the machinery afforded by the organisation of the Office, mainly with the assistance of the Finance Department, and are then placed before the Secretary of State for his final decision.

1504. He is assisted in this work by the Under Secretary of State and the Financial Secretary?—On the Army Board all those officers sit, and so where the Estimates are considered by the Army Board all those officers are parties to the discussion and consideration of the Estimates. But the Under Secretary and the Assistant Under Secretary are not so much parties to the consideration of the Estimates; it is rather as between the Finance Department and the Military Departments.

Chairman—continued.

1505. The Finance Department being represented, I suppose, by the Financial Secretary?—And the Accountant-General.

1506. The War Office Consultative Council is a body that is used for this purpose from time to time, is it not?—It is, but it is optional with the Secretary of State whether he calls a full Council to consider the various points in the Estimates or whether he will discuss them with the particular Military head charged with the particular items of expenditure, and such financial authorities as he likes to have with him.

1507. If he calls a full Council, that Council would consist of whom, of the Under Secretaries?—The two Under Secretaries, the Parliamentary and the Permanent Under Secretary, the Financial Secretary, and the heads of the Military Departments; that is to say, the Commander-in-Chief, the Adjutant-General, the Quarter-Master General, the Inspector-General of Fortifications, and the Director-General of Ordnance.

1508. And if necessary any special officer whom the Secretary of State might wish to have in consultation?—Quite so.

1509. In that way he would obtain the most complete information from any particular Department and the benefit of the counsel of all the Departments combined?—Yes, in the final consideration of the Estimates. I do not know whether I should explain in a little more detail how the Estimates are practically initiated in their embryo condition, and how they reach their final condition.

1510. I think that would be very valuable evidence, if you will give it to us?—Of course, the basis of an Estimate of the annual charges is mainly the Estimate of the previous year; it is always in direct comparison with that, that the various items of the Votes are considered. But the department has before it always a Statement of the Expenditure for several years past.

It

Chairman—continued.

It has those various proposals which have come up for consideration during the year, and have been found to be of that magnitude, that they could not be finally decided upon without reference to the proposed expenditure for the next year. Those proposals, which are sometimes important measures—important especially financially; are noted for consideration to be brought up when the Estimates are proposed. Then the Army Board meets, that is to say, the chief military officers with the Assistant Under-Secretary and the Accountant-General; and the military authorities place before that Board their special proposals for the year, one very important one being the Establishments of the Army, which they think are necessary—with reference to the same questions which have been raised during the year, such as provision for an increased garrison at a particular place, it would be more particularly at one of our foreign stations; that question of the increase in foreign garrisons presents one of the greatest *cruces* which the Department has to consider. They have been undergoing now, for several years past, a considerable change, and mainly in the direction of increase. The Military Authorities propose such things as that, and they also propose any measures which they think advisable with regard to the administrative services, services connected with the supplies of the troops, reserves of stores, and so forth. When the Army Board, or the Military Authorities, have made up their minds on those particular points, then a rough or approximate Estimate is prepared. It is not worked out in elaborate detail, but a sort of unit price is taken for the various items—the additional number of men is taken at such-and-such a price, the additional guns, additional works, and so forth, would be calculated roughly in that way, and all that with the various other provisions that were noted for consideration with the Estimates would make up a sort of general bill of the addition to the Army Estimates of the year. That is laid before the Secretary of State, and he consults with his colleagues, principally the Chancellor of the Exchequer, as to whether the amount thus approximately arrived at is likely to be available for him in the next year. He comes to some understanding with the Chancellor of the Exchequer; generally, he suggests figures a little below what has been included in the approximate Estimate, and he suggests that if he possibly can, he should bring it down to that figure. Then the various Departments are brought into consultation. Either the War Office Council, at their own suggestion, is used for the purpose, or there are meetings between the Secretary of State and those military heads who are affected by the particular items of expenditure, with the financial authorities. Of course, when these various proposals, which are new, are made, they, in accordance with the procedure laid down for the Department, undergo an examination in the Finance branch, not with a view to their necessity, but as to whether the Estimate, as framed, is a fair Estimate; also there is this to be remembered; also especially with regard to new proposals. I have observed in my long connection with the Department, that for those services

Chairman—continued.

which are old and standing services the military Department is apt to ask, not intentionally, but for the purpose of making themselves safe, as we say, rather more than may be regarded as necessary by the Finance people, with their experience of what the actual expenditure has been. But as regards a new proposal, the military authorities being very anxious to carry out that proposal, their tendency is to minimise the cost of the proposal; human nature governing their action. That is the principal point to which financial criticism is applied in the subordinate Departments. The Finance people say: "Here you are, asking for more money than is necessary for this particular thing, for your general services." The Department do so naturally enough, because it makes their administration of the Department easier; and, besides that, should a margin turn up, it gives them a little more opportunity of spending the money more freely upon other things.

1511. May I interpolate this question: Does not that tendency to minimize the cost of a new departure very often lead to serious deficiencies?—No. I should regard the Finance Department as a weak and inefficient Department, if such a result was to occur. The Finance Department is keenly alive to these points, and it is their main business to lay before the Secretary of State their view of what not only the immediate cost or the cost to be arrived at in the next year's Estimate is, but what the ultimate cost of any one of these services will be.

1512. Have they any expert aid in arriving at that conclusion?—During the greater part of my time we had very able actuaries upon our establishment, one of whom still remains there; and whenever it involved any question as to the future charges of a Service, which would be a growing Service, or one which would be governed by such facts as an actuary could take into consideration and weigh, I always insisted, as far as I could, that an actuarial calculation should be made of what the total cost would be.

1513. Does that same method apply to works undertaken by the Department in the way of structures or buildings?—Expenditure upon works is a very very uncertain thing; it depends upon such a multitude of conditions, that it is quite impossible to know, or to forecast with any accuracy, what the annual expenditure will be upon any particular work. That was one of the points I always used to make a particular fight against—the introduction of a new work, by the insertion in the Estimates of a very small amount for the cost of that work, although that amount was really probably all that the Engineers or the Fortification branch would spend in the particular year, because it probably was a work for which it was necessary absolutely to obtain land, and anybody who knows the difficulties of obtaining land and getting title, and so forth, knows what the laws delay may be in such an event as that. There was also, naturally enough, a tendency, I do not mean as to things that were mere fancy, but as to things that were acknowledged to be necessary works—there was a tendency on the part of heads of Departments to get in as

Chairman—continued.

as it were, the thin end of the wedge—I will not say of as many works as they could, but of a fair number of works; but, in such cases, it was my business to point out to the Secretary of State that he must not pass them as representing only what they were put down at for this year, but that if they were passed he would have probably in the next year to provide ten or twenty times the amount he was then asked to insert; that is to say, what technically we call "continuation services" would amount to a very considerable figure the next year. That is the sort of criticism which the financial authorities apply to proposals that are made.

1514. In applying at that criticism, have they any expert aid in the shape of engineers or other people acquainted with the detail of such work?—Oh, yes. Of course, in proposing a barrack—I do not know that it applies so much to fortifications, fortunately, we are not building so many of those at home, at all events—but taking the case of a barrack or storehouse, or something of that kind, they have, from their long experience, arrived at a sort of unit-factor, for which they would be able to build the barrack—so much a head; a barrack would cost roughly, say, £120 a head, allowing more if land had to be provided, and so forth. A great number of these proposals that are inserted are comparatively new proposals, and are proposed on that basis. Of course, sometimes it is found that things may come out even more favourably than that. Sometimes when the barracks are built, or storehouses are erected upon soil which is not very well known—more particularly abroad—there may be an excess. At home they do not make mistakes of that kind, but I have known instances where they have had to quarry, and go to a very large expenditure in order to get proper foundation for some of the works, and that has given rise to an excess upon the amount first calculated, which was based upon the unit-factor. When the Vote for a building is passed by the Treasury or the House of Commons, then the thing is worked out in most complete detail, as the architect would work out all the details of the structure, and if those details worked up to an amount, which would be either less or more, a revised Estimate would be substituted in the next year, and an explanation given.

1515. When work of that kind is completed, do you ever hold what I may call a post-mortem examination of it to see where money has been wasted?—Attention is always drawn to the fact that there is a difference between the final result and the original Estimate, and the Department is called upon to give the explanation of it.

1516. By the Secretary of State?—By the Secretary of State. They invariably give the explanation, and those explanations in many instances, if not in all, go before the Public Accounts Committee, and we have to ask the sanction of the Treasury for that excess.

1517. You think that is a valuable check, do you not, on expenditure?—Certainly, a very valuable check.

Chairman—continued.

1518. It not only checks future extravagance, but gives you, in the course of the inquiry, an amount of information which enables you to criticise future proposals?—Yes, quite so.

1519. What you have told us practically about the preparation of the Estimates shows how they go through the Financial Department in their preliminary stage?—Yes.

1520. That is to say, that the Financial Secretary, together with the Accountant-General, practically goes through these things in their preliminary stage?—Quite so.

1521. Then the Secretary of State obtains from the Chancellor of the Exchequer his sanction to a certain sum, and the Estimates are prepared in accordance with that general sum which can be voted for the services?—So far as they can be. But, of course, occasions do arise when the Secretary of State is unable, even with very great efforts, to bring the figures down to those of the Chancellor of the Exchequer, and if he does not succeed and the Chancellor of the Exchequer still stands to his limit, he has to consult his colleagues as to what should be done.

1522. Now, with regard to the Department of the Accountant-General, could you just tell us what that Department does, though it would be repeating, to some extent, what you have already said?—Every proposal which involves any additional expenditure is referred to the Financial Secretary, who is the chief, or Parliamentary head of the Accountant-General, for his consideration; and the Secretary of State, I may say does not—he certainly should not—receive any proposal that has not gone through that process. The Accountant-General and his staff, with the best experience they have, revise and analyse and sift those various proposals in their minds, and report upon them. The precedure is, that when the Financial Secretary has reported upón any such proposals (I am dealing with those that come up during the year, proposals for change in warrants or regulations which involve expenditure), the Finance Department report their criticisms to the Military Department which makes the proposal. They are placed in a position to answer those objections or criticisms that may be raised by the Finance Deparment, and submit the proposal with their view to the Secretary of State. Then the Secretary of State, if he thinks the matter requires further consideration, either discusses the point with the Financial Secretary, or he may say that he would like to discuss it in general Council, and then a Consultative War Office Council is called together, and, after discussion, the Secretary of State gives his decision. Of course, when the question of any warrant is involved, or an alteration in the Regulations of a certain kind, one may say, generally, Regulations involving any expenditure—in all those cases when the Secretary of State has given his approval, after going through this mill, which I have endeavoured to describe, it has to be referred to the Treasury before it can be put into force. Every Warrant, or modification of a Warrant requires Treasury sanction, and the matter has to be threshed

Chairman—continued.

threshed out, and a full explanation given to the Treasury before final approval is given.

1523. The Treasury does not sanction these warrants, simply automatically; they very often criticise them?—Yes, very often—I may say always.

1524. And they reduce the proposed expenditure occasionally?—If there is some very strong objection in principle. Of course, they look at it, and very properly, from the general point of view. Expenditure of the same class as regards a great number of things exists, of course, in all the Departments. The Treasury is the only Department that is aware of, or studies the details of the various Departments, and what they particularly wish to avoid, of course, is the establishing of any principle in the War Office, or in the Admiralty, as the case may be, which might be claimed to be of general application, and involve a very considerable amount of expenditure. In their reply to us, they would explain that, and if it put them in a difficulty of that kind, the Secretary of State would be bound to re-consider the question with that light before him.

1525. But your applications to the Treasury, being in the great majority of instances technical in their character, cannot be criticised with the same effect, I suppose, by the Treasury, as the proposals of other Departments?—I think they direct their attention more particularly, as may be inferred from what I have said, to two points: First, the total extra expense involved, which they may hesitate to sanction from that point of view; and, secondly, as to whether it would be likely to disturb the general principles in operation in the Departments generally. I think those are mainly the points which they would look to, and it is, of course, very necessary that those points should be looked to. But for the technical details, they hold the Secretary of State absolutely responsible, and do not seek to intervene, although every day I think there is improved communication between the Treasury and the various Departments, and the Treasury is coming to know very much more of the details of the expenditure than they did in former days.

1526. Then coming to the question of Contracts, the Director of Contracts has certain functions to perform, can you give us some idea of those functions?—He has very important and very large functions, indeed, which involve a great amount of responsibility. Still, I think the system upon which we work is an exceedingly sound system, and it is one which, I might almost say, has been the outcome of the considerations of the House of Commons, for, I suppose, in my time, there is no matter of administration to which the House of Commons has, from time to time, directed more attention. They have had this contract question, and the system of contracts before them in Committees, and so forth, very frequently. The question underwent consideration, only comparatively recently, before a Committee, which was presided over by Mr. Dawkins, and they again, after considerable inquiry endorsed the system which prevails in the War Office. The system is briefly this: The Director of Contracts is the buyer of everything

Chairman—continued.

for the Departments. His Department has been in existence since the time of the Crimean War—that is to say, it has 50 year's experience, managed by permanent officers of the department who, during that time have to come in touch with the whole trade of the country in connection with the businesses with which they deal. The Director of Contracts cannot originate one half-penny worth of expenditure. Every single contract which he enters into is, in consequence, of a demand by one of the Executive Departments which requires certain stores or supplies to be obtained for it. Therefore, the originator of the expenditure is the Executive Department which requires the stores. They go to the Director of Contracts, and the Director of Contracts goes, I may say, almost invariably to tender for those goods. He has a recognised list of people in the trade which, from time to time, is enlarged or modified, to whom he sends his tender form.

1527. Then it is not an open tender for the whole trade, but the form is sent to a limited number of persons on the list?—Yes, to a limited number of persons. The tendency of recent years has been to enlarge that list, but, of course, there are various considerations which must be weighed in enlarging the list; you have to know, for instance, that the man can supply the things—that he has capital to do it, and the means to carry out the contract, and that he is likely to be up to his time, and so forth. If you want to go into this matter in detail, of course I am not the authority, but the Director of Contracts is the proper authority to apply to, but I have a general knowledge of the procedure and the methods and the principles upon which it is carried on, and I may say, generally, the enlarging of the list is done always tentatively. Certain people, for instance, apply and say: "I should like to have my name put on the list," and then their responsibility and character and so on is enquired into, and, in the first instance, these men always receive but a small order. We never think of turning over a very large order to a new man unless it is an absolute necessity. Probably during the war very large orders may have been given to some new men, but in the ordinary case a trial order is given to him, and although it is disadvantageous to a man to have a very small order, because he cannot work it so cheaply or economically as he probably could with a large order, yet he is tried in that way before we give out any very considerable orders. But there is always a desire in order to prevent rings being formed, and our being put into difficulties, to enlarge the list where it can be beneficially enlarged. Then the Director of Contracts issues the tenders, and the principle is that the Director of Contracts cannot himself finally accept those tenders. The rule is to accept the lowest tender, but that is never done, except in agreement with the Department which has demanded the stores, so that the contract is not finally accepted upon the submission or approval of the Director of Contracts, except in communication with the head of the Department which has demanded the stores.

1528. Why should that be?—It affords a check.

Chairman—continued.

check. The Executive Department, of course, has experience of these various people, and they may have very fair reasons for saying, "This man, the last time he had a contract, was not very satisfactory, and in this particular station we do not think he is the man to be entrusted with the work," and so forth. They may prefer some man whose figure was, perhaps, a little higher, though not much higher.

1529. Then it really comes to this, as I understand you, that the officer who initiates the demand for certain things, has the final word as to who is to supply them?—No, not the final word. When there is a difference of opinion the matter is always submitted to the Parliamentary officer, to the Financial Secretary, and if he thinks it necessary, if it is a big thing, he would consult the Secretary of State.

1530. Then the process is this: There is a demand from a Department for certain goods, which we will call A. That demand goes to the Director of Contracts. He issues tenders to certain people, whose names are on the list. Is that so?—He issues to those whose names are on the approved list.

1531. He issues tenders for them to supply these goods A. Having received the tenders he does not necessarily take the lowest one; but before he accpets any tender he consults the officer who demanded the goods A?—Quite so.

1532. And only in case of difference of opinion between the Director of Contracts and the officer making the demand is the question referred to the Financial Secretary, or, finally, to the Secretary of State?—Quite so—that is the process.

1533. Then, I understand, all supplies of clothing, stores, and buildings go through the Director of Contracts?—He does not make all the contracts for everything. There are certain contracts that are purely local, and for comparatively small things, which would invariably be obtained locally. Those contracts are made by the general officer, that is to say, they are approved by the general officer and carried out by the Department involved, but subject to examination in the Department of the Director of Contracts to see that the general rules for the entering upon such contracts have been adopted or explanations given by the general officer of the causes for his divergence from those rules.

1534. Then, to go on a little further, when your Board is called together to consider the Estimates for the year, the amount of those Estimates, of course, depends to a large extent upon the policy of the Secretary of State?—Inasmuch as you may regard it as an absolute fact that the Estimates are governed above all things by the number of men to be provided, it is a matter of policy, because the number of men to be maintained is nothing but policy.

1535. So that the amount required from the Treasury largely depends upon the policy for the time being of the Chief of the War Office?—Yes; if you were to examine the Estimate or expenditure for a long series of years you would find that it was absolutely in a direct ratio to the number of men maintained.

Chairman—continued.

1536. Then this Board also has to consult as to what economies can be made in the Estimates, does it not?—That is one of the duties imposed upon them. I think there is no definite elaborate inquiry as to what economies can be made, that is to say, no particular review; but during the passing of the year various points come under consideration which may show that in the working of the thing in detail certain reductions may be made.

1537. That is to say, while each Department practically prepares its own Estimate, you and the Accountant-General's office would have an opportunity of looking over those Estimates and suggesting economies?—Yes, certainly.

1538. Is that often done?—The growth of Estimates has been so uniform of recent years that the opportunities for suggesting economies have been exceedingly rare; but whenever an increase is proposed with regard to any establishments, for instance, the point is always considered as to how that increase can be diminished by setting off within itself reductions and economies. I have here a document, here in this book, which I have always thought to be of great interest, showing the expenditure for the last ten years.

Mr. *Lough.*

1539. Would you give us the reference to the Blue Book?—It is a confidential book of the War Office.

Chairman.

1540. I understand it gives a detailed statistical account of the expenditure for the last ten years?—Yes.

1541. Which enables you to compare the expenditure on any particular item in one year with that of the last nine years?—Quite so. I see the figures here represent an increase upon everyone of the items, with the exception of two, so far as I can see.

1542. What are those two?—One was "Miscellaneous Services"—which includes odds and ends—I do not know whether you are familiar with the Vote, but it is a very small vote, 50,000*l.* That has decreased. The other item is the War Office.

1543. By the War Office you mean the staff of the War Office?—Yes.

1544. The clerical staff?—It is the general total for the War Office, I do not know what the details were. This is only a summary.

Mr. *Eugene Wason.*

1545. Does that book which you have before you apply only to the War Office expenditure?—It refers only to Army expenditure.

1546. Does it give the figures for the last ten years?—The figures which I have here in this book, and I think it is the latest, are those for the ten years before the war. Of course, during the war everything was enlarged. The years given here are from 1889-90 to 1898-99. For the War Office I see the figure in 1889-90 was 259,964*l.*, and for 1898-99 it was 243,037*l.*

1547. Thta

Chairman.

1547. That is a decrease of some 16,000*l.*?—A decrease of some 17,000*l.*

Mr. *Lough.*

1548. In that table you have the expenditure divided into a number of different heads?—Yes, all the heads of the Army Estimates.

1549. How many are there?—I have never counted them, but this statement here is the statement of the Effective Services including "Pay of Army," "Medical Establishment," "Militia," and so on, all the Votes, in fact. The total expenditure is stated for each one of these years, under each one of those heads.

1550. How many heads are there?—There are 16 Votes here. Then for the Non-Effective, the amount is lumped in one figure.

1551. You say the figures during the war are left out?—This table is made up to 1898-99—the war is not included.

Chairman.

1552. Would you see if you could put in that summary?—I should think there could be no objection to the summary being put in.

1553. That practically gives us the information as to the figures of expenditure during those ten years?—Yes.

Mr. *Hayes Fisher.*

1554. That is all information which could practically be got out of the Estimates or the Accounts; there is nothing confidential about it?—Quite so. These figures are based upon the Appropriation Accounts. They are the amounts finally allowed.

Mr. *Lough.*

1555. If we are to have the figures at all, might they not be brought up-to-date, because, if they are four years old, it is practically ancient history?—The war expenditure is so special that for purposes of comparison it is absolutely valueless—the expenditure in the years of war, as compared with ordinary years, form no basis, and, really, give no information as to what your Estimates of the future should be. It is an entire disturbance of the ordinary expenditure. My own view would be that it would get rid of a great amount of criticism—unfair criticism as I would think it—of the proceedings of the War Department, if a statistical abstract such as that which is furnished with regard to the Civil Departments, or such as that which is furnished as regards the personnel of the Army in the general Annual Report of the Army, as we call it—the Adjutant-General's Return, for the previous ten years, elaborated to the extent that the House of Commons might want, were presented annually, and were in the hands of Members of Parliament, in order that they might be a little better informed upon this point than they now are, and that their criticisms might be more intelligent and more fair.

Chairman.

1556. That is to say, practically, the document which is before you, would form such a statistical abstract?—It would. There is a great deal here that goes beyond that, but it does give information which, speaking for myself, I can see no possible objection to being given. It shows, for instance, here, the numbers maintained in each one of these years in all the different arms of the Service, which, as I have explained, governs the expenditure mainly, following really the numbers presented in the Army Estimates, and giving the actual result, so that it is always two years in arrear. Then this general statement is supplemented by another, which is an extremely useful one, and perhaps the more valuable of the two, which gives not only the figures of the Estimates, arranged in accordance with the arrangement of the Estimates, but re-arranged to some extent, where changes of detail and of arrangement have occurred during the period of ten years, so as to make a comparison of like with like for that series of years. Of course, where a change is made, as, for instance, the abolition of stoppages and the re-arrangement of pay of the Army, or the re-arrangement of Services as between different Votes, all those changes are objectionable from the point of view of making a comparison, which is the only way in which we can make a check upon the expenditure from year to year. Changes are very frequently suggested in a very light way, which absolutely destroy all comparison, and your check is gone at once. The arrangement may be a good one in itself, but it is always worth weighing, whether you should not rather let the present arrangement go on for the purposes of comparison.

Chairman—continued.

Sir *Lewis M'Iver.*

1557. In that case you have to re-adjust the items, and that, I understand, is what is done in that table?—You have to re-adjust the items; of course, it cannot always be done very exactly, but you have to estimate the re-adjustment.

1558. Would you let us hear a little more about how that second table works out?—It is given under the different Votes; the abstract shows the total of the different Votes; but it is a far better comparison than the comparison which follows completely the arrangement of the Estimates.

1559. How do the increases and decreases pan out in that second statement?—As regards the "War Office Vote," it is modified as compared with the first statement. There has evidently been some transfer of some of the charges from one Vote to another, and in this case I find the saving comes out at 16,000*l.*

1560. That is 2,000*l.* less.?—Yes.

1561. And in the case of the "Miscellaneous Services," does it show a decrease?—Yes, it shows also a decrease in that case.

1562. Are those the only two items in which there is a decrease?—Those are the only two items.

Chairman.

1563. You will put in those two tables, I understand?—I can see no objection to their being put in, but perhaps I had better first ask the War Office.

Sir *Lewis M'Iver.*

1564. Are there one or two others which you

Sir *Lewis M Iver*—continued.

could give us, if it be permissable?—Yes, we show here, in the same way, one of the items of Vote 1—in fact, all the heads of the Estimates are followed; and then there are specially full and more elaborate explanations of the cause of the variation, that is to say, the statistics are gone into as explanatory of what the results have been.

1565. And all those taken together would form the return or statistical statement which you advocate being presented to the Houses of Parliament every year?—I do not know whether these further elaborate explanations would interest the House, but they all afford information.

1566. The House, I think, would swallow them with avidity?—There is a good deal to read through here. When an increase or a change of system takes place, there is a more complete analysis made, showing what the result is, and how it has been brought about—as regards, for instance, working of new warrants, and so forth, all those being used for the purpose of criticism in making up the amount which is to be demanded in future from the House of Commons in the various grants.

Chairman.

1567. I think I understand you to advocate that a return like that giving a detailed analysis of the expenditure for ten years past would enable the House of Commons to review the various Departments' Expenditure in the Army with much greater fruitfulness than their criticisms can secure under the present system?—Quite so; but notwithstanding that the House of Commons criticism in these respects would be very valuable, I am inclined to think—although it is a bold thing to suggest—that the most valuable form of criticism that the House of Commons could make during the discussions of the Parliamentary Estimates which I have listened to for forty years, year after year, would be that those who are interested in economy should get up and oppose those men who make the demands they do in regard to every single one of the Votes presented to the House of Commons. The way to control the expenditure is to put a stop to increases. The mass of speeches that are made in supply before the House of Commons, are speeches made on behalf of those who have grievances, their friends or constituents, or those with whom they work, or in whom they are particularly interested. If you take speech after speech, you find that they are simply to the effect: "We want more"—and they get more. The volunteers want more, the yeomanry want more, the militia want more, the doctors want more, the chaplains want more; and, apparently, no one in the House of Commons is sufficiently informed upon the particular point, or has sufficient courage to get up and denounce these applications and to defend the public purse.

1568. You give it as your deliberate opinion that one of the causes or possible causes, we will say, of the increased expenditure, resides in the demands made in the House of Commons for greater generosity in the treatment of the different Departments?—Yes, and improved efficiency. Some men come and make extraordinary proposals of a very vast and comprehensive character, because they apparently have deluded themselves into the idea that they would be securing economy, but all these sort of things are analysed and overhauled in the War Office, and I have never known one that has not really pointed to a huge increase of expenditure, although the person proposing it has the idea that he is going to save the country millions of money.

Chairman—continued.

1569. Do you think that any system of taking the Army Estimates every three or four years and carefully analysing them by means of a Return like that which you have referred to, by a Special Committee would be a useful thing in the interests of economy?—I should like to try the effect of giving this information to the Houes generally, and letting them consider it, because I am sure that that, coupled with a study of the regulations which are in existence, would enable some Member of the House to get up and say: We must not accept this *ex parte* statement, at all events, as the whole case in this matter—the expenditure is growing, and it ought to be completely analysed and looked into before any sanction is given to increased expenditure. The very fact that there were some Members of the House of Commons who think that way, is a great strengthener to a Government in dealing with these things. I remember in early days hearing Mr. Cobden, who was close by me under the gallery, say to a friend of his: "I have now sat in the House of Commons for a great number of years, and I have never known an occasion upon which any Motion for the reduction of an Estimate has ever been carried"; and he spoke as if discussion in Supply was really a useless discussion. It is certainly not so useful as some people think it; but one must bear in mind the effect upon the Department. I had not the honour of the Honourable Member's acquaintance, and I did not make any remark, but knowing what the effect of a speech in Supply was upon a Department, I could not understand how a man of such experience and knowledge could have come to that conclusion, because I know what extreme weight is attached to the speeches in Supply by the Minister in charge of a Department and by the Department itself; but if they find that there is not a single man interested in economy when the details of the Estimates are discussed, it places them in an exceedingly difficult position.

1570. But the criticism you refer to is a perfectly true criticism in regard to reductions in Supply, is it not, because they are always made Government matters—the Government itself "tells" against a reduction in Supply?—It does.

1571. Therefore, it is a question of a Party Vote, and the Government having a majority unless you turn out the Government you cannot carry your reduction?—That is so; but there is no necessity for a Division—what you do want is Members to get up and say: "You must not think that this is a current which some people are not prepared to stem." As it is, one Member after another gets up and supports

Chairman—continued.

ports these proposals, and there is absolutely no one who gets up and says a word in the other direction. I was reading Bagehot only the other day, and I noticed this little phrase in his book on the English Constitution, he says: "If you want to raise a certain cheer in the House of Commons, make a general panegeric on economy; if you want to invite a sure defeat propose a particular saving." I should like to add: "If you want to lose popularity oppose the proposals for increase." There ought to be some member in the House of Commons who would take that line.

1572. Is there any other method which you can suggest to us by which you think the War Office expenditure could be more carefully criticised by the House of Commons?—I have certainly thought over it, and considered it as well as I could; I think there might be some improvement upon the present arrangement, but I think nothing whatever should be done to interfere with the Ministerial responsibility for the Estimates. I think it is absolutely necessary that the Estimates should be accepted upon the responsibility of the Ministers. My answer, I think, could be better put in other words than mine. I am interested in these matters, and I was reading a book the other day written by a man whose reputation as an Economist is established, and, dealing with the question of various methods of examining the Estimates, he says this: By the English arrangement "Ministerial responsibility is increased as the proposals which form the *ensemble* of the Budget are altogether the work of the Cabinet, whose liability is undivided. The Committees of continental countries, though they appear to secure fuller deliberation, are really a screen for the original preparers of the financial proposals, and divide that liability, which should be definitely fastened on the administration. Another peculiarity of the English system goes far to explain its general economy, viz., the ancient rule that all proposals for expenditure must come from the Crown, *i.e.*, from the Ministry. No addition can be made to the Estimates presented. All expenditure, therefore, originates with those who have an evident interest in keeping it within bounds, as they will have to suggest the taxation required to meet it. A stronger check on the natural tendency towards increased expenditure could hardly be revised." Those words express what I think as regards the various methods which have been suggested as to the examination of these things very completely indeed and in very much better words than I could use.

1573. Whose words are those?—They are words used by Mr. Bastable in his work on Public Finance.

1574. Is there any other suggestion you have to make?—What I would suggest is this. I believe that, coupled with full knowledge as regards the Army expenditure, spread over a series of years, it would be a good thing if the Public Accounts Committee, for instance, instead of limiting its examination to the consideration of the queries of the Comptroller and Auditor-General, as it does, took up from time to time a Vote or two in the various Departments, and

Chairman—continued.

examined it in detail, and had up the members of the various Departments to explain it. I do not say that occasionally now and then a question is not asked as to why there was an increase or excess, but what I mean is that they should deliberately get to the bottom, as it were, of one or two Votes. Really, as a matter of enquiry I believe it would be more satisfactory and teach them more, if they applied their examination to details of actual expenditure.

1575. That is to say, if they made a review of the past expenditure, rather than enquired into prospective expenditure?—Yes, and learned the why and wherefore of the expenditure and the details as well as anybody in the Department knew them. Members of the Committee would then know so completely and so thoroughly the whole details of the expenditure as to be able to criticise very satisfactorily proposals when they came before them in Committee of the whole House.

1576. Whether that was done by a Special Committee or by the Public Accounts Committee or a Sub-committee of the Public Accounts Committee, it would be a kind of post-mortem examinationo f the expenditure of a most careful kind to see where any extravagance or mistakes had been made in order that out of this incident we might learn for the future how to manage better?—Yes; they would have a πῦ o στῶ they would have a foundation on which to rest with a view to the consideration of any new departure ,and it is, I believe, the new departures which have to be guarded against. As regards the cost of the Army, if people look into and study the Estimates, and see at what cost it is done, as they can with the help of a Statement given in the Estimates showing how it works out, I think they will see that the Army is extraordinarily cheap.

1577. Can you give us the figures you refer to?—I do not suppose that they are very well known, for one of the most intelligent critics of the War Office, and its proceedings in the House of Commons wrote a letter, not very long ago, to a newspaper, complaining of the absence of such information from the Army Estimates. So I wrote to him, and he apologised and said he had never seen it. It is a little statement which is called the "Total Charge Statement," which is a re-statement in two pages of the whole of the Estimates calculated up in a perfectly different way.

1578. As an Official Paper?—Yes, it is in the Army Estimates. From this statement you will see that for 150,000 men, including Regimental Warrant Officers, non-commissioned officers and men, including Pay, Good Conduct Pay, and their Deferred Pay (which existed then), Engineer and Corps Pay, Clothing, Rations, Fuel and Light, Transport, Equipment, Ammunition and Barrack Accommodation, together with the cost of Medical Attendance and Medicines, their Pay-masters for paying them, Chaplains, Prison Staff, Schools and Libraries, their effective cost amounts to an average of 2*d.* or 3*d.* over 1*l.* a week per man—that is to say, in all, 59*l.* 3*s.* 3*d.*

1579. That is rather a striking figure?—Yes,

Chairman—continued.

the fact presented in that way is rather extraordinary. Then there is the Pension charge, besides which comes, on the average of these men to 8*l.* 9*s.* 1*d.* per annum, per man.

1580. Can you give us that per week?—That is not 6*d.* a day. Then the total including all officers, their pay, their extra pay, servant, mess and outfit allowances, and all the similar charges for officers, including Educational Establishments, where the Cadets are educated, and so forth, taking men and officers together, both effective or non-effective, and including the whole of their pensions, it works out altogether to 83*l.* 2*s.* 4*d.* each per annum.

1581. That is including men and officers, as I understand?—Yes, men and officers, including all charges, pensions of officers as well.

Mr. *Eugene Wason.*

1582. Does it include Sandhurst and Woolwich?—Yes; those are the figures for the Regular Army. Then similar figures are given for the Auxiliary Forces. For the Militia of the United Kingdom it works out at 14*l.* 13*s.* 2*d.* per enrolled Militiaman. For the Yeomanry Cavalry it works out in these Estimates (which are the Estimates for 1898-9, which correspond with the other figures that I gave earlier) at 11*l.* 6*s.* 5*d.*, and for the Volunteers it works out at 5*l.* 10*s.* 7*d.* Those are all the charges for personnel. There are other services not here included. Another Statement shows the cost of the horses for instance.

Mr. *Lough.*

1583. Do you mean the horses for the Yeomanry?—I mean the horses for the Army. As regards the Yeomanry, they provide their own horses, and in the pay which I have already given is included the payment for the maintenance of the horses. The figure I am now giving is for the purchase of horses for the Army—that is given quite separately. Then the Establishment attached to the Army Service Corps is another item. Then come the headquarter charges of the Clothing Department, which are not included in the amounts which I swept up and gave you just now. Then comes a very large charge for warlike stores.

1584. You did not tell us the figure for the horses?—It is not worked out here per head—it is half a million of money in round figures for 18,000 horses.

Chairman.

1585. That is for the maintenance of the horses, I understand?—That is for the maintenance and purchase of horses. Then there is the warlike stores not included in the cost of personnel which I gave just now (because the figure I gave for personnel included the men's ammunition), and in this particular year those amounted practically to a million and a half. Then there are "works and buildings" not included in the barrack accommodation under personnel, and those represent 340,000*l.* Then there are annuities under the Barracks Act, 200,000*l.*, and miscellaneous services. All

Chairman—continued.

these services which I have just named which are outside personnel, come to about two and three-quarter millions. Then there are also other items given here which I need not mention. I give you that as an instance to show how cheaply, from that point of view, the Army is worked, taking it *en masse*. But this account of Army expenditure, which I have referred to, gives under these several items the details—what the cost of rations, for instance, has worked out at for a long series of years for the soldier, and compares it *en gros*. That is to say, it gives one price for the whole Army at home, and the prices that have been paid at foreign stations, and all information of that kind—as to pay, and so on—which, as I have said, form the governing factor in the War Office for forming a judgment as to what money should be spent.

Sir *Edgar Vincent.*

1586. I am sorry that I have not been able to be present during the whole of your examination, as I had to attend another Committee. I wanted to find out, in the first place, exactly about the position of the Financial Secretary at the War Office—is he the representative of the Financial Department?—Yes, he is the Parliamentary head of the Financial Department.

1587. And he is responsible for the maintenance of economy throughout the Army?—Yes, either he himself or his Department criticises all the proposals which are made, and audits the whole of the expenditure.

1588. So that if extravagance occurs his responsibility would be involved?—It would. He also has under him the contracts.

1589. Is he in any sense a delegate of the Treasury?—No, he is a perfectly independent officer under the Secretary of State for War.

1590. The Treasury has no delegate in the War Office?—No; but the old theory is that the Finance Department is an outpost, as it has been described, of the Treasury, because it considers from the same point of view as the Treasury would consider, the details which the Treasury cannot consider; that is to say, its inclination always is to consider things from the Treasury point of view, not so much as regards the necessity for a service (although that I have ventured to criticise myself), but as the machinery for showing what the real expenditure is and what sums ought to be provided for the Service.

1591. And also as a guarantee that the public obtain value for whatever money is spent in the War Office?—Yes. One of their most difficult jobs is the control of our factories where, there being no balance sheet of profit and loss or anything of that kind, any amount of money may be spent. Therefore, what we rely upon there is the cost accounts, as we call them, with which no doubt most of the Members of the Committee are familiar, in which we bring out in elaborate detail the cost of all the items which have been manufactured in those places.

1592. Your general view is that the financial control in the War Office is now in an efficient and

Chairman—continued.

and satisfactory condition?—The machinery exists for it.

1593. But what do you say about the result of the machinery?—I think you must look to the Secretary of State as the person who is mainly responsible. The Secretary of State does not always take the view of the Finance Department, but he is the man who finally decides every question. The Financial Department is responsible for laying before the Secretary of State the best view they can form of the financial effects of any proposal, and as to whether the expenditure is going on in an economical way.

1594. But they may, of course, be over-ruled by the Secretary of State?—Absolutely.

1595. So that I might put it in this way, that the financial view is always put forward now, but is not always followed?—Quite so.

1596. Now if there is excessive expenditure or extravagance, in which section of the War Office Budget does it occur—I mean which is the dangerous section of the War Office Budget in your opinion?—The stores—munitions of war and similar services. There you have constant changes of pattern, and rejections of huge reserves of stores in order to have something which is a little better (sometimes, of course, very much better, and then it is an important question), and you have the question of the quantities held in reserve and to be held in reserve, and so forth, which are purely matters of opinion; that is an item which has been dealt with admittedly as a matter of policy, and there comes in the phase in which extravagance may occur, and, I venture to say, I have often thought does occur.

1597. I take it that what occurs is this. A new invention is made, or a new pattern is discovered, and the experts, or the Executive Department, are zealous and keen to adopt whatever appears to be the best?—Yes.

1598. And the restraining influence of the Financial Department is sometimes not sufficiently attended to?—All these new things are very attractive indeed, and all that we can do is to put the real figure before the Secretary of State, and, if I may so say, to rub it in to him to show him that it means a big figure. A new proposal of that kind is apt to be put forward, as I have said, at a low figure.

1599. You said something just now respecting the revision of old Estimates, that is to say, recurring Estimates?—Yes.

1600. I want to know whether those old Estimates are carefully revised every year with a view to the elimination of redundant expenditure, and the reduction of everything to the lowest possible level?—Practically, you may say that that is the case—that every year every item of expenditure is overhauled.

1601. Then, regarding exaggerated Estimates on old Services, you suggested that there was a tendency to make exaggerated Estimates with a view to obtain free balances to give a margin in other directions?—I would not say that there was any *malice prepense*, but there would no doubt be satisfaction of this kind in the mind of the person when he put it forward: "We ought to have money enough, and if we have a little more money than is necessary it will do no harm." That is the sort of feeling.

Chairman—continued.

1602. What sanction is required to permit a Department to spend a balance it may have under head A upon head B?—If it is a deliberate proposal, a new Service introduced, as it were, the sanction of the Treasury is necessary, but, of course, many expenditures of that kind occur which are disturbing in a way, but for which only a general sanction of the Treasury is asked; but that general sanction is asked. For instance, the Estimates are made out as the best forecast that a Department can make—it has to prophecy prices and endless things of that kind; and it may so happen that the prices have not come out so satisfactorily as we expected; then in that case the excess is regarded as automatic. But in such a case we always look out to see what savings equally automatic are accruing under some other items to meet it in order to avoid; as far as we possibly can, a Supplementary Estimate, which would otherwise have to be presented; and if these do not arise there are particular Votes which are fairly at the discretion of the Department, we should seek to effect either an economy, or a saving, or a postponement of the expenditure to avoid a Supplementary Estimate. We watch in the most narrow way possible, so far as we can, in the Department, the course of the expenditure month by month all over the world; and we make an approximate account of the expenditure, collected from the Accounts and from the direct payments which are made from the War Office—for all heavy payments to our large contractor are made at home direct from the War Office. By that monthly account of the expenditure before it is audited, we form a very good approximation as regards every single item of the Estimates, and that is narrowly watched to guide us as to how the money is going. Then, coupled with that we take stock of the liabilities, of the new contracts entered into for the various Departments, the progress of works, and the probable deliveries to be made, and so on. We have this account from month to month in regard to all the items in the Estimates. Supplemented by the direct payments under the different Votes, as a guide, and the Finance Department makes known the result to the various Departments under whose control the expenditure is, stating "Your money is going out too freely, what is the cause of this extra expenditure?"

Mr. *Lough.*

1603. I think you have not answered the Honourable Member's question. You have dealt with the case of new expenditure, or where a deficiency arises from the prices having gone against the Department; but the question put, I think, was rather as to the transfer of a saving from one Department to another Department because there has been laxity in that other Department involving deficiency?—It does not follow that because there is a deficiency there has been any laxness at all. For instance, if the price of fodder goes up, you must still pay the price, because the horses have to be fed, and that gives rise to a deficiency.

Chairman.

1604. The question was rather who sanctions a transfer of money voted to A, to C, or B?—In a great number of these cases, as I have said, it is absolutely automatic; in other cases the process would be this: probably a Department would say, "We have a margin here, and we can spend more money upon things that we must have—it would be an advantage to us to have them"; but the answer is "No, this money is already actually spent because prices have been against us elsewhere, and we cannot let you have this money."

1605. We are not talking so much about the causes of one Department having to spend more and another Department having to spend less, but what we want to know is, if one Department has to spend less money and has a surplus out of the money voted to it, who sanctions the use of that money for another Department who want a little more than was voted to them?—When there is a deliberate proposal to transfer a saving of that kind upon the service of another Department, the Treasury has to sanction it.

Mr. *Eugene Wason.*

1606. But when the Treasury does not sanction it, what is done?—Then it is not incurred.

Sir *Edgar Vincent.*

1607. The gist of my question was rather this: Do the great facilities for transferring economies on one Vote to meet over-expenditure on another lead to extravagance and unreality in the original Estimate?—I do not believe they do. Where such variations do occur (and of course they must occur because these Estimates are mere forecasts based on previous experience, and although many of them come out with great accuracy and extremely near there must be variations; for instance, the amount spent upon such items as forage, and food, and clothing and so on, cannot come out exactly what they are estimated at) there is a general power possessed by the Treasury to sanction it—the department cannot do it itself. Then again the matter is laid before the House of Commons for their sanction to cover the action of the Treasury. Those, of course, would be cases of deficiencies and savings which are practically not ascertained until the accounts are made out, and it cannot be known until the end of the year, or some time after the end of the year, exactly how things stand.

1608. With regard to contracts for guns and things of that kind, are there large contracts for guns made with outside firms by the War Office?—Yes.

1609. There is, of course, danger that the very restricted competition which is possible in such work may lead to exaggerated prices?—Yes.

1610. In your judgment does that occur or not?—I do not think it does. I think the large manufacturers in this country who manufacture large guns and armaments deal with us very fairly. If we think their prices are high, as we generally have some experience of the work in

Sir *Edgar Vincent*—continued.

our own factories to bring against them, we point out to them, "We have been able to make such and such a gun at such and such a price, and we think you ought to come down in your price"; and we have generally found them quite amenable, and they quite understand the position—that while we are not prepared to give an extravagant price we are prepared to give them a price that will allow of a profit, which of course our factory prices do not provide for.

1611. The control over the War Office expenditure may be roughly divided into the departmental control—that is, within the department itself—and extra-departmental control—that is, the Treasury and the House of Commons?—Yes.

1612. Your general view, as I understand, with regard to departmental control is that it satisfactorily revises the proposed expenditure, but is sometimes not of sufficient authority?—It is not the overruling authority but the Secretary of State for War is put in the position of weighing the financial condition of affairs thoroughly, and that, of course, is all that we ever aim at.

1613. Now, with regard to the control outside the department, that is, the control by the Treasury and the House of Commons, can you suggest any means for strengthening that or rendering it more effective?—No; I think it is quite as effective as it can be, in fact, to a certain extent, I think it is a little too effective as regards minor details. I think, however, that recently in consequence of the consideration of various Committees, the War Office has been given a little more discretion as to minutely small things because small things have annoyed us for very many years past, and they have annoyed everybody else far beyond what they are worth.

1614. It has been suggested that minute questions of audit have taken up the attention of the Comptrollers, whereas large questions of expenditure have been somewhat neglected?—The Comptrollers cannot go into the question whether there has been any extravagance or anything of that kind. They can only see whether the expenditure has been incurred in accordance with the regulations and rules laid down. That is all they can do. They cannot say, "This service should not have been ordered"—they have no authority to do that.

1615. Their control is therefore formal?—Yes.

1616. Can you suggest any means of rendering the control over the Estimates from the point of view of merit, not from the point of view of form, more efficient and effective?—No, I cannot. I think better criticism in the House of Commons (to secure which, as I have explained, I would like to see the Members of the House of Commons better educated as to the Accounts and Expenditure) is all that can be done. The Estimates are mainly governed by policy as regards the mass of the expenditure, that is to say the number of men. The other main item is the stores, and of course very varying amounts of money might be spent, on stores according to different opinions.

Chairman.

1617. There are some important questions which the Committee still wish to ask you, and, rather than crowd your answers into the few minutes which remain before we must go down to the House, it is suggested to me to ask you whether you would be able to attend at a future sitting; could you attend on Monday or Tuesday of next week?—Certainly, if the Committee so desire.

Chairman—continued.

Tuesday, 4th November 1902.

MEMBERS PRESENT:

Sir James Fergusson.
Mr. Hayes Fisher.
Sir Walter Foster.
Mr. Bonar Law.
Sir Robert Mowbray.
Sir Edgar Vincent.
Mr. Eugene Wason.

THE RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., in the Chair.

Sir GEORGE HERBERT MURRAY, K.C.B., Examined.

Chairman.

1618. You are Secretary to the Post Office; and you have been there three years, I think?—Yes.

1619. Previously to that you served first in the Foreign Office?—Yes.

1620. And then for a good many years, some eighteen years, I think, at the Treasury?—For sixteen years, I think.

1621. After that you were Chairman of the Board of Inland Revenue, before you took your present appointment?—Yes.

1622. Have you formed an opinion with regard to the subject of our Inquiry, whether an examination of the details of National Expenditure not involving criticism of policy is practicable?—I think the difficulty resides in those five words, "not involving criticism of policy." It seems to me that any examination of the details of expenditure which did not involve criticism of policy would be only practicable to a very limited extent, because the amount of expenditure which could come under review in that way would be a very small amount compared with the whole. An examination of that kind would, I think, be little more than an inquiry whether the Department was pursuing right methods in its expenditure, rather than a criticism of its actual details.

1623. Having regard to the usual time of the opening of the Session of Parliament, have you considered whether the Estimates could be submitted to a Committee in advance of their introduction into the House?—I think you have mentioned the real difficulty in the way of that proposal, namely, that the time which would have to be devoted to an examination of that kind would not allow of the Estimates being settled till nearly the end of the session. To go through the Estimates of any large Department in that sort of way would occupy at least the whole of one Session; in the case of my own Department, I do not think it could be done under two or three Sessions. Then there is the further difficulty, which is perhaps rather of a constitutional kind, that the Committee would practically be assuming

Chairman—continued.

the responsibility which must lie between the Executive Government and the House itself. I think you could not habitually interpose the recommendation of a Select Committee, on a question of Expenditure, between the Executive Government and the final decision of the House. If you did, I think the result would be that the Estimates would be prepared in a much less careful way than they are now. Items would be put in on the chance of their surviving the inquiry of the Committee, and the responsibility of the Department would be very much weakened.

1623.* It has been suggested to us that it would be profitable as increasing the control of the House of Commons, if an inquiry of that kind were made in the following Session upon the Estimates of the previous year?—I think that would certainly be a more useful form of inquiry. I think it would, perhaps, be best not to take the Estimates of a Department *en bloc*, but to take a specific Service or a specific branch of the Service, or several specific items of expenditure, and go into them *ex post facto* when the whole transaction is completed. The object, of course, would be not so much to criticise what had been actually done as to see whether any lessons for the future could be drawn from the experience of the past.

1624. A very great portion of the Estimates are always what are called recurring; the new items are comparatively few, and those would largely depend upon the policy?—Yes.

1625. But is there not a risk that recurring items may escape close notice in the Departments and consequently some expenditure may become redundant?—I do not think there is any very great danger of that. In the first place, nearly all Departments in the present day are growing rapidly, and, I think, as far as force is concerned, you may be pretty well satisfied that there is very little redundancy.

1626. But, on the whole, you think that the closer inquiry, which is suggested, would be more profitable if *ex post facto*?—Certainly.

1627. But

Chairman—continued.

1627. But I think you said just now that it would be profitable also to inquire whether the most economical methods of carrying out policy have been adopted?—Yes, that was the form which I thought the inquiry which you mentioned would probably take—that it would inquire rather into methods than into the merits of specific expenditure, which must, of course, always turn very much on the merits of the particular policy involved.

1628. But you recognise, do you not, that if the inquiry was directed to certain branches in turn it would not occupy so much time as a comprehensive inquiry, and at the same time it might give the House a clearer knowledge of the nature and growth of the expenditure?—Yes; the facts would be more isolated, I think, in the case of an inquiry of that kind; the inquiry would be much more limited in extent and, of course, it would be possible in that case to go very much more closely into details than it would be when you are ranging over a large field and are much pressed for time.

1629. *Ex post facto* the Committee might examine expenditure in the light of the policy which dictated it, and which would then have been explained to Parliament?—Quite so.

1630. Are you of opinion that good administration can best be secured by Departmental administration rather than from outside?—I should say that what you may call the motive force which produces good administration must certainly come from within the Department; coercive control from outside can seldom produce any good result in that direction, I think; and I doubt if the two outside controlling authorities, that is to say, the House itself and the Treasury, could ever effect very much by exercising direct pressure on a Department to economise and to be efficient. They can do more perhaps by criticising what it has done. But I am sure you must leave the Department itself, by its responsible Minister, to produce efficient administration from within itself.

1631. In the official posts you have held, particularly as Private Secretary to the late Prime Minister, Mr. Gladstone, you had frequent opportunities for observation not only of the reasons for expenditure, but of the control exercised over it in Parliament?—Yes.

1632. Was it your opinion that efforts were constantly made both in the Departments and in the Treasury to keep expenditure down as much as possible?—Certainly. But I think the whole attitude of the House itself towards the public service and towards expenditure generally, has undergone a very material change in the present generation. For hundreds of years before that the attitude of the House had always been one of extreme jealousy of the Crown. In examining an Estimate it proceeded on the assumption that the Crown would probably be asking for more money than it ought to have, and so it devoted its attention to restricting the operations of the Executive Government and criticising their proposals for expenditure. But of late years the

Chairman—continued.

position, I think, has been entirely reversed. Of course, the House to this day, in the abstract and in theory, is very strongly in favour of economy, but I am bound to say that in practice Members, both in their corporate capacity and, still more, in their individual capacity, are more disposed to use their influence with the Executive Government in order to increase expenditure than to reduce it.

1633. In fact, the succession of Joseph Hume has died out?—Quite so.

1634. When you said that for a long time, for centuries indeed, the effort of the economists was directed to limiting unnecessary expenditure; there has been a great change, has there not, in the framing of Estimates from what may be called the middle ages of constitutional Government, say the eighteenth century, when Ministers liked to have plenty of money in hand? In these days the greatest effort is exercised, is it not, to cut down expenditure as low as efficiency will allow?—In the Departments I think that is so.

1635. I mean in the Departments?—Yes.

1636. Then, in fact, the expenditure has been so cut down, though what presents itself to the minds of Members of Parliament is the insufficiency of the supply for the purposes which their constituents desire?—Quite so.

1637. But practically the suggestions made in Committee of Supply are in far the larger number of instances for an increase of expenditure?—Almost invariably I should say. I think if you will go back to the discussions in Supply of thirty and forty years ago you will notice a remarkable change in that way. In those days frequent effort was made for a real reduction in a Vote. At present, of course, the reduction of a Vote is constantly moved, but it is moved not with the view of reducing the particular item involved, but of making that motion a peg on which to hang a suggestion for increased expenditure in some other direction.

1638. Or of raising some grievance?—Or of raising questions of policy or grievances.

1639. Would you please give the Committee your opinion as to the sufficiency and efficiency of Treasury control over the other Departments?—I think the Treasury control, as it is now exercised, is of very great value indeed. In the first place, it promotes what you may call financial order, and uniformity of treatment. In the second place I think the Treasury exercises a very valuable influence in advising Departments as to organisation and general questions of that kind. It gives them the benefit of its own experience in such matters, which, of course, is larger than that of any individual Department. Then it puts the Departments on their defence when they are proposing new expenditure or maintaining existing expenditure, and it criticises their proceedings generally so far as they come before them. I think in all those ways the control of the Treasury is extremely useful, and I doubt myself if it could be made much more effective.

1640. That would be practically with regard

Chairman—continued.

to the propriety and the necessity of items of expenditure?—Yes, and the merits generally.

1641. But is not the action on the part of the Treasury, prompted presumably by the Chancellor of the Exchequer, to induce the Departments to cut down their first Budget so as to bring it within what he considers as much as he can provide for?—No doubt there is a tendency of that kind. That is what I had in my mind when I spoke of putting them on their defence; they are called upon to prove the necessity for their proposals and to justify the expenditure which they require.

1642. When a Department has put its expenses presumably as low as it thinks the services of which it has charge demand, does not the Treasury write and say, "You must take half a million or a million off your Estimate if you can"?—I imagine they do in some cases. I see less of that because our expenditure is of a rather less optional character than that of some other Departments. Our payments cannot be very well postponed for another year and so forth. But no doubt the Treasury do exercise an influence of that kind where the expenditure can possibly be deferred.

1643. In the Post Office, for instance, you have a number of new Crown Post Offices which you no doubt urgently require, the business having outgrown the existing buildings, and perhaps large cities pressing for better accommodation; you have a list of those cases and you take the most necessitous and make provision for it in your Estimates, and you would take more if you could, but the Treasury write and say, "You must take three-quarters of a million off your Estimate." And so you are obliged to postpone the least necessitous; is not that so?—We only feel that indirectly in the case you mention—buildings. As a matter of fact the buildings are provided out of the Vote for the Office of Works, so that the Treasury pressure is exercised in the first instance upon the Office of Works and not upon the Post Office.

1644. But surely the Crown Post Offices are built out of gross Post Office revenue, are they not?—No, they are paid for out of the Vote for the Office of Works, which is taken in Class 1; it does not come out of the Post Office Vote.

Mr. *Eugene Wason.*

1645. Is that so in every case?—In all cases of what are called Crown Post Offices, that is Post Offices built by, and the property of, the Crown.

Chairman.

1646. The sites are paid for out of the gross Post Office revenue, but not the buildings?—Yes.

Mr. *Bonar Law.*

1647. Does the Post Office pay a rent to the Government for the use of the buildings?—No, they are the property of the Postmaster-General.

1648. The value of them as rent is not included in the Post Office Budget?—No.

Sir *Robert Mowbray.*

1649. The policy of deciding whether there should be a new Post Office is a question for the Post Office, I suppose?—Subject to the approval of the Treasury.

Sir *Robert Mowbray*—continued.

1650. I meant with the approval of the Treasury, of course?—That is a very important qualification.

Chairman.

1651. Now I will ask you a few questions with reference to certain items of charge which have grown up of late years, and do not appear in the Estimates of the year, and which have been pointed out by Mr. Bowles under the heads of "Interceptions," "Grants-in-Aid," and "Appropriations-in-Aid"; he has pointed out that now a very large amount of public expenditure, amounting to about nineteen millions a year, escapes the scrutiny of the House of Commons because it is borne under those heads; has that come under your notice?—I think it is scarcely accurate to say that as regards the Appropriations-in-Aid they escape the notice of the House of Commons, because the Appropriations-in Aid appear on the face of the Estimates, and the House could of course criticise them if it chose.

1652. But it is not so in case of Grants-in-Aid and of Interceptions, is it?—The payments to the Local Taxation, of course, are on a different footing; they are under Statute, and they are handed over direct to the Local Government Board.

1653. We have had delivered to us this morning a Return handed in by Mr. Gibson Bowles, giving a list of Grants-in-Aid for the present year; unfortunately they are not added up, but I think Mr. Bowles estimated them at about £4,000,000?—I am afraid I misunderstood you just now. I did not gather that you were speaking of Grants-in-Aid; I thought you referred to Appropriations-in-Aid.

1654. I was speaking both of Appropriations-in-Aid and Grants-in-Aid?—A Grant-in-Aid is even more under the control of the House, because it actually votes it. The only difference between a Grant-in-Aid and any other kind of Vote is that it is not subject to an Appropriation audit. It is paid over as a lump sum, and the Department, or the person who receives it, is not subject to any detailed control as to the way in which the money is spent.

1655. In a large number of cases shown in that Table, I suppose, that would be practically impossible?—Yes, I should think in many of those cases it would be.

1656. Then there is another head of Expenditure of which Mr. Bowles complains as having increased, and that is Supplementary Estimates?—Yes.

1657. One reason I had for asking my question about suspended items of expenditure in a Department was to follow it up with this question: Is it not the case that these Supplementary Estimates are often founded upon the Revenue of the year proving larger than the Chancellor of the Exchequer had reason to anticipate, so that some items that were reluctantly postponed by the Ministers can be provided for?—That may sometimes be the case. It certainly is not the case with any Vote with which I have been connected. When we have a Supplementary Estimate it is really because for some reason or other the expenditure

Chairman—continued.

expenditure in the course of the year has turned out to be larger than we anticipated, and therefore, in order to keep matters straight, we have been obliged to come back to the House for a further supply.

1658. That is another reason, no doubt, for a Supplementary Estimate. There are two grounds on which it might be founded, one that the expenditure had unexpectedly increased, the other that the Revenue had unexpectedly risen and it became possible to provide for items which had been postponed?—Yes.

1659. In the Post Office and the Inland Revenue, with both of which you are well acquainted, the control of the Treasury, I suppose, is complete, or more complete than in other Departments?—It is more complete than in other Departments, I should think.

1660. In fact, over both of those Departments it is very closely exercised?—Yes, as Revenue Departments.

1661. Now you have spoken of the merits of Treasury control: do you attribute to it also drawbacks, such as a tendency to attempt too much administration on its own account?—I think it has sometimes been a little inclined to attempt to administer a Department. Of course, it is very difficult to draw the line between effective control and actual administration, but perhaps there has been a tendency (which is diminishing, I think, at present) to do a little too much administration.

1662. That would depend, I presume, a good deal upon the tendency of the Minister administering it?—Yes.

1663. If it used its powers and forces in considering minute details it would, perhaps, lose its hold upon the greater objects?—I think it does. I think its action is much more effective if it is directed to laying down broad lines rather than to the criticism of small details, and a disproportionate amount of time and labour is, I think, sometimes expended on them.

1664. Do you find that there is a tendency in the Treasury at times to lay down too rigid rules for public expenditure?—I have noticed that. Of course the Treasury, in laying down rules, have to deal with a large number of Departments, which are acting under very varying conditions, and I think the Treasury do not always quite sufficiently consider what you may call the idiosyncrasies or peculiarities of the services of the different Departments. For instance, a Regulation which may be very valuable and apply very well to a service which is purely clerical may be quite out of place with a service such as the Post Office, which is, to a very large extent, not clerical at all. Clerical work, for example, is conducted between certain hours in the day—say from 10 till 5 o'clock, but the work of the Post Office, to a very large extent, goes on throughout the twenty-four hours; and Rules which are applicable to one set of circumstances are quite inapplicable to another. I think what is really wanted is that the Treasury should consult the individual Departments a little more than they do before they prescribe general Regulations.

Chairman—continued.

1665. You regard the operations of the House of Commons Committee on Public Accounts as very valuable, do you not?—Very valuable, so far as they go. They do not usually go into the merits of expenditure; they are occupied mainly in considering the Reports of the Comptroller and Auditor General as to the order and regularity of expenditure.

1666. Of course they claim (to use an American expression) to have done a great deal more than that?—Yes, I am aware that they have done very good work indeed, if I may say so, in going into questions which perhaps do not come strictly within the purview of their inquiry.

1667. The Committee works in harmony and alliance with the Treasury, does it not?—Certainly, and with the Departments, too, I hope.

Sir *Walter Foster.*

1668. I think you have referred to the attitude of the House of Commons as having changed since the time of Joseph Hume?—Yes.

1669. Changed in the direction of not being so strictly economic in its views?—Yes. I should say that it is more disposed to spend money and less disposed to restrict expenditure than it was.

1670. Do you not think that that may arise less from jealousy of the Crown than from a desire to promote the efficiency of the Public Service?—I did not suggest that their present attitude was one of jealousy of the Crown; that was their former attitude. I have no doubt their present attitude is actuated generally by a desire to promote the efficiency of the Service of the country.

1671. It is part and parcel of a general movement in the country to make all public administration more useful to the great mass of the people?—Yes.

Chairman.

1672. And it is also, I presume, on the pressure of constituents, is it not?—In my Department for obvious reasons I naturally see more of it from that point of view.

Sir *Walter Foster.*

1673. Of course that pressure from constituents is really a demand on the part of the public for what may conduce generally to better government, is it not; I am speaking only in broad terms, of course?—Yes.

1674. Then, coming to another point, you were speaking of the tendency on the part of the Treasury to exercise a strict supervision in regard to the amount of the preliminary Estimate of a Department and to cut it down, as I understand, to the possibilities of the year's income?—No doubt the consideration of what the resources of the country can afford must guide them very largely in deciding on an Estimate.

1675. In doing that you suggested, you thought, it would be better done if they went upon broader lines, did you not?—No, I was not referring to their treatment of the Estimates when I said that. I was referring rather to their control over the

Sir *Walter Foster*—continued.

administration generally and their criticism of the action of a Department.

1676. What do you mean by "broader lines"?—I should say going less into detail and criticising individual items less.

1677. Would they not rather trench upon policy in that case?—That is part of their business, of course.

1678. To trench on the policy of a Department?—Certainly.

1679. And by correcting or mitigating the policy to save the Exchequer?—That would be one of their objects, I have no doubt.

1680. Now with regard to your own special Department, there are from time to time in the Votes sums of money granted for local post offices, are there not, which have not been expended during the year?—Do you mean for building post offices?

1681. Yes, and probably for sites?—I think we nearly always spend any money that is voted for sites.

1682. But not always, I think, do you?—Possibly not always.

1683. In that case what becomes of that money?—It is not spent.

1684. Does it go back into the Exchequer?—Probably it has not been issued.

1685. Does that same practice apply to money voted for buildings?—It applies to all Votes.

1686. That money comes back into the Exchequer, does it?—Yes.

1687. It is not transferable, as in the case of some other Departments, to meet other expenses in the Department?—Yes, with the consent of the Treasury we can apply a saving on one sub-head of a Vote to meet an excess on another sub-head of the Vote; but we cannot transfer money from one Vote to another.

1688. Is not that custom, although sanctioned by the Treasury, likely, in your opinion, to lead to extravagance at times?—No, I think not.

1689. Or I will say to less economy?—I think not. I think it is a very sound rule.

1690. It is a sound rule, but it rather checks the House of Commons, does it not, from accurately following the expenditure in anticipation?—The amount is not very large. I should think, on the whole Post Office expenditure, which is between fourteen and fifteen millions, the amount of those transfers would scarcely exceed 100,000*l*.

1691. It was stated to us yesterday, or the suggestion occurred yesterday, that sometimes in order to avoid a Supplementary Estimate excesses or savings on other Votes were used. Have any instances of that kind come before you?—Not on other Votes; a saving cannot be applied to another Vote. You can only operate within the four walls of the Vote itself.

1692. Can it not be done in regard to the Army Estimates?—The Army and the Navy, of course, are on a different footing in this respect.

1693. Is not a practice of that kind rather hostile to economy?—I know so little about its operation as regards those Votes that I should not like to give an opinion upon it.

Sir *Walter Foster*—continued.

1694. Then with regard to the merits of expenditure, is there any special suggestion which you could give us as to how we could get at that in the House of Commons?—I think as much knowledge as possible, to start with, is very desirable. Criticism, of course, without knowledge cannot be very effective.

1695. Would that knowledge be best obtained, do you think, by what I have called a *post mortem* examination of the Estimates?—I think certainly.

1696. That is to say that we should take in one year either a particular Vote or a number of cognate Votes and analyse the distribution of the money during the previous twelve months, or two or three years?—Yes.

1697. And out of that draw sufficient experience as to expenditure to enable us to criticise with effect the future expenditure?—Quite so, and I think the more limited in its area that inquiry was, the more useful it would be.

1698. The deeper it would go?—Yes.

1699. A Committee sitting with that view would, you think, be a useful way of getting at the merits of expenditure and acquiring experience to criticise the expenditure in the future?—I think very useful.

1700. Do you think that method could be supplemented in any other way by any variation of our present method of dealing with Estimates?—No, I do not think the present method of dealing with the Estimates can be greatly improved upon—certainly not by substituting for Committee of Supply a Select Committee on the Estimates of any Department.

1701. Then you think a Select Committee practically sitting on the Estimates of the year would be no more potent in its criticism than the House of Commons sitting in Committee of Supply?—I think not.

1702. Do you think a Grand Committee sitting upstairs would be more useful?—I think not, because I believe a Grand Committee cannot call witnesses.

1703. So that we come back to this examination of past expenditure as the best means of informing the House of Commons how to criticise future expenditure?—Certainly, and how to control the Departments generally.

Sir *Edgar Vincent.*

1704. Regarding the examination of the Estimates before they are submitted to the House, at the present moment the examination in Committee of the whole House is necessarily conducted, is it not, without any detailed knowledge and without witnesses?—Yes.

1705. Would not the proposal which has been made of a Select Committee to report to the House on the Estimates be a means of obtaining the knowledge which is necessary to criticism?—It would be one means; I venture to think not quite the best.

1706. What are the precise objections to it in your opinion?—It appears to me that the inquiry

Sir *Edgar Vincent*—continued.

of such a Committee would either end in merely collecting information for the House, in which case, of course, it would not be of the greatest value, or it would assume the functions of the Committee of Supply which I think would be open to other objections.

1707. That is to say the present examination in Committee of Supply would, in your opinion, be preferable to the proposed method?—I think so.

1708. But is the present examination in Committee of Supply effective from a financial point of view?—No, I should hardly think it was.

1709. So that practically the control of Parliament now, as regards Estimates, is non-existent?—No, I should not go so far as to say that.

1710. I will not say non-existent, but I will say defective?—It is to some extent defective.

1711. As being based upon insufficient knowledge?—Yes, and also in not having sufficient time, I should say.

1712. Are there any instances within your knowledge in which Committee of Supply has reduced Votes?—I have some recollection of cases occurring, but I have not got the particulars in my mind at this moment. I have heard of such a thing.

1713. Of considerable amount?—No, I should say not considerable amount.

1714. As regards the time, the suggestion made was that a Select Committee should examine the Estimates after their presentation and previous to their examination in the whole House; would it, in your opinion, be possible for a Select Committee of that kind to conduct an examination into a portion of the Estimates within a month?—It would be a very small portion, I think.

1715. Your suggestion, I think, is rather to increase the *post mortem* examination and to leave the antecedent examination of the Estimates where it is?—Precisely.

1716. You do not consider that antecedent examination is usually conducted with more zeal and thoroughness than the examination of expenditure which has already taken place?—No. I should think it would be rather the other way. The inquiring body would have more time to devote to it, and it would not be pressed by the necessity of making its report within a limited period.

1717. I would suggest to you that a *post mortem* examination, if it is to lead to economy, almost necessarily entails censure and blame upon previous extravagance?—Quite so.

1718. And there is a very strong tendency to sanction an accomplished fact?—I do not think there would be any question of sanctioning it, because, as you say, the fact is accomplished; but the inquiry would teach valuable lessons for the future, which is the way in which, I think, it would operate most usefully.

1719. You do not think that the desire to avoid blame and censure upon public officials would diminish the thoroughness with which the examination was conducted?—I hope not, speaking for myself, at all events. I should like to say also that, on the assumption of an antecedent

Sir *Edgar Vincent*—continued.

examination, any material alteration of the Estimates at the time you are thinking of would, of course, be extremely inconvenient to the Public Services as a rule. The Estimates have been arranged two or three months before, looking forward as well as we can for a year or more ahead, and if you are to review them in the sense of altering the arrangements to any material extent, the inconvenience would be very great indeed.

1720. Would the inconvenience be a greater disadvantage than the expenditure of unnecessary money?—I think it would be, because you can prevent the unnecessary expenditure, if you would be content to do it a year later, quite as effectively as you could at the time, I think.

1721. You would only lose one year's expenditure, you mean?—You would lose one year's expenditure.

1722. I see, from a Table which I have here, that practically the reductions in Committee of Supply have been very small—they have been only one a year, and usually of small amount?—The last I remember was a reduction of, I think, £500 on the Vote for the House of Lords, and that was some six or seven years ago.

1723. Now, you said that any increase of examination by a Committee of the House of Commons would greatly diminish the care with which the Estimates were prepared by the Department and the Treasury, did you not?—What I meant was that any examination of the Estimate before the event, so to speak, would, in my opinion, weaken the responsibility of the Department, because it would say, and the Treasury might perhaps agree with it, "This is a case which may as well go before the Committee," so that you might have the Estimates very much swollen on the mere chance that some of the items would survive and that the Committee would pass them.

1724. That really rather goes to the root of all financial control, does it not; it comes to saying that the greater the supervision the more extravagant would be the preliminary Estimates?—If the supervision is of a particular kind, yes.

1725. That is your view?—Yes. The more you weaken the responsibility of the Department which draws up and presents the Estimate and which is responsible for the Service, the more extravagant, I think, it is likely to be.

1726. Now, as regards the Public Accounts Committee, you say the Public Accounts Committee does not enter into merits except in exceptional cases?—I believe that is so, but I have never appeared before the Committee myself.

1727. Do you favour an extension of the powers of the Committee of Public Accounts or the range of their inquiry?—I have not considered that question. I am rather inclined to think not.

1728. Now, the large increase of public expenditure which has taken place in the course of the last ten years is due, in your opinion, to what causes?—That is rather a large question.

1729. I mean is it due to policy or administration; in your opinion is it entirely to be attributed to policy?—I think so.

1730. You do not attribute it to the change of tone

Sir *Edgar Vincent*—continued.

tone which has taken place in the House of Commons, and the greater leniency with which questions of expenditure are viewed?—Yes, I do attribute it to that very largely, but I included that in the word "policy." That is the policy of the House—to spend more money than it did, to criticise expenditure less closely than it did, and to urge the Executive Government to increased expenditure instead of the reverse.

1731. Is that tendency a danger, in your opinion?—I think it is a very considerable one.

1732. What steps would appear to you feasible and practicable to diminish it?—I think the House itself and more particularly individual Members should harden their hearts a little more than they do now when proposals for expenditure are made to them.

1733. But is not increased knowledge necessary to enable them to resist those proposals?—No doubt they would resist them better if they had more complete knowledge.

1734. Can you suggest any means by which they can obtain more complete knowledge?—I think perhaps more communication between the individual Members and the Departments, before they put forward suggestions, might be useful.

1735. The difficulty which occurs to my mind is this, that it is most difficult for the House, without detailed knowledge, to criticise or resist the proposals for expenditure?—Quite so.

1736. It is practically impossible?—Yes.

1737. How can the House as a whole or individual Members of the House get the knowledge requisite to an intelligent criticism of the Estimates?—I think Committees of the kind which have been suggested would be a very useful way of doing it.

1738. Can you suggest any other means?—And individual study.

1739. Of Blue Books, do you mean?—No, of the administration of the Department under review.

Mr. *Eugene Wason.*

1740. With regard to what you said about post office sites, there are a great many post offices built now upon private property in this country, are there not?—Not Post Offices which are the property of the Postmaster-General; they are all built on freehold property.

1741. Belonging to the Crown?—Belonging to the Postmaster-General.

1742. But there are many post offices throughout the country, are there not, upon private property?—Yes, but they are not built by the Government; they are rented by the Post Office. There are practically three classes of Post Offices. There are what are called Crown Post Offices; those are the freehold property of the Crown, and the site also is the property of the Crown, the Post Office being built by the Office of Works. Then there are offices which are leased by the Postmaster-General; and, thirdly, there are offices provided by postmasters themselves out of the allowance made to them for the purpose.

1743. Are those all looked after by the Office of Works or by the Post Office?—The first class are looked after by the Office of Works, the second by the Post Office, and the third by the postmasters themselves.

Mr. *Eugene Wason*—continued.

Sir *Robert Mowbray.*

1744. Would it be possible, with the view of increasing the information at the disposal of Members of the House of Commons, to give any fuller information on the Estimates themselves when they are presented to Parliament?—I think if you were to change the form of Estimates that might be done to some extent; there might be more explanatory matter inserted in them.

1745. There is, of course, at present a memorandum by the Secretary to the Admiralty in regard to the Navy Estimates, and I think one from the Secretary of State for War for the Army Votes?—Yes.

1746. Is there anyhing similar in regard to the Civil Services?—There is one by the Secretary of the Treasury in regard to the Civil Service and Revenue Votes.

1747. That is a separate memorandum, not on the face of the Estimates?—It is prefixed to them.

1748. Is it bound up with them?—Yes.

1749. Would it be possible in that way, do you think, to give fuller information under the heading of the Votes which would be before the eyes of Honourable Members at the time of the Vote was being discussed?—I think it would be very difficult to have anything like a complete account of the different items; and an incomplete account would probably be more misleading than a bare statement of the amount asked for.

1750. Then you cannot make any practical suggestion in that respect?—No, I think not.

1751. I think you never were Estimate clerk, were you?—No.

1752. You said something about the danger of the Treasury passing from control into administration. It has sometimes been suggested that the Comptroller and Auditor-General should go more into the merits of the expenditure which he audits. I should like to ask whether you would see any risk of the Comptroller and Auditor-General passing in that way into a kind of supreme administrator of the country, and whether you think that would be a danger?—I think it would be quite inconsistent with the functions of an auditor which are of course never directed to the merits of the expenditure at all. His business is to see that it is properly authorised and properly presented.

1753. You are aware, of course, that he does incidentally bring up before the Public Accounts Committee certain questions which have suggested themselves to his mind, and also that the Public Accounts Committee, on their own account, sometimes go into the merits of expenditure where the question has not been raised by the Comptroller and Auditor-General?—Certainly.

1754. But I rather gather from your answers now that you think that the effective consideration of the expenditure of the past year, such as you have recommended, would be better carried out by another Committee rather than by the Public Accounts

Sir *Edgar Vincent*—continued.

Accounts Committee, which you consider ought rather to deal with audit?—I think so; and also there is the difficulty of time. I imagine the Public Accounts Committee is very fully occupied now and could hardly extend its functions very much, certainly not into a complete examination of any particular Vote.

1755. But I suppose another Committee specially appointed for the purpose of considering either a particular Vote or a particular class of Votes might find time to give a thorough examination of that Vote after the money had been spent?—Yes, that is what I had in my mind.

1756. With regard to the possibility of a Select Committee inquiring into the Estimates after presentation and before consideration, are you aware that in 1888 three Select Committees of the House were appointed, one to consider the Army Estimates, one to consider the Navy Estimates, and a third to consider the Post Office and Revenue Estimates?—Yes.

1757. Do you consider that those Committees produced any valuable result?—The Committee on the Revenue Estimates did not, I think, go very fully into the matter. They took up one or two particular points, and no doubt produced good results, but it was not at all a complete examination of them. They concentrated their attention almost entirely, I think I may say, on one subject.

1758. So concentrating their attention, I think, they were not able to report until the month of July?—I think that was so.

1759. You do not know, I presume, why Committees of that kind were not continued and why the experiment which was made in 1888 has not been repeated since?—No, I have no knowledge as to that.

1760. I suppose if a Select Committee, such as has been suggested, were appointed it would be rather on the lines of the Committees that were appointed in 1888?—Yes; but I think the proceedings of the Committee appointed at that time to consider the Estimates afford a very good illustration of what I have said; they were practically not able to give any complete examination to the subject, and if their Report had had any practical effect upon the details of the Estimates no doubt it would have been very inconvenient to the Service.

1761. The Report was, I presume, presented before the final balance of the Estimate was voted?—That I cannot say.

1762. Of course, the bulk, or at least a very large proportion of a Vote, is taken by a Vote on Account?—Yes.

1763. It might be possible for a Select Committee to report after the Vote on Account had been taken, and before the Vote itself was taken?—Yes, but even then the Vote on Account has committed the Department and the House to the general scheme of the expenditure.

1764. Is the Vote on Account under the separate headings in the Estimate, or is it a general lump sum?—For each Vote there is a specific sum allotted in the Vote on Account.

Sir *Edgar Vincent*—continued.

1765. For each Vote under the Post Office, for instance?—Yes, we should have three.

Mr. *Bonar Law.*

1766. Is it not the aim of the Post Office in its accounts to give a clear statement as to how much the administration costs, whether the money is made out of the system or not?—Yes, we try to do that.

1767. How can that be done if no account is taken of the rents of the Post Offices?—The account that we give shows on one side the revenue, and on the other side the payments for the service out of the different Post Office Votes and out of the Votes for other Departments.

1768. Are there any other expenses which the Post Office really incurs which do not appear in its accounts that you know of, besides the rents of these Post Offices to which you have referred?—I could not say at the moment without looking into it; but I should think not. Of course, we have no Capital Account at all; it is simply a profit and loss account.

1769. Then really there is no means, is there, of telling from the accounts exactly how much the Post Office costs us or how much we make out of it?—Yes, there is; that is to say, you have on the one side the revenue which is brought into the Exchequer and on the other side the payments made out of the Exchequer on account of the Service.

1770. But, then, there is no account taken of the capital expenditure represented by the sites or what would be the rent for the buildings?—Yes, because in each year we have paid for the buildings and for the sites out of revenue. In each year there would be payments representing what is really capital expenditure on sites and buildings.

1771. Then, do you pay to the Office of Works the cost of the buildings?—No, the Office of Works gets a Vote from the House.

1772. Then, to that extent, that does not appear in your accounts?—Yes; in our account we bring together the payments out of our own Votes and the payments out of Votes in other Departments.

1773. Then there is an attempt to show the actual cost of the Service?—Yes, a very complete attempt, I think.

Chairman.

1774. If I may interpose for a moment, I am afraid I must have been a little at cross purposes with you when I asked my questions upon this point. I had always understood that the cost of Post Office buildings was debited to the gross Post Office revenue, although the Vote might be taken in another Department, is not that so?—You can hardly say that any cost is debited to the Post Office revenue, because the Post Office revenue is paid into the Exchequer without reference to any expenditure at all. The whole expenditure is voted by the House in one form or another, except certain small payments which are made out of revenue.

1775. But, say, you have eighteen millions of gross revenue and four millions of net revenue, one

Chairman—continued.

one of the great items that makes up the difference is the erection of expensive buildings out of revenue, is it not?—I should not say that you could describe them as "made out of revenue." They are made out of the general revenue of the country, or rather out of the Votes in Supply.

Sir *Robert Mowbray.*

1776. Then those things are brought together, as I understand, in the Report of the Postmaster-General?—Yes; in the Appendix.

1777. Not on the face of the Estimates or the Appropriation Account?—I think on the face of the Estimates all the expenditure out of the Votes is brought to account. You would not see anything about the revenue there.

1778. It would only be put down there in italics that there is further expenditure incurred on behalf of the Post Office?—Yes.

1779. And then in the Report of the Postmaster-General all that is brought together?—Yes.

Mr. *Bonar Law.*

1780. One of the most interesting subjects we have had before us is this question of the possibility of a Committee beforehand to examine the Estimates. It seems to me that there would be great risk of its becoming a Party issue in that Committee; that is to say, it would be the interest of the Government of the day to get the Estimates passed in order to save them trouble, presumably in the form in which they were presented, and it would be the interest of the Opposition to prevent that being done; and there would be great danger, I am afraid, of its becoming a Party Committee to a great extent?—No doubt, unless the Reference to the Committee were to provide that criticisms of policy were not to be gone into.

1781. But would it not be almost impossible to separate between policy and strict expenditure, if there were an examination in detail?—If you were examining the Estimates with a view to future expenditure, I think that that would be almost impossible.

1782. You think there would be a danger of its proving ineffective for that reason?—Yes, I think so.

1783. You suggested that ordinary Members should have more communication with Departmental officials as a means of gaining knowledge. That surely would be impossible, would it not? It would take up all the time of the permanent officials if every Member of the House who wanted to make a speech had the right to go and ask them questions?—It was not a suggestion made in my own interest I admit.

1784. But would it be a possible suggestion at all to carry out?—I do not suppose it could be done to any great extent.

Mr. *Hayes Fisher.*

1785. Your attention has been drawn to the fact that our National Expenditure has enormously increased during the last ten years; is it your opinion that any form of House of Commons Committee sitting for examination precedent to

Mr. *Hayes Fisher*—continued.

expenditure would effect substantial economies?—Not, I think, so long as the spirit of the House, if I may so call it, remains the same as it is.

1786. Supposing that some form of Select Committee were set up by the House of Commons to examine into the Estimates precedent to their being voted upon by the House, in order that that Committee might check in any way extravagance, would it not be necessary to have the Minister in charge of the Department under examination?—Certainly, if questions of policy are to be considered by the Committee; and I hardly see how you could keep them out.

1787. Would not almost, or quite, eighty per cent. of the expenditure be connected with questions of policy and depend upon questions of policy?—I should think quite that.

1788. Do you see any difficulty in asking a Minister to explain the policy which had dictated the expenditure before he appeared before the Committee of the whole House to have his Estimate reviewed; I will ask you to turn your mind to the case of the War Office and the Admiralty, for instance?—I think it would be a very inconvenient procedure both in respect of the time of the Committee and the time of the Minister.

1789. Do you think that the Minister or the head of a large spending Department would be in a tolerable position if he had to come before a Select Committee to explain his expenditure previous to submitting his Estimate to the whole House?—No, I think it would be a very inconvenient position indeed for him.

1790. Do you see any difficulty from the point of view of time in asking the various heads of Departments to come before such a Committee?—Yes, it would certainly take up an immense deal of time if it was to be done thoroughly, or done in any way which would enable the Committee to express an opinion upon the Estimates.

1791. Would they not have both to appear before that Committee and also to take their places in the House of Commons when the Estimates were being submitted to the approval of the House?—No doubt.

1792. Might not that be a very great strain upon the Departmental administration?—I think it would.

1793. In the course of your experience, which has been very large in various Departments, are you aware that before a final decision is granted to a certain expenditure many confidential communications pass between the Minister and the heads of different Departments?—Unquestionably.

1794. Do you see any difficulty, therefore, in the position of a Minister being asked to explain why he had asked for a certain increase of expenditure in his Department?—That would go to the question of policy, of course, at once, which could hardly be explained before a Committee of the kind you speak of.

1795. Therefore you would anticipate that investigation into a very great deal of the expenditure, if it were ruled out on the ground of policy, and of communicating confidential documents, could

Mr. *Hayes Fisher*—continued.

could not take place before that Committee?—Certainly.

1796. Then again, taking you to the difficulty which you raised yourself on the ground of time, let me ask at what period are the Estimates presented to the House of Commons?—Generally soon after the beginning of the Session; within the first fortnight or three weeks, I suppose.

1797. Is not great difficulty sometimes experienced at the present time in deciding on the expenditure of a Department so as to present the Estimate in an accurate form?—Yes, I have no doubt that is so.

1798. There is in fact no time to spare now; do you think the Estimates could be presented at an earlier period to the House of Commons?—No. I think it is inconveniently early now.

1799. Therefore you cannot make any suggestion by which a Select Committee would have more time to examine the Estimates than they would have under the present system between the time of presentation and the time of voting the Estimate?—No, I am afraid not.

1800. In your opinion is there far too little time for a proper investigation of the Estimates?—I think in the case of any large Department it certainly would be quite inadequate.

1801. Would you see any use in a Committee unless it were able by its Report to put a check to what it thought some extravagant estimate which the Minister had put forward?—No, I do not think it would be much use if it could not do that.

1802. Suppose this Committee were to report in favour of some alteration in the Estimate, would not that put the Chancellor of the Exchequer in considerable difficulty?—In very great difficulty if it was a material amount.

1803. Therefore, I understand you have come to the conclusion that you can yourself suggest no practical way of examination by the House of Commons precedent to the voting of the expenditure?—Exactly.

1804. Do you think that any of those difficulties which I have hinted at would be found in an examination by a Committee such as you yourself have suggested: a *post mortem* examination by a Committee of an estimate or of certain Votes for certain services?—No, I think the report of such a Committee could not inconvenience the Service in the way in which any criticism of expenditure before it is made must necessarily do.

1805. But after all are not almost the majority of estimates recurrent estimates from year to year?—Yes.

1806. I presume that such a Committee in order to exercise any useful effect and to obtain any accurate knowledge of the estimates must call the Minister or the Permanent Secretary of the Department before it?—The Minister I should hope.

1807. Must it not put to him the question, "Why is your estimate, which was so much for the year 1900–1, increased by so much in the year 1901–2"?—Quite so.

1808. And supposing his answer is that it is a matter of policy, how would you propose that the Select Committee should deal with that answer?—They would either have to accept that answer or to enquire into policy.

1809. And supposing they enquired into policy, would not that be putting the Minister on his defence for his policy before this Select Committee of the House of Commons?—Quite so.

1810. Would not such a Committee, under the guise of criticising the past, really be reporting their opinion as to future Estimates?—No, I think not necessarily, because they would only be concerned with the expenditure of the past. They are not supposed to know anything about the expenditure of the future at all; that is not under their review.

1811. I will give you an instance: supposing the War Office had increased its expenditure for the year 1901–2 over its expenditure for the previous year, that there was a substantial increase for the year 1901–2 under one Vote and that that Vote was the Vote which was being inquired into by the Select Committee; and that that same increase of expenditure occurred in the Estimates for the year in which the House was then sitting, would not an expression of opinion by the Committee in their Report as to the increase in that last year be a criticism upon the increase which was then proposed in the new Estimate presented in that very year?—Yes, I think so.

1812. Do you see any difficulty in that?—It does create a difficulty, no doubt.

1813. If questions of policy were removed from that Committee would it not tend to make the Committee very ineffective for the purpose really of obtaining knowledge as to the expenditure, and as to why that expenditure was made?—So far as the expenditure turned upon policy it would be so; so far as it turned upon methods and system I think they might examine with very good effect.

1814. But might it not put the Minister in charge of the Department in a very difficult position?—Yes, I think it might in the sort of case which you mentioned just now.

1815. Might it not be used—I do not say it would be used but might it not be used—as a kind of fishing inquiry to obtain information with a view to criticising the Estimates which were to be considered in Committee of the whole House in that year?—No doubt it could hardly help having some effect upon the discussion on the Estimates.

1816. Would not any form of Committee even of that kind greatly increase the labours of those who have to carry out the administration of our Public Departments?—Certainly.

Chairman.

1817. My honourable friend on my right asked you to what you attributed the general increase of public expenditure: I suppose you would recognise that the causes vary in almost every Department?—Certainly. I think I said that it was rather too general a question for me to give a specific answer to.

Monday, 10th November 1902.

MEMBERS PRESENT:

Mr. Churchill.
Sir James Fergusson.
Mr. Hayes Fisher.
Mr. Bonar Law.
Sir Robert Mowbray.
Sir Edgar Vincent.
Mr. Eugene Wason.

THE RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., in the Chair.

SIR RALPH HENRY KNOX, K.C.B., further Examined.

Sir *Edgar Vincent.*

1818. You said the other day that the only means of rendering the control over the Estimates more efficient and effective would be better criticism in the House of Commons?—That is my opinion.

1819. That is to say, that the absence of close criticism in the House of Commons is now a source of extravagance; is that your view?—My view is that there is hardly anything in the Estimates which tends to increase which has not been discussed and urged in the House of Commons before. A very large number of Members are interested in these various points, and they are very anxious to get increases upon them, and what I said was that at the time when discussions are raised in that way, no one gets up to oppose proposals which mean more expenditure; I do not say there is not something got for them, but a larger expenditure is proposed, and no one has sufficient knowledge upon the subject (I think that is the explanation of it to a very great extent) or sufficient inclination to get up and nip the thing then in the bud. We have had, for instance, large increases of expenditure proposed recently, and carried almost in silence, for the increase of the pay of the soldier. Those increases have been advocated year after year by certain Members of the House of Commons. I have never heard anybody get up and question the advisability of such a measure, or point out what it would cost and what burden it would be upon the shoulders of the people.

1820. I may take it that the criticism of the House of Commons is of two kinds—criticism of the policy and financial criticism—and it appears to me almost impossible for Members of the House of Commons, without previous inquiry, to give the kind of criticism which you now say is deficient?—I should like, as I said last time, to give Members very much more information as regards the expenditure which goes on in the Army, and the particulars of what has happened, in as great detail as it is possible to give, and I think that information can be given. It is made up in the War Office as part of their machinery for controlling expenditure,

Sir *Edgar Vincent*—continued.

and I think, with such details before them, Members of the House of Commons would be in a very much better position to criticise. I have been examined before Committees of the House of Commons as regards expenditure, and I think certainly, with their present information before them, they are quite unable effectually to criticise the expenditure.

1821. They do not get at the bottom of a thing?—They do not get at the bottom of it. I think, without considerably more information and instruction a Committee could not effectually criticise this expenditure.

1822. My point is this: Is it possible for them to get the information which you say is necessary, without the examination and cross-examination of witnesses?—I think it is. I think if the results of the expenditure for a series of years with more details were given to them it would satisfy a very large number of them, that there was very little to find fault with, and if they could supplement it, as no doubt they could in many cases by some little private information of their own, they would be in a better position to make useful criticisms of proposals which may be made in the House of Commons.

Chairman.

1823. May I interpose with one question? I think you rather contrasted the indifference of members to economy in these days with their greater activity in former days?—Certainly, in former days there were more members who were willing to get up with some pertinence and some knowledge to criticise proposals; that is absent altogether now. But I cannot say there has ever been any very great tendency in that direction when details are being discussed. There is a great tendency, as I pointed out in my evidence last time, to utter a general panegyric in favour of economy, and to bring down the cheers of the House; but not when distinct proposals are made for increases.

1824. But

Chairman—continued.

1824. But in my younger days there were members who constantly applied themselves to get reductions made upon the Votes; you may say it was an uninstructed activity; it was reduction for the sake of reduction without reason?—General Motions used to be made, which were of an equally vague character, for a reduction by 20,000 men, or something of that kind, made by Members of what used to be called the Peace Party.

1825. I remember many years ago, a member, whom I will not name, as he is still alive, who moved reductions on all sorts of Votes without any signs of knowledge. It used to be said of him that he was a bad successor to Hume, as Hume the historian had a bad successor in Smollett? — Those were the sort of motions that were generally made in the direction of what was called economy. There was a general idea that the Army was too big on the part of those people who wanted no Army at all, and a Motion used to be made to reduce the Army by 10,000 or 20,000 men; but really those are the only economical proposals that I remember. What I want is to nip in the bud new proposals which are made by Members of Parliament very often on behalf of their constituents. A Member, for instance, represents what I should call a labour borough, and he gets up and proposes that the pay of every man employed in certain factories or dockyards should be increased by so much a week. What I want is somebody to get up and say, "That is not the view of the country; you must not accept that"; but, instead of that, the matter goes *sub silentio*, and the Government, which is naturally interested in economy and in keeping the expenditure down, is induced to think if there is any feeling in the House at all it is in favour of doubling everybody's pay.

1826. Your view, at present, is that this criticism does undoubtedly lead the country into extravagance?—I certainly strongly think so.

1827. And that proposals such as the increase of pay of the soldiers are not really subjected to adequate criticism from the financial standpoint? I think not.

Mr. *Churchill.*

1828. With a view to getting that criticism from the financial standpoint, you would recommend that more information should be afforded to the House?—I think when proposals of that kind are made, there is one point, certainly, that should be insisted upon, namely, that there should be laid before the House of Commons an Estimate, so far as it possibly can be made on the faith of the department, of what that particular change is going to lead to, not only in the Estimates of the then current year, but in all future Estimates.

1829. Are you speaking now particularly of the pensions scheme?—No; many things are promised in future from time to time. The House of Commons, for instance, has just sanctioned a very heavy expenditure, which will not come upon them for two or three years to come.

Sir *Edgar Vincent.*

1830. What expenditure do you refer to?—A gradual increase in the pay of the Army.

1831. And which is a growing charge?—Yes, and of pensions to a large number of regiments that have been raised, which pensions it was thought we had done away with.

1832. We have heard something about expenditure being incurred at the end of a year to save the balance on the Vote being forfeited; we have been told that expenditure of that kind is made hastily, and sometimes unnecessarily; what do you say as to that?—I cannot recall any occasion upon which the expenditure has been incurred unnecessarily. What has happened, has been this: certain commodities are continuously required, and we may find that in consequence of the failure of a contractor for various reasons (many of them very satisfactory reasons) to comply with his engagement, the money Voted for that particular purpose cannot been spent, and will not be spent within the year but is available; and what the Department does in that case is to say: "This expenditure must fall upon next year's Estimate, because we are under contract to make the payment when the goods are delivered; but there are other things we must have in the next year's Estimate; can we buy them now out of this money?" Then inquiry is made of various contractors, as to whether we, having the money, can buy them now, thus relieving next year's Estimate, and providing a vacuum into which the postponed payment, as it were, will fall. That appears to me to be a perfectly legitimate arrangement, provided it can be done satisfactorily, and that the prices paid are not inordinate or excessive, in consequence of the contractor being compelled to deliver at once.

1833. Is not that, in your judgment, a cause of extravagance?—I do not think it is a cause of extravagance.

1834. In your experience of the War Office, have you seen anything to lead you to doubt the excellence of what is called the "Annuality" of the accounts, that is the surrender of balances at the end of the year?—In the Store Account the expenditure can be adjusted in that way to a certain extent; it cannot always be done. If the Department were to go to contract, and pay very high terms because delivery had to be made in a very short time, I think that would be extravagant. But I certainly cannot recall any occasion upon which anything of that kind has been done. But, as regards expenditure on stores and works (which are the main expenditures which fall over, as it were, into the following year), I think a financial arrangement might be easily made to overcome that difficulty. I remember making a proposal years ago, but it was not acceptable to the Treasury, as it rather interfered with their financial ideas in connection with the Budget; of course, no scheme of that kind is perfect, it was open to some objections. What I proposed was a system which would work almost automatically, that where money fell in in that way,

Sir *Edgar Vincent*—continued.

which could not be spent in payment for the particular things for which it was voted, owing to the failure of the contractor, or some such reason, the Treasury should issue to the Department the money which represented those payments, so that the Department would have it as it were in its coffers.

1835. You mean in respect of these savings, if I may so call them?—Or rather postponement of payment, I should call it. Then, that being so, the Department would have the money and the Chancellor of the Exchequer would be short that amount of money; then, when the new year came, the Department should, automatically, get a re-Vote of that amount, surrendering the money in their account to meet it.

1836. Is that done now?—No; that is not done now. That was the suggestion which I made, but the Treasury would not have it. That only applies to stores and works; those are the only Votes that can be legitimately dealt with in that way.

1837. The point I wanted to get at was this—whether the rule respecting the surrender of unexpected balances at the end of the year is in any degree harmful from the point of view of economy, in your opinion?—I can honestly say I do not think it is. We have, as I have said, bought things which were in the market at the time, and which we could easily get, and I do not think in any case have purchases been made which have been in excess of what the requirements of the next year would be, so that you may say that one service which could be performed was substituted for another service which could not be performed, and was toppling over into the next year.

Mr. *Churchill.*

1838. You have said that the criticism in the House of Commons is, from the point of view of economy, defective. How does that criticism compare with the criticism of a body like the Public Accounts Committee?—The Public Accounts Committee simply takes up the queries which have been raised by the Comptroller and Auditor-General, and those are almost all (in fact, they can hardly be anything else) suspected or supposed deviations from the Rules and Regulations which are supposed to govern a Department in its expenditure. There is a mass of Rules and Regulations limiting the power of the Secretary of State—Royal warrants, and so forth—and it is the business of the Comptroller and Auditor-General to see that the Secretary of State does not exceed any one of those limits thus laid down. The Comptroller and Auditor-General, for instance, would raise a query, saying "You have paid this amount in excess of what was in the Regulations."

1839. They are, in fact, mere questions of audit?—Mere questions of audit.

1840. Have you read the previous evidence given before this Committee?—No, I have not.

1841. It has been found a convenient method of expression in the previous evidence we have had before us to consider the review of expenditure as either under the head of audit or under

Mr. *Churchill*—continued.

the head of merit, merit being taken not actually to infringe upon the domain of high policy, which is settled by the Cabinet and the House of Commons. Would you agree that there is between policy and audit a sphere of items of expenditure which may be properly classified as "merit"?—In my evidence last week I touched upon that subject, and I said that I had had experience of questions having been asked by Members of the Public Accounts Committee with reference to the accounts which were not merely questions of audit. They have asked, for instance, for an explanation why a particular item was exceeded when they think that the explanation given in the accounts is insufficient, and so forth. They have raised questions of that kind, and I do not see why the Public Accounts Committee should not ask more such questions.

1842. You think that would be advantageous?—I think it would be advantageous, but I think even more, it would be a good thing if the Public Accounts Committee, with a view to the information of the House of Commons (because I assume some Members of the House of Commons read the Reports of the Public Accounts Committee, and even the evidence taken before it) were to sift a Vote or two in the various departments, and even ask under what Regulations Expenditure has been incurred, and required details as to numbers, and as to how certain Regulations have been worked, and so on. If they were to do that it would enable them to become acquainted with what I should call Departmental Information, which would empower such Members as took the trouble to obtain it, to be much more effective in their criticism at the time when I suggest criticism is most effective.

1843. In fact, you see no objection to the Public Accounts Committee, in its functions and investigations going beyond matters which would come only under the head of Audit?—None.

1844. You think, at any rate, for the present, they might safely make further incursions into the realm of merit?—Merit interpreted in this sense: that they wished to be informed of the detailed working of the system or the Regulations which govern the Expenditure in a particular Vote.

1845. You think that the Reports of the Public Accounts Committee on those matters which lie immediately beyond the limits of audit would be of value to the House of Commons, and ought to be read by Members of the House of Commons?—I think so, for this reason: I remember when I first entered the Service there was an elaborate Report on the Expenditure of the various departments (principally the big spending departments, the Army, the old Ordnance Department and the Navy), which was made by a Committee of the House of Commons, which inquired in detail into the various items of the Estimates, and they obtained evidence from the best informed men in the Departments, and were furnished with information, and returns and statistics of an elaborate kind. Three volumes of that 1848 Report, as we used to call it, existed, and for years

Mr. *Churchill*—continued.

years that was not only the information which the House of Commons had, but it was the best information which the Department had to work upon. I suggest that without an inquiry the same kind of statistical information could be presented annually to the House of Commons, containing comparisons of the Votes for ten years, and not only of each sub-head of the Votes, but of the detailed results of the various items of expenditure. I think I instanced the cost of the ration of the soldier for the last ten years at home and at all the foreign stations, or the cost of clothing per man as worked out, or the cost of horses, showing precisely what we paid for horses. It would be information not given in such a way as to be disclosing anything that would be objected to, but information to satisfy the House of Commons. I believe if that were done the result would be that the House of Commons would be much more satisfied, and would feel that there was very much less to criticise than they think there is at the present moment.

1846. You think that the Public Departments have nothing to fear from the most careful scrutiny?—Absolutely nothing to fear, and I instanced the fact, which is not often observed, that there is a statement in the Estimates which shows that. to use a slang word, we "do" the 150,000 men in the Army at a penny or two above a pound a week, including all ranks, from the private soldier up to the Warrant Officer, including his arms, his ammunition, his barracks, his provisions, and clothing, and everything connected with him which can be brought home to him personally. That was the figure for the year 1898-9, which I was speaking of, and which was the latest information I, being an ex-official, had with me. But since then there have been, of course, as I said, increases in the emoluments for the soldier, which the House of Commons in its wisdom has sanctioned.

1847. If certain special days, out of the supply days in the House of Commons, were set aside for the consideration of the Reports of the Public Accounts Committee, which Reports would, as proposed, be of a more extensive nature than those at present presented, do you think that would be an advantage?—I do not quite understand the proposal.

1848. The idea is, that a Committee upstairs might investigate the accounts, and should be guided in its investigations by the Comptroller and Auditor-General, and that its Reports should be considered by the House of Commons on specially allotted days; do you think that would be an advantage?—That is rather a question of convenience of Members of the House of Commons, and the time they have at their disposal. I am afraid I am not in a position to judge of that. But I should again urge that if those who are interested in economy (and I cannot but think that there must be many Members of the House who are interested in economy, not merely in the sense of uttering a panegyric for economy generally, but in criticising particular proposals for expenditure) would speak out

Mr. *Churchill*—continued.

when any particular proposal for increased expenditure was made, pointing out the necessity for grave consideration whether the same object cannot be obtained in a cheaper way; that would be most useful. That is really what economy means. You must probably have the thing, but the point is, that you ought to have it in the cheapest possible manner.

1849. What do you think is the best way for a Committee sitting upstairs to get evidence? Would it be by the examination of the present statistics presented, or by the new statement you suggest, or would it be by the cross-examination of witnesses, or would it be by a Parliamentary official, similar to the Comptroller and Auditor-General, or a Treasury official who should have, as his special duty, to report?—I think the details of Expenditure analysed, as I should call it, laid before them periodically, would satisfy them on most points, and would bring more prominently forward those points which were open to criticism; I think furnishing them with the details of expenditure so analysed would be the best way of informing the House of Commons in regard to expenditure. But that should be followed by this—that when a proposal for expenditure is made avowedly by those who are interested either in the concern or the persons affected, it should be opposed by those who are masters of such information.

1850. Do you not think that it is almost essential that any Committee examining the Estimates should have official evidence at its disposal, such as that which the Comptroller and Auditor-General provides?—The information I speak of would be official.

1851. The point I am putting is this: That unless a Committee has official knowledge to enable it to investigate the Accounts, it cannot get hold of the information to enable private Members to criticise those items of expenditure and new proposals of expenditure, which you say it is so desirable should be criticised, and if a Committee is left only to what it can find out by cross-examination of witnesses, then it will lack that official information?—It is difficult to give an opinion. I am in favour of the House of Commons having the fullest information when any proposals are put before them, but I cannot think it would be a good system to have the Estimates which have been submitted by the Government and approved by the Government on their responsibility, examined by a small Committee of the House of Commons.

Chairman.

1852. You mean not examined in advance?—In advance.

1853. You prefer what was referred to the other day as a *post mortem* examination?—Yes.

Mr. *Churchill.*

1854. You said that the increase of expenditure very often came from people whose constituencies were interested in the increase, as, for instance, an increase of pay at the Dockyards?—Exceedingly often.

1855. Surely that represents only a very tiny proportion of recent increases?—Of course, as

Sir *Edgar Vincent*—continued.

which could not be spent in payment for the particular things for which it was voted, owing to the failure of the contractor, or some such reason, the Treasury should issue to the Department the money which represented those payments, so that the Department would have it as it were in its coffers.

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1846. You think that the Public Departments have nothing to fear from the most careful scrutiny?—Absolutely nothing to fear, and I instanced the fact, which is not often observed, that there is a statement in the Estimates which shows that, to use a slang word, we "do" the 150,000 men in the Army at a penny or two above a pound a week, including all ranks, from the private soldier up to the Warrant Officer, including his arms, his ammunition, his barracks, his provisions, and clothing, and everything connected with him which can be brought home to him personally. That was the figure for the year 1898-9, which I was speaking of, and which was the latest information I, being an ex-official, had with me. But since then there have been, of course, as I said, increases in the emoluments for the soldier, which the House of Commons in its wisdom has sanctioned.

1847. If certain special days, out of the supply days in the House of Commons, were set aside for the consideration of the Reports of the Public Accounts Committee, which Reports would, as proposed, be of a more extensive nature than those at present presented, do you think that would be an advantage?—I do not quite understand the proposal.

1848. The idea is, that a Committee upstairs might investigate the accounts, and should be guided in its investigations by the Comptroller and Auditor-General, and that its Reports should be considered by the House of Commons on specially allotted days; do you think that would be an advantage?—That is rather a question of convenience of Members of the House of Commons, and the time they have at their disposal. I am afraid I am not in a position to judge of that. But I should again urge that if those who are interested in economy (and I cannot but think that there must be many Members of the House who are interested in economy, not merely in the sense of uttering a panegyric for economy generally, but in criticising particular proposals for expenditure) would speak out

Mr. *Churchill*—continued.

when any particular proposal for increased expenditure was made, pointing out the necessity for grave consideration whether the same object cannot be obtained in a cheaper way; that would be most useful. That is really what economy means. You must probably have the thing, but the point is, that you ought to have it in the cheapest possible manner.

1849. What do you think is the best way for a Committee sitting upstairs to get evidence? Would it be by the examination of the present statistics presented, or by the new statement you suggest, or would it be by the cross-examination of witnesses, or would it be by a Parliamentary official, similar to the Comptroller and Auditor-General, or a Treasury official who should have, as his special duty, to report?—I think the details of Expenditure analysed, as I should call it, laid before them periodically, would satisfy them on most points, and would bring more prominently forward those points which were open to criticism; I think furnishing them with the details of expenditure so analysed would be the best way of informing the House of Commons in regard to expenditure. But that should be followed by this—that when a proposal for expenditure is made avowedly by those who are interested either in the concern or the persons affected, it should be opposed by those who are masters of such information.

1850. Do you not think that it is almost essential that any Committee examining the Estimates should have official evidence at its disposal, such as that which the Comptroller and Auditor-General provides?—The information I speak of would be official.

1851. The point I am putting is this: That unless a Committee has official knowledge to enable it to investigate the Accounts, it cannot get hold of the information to enable private Members to criticise those items of expenditure and new proposals of expenditure, which you say it is so desirable should be criticised, and if a Committee is left only to what it can find out by cross-examination of witnesses, then it will lack that official information?—It is difficult to give an opinion. I am in favour of the House of Commons having the fullest information when any proposals are put before them, but I cannot think it would be a good system to have the Estimates which have been submitted by the Government and approved by the Government on their responsibility, examined by a small Committee of the House of Commons.

Chairman.

1852. You mean not examined in advance?—In advance.

1853. You prefer what was referred to the other day as a *post mortem* examination?—Yes.

Mr. *Churchill.*

1854. You said that the increase of expenditure very often came from people whose constituencies were interested in the increase, as, for instance, an increase of pay at the Dockyards?—Exceedingly often.

1855. Surely that represents only a very tiny proportion of recent increases?—Of course, as

Mr. *Churchill*—continued.

was brought out on the last occasion, the mass of expenditure is the result of the policy of the Government—that is to say, it depends upon the number of men to be maintained in the Army and the amount of reserves of stores to be kept. Those are the two things practically which govern the whole expenditure. If you have 150,000 men you must pay the price for them; but of course there may be cheaper methods of getting some of the men, and there a matter of policy would come in; and I am glad to say that some cheaper methods have been adopted at the same time that increases of pay have been given to others. I am referring to the use of the Indian Army beyond the confines of India, which is a measure which I advocated very strongly, and which I believe for tropical stations is an excellent and economical measure; but it was very difficult to carry out.

Sir *Robert Mowbray.*

1856. Is it not contrary to the Act of Parliament?—No.

1857. I thought the Indian Act provided for that?—The men must not be employed beyond the confines of India at the expense of the Indian Exchequer; but these men that I refer to are paid for by the British taxpayer.

Mr. *Churchill.*

1858. There is one other question I wish to ask you. I understood you to say that you thought the best method in which a Committee could collect evidence would be by the examining of the accounts presented?—Yes, I think so.

1859. You think that method is a better method, for instance, than examining witnesses?—I think so.

1860. Do you think it is a better method than for the Committee to have a regular official, with a staff under him, appointed for the particular purpose of collecting information from the Departments and serving the Committee?—I have suggested that the Public Accounts Committee might be charged with the duty of analysing the expenditure in great detail, not the whole of the Votes for each year, but taking them periodically, taking two or three one year, and two or three another year, and so forth.

1861. I want to know what you think is the best way in which such a Committee should get the information and guidance which would enable them to analyse the expenditure?—I think they would have the responsible members of the Department up before them; and, coupled with these further statistics, in that way they would become thoroughly acquainted with the details of the expenditure.

1862. Sir Francis Mowatt was not altogether inclined to scout the idea of a Treasury official advising and helping such a Committee in its labours, indeed, a Treasury official devoting himself, perhaps, to that work, rather than to the other branches of his work. How does that idea strike you?—The Treasury ought, without any special measure of that kind, to be fully informed as to the details of the expenditure, because I may say there is not a regulation or a warrant that is issued by the War Office which has not been previously explained to the Treasury, and sanctioned by the Treasury. The Secretary of State for War has now power to issue Warrants or Regulations causing an increase of expenditure, without having obtained previously the sanction of the Treasury, so that they would not be informing themselves by any examination of that kind.

1863. The point I have been trying to put is this: that a Committee of the House of Commons would never be able to detect any official extravagances or scandals unless they were guided by the official bloodhound who is in their service and amenable to their orders.

1864. I suppose a Committee can call to their assistance almost anybody that may be useful?

Chairman.] And put the official to the torture?

Witness.] Yes, I suppose so.

Mr. *Churchill.*

1865. Is it not the fact that practically any amount of expert evidence can be obtained by a Department for or against any proposition which the Department may wish to make?—Of course, there may be two opinions about any proposal. For instance, very important persons have carried recently this increase of pay in the Army, and the House of Commons has supported them in doing it; I totally disagree. There is, therefore, that difference of opinion; but I do not know that it is of much value.

1866. Is it not the fact in regard to this special item of increase of pay that the expert evidence afforded to the House of Commons one year was almost undividedly against such an increase of pay, and the expert evidence presented to the House in the next year was almost undividedly in favour of such an increase of pay?—I cannot recall that.

Mr. *Eugene Wason.*

1867. Experts always disagree, as a rule, do they not?—One knows you can get any legal opinion you like upon any question that may be raised.

1868. You said just now that no voice was raised in the House of Commons against the increase of pay to the soldiers?—Yes.

1869. Were you not mistaken in saying that, for I know that one Member of the Opposition protested against it?—I have not any recollection of it, but my point is that it is too late to object after the Government has succumbed and included provision in the Estimates.

1870. You yourself, personally, do not think that it was necessary?—I do not think it was necessary.

Mr. *Bonar Law.*

1871. I was interested in what you said about the system of spending money at the end of the year instead of surrendering the balance I gather that you think that that does not cause any waste?—I certainly do not think it does. As I said, it is always spent in aid of the Estimates of the next year—it is really

to

Mr. *Bonar Law*—continued.

to buy something which we know we must buy, and which is practically down at the time as a service to be provided for in the next year, and the Department says to itself: "As we cannot get one particular store or commodity delivered this year, because of the failure of the contractor, or it may be of one of our factories, that particular item must be postponed into next year, and we can buy this other article which can be got this year instead.

1872. It seems a very bad system to buy a thing simply because you have the money, especially as in this case you must be very limited as to the number of things which you can buy, inasmuch as you cannot buy things, the delivery of which would have to be spread over a year, but you must buy something that must be received at once, and therefore the person buying is apt to buy things without reference to whether they will be cheaper during the year that is coming, or not?—If it is a question as regards the price at that period of the year, of course that may affect it; it may be, of course, that the things are not obtainable in such good condition at that particular period of the year.

1873. That is what is in my mind?—I can recall, for instance, buying tent duck and that sort of thing which could not be very well manufactured at that period of the year. But we should avoid making purchases of that kind, and I can assure the Committee that the purchases that have been made are those that were practically down for provision for the next year, and were not cases of reckless expenditure of money, in order to provide for the far distant future.

1874. I am quite sure of that, but still the number of things that can be brought and delivered immediately must be comparatively limited as compared with what you buy over a whole year, and, therefore, there must be a temptation to buy things without considering whether they are being bought at the best possible price?—I do not say that it is not open to some criticism from that point of view, and I should prefer the method which I suggested of getting the money and carrying it over into the next year.

1875. But why should there be any difficulty? Is it not simply due to the fact that the Department thinks it is discreditable to it if the actual results vary very much from the Estimates?—No, I do not think so. I think they do it in order to avoid having to provide for both services the next year. They know there are certain things which ought to come in in the course of the year, and which they have arranged to pay for, but in consequence of their not having come in they will have to provide the money next year when they do come in, and ask the tax-payer to pay that money over again.

1876. As a matter of fact, I am afraid the House of Commons would criticise severely a Department where the Estimates had varied very greatly from the actual expenditure?—Where that arises from such circumstances as have been alluded to, that is to say, in the case where a contractor has been unable from various circumstances to complete his goods, or in the cases of a factory which depends upon the outside

Mr. *Bonar Law*—continued.

manufacturers to a very large extent for its raw or semi-raw material, and where that material cannot be obtained, when an explanation of that kind is producible, I do not think there is any room whatever for criticism of the Department.

1877. I quite agree, and, therefore, do you not think that it would be better for a Department to ignore the fact that they had this money and let it fall in, and then let it, the service, be provided for in the next year's Estimates?—Of course these items are not very large as compared with the total revenue and expenditure of the country, but still I think it is desirable to avoid having to provide twice over for services of that kind as a matter of Imperial finance.

1878. Turning to another point, your idea is that more detailed information should be given to the House of Commons?—I would give greater information. My experience has been that the more information of that kind which is given to the House of Commons, the more satisfied they are with the progress of things.

1879. But it seems to me that the difficulty about that is that if you put a lot of information of that kind before the House of Commons as a whole it simply gives Members an opportunity of picking out more details and wasting more time in discussing details. Would it not be very much better to have a special Committee to look after the War Office accounts and give the information to that Committee?—I believe very much in the effect of the publication of statistics; such as we see in the case of the General Statistical Abstract which is published for many of the services, and the statistics which are furnished now of the working of the Army, the General Annual Return, as it is called; it is extraordinary how that return, for instance, which I got prepared nearly 30 years ago now, has satisfied the curiosity of the House of Commons, and its desire for information as regards the working of the Army. Of recent years the House of Commons hardly ever asks for a return on the subject of the men.

Sir *Robert Mowbray.*

1880. Do you ever find that it interferes with your making the best contracts that you could, that your contracts have to be terminated with your estimates on the 31st March, when your year ends?—No, the delivery of the things contracted for has not always to be completed by the 31st March. They may be spread over a considerable time. Contracts made later in the year would contemplate that some portion of the things should be delivered during the year, and some portion afterwards.

1881. That is the very point I had in my mind; you are not limited in your contracts to the 31st March?—Certainly not. Where we have provided for a thing we try to get it by the the 31st March?—Certainly not. We try to get it by the 31st March, if we have provided for the whole service, and that would be arranged when the Estimates were framed. The War Office would know when the particular thing was asked for whether it must be provided in the 12 months,

or

Sir *Robert Mowbray*—continued.

or whether it would have to be spread over two or three years.

1882. In fact some of the Estimates of the succeeding year are governed by the contracts of the preceding year?—Yes, many of them. Take for instance the contracts that we have with soldiers to serve for seven years, which practically pledge the Estimates for the subsequent years' pay.

Mr. *Hayes Fisher.*

1883. You rather suggested presenting a statistical abstract of the expenditure of the department stretching over a number of years, and comparing the annual expenditure on a number of things, such as rations, arms, horses and so on, so as to give the House of Commons some idea of the growth of expenditure, and to what matters it should direct its attention?—Yes, in order to create in their minds a feeling of satisfaction with the results, so that they should see not merely that so much money has been spent, but how it has been spent, and why it has been spent.

1884. Is not a certain amount of that information now given in the Memorandum circulated by the Secretary or State before he introduces his Army Estimates?—No.

1885. There has been an attempt made in recent years on the part of the Secretary of State to give the House of Commons some of the grounds for the increase of expenditure which he is asking for?—Yes, an explanatory Memorandum is now attached, which gives in general terms the reasons for the increases which have been proposed for the year.

1886. Do you think that that might be amplified and used as a means of completing the information which you desire the House to possess?—As a practical matter these statistics could not be well worked into that statement, but these tables which I have suggested should be furnished, might be furnished much about the same time, just as the general annual return is furnished about the same time. I know that Members of the House of Commons frequently ask for that and say, "We cannot discuss such and such a Vote before we have this general annual return before us;" and it is always the endeavour of the Department to present it to Parliament in time.

1887. In this idea of yours of a statistical abstract, do you mean that the statistical abstract should be brought right up to the date of presenting the proposed expenditure in the present year and circulated among Members before the Estimates were discussed?—That is what should be aimed at, but to be brought up to date it must include the account which has just been concluded; that is to say taking the year ending March 1901, the account is not made up and concluded until December 1901; all information as to the expenditure that has been incurred all over the world has to be brought in and all of it has to be audited before the account is made up, and the balance struck, so that they would not be in a position to analyse the details of the expenditure of that account until after that time. But the returns up to the previous year

Mr. *Hayes Fisher*—continued.

ought to be completed, and even for the subsequent year they ought to be complete a little later on; I doubt whether they would be complete by February when the new Estimates were under consideration, but they would be complete so far as they could be completed.

Sir *Robert Mowbray.*

1888. You might insert the Estimates of the previous year for the sake of comparison?—Yes, the Estimates might be printed in a separate column.

Mr. *Hayes Fisher.*

1889. Speaking as a general rule, at what time does the War Office send its Estimates to the Treasury?—They are not sent as a total to the Treasury, they are sent piecemeal as each Vote is prepared and then there is a summary and a final letter written with the last Vote that goes in. That is the general procedure.

1890. Then may I take it that it is not until the middle of January that the Treasury is really aware of the total expenditure which the War Office is going to ask for?—Quite. They are generally not ready until Parliament meets.

1891. So that there would be a great and an almost insuperable difficulty in bringing your statistical abstract up to date, so as to include the proposed expenditure of the coming year?—It would be impossible.

1892. Do you think it could be brought so far up to date as to embrace the whole of the expenditure of the preceding year?—It could not include the expenditure of the then current year, but it might include the expenditure up to 31st March of the previous year. I am not quite sure of that, but that would be ready during the early part of the Session, I think.

1893. At the beginning of your evidence, you stated that the estimate and the expenditure of the last year was the basis of the expenditure for the coming year?—It is always compared with that.

1894. Does not the Treasury warn every Department that they must not take that as a basis without examining and ascertaining whether some of that expenditure has not become obsolete?—Yes, it means, of course, that it must be all overhauled, and, as I stated, it is overhauled.

1895. Whose duty would that be in the War Office?—The financial department's.

1896. You think the financial department would exercise careful supervision as to obsolete expenditure, and would point out that such and such money might be saved?—It is their duty to do so, certainly. If they see that there is any opportunity for a saving from an expense of the past, it would be their duty to point it out, and they frequently do cut down, or suggest the cutting down, of figures that have been presented by the other Departments.

1897. All proposals for new expenditure have, I think you said, to be submitted to the Treasury?—Yes.

1898. Does the Treasury, in commenting upon those proposals and criticising them, deal with necessity?

Mr. *Hayes Fisher*—continued.

necessity?—It would depend upon the nature of the case. Sometimes certainly the Treasury would question the necessity of it, but I do not think they would do so with such a thing as the establishment of the army or any matter of policy.

1899. All matters of that kind would be matters of policy?—Quite so.

1900. But the Treasury would point out that in carrying out a large matter of policy of that kind it might be possible to adopt more economic methods than those that the Department has put forward?—Yes, if that was their view, if they had experience from other Departments bearing upon the proposal they would certainly do that That is the principal value of the Treasury criticism, that they are informed and instructed upon the expenditure of all the Departments, and their principal duty is to safeguard themselves against a precedent being established in one Department which would affect the proceedings in another Department, and give a strong argument for increasing its expenditure.

1901. The Treasury, for instance, in criticising any proposals for expenditure in the War Office have the advantage of knowing, perhaps what has been the effect of similar proposals in the Admiralty?—Quite so, and in other services.

1902. Speaking generally, from your long experience, would you say the Treasury subject every new expenditure to very searching criticism, with a view, if possible, of reducing it, or, at any rate, obtainining the best value for it?—I think their criticism is very valuable indeed, and that from the outside point of view the questions that they may raise may be of excessive importance. And that fact strengthens the financial division of the department.

1903. That is to say you would say that if the Financial Department, in either the War Office or the Admiralty, had taken objection to certain proposals on the part of a spending department, the reinforcement of the Treasury would probably lead to the abandonment of the proposal of the spending department, or, at any rate, to some cheaper methods of carrying it out being adopted?—The Finance Department always puts the proposal before the Treasury; the Accountant General or the Financial Secretary signs the letter. The letter is always written in communication with the department which wants the expenditure, so that the case may be fairly put, but the Financial Department sees that the financial points are fairly put, and warns the department which is anxious for the expenditure, or the Secretary of State, that such and such things must be explained in the letter in order to satisty the Treasury, otherwise the proposal has no chance of being accepted.

1904. May I take it from you that there are two classes of checks now, on extravagant expenditure or extravagant methods, one within the Department from the finance side, and the other outside the Department from the action of the Treasury?—Quite so.

1905. Upon the whole, do you think that is an effective control outside the region of policy?—Outside the region of policy, I think, it is an effective control.

1906. It is, perhaps, rather a large question, but may I ask, do you think that any substantial economies might have been effected, if some Select Committee of the House of Commons had examined the Estimates in the same sort of way in which they are now examined by the Finance Department of the War Office and the Treasury?—I do not think so.

1907. At the same time you are of opinion (and I share the opinion with you), that the more information the House of Commons has as to our expenditure, the better it is for the good government of the country?—I think so.

1908. And that possibly more information might be given?—Yes.

Mr. ALFRED MAJOR, called in; and Examined.

Chairman.

1909. You are Director of Contracts at the War Office?—Yes.

1910. Have you read the evidence that Sir Ralph Knox gave a week ago?—Yes.

1911. Regarding your own Department, do you concur in the evidence which he gave?—Yes.

1912. He referred us to you for certain details?—Yes.

1913. I would like to ask you first, what is approximately the amount represented in money of the contracts under the War Office, say for the present or for the last year?—I do not know that I have made out a statement of what they amount to. We have during the war spent about 30 millions in the course of the year, but previous to the war you may take it as about seven or eight millions a year.

1914. The normal expenditure may be taken at seven or eight millions?—Yes, seven or eight millions spent in the Contract Department.

Chairman—continued.

1915. Your action in respect of those contracts is confined, I suppose, to purchasing as economically as you can in the market?—That is so.

1916. No expenditure is initiated by you?—No.

1917. You are the executive? Will you kindly describe to the Committee what are the various methods under which stores and so forth are purchased for the various Departments?—They are principally bought by competitive tenders; almost entirely, you may say; but there is occasionally private bargaining. During the war there has been a very large amount of private bargaining, but under ordinary circumstances nineteen-twentieths of the stores are bought by competitive tenders. There are a few bought through a broker or agent; there are some bought under running contracts but the running contracts are made by tender. I do not know whether you have the regulations for the Contract Department before you, but you will

Chairman—continued.

will see the methods which govern my action are laid down in Paragraph 4 of the Regulations.

1918. Perhaps you would just quote that paragraph?—"On receiving a requisition the Director of Contracts will at once proceed to make a contract or to purchase the articles demanded (*a*) By calling for tenders by public advertisement, or (*b*) By inviting tenders from selected firms, or (*c*) By direct negotiation in special cases, or on any emergency, or (*d*) By purchase through a broker or agent."

1919. When the demands are received from the several branches of the War Office which necessitate the putting out of contracts, what steps are taken to notify the requirements to the trade?—When a demand comes in it may include a number of different articles; they are sorted out into the trades concerned; and then appropriate forms of tender are sent to the various firms on our list, in order to enable them to tender at the price at which they would be willing to deliver those supplies, and the time in which they could do them, and so on.

1920. Upon receipt of trade offers, upon what principle are the orders placed?—We are largely governed by price, also by time, also by the merits of the firm, and also, of course, questions of policy come in in regard to the necessity for spreading orders, so as to keep in touch with several firms in the country, and maintain a proper area of supply.

1921. I suppose all sorts of precautions taught by experience are taken to prevent collusion among tenderers?—We occasionally have combinations against us, which we deal with in various ways. Such combinations are not, as a rule, very successful. We had a very strong combination against the department as to a certain article the other day. At times we have strong combinations against the department, but we deal with them in various ways, and, as a rule, we are very successful in breaking them up.

1922. In the particular case where you said you had a very strong combination against you, were you successful in combating it?—We took certain action with the approval of the Secretary of State, and the result was that the combination broke up, and I think on the orders that were then under consideration. it meant a saving to the Department of about 70,000*l.*; it resulted in a very large reduction in price. There was also a very strong combination against us abroad recently in reference to the purchase of gun stocks, of which we purchase a large number. I personally went all over the Continent buying these gun stocks, and I completely broke up the combination, and the result was a very large saving of public money. Whenever these combinations occur we take very drastic measures to try and break them up, and, as I said before, as a rule we are successful. Of course, where a combination exists against the Department if it is a fair price, we are not so much concerned.

1923. When deliveries are made by whom are they accepted as satisfactory or otherwise?—By the Director-General of Ordnance as regards stores. I buy; he inspects and passes.

1924. There is no doubt a large staff of officers for whom that is the special duty?—Yes a very large staff.

1925. They would not be men appointed *ad hoc*?—No, it is a regular inspection staff.

1926. What is the procedure in regard to payments?—When a merchant or a contractor receives information that his stores have been passed and accepted (which he does from time to time) it is his duty then, upon forms with which he is supplied, to send in the invoice or the bill. The bill when it comes in is a bill for the quantities which have been passed and accepted. That bill is examined by the Supply Department concerned—in the case of all warlike stores by the principal Ordnance Officer at Woolwich, and in the case of food supplies by another officer at Woolwich. When he has passed it and examined it as regards quantity he certifies that the quantity for which payment is claimed has been delivered and taken into store, then it is passed up to the Accountant-General for independent examination, and if correct it is paid by him to the contractor direct.

1927. Would you think it probable that any Committee of the House of Commons (unless they happen to have upon it a man of special experience) could detect faults in your system which escape you who are doing nothing else?—I hardly think so. All the papers on which I make contracts are passed to the Accountant-General, also to the Director-General of Ordnance, as regards stores, by both of which Departments they are open to criticism, and then the representative of the House of Commons, the Exchequer and Audit people can call for any papers they like. They see every bill and it is open to them to criticise it in any shape they like; but they are not supposed to do it to any extent from the admininstrative point of view.

1928. On the whole do you consider that your system is successful in getting as good articles as you are seeking at the best market price?—I think so, certainly

1929. Of course I say "such articles as you are seeking" because sometimes you do not want the most expensive article for your purpose?—I am afraid the articles we require as a general rule, in fact nearly all the stores in use by the Army are of a special pattern and they are generally speaking of a very high class character. The ordinary trade supplies do not suit us at all.

1930. Of course such things as leather and metal would have to be of the very best description naturally?—Yes.

1931. I can remember when metal articles in use in the Army were notoriously soft; for instance, the picks in the Crimea used to double up; but that is all done away with now?—Yes, I think so.

1932. Instances where the Department have been deceived, either in price or quality, are rare, I suppose?—Very rare. I do not know, in regard to either price or quality, that such a thing as deception has ever come under my notice during the time I have been in office as Director of Contracts.

Sir *Edgar Vincent.*

1933. Do the contracts which your Department makes include everything purchased for the Army?—Yes.

1934. Including rations?—Yes.

1935. And large guns?—Yes. When I say that it includes contracts for rations, I ought to add that contracts for food supplies like bread and meat are made by the General Officers Commanding in the several districts.

1936. You mean locally?—Yes, they are made locally, and they are afterwards submitted to me for review.

1937. So that they are practically under your control?—They are under my control.

1938. So that, speaking generally, all stores which are bought for the Army are either bought directly by you, or are controlled by your Department?—Certainly.

1939. Horses and remounts are outside your Department?—Those are outside my Department.

1940. What does your staff consist of?—Myself, the Assistant Director of Contracts, an Upper Division clerk, and as many staff clerks and other clerks as I require. During the war about 70 men have been employed in my department.

1941. And in normal times how many would be employed?—In normal times between 30 and 40.

1942. Is your staff recruited from the Civil Service or from the commercial world?—From the ordinary Civil Service.

1943. Without special reference to commercial experience or knowledge?—Yes.

1944. And the goods are examined, as I understand, by a department altogether separate from yours, and independent of it?—Quite so.

1945. You said just now that your contracts were subject to criticism by several different departments, I think?—I said that the papers on which the contracts are made are sent to the Director General of Ordnance and to the Accountant General (that is the other side of the Finance Department), and that they are open to be called for by the gentlemen who represent the Exchequer and Audit Department in the office.

1946. But the criticism applied by those different Departments is rather on the question of form than on the question of substance?—As regards the Director-General of Ordnance all the contracts for stores which I make are made in concert with him, and therefore with him it is a question of substance; he is empowered to make any criticism that he likes.

1947. And from what point of view would the Accountant-General criticise?—From the point of view of cost. He has no power of criticism when the thing comes in by competitive tender as regards the cost; his functions are limited to paying the bills according to the price at which they are accepted in the contract.

1948. It would not lie within his province to say, "I think you are paying too much"?—No.

1949. Nor would it lie within the province of the Comptroller and Auditor-General, I presume?—No, I think not.

1950. As a matter of practice, neither of those

Sir *Edgar Vincent*—continued.

Departments have criticised on the matter of price?—I would not say that they have not criticised on the matter of price. The Audit Department in their Report for last year, for instance, brought under the notice of the Public Accounts Committee a matter in which they thought I had arranged to pay too high a price in the case of maxim guns, therefore they did criticise a question of price there.

1951. That question of the price of the maxim guns was raised by whom?—By the Exchequer and Audit Department in their Report to the Public Accounts Committee.

1952. Was there not also a question as to the contract for meat in South Africa; does that come within your province?—Yes. As it happened the contracts for meat in South Africa had been arranged more or less in conjunction with the War Office. There have been very large contracts, but the majority of the contracts during the war were settled locally and only came up to me for review when the the accounts came in.

1953. When you say they were settled locally, were they settled by delegates of your Department or by the executive officer?—By the Army Service Corps Officer or Ordnance Store Officer acting under the orders of the General Officer Commanding.

1954. And this Army Service Corps Officer belongs to the executive branch and not to your branch?—Not to my branch.

1955. So that in South Africa in the theatre of war you were not represented?—No.

1956. Would you suggest that the contracts there would have been better done had you been represented?—I am very strongly inclined to the opinion, that when an expedition of any magnitude takes place, it would certainly be in the interest of economy that the Finance Department and the Contract Department, too, should be locally represented.

1957. You consider that in the course of the recent operations the Expenditure would have been less had your plan been adopted?—I cannot say that.

1958. Your opinion is theoretically, that it is desirable for the Director of Contracts and for the Finance Department to be represented on the spot, in the theatre of operations?—Yes, and I speak not entirely from theory, because I was a Member of a Finance Commission which was sent out from the War Office at the time of the last Boer War in 1881, and, I think, our presence there then was of great advantage.

1959. Were you then in the Department which you now direct?—No, I was not, I was in the Accountant-General's Department. I went out with the Accountant-General, Sir William White, as one of his staff, to assist the General Officer in carrying on the finance of the Army.

1960. In the recent South African War during the last three years, by whom has the work been performed, which you performed in 1881? There was no corresponding official sent out during this war.

1961. You

Sir *Edgar Vincent*—continued.

1961. You are of opinion that it would be wise to send out such an official in all future wars?—I think there are advantages in that course.

1962. Advantages of what kind?—In seeing that purchases are made on the most economical basis, that is to say, that people are not recklessly employed in making purchases, that proper tenders are invited where it is possible—I do not say that it is always possible in time of war—but there are a great many cases in which it is possible—and I think that any civilian upon the spot who is interested in these matters is more likely to see that done thoroughly than a military officer. When I was out there one thing that came under one's notice a good deal was the enormous advances which were made by paymasters to various officers to go and make purchases; for instance, sometimes as much as 50,000*l.* would be issued to one officer in Natal for him to go down to Port Elizabeth and buy horses. An enormous sum of money like that is probably unnecessary as an advance. The proper course would be to make an advance of, say, 10,000*l.* to the officer who is sent to buy horses, and when he has purchased, say 200 or 300 and spent, perhaps, 10,000*l.*, the proper course would be for him to inform the head paymaster that he had spent his advance, and then if he was still able to go on buying, a further advance should be made to him. In the case of that large sum of money, some of it was lost.

1963. Do you mean it was lost owing to its being granted too lavishly?—I mean that it was lost by accident in crossing rivers, and so on.

1964. What means can you suggest to prevent the recurrence of corruption, which is notoriously a danger where large sums of money are in question where control is relaxed, as in time of war?—That is a very large question. As I have already indicated, I should like to see the Finance Department represented on the spot. I think that the presence of a representative of the Finance Department of the War Office would have a beneficial effect in regard to controlling the form in which purchases should be made. I do not know whether the Committee is aware of it, but it happened that there was a charge made against an officer who was at the Cape during the war in regard to that matter: that instead of taking the prescribed methods of making purchases of stores, he authorised a broker to buy them, and who made a very large sum of money for his private ends out of the commissions that he was paid.

1965. I think such a case was published and appeared in the newspapers?—Yes, I believe it has been the subject of discussion in the House of Commons. I think it would be an advantage to have a representative of the Finance Branch on the spot, but I should not like to say that the presence of an officer of the Finance Branch would in all cases prevent corruption, because in the first place I cannot say that it exists, although I know there is very considerable tendency to its existence. For instance, the presence of a member of the Finance Branch could not prevent such things as has been suggested, may

Sir *Edgar Vincent*—continued.

have occurred in South Africa in regard to the weight of meat. It is a matter of common knowledge that the meat contractors made an enormous sum of money upon their contract. The payments that were made to them were upon an estimate of the weight of the different beasts supplied, and a beast might contain 500 lbs. dead meat or it might contain only 200 lbs. Whether the beast is put into the bill by the recipient of the meat at 200 lbs. or 500 lbs., the presence of two or three members of the Finance Branch at the base could not stop that sort of thing, supposing it to exist.

Chairman.

1966 But is it not the case also that the profits of the contractors depended very largely on the ease with yhich they were able to fulfil their contracts, which might have been prevented by circumstances over which they had no control?—That undoubtedly was the case to a certain extent. As regards this meat contract, the company give as an explanation of their profits that they had very unforeseen contingencies to deal with in fixing their price, and that those contingencies turned out very much more favourably to them than they anticipated.

Sir *Edgar Vincent.*

1967. What percentage does their profit represent on the meat supplied?—Their balance-sheet showed the total profit, and did not separate the profit upon the military supplies. We have never known what their profit was exactly on the military supplies; it was mixed up with their civil business. In their first balance-sheet after the war began the profit was shown as 1,100,000*l.*

1968. Do I understand you to say that that profit was made on contracts signed and arranged by an executive officer without any control from the Finance or the Contracts Departments?—No, these meat contracts were made with the concurrence of the War Office.

1969. I thought you said many of these contracts were local?—The prices in this particular case were arranged here and accepted out there.

Mr. *Eugene Wason.*

1970. How long have you held your present position?—About seven years.

1971. I suppose, in some cases, these combines against the Department over which you preside have been successful?—We have occasionally had to pay rather high prices when the demand has been immediate.

1972. Do you take any steps in such a case against the offending parties, do you strike them off the list?—It has been a small ring in which all the people were concerned, and they have combined, and as long as we require supplies we are obliged to employ them.

1973. Whether they have combined against you or not?—Yes, we must do so in certain cases.

1974. You used the phrase just now that the ordinary trade supplies would not suit you at all?

Mr. *Eugene Wason*—continued.

all?—What I meant was that the quality of the ordinary trade supplies would not be good enough for the purposes of the Army.

1975. You must have something better than what the ordinary trader gives to the general public?—Yes, as a general rule—they are nearly all special patterns.

Sir *Robert Mowbray.*

1976. Has the number of names on your list of contractors, among whom you put out things for tender, increased much since you have been at the War Office in your present position?—Very largely indeed.

1977. You are constantly adding to it?—Yes; and owing to the enormous requirements during the war our Trade Lists have been largely increased.

1978. I was not thinking so much of the war, because, of course, that is exceptional?—Apart from the war we have always been increasing the number of names on the list—we are always increasing them.

1979. Your desire, I suppose, is to increase them?—Certainly.

1980. That is, if you can be satisfied that *primâ facie*, the people who wish to be put on the list are capable of carrying out their contracts?—Quite so. We have increased them as a matter of policy ever since I have been Director of Contracts; our endeavour has been to increase the list beyond what was necessary to meet the peace requirements for the purposes of meeting the contingency of war, and, if that policy had not been adopted during the four or five years preceding this war, we should have been very much worse off than we were when war broke out.

1981. I suppose, on the other hand, you sometimes strike people off your list whose contracts have turned out unsatisfactory?—Certainly.

1982. Have there been many instances of that kind in the last seven years?—A fair number—yes.

Mr. *Bonar Law.*

1983. Is there any difficulty in a contractor getting on your list?—No.

1984. What form has he to go through to get on your list?—He has to give us references to people whom he has supplied, and he has to give a reference to his banker; beyond that there is no difficulty.

1985. Then you stated that in accepting a tender you had regard to the merits of the firm as well as to the price?—Yes.

1986. I would have thought that if you once considered a firm good enough to be on your list, there would be no other consideration except the price—is not that so?—There is always the question of time.

1987. Of time, I admit—yes?—In many cases our demands are large, and very often a contractor cannot send in the full supply within the time required. Then there is always the question of the policy of spreading orders, as I have said before, for the sake of keeping touch with a sufficient number of firms.

Mr. *Bonar Law*—continued.

1988. Then with these exceptions, if a firm is good enough to be on your list at all, you do accept it?—When I say a firm is put upon our list, there are degrees of merits on the part of firms also that come upon our list; some firms show themselves deserving of large orders, and some firms, from our experience of them, show themselves deserving of a smaller order; they are only capable of executing a smaller order; and that has to be considered in placing orders. Orders for clothing, orders for boots, and many other things are given on a large scale—perhaps there are 40 or 50 people to divide an order between. Our orders for harness and saddlery are very large sometimes. A man may be upon our list who may be cheaper in price than another man, but is not fit to take more than a small order.

1989. But you would give him a proportion?—We would give him a proportion, according to merits.

1990. What proportion of this 7,000,000*l.* or 8,000,000*l.* do you think is spent without competitive tender—roughly—have you any idea?—During ordinary times of peace, a very small proportion.

1991. You think it is desirable that it should be done by competitive tender—the great bulk of it?—I think it is the best way of buying in the case of a public department.

1992. I want to take a case you spoke of yourself—you went to Germany to buy gun-stocks?—Yes.

1993. You have no doubt, have you, that you got them a good deal cheaper than you would have done if you had simply sent out tenders forms?—We had sent out tenders forms, and they had raised their prices 50 per cent., and they had all put in the same price.

1994. Apart from that, do you think you would have saved money in any case by going to the spot to buy them?—Up to that particular time, we had always bought these gun-stocks at what we considered a reasonable price.

1995. But what I really wanted to know was this:—though it may be inevitable it seems to me, to be certain that a department run like yours must pay a good deal more than would be necessary on other lines; for instance, I was connected with a firm in Canada, which had a turnover of (perhaps) a twentieth part of yours, that employed actually ten different men—paying each a thousand a year—to go all over Europe and buy what they wanted. Now you have absolutely no experts with knowledge of the particular stores you buy in your department, have you?—No.

1996. So that, probably, I think you would agree with me, that if it were possible to leave you a freer hand to employ men who were experts, and give them a free hand to buy, you would buy a great deal cheaper?—I speak perfectly impartially on the matter, but I do not think, considering the conditions as regards the severity of our inspection, that it is possible to employ people, in the same way as a private firm would, to go and inspect things and accept them upon a mere outside view, which are circumstances under which things can be bought

Mr. *Bonar Law*—continued.

bought cheap. You see everything that is bought, even to a gun-stock, has to come over to this country, and is here subjected to a very severe view. Although I go round from time to time and buy these stocks I could buy them cheaper if I could take a stack and say, "Well, I will buy that stack at (say) 3*s.* a stack, if on a mere cursory glance at them I could say, Those are good enough for us, and we will take them, but whatever I buy has to come over to Enfield and be subjected there to criticism by an expert as regards the character of the wood, the galls, or nuts, or other imperfections.

1997. That bears out exactly what I say; that evidently means unnecessary expense, because if you took somebody from Enfield, and accepted them there, the people would supply them a great deal cheaper than they would if they have to take the risk of sending them to England?—Suppose I was buying a hundred thousand stocks, it would take the man you suggest, or several men, a considerable amount of time to inspect those stocks locally. Once when we were very short of stocks I went over to Liège and bought a large quantity there in the sheds, as they were. I took a viewer with me, and had just a superficial view given them, and they turned out exceedingly well. Since that time we have bought some others there; we sent some inspectors from Enfield purposely, and they were there, I think, about a year, inspecting those stocks, but the thing has not turned out really well, not that we complain of the view taken by those men, or suggest that they departed from their duty in any way, but the factor—the man who supplies us with the stocks—when he sends them to Enfield finds the view taken there totally different to what he says is the view that has taken place when these men were there; he says he based his price upon the view that the stocks were subjected to by these local inspectors, and then when he sends them up to Enfield the inspection is quite different.

1998. I have often heard it said by people who have supplied things, both to the War Office and to the Admiralty, that the inspection is very much too severe as regards matters which do not affect the real efficiency of the article. Do you think there is anything in that?—I should not like to say so; no.

1999. You know that is a common complaint with contractors?—I know it is a common complaint with contractors. Of course, it is natural enough for a man who has his stuff rejected to complain of the inspection being too severe. Now, in regard to this gun-stock person, I went down to Enfield only 10 days ago to satisfy myself as to the causes of such large rejections in his particular case. It is not my business to do so, as the whole of the responsibility attaches to the Director-General of Ordnance; but with his concurrence I thought it desirable to go and see what these stocks were as to which the man who supplied them so bitterly complained, and I am perfectly certain there was no justification for his sending in such gun-stocks.

Mr. *Eugene Wason.*

2000. Do you mean because they were so bad?—Yes, because they were so bad.

Mr. *Bonar Law.*

2001. There is only one other point in conclusion that I wish to ask you a question upon. You said, in speaking of the varied goods you have to buy, that you had to go by the position of the firms?—Yes.

2002. With such a staff as you describe (you cannot possibly do it all yourself), may I ask how it is possible for you to have men who are competent to judge of the position of the firms in such a practically unlimited field as this?—Ours is an unlimited field.

2003. For instance, if it were a private business firm, and they were buying as much saddlery as you buy, they would undoubtedly, naturally, have an expert to do the buying and the selecting; you cannot possibly have anything of that kind?—No; but we know of all the stuff that comes in; we receive reports, and if anything comes in of an unsatisfactory quality we hear of it directly; we then take the matter in hand, and tell the man who has supplied the goods of an unsatisfactory quality that what he is sending in is unsatisfactory and that he must improve, or otherwise we shall buy elsewhere.

2004. I admit it may not be possible; but do not you think it might be possible to select four or five of the trade Departments on which you spend large sums of money, and get them an expert buyer from outside—paying him a good salary—a man who knows all about the particular goods, and who would buy them under your control?—That question has been gone into very fully—in fact, so far that the Treasury approved of two trade experts being attached to my Department about two years ago. They have never been appointed, because the difficulty we had to deal with was the difficulty of finding men who would have a sufficient knowledge of all the stores—or any great quantity of the stores—that I buy. A man might have a knowledge of saddlery and harness, but if we were to appoint a man of that character or description he would not be employed one-tenth, or one-twentieth, or one-fiftieth part of his time in merely buying the harness and saddlery we require.

2005. Now you spend 8,000,000*l.* a year in stores. Suppose you saved even 1 per cent. upon that amount, that would be 80,000*l.* a year?—Yes. The matter is well worth consideration if you could save 1 per cent.; but our opinion is that we must depend for our expert knowledge upon those who are in the Department of the Director-General of Ordnance, who are experts upon the separate articles which are bought. I must be simply the administrative officer in the sense of purchase. You cannot have any man in my position dealing with thousands of different kinds of stores who can have an "expert" knowledge; nor can I have a buyer under me— or several buyers under me— who would have the necessary expert knowledge to deal with a large number of stores.

Sir *Edgar Vincent.*

2006. May I ask you one question upon that last answer? What was the salary authorised by the Treasury for the two commercial experts that

Mr. *Bonar Law*—continued.

that were suggested?—I think it was to begin at 500*l.* a year and go up to 700*l.*

Mr. *Bonar Law.*

2007. Really in the questions I have already asked, I have said all I have to say except that I have a very strong feeling that some economy might be got in that direction—the appointment of experts, and your having a greater number of men under you who really know the articles which they are buying?—You see, even if I had the expert, the objection would be that I should be inspecting that which I bought whereas now, I buy, and the officer who is going to consume, and who is responsible for the stores of the Army, inspects them, and says whether they are satisfactory or unsatisfactory for his purpose. If I had an expert who passed the things there would be an objection on principle.

2008. There would be a saving of expense in having the expert, would there not, in the sense of having a man who could test the stuff, and whose business it would be to buy such stuff?—I do not think really there would be any benefit to my department in having an expert of that kind.

2009. I am certain I am right in saying this—that if any big firm—in London for instance, were suddenly to have to buy a large quantity of a particular kind of thing like saddlery, although they had a most competent staff of their own, they would never dream of doing it without getting—and paying a good sum, too—some expert who understood the business?—Will the honourable Member take an instance, and just tell me practically where the expert would come in, in the business which I had to do. The Director-General of Ordnance tells me he wants 10,000 saddles of a certain pattern and quality; the specifications are minute in every particular. I know that I have at the present moment, perhaps, 130 firms on my list that will make saddles. That is the extent to which our saddlery and harness list got in consequence of the war. Before the war commenced our demands were practically so small that our orders, generally speaking, were fulfilled by two or three firms. Now I get an order for 10,000 saddles. To these firms, which are old firms who have served the Department a long time, who are perfectly competent to do the work, I send requisitions for tenders for 10,000 saddles of this pattern; they submit to me prices, and upon the time limit and the character of the firm I allot that order. Now those saddles, when they are made, are sent in, in lots, from time to time to the Inspection Department at Woolwich, and there they are passed or not passed, accepted or rejected. Now I would just ask the honourable Member to tell me in what way an "expert" buyer would help me in buying those saddles.

2010. Would not he know a better way? He might possibly know which firms at the present moment are best able to supply?—No, he would not know them so well.

Mr. *Bonar Law*—continued.

2011. That is the whole point?—I do not think the expert would help me at all.

Mr. *Hayes Fisher.*

2012. You have admitted that there has been, in connection with the recent war, a considerable amount of wasteful expenditure?—I do not know that I have admitted that, begging the honourable Member's pardon.

2013. I thought you admitted it; I have not got your own words. I certainly thought you had admitted that a considerable amount of money was wasted by such large sums as 50,000*l.* being entrusted to officers in the theatre of war?—That was not in this war. I am speaking of my experience of the war when I was out at the Cape in 1881, and I mentioned those as cases which had occurred, and which were brought under my notice.

2014. Then I will put it: Is it your opinion, so far as your knowledge goes of the wasteful expenditure of which you complain in the war of 1881, that there were similar instances of it in the war which we have recently concluded?—I have no knowledge as to that.

2015. You have no knowledge on that point?—No.

2016. But you are still of opinion that it would be desirable that the Finance Department of the War Office should in all future expeditions on any large scale be represented?—I think so. That is my opinion.

2017. With the field army?—Yes

2018. If any good result was to be obtained from that representation in the way of diminishing the expense—particularly in connection with contract—would it not be necessary for the Finance Department to have a very large staff there?—I would not propose that it should be a very large staff; two or three men, not more.

2019. Do you think that two or three men, with an army broken up as ours was and scattered at such great distances would have any effective control over contracts?—It could only deal with purchases that were made at the base depots.

2020. What you would suggest is that the Finance Department should be represented by people experienced in the making of contracts, and that it should be closely linked up with the army at the base depots?—Yes.

2021. And is it your opinion that their experience would be of great value, to the Army Service Corps especially, in making these contracts?—I think it would be an advantage.

2022. But of your own knowledge you could not state that in the recent war there have been any instances of extravagant expenditure, or of the making of contracts in which we did not obtain the full value for our money?—Not of my own knowledge.

2023. Then, turning to the contracts that are made by your Department in time of peace, is it your opinion that you could strengthen your Department in any way by the addition of "expert" buyers?—It is not my opinion that it would be strengthened.

2024. Is it your view that the Department of Army Contracts is so organised that we obtain the

Mr. *Hayes Fisher*—continued.

the maximum of results for the minimum of expenditure?—Yes, it is so.

2025. Then you have no suggestions to make by which you think that the country could secure better value for the 7,000,000*l.* or 8,000,000*l.* which it expends every year in Army Contracts?—Not from the point of view of purchasing the stores which I am asked to buy. Whether, of course, any economy could be effected in the quantity of stores that I am asked to buy is another matter entirely; but, as regards the purchase of stores which I am asked to buy, I consider that they are purchased as economically as they possibly can be under a given system.

2026. That is to say, you receive an order to buy a certain quantity of a certain article, and you think your staff is so organised that you obtain the best quality for the money?—Yes. I do.

2027. I suppose the question of quantity has nothing to do with you?—That has nothing to do with me.

2028. So that there might be a very wasteful order given as regards quantity, but that you could not check or control in any way?—It is not my province. I should like to give the honourable Member an instance of what I mean. When the recent war broke out, during the first six months of the war I had demands made upon me for 40,000 tents, sufficient to tent 400,000 men, reckoning 10 to a tent; at the time that the war broke out there was tentage in the country sufficient certainly for at least 500,000 men. What I mean in regard to questioning a demand is, whether in such a case as that the demand for additional tentage for 400,000 men was necessary, considering that there was tentage already in the country for 500,000.

2029. Would it be part of your duty to point that out?—No.

2030. It would not be?—No.

2031. So without passing any opinion at all as to whether orders are necessary or not necessary—as regards quantity—you have merely to carry out the orders and obtain the best articles for the least possible money?—That is my business.

Sir *Robert Mowbray.*

2032. Who requisitioned the 40,000 tents?—The Director General of Ordnance.

Mr. *Hayes Fisher.*

2033. Do you think from the point of view of buying, that economies are effected by the power that Departments have now to use up money, which has been estimated for one head of expenditure, but which has not been expended on that head, and can be transferred to another head; do you think that you are placed in a better position to buy, by the fact that you have money at your disposal with which to purchase before the 31st of March?—On that question of whether any extravagant expenditure takes place by the endeavours of a Department to spend a sum of money which otherwise would have to be surrendered to the Exchequer, I heard Sir Ralph Knox's evidence, and I can quite confirm what he said; I do not think that whatever money is expended is ever expended in an extravagant way to avoid surrender. Of course a purchase which would be made at that time of the year to absorb any unexpected balance would come under my observation, and it would certainly be my duty to represent it if it entailed extra expenditure—buying any large quantity of bricks, buying any large quantity of cement, or anything of that kind—if it cost more in the price of the stores than they otherwise could be purchased for by getting them in before the 31st of March so as to avoid surrender, it would be my duty to represent it, if it occurred and where it occurred; I do not think the Secretary of State would sanction it for a moment. I can give an instance which occurred not very long ago in which they were anxious to spend a certain amount of money before the 31st of March, and the tender for the work, to complete it by that time, was considerably higher than it would be it spread over a normal period, and the Secretary of State decided that he did not consider it justifiable to spend an extravagant sum of money in order to get the expenditure in before the 31st of March; and that would apply in any case that came under my cognisance certainly. Suppose for a particular work a department may have taken 1,000*l.* or 2,000*l.*, and, owing to the plans not being settled, that work could not be proceeded with in time to enable them to spend the money which had been voted by the House of Commons for the purpose; towards the end of the year they might say: We cannot do this work by the time specified; but we should like to get it done as soon as we can; it will take so many hundred or thousand tons of cement in order to complete the work; therefore at any rate let us buy the cement. If that cement cost anything extra by reason of its being purchased at that time, it would be my duty to represent it; and I do not think it would be sanctioned. No extravagance of that kind that I am aware of has crept in.

Mr. *Hayes Fisher*—continued.

2034. But do not you think in fact that there is any pressure in this form of using up the money that has been voted under a certain head, that it causes any pressure to be put upon you to rush into wasteful and extravagant expenditure?—It causes us to rush into expenditure, but not of a wasteful character. It is all expenditure, which to the extent of that expenditure diminishes the expenditure of the subsequent year; and it would not be extravagantly made.

2035. I understand you to tell the Committee that it would be your duty to point out to the Secretary of State that that money, if expended before the 31st of March, could only be expended in an extravagant manner?—Yes, certainly.

2036. And if you did point that out to the Secretary of State for War, are you satisfied that your advice would be taken, and that that money would not be expended?—I think it would.

2037. Then I have only one general question to put to you: are you of opinion that it Members of Parliament could, either through a Select Committee or some other form of Committee, examine and overhaul the contracts that are

Mr. *Hayes Fisher*—continued.

are made by the War Office after those contracts had been completed and the money spent, they would obtain information of a valuable character which would enable your Department to economise under their direction?—I do not think so.

2038. It is not, then, your opinion that any form of Parliamentary control that you can suggest would diminish the expenditure upon War Office contracts?—Presuming that the demands made upon me are justified I do not think that any Select Committee, or any further examination into the contracts or the manner in which they are carried out—beyond that which is made at present would possess any economical advantage; I cannot see it myself.

Chairman.

2039. I would like to ask you: Is there any large amount of stores which have been purchased and become obsolete, upon which there is a loss to the Department?—I cannot say what stores that are in stock are obsolete or becoming obsolete. They would not come under my observation in such a way as to enable me to answer the question.

2040. That would come into the Storekeeper's Department probably?—That would come into the Storekeeper's Department. The principal ordnance officer at Woolwich, or the Director-General of Ordnance—would be able to answer that question.

2041. At any rate you would not know it officially?—I should not know it officially.

Tuesday, 11th November 1902.

MEMBERS PRESENT:

Mr. Churchill.	Mr. Bonar Law.
Sir John Dorington.	Sir Robert Mowbray.
Sir James Fergusson.	Sir Edgar Vincent.
Mr. Hayes Fisher.	Mr. Eugene Wason.
Sir Walter Foster.	

THE RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., in the Chair.

SIR EDWARD WALTER HAMILTON, K.C.B., K.C.V.O., called; and Examined.

Chairman.

2042. YOU are Financial Permanent Secretary to the Treasury?—I am.

2043. We are much obliged to you for the Memorandum you have put in, which will be very useful to us. [*See Appendix* 12.] In the third paragraph you discuss the grounds on which Grants-in-Aid are made to the Local Authorities. I do not know whether I have used the right expression in speaking of them as "Grants-in-Aid"?—"Revenue intercepted" is the expression we have used.

2044. In that paragraph of your Memorandum and in the quotations you give us from a Report signed by yourself and by Sir George Murray on the Local Taxation you account for those Grants on grounds other than equalising the rates upon real and personal property?—Yes.

2045. But is not that a ground on which these grants are generally supposed to have been made, that the rates in many instances operate unequally by reason of their being laid upon rental, whereas the real means and substance of the ratepayer differ exceedingly?—That is so.

2046. Has it not been considered that by giving relief to the rates from the Exchequer you are in fact bringing in larger contributions from real property?—That is so; but in this Memorandum I do not take exception to the principle of the grants from the Exchequer. All I do is to take exception to the mode in which the grants are made; that is to say (and here I am speaking only for myself the committee will understand), I think a grant out of the general proceeds of taxation is preferable to the earmarking of special taxes. That is the only point I take in this Memorandum.

2047. Am I right in saying that you and Sir George Murray disclaim the idea of it being the means of bringing real property and personal property into line in that respect?—I do not think there is anything of that kind in the Memorandum.

Chairman—continued.

2048. I was referring to what you say in page 4, in sub-paragraph (2), "Nor can we see any sufficient ground for the contention so commonly put forward—that the contribution of the State towards local expenditure should be wholly or in great part levied on the owners of *personal* property. The assumption which underlies this argument probably originates in the fact that the revenue raised locally for the purpose of local expeniture is levied almost wholly in respect of real property, because real property is the only kind of property which can be localised; and it appears therefore to be thought that the contribution to be made by the State should be charged on personal property which cannot be localised"?—Yes. I beg your pardon; but if I may be allowed to say so, I think that point is perhaps hardly *ad rem* for the present question. That refers to local taxation, not to the question of accounts.

2049. Perhaps it is not *ad rem*. Now I should like to ask you to explain the manner in which payments made by the War Office on behalf of India, and repaid by India, are brought to account?—I do not think I know the exact details. The late Accountant-General of the Army, of course, could have explained the system to the Committee more fully than I can.

2050. It has been brought before us as one of the grounds of Mr. Bowles' contention that moneys are brought into expenditure without being discussed in Parliament, and an explanation submitted to Parliament on Committee of Supply?—Yes.

2051. It would undoubtedly concern the Treasury as a matter of account?—It would, no doubt.

2052. You are aware that, for instance, the men who are ultimately to be sent to India are voted in Committee of Supply, and their pay is voted in Committee of Supply?—That is so.

Chairman—continued.

2053. Then the payments are not immediately received from India in respect of those men, because they do not go to India for perhaps two years afterwards; it is not known, in fact, when the men are going to India?—That would be so.

2054. Then India makes a certain payment, roughly a million and a half a year, largely in respect of the soldiers who are training for service in India?—Yes.

2055. But it would not be correct, would it, to say that the pay of those men had not been voted in Committee of Supply?—No, it has all been voted in Committee of Supply.

2056. So that the money repaid from India is money that has been voted by Parliament?—Certainly.

2057. Consequently it is not withdrawn from the purview of Parliament?—No; certainly not.

Sir *Edgar Vincent.*

2058. The general principle of finance is, I presume, to bring all receipts into account, is it not?—That is so.

2059. You consider that an important principle to maintain and safeguard?—I do, as for as it is possible to do so.

2060. And this particular Interception is an infringement of that principle?—I hold it to be so, but I think the authors of the scheme would not admit that it was an infringement of the principle; they would explain it in the way I have endeavoured to do in the third paragraph of my paper under the head of "Interception."

2061. Quite, so; but that is rather a justification of an exception to the general rule?—That is so.

2062. It does not at all attack the general rule that all revenues should be brought into account?—Quite so.

2063. And that all expenditure should be brought under the review of the controlling authority?—Certainly.

2064. You consider that an important principle to maintain and safeguard in the management of finance?—I think it most important.

2065. Would you hold that another important principle is that those who spend the money should also have the responsibility of raising it?—Might I ask what sort of case the honourable Member is referring to?

2066. I mean that it is dangerous to give the expenditure of money to individuals, or bodies which have no responsibility for raising it?—There, is no doubt, a great deal of force in that.

2067. The present practice is an infringement also of that rule?—That is so.

2068. So that Mr. Bowles is to this extent right, that the present arrangement, whether justifiable on grounds of convenience of not, is an infringement of two important general principles of finance?—That is so.

Sir *Edgar Vincent*—continued.

2069. Now turning to another point, Grants-in-Aid, I take it, are merely Votes of money the expenditure of which is not controlled by ordinary Government officials?—Not controlled by Imperial officers.

2070. So that once the money is granted it escapes any further control or audit?—It does not escape audit, because there is the Colonial audit. For instance, some of those sums that have lately gone out to South Africa which have been voted by the House in the form of Grants-in-Aid will still be subjected to thorough examination in the Colony. The Comptroller and Auditor-General has officers out in South Africa who will institute an elaborate audit of the expenditure out there, just like any other expenditure.

Sir *Walter Foster.*

2071. Just as the Local Authorities here are controlled by the Local Government Board?—Quite so.

Sir *Edgar Vincent.*

2072. To come to another point, respecting the permission given to various Departments to use their receipts in extension of Grants in Parliament, what is your personal opinion respecting that practice?—I think the change was attended with a great deal of inconvenience on the one hand, but on the other hand it would be impossible now to go back to the old practice. The old system was a very bad one; and after a most elaborate inquiry by the Committee of Public Accounts and all the authorities at the time at the Treasury, they came to the conclusion that Parliamentary control would best be served by extending the system of Appropriations-in-Aid throughout the Service; and I think now that you have got it throughout the Service it works, on the whole, perfectly well.

2073. Then what are your objections to it?—My objection was to the change because it upset all our accounts so frightfully.

2074. But that is all over now?—Yes.

2074.*Apart from the change; do you consider it as working at all towards extravagance?—No, not the least; on the contrary, I think it gives an interest to the Departments themselves to see that all receipts which ought to come to them are realised. I think it rather puts them on their mettle to see that they get everything that is due to them.

2075. In that respect it is an improvement?—Yes, they have a direct interest that they had not before.

2076. There is no diminution of what I may call the exterior, or Treasury, control over those moneys?—No diminution whatever.

2077. So that from that point of view you can see no objection to the system?—None at all.

2078. You would view with regret a return to the

Sir *Edgar Vincent*—continued.

the former practice?—I should, because it would upset all the accounts again.

2079. I think you rather drew a distinction between the point of convenience and the point of economy?—On the whole I think the present system works for economy.

2080. After all, the inconvenience is a temporary matter?—Yes, but it is an important matter.

2081. Comparing the financial control now and formerly, do you hold that the Treasury control and the House of Commons control as are operative and efficient as they were twenty or thirty years ago?—I think, on the whole, that is so, but there is no doubt that in the House of Commons there is much less interest taken in financial matters than there used to be. I remember when I first came into the Public Service, a Minister about to make a speech to his constituents would always have a brief given to him showing how expenditure was marching as compared with a former period, but now such a thing is hardly ever prepared.

2082. On the contrary, Ministers are praised for having spent largely?—Yes. I think the House of Commons favours expenditure much more, but the actual Treasury control, I think, is just the same as it used to be.

2083. So that really now the Treasury can depend less upon the support of the House of Commons than formerly?—That is so.

2084. Previously the inquiry and the debate in the House of Commons rather strengthened the hands of the Treasury, but now the tendency of the debates in the House of Commons is rather to weaken the hands of the Treasury?—That is often the case.

2085. We have heard from many witnesses the objection taken to an increase of Parliamentary control—that it would almost inevitably trench upon and interfere with policy. You have had large experience of these matters, and I want to know whether, excluding policy altogether, there is not a large field between extravagant expenditure on the one hand and economical expenditure on the other?—I think the field is very limited. I think the expenditure in which no policy is involved is probably the very expenditure which is most carefully administered, and the expenditure over which the Treasury has most direct control. Excluding, for instance, expenditure on the Army and Navy and Education, Colonial Votes, and so on, which must be, to a great extent, matters of policy—excluding those you come to Classes 2 and 3 of the Civil Estimates, relating to salaries in the Civil Departments, or the Revenue Department Estimates, they are all economically administered; they are the ones which the Treasury have most direct control over now; therefore I think the field for criticism would be a very limited one.

2086. However, taking the whole Budget, excluding policy, what would be the chapters on which financial criticism could be made?—I think there is one branch in particular where more control might be exercised with great advantage. Take a service like the Legal Department, in Class 3 of the Civil Service Estimates, I think it is quite possible there is room there for considerable economies, because the Treasury has not the control there which they have over the Civil Departments. They have very high legal authorities to deal with there who are not very amenable to Treasury control, as honourable Members may imagine. I think that there would be a field for some useful criticism in that Department.

2087. Can you suggest any other field?—I do not think in the Revenue Departments there would be much field for criticism.

2088. Taking the staff of the spending Departments, I do not say that there is any extravagance in regard to it, but might not that be revised from a financial standpoint, without trenching at all upon policy?—It might, no doubt, but I am not certain that a Committee of the House of Commons would be the best body to do it. It is very difficult for a Committee to go into things of that sort.

2089. Even if the Committee were not itself competent, might not they supply the motive force?—That, I admit, is possible.

2090. And without that motive force it is possible that no inquiry might take place?—That is so.

2091. Again, the expenditure upon stores under contracts is also outside the strict sphere of policy, is it not?—I think it would be.

2092. Without at all implying that extravagance now occurs, there is a possible margin there, is there not, between extravagance and good administration?—Yes, certainly; but I should like to qualify what I said as to its being outside the sphere of policy. The amount of stores, for instance, the amount of guns, and so on, which are provided for by the War Office or by the Admiralty is, of course, a matter of policy to a very great extent.

2093. That is quite true; at the same time, you would not, from the financial point of view, follow blindly what was suggested by the executive officers?—No, not blindly. I think you must see that they have got their money's worth; that is really the thing to go for.

2094. That is the real point?—Yes.

2095. Regarding the Public Accounts Committee, do you consider that its investigations strengthen financial control?—Yes, certainly; we find it most useful.

2096. In what way?—If there is one thing that a Department dislikes more than another it is to be hauled up before the Public Accounts Committee. I do not think there is anything that has a more deterrent effect on a Department than the fear of having to go before the Public Accounts Committee.

2097. The knowledge that the Public Accounts Committee will revise the accounts has, you think, a deterring influence against disorder and extravagance?—That is so.

2098. We

Sir *Edgar Vincent*—continued.

2098. We have had evidence of a rather contradictory character respecting the attributions of the Public Accounts Committee. I think the strict terms of appointment limit them to audit?—I am sorry to say I have not brought with me the Terms of Reference to the Committee.

2099. You may take it from me that in the Exchequer and Audit Act of 1866 they are limited to audit?—But I think you must look at the Resolution which appoints them annually.

2100. The words in the Act, I think, are "Financial regularity and audit," so that anything beyond that would not be according to the letter of their appointment?—I have always regarded the duties of the Public Accounts Committee as relating solely to accounts, and nothing beyond accounts.

2101. Then they would be exceeding their duty if they went into the question of merit?—I have always held so, certainly.

2102. Assuming there to be doubt regarding that point, you would consider it somewhat dangerous for a Committee of that kind to work without clearly-defined responsibilities and clearly-limited duties?—I think so; it would become then rather a fishing Committee.

2103. You would desire to have their duties and responsibilities clearly laid down and limited?—Yes, I would.

2104. Then turning to the Purveyor of the Public Accounts Committee, as he has been called, the Comptroller and Auditor-General, what, in your view, are his powers?—I look upon him as a most powerful officer. He is quite independent of the Treasury. I have noticed in some of the evidence which I have looked at there is an idea that he is more or less under the Treasury. I do do not consider him in the least under the Treasury, I look upon him as an entirely independent officer.

2105. It was pointed out that his address was at the Treasury, and he is also selected and appointed by the Treasury, is he not?—He is appointed by the Prime Minister of the day; it is a Crown appointment, but he is directly responsible to Parliament. The Audit Office in one respect is quite different from other Departments of the State—there is no Minister either directly or indirectly responsible for it in the House of Commons. The Comptroller and Auditor-General is the officer of Parliament, not of the Government of the day; that is a great distinction.

2106. He is appointed by the head of the Government of the day?—Yes, necessarily.

2107. Do his powers extend beyond financial order?—No, I should say not.

2108. So that in reality outside the question of order, no examination of the Accounts takes place at all?—That is so.

2109. Then, when are either the Estimates or the Accounts examined, or supposed to be examined from the point of view of merit and financial economy?—When they are being prepared.

2110. And they are examined then by whom?—Taking the largest Estimates, those of the War Office or the Admiralty; of course, they have their own Departmental staff inside themselves who examine them.

2111. I was speaking more of external review outside the particular Department concerned?—Then there comes the Treasury, whose control of the Department is perhaps rather superficial as regards the Estimates of those Departments.

2112. Subsequent to the examination at the Treasury, what examination do they receive?—They receive none until the Account is made up and rendered to the Audit Office.

2113. Then it is examined primarily upon the point of form?—Yes, to see that the expenditure is all in order and has received the sanction of the Treasury and that all is in conformity with the King's regulations.

Chairman.

2114. They come before the Cabinet, but not in detail?—Originally the Estimates of the War Office and Admiralty came before the Cabinet before they were submitted to the House of Commons.

Sir *Robert Mowbray.*

2115. You are aware that the Committee of Public Accounts does sometimes go into questions beyond those of form?—Yes.

2116. For instance, this year we went into the question of contracts for meat in South Africa?—Yes; I think it is extremely difficult to draw the line, and it may be questioned whether at times the Public Accounts Committee do not exceed their function in that respect.

2117. That may be, but I thought perhaps you would wish to qualify the answer you gave just now, when you assented to the suggestion of the honourable Member that they restricted themselves to questions of form?—Yes.

Sir *Edgar Vincent.*

2118. However, the practical state of things is this, as I understand, that on the strict letter, both the Comptroller and Auditor-General and the Public Accounts Committee are confined to form, but that in practice they have occasionally exceeded that limit?—That is so, because it is very difficult to adhere exactly to form.

2119. It has been suggested that financial control would be strengthened if there was increased examination of Estimates by the House of Commons. What do you say to that?—I think, in a limited way, something might be done in that direction, but I gather from the evidence before this Committee it has been generally suggested that it should be an examination of past accounts, not of current accounts.

2120 There

Sir *Edgar Vincent*—continued.

2120. There have been two suggestions—the one what is called an antecedent examination, and the other a *post mortem* examination. Both of those suggestions, I think, have had adherents?—I should myself prefer an antecedent examination to a *post mortem* examination, if it could be done. A *post mortem* examination would necessarily only deal with the accounts of the year before the current year.

2121. You mean the accounts of the antepenultimate year?—Yes, that is to say, supposing a Select Committee was appointed next February or March, they would not be able to examine the accounts for 1902-3, because they would not be completed. They would have to take into review the accounts of 1901-2. Now, those would be the very accounts which would go before the Public Accounts Committee, and, therefore, they would really be almost examining into the same thing as the Public Accounts Committee. As I have said, they could not examine the accounts of the year that was just about to expire. Therefore, my own idea would be that if anything of this kind is done at all the best thing would be to submit to a Select Committee certain sections of the Estimates when they are presented to the House of Commons. For instance, in this next year, if a Select Committee were appointed to consider expenditure, a section of the Estimates, like Class 3, which relates to the Legal Department, might be referred to them for thorough examination. The Committee would see and examine those who prepared the Estimates and any Minister or any Judge, or anybody else they chose to call. I think that might be a very useful form of examination. I think that would be much better than going back to the accounts of two years previously, which would be very stale; and, as I have said, if they were to examine into them, they would be going over very much the same ground as the Public Accounts Committee. The Revenue Departments would be another case which might be treated in the same way. The Estimates of the Revenue Departments might be referred to such a Committee. But there are objections, I admit, to this suggestion. For instance, no Vote which is referred to such a Committee could be taken by the House of Commons until after it had been examined by the Select Committee; therefore, if the House of Commons wished to raise, for instance, a Post Office question, which might be a very important one indeed, there would be great difficulty in bringing on the Post Office Vote in the House of Commons if the Estimates of that Department had been referred to the Select Committee. I quite recognise that difficulty, and I see a further great difficulty, which is, that I think there would be a tendency on the part of Departments to rather try and throw responsibility on the Select Committee, shifting it off themselves. That is to say, supposing a Department disagreed with the Treasury upon a certain provision which they wanted to make in their Estimate they would probably insist upon a reference of the question to the Select Committee,

Sir *Edgar Vincent*—continued.

and it would be very difficult for the Treasury refuse it. It might lead, therefore, to lessening the responsibility of those who ought to be responsible for the Estimates.

2122. Is that fear quite justified by general experience; surely if it is justified it saps the root of all financial control, does it not, because it amounts to this, that an Estimate will be more carefully prepared because it will be less revised?—Yes, I admit that. I do not attach very much importance to it, but I think it is a point to be borne in mind.

2123. We have had the point before us from other witnesses, but I do not, myself, see how it can be true without at the same time logically leading to the abolition of all financial control?—I see the hon. Member's point. I think it does not do to exaggerate the importance of it, but I think it ought not to be lost sight of.

2124. If it is true for the Treasury to say of the House of Commons examination it would be competent for the War Office to say of the Treasury examination, and to say in fact the Treasury examination would diminish the care with which the Estimates would be revised within the Department itself?—I should not like to say that there is not probably some foundation for that.

2125. You have great experience, I believe, of the examination both of estimates and of accounts?—I have had a good deal to do with accounts, but it has never been my function at the Treasury to go much into estimates. I have been on the Financial side of the Treasury all along, so that I have had much less experience in that respect than most people who have been in the Treasury.

2126. Then I will not pursue that. Coming back to the question of the Public Accounts Committee. I understand you attach great importance to their work. Would you view with approval any extension of their powers?—No, I think not.

2127. Would you keep them where they are?—Yes.

2128. Any strengthening, if strengthening be desirable, you would give to another Committee?—To another Committee.

2129. The work of that Committee to be applied you think rather to estimates than to accounts?—Yes.

Mr. *Churchill.*

2130. You would have no objection to the other Committee being, as it were, a branch of the Public Accounts Committee. Your point, I presume, is that it should work at a different time?—Does the honourable Member mean a Committee with the same members?

2131. Some of the members might be the same, but not all. What I mean is, there is no reason, is there, why it should not be a branch of the Public Accounts Committee with some of the same members?—There would be no objection to that at all, that I see.

Sir *Walter Foster.*

2132. Before you leave that point may I ask whether you do not think that that Select Committee to which you have referred, and which you suggest should be confined to the Estimates (and I recognise the disadvantages of the method in regard to the procedure of the House of Commons) would be strengthened in its inquiry by going back upon past estimates or past accounts in order to compare them with the estimates they were dealing with?—That would be part of the functions of the Committee which I had in view.

2133. You would in that way get a *post mortem* examination of the expenditure?—Certainly. For instance, if the Estimates of the Post Office were referred to this Committee, naturally this Committee would go into the Post Office accounts and see exactly what the Department had spent for the last ten years, and how the money had been spent, and what were the causes of the increase and so on.

2134. And whether value had been got for the money in the Estimates?—Certainly.

Mr. *Eugene Wason.*

2135. You drew a distinction between the sort of control that the Treasury has over the Legal Departments and the control it has over other Departments?—Yes.

2136. Can you explain how that distinction comes to exist?—I do not know that I can quite explain it, because I have never had any personal experience of it; but I think it is to be found in the fact that the heads of the Legal Departments, who are Judges, are naturally not quite so amenable to Treasury control as the heads of other Departments would be.

2137. Has your attention been called to the very large increases of expenditure connected with the Land Registry Office?—I am cognizant of it, but I have never had anything to do with it.

2138. Who administers that Department, is it the Lord Chancellor?—I think so. The Lord Chancellor is the head of most of the Legal Departments, nominally, at all events.

2139. And of course you cannot control him as well as you could ordinary heads of Departments?—No.

Sir *John Dorington.*

2140. Does not the Land Registry Office by its fees cover its expenses?—I fancy it does almost, but I am not certain that it does entirely.

2141. It is a new system altogether, is it not?—Yes.

2142. It has only recently come into operation, and although it involves a heavy public charge on the one side, there is a corresponding, or an approximately corresponding, sum on the other side, is there not?—The idea is that it should be a self-supporting Department.

2143. With regard to the local grants, you said it would be much more convenient to grant a fixed payment; but is there not some advantage to the Treasury in the arrangement as it is now? For example, take the grant to lunatics of 4s. per head. That is a constantly growing charge, but the growth of the charge is thrown upon the local authority, and is met by that uncertain amount coming from the Treasury?—Yes, but it is an uncertain amount which always, or almost always, grows.

Sir *John Dorington*—continued.

2144. Not always, I think. The last few years there has been a considerable diminution, has there not?—I think not. I think the amounts transferred to the Local Taxation Account have never fallen off since 1892 or 1893. I speak subject to correction; I have not the figures before me.

2145. But the total sum paid in to the Local Authorities Account has lessened, has it not?—The honourable Member may be right; I have not got the figures here, but I should have thought that was hardly conceivable, because the main source of the revenue is the grant out of the Estate Duty, and the Estate Duty has gone up steadily every year.

2146. When these grants were made, was not the scheme discussed in Parliament as to whether it should be a fixed grant or whether it should be charged upon the local taxes—was not one of the objects to give the local authorities an interest in the growing prosperity of the country?—Certainly.

2147. And the other was to get rid of the constant demand for an increased grant owing to the increasing charge which had to be met out of a fixed grant?—No doubt. When I ventured to criticise the present policy I was perfectly aware that there are a great many advantages which do attend the present system. It is a question of balancing the disadvantages against the advantages.

2148. Quite so; I was rather examining you with the view of putting the other side of the question. There is another side of the question, is there not?—Yes. I hope the honourable Member will not think I do not see the advantages of the present system. I do see them, but to my mind it is a question whether the disadvantages do not preponderate over the advantages.

2149. I see the disadvantage of the present system that sometimes we are met by an unexpected diminution?—Yes.

2150. And you see the disadvantage that it is an interception of an amount which the Treasury ought to receive, and that thereby the accounts are complicated?—Yes.

2151. With regard to the expenditure of the Legal Departments, the Treasury used to pay the costs of criminal prosecutions, and that was met by transferring the charge wholly to the local authorities in consideration of their receiving these local grants?—Yes.

2152. They run the risk of that now?—Yes.

2153. So that there is an advantage there to the Treasury?—Yes.

2154. How

Sir *Robert Mowbray*

2154. How are the proportions ascertained between the amount that is paid into the Exchequer and the amount which is carried to the Local Taxation Account?—Does the honourable Member refer to the Estate Duty?

2155. I refer to the assigned revenues?—The assigned revenues consist in the first place of the proceeds of the excise licences in this case the whole proceeds go over to the Local Taxation Account; then there is the 6d. duty on spirits and the 1s. on beer, the whole proceeds of which also are transferred to that account; then comes the Estate Duty grant, and I am afraid I do not quite know upon what principle that is calculated, but it is intended to, and I suppose it does, represent what the Probate Duty would have produced if it were still in exisence.

2156. But it must be somebody's duty to calculate that?—Yes, it is the duty of the Board of Inland Revenue. I can ascertain how the Board of Inland Revenue does it, if desired; but I believe it is an elaborate and difficult calculation.

2157. What I wanted to understand was how far that comes under the review of the Comptroller and Auditor-General, who is the officer of the House of Commons?—He certainly ought to examine both sides of the account, and I believe he does. It is quite within his province, I should think, to ask how the calculation was made. He would see that a certain amount of the proceeds of the Estate Duty were paid over to the Local Taxation Account and not to the Exchequer, and he would have a perfect right to ask how that calculation was made.

2158. When the money gets into the Local Taxation Account, how is it paid out?—It is a very complicated process. The Local Government Board are the people who draw on the English Local Taxation Account.

2159. Does that come under the review of the Comptroller and Auditor-General?—I think, after it has once reached the Local Taxation Account it does not; but I am not certain about that.

2160. Then taking these intercepted revenues, or, to adopt the term which you yourself use, and which I should prefer, revenues which are diverted, in the first place the expenditure out of them does not appear upon the Estimates; and in the second place the expenditure as paid out from the Local Government Board does not come under the review of the Comptroller and Auditor-General?—That is true; but supposing it was on the Estimates, the expenditure would be in the form of a Grant-in-Aid; it could not be anything else; and therefore the control would be almost as little then as it is now, so that I do not think you would gain much in the way of control.

Chairman.

2161. But these accounts are audited by the Local Government Board auditors, are they not?—Yes, that would be so.

Sir *Robert Mowbray.*

2162. Then your proposal, as I understand, in the Local Taxation Committee was to put these on the Consolidated Fund?—It was.

2163. But, of course, they would equally be beyond the control of the House of Commons in Committee of Supply?—The proposal was not made with the view to strengthen the control; it was made with the view of simplifying the procedure.

2164. With regard to the Committee which you suggested, I understand you to suggest a Committee to inquire into some particular branch of the Estimates?—Yes.

2165. Not necessarily the same branch each year?—No.

2166. And certainly not the whole of the Estimates in one year?—No; it would be very limited.

2167. You instanced the Legal Department's Estimates and the Post Office Estimates; you will remember there was a Committee of the House of Commons in 1888 specially to consider the Post Office Estimates?—Yes, and it came to next to nothing. I think the Committee would be appointed once and I do not think it would be appointed again. I think they would find there was very little to be done.

2168. You think the net result of the appointment of the Committee of 1888 was that they found there was nothing to be done?—I think so.

2169. And you think that would be the result of the appointent of the Committee which you now suggest?—I cannot but think so.

2170. With regard to the position of the Comptroller and Auditor-General, Sir Francis Mowatt suggested to us that, under the Exchequer and Audit Act, although no specific duty of reporting on the expenditure was laid upon him, it might be taken to be covered by the direction given to him under the Statute to "report on the Accounts"?—I do not quite understand what is meant by "the Accounts."

2171. Those are the words of the Statute, and Sir Francis Mowatt referred to the suggestion, although I do not think he personally adopted the suggestion, that the Comptroller and Auditor-General being directed to "report on the Accounts," that would cover his going into the question of the merits of the expenditure as well as the form?—I think that would be most highly objectionable.

2172. He suggested that it was under those words that the Comptroller and Auditor-General now drew the attention of a Department to what he considered questionable expenditure?—Questionable expenditure I should imagine in his view would mean whether it was not expenditure that failed to conform to all the regulations.

2173. I think it went a little beyond that?—I know the Comptroller and Auditor-General, as a rule, is extremely careful not to trench upon anything that amounts to policy.

Sir *Robert Mowbray*—continued.

2174. Or administration?—Or administration.

2175. You think there would be very great danger in any extension of the powers or action of the Comptroller and Auditor-General under the somewhat vague powers which he now has, in regard to the merits of expenditure?—I do.

Mr. *Bonar Law.*

2176. You attach great value to the Public Accounts Committee, I understand?—I do.

2177. But I gather the value consists not so much in what they find out as in what a Department fears they might find out?—I think to a great extent that is so.

2178. Then why do you think that their powers should be so much limited? Would not a roving commission be more of a terror to evil-doers?—I think they would find they were powerless to alter the Estimates, and there would be very little for them to find out.

2179. You do not think the habit which the Committee of Public Accounts has of occasionally going beyond the form of accounts should be interfered with in any way?—No, I think it is extremely difficult to draw the line.

2180. You would approve of their having, at all events, as much power in that direction as they have now?—Yes.

2181. With regard to any future extension of the powers of the Public Accounts Committee, would you think it a good plan to have three different Committees of the same kind, one for the War Office, one for the Admiralty, and one for the other Services, acting on the same lines as the Public Accounts Committee?—I think one Committee at the present moment manages to get through the duties of going through the Accounts of all three Departments.

2182. But do you not think that it could be done more thoroughly and efficiently if there was a Committee for each of those Departments separately?—It may be so. The Accounts of the Civil Departments really give very little trouble now; they are so well rendered now that there is very little to question upon them. The Accounts of the Army and Navy, particularly lately, in consequence of the War, have been very heavy indeed.

2183. You are one of the few witnesses we have had who are in favour of an antecedent rather than an *ex post facto* examination?—Yes.

2184. Have you realised the disadvantages in point of form that it would involve in the way probably of delay in discussion in the House in Supply, and that kind of thing?—Yes, I think that it is one of its great drawbacks.

2185. Do you not think that there is a difficulty in point of principle also, that if the Estimates of the current year were being examined, those on the Committee who were on the side of the Government would think, "We must get this passed," and those against the Government would think that it would be an advantage to have a delay, and so there might be party feeling on the Committee which would not exist if it was an *ex post facto* examination?—I admit the force of that.

Mr. *Bonar Law*—continued.

2186. In regard to the point you mentioned about the Legal Department's expenditure, would it not be got at just as well by inquiring into the Accounts of the previous year, seeing that the expenditure must be, to a great extent, recurrent?—It would then be very stale; the Accounts would be two years old.

2187. But in the case of the Legal Department's expenditure, is it not very much the same from year to year?—I admit it does not materially alter from year to year.

2188. If the Committee found anything in the accounts of the previous year which ought not to be there, that would give them an opportunity of bringing the matter up in the discussion of the Estimates of the current year in the House?—That is so; but if they were to go back to the previous year they would be going over very much the same ground as the Committee of Public Accounts.

2189. You still think an antecedent examination would be preferable?—If it is found practicable I think so. I do not think there would be a great deal to be done, and it might not lead to much, but on the whole I think the experiment might be made to a limited extent.

2190. If it were an *ex post facto* examination my own feeling is that the inquiry might be conducted with much less party feeling?—That would, no doubt, be a great advantage.

Mr. *Hayes Fisher.*

2191. You told us that Grants-in-Aid—you were alluding particularly to Colonial Grants-in-Aid—were submitted to an elaborate audit by the Comptroller and Auditor-General's officers in the Colonies. If any portion of that Grant-in-Aid were misapplied and spent for other purposes than those for which Parliament voted it, what action could the Comptroller and Auditor-General take?—He would report it.

2192. And would it come before the Public Accounts Committee?—Yes; when he presented the accounts of the Grant-in-Aid he would certainly be able to report upon any misappropriation or any misapplication of the funds.

2193. So that practically the Public Accounts Committee would have the same control over expenditure audited by the Comptroller and Auditor-General, say, in South Africa, as they would have over similar expenditure in England, or in Scotland, or in Ireland?—Yes, it would be very much the same.

2194. You regard the Public Accounts Committee as a considerable buttress to the Treasury?—I do.

2195. Supposing the Public Accounts Committee reports in favour of some reorganisation of a branch of a Department, with a view to preventing wasteful expenditure which it has discovered, on whom does it lie to take the initiative—I think that would be going beyond the functions

Mr. *Hayes Fisher*—continued.

of the Public Accounts Committee. I do not think they would recommend such a thing as that.

2196. You think they have no power to recommend some alteration in the re-organisation of a Department?—No.

2197. Let me recall to your mind a recent Report of the Public Accounts Committee, in which, after discovering considerable waste of money in the Ordnance Department of the War Office, they did recommend that civilians be employed instead of military men, on whom would the responsibility lie in such a case? I do not know whether that is actually present to your own knowledge?—It is not present to my own knowledge. The responsibility would lie with the Treasury in that case if the Treasury took action upon the Report of the Committee.

2198. Do you regard such a Report as that as being somewhat outside the power of the Public Accounts Committee?—I should have thought it would have been.

2199. But it having been so reported, if any Department is to take action upon the matter it would be the Treasury?—Yes, certainly.

Sir *Robert Mowbray.*

2200. The Treasury always make a Minute upon any recommendation of the Public Accounts Committee, do they not?—The Treasury goes through the Report every year in an elaborate Minute.

2201. Which is submitted to Parliament with the Report of the Committee?—Yes.

Mr. *Hayes Fisher.*

2201.* I daresay you have read Mr. Bowles' evidence and his suggestion that the House of Commons should set aside at least one day in the Session for the consideration of the Reports of the Public Accounts Committee; would you be in favour of that as completing the edifice of the Public Accounts Committee's control?—I think it is a very valuable suggestion on the part of Mr. Bowles, but it is rather a question of the time of the House of Commons.

2202. But if the House of Commons could find the time you would think that a valuable proposal in itself, and one which would very much strengthen the hands of the Public Accounts Committee?—Certainly.

2203. You stated in answer to Sir Edgar Vincent, who asked you when are the Estimates examined on merit with a view to economy, that the Treasury examination was in your opinion rather superficial!—I was speaking of the examination of the Army and Navy Estimates.

2204. You limit that observation to the examination of the Estimates of the Army and Navy?—Yes, certainly, because it is very thorough in the case of the Civil Departments and the Revenue Departments.

2205. But even in the case of the Army and the Navy as regards large expenditure, is it not

Mr. *Hayes Fisher*—continued.

the constant practice to have that expenditure submitted to a Departmental Committee on which the Treasury is represented?—That is generally the case.

2206. If that expenditure is submitted to a Departmental Committee on which the Treasury is represented, could you say that its examination is superficial?—I am not quite certain that I understand what the honourable Member refers to as a Departmental Committee.

2207. Let me take an instance. You will remember when it was proposed to spend a large sum of money on the defences of Gibraltar a Departmental Committee was constituted on which the Admiralty, the Treasury and the War Office were all represented?—Yes, that was a very special expenditure.

2208. Are there not many instances of such Departmental Committees being set up?—Yes, to deal with special expenditure, certainly, but what I was thinking of was rather ordinary expenditure.

2209. Is it not rather a growing practice on the part of the Treasury to suggest to a Department who wish to embark on large new expenditure that it would be as well to have the expenditure investigated by a Departmental Committee on which they should be represented?—Certainly, but the honourable Member is speaking now of new expenditure.

2210. Quite so. Do you approve of that system?—Yes, I do, I think it is extremely useful and very valuable.

2211. Subject, of course, to the claims the Treasury naturally has upon its staff for its own work?—Of course.

2212. Apart altogether from any examination which is made by Departmental Committees on which the Treasury is represented, are not such proposals as, for instance, new proposals for the expenditure of money on barrack furniture in the Admiralty, or say on Naval Reserves, submitted to the criticism of the Treasury, and is not that criticism somewhat elaborate?—Yes, I think it would be in that case. The Treasury would go elaborately into it. I was speaking rather of the Estimates as they are submitted *en bloc* to the Treasury.

2213. But are not the Estimates really built up almost step by step throughout the year?—That is the case to a great extent no doubt.

2214. Is not each object for which new expenditure is asked submitted for Treasury criticism, and does it not undergo a considerable amount of Treasury criticism?—Yes.

2215. Does not the Treasury constantly suggest to a Department that it might achieve the same object by cheaper and more economical methods?—Certainly.

2216. If a Department asks for the establishment of new permanent officers with permanent salaries, does not the Treasury often suggest a saving by the abolition of some other office?—Most undoubtedly that is so.

Mr. *Hayes Fisher*—continued.

2217. Can you yourself suggest any methods by which the Treasury control over the Army and Navy Estimates might be made more complete, or as nearly complete as it is over the Departments of the Civil Service?—No, I cannot. I think it very much depends upon the Chancellor of the Exchequer of the day. The Chancellor of the Exchequer of the day is the most powerful person in regard to the Army and Navy Estimates.

2218. You would in fact say that in those Departments a much larger proportion of the expenditure is due to policy?—Yes.

2219. Is that the real reason, speaking from your experience, why the Treasury control is so much less effective over the Army than over the other Departments?—Yes, certainly.

2220. Now as to your suggestion of a Select Committee, I understand your suggestion to be that a Select Committee of the House of Commons should have referred to it, at the beginning of each Parliamentary Session, a branch, or block, or class of the Estimates?—If anything is done at all.

2221. Do you see any difficulty in the House of Commons agreeing to the composition of such a Committee?—I do not think I should be a fair judge of that.

2222. Would it not be necessary that the Select Committee should be differently composed for the different classes of Estimate which are submitted to it?—I think it certainly ought to be.

2223. At about what date in the year would it be possible to submit a class of the Estimates to the Committee?—At the end of February or the beginning of March, I should say; but it also depends upon how long the Debate on the Address goes on.

2224. You have had a very large experience of these matters, and, speaking generally, you would say it would not be possible to submit any class of the Estimates to this Select Committee before the end of February or the beginning of March?—Certainly not.

2225. If that Committee was really to thoroughly overhaul the Estimates it would be necessary, I presume, for it to have a great many sittings?—Yes, it would have to be provided that the matter referred to the Committee was not too bulky; my idea was that it would be very limited indeed; for instance, one class of the Civil Service Estimates or one Vote of the Army, or two Votes of the Army, or one of the Revenue Departments. I would go to work in a very tentative manner.

2226. You have yourself pointed out the difficulty that would exist, to this extent, that you think the House of Commons would not be able to deal in Committee of Supply of the whole House with the particular Estimate referred to the Select Committee until the Committee had reported?—That is so. That is one very grave objection to the proposal.

2227. You are aware probably that now the House of Commons has very great difficulty in arranging the various days for the consideration of the Estimates?—No doubt that is the case.

2228. Do you not think that that difficulty would be very largely added to if they had to wait for the Report of this Select Committee upon a particular branch of the Estimates?—I think it certainly might be inconvenient at times.

2229. As regards the procedure before this Committee, do you propose that the Minister in charge of the Department who is presenting the Estimate should undergo personal examination?—If required to do so by the Committee certainly, but I do not know that the Committee would require it.

2230. But you think the Committee should have power to send for the Minister?—Certainly.

2231. Do you see any objection, from the point of view of the Minister, to his coming and defending his Estimate, first of all before this Select Committee before he has to defend it to the House?—Yes, I do.

2232. Is it your idea that the Committee should vote their approval or disapproval upon the various items of expenditure proposed by the Minister on which they question the Minister?—My own idea was that they would make a general Report upon certain items upon which they thought a reduction could be made, or where they thought better value for the money could be secured.

2233. You are aware the practice in making a general Report now is for votes to be taken upon that Report; is it your suggestion that votes should be taken upon the Report of this Select Committee?—In order to get a decision of the Committee it might, I suppose, have to come to a vote.

2234. So that there might have to be a majority Report and a minority Report upon a great many of the items?—I do not think the Committee would be very well conducted if that were the case. If it were limited to non-political Estimates I can hardly conceive that that danger would arise. I think their criticism would be much more general in its character.

2235. Do you think that if the House embarked upon this form of inquiry by a Committee you could limit it to one class of the Estimates?—I think the whole point is that it is to be non-political—that questions of policy are not to be introduced at all. I thought the terms of the Reference to the Committee made that clear. The wording of the Reference is—"to make an examination not involving criticisms of policy."

2236. Is it your idea that directly the Minister who was under examination said, "This depends upon policy," all questions should cease?—My idea was that he would say, "I have to defend that in the House of Commons."

2337. And that that should be sufficient to stop inquiry in the Committee?—Yes, I think so.

2338. I have asked other witnesses, and they

Mr. *Hayes Fisher*—continued.

have seen a difficulty in a Minister not being able to divulge to a Committee confidential documents upon which very often his decision is given, as to whether expenditure should or should not be incurred. Do you see any difficulty in that?—I think that would arise very seldom.

2239. Other witnesses have thought that that difficulty would arise fairly frequently, but you think it would arise seldom?—I cannot conceive that it would often arise.

2240. Is it your idea, in suggesting this Committee, that a Minister who has been refused a certain increase in his expenditure by the Treasury should be able to submit his demands to this Select Committee, or to put his case before the Select Committee, to have the Treasury decision reviewed?—That is one of the difficulties I have already noticed: the head of a Department ought not to have the right of appeal to the Committee. I think that is one of the dangers of having this Committee, or any kind of Committee, that it tends to throw the responsibility from the spending department upon the Committee.

2241. Then one of the serious difficulties which you see in setting up any Committee for the examination of the Estimates, or any class of the Estimates, precedent to their being voted upon in the House of Commons is that the responsibility of the Treasury would be weakened, and that Departments would appeal from the Treasury decision to the Select Committee?—There is a risk of that certainly.

2242. If a Minister were not able to put his case for an increase before the Committee, would they be unable to consider any question of increase or to report upon it?—I suppose the Committee would have to take into account more or less the Standing Order of the House, which prohibits any private Member from moving an increased charge.

2243. But I do not think the Standing Order applies at all to any proposition on the part of a Select Committee. A Select Committee may report as it likes—it may report in favour of millions more being spent?—The Committee would then become a great danger.

2244. In reviewing Estimates which proposed increased expenditure that would be the only way?—Yes.

Mr. *Churchill.*

2245. Have you got a copy of the Reference to this Committee?—Yes.

2246. Have you noticed that it is not to enquire whether any plan of increasing Treasury control or of increasing the control of the Comptroller and Auditor-General can be invented, but whether any plan for increasing the control of the House of Commons over the Estimates can be invented?—Yes.

2247. Are the Debates in Supply in the House of Commons regularly read in the Treasury?—I think they certainly are, so far as they are reported; they are not reported at any great length. It is the duty of the Estimate Clerk, for instance, who always attends those Debates, to study the Report of the Debates.

Mr. *Churchill*—continued.

2248. There is an official at the Treasury, is there, whose duty it is to read the Debates in the House of Commons?—Certainly.

2249. Does he read the Debates as reported in *The Times* or as reported in "Hansard"?—I imagine as reported in *The Times*, but I do not know for certain.

2250. Does the Treasury very frequently obtain illumination from these Debates?—No, I think not.

2251. You think the House of Commons is not a body very well suited to investigate Public Accounts with a view to detecting extravagances?—No, I think a Committee of the whole House is a singularly bad body for that purpose; it is too big.

2252. That is due, I presume, to the composition of the Committee, to its want of knowledge and want of time?—Yes.

2253. And I suppose also it is complicated at every stage by questions of Party feeling?—Yes.

2254. And of personal feeling?—Yes.

2255. You think, then, that the present examination of the Estimates in Committee of Supply is unsatisfactory and inadequate?—I do.

2256. You think that a Select Committee would be much better?—I see great difficulties in the working of a Select Committee.

2257. But if the practical difficulties were removed you would think that the control exerted by a Committee and the examination by that Committee of the Accounts would be much more efficient?—The examination would be much more efficient.

2258. You said just now that you thought a Committee in its investigations might conveniently deal with the expenditure of the current year?—To a limited extent.

2259. You said that it should be limited to special classes of the Estimates?—Yes.

2260. Who would choose those classes of the Estimates?—I suppose the Government of the day would do so.

2261. I can easily imagine that the resulting inquiry might be very sterile if it were left to the Government of the day; supposing a hypothetical Government had some matter which they wished to conceal, would it not be very likely that they would put down those classes of the Estimates on which their conscience was perfectly clear?—I assume their conscience to be clear upon all the Estimates.

Chairman.

2262. The class to be considered by the Committee might be selected by an independent Member—he might ask the Government whether certain heads of the Estimates might be selected—might not that be done?—Certainly.

Mr. *Churchill.*

2263. Do you think there would be time for the examination of the Accounts of the current year by such a Committee; do you not think that, as Mr. Hayes Fisher pointed out, it would delay the presentation of the Estimates to Parliament, or the consideration of those Estimates by Parliament?—I am only assuming that a very small section of the Estimates should be referred to the Committee once a year.

2264. I suppose proposals for new expenditure are very often made up to the very last moment when the Estimate is complete?—Yes.

2265. Particularly in times of war or of increase in Military Establishments or Naval Establishments?—Yes.

2266. I suppose a new invention, for instance, might make it necessary to add an entirely new item in the Estimate almost at the very last minute?—That is conceivable, of course.

2267. Does that often take place?—No, I think not.

2268. How long before the Estimates are published are they made up and embodied in their final form on the responsibility of the Ministers?—I think the Civil Estimates are practically made up by the middle of January, and they are presented to Parliament as soon as the printer is able to get them out, after Parliament meets. The Army and Navy Estimates would be rather later—a fortnight later or perhaps a little more.

2269. So that the time available for the inquiries of the Committee on the Estimates, or on any branch of the Estimates of the current year would be limited really to the short period between the Estimates being made up and the Estimates being presented?—No, they could not begin until after the Estimates had been presented.

2270. You would not allow such a Committee to look at the Estimates until they were finally put forward on Ministerial authority?—Certainly not.

2271. That would practically be a *post mortem* examination, would it not?—No, I hardly think that. If they are laid on the Table of the House and have not been voted I think you could hardly call that a *post mortem* examination.

2272. If a Committee deals with the Estimates how would you suggest that the Committee should be supplied with information?—It would be supplied with information by the various Departments who had submitted the Estimates.

2273. Do you not think it would be rather in the hands of the distinguished officials of the various Departments who presented the Estimates, who would have all the facts at their finger ends, and would, no doubt, if they wished, be able very much to guide and limit the investigations of the Committee?—That may be so, but I do not see what other information could be forthcoming.

2274. For instance, in the realm of audit pure and simple, we have a House of Commons Committee already, but the House of Commons Committee is not left to its own unaided skill to find out errors of audit; it has underneath serving it a great Public Department under the Comptroller and Auditor-General?—That is so.

Mr. *Churchill*—continued.

2275. Is there any reason why there should not be another branch of the Comptroller and Auditor-General's Department which should guide such a Committee on the Estimates as you appear to favour?—I can hardly conceive the position that a man like that would occupy. He would be someone outside as it were coming in to criticise the various provisions made by the different Departments—it would be like having a Comptroller not an Auditor, with no responsibility at all. I think it would be an extraordinary arrangement.

2276. At present the Comptroller and Auditor-General draws attention to scandals whenever he discovers them?—Yes, he draws attention to facts, and most rightly so, but there is no question of policy there at all.

2277. For instance, he drew attention to the waste that occurred last year in regard to brass filings at Woolwich—perhaps you remember that case?—Yes.

2278. There must be many more cases of that same kind, I presume?—But there is no policy involved there, he is there drawing attention only to questions of fact.

2279. Do you think that a Parliamentary Committee looking over the Blue Books as they are presented with the Statements of Accounts in them, could find out a great deal upon which to report to the House of Commons?—Not a great deal, but I think they could find out something.

2280. Is it not the fact that these Accounts are very complicated in their character and very difficult to understand unless people know their way about them?—In the case of the Army and Navy there are, but I do not think the Civil Estimates are.

2281. But the Army and Navy are a very important branch of our expenditure at present?—Yes, no doubt that is so, and I think the Army and Navy Estimates are the most difficult for a Select Committee to tackle, because at every turn some question of policy comes in. Therefore, what I had in my mind was the case of the very few Estimates in which there could be no question of policy; but, as I said before, that sort of expenditure is of course the expenditure over which the Treasury now has most control, and in regard to which, therefore, a Select Committee would have least to do.

2282. Sir Francis Mowatt was not altogether averse from the idea of a Treasury official being charged with the special duty of reporting to a Select Committee on questions which, while not being questions of audit, were not quite questions of policy; how does that idea strike you?—I assume, of course, there ought to be a representative of the Treasury before the Select Committee, who would state the Treasury view of the case, just as, I presume, the Accounting Officer or the head of the Department would state his case.

2283. The

Mr. *Churchill*—continued.

2283. The Comptroller and Auditor-General is responsible only to Parliament?—Yes.

2284. But he might conceivably in the exercise of his functions discover some sort of scandal in auditing?—Yes, in auditing.

2285. And then he would report it to the Parliamentary Committee?—Certainly, but he would report in connection with the Accounts, not in connection with the Estimates.

2286. But would it not be possible for a Treasury official appointed *ad hoc* to report to a Select Committee on the Estimates in a somewhat similar way to that in which the Comptroller and Auditor-General reports at present on questions of audit?—I think it would be very difficult indeed. I think there ought to be a representative of the Treasury before the Committee, who would be able to put forward the Treasury view and be prepared, of course, to answer questions, but I cannot conceive that he ought to volunteer criticism himself.

2287. You think there ought to be a representative of the Treasury present at the Committee?—Certainly.

2288. How does the idea strike you that there should be a representative of the Committee present in the Treasury?—I think that would be an extraordinary proceeding.

2289. Surely that is only analogous to what takes place in the realm of audit, where the House of Commons has, in fact, appointed a Comptroller and Auditor-General, who has a staff under him, many of whom live in the Departments which they criticise?—Yes, but those are facts, or events, that he criticises; those are not questions of Estimate as to how to make up the provision for the year, what items to insert, and what to leave out.

Mr. *Churchill*—continued.

2290. If we were conducting a *post mortem* examination of the Estimates and not an examination of the current year's Estimates, that objection would disappear, would it not?—Yes, it would in that case.

2291. So that you think there would be no harm in a special official of the Treasury being charged to report to a Select Committee upon the Estimates off the preceding year?—Does the honourable Member mean the Estimates or the Accounts?

2292. I am speaking of the Estimates?—I do not quite know what he would report. I should think it would be almost *nil*.

2293. No doubt if he were an official of the Department concerned he would not report very much?—I did not mean that—I am speaking of an official of the Treasury. I think he would have very little to say. The Estimate would have been already examined in the Treasury. It would be a Treasury officer reporting upon the Treasury.

2294. Do the Treasury always agree wholeheartedly with all the Estimate as it is presented to Parliament?—No, probably not.

2295. There must be some points about which they feel misgivings?—Yes.

2296. Might not such an official place the Committee in possession of some of the misgivings which had been felt in the previous year with regard to Estimates?—I think not, because every case where there might be misgivings would be a question of policy, as to which a representative of the Treasury would have nothing to do.

Tuesday, 18th November 1902.

MEMBERS PRESENT:

Sir John Dorington.	Mr. Lough.
Sir James Fergusson.	Sir Lewis M'Iver.
Mr. Hayes Fisher.	Sir Edgar Vincent.
Mr. Bonar Law.	Mr. Eugene Wason.

THE RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., in the Chair.

MR. GORDON W. MILLER, C.B., called; and Examined.

Chairman.

2297. YOU are Director of Navy Contracts at the Admiralty?—I am.

2298. Over what contracts do you preside?—I deal with the purchases of Provisions under Vote 2; medical stores under Vote 3; Naval stores and Armour under Vote 8, Section 2, and armour only under Vote 8, Section 3, and with sales.

2299. You have nothing to do with shipbuilding, with works, or with armament?—No; not with shipbuilding by contract.

2300. How long have you held your present appointment?—I was appointed on the 1st of January, 1901.

2301. What position were you in previously in the Department?—I held the post of Director of Naval Stores for about five years; and previously to that I was Inspector of the Dockyard Expense Accounts for about ten years.

2302. Would you tell the Committee what is your method of procedure in making contracts?—The requirements for stores are worked out by the Store Departments concerned chiefly on the basis of demands received annually from the different Naval Establishments. The heads of the Store Departments furnish me with particulars of the supplies required, so far as possible, once a year. Tenders are then called for by public advertisement or from firms included on the Admiralty List, or in some cases brokers are ordered to purchase. Stores are delivered by the contractors at the several yards direct, whereat they are examined as to compliance with specification or pattern, unless they have been previously passed (and marked as passed) by Overseers at the contractor's works prior to despatch.

2303. Does what you have said cover the methods of requisition?—Yes. I receive the requisitions in full detail from the several heads of the Store Departments. These requisitions are sorted out under the different trade descriptions and the tenders on that basis are either advertised for or firms are asked to furnish quotations.

Chairman—continued.

2304. You said just now that the delivery is made to the various dockyards according to the requirements?—Yes, delivery is made direct. I specify in the tender forms what quantity is required for each Naval Establishment. Naval Stores required for all stations abroad are, as a rule, delivered at the depôt in the West India Docks for shipment, and Victualling Stores at Deptford.

2305. The Admiralty in all cases providing for their transport?—Yes.

2306. Then what is the method of payment?—When stores are delivered by a contractor to a yard he sends an invoice in duplicate to the Store Department at that yard. After technical examination of the stores a verification of quantity by representatives of the Store and Accounts Departments, acting independently, is proceeded with. One copy of the invoice is returned to the contractor with particulars of any rejections or other variations between the quantities he has invoiced, and those that are accepted, and the duplicate invoice is retained at the yard with similar notations on it. When the contractor receives his copy of the invoice he forwards a claim to the Accountant-General of the Navy, giving full detail of the goods supplied and of their pricings, and the values. At the same time as the invoice is returned to the contractor, the yard forwards an account of the goods received, signed by the Store and Accounts officers (whose representatives have checked the quantity) to the Accountant-General of the Navy, giving full particulars of the quantities accepted. The Accountant-General compares the quantities claimed for with those shown on the account of receipt, and he checks the prices from the contract with which I have furnished him. The Store officer is debited with the quantities appearing on the yard copy of the invoice, and there is a further check by the posting of the values of the stores received in separate value ledgers which

Chairman—continued.

which are kept in the Accounts Department.

2307. It is not, perhaps, very necessary for our inquiry, but still, perhaps you would tell us what is the method of inspection?—The method of inspection is of two descriptions. Some articles are inspected at the manufacturers' works by overseers, who supervise the manufacture in all its stages, these overseers being technical officers from a Dockyard or the Admiralty. After inspection, these overseers mark the articles in a way which would be known at the yard, and when those articles are delivered at the yard they are received without further inspection, except to see that they are not damaged in transit. The other description of inspection is at the yard. At each of the larger yards there is a Surveyor of Stores, who is responsible for the inspection of all articles delivered which have not been previously examined by the Overseers. He examines them in reference to specifications and to patterns, patterns being kept at all the yards. He calls in representatives of the different trades in the yards who assist him in that inspection.

2308. Then of what does the Inspection Staff consist?—It consists of a Surveyor of Stores at the larger yards; at the small yards an officer is detailed from the Department of the Staff Captain, Chief Constructor, or Chief Engineer, as the case may be, I may say that all goods of this description which can be so treated are taken into a central receiving room which is under the supervision of the Surveyor of Stores. He is responsible for the inspection, and he calls in such other assistance from the technical Departments as he may require. Then there is another method of inspection, *e.g.*, in the case of electrical gear, when ships' officers, such as of the "Vernon" at Portsmouth, are called in to inspect. As a rule, the inspection is in association with technical officers conversant with the use of the stores.

2309. What was the total value of the purchases which the Department made by contract in the last financial year of which you have the accounts?—Taking all the articles, large and small, including coals and armour, the total value of purchases was about 8,300,000*l.* That amount included about 1,400,000*l.* for provisions, clothing, &c.; 120,000*l.* for medical stores; about 5,000,000*l.* for naval stores; and about 1,350,000*l.* for armour for contract-built ships, as well as miscellaneous purchases, including coals for transports; we contract separately for the armour for contract-built ships. These figures include purchases abroad under local contracts or otherwise. Such purchases are scrutinized as to procedure in obtaining tenders and as to prices in the Contract Department.

2310. How did that compare with the previous year, or previous years?—Since the large shipbuilding programme has been in force, I think that the amounts would be somewhat similar; they perhaps might range from seven millions to eight millions.

Chairman—continued.

2311. It depends largely upon the amount of shipbuilding, I presume?—Yes, and upon the number of ships in commission, the quantity of coal consumed and such things.

2312. Did that show a considerable increase upon the year immediately previous?—The total purchases during 1899-00 amounted approximately to 7,250,000*l.*; in 1900-01 to 8,300,000*l.*; and in 1901-2 to 8,000,000*l.* It may be somewhat smaller for the current year.

2313. Will you tell the Committee what is the cost of the Department?—The cost of the Department exclusive of Inspectors is about 7,060*l.* a year; that represents rather under 2s. per cent. as the cost of the Department in London.

Sir *John Dorington.*

2314. You say that that is exclusive of Inspectors?—Yes. On my staff as shown in the Navy Estimates I have four Inspectors for coals in South Wales and at Newcastle, and one travelling Inspector; and their salaries come to 1,730*l.*

2315. Are they included in the figure you gave?—No, including them the total cost is about 8,800*l.* I have not included them because they are not employed in London, but on inspection at Cardiff, Newcastle, &c.

2316. You do not include the Overseers of Manufacture to whom you referred?—No, they are separate. My Department has nothing to do with the inspection of stores, except coals; that duty relates to the heads of the Store Departments. The total cost of the inspection of stores, armour, and coals roughly works out at about ·45 per cent. on the total value of the stores purchased, taking the value of the stores which are purchased as being about eight millions.

Mr. *Bonar Law.*

2317. That would represent 34,000*l.* a year?—32,000*l.* as an approximate estimate.

Chairman.

2318. How are the items in the Estimates, which are submitted to Parliament, framed in regard to your Department?—All my Department does in the matter is to furnish the Store Departments with the estimated prices that will be paid in the forthcoming year. Of course these prices are very problematical, but we do the best we can; and the Estimates are based upon this information. The quantities are entirely computed by the Store Departments.

2319. I suppose the quantities are computed upon the expenditure of the last year, with an allowance for any increase of expenditure in shipbuilding or otherwise?—That is so. Speaking for the period I was Director of Stores, detailed information came from the yards on the subject; and on that detailed information, and other information as to the programme of work for and in the forthcoming year, ascertained at the Admiralty, the Estimate of requirements was worked out.

Chairman—continued.

2320. Seeing that in the Departments the Estimate is largely conjectural, it would be impossible, I suppose, for any inquiry by the House of Commons, or by a Committee, to ascertain it more closely?—I think it would. We may, for instance, be preparing the Estimate for next year now, and it is very difficult to forecast what the outcome as regards prices will be. We know the present market prices, or we know what we have paid in the past; and we do the best we can to frame an Estimate as to what we shall have to pay in the next year.

2321. Taking coal, for instance, that is rather on the down grade now?—Yes.

2322. So that you might estimate for coal at 1*s.* 6*d.* or 2*s.* a ton cheaper possibly than before?—Yes; we bought our coal very much cheaper last year than the market price has been since. We can tell pretty well what the coal will cost, because we call for tenders for the whole year's supply about the time when the Estimates are being prepared.

2323. But practically, it is based on recent experience combined with indications of the market?—That is so.

Sir *Edgar Vincent.*

2324. What is the total amount of the contracts under your direction?—Including armour and coal, the total amount is about 8,300,000*l.*

2325. I understand that practically the function of your office is to get these articles as cheaply as possible?—Yes.

2326. But you have no authority over the actual amount which is ordered?—None whatever.

2327. You are merely the buyer?—Yes. If prices were abnormally high I should draw the attention of the Store Departments to the fact to see whether they could not modify their demand in view of the high prices. I should also call the attention of the Departments to the fact when the market happens to be very low in case they can anticipate some of their requirements.

2328. Do you think there is much wastage in the Navy in this sense, that stores are purchased and kept a certain amount of time, unless they are wanted, and then condemned as obsolete?—No, I think not, not now. There was a good deal of wastage years ago when, for example, the change from sails to mastless vessels occurred. At that time there were a good many blocks and sails, and things of that kind on hand; but there has been very little loss due to such a cause of late years, I think.

2329. On the whole, you think the demands that are sent are suitable to the requirements of the Naval consumption?—Yes, I think that is so.

2330. Regarding the competition for the different Government tenders, do you get a large amount of competition for the large articles?—Yes. For a great quantity of the articles we advertise for tenders, and a large number of firms respond. For some articles we have a list of selected firms; those are cases in which a high standard of quality, and manufacture to special specifications, are necessary.

Sir *Edgar Vincent*—continued.

2331. Have you had any difficulty with combinations?—Not much. We had one case recently, which we successfully dealt with.

2332. What case was that?—That was in regard to tubes. I do not find much of that sort of thing. Of course, we have the great American combination, which is difficult to deal with. That forced the price of meat up, but as regards ordinary trade combines, I think we practically have the means for dealing with them when detected.

2333. You are constantly on the look out for them?—Yes, we are.

2334. And you have no reason to suppose that you have suffered largely by them?—I do not think so. Of course, when abnormal circumstances occur in connection with tenders, we suspect there may be a ring.

2335. I do not quite understand your official position; you are directly under whom?—I am the head of a Department in the Admiralty.

2336. That is to say you are directly under the First Lord, are you?—No, I am directly under the Financial Secretary to the Admiralty. I have power to conclude contracts up to 500*l.*, but beyond that I always submit the proposals to the superintending Lord of the Admiralty who controls the Store Department concerned, and to the Financial Secretary, and they deal with my submissions.

2337. What are your relations with the Accountant-General of the Navy. We have heard a good deal about his powers and authority?—As soon as the contracts are completed I furnish him with the papers. I believe he looks through them, and if there are any cases in which any irregularity or failure to obtain proper authority occurs, or any failure to represent the case properly, or cases of excessive price without proper investigation, he would point the matter out.

2338. Does he see the papers previously to their being approved by the Financial Secretary?—No.

2339. Subsequently?—Subsequently.

2340. We have heard something about the Finance Committee at the Admiralty, are you a member of that Committee?—I was a member in years gone by, but I am not a member of it at present. The Director of Contracts is not a member of that Committee, although he would be called in if required.

2341. How often does that Committee sit—are they an important part of the financial control of the Admiralty, do you think?—Yes, I think so. The Financial Secretary calls the Finance Committee together when questions on important matters of finance come on. The Committee consists of the Financial Secretary, who is the President, the Accountant-General of the Navy, and the Secretary to the Controller of the Navy, and one of the superintending clerks of the Accountant-General's Department is the Secretary

Sir *Edgar Vincent*—continued.

It is also arranged that, if necessary, when any particular Vote is being considered, the head of the Department dealing with that Vote is called in as an associated member.

2342. So far as you are able to judge you think the system works well?—I think it does; I have rather lost touch with it of late years.

2343. But you were a member of it at one time, I understand?—Yes, in days gone by. I was the Secretary of the Committee for several years.

2344. Then you know its working very intimately?—Yes.

Sir *Lewis M'Iver*.

2345. You said that in your preliminary steps you dealt with contracts in three ways, either by inviting tenders, or by sending to the firms on your list, or occasionally you employed brokers?—Yes.

2346. In what class of case do you employ brokers?—Chiefly in regard to provisions. We employ brokers to buy cocoa, raisins, sugar, tea, wheat, and tin and zinc cake.

2347. You do not manufacture all your own cocoa at Deptford?—Not all.

2348. Is not the cocoa which you now get from the market provided by only two or three firms, and does not come under the List System?—We buy cocoa beans through a broker for manufacture into chocolate.

2349. But the supplementary supply of cocoa you buy only from the listed firms, do you?—Yes, we buy a certain amount of Navy chocolate from the leading manufacturers in this country.

2350. But there are only certain manufacturers who have the plant to supply what you want?—Yes.

2351. As regards the inspection by the overseers, is there a large body of overseers attached to the Department?—Yes, there is a large number of overseers employed under the Controller of the Navy in the inspection of all contract work; for instance, shipbuilding and machinery; and they are largely used to inspect the manufactures of stores. Some are specially appointed for that purpose.

2352. Are those who are appointed specially for it under you directly?—No.

2353. There are no overseers directly under you?—No; the only Inspectors that are under me in any way are the Coal Inspectors in South Wales, &c., to whom I have referred.

2354. You say that these overseers you refer to are men in the service. Does not the Admiralty occasionally employ outside people to look after a particular set of manufactures?—I do not know of a case of that sort.

2355. In the course of your evidence you broke off when you were about to tell us how the inspection was done in regard to small yards where there is no Surveyor of Stores?—At those yards, such as Pembroke and Sheerness, it was not thought that the quantities of stores received would justify the employment of a Surveyor of Stores, and as inspection of stores becomes necessary, a technical officer is detailed by the Staff Captain, Chief Constructor or the Chief Engineer to do that work, and he acts fully as a Surveyor of Stores.

Sir *Lewis M'Iver*—continued.

Mr. *Eugene Wason*.

2356. How do you purchase the grog for the Navy; is that done through a broker?—Yes, rum is purchased through a broker. It is thought that buying it through a broker is the best and cheapest way.

2357. You did not mention rum in the list which you read out to us of things which brokers were employed to buy?—I should have mentioned rum also; it was an oversight. I do not know whether it would interest the Committee, but I may say that we work on a system called a Scheme of Supply, which is revised from time to time. The scheme shows exactly what is done as regards the purchase of all articles.

2358. Jam is largely consumed now in the Navy, is it not?—We bought the first supply the other day. In regard to the jam for the Navy, we sent to all the firms we knew of who, we thought, could supply us.

2359. What price did you pay for it?—The average price was—for jam 3½d. per pound, and for marmalade 2½d per pound.

2360. How many of these large yards which you have referred to are there in the country?—There are four establishments where we have a Surveyor of Stores, namely, Portsmouth, Devonport, Chatham, and the West India Docks.

2361. Are there only four?—Yes.

2362. And how many small yards are there?—There are two, Sheerness and Pembroke. There is also an Inspecting Staff at Deptford Victualling Yard.

Sir *John Dorington*.

2363. And Cork?—Yes, I ought to have said three small yards. There is no Surveyor of Stores at Cork. The technical officers there do the work of inspection.

Mr. *Eugene Wason*.

2364. When you speak of Cork, that is Haulbowline, I presume?—Yes.

2365. And there are none in Scotland, are there?—No.

2366. Have you anything to do with the coaling of ships on foreign stations, with the coal supply to them?—Only to this extent, I enter into the contracts with merchants at places at which there is no Naval Establishment for supplying coal direct to the Fleet, and the contracts include putting it on board. But I have nothing to do with the coaling of ships at Naval depots like Hong Kong, Esquimalt, or Malta.

2367. Take Sydney, on the Australian Station, would the coaling of one of the ships of that Squadron come under you?—No, in that case the Commander-in-Chief out there enters into the contract.

[Mr. *Eugene Wason*—continued.

contract. All those contracts come to me afterwards for criticism.

2368. But they are not included in the figure you gave us of £8,300,000, are they?—Yes, they are,

2369. Does that figure include the expense of coaling of ships on foreign stations?—No, not the expense of coaling. It includes the cost of coaling ships by contract at places like Singapore, or Colombo, where we have no Naval Establishment; but it would not include what, of course, would be a much larger amount, the cost of coaling at Naval depots like Malta, Hong Kong, or Esquimalt. At Sydney the contract includes putting the coal on board ships.

2370. You say the expenses of your Department represent about 7,000*l*. a year?—Yes.

2371. And the expenses of managing represent about 2s. per cent.?—Yes.

2372. The total amount of the cost of stores purchased by your Department you gave us as 8,300,000*l*.?—Including large and small contracts.

2373. Can you tell me what the actual cost of inspection is?—It is about ·4 per cent. roughly.

2374. It is less than one-half per cent. at any rate?—Yes.

Mr. *Bonar Law.*

2375. Does this total which you gave us of 8,300,000*l*., include the cost of new ships?—No.

2376. But I understood you to say it included armour?—It includes the cost of armour for contract-built ships, which is contracted for separately. I contract for the armour, but not for the remainder of the ship or her machinery.

2377. Although you buy the ships from outside?—Yes. It is adjusted afterwards in dealing with the cost of the ship.

2378. I suppose the great bulk of what you buy, except what you buy through brokers, is bought by tender?—Yes.

2379. I understand no tender except the lowest is accepted, except with the consent of the Financial Secretary?—Yes; I should draw the attention of the Financial Secretary to any departure from that principle, except in very minor cases of trifling value under exceptional circumstances, which are infrequent.

2380. In the case of armour, I suppose you do not beat down the prices so much as you do in other cases, because you have to keep in mind the standard of the armour you require, and the difficulty of getting it of the right standard?—Yes; armour is a very exceptional thing, and it is generally dealt with by the Controller of the Navy and the Director of Naval Construction, as well as by myself; and one of the reasons for our contracting for the armour for contract-built ships is that there should be a general control over it, so as to arrange for its distribution as the work proceeds.

2381. As regards the question of rum; you are, no doubt, aware that there has been a complaint from the West Indies that matter is sold as rum which is not really rum, and the West India Islands consider that they have been badly used in consequence?—I do not think that referred to our purchases.

Mr. *Bonar Law*—continued.

2382. It referred to all, I think?—I understand now there is a great glut of rum.

2383. Do you take pains to see that it is really rum that you purchase?—It is very carefully tested at the Royal Victoria Yard when it is received. I may say that, as regards articles of that sort, which we buy through brokers, we always have samples submitted in the first instance, which are carefully tested by the Victualling Department, which is also responsible for ensuring that the supply is equal to the sample.

Mr. *Hayes Fisher.*

2384. I have only one general question to ask you. Do you consider that the Admiralty system for controlling contracts, as regards its arrangement and supervision, is the best that can be devised for preventing wasteful expenditure and securing the best value for the money?—I do.

2385. You have no suggestion to make for promoting better economy, or for securing better articles?—No, I think not. Competition is so keen, and there is such a desire on the part of firms to supply the Admiralty, that I do not think we could obtain the stores more cheaply in any other way.

Mr. *Eugene Wason.*

2386. Nor better stores?—Nor better stores, I think, because our tests are very stringent. All the stores, as a rule, are purchased to very clear specifications, and the inspection is so stringent, that sometimes the firms think it a little too much so.

Mr. *Hayes Fisher.*

2387. You have no suggestions to make whereby the system could be improved?—No.

Chairman.

2388. I would like to ask you what is the general duration of your contracts?—We have some standing contracts.

2389. Contracts made for a period of years?—Yes, for a year, or some few running up to three to five years; but as a rule the contracts are for specific quantities. For instance, as regards structural materials for new ships building in dockyards, we should enter into contracts for, say, a supply of 5,000 tons of structural materials, to be delivered as required; so that the contract in that case might extend over, say, a year or so. But as regards the running contracts, there are none of any great importance; they would refer to such things as china, earthenware, and articles of that kind, also when special plant is required for manufacture.

2390. But there might be unexpended contracts at the end of a financial year, might there not?—In most of our contracts we stipulate for delivery by a certain time, and extension over the end of the financial year would only, as a rule.

Chairman—continued.

rule, occur where the contractor has failed to fulfil his obligation.

2391. But you might delay purchases which were desirable, I presume, on account of the state of the market, might you not?—Yes, I think so. If the market were against us I should certainly suggest the postponement of a purchase, of course.

2392. And if the market became more favourable you might desire to make larger purchases in order to get the benefit of the lower rates?—Yes. We took that course a few years ago with regard to copper, when the market was very favourable and there was the chance of a rise; we bought a large quantity. Subsequently the price of copper largely increased.

2393. In fact, you might, for the sake of prospective advantage, anticipate the necessary expenditure of the following year?—That might be the case provided the head of the Store Department had special authority to do it. The case would have to be represented and authority obtained,

2394. But still that would not affect the amount of the Estimate submitted to Parliament, though it would be a guide to them as to amount?—Yes. I think before any purchases of that description were made, it would have to be represented. I know that when we bought all the copper to which I was referring it was represented to the Treasury that it was thought expedient to make the purchase. At the same time we were making additional purchases of coal on account of the state of affairs in China.

2395. If from any of these causes the amount of the Vote was unexpended, would you make purchases for your probable requirements afterwards, or would you have to repay the unexpended amount to the Exchequer?—I think that would largely depend upon circumstances, because my experience in regard to the Naval

Chairman—continued.

Stores Vote is that we never had a surplus to deal with—it having been impossible to foresee eventualities that have affected the Vote, but if any such saving arose it could not be utilised without the consent of the Financial Secretary to whom the necessity for such a step would be explained by the head of the Store Department concerned. In the event of a saving occurring on a Store Vote at the close of a financial year, the amount would be brought into the general account of Navy Votes and be surrendered unless such saving were required to meet an excess on another Vote, but such a transfer would require Treasury assent.

2396. It is not a common thing from your branch that Votes are refunded?—No. I should not know anything about it as Director of Contracts. I should merely have to act upon the requisition of the head of the Store Department concerned. He would be responsible for the result, and for the effect on the Vote.

Sir *John Dorington.*

2397. I understood you to say, in reply to Mr. Bonar Law, that materials for shipbuilding are not included in the figure of 8,300,000*l.* which you gave us?—Not materials for shipbuilding by contract, but for shipbuilding in the yards they are.

2398. All the structural materials which might be required for ships building by contract in a private yard are not included in the 8,300,000*l.*?—No, they are all included in Votes under Section 3.

2399. But the other structural materials are included?—Yes; all the materials for dockyard-built ships (except machinery when supplied by Contractors) are included. Armour for contract-built ships, which is contracted for separately, is also included.

Monday, 24th November 1902.

MEMBERS PRESENT:

Sir James Fergusson.	Sir Robert Mowbray.
Mr. Hayes Fisher.	Sir Edgar Vincent.
Sir Walter Foster.	Mr. Eugene Wason.
Mr. Lough.	

THE RIGHT HON. SIR JAMES FERGUSSON, BART., G.C.S.I., IN THE CHAIR.

The Right Hon. Sir JOHN ELDON GORST (a Member of the House); Examined.

Chairman.

2400. You have had a large experience of Government Departments?—I was for rather more than five years in the India Office; then I was for less than a year at the Treasury; then I have been for more than seven years in two really quite separate offices, the Science and Art Department and the Education Department. Those are two separate offices, and although their objects are analagous, yet the organisation and the method of procedure in the two offices is quite distinct. They were nominally by Act of Parliament, in 1899, fused into one office, but they are really as distinct to-day as they ever have been.

2401. Perhaps you would point out the features of distinction?—The chief feature is this, and I will show it more clearly later in my evidence: The most essential thing in the checking of expenditure and in securing efficiency in that particular branch of the service is the inspectorate. In the Science and Art Department they have a proper organisation of the inspectorate; it is organised like an Army; there is the Senior Chief Inspector, who is the head of the whole inspection; under him are the Chief Inspectors of Districts, and under the Chief Inspectors of Districts are the individual Inspectors and the junior Inspectors working under them. The Inspectors are responsible to the Chief Inspector, the Chief Inspector is responsible to the Senior Chief Inspector, and he is responsible to the Secretary of the Department, but no inferior officer at the office in London presumes to interfere with the Science and Art inspectorate. Whereas in the Education Department the inspectorate has never been organised. There is a man called the Senior Chief Inspector, but he has no authority over the Chief Inspectors. There are men called Chief Inspectors of Districts, but they have no authority over the Inspectors. The authority over the Inspectors is exercised entirely from the office, and even by junior Examiners, as they are called, who are like junior clerks; they issue orders to an Inspector, and even censure him.

2402. Does this semi-independence of the Inspectors, and the fact of their control being only in the hands of the Department, operate in the direction of economy, or the reverse?—It operates in the direction of efficiency. As to the economy of the Department I cannot say how far it affects it. As I will show later, I do not think anything does that. But it certainly secures efficiency. I should say in regard to the money spent in the Science and Art Department, that is money spent generally for instruction in science and art and modern languages, what are generally called secondary subjects, we get a great deal more for our money than we do in the Elementary Education Department, where we spend an enormous sum of money, a great deal of which is really practically thrown away.

Chairman—continued.

2403. On the education side?—On the elementary education side.

2404. Perhaps you would just finish with the Science and Art Department first. You say that the country gets the value for its money in the Science and Art Department. I have been told that there have been considerable changes made in the manner in which the Science and Art Department was drawn upon for the benefit of primary schools?—Yes.

2405. For instance, I may just mention a case within my knowledge. I was once asked to give the prizes at a large school with upwards of 1,000 children, in my immediate neighbourhood, for the Science and Art Department, and I found a great number of little girls, 12 or 13 years of age at the outside, taking prizes for agricultural chemistry. I asked, "Why are all these little girls taking up agricultural chemistry?" Of course, they could only get a smattering of it. And I was told, "Oh, it pays much better than anything else"?—That would be some time ago, I presume?

2406. Yes?—There has been a change (which I will tell the Committee about presently) made recently, in my time. That was so formerly, no doubt. Formerly, on both sides, both in the subsidised science and art teaching and the subsidised elementary teaching, there was a different scale for different subjects, and the great object which the managers of the school had on both sides was to take a subject which would pay (as they said), in which they could get the greatest possible

Chairman—continued.

possible grant out of the Treasury in the easiest possible way; and there were certain well-known subjects which were merely excellent grant-paying subjects, and those were taken really to the detriment of education generally. There was a case, which was mentioned in the House of Commons, where in a school in Birmingham, or somewhere in the Midlands, they took navigation as one of their subjects, for which they got a grant, because they found it paid better than any other subject; but I will come to that presently. Before I go into that question, I should like to say something about the distinction which exists, and which must be drawn in every office between the expenses of the office itself as a machine and the expenses of the service for the performance of which the office has been created. I think very different considerations apply to those two classes of expenses. I want to call the attention of the Committee first of all to the expenses of the office, that is, the office expenses quite irrespective of the particular service for which the office is created and which it performs. You cannot look to the Parliamentary heads of an office to control in any way the office expenses; they are not at all controlled by the Parliamentary heads, because the Parliamentary head of an office very often is a man who has had no business training and no business experience, and when he comes into his office he is wholly ignorant of the routine of the particular machine at the head of which he is placed, and if he were to attempt to interfere with the organisation of the machine, if he were to attempt to economise in the number of clerks and the number of departments, he would be very likely to do a great deal more harm than good. By the time he, if he is a diligent and zealous official, has acquired the knowledge necessary to enable him to interfere with any good result, he either loses his office by an adverse vote in Parliament or he is transferred to some other position, where he has again to begin to learn the detail and the mode of working of his office. If I may illustrate by my own case, I may say I never understood the India Office; until I had been there for three or four years. I was utterly incompetent to make even a suggestion as to the better mode of organisation. And similarly, as regards the Education Department, I could not possibly have made any suggestion for the improvement of the department or for economy in its working, until I had been there a good many years. I must have been a good many years there, and have had a very considerable experience of how the office was worked before I could even venture to make a suggestion as to the way in which the work could be done with greater economy. Then the next thing I wanted to speak about was the Treasury. There is a real control over the office expense on the part of the Treasury; but then the Treasury can only control the beginnings of expenditure. No office is allowed to appoint a new official of any kind or to increase its staff without obtaining Treasury sanction; it must go to the Treasury, and it must show them that the increase is necessary, and then the Treasury sanction is given. But having once got the Treasury sanction to the increase in the office, the Treasury cannot do anything towards a reduction. If the

Chairman—continued.

contingency which has occasioned the increase of staff comes to an end, the Treasury has no means, so far as I can understand, of intervening to say, "Now you must reduce your staff." They can only effect it at the beginning. I have no doubt that in all departments—certainly it is so in the departments with which I have had experience—there are officers who, having originally been quite necessary, have become redundant. I should say that that is particularly the case in the Board of Education. There are officers there who have not enough to do; they may at the time of their creation have had enough to do, but they have not sufficient employment now in the position in which they are placed. There is a great deal of reading newspapers and literary work done in the department, and I have even heard of rooms in which Ping pong is played because there is nothing else to do at the moment, and they play Ping pong to while away the time while they are waiting.

2407. The Treasury then, as I understand, is unable to find out where numbers have become redundant, and it is also very difficult for the head of a Department, is it not?—It would be very difficult for the head of a Department; certainly the Parliamentary head could not do it.

2408. But it would be the duty of the head of the branch of the office to bring the fact to the notice of his superior, would it not?—It is a very disagreeable duty to perform, and one which a man would only perform in the last extremity, because a reduction in an office is always unpopular, and a man who was at the head of a department, and who said, "My branch has not enough work to do," would be in a very disagreeable position, and would be looked upon not with any favour by his colleagues and his friends. The Treasury has power to make an inquiry into every office, if it likes; it could institute an inquiry into any office, to see whether the office was or was not economically managed, but that is a power on the part of the Treasury which has never been exercised so far as I know, and which it would be very difficult indeed for the Parliamentary head of an office to call in; he would make himself extremely unpopular if he were to ask the Treasury to make an inquiry into his office. Even the permanent head of the office would make himself extremely unpopular if he were to suggest an inquiry by the Treasury into his office. The only thing I can suggest as a good plan for keeping some sort of check upon the expense would be if the Treasury were to make a regular periodic inquiry, as a matter of course, at the expiration of so many years, by means of administrative Inspectors of sufficient ability and knowledge. If the Treasury made a periodical inquiry into every office as a matter of course, whether the office was a good one or a bad one, and a report were made either to Parliament or the Comptroller and Auditor General as to the efficiency and economy with which the office was conducted as a machine, I think that would produce a very good effect indeed in making our Public Service more efficient.

2409. And the Treasury has every motive for economy, and no sentimental feeling against interference?—Yes. The Treasury is the Department

Chairman—continued.

ment of the State of which economy is the *raison d'être*. I regret to say that I was only a very short time at the Treasury. I was only there less than a year, but I was there long enough to see how extremely powerful the Treasury can make itself in the direction of procuring efficiency and economy in the Public Service.

2410. I think it would be germane to our inquiry to ask now, do you see how the House of Commons by more direct control could do that?—The House of Commons, so far from checking the expenditure of an office, is perpetually increasing it; it is the body which above all others throws increased expenditure on these machines. I am still, you will understand, upon the question of the machine. It is done principally in two ways. First, in regard to returns: If any Member moves for a return in the House of Commons, provided it is not a very expensive return and provided it is possible for the Department to give it, it is almost always given as a matter of course. A very large amount of expenditure takes place in preparing these returns for the House of Commons. Sometimes they are so enormously expensive that the Treasury does intervene. For instance, there was a return given by Mr. Acland before my time, a return of the financial circumstances of every elementary school in England and Wales. It was an extremely expensive return when it was made, and during my term of office I was continually attacked in the House of Commons for not continuing this return, and at last, about two years ago, I consented to have this return made again. Then the Treasury, very properly, I think, intervened, and wrote a letter of remonstrance, urging that returns of an expensive character ought not to be given, and they begged that no such return should ever be allowed again without preliminary consultation with the Treasury.

Sir *Walter Foster*.

2411. Was it granted to a private Member?—A private Member moved for it; it was moved for over and over again; I refused it for several years—I forgot who it was who moved for it, but at last it was granted.

2412. Was the return originally granted on the motion of a private Member?—I think so, originally. The cost of making such a return is far beyond any public use that can be made of it. Of course it is useful for speeches. It was out of that return that they took the thousand schools that are run with a Government grant only, and without subscriptions; that really is the only use I know which has ever been made in public life of such a return.

Chairman.

2413. Its preparation also, I suppose, withdraws officials and clerks from other Departments, if extra hands are not taken on?—Yes, they generally have to take on extra hands, temporary clerks, for the preparation of returns of that sort. I think if there was some Committee of the House of Commons like the Public Accounts, or a branch of the Public Accounts Committee, to which every return was to be referred, and no return was to be given unless it had been passed by a Committee of the House of Commons, I think that would put a stop to an immense number of perfectly useless returns which are made, and which serve no purpose whatever when they are made.

Chairman—continued.

2414. Ministers are often glad to grant a return in order to obviate debate?—Yes; a Minister will often grant a return to keep off some question. Where the Member who is moving for a return would otherwise bring forward some awkward question about the condition of the Department, you give a return which chokes him off for some time, at all events.

2415. Would you tell us now whether you see any way in which the House of Commons could diminish unnecessary expenditure in establishments?—I think, as I have said, it could diminish the number of returns. I do not think it could diminish the expenditure in any other way. I think the ordinary discussion of Estimates is a mere sham. As you remember, when you and I were younger Members of the House, there were Members who used to attack an Estimate if an extra clerk were proposed, or if you increased the number of officials in any special branch; they would say, "Why do you add to the number of officials?" But the Parliamentary official representing the Department could always give a plausible explanation which would explain away the increase, and the House of Commons never really was able to keep down the number of clerks and other officials in the office. Members could only grumble and complain, and the Parliamentary official, with his superior knowledge of what went on, was always able to make a statement which practically placed them out of Court.

2416. As regards this particular head of expense which you have been describing, you think the control would be efficiently exercised by the Treasury than by the House of Commons?—I certainly think so. Then another thing I want to call attention to is the enormous amount of work which is thrown upon an office by legislation. When legislation takes place the expense thrown upon the public service is never thought of. For instance, a Clause is passed, perhaps as a compromise in debate, and no one ever thinks, as a general rule, what an enormous expenditure it will throw upon the public. I do not know that I could give you a better illustration than the Education Bill, which is now going forward. I do not pretend that the list I am going to give is an exhaustive list of the expenses thrown upon the Education Department by the Bill. I have not noticed, and I do not intend to notice, what I call permanent expenses. Of course, a great measure of educational importance like this will necessarily increase the permanent expenditure of the office. I have no doubt about that; but I want rather to speak about the temporary services which the office will have to perform when the Education Bill comes into force. The first thing that the Board of Education will have to do will be to embark upon a consultation with the 129 different local authorities as to their plans for co-ordinating education, and making provi-

sion

Chairman—continued.

sion for secondary education. There will be 129 of those plans. Of course, that will involve an enormous amount of correspondence, because the Board of Education will have to correspond with the local authorities as to the plans which they suggest, and making suggestions or objections on the part of the Board of Education to the local authority.

Mr. *Eugene Wason.*

2417. Is that only with regard to secondary education?—It is with regard to the general plan of education.

2418. You spoke of secondary education?—It is in regard to secondary education. If you recollect, under the Clauses of the Bill, local authorities are directed, after consultation with the Board of Education, to frame a plan for the co-ordination of education, and the provision of secondary schools, and the training of teachers—All I am pointing out is that this will involve a very large office expenditure in the immediate future. Then the Board of Education, besides that, has to consider 1,183 schemes for the appointment of Education Committees. I suppose, as regards a great number of those schemes, they will have a cut and dried plan, and it will not involve a great deal of trouble; but as regards the education authorities in places like the North of England and the Midlands, and great centres of population, there will be, no doubt, some very elaborate schemes for the appointment of these Committees; they will require, at all events, a great deal of correspondence and a great many clerks. Then, in case they do not agree to these schemes, the Board of Education has to make a number of Provisional Orders. I should think myself that those will not be very numerous. Then they are also to apportion all the trust moneys in the case of all endowments of elementary schools between the managers and the local authority, which must give rise to a great deal of correspondence, and possibly involve the necessity of local inquiries and information. Then they are to modify every trust deed. There are upwards of 14,000 of these elementary schools, and how many of them have a trust deed nobody knows; there is no return of them. But every trust deed may have to be considered by the Board of Education, so as to make the appointment of managers under the trust deed consistent with the terms of the Bill. That will again involve a very large amount of correspondence and the examination of an enormous number of trust deeds. And finally, they are to make new trust deeds in those places where there is no provision at all for the appointment of managers.

Chairman.

2419. That will give a large field of employment for barristers of seven years' standing, and other people, I suppose?—I do not know how they will do it, but it will be a very heavy piece of work, no doubt, and will greatly increase, in the next few Sessions of Parliament, the Estimates of the Board of Education for the performance of this work. I am not for a moment saying that it is not desirable or necessary. All I say is that it is embarked upon by Parliament without ever thinking of the expenditure which it will involve. Then the last thing I wanted to say is that the only person who, in my opinion, as things are, can really influence the expenses of an office is the permanent head, the Civil Service head. The Civil Service head no doubt has the power to recommend the suppression of all redundant officials and to economise in his office. But although the permanent head of the office has a very great motive to make his office efficient, because his own credit and his own future depends upon the efficiency of his office, he has comparatively little motive for economy. Parliament certainly does not thank him; I do not know whether the Treasury thanks him very much; certainly his colleagues do not thank him; and if he embarks in a career of economy in his office he is quite sure to make himself unpopular; and the natural disposition of a man to let well alone renders him reluctant to take upon himself the extremely ungrateful task of making his office, not only an efficient one, but also an economical one. I think anybody who has any experience of mercantile offices, an office like a great insurance office, or anything of that kind, would be struck directly with the different atmosphere which prevails in a mercantile office and a Government office. In a mercantile office no clerk is tolerated for a moment who is not useful; no head of a Department is allowed to remain who is not efficient; the manager himself is certain to be got rid of by his directors, or by the board of management, or whoever it is that has the final control, unless he works the office efficiently and economically. I have no hesitation in saying that any large insurance company or any large commercial office of any kind is worked far more efficiently and far more economically than the best of the Departments of His Majesty's Government.

2420. Will you take now the next point which you mentioned, expenditure on the service for which the office is established?—I will. Perhaps I may say that my experience of spending Departments for this purpose is almost restricted to my experience in the Board of Education. The Treasury is not a spending Department, and the India Office, although it is a spending Department, does not spend under the control of Parliament. It spends its money in a very different way, and I am not at all sure that the expenditure of the India Office is not a great deal more economical, and a great deal more efficient, than the expenditure which is controlled by Parliament. From my experience in the Board of Education and the India Office, I should certainly not arrive at the conclusion that the Parliamentary method and Parliamentary machine at all conduce to either efficiency or economy in spending.

2421. Moreover, the several and numerous branches of the India Office are rather intended to control the expenditure of the corresponding Departments in India, are they not?—That is so; and as you are aware, a great deal of the expenditure on contract work took place in England itself at the time the railways were being made, but that expenditure was controlled and checked by the Indian Government in India. The India Office

Chairman—continued.

Office here acts rather as an agent for the Indian Government. The Indian Government has no Parliament to check it, but it certainly is an economical and very efficient Government, and so far as my experience went, I should say all the expenditure of the India Office is very well controlled—it is not extravagant.

2422. Perhaps we had better not follow that up further, because that expenditure is not controlled by Parliament, and it would probably be very much injured if it was?—Yes, I think it would, and it does not affect the question before this Committee. My experience of expenditure controlled by Parliament is entirely confined, therefore, to the Board of Education. Now, of these two offices, which I have described to the Committee, from a spending point of view, the Education Department is by far the most important. It spends millions. The whole expenditure of the Science and Art Department is restricted to a few hundred thousand pounds; I suppose they spend a good deal less than a million, whereas the Board of Education spend more than eight millions. In both those Departments the expenditure is made in accordance with regulations laid down beforehand, and in both cases submitted to Parliament. I am describing what was the case until quite recently: the elementary education expenditure was entirely under the Code, and was governed by the rules of the Code: the Science and Art expenditure was under the rules of the Directory. The only difference between the two was that the Code is, by law, obliged to be laid before Parliament, and the Directory is not, although it is, as a matter of fact, laid before Parliament, and the Comptroller and Auditor-General would not pass any expenditure by the Board of Education which was not sanctioned either by the Code or by the Directory. Now quite recently the thing has been altered, and instead of having the Code and the Directory, they now have three sets of Regulations—Regulations for Elementary Day Schools, Regulations for Secondary Day Schools, and Regulations for Evening Schools. But the Board of Education is just as bound by those three new forms of Regulations as they were by the old Code and Directory.

2423. Then the expenditure for elementary schools is chiefly automatic?—Yes. Those Regulations, at any rate now, are intended to promote efficiency, but they do not generally in any way check expenditure—the expenditure is entirely beyond any check, which the Department has. It can secure that the money is efficiently spent when it gets into the hands of the managers, but it cannot control the money getting into the managers' hands. It was not so before. Before there were attempts made to check the expenditure in the Code. I can give a very amusing instance to illustrate that. There was a rule which prevailed for a great many years when drawing was a subject paid for separately as an extra, that no girl should be taught drawing unless she was also taught cookery; and that rule was maintained by the Treasury really as a check upon the expenditure on the teaching of drawing. In former days, in Mr. Lowe's time, he instituted a system of educa-

Chairman—continued.

tional expenditure which is known as the system of payment by results, and that gave a very effective check upon the expenditure in the elementary schools. An inspector with his assistant went round, and the children were brought up before him, and he examined them in reading, writing, and arithmetic, and so much was paid for all passes in reading, and so much for all passes in writing, and so much for all passes in arithmetic. Just in the same way in the Science and Art Department, there were examinations in elementary chemistry, elementary geology, mathematics, and various subjects, and so much was paid for a pass in geology, and so much for a pass in mathematics, and so much for a pass in all the different subjects which were taught as science. The whole of that system which, from a financial point of view, was an excellent check, has been absolutely and completely abandoned now on educational grounds, which I need not enter into with this Committee, because, whether rightly or wrongly, on educational grounds the whole of that plan has been abandoned. Now payments are made for the attendance before a competent teacher, who gives instruction in a competent way, and the rates of payment are settled beforehand by the Board of Education, and put into the Regulations, which I have described. They are settled after consultation with the Treasury. They cannot alter the rates at which they pay without Treasury sanction.

2424. Is it not in principle chiefly dependent upon the general character of the school as reported by the inspector?—Under the present powers 22*s.* per child in average attendance is paid to the school, and the inspector, by his report, can reduce the 22*s.* to 21*s.*—that is to say, he can if he thinks the school is a bad school and so reports against it, cut 1*s.* off the Block Grant, as it is called. This sum is paid, not for particular subjects—there is no longer any question whether drawing is taught or whether different subjects are taught; the programme or syllabus of instruction in the school has to be submitted by the managers at the beginning of the year to the inspectors, and has to be approved by them, and then that syllabus has to be carried out, and the inspector goes into the school to see that it is worked according to the plan which was laid down at the beginning of the year. He goes about and listens to the lessons as they are given by the different teachers, and sees that they are competent in their teaching, that the children are fairly clean, that the room is ventilated, that there are fires and guards on the fires, and all that sort of thing, and he looks generally to see that the school is a going efficient school. Having done that, their payment is, as you say, absolutely automatic.

2425. Do you consider that that is in practice a more expensive system to the public than the system of payment by results?—What I was going to say about that is, as you will see, that it depends absolutely for its efficiency upon the Inspector. For the State to get value for its money depends entirely upon the vigilance and ability and independence of the Inspector.

2426. And

Chairman—continued.

2426. And the curriculum depends largely on his idiosyncrasies, does it?—The curriculum will depend upon the managers and the Inspector. The managers are supposed to make the curriculum, and the Inspector is supposed to sanction it. There is no attempt made to have a perfectly uniform course of teaching all over the country. If they tell you in a school down in Cornwall that they think such and such subjects are better taught than others, there is every latitude given at present, in theory at all events, to the managers to teach what they think the children can most suitably learn.

2427. In practice does that prove more expensive than the system of payment by results?—It is very difficult to say. The education expenditure goes up by leaps and bounds, but whether it is owing to this particular new system, I am certainly not able to say. Then that being done, the expenditure, as you say, becomes automatic. The rules about attendance are not capable of much variation. The rule as to how the average of attendance is to be computed, and the rule about children absent from epidemics and things of that kind, are not capable of much alteration, so as to affect the finance of the business. The only thing that could affect the expenditure really would be the raising or the lowering of the rate. I think I may say that the same thing applies now to the science teaching as well; payments are made now at so much a head —of course, they are very much higher payments than the payments in the elementary schools; I think there are grants of 5*l.* to 2*l.* 10*s.*, paid for boys and girls who are instructed in secondary schools, but all those grants are now made, with very few exceptions, upon attendances. The only exceptions really are in very high scientific subjects like advanced chemistry and advanced physics, where payments are still made on results—that is to say, the number of students shown by examination to be competent to take a position in advanced subjects. In those cases, as I say, it is still a matter of payment by result, but the large bulk of the payments in both Departments are now payments for attendances, and are made upon a regular scale, which can only be departed from after conference with the Treasury, and after obtaining Treasury sanction to either the increase or the diminution.

2428. The next point which I observe upon your notes is with regard to the functions of the Comptroller and Auditor-General?—The Comptroller and Auditor-General's function is to see that all the expenditure of a department is sanctioned by Votes in Parliament, and is in accordance with the Regulations which the Department itself has made, in accordance with their Codes and Regulations. That is the function of the Comptroller and Auditor-General, but you see it really does not affect the expenditure. Now there is one other thing I wanted to say, and it is this: All the effort, all the action, all the influence of Parliament is always directed to the increase of this expenditure, and any kind of diminution which is attempted by the Board of Education has to run the gauntlet of Parliamentary opposition. I can give you a very good instance of that. As I have said, the block grant

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deals with all ordinary things taught in an elementary school, but there are a certain number of subjects for which special extra grants are still given, such as cookery, laundry work, cottage gardening, what is called manual instruction (which means the manipulation of wood and iron), and what is called domestic economy. All those subjects have extra grants given for them. Some time ago the Board of Education came to the conclusion, on educational grounds, that it was wasting public money to teach cookery and laundry work to little girls under 12 years of age. They may have been right or wrong in the conclusion which they came to, but for the present purpose it is enough to say that they did come to that conclusion and then put in the Code a notice that they were not going to pay grants for any children under 12 years of age in those subjects. The effect of that was to raise such a storm of opposition throughout the length and breadth of England and Wales that the Board of Education was absolutely unable to carry out its intention, and had to knock under, and they do still pay grants of public money for teaching little girls as young as 11 cooking and laundry work. I have no hesitation in saying that the money which is so expended is absolutely thrown away. The results which the public get for the expenditure of money in that way are not worth the money that is expended. I quote that to show that the Board of Education could not reduce any one of these rates without running the gauntlet of great Parliamentary opposition, which might be so strong as to really prevent its carrying out its intention. Therefore you cannot look for any educational economy in the reduction of the rates by the Board of Education.

2429. Do you remember a case about a year ago, when a Scotch Member moved a reduction on the ground that Scotland had not got so large a sum for education as had been promised by the Chancellor of the Exchequer in the case of England?—Yes, I remember that case.

2430. The reduction was moved, not on any ground of any Scotch schools requiring the money?—Quite so; it was simply that so much money was spent in England and so much must be spent in Scotland. What I want to impress upon the Committee is that Parliament has never an influence which goes for economy of any kind in the expenditure of public money on education. Then I hope I have now shown the Committee that the only security the public has that what it spends will be efficiently spent is the system of inspection. Earlier in my evidence I also pointed out the two systems which are in vogue for inspection, namely, the South Kensington system and the Whitehall system. The Whitehall system, which deals with the larger amount of public money, is extremely inefficient. The Elementary Education Inspectors have before their eyes the fear, first of all, of the managers of the schools which they visit. The managers of the schools which they visit are often important School Boards like the School Board of London, which is not a body to be trifled with, which has very great influence, both in Parliament and in the

Chairman—continued.

the Education Department, and which the Inspectors are very much afraid of offending. But it is not only powerful School Boards, but any managers can take the matter up. If an Inspector goes into a school and sees that the children are dirty, or that the school is dirty, or that the teacher is inefficient, the manager is up in arms at once, and writes a letter to the Board of Education, and comes up and sees the Secretary, and protests against the Inspector for having dared to make an unfavourable report of his or her school. Besides that, the inspectors have before their eyes the fear of the National Union of Teachers. Almost every teacher now is a member of the National Union of Teachers, and if an Inspector is supposed to be severe, a teacher complains at once to the National Union of Teachers, and the case is taken up, possibly even in Parliament, by some of the officials of the National Union of Teachers in Parliament, and it is made very uncomfortable for the Inspector. Then lastly, they have the office—that is not, say, not their own Chief Inspectors, but the officials of the office, who do not like an Inspector who makes trouble. The great art of an Inspector is to get on well with the managers and teachers, and to make no trouble at all. I have known cases of adverse reports which were not liked at the office being sent back to the Inspector to alter, and I have even heard of cases (I will not pledge myself that they are true) in which alterations have been made in an Inspector's report without its being sent to him, and communicated to the managers of the schools as the report of the Inspector, when it was not really the report of the Inspector. Altogether, I should say there is no security whatever for the efficient expenditure of public money which is spent on education until there is a real re-organisation made of the inspectorial branch of the Board of Education, and until the Inspectors are placed in a kind of judicial position in which they have no one to fear except their own official superior. I do not mean to say that a young Inspector, for instance, should be at liberty to go and say whatever he likes, but the person to send back his report or to find fault should be his official superior, either his own Inspector under whom he works or the Senior Inspector of the district, or even, in an extreme case, the man at the head of the whole inspectorial department; no orders and no censure should ever be conveyed to an Inspector except through his own official superior, just as in the Army.

2431. I rather surmise that the opinion which you have just expressed has not been accepted at the office?—I do not think that is so. I had a great deal of consultation on this subject with the Duke of Devonshire before he resigned the office of President, and he took the same view which I do of it, so far as I knew, and he was intending to have a re-organisation of the Inspectorate; and, although, of course, I know nothing officially now, I have no reason to suppose that the Marquess of Londonderry is not now preparing for a re-organisation of the Inspectorial position and the Inspectorial staff.

2432. Now, to come more particularly to points which have been suggested to this Committee, let me ask, do you think any special examination of the Estimates could be devised which should bring to bear greater control in the direction of economy on the part of the House of Commons in public expenditure?—No; I think the Treasury examination of the Estimates is everything that could be done—it would only be doing over again the work which is already done at the Treasury. So far as I can judge from my short experience (for it only related to the Estimates for one year), the control over the Estimates at the Treasury is very effective; that is to say, the Estimates when sent up by the Departments are examined, and examined by professional skilled officers, who know what they are about, and who at once put their finger upon any increase of expenditure which is questionable and demand explanations, which have to be given before the Estimates are so passed.

2433. Do you think that the control of the House of Commons could be applied by a reference of certain heads of the Estimates each year to a Select Committee, either before or after their discussion in the House?—I think the discussion of the Estimates before a Committee of the House would be very much more effective than discussion in the House itself. I mean it would put a Department much more upon its defence; they would have to defend what they were proposing to do, to a body which would really look into the thing from the financial point of view. I think it would be a good thing in that way, because now in Committee of Supply you do not get finance attacks at all; you do not get your finance criticised. All that is attacked or criticised is your policy.

2434. But matters affecting policy are excluded by our Order of Reference; it says "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." I gather that you think the examination periodically of portions of the Estimates by a Select Committee would be preferable to a reference of the Estimates to a Grand Committee?—Yes; I do not think a Grand Committee would do much more than the House itself.

Mr. *Eugene Wason.*

2435. With regard to these payments by attendance, to which you referred, were there many cases in which a reduction was made from the 22*s.* to 21*s.*?—No, very few.

2436. Therefore, that would be a very trifling matter?—Yes, on this ground: that where a school is not very efficient it is probably not very efficient because it is poor, and to cut down its grant would only make it worse, and not better.

2437. Do you think, if the same system of inspection which prevailed at the Science and Art Department were adopted by the Education Department, that would be sufficient, so far as inspection is concerned?—Yes, I think it would give you a very good inspection; but, of course, it also depends very much upon the class of people

Mr. *Eugene Wason*—continued.

from whom you recruit your Inspectors. You must get young men of both ability and experience on to your Inspectorial staff; and they must undergo a regular training. Some years ago, I think, it was thought that anybody could be an Inspector.

2438. And everybody wanted to be an Inspector?—Everybody wanted to be an Inspector. But the Duke of Devonshire, in the last two or three years of his administration, in theory at all events, never appointed an Inspector unless he had some teaching experience, and a good many of the young people now in the ranks of junior Inspectors have had teaching experience in schools, and know what they are about.

2439. Did I understand you to suggest that the Inspectors should not be subject at all to the control of Parliament?—No. Of course we are all under the control of Parliament, from the top to the bottom. What I said was that they should only be subject to the control of their superior officer; that is to say, that all control over them should be exercised through their own superior officers.

2440. As regards the National Union of Teachers, to which you referred, do most of the teachers belong to that Union?—I do not know exactly the proportion, but a very large proportion both of the men and women do.

2441. Do any of the Inspectors belong to it?—I do not know of any, and I do not think Inspectors would be allowed to belong to it.

2442. What is the branch of domestic economy for which these special grants are given?—It consists of what is called "House Management." It was taken, I believe, from certain schools in Belgium, where they teach girls everything connected with the management of the house. Cooking, washing, cleaning, painting, small repairs, marketing, care of children, ventilation, care of the sick, and everything that a good housewife ought to be able to do is taught in those schools in Belgium to girls of 15 or 16 years of age. It is a new subject which has come up in this country, and I think there is not a very large number that receive the grant for domestic economy.

2443. Have you formed any idea in your mind as to what the increased expenditure of the Education Department will be when the present Bill passes into law?—The increased expenditure in the Education Department will only be the extra grant, which was estimated, I think, in the House of Commons at 1,200,000*l.* or 1,300,000*l.* That is all the increased expenditure, which will be immediate, so far as the expenditure on schools goes. I have no idea how far the office expenditure will be increased, but, of course, the office expenditure is a mere bagatelle compared with the other.

2444. The expenditure on education must go on increasing, I presume?—The expenditure on education must go on increasing, for several reasons. In the first place, there is a steady increase in the population, and the expenditure goes up from that reason. Then the demands on the part of the public as to what is to be taught and how it is to be taught, and as to the teachers and everything of that kind, become every year greater and greater; and, in fact, the Board of Education gradually has to give way. When this Block Grant of 22*s.* was fixed, it was supposed to be final; but I do not myself believe it is final—in fact, under the present Bill there is to be an extra 4*s.*, and a potential sum of a great deal more than 4*s.*; and I feel certain that ten years hence the public will probably demand increased expenditure. I do not believe you can ever have finality in expenditure of that kind.

Sir *Robert Mowbray.*

2445. Practically the Block Grant now depends upon attendances?—Yes.

2446. Who checks the register of attendances?—The registers are kept by the teachers. They mark the register at the beginning and end of school, and the teacher is liable to have his register looked at by the manager; but the Inspector may come in at any moment. An Inspector never gives notice now of his arrival, and any morning an Inspector might arrive, and the first thing to do would be to see that the children marked as present were present. The falsification of registers is an extremely serious offence, and very seldom happens.

2447. That is to say, it is very seldom detected?—It is very seldom detected, at any rate. It is always extremely severely punished when it is discovered; the grant is withdrawn from the school, and the teacher generally has his certificate taken away unless he can give some explanation.

2448. That is to say, if the Inspector detects it. Supposing a manager detects an error in a register, is it his business to communicate it to the Education Board?—If he thinks his teacher is deliberately falsifying the register, I think he ought to communicate that to the Department. But I do not apply that to a mere mistake. The mistake may have been made in the name of one child being marked instead of another. But I do not think any extensive fraud ever goes on in the registers.

2449. But there is the possibility of such a thing?—There is the possibility. But then it is to be remembered that the teacher has not got a very strong motive for fraud: it is a very dangerous thing to do, and after all, his salary does not depend upon it, because the Board of Education never allows a teacher to be permitted to receive the fees himself; he must have a fixed salary, so that the fees go to the manager.

2450. In some of the cases the salary of the teacher depends upon the grant, does it not?—Not now.

2451. It used to?—Yes; but that is entirely put an end to now by the Board of Education. That was a very bad system.

2452. Does the Inspector pay more than one visit a year to a school?—Yes; he is supposed to pay two visits at least; two is the minimum.

2453. But, of course, those two visits might come early in the year?—But the teacher never has any security that the Inspector may not arrive any

Sir *Robert Mowbray*—continued.

any morning. The Inspector does not restrict himself to the two visits.

2454. Is there a Chief Inspector now at the head of the Inspectorial Department?—In both Departments there is what is called a Senior Chief Inspector. In the Science and Art Department he really has authority over all the Inspectors. In the Education Department he is merely a title; he does not have authority over the Inspectors.

2455. Your suggestion as to Departmental reorganisation is that his power should be increased, and that the Inspectors should be placed more directly under him?—Yes, absolutely under him.

2456. That does not affect the question referred to us as to the control of the House of Commons?—No.

2457. I do not know whether you have any definite suggestion to make as to any way by which the House of Commons could exercise increased control?—No.

2458. In so far as your experience goes, its control as exercised now tends not in the direction of economy, but in the opposite direction?—Quite so. I think the more powerful the House of Commons becomes the more it would increase the expenditure.

2459. Do you think the same motives would have the same play in the case of a Committee as in the Committee of Supply?—I suppose if you had a Committee it would, at all events, have to treat the subject from the financial point of view, not from the point of view of policy. If you had a Committee which would inquire into the efficiency and the necessity of certain expenditure they would not go so much into questions of policy.

2460. Then have you any opinion as to the advantage of a Committee, such as has been referred to by the Chairman, for the consideration of the Estimates, and a different kind of Committee which should take some particular branch of expenditure after it had been closed, which would investigate the way in which that money had been spent, very much on the lines of the Public Accounts Committee, but more with regard to the merits of the expenditure than the form of the expenditure?—I have always thought that the Public Accounts Committee is rather too restricted in its functions. At one time, when they first began to sit, it was perhaps right to confine them to mere expenditure, but I think they might be allowed now to go further, and they do in fact, I think, for I have seen some Reports of the Public Accounts Committee which distinctly went into questions of policy.

2461. You think in that way the House of Commons might exercise control?—I think that is the way in which the House of Commons could exercise a very good control over public expenditure, if a Department had to give an account of its expenditure before a Committee of that kind.

2462. You do not think that the fact that the expenditure had been incurred, as it would have been incurred, some considerable time before the accounts came before the Committee, would seriously weaken the value of an inquiry of that kind?—No, I do not think so, because policy is quite sufficiently continuous. It is not as if we were jumping about every day, and changing our policy; we go on for years and years in the same direction.

2463. A great deal of what would come before the Committee as a matter of account of, say, two years ago (to take the same period as that within which the Public Accounts Committee now investigates), would be recurrent expenditure, and would be practically important as regards the Estimates of the current year, would it not?—Yes, I think so.

2464. Would you be disposed to think that a Committee of that kind would be of more value from the point of view of economy than a Committee going over the Estimates which had already been considered by the Treasury, and reporting on them before the House had them?—I think both would be of value. A Committee reporting upon the Estimates to the House, I think, might to some extent strengthen the Treasury.

2465. Do you think it would strengthen the Treasury?—I think it might.

2466. Do you not think that there is a risk that the Treasury might say: "There is a Committee to revise our decision, and therefore we are more able to err on the side of laxity, because we have this Committee behind us"?—I do not know. In my day the Treasury was never inclined to err on the side of laxity, it was a very vigilant Department.

2467. That is exactly what I think; and my fear is that the existence of a Committee might possibly tend to relax the vigilance of the Treasury?—Yes; but the way in which I think it might strengthen the Treasury is this: If the thing was examined by a Committee of the House of Commons, and a report made to the House of Commons by that Committee, it would perhaps have more weight with the House of Commons than the Treasury could have.

2468. Do you think it would be possible for any Committee to make a thorough investigation from the point of view of complete knowledge of detail; and I presume, if the report of the Committee is to be of any value it must report in great detail, must it not?—Yes.

2469. Do you think it would be possible for any Committee to examine a sufficient number of witnesses, and to go sufficiently into detail to make a report to be of value to the House in time for the Estimates then to be considered by the House of Commons?—Before you came in, I said that I did not think that the House of Commons ever could get sufficiently into the details of an office to really venture to cut down the expenditure of an office. I divided my observations as to expenditure into two, office expenditure and expenditure on the service for which the office was created; and I said, as regards the office expenditure, that is, expenditure on clerks and officials, travelling expenses, Inspectors, and that sort of thing, I did not think that Parliament could make such an examination as to be of any use. My suggestion was that the Treasury should make a practice of making a periodic revision of the condition of every office; once in five years, say, some Treasury official would come

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Sir *Robert Mowbray*—continued.

to every office and say: "Now I am coming to inquire into the method in which your business is carried on, and to inquire into all the details of the office and make a report"—I think that would have a very good effect, because, first of all, the office would have the fear of the Treasury inquiry before their eyes, and then, when the Treasury did come in, it would be able to inquire so far into the details of the office as to show whether there was any extravagance in the working of the Department.

2470. That, of course, deals with the actual organisation of the Department; but when you get to the expenditure on the service, as you call it, which the Department performs for the public, there you get inevitably into questions of policy?—Yes.

2471. Which it would be extremely difficult, would it not, for the House to delegate to any Committee?—Yes. I think you could not supersede the control of the House of Commons over policy.

2472. Because policy is a matter of Ministerial responsibility, and the Minister is responsible to the House of Commons and not to a Committee?—Yes, that is so.

Mr. *Hayes Fisher.*

2473. You have suggested, and you repeated your suggestion just now, that the Treasury should make a periodic inquiry into the staff of the different Government offices, and, I presume, the salaries and the organisation in fact, with the view to getting the most work out of the staff; do you think that if they had made such a periodic revision during the last few years they would have effected much economy or efficiency in your Department?—I think they would.

2474. But it is not the fact that, speaking of most of the Departments, a very great deal of extra work has been thrown upon them by legislation during the last few years?—That is what I have already tried to point out. There is an enormous amount of extra work continually thrown upon Departments with very little reflection by Parliament.

2475. If there has been all that extra amount amount of work thrown upon Departments, what reason have you for thinking that their staff is larger than is required for the purposes of the office?—Because a great deal of the extra work is merely temporary work; and when it is once done the office ought to be reduced again. I will take the present Education Bill, for instance. I have no doubt whatever next year you will be called upon at the Treasury to make an enormous increase in the Board of Education—you will be asked for additional assistant secretaries and senior examiners and junior examiners and clerks; and the necessity will be shown for them and you will have to provide them. That extra work will, perhaps, go on for a couple of years. Then at the end of the couple of years there ought to be a reduction again, but I doubt whether there will be such a reduction as there would be if they thought the Treasury were coming round to look them up.

2476. Had you not rather the Board of Education in your mind when you suggested that some

Mr. *Hayes Fisher*—continued.

offices had so little to do that they could spare time for newspaper reading?—I do not know about other offices. I only judge of other offices from what I have seen, but I should think it very likely the same thing might apply to almost all the officers of the public service.

2477. Is it not the fact that we have had an investigation into one large office—the Local Government Board—within the last two or three years, and we found it very much overworked and under-staffed?—I did not know that.

2478. That was so. Has not the result of recent legislation been to place upon the Local Government Board, the Board of Trade, and the Home Office a good deal of extra work in connection with such things as factory inspection, for instance?—I have no knowledge as to that, except the knowledge of an ordinary Member of Parliament; but I have no doubt it is so.

2479. And yet you are strongly of opinion that if there was a periodic inquiry by the Treasury into the Departments we should discover a good deal of obsolete expenditure, and be able, at all events, to re-organise Departments, and place them on a more effective footing?—I should think so.

2480. One of the heads under which you placed a large amount of expenditure, which, I think, you seemed to think unnecessary, was that of returns; and you suggested that a Committee of the House of Commons should be appointed to consider and decide as to whether returns asked for by Members of Parliament should be given. Having regard to the views which you have expressed as to the want of economy on the part of Members of Parliament, do you think the Treasury would obtain any really effective assistance from such a Committee in regard to the granting of these returns?—I think so. If it was a standing Committee like the Public Accounts Committee, or any Committee of that kind, appointed expressly for the purpose of considering any proposal for a return and the desirability of such return being given, I think you would get great assistance.

2481. Might it not have the opposite effect in this way: Might not Members of Parliament be rather induced to put down a great many more Motions for Returns because they thought, even if the Minister resisted the motion, they would be able to bring their request before that Committee?—I do not think there is any check upon a Member of Parliament putting down a Motion for a Return. The moment he thinks of it down it goes; and I think there is no check whatever upon that.

2482. You do not attach much importance to the other side of the question, that the House of Commons might be willing to grant returns which the Minister would not give?—No, I do not think so. I should have no objection, and I do not think any Minister ought to object, to give a return which the House wants or which a Committee thinks it would be useful for the public to have. Of course, it would still remain for the Minister to refuse it. A Minister might refuse a return on certain political grounds. He might say: "Notwithstanding the House or the Committee thinks this would be a useful return, I

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Mr. *Hayes Fisher*—continued.

in the interest of the Public Service think it ought not to be given."

2483. The ultimate control would remain with the Minister?—The ultimate control would still remain with the Minister, unless the House of Commons did what it used to do in former days; they do not do so now, but in former days I have known Motions carried for returns when the Government has been reluctant to give them.

2484. Coming to the expenditure on the Services, two or three questions have been put to you which probably sufficiently indicate to your mind the nature of a proposal which has been made before this Committee by other Witnesses, that a Select Committee should be set up at the beginning of each Session to examine the Estimates, and to examine the Minister responsible for those Estimates, before they were actually discussed in Committee of Supply. You have had great Parliamentary experience; do you not think that the House of Commons would be very jealous of setting up any such Committee?—If the Committee was to take away from the House of Commons the control of the Estimates, I daresay it would; but I think the House of Commons could be induced to set up such a Committee.

2485. It has been suggested that the Committee should report, and that after they had reported on the Estimates it would shorten the discussion in the House of Commons in Committee of Supply. Do you think that would do that?—I do not think anything would shorten discussion in the House of Commons. I have no hope of that.

2486. Do you think that such a Committee might be used to a large extent as a sort of fishing inquiry to provide information upon which to base further discussion?—It might be so used, of course.

2487. At all events, you do not see any saving of time in Committee of Supply?—I do not see any saving of time in Committee of Supply as long as the present system goes on. The modern system is to make the Committee of Supply the only time when Members can discuss policy. So long as Members have no opportunity of discussing policy except in Committee of Supply, so long they will use Committee of Supply for that purpose. I have seen the thing grow up in my Parliamentary life. Formerly, when I first came into Parliament, Members of Parliament had the opportunity of bringing forward Motions on going into Committee of Supply for the discussion of policy, and they used to use their opportunity to do so at that stage. Then when we got into Committee of Supply nothing was ever discussed in Committee of Supply except finance and questions of that kind. Questions of policy had been already discussed, and the result was that Estimates passed through Committee extremely quickly. I have seen the whole of the Naval Estimates passed in a night. But since successive Governments took to restricting, or endeavouring to restrict, the opportunities and powers of Members for discussing their policy, and made Committee of Supply practically the only place where it could be discussed, discussion in Committee of Supply has extended out in the way it has done now. You spend night after night in Committee of Supply when you are really not discussing matters of Supply at all. You are discussing the policy of the Government in South Africa or some great question of public interest.

Mr. *Hayes Fisher*—continued.

2488. But supposing any such idea were carried out, of appointing a Select Committee to consider expenditure before it went to Committee of Supply, would it not be necessary to considerably change the constitution of the Committee for the different classes of the Estimates?—Yes, I think it would be. I think it would be a good thing to have a good many Committees. The advantage of that, to my mind, is that you would then have the Estimates considered by the House of Commons—that is, by a Committee of the House of Commons. At present they are not considered by the House of Commons at all. The House of Commons now has no opportunity of considering Estimates at all from the point of view from which Estimates were considered in my younger days.

2489. From the Parliamentary point of view, if you set up Select Committees, and each class of Estimates had to be put before a Committee, at what time of the year would it be possible for Committee of Supply, if they waited for the reports from those Committees, to discuss any Estimates?—That is a question which I think you should ask the Leader of the House, not me. You asked me whether a certain thing is desirable, and I said "Yes," and then you ask me how I would work that into the business of the House; but I think that is a question for the Leader of the House rather than for me.

2490. I wanted to have your opinion, in view of your Parliamentary experience; you do not think the difficulty would be insuperable?—I do not think the difficulty would be insuperable.

2491. You think it would be desirable to have such a Committee?—I am of opinion that it would be desirable to have a Committee of the House of Commons to consider the different classes of Estimates before they were discussed in the House; and that it is possible so to arrange the business of the House as to get through the Estimates, in spite of such Committee, or consistently with the holding of such a Committee. That is my offhand opinion. I do not wish to pledge myself to it.

Sir *Robert Mowbray.*

2492. Did you have any personal experience of the Committees which were appointed in 1888? There were three Select Committees appointed in that year to consider the three classes of the Estimates—the Navy Estimates, the Army Estimates, and the Revenue Departments Estimates?—No, I was at the India Office at that time. I had nothing to do with any of those Committees.

2493. Those three Committees sat in that year. I was a member of the Committee on the Revenue Department Estimates, and I know we did not report until July, and we practically limited our examination to one particular matter which came up on the Post Office Estimates: you do not remember that?—I did not even know that those Committees were appointed. I should like to confine myself to the statement that I think under the present regulations the Estimates never

Sir *Robert Mowbray*—continued.

are discussed in the House as Estimates, and that I think it is extremely desirable that if they cannot be discussed in the House, they should be discussed by a Committee.

2494. My point was this: That the experiment was tried in 1888, and has not been repeated. What I want to get at is the experience of some persons who can say why the experiment then made had not been repeated?—I could not tell you that.

Mr. *Hayes Fisher.*

2495. In order that these Committees might go thoroughly into the Estimates, would it not be necessary for them to have the principal officials before them?—I do not think they need have a very great number of witnesses before them. I think yourself, as the Secretary of the Treasury, and the head permanent official of the Department, would be sufficient, as in the case of the Public Accounts Committee. They might occasionally want to send for somebody else.

2496. Would not that throw an immense added burden upon the officials if they had to appear both before that Select Committee and to be in attendance at the House when the Estimates were being considered?—I do not think the burden would break their backs.

2497. Is this a scheme to which you have given much thought and attention?—No; as I said, it is not a scheme to which I have given any thought or attention at all.

2498. You quite understand that the only reason I am asking the questions is that it is a scheme which has been propounded before this Committee?—Yes. I wish to confine my evidence, as I said, to saying that it is desirable, in my opinion, that the Estimates, which you cannot now discuss at all, should be discussed by a Committee if they cannot be discussed by the House of Commons.

2499. But you yourself are not in any way the author of a plan of that kind?—No.

2500. You have not propounded it to the Committee?—Not at all. I merely give you my opinion upon it as it is propounded to me.

2501. From the point of view of the difficulties

Mr. *Hayes Fisher*—continued.

which would arise in setting up these Committees or in working them with a view to arranging for the discussion of the Estimates at a certain time, that is a matter upon which you think there might be great difficulties?—I am not prepared to say that there may not be difficulties; I daresay there may be.

2502. Speaking generally, you have told us more than once that the House of Commons' influence always increases expenditure?—There I was speaking of the House of Commons; I did not mean to apply that to a Committee. For instance, I should be very sorry to say that the Public Accounts Committee increased expenditure. What I mean is that the House of Commons in its Committee of Supply is always in favour of increasing expenditure; but I do not know that I should say that it would be so with a Committee of the House of Commons which was specially appointed by the House for the purpose of considering and checking expenditure. You see, in Committee of Supply people have no responsibility. I have been as great a sinner as anyone in the days when I represented Chatham, before I was a Member of the Government; I was perpetually urging the Secretary of the Admiralty for the time being to increase the expenditure at the dockyards.

2503. There have been a good many imitators of your example since that time. I gather from you that from any Select Committee of that kind you would not anticipate suggestions for increased expenditure?—No, I think not. The Committee of Selection would have to be very careful who they put on the Committee. They would take care, no doubt, that they did not put the Member for Chatham, or any dockyard town, on to the Committee appointed to consider the Navy Estimates, for he would be sure to suggest increased expenditure.

2504. Or, in considering the Irish Estimates, for instance, the Select Committee must not be dominated by a majority of Irish Members?—Certainly not, and still less so in the case of Scotland, I think.

Thursday, 4th December 1902.

MEMBERS PRESENT:

Sir James Fergusson.	Sir Robert Mowbray.
Mr. Bonar Law.	Sir Edgar Vincent.
Mr. Lough.	Mr. Eugene Wason.

SIR JAMES FERGUSSON, BART., G.C.S.I., IN THE CHAIR.

The Right Honourable Lord WELBY, G.C.B., called in; and Examined.

Chairman.

2505. The Committee are much obliged to you for the interesting memorandum which you have put in. [*See App.* 13.] Will you tell us how long you were at the Treasury?—I entered the Treasury in 1856 and I left in 1894.

2506. Had you been in any other Department previously?—No.

2507. How long were you the permanent head of the Treasury?—In 1871 I was put at the head of the Finance Department, and in 1885 I became Permanent Secretary, which was the post I held when I retired.

2508. Now what have you to say about the control exercised by Parliament over public expenditure in the past and at present?—I had some hesitation about troubling the Committee with the memorandum which has been sent round, which I originally wrote rather to clear my own mind in the matter, as it was some time since I had had my attention directed to this subject. The object I had in writing it was to bring clearly out the great change in the opinion of Parliament, which can be marked down to the period 1856–1866, as to the method in which Parliamentary control should be exercised. I have always been greatly struck by the fact that for, you may say, 160 years the House of Commons, always anxious to establish its control, should have remained all that time under the illusion that it could control expenditure by putting checks upon the issue of money from the Exchequer instead of ascertaining how the money had been spent. It is most singular that all the able men who represented the House of Commons during that time should have remained under that illusion. It was only very gradually that the change took place. That change is marked by that very remarkable Committee of 1856–7, the Public Monies Committee, which is, I think, one of the most remarkable Committees, both as regards its constitution and the work it did, that I remember. The Public Monies Committee knocked on the head once for all the idea that any effective control could be exercised by watching the issue of money from the Exchequer, and

Chairman—continued.

showed that the real control of Parliament must be by ascertaining, through independent officers of its own, how the money had been spent. I may add that I was for a good many years in the Treasury under the old system, and I had, therefore, fair opportunity of seeing what the actual working of that old system was, and of course I was, from my position, very much mixed up in all the measures and Regulations which arose out of and were necessary to give effect to the Exchequer and Audit Act.

2509. You refer to this point in your memorandum?—I did not at first intend to trouble the Committee with this memorandum; I only sent it in quite late, and, as the Committee will see, it is only a proof.

2510. The Committee are very much obliged to you for it. I want to ask you one question with regard to the seventh paragraph on the first page of that memorandum, where you say, "It is important also to note that the Returns presented to Parliament, such as the Finance Accounts, were not based upon the results of this audit." In saying that you mean that that was so formerly, do you not?—No, it continues now. I should like to explain my views upon that point to the Committee. The whole of our financial system is based upon the principle of getting financial facts as quickly as possible into the hands of Members of the House of Commons. For that purpose the accounts ordinarily used by Members of Parliament are based upon Exchequer issues. That is the only method by which it is possible, as the case now stands, that when the Bank of England closes at 4 o'clock on the 31st March the Chancellor of the Exchequer can have a complete account of the results of the year as to income and expenditure by 7 o'clock the same evening, an account available for the public the next morning. It is clear that if we went upon a system of actual receipts and payments of the year such an account as that could not be available for many months. I remember, somewhere in the sixties, an interesting letter from Mr. Achille Fould, the then Minister of Finance

Chairman—continued.

in France, to Mr. Gladstone, asking him how it was possible that the results of the year could be given to the House in such a very short time. The fact is that the French only think of the actual receipts and expenditure, and practically, therefore, their accounts are immensely in arrear. Perhaps I may add this further remark: It may be objected to our system that an account based upon imprests is a very imperfect account. But, practically, it is not; it is quite sufficient for all practical purposes. I remember at the Treasury, after the system of appropriation accounts being presented to Parliament came in, we used to consider, or at least, I used to consider, that some explanation was due to the Chancellor of the Exchequer if the audited receipts varied from the Exchequer issues by more than a comparatively small sum; that is to say, if they exceeded or fell short of the Exchequer issues by, say, more than a quarter of a million, I should say some explanation of the fact was due. Of course, I do not mean to say that that happened every year. In time of war, for instance, they would vary considerably, as you will see last year they varied considerably, but in ordinary times I considered that the audited expenditure should not differ from the Exchequer imprests by more than a quarter of a million. Therefore, for all practical purposes the account based on Exchequer issues is one upon which the House of Commons can rely for practical purposes.

2511. But to finish with the particular point of the control by Parliament formerly and at present exercised, do you think that the control of the expenditure by Parliament under the existing system is as great as it could beneficially be made?—I think that the machinery at the disposal of Parliament is very complete. I really do not see how you can effectively add to it from outside. I am not at present, you will understand, dealing with the question of whether any greater power of control might be devised within the executive departments; I am confining my reply to Parliament, and as regards Parliament, I do not see, with the exception, perhaps, of some minor points, in what direction the machinery for the control of Parliament could be made more effective. I think it lies with the House of Commons itself to make use of the machinery.

2512. There have been various expedients suggested by witnesses before this Committee, one of which was that the Committee of Public Accounts should be clothed with additional powers, or that they should exercise their elastic powers more freely, and that they should have, in addition, charge of the examination of the estimates. The author of that suggestion has, I think, rather given it up now, and perhaps I need not trouble you about that. But it has also been suggested that the estimates might be reviewed either in advance or *ex post facto* by a Select Committee. It was regarded by such witnesses as have put forward that suggestion as impossible that the whole of the Estimates could be so considered in a single Session, and yet be afterwards examined by the House in Committee of Supply; but it

Chairman—continued.

is suggested that portions of them might in each year be examined by such a Committee in advance, and then come before the Committee in Supply later, or else that portions of the Estimate should be examined annually *ex post facto*—what a witness before us called a *post-mortem* examination. What would your opinion be as to either of those suggestions?—We are dealing now, as I understand, with the Parliamentary control, and the use that Parliament might make of its machinery.

2513. Quite so?—To dispose first of the first point, I am very anxious indeed that the House of Commons should bear in mind the difference between audit and administration. I understand from the Chairman that the suggestion which was made, I think, by Mr. Gibson Bowles has been given up, and therefore I need not dwell upon it. As I understand, it was suggested that a Select Committee would go into the question of Estimates. I think it very important that the Committee on Public Accounts should deal with the audited accounts only, and should not mix itself up with administration, but as I understand that Mr. Bowles has given up the idea, I will not go further into it.

2514. I think I may say that he has?—With reference to a Committee on the Estimates, I have always felt very great difficulty in anything which would diminish the responsibility of the Ministers for the Estimates which they lay before Parliament. I feel sure that if the Estimates had to go (as I understand is the French system) before a Committee of the House, which varied or altered them very much, it would have a very considerable influence in the direction of lessening the responsibility of Ministers. I may mention that in the latter part of his life I had conversations with Mr. Gladstone upon this point. He saw the imperfections of the discussions in Supply; and his mind turned to the idea whether it would be valuable or not to refer the Estimates to a Committee which would go into them as a matter of business and not in the desultory manner in which discussions in Supply are conducted. But my recollection (and I think it is correct) is that he was always stopped by the objection which he saw in the way of diminishing the responsibility of Ministers. That, of course, refers to sending the Estimates to a Committee before they are voted. In addition I see considerable difficulty in allowing a Committee dealing with Estimates which have still to go before Committee of Supply, the time which would enable them to do their duty effectively. But the Chairman has put to me another suggested method, namely, that you might have what I think he called a *post-mortem* examination, that is to say, that a Committee separate from the Public Accounts Committee might examine branches of the Estimates of the past year, or, I might almost say, of the current year, because, I suppose, the Committee would be appointed in February, and they would deal with the Estimates of the expiring year, and therefore it would be very little after date.

2515. You

Sir *Edgar Vincent.*

2515. You say they would deal with the "Estimates" of the expiring year; would it not be with the accounts?—I am referring to what was called the *post mortem* examination, which, as I understand, relates to the Estimates.

Chairman.

2516. I might mention that an official witness pointed out that the accounts of the Estimates would really be more than two years in arrear owing to the lateness of time at which the accounts were presented?—What I understood to be the suggestion, and what I should be inclined to favour, was that the Committee would take the Estimates and deal with them in that form in which, I think, alone criticism is of value, namely, by taking them and watching their growth over a series of years, taking, perhaps, as the basis of their work the Statistical Abstract, which extends over fifteen years. That is the form in which they would approach the subject and inquire into the reason for any increase they might find. I think there would be a considerable benefit if such a Committee as that were appointed which dealt only with branches of the Estimates, a certain branch being taken one year and a certain branch another; because I have always found that if you entrust any body, whether it be a Royal Commission or a Committee, with a very large field to travel over the work is imperfectly done. If you want the work well done you must give them specific branches to work upon. I think such a Committee would have a value, to which I attach very great importance at the present moment, for, if I may venture to say so, I think there is rather less attention paid by the House of Commons to the question of expenditure than there was years ago; and I think anything that calls the attention of Members of Parliament and induces them to learn the details of our financial system, would be a very great gain.

2517. For the purpose which you have mentioned it would not be too late, would it, to take up the Estimates for the former year, although they were two years old?—I do not think it would for this purpose.

2518. You think that with such an addition as that the powers of control possessed by the House of Commons are sufficient?—Yes, I think they are. Upon this point, while we are dealing with the machinery which is at the disposal of the House of Commons, I should like to say something about the powers of the Comptroller and Auditor-General, but probably you may like to come to that afterwards.

2519. Will you please take it now, if you think it comes in here?—There are three points which I should like to make in regard to that. First of all, I think Mr. Gibson Bowles holds that the office of Comptroller-General of the Exchequer and the powers as Auditor-General should not be joined in the same person. To that opinion I am entirely opposed. I think the two functions are essential functions of the check exercised on behalf of the House of Commons. I should be very

Chairman—continued.

sorry to see (and Mr. Gibson Bowles does not contemplate that) any lowering of the check which the Comptroller and Auditor-General exercises over the Treasury in seeing that no issue is made in excess of the grant of Parliament. I think it is a desirable check. It is a very slight check, but it is a check of the kind to be exercised by an independent officer. So far from regarding his two functions as different in their nature, I do not so regard them at all—they are both functions of check. Then, when it comes to the functions of the Auditor-General, I see that questions have arisen as to the Comptroller and Auditor-General being in some respect subordinate to the Treasury in that matter. On that point I have a most decided opinion. I cannot say too strongly how convinced I am of his entire independence. He has been as great a check upon the Treasury, and perhaps even a greater check upon the Treasury, than he has been upon anybody else. People who knew what the system was before the Exchequer and Audit Act came into operation will remember that Parliament not then knowing anything about audited accounts, the Treasury was absolutely autocratic; it could allow or disallow expenditure, and there was nobody to check it. The audited accounts came before the Treasury, and if the auditors objected the Treasury might pass them over. At the same time the Treasury, in the exercise of its legitimate control, was not to a great extent aware of the acts of the different Departments. Therefore, although it was autocratic so far as the control by Parliament went, it could not exercise that control even beneficially, because it did not know what the other Departments were doing. As soon as the Exchequer and Audit Act came into operation, first of all the Comptroller and Auditor-General reported the acts of the Treasury. That was rather like a cold douche upon the Treasury finding themselves subjected to his criticisms, but it was a most beneficial thing; it did more good than anything else. Then, further, the Comptroller and Auditor-General's report told the Treasury what the other Departments were doing, and if they committed irregularities it enabled the Treasury to check them, which they had not means of doing before. In the third place, when the Comptroller and Auditor-General first began to make his reports, there was a very considerable amount of discussion and doubt on the part of the Departments as to the manner in which the Comptroller and Auditor-General exercised his power, that is to say, that he reported not upon simple matters of account, but upon questions which came across him in the course of his examination. He very often admitted that he did so, but I am glad to say that he was always encouraged by the Committee in doing so. The consequence is that he has had, and I hope always will have, the very freest hand in reporting to the House of Commons every case which comes across him. Of course there is this limitation, that you must not ask him to report that he has satisfied himself in regard to every irregularity

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and every defect, because that would be doing the whole business of the Executive departments over again. If you are content with knowing that he reports to you every case that comes to his knowledge, which he thinks worth calling to the attention of the Select Committee, I think you have got as much as you can expect. Further, I do not see that the Comptroller and Auditor General can be said to be in any way dependent upon the Treasury. Mr. Gibson Bowles called attention to one or two points, but I think in regard to them, he has misapprehended the effect of the Exchequer and Audit Act. There is one point I should like to offer an opinion upon. I think it would be more satisfactory if the Comptroller and Auditor General and his Assistant Comptroller were appointed by the First Lord of the Treasury and the Speaker in concert. I think there would be advantage in doing so, because it would prevent to a great extent the idea that the appointment by the First Lord of the Treasury was simply a political appointment.

2520. To put it shortly, your defence of the union of the two offices in one hand is that financial regularity which is his first duty, is germane to both branches of employment?—Yes.

2521. Having attended to that matter in the case of issue, he would naturally be more able to look after it in the case of expenditure?—Yes, so far as that goes. I think the two functions really lie in the same line.

2522. Now, perhaps, I may ask you whether you think the control of the Executive Government over expenditure has been much improved, if not perfected, of late years, and whether it must not be more effective than that of Parliament? That control divides itself into two portions. First of all there is the great question of policy, which is decided by the Cabinet. Just to pass lightly over that, I may say that so far as regards any question which involves policy, I do not know that there is anything more to be done. At the Treasury the Chancellor of the Exchequer has sketch estimates which cover the great items of expenditure, and I used to consider that those sketch estimates reached him in plenty of time for him to consider them in connection with the Ways and Means at his disposal. It was then a matter for the Cabinet, and the Cabinet came to its decision after hearing him, and I do not know anything more that I could suggest to improve the control of the Chancellor of the Exchequer on questions of policy. You cannot go behind the Cabinet. But then you come to a large number of questions, which are not questions of policy, but are questions of administration; in regard to them, according to the old-established rule, the assent of the Treasury is necessary to every measure increasing or tending to increase the public expenditure. Theoretically, the powers of the Treasury, I think, are complete with regard to that, but those powers are very much subject to the influence of public opinion. Comparing early days, say in the sixties, with later

Chairman—continued.

days, one saw a distinct difference in public opinion; of course, no one year would make the dividing line, but I always put the division about the middle of the seventies, or perhaps rather later; we will say in the eighties. Anybody who was cognisant with the matter would know that, generally speaking, public opinion supported more or less economy in the early days; but with increasing prosperity that feeling was diminishing. The spirit was very strong in the sixties. After the great increase in the Estimates, for instance, which took place following the manifesto of the French Colonels, had continued for two or three years, the House of Commons expressed a very decided opinion in favour of economy. That is the kind of test I put of the way in which public opinion worked. During that time the influence of the Chancellor of the Exchequer was paramount, or very powerful, in the Cabinet. I should say that lately, beginning—to put it very roughly—with the eighties, public opinion has changed, and it no longer puts much stress upon economy; that change at once finds its reflection in the House of Commons, and I should say that from that time the wind was in the sails of the spending Departments, and what I will call the effective power of control in the Chancellor of the Exchequer proportionately diminished. That had an effect, and I think will always have an effect, throughout the service even in administration—if an idea gets abroad that the House of Commons does not care about economy you will not find your servants economical.

2523. Would that change of public opinion or public action synchronise with the great extension of the franchise and the removal of the incidence of taxation more largely to the wealthier classes?—Yes, I think there is a good deal to be said for that suggestion; but I should put it rather with a limitation. I should begin by saying that I attribute it very much more in the first instance to the general prosperity. Taxation had been so much reduced that there was not the same reason for public opinion being very economical, which prevailed previously. That, I think, is the first reason which led to it. Then again there is this further reason, which had a great deal to do with it, that new ideas were springing up. To give an instance, in my early days I should say what was then called the Country Party was distinctly economical—it did not favour expenditure. On the other hand, we all know in those days what is called the Radical Party was very economical. The Party that now represent the Radical Party are distinctly the contrary. I am, of course, giving only my own view of the matter; but throughout all parties in the House of Commons I should say the old spirit of economy was very much weakened, with the result that you have a House of Commons I should say very indifferent to economy.

2524. In fact, liberal expenditure is popular?—Certainly.

2525. Therefore the Executive Government are more concerned to keep down the Estimates than

Chairman—continued.

than the House of Commons in Committee of Supply?—Yes. At the same time, taking the Treasury, for instance, I think the Treasury is free, as formerly, to exercise its power; but it is aware now, contrary to what it was in the early days, that it has not got public opinion at its back—I think that would have a certain influence on many of its decisions.

2526. In regard to the control over expenditure exercised by the Executive Government, I was referring particularly to the control over the spending Departments by the Treasury?—Yes.

2527. Perhaps you would now just refer to the different stages through which the Estimates have to pass with a view to their recommendation?—The Committee will understand that in giving my evidence I am confining myself very much to the time when I had experience at the Treasury. I should be very sorry that they should think that there is not the same desire to keep down expenditure on the part of the Treasury now as there was in former times. I am only saying that I think every Department of Government must be a good deal influenced by public opinion from outside. If public opinion is in favour of economy, the Departments will be more economical than they are if public opinion is in favour of liberal expenditure, that is all I mean to say. Now, coming back to the question of the preparation of the Estimates, taking the big spending Departments throughout the year, as the Committee probably know, the spending Departments are in constant communication with the Treasury, bringing before the Treasury any changes that may become necessary in their opinion increasing, or intending to increase, public expenditure. The general tendency of the Treasury is to ask that any changes of that kind should come into force not in the current Estimate, but, if possible, in that of the following year. The changes in the Estimates are the subject of constant communication between the Department and the Treasury throughout the year, and the decisions arrived at are embodied in the Estimates of the following year. Therefore, when the proposals of the spending Departments come before the Treasury in the draft Estimates a great part of the changes which are included in the Estimates have already been discussed and settled. The discussion has been conducted, if I may say so, at leisure, and the decision arrived at. Then comes the autumn, the time when the next Estimates have to be settled. The great spending Departments then make a sketch Estimate—what I may call a skeleton Estimate, which contains the programme of work, and the number of men and so on. That comes to the Chancellor of the Exchequer. The Chancellor of the Exchequer at the same time is considering what his prospects of revenue are, and when he has got these Estimates in he is in a position to know how far his ways and means under the existing system will meet the proposed charge. I think I cannot suggest any improvement upon

Chairman—continued.

that system—I do not see how it could be improved. Then after the Cabinet have settled these great questions the Estimates are proceeded with, and as they are completed they are sent on to the Treasury for their examination. That examination, necessarily from the time at which they come in, is more or less under pressure, because it has to be done very quickly. Sometimes, indeed, some of the later Estimates come in with barely a day or two to consider them in. But the Committee will, of course, bear in mind what I said earlier, that a great number of the changes included in the Estimates have been already settled in the previous part of the year. No doubt, as effective criticism, the criticism upon the Estimates of the spending Departments as they come in is occasionally, perhaps, rather too hurried. I think we must understand what the Treasury control is. I have always looked upon the Treasury control as being of this nature. It is not intended to limit or hamper the public Service; what it is intended to do is to force a Department which desires increase of expenditure to make good its case. I do not consider that it is the duty of the Treasury to endeavour to cut down demands, or to have the power of cutting down demands without reference to the necessities of the Service. I have sometimes seen it put forward, as if that was th meaning of the Treasury control. I do not take that to be so at all.

2528. Upon that point let me ask, is it not the case that generally before the Estimates are presented to Parliament, although the Treasury cannot find fault with the details of the Budget submitted by the Department, they put pressure upon the Department to cut it down, if possible, in the total amount?—I do not think that is the duty of the Treasury.

2529. But they do that, do they not?—Going back to history, as I recollect, the sort of thing that happens is this. I have been present at discussions with the Chancellor of the Exchequer when he has got the sketch Estimates before him, and has been discussing with his officers what the financial position may be, given such and such an expenditure. Of course, when he has seen what the result will be he may bring pressure, and no doubt he does, upon his colleagues, and say, "I cannot give you the money," and in that case, no doubt, there would be pressure upon the Departments to cut down such part of the programme, if possible, as would bring it within the sum which the Chancellor of the Exchequer thinks he can afford.

2530. He might write to a Department and say, "Could not you take a million off?"—Of course, it must depend upon the personality of the Chancellor of the Exchequer as to what form he puts it in; but no doubt it has taken that form.

2531. And in consequence the Department would try to postpone as much as possible work which was very desirable in the public interest, but which if it were undertaken would exceed the limit of the cloth which the Chancellor of the Exchequer

Chairman—continued.

Exchequer has to cut up?—Yes; and I venture to think that that is not unsound finance. If you put yourselves absolutely and entirely into the power of experts, there is no possible limit to expenditure. It used to be a maxim of our finance that the difference between public finance and a private man's finance was that the private man limited his expenditure according to his income, whereas the public financier limited his income according to his expenditure. But you must not pursue that too far, because if you did the pressure which the Chancellor of the Exchequer brought to bear upon his colleagues would undoubtedly be this: "If you insist upon such and such an expenditure, I shall have to ask for an increase of taxation." That would be his reply.

2532. Quite so. The reason why I asked that question was this, that Mr. Gibson Bowles has referred a great deal to the growth of Supplementary Estimates, among other things. Now, Supplementary Estimates occur frequently, do they not, because the revenue has turned out rather better than was expected, and therefore some works which were postponed under financial pressure have been brought forward again during the year?—I have not had an opportunity of noting the recent Supplementary Estimates, so as to form any good opinion upon that point, and therefore I will confine my reply to what I can remember in my own time. A great portion of the Supplementary Estimates, I think, are unavoidable. With our enormously-extended range of expenditure, and considering that the Estimates are all completed and in Members' hands in February, it is impossible for Departments to foresee what they will require over fourteen months forward; or, indeed, the larger part of the Estimates are ready by the end of December, and therefore you may say it is fifteen months forward. To some extent Supplementary Estimates are, I consider, unavoidable. I think a check should be exercised over them in order to force the Departments to fulfil that great financial canon: "Estimate your expenditure fully and your revenue moderately." But your question goes further than that, and alludes to the possibility, or perhaps the fact, that when the revenue shows in February, we will say, considerable buoyancy, there is a temptation to ask for a Supplementary Estimate, in order to make use of the surplus; it is another form, if you like to say so, of diminishing the old Sinking Fund, which was the surplus of income over expenditure. I cannot say there is not a temptation to do that, although I do not think it was done to any great extent. And this danger is present which would not exist so much formerly: that owing to the very large demands of the spending Departments, I think there is the more temptation. You must remember also that our income has been increasing in a manner which we of the old generation would never have dreamt of, and consequently the temptation is stronger.

2533. The sort of instance I had in my mind was this, supposing in the Navy, on account of financial pressure, they had rather kept back the completion of certain ships, adding fewer tons to the building of ironclads and so forth, or contracting for fewer destroyers than the Admiralty would like to build, and then if they found the revenue were more elastic, they might let them have a little more money to do works which were very desirable. In the same way, in the case of the Post Office, if they were building large expensive Post Offices in great cities, they might keep back some of the work, although it was very much wanted, because of financial pressure—the Post Office, for instance, might be asked to take a million off its Estimate; and then, as the year goes on, you might find that you could spare a little more money, and then these things which were only postponed under pressure could be brought forward?—There is a temptation in that direction, no doubt, but the Committee must remember that a Supplementary Estimate taken in February can only apply to expenditure which the Comptroller and Auditor-General will pass by the 31st March, and therefore it is useless to take a large Supplementary Estimate, we will say in the case of shipbuilding, because in that short interval very little of that expenditure could have been actually incurred. And so in the same way with the Post Office, the temptation must be limited to buying a site not for a building. I think there is a great temptation to take advantage of a buoyant revenue for purposes of that kind, but, as I say, it is limited by the fact that the expenditure must be absolutely out of the Exchequer and in the hands of the person to whom the money is due by the 31st March. One of the great risks in cases of that kind would be an unnecessary increase of stores; that is the line in which the danger lies.

2534. Before you were Permanent Secretary to the Treasury, at a time when economy was very much enforced, there was, I remember, a case in which at the last minute a large sum was taken off the Army Estimates by reducing the number of men on the Estimates by ten companies throughout the Army; then as the year went on there was a little more money, and there was a Supplementary Vote taken?—That would be an instance in point. I think distinctly there is a temptation, and there must always be a temptation, to make use of the buoyant revenue, but, as I say, it is limited by the fact that the expenditure must take place by the 31st March.

2535. But the machinery, however excellent for the purpose for which it is designed, is only useful according to the policy of the time, and the vigour of the Minister: is not that so?—I understand you are speaking now with regard to the executive control?

2536. Yes, we have been speaking in my later questions of executive control?—Yes, I quite agree.

2537. You agree that policy in fact rules expenditure?—Yes.

2538. I should like to ask whether you think that the control of the Executive Government over expenditure, at all events on establishments, might be increased by the inspection of the establishments

Chairman—continued.

blishments of the various Departments by the Treasury from time to time? We had an instance the other day of a visitation, if I may so call it, to the Local Government Board by the Treasury upon which it was found that the Local Government Board was under manned and overworked. But the contrary result might be found in some other Departments, might it not, for instance, a witness lately in speaking of a particular Department, said that certain branches in his experience had become overmanned and that in some parts the clerks had not nearly enough work to do. Do you think that such a visitation to the various Departments would be practicable or profitable, say once in five years?—Of course the Chairman will remember that something of the same kind, although not as a system, is in force now. If you had a Return of the number of what are called Departmental Inquiries which during the last ten years have been set on foot by (as is generally the case) the Treasury and the Departments in concert, I think it would appear that in an irregular, and not in a consecutive manner, that method of checking expenditure is partially carried out at the present time. It would require some time to work out how it could best be done, but I think there would be some advantage in a systematic review of the establishments, provided the interval were not too short, because you must bear in mind that the time of the officials would be taken up. I should like to see a system which brought the Departments under review periodically, but I think probably a longer period than the five years you mentioned would be desirable, or, indeed, necessary. I think it is a suggestion well worth considering.

2539. As it is, the Treasury, or a representative of the Treasury, confers with the financial officers in each Department, does he not?—Yes, constantly.

Sir *Robert Mowbray.*

2540. And no increase in a Departmental staff can ever be made without the consent of the Treasury?—No, that is how these Departmental inquiries arise; the Treasury, in reply to an application for an increase, say: We are not satisfied that it is necessary, and if you desire it it must be considered in concert between the two Departments at an inquiry.

Sir *Edgar Vincent.*

2541. I think you said that, outside policy, there was a considerable field for economic or extravagant expenditure?—Yes.

2542. I mean that there is a considerable margin between extravagant administration and economic administration?—I quite admit that.

2543. And also at the present moment the wind being in the sails of extravagance, there is special reason for checks and for machinery to establish control?—I think so. That is to say, knowing that that is the case I think it is the duty of the House of Commons to do all it can to encourage the Executive Government to exercise economy in those directions which do not interfere with the trend of policy.

Sir *Edgar Vincent*—continued.

2544. Do you consider that, at the present moment, those checks are altogether adequate?—I suppose what the Honourable Member means, is whether the Treasury is sufficiently strong?

2545. Yes?—Theoretically I do not see that anything can be added to the Treasury control, and so far as I know, I think it is exercised very fairly—I think that the trend of opinion in the House of Commons will always have an effect upon the Departments, and that is one reason why I say I think it is the duty of the House of Commons to do everything it can to encourage the strictness of control over those matters that are not dependent upon policy.

2546. What I want to know is whether you consider the action of the House of Commons, as at present exercised, does really instil that spirit of economy?—No, I do not think it does.

2547. You have said in the memorandum which you were kind enough to hand in to the Committee, that at the present moment the control of the House of Commons is complete; but what I want to know is, whether the means of applying that control really leads to satisfactory results. Take, for instance, Committee of Supply: Does the discussion in Committee of Supply really lead to economy now in your opinion?—If you ask whether discussion in Supply is a real direct check upon extravagance of expenditure, I do not think it is. The value I have always seen in discussion in Committee of Supply has been not that certain sums have been struck off the Estimates because, I suppose the sum struck off you could count upon your ten fingers, but I know how the effect of discussion in Supply is remembered in the Departments. In the Treasury, for instance, and I have no doubt it is the same in the other Departments, when the criticised subject comes up again if the permanent officers of the Treasury do not call attention to it, the Secretary to the Treasury would probably call attention to the fact of what the criticisms on that particular branch had been; and I think in that sense, a much greater value attaches to discussions in Supply than is represented by the criticism that nothing is ever struck off.

2548. But we have had it from several witnesses at all events, and I think it is a matter of common knowledge, that in practice, a large proportion of the speeches in Supply are rather in favour of expenditure than in favour of economy?—Certainly.

2549. I want to put it to you whether you do not consider that replacing the present discussion in Committee of Supply by a more detailed examination, and an examination more purely from the financial standpoint, would not be to the public advantage?—I think it would be, but I must limit my answer by saying that I see great difficulties in applying that to the Estimates of coming expenditure. That was why I expressed myself in favour of a suggestion which was put to me by the Chairman, which I understood to be that this extended and more consecutive examination should be applied to the Estimates of a past year.

2550. I should

Sir *Edgar Vincent*—continued.

2550. I should like to ask one or two questions about that. What you favour, is a periodic examination of sections of the Estimates?—Yes.

2551. That is to say, the Estimates of 1902 would be considered by a Select Committee in 1903?—Yes, in sections. For instance, in 1903, they might take up Class 2, and in another year Class 3.

2552. Do you not consider that the fact that those Estimates had been already voted, would rather take away from the reality of the examination?—I am put in face of a great difficulty there. I do not think that a perfect plan or a perfect remedy is possible. I am thinking for the moment of the best remedy which is available, and, as I said just now, I think the value of the present discussion in Supply is the instruction which it gives as to the feeling of the House of Commons upon expenditure, to which objection may be taken. I see great value if you could extend that, and I think that extension would be got if there was a consecutive and detailed examination of the Estimates even afterwards, because the Report of the Committee would be of very great value, or should be of very great value, to the Secretary to the Treasury when the next Estimates came forward. It really is an extension of that discussion in Supply, which I think is useful at present but which I think is a great deal too limited.

2553. The point I do not quite understand is why you desire that the Select Committee of 1903 should examine the Estimates (not the accounts, but the Estimates) of 1902, and not the Estimates of the current year of 1903?—I thought the idea was that, if they examined the Estimates of 1903, and if they were—like the French system—to pass a judgment and revise, so to speak, the Estimates presented by the Minister before they were voted, that would be liable to the difficulty that has been pointed out. But I should certainly say that they might take up the Estimates of 1903—the later the estimate the better, provided always they took them up, so to speak, at their leisure, and dealt with a particular block, whatever it may be, without any reference to the Vote of the year. That is to say that the Estimates would go forward and be voted, irrespective of the enquiry in progress. Subject to that, I should say let them take the latest Estimates they can get.

2554. Of course, there is the time difficulty which we are not discussing now, but I gather you would see an objection to the Report of this Select Committee coming before the Committee of the whole House, in order to serve as information for them upon the general discussion of the Ministers' Estimates?—There are two grounds upon which I am opposed to that. The first is on the ground of principle. I think it might be necessary in the interests of economy eventually to alter the system and bring the Estimates before the Committee of the House of Commons, but I see the great evil of diminishing the responsibility of the Executive. Then the second ground I have is one of detail. I do not see how the Committee, once set up, to go through the whole of the Estimates, could report upon them before the Estimates come on to be voted so completely and so satisfactorily as that their Report should be of great value. To be of value I take it they must go through the Estimates without being pressed for time, and I do not see much value in giving a previous sanction to a small block; for instance in saying that Class 2 has been revised by the Committee, while all the other classes are left untouched.

2555. So that really the Select Committee you advocate would work, as it were, independently of the examination of the Estimates of the particular year by the Committee of the whole House?—Yes.

2556. As regards the question of the diminution of responsibility I do not quite see why the responsibility of Ministers should be more diminished by a detailed examination by a Select Committee than by the present perfunctory examination by a Committee of the whole House?—That, of course, depends upon what the reference to the Committee would be. Generally speaking when you speak of a Select Committee revising the Estimates it would mean that they had the power of making alterations in them.

2557. Or of suggesting an alterations subject for sanction by the House?—Yes, it must be subject to sanction by the House, of course. Supposing that is carried out, I think it does to a great extent diminish the responsibility of the Minister. I have always understood that that is the effect in France very much.

2558. Turning now to another point which you mentioned regarding useless officers whose services do not represent the salaries which they receive, can you suggest any means of revision of expenditure which would enable the country to economise in that direction?—That was felt sometime ago very much, and a Bill was brought in amending the Superannuation Law with a view to making that possible. If I remember the provisions of that Act they were these, that it might be in the power of the Treasury to grant a modified allowance to a man whose services under the ordinary rules would not qualify him for superannuation. The power was very carefully worded and restricted, but if my recollection is right, it was with the view of enabling the State to dispense with the services of a man against whose character there was nothing, and whom it was, therefore, not desirable to cast upon the world, so to speak, for he had done nothing to deserve that; and whom, yet it was not desirable to retain in active service. I mention that fact to the honourable Member in order to show that the subject had been considered and that was thought to be a possible way out of the difficulty. I imagine that power is not very frequently exercised.

2559. It is, I presume, extremely difficult for the Minister at the head of a Department to dismiss, or place on the retired list, incompetent officers?—It is very difficult. Of course there are different degrees of incompetency. It is not so difficult in the case of a notoriously incompetent officer,

Sir *Edgar Vincent*—continued.

officer, but there are many people, as the honourable Member is aware, against whom nothing whatever can be said, who are still the very reverse of competent.

2560. Can you suggest any means of substituting for a Minister whom it is almost impossible to expect to perform the duty, some authority who should revise Establishments and exclude the bad bargains?—I do not think you can alter the present system. At present the case is nearly always this: The permanent head of the Department is the man immediately responsible to the Minister for the orderly conduct of business in his Department. It is he who reports to the Minister if a man is incompetent. I need hardly say that usually a Minister, except as regards the officers immediately in contact with him, would not be aware of the people down below. Consequently, it rests entirely upon the responsibility of the permanent head of the Department, whose duty it is to report the case to the Minister. I do not think you could give the permanent officer at the head the power of dismissal; the responsibility must be eventually with the Minister.

2561. I suppose with a periodic revision by a Committee such as you suggest, they would probably learn of the existence of such cases?—A Commitee of Revision of that kind ought to be able to form a very fair opinion as to whether the work done in a Department corresponds at all to the staff employed, and there should be opportunities in the discussions in the Committee, of learning whether there are any people whom it is not desirable to retain. There was a method of getting rid of incompetent persons, but it was rather liable to abuse. That was a total revision of the office, and then abolishing certain offices or a certain number of clerkships, and thus the Department was able to dispense with the least efficient officers in the Department.

Chairman.

2562. At a price?—Yes.

Mr. *Hayes Fisher.*

2563. It was the custom then, was it not, to give added years to superannuation?—That is so.

2564. That custom is no longer followed, is it?—No, the Ridley Commission strongly advised the abolition of it, and from that time the Treasury ceased to grant these added years, and that was followed by the Act I have referred to which allowed a modified pension to be given to persons not found competent.

Sir *Edgar Vincent.*

2565. I wish to ask you one question with regard to the Comptroller and Auditor-General. You said that in your opinion it was desirable for the Comptroller and Auditor-General to have power to report not only respecting irregularity but also every case that comes across him?—Every case which he thinks worth the notice of the Committee.

2566. I want to know what you mean by "every case which he thinks worth the notice of the Committee?" Do you mean in respect of

Sir *Edgar Vincent*—continued.

extravagance and irregularity?—No, I mean in the widest sense.

2567. You do not see any danger in giving such a roving commission, if I may so say, to the Comptroller and Auditor-General?—He has practically exercised it with the approval of the Committee generally, and I think he has exercised it with very considerable prudence. I was on the Standing Treasury Committee before the Public Accounts Committee for about 14 or 15 years; and naturally, from the side of the Treasury, one would have been struck by the cases in which we at the Treasury were always most anxious that he should not interfere with administration; that is to say, that he should keep to questions of audit; but although there might be differences of opinion now and then as to what he had done, on the whole my distinct recollection is that he exercised that power, but that he exercised it with prudence. There is a case which I may perhaps mention to the Committee—it will be understood, of course, that I am giving only my own personal opinion—but it is perhaps an illustration of what I think he may do, although it means wide departure from audit. If I remember rightly, about six or seven years ago (it was after I left the Treasury), the Comptroller and Auditor-General, on the completion of one of the Naval programmes, called the attention of the Committee on Public Accounts to the fact that there was a very considerable difference in the cost between cruisers built in private yards and those built in the dockyards. He called attention, at the same time, to the fact that the reverse was the case in line of battleships. I mention that to show that his report was perfectly impartial. He suggested that it would be a good thing if the reasons of such difference were investigated. I noticed it particularly because, speaking personally, I thought that was just the way in which very valuable information might be acquired, and I am sorry to say that the Public Accounts Committee rather threw cold water upon it. I bring that before the Committee merely as an illustration of an extreme case, perhaps the most extreme case I can remember, in which the Comptroller and Auditor-General stepped outside his strict functions and called attention to an important matter of which he became aware in the course of his examination. Now, I am very glad that he did do so, and though it is outside the function of Audit, I think it he did a very good service in calling the attention of the Committee to it, and I hope he will always do that sort of thing. That is the kind of criticism which I think is extremely valuable, although it is outside the strict functions of Audit.

Mr. *Eugene Wason.*

2568. In your memorandum and in your evidence to-day you have used an expression which is a new one to me—"imprests." Would you explain what an imprest is?—An imprest is a lump sum issued to an officer for the expenditure of which he has to account. Supposing an accountant has to pay certain salaries in detail he receives

Mr. *Eugene Wason*—continued.

1,000*l. en bloc* in order to discharge those salaries subject to account. The word "imprest" is practically the same word as *prester* in French. It is the sum he has to account for hereafter, not a final or definite expenditure.

Sir *Robert Mowbray.*

2569. Do you think that you would get as much good out of a Select Committee investigating the Estimates of the past year as you would out of a Committee investigating the Accounts of the preceding year; I say the preceding year, because you would be obliged to go back one year further to get audited accounts?—The honourable Member means that whereas the Committee on Public Accounts only examines the Report of the Auditor which is chiefly confined to audit, whether this Committee might not take the Accounts of the year and examine them with reference to extravagance or economy.

2570. Yes, or a special branch of the Accounts?—That is a distinct point which ought to be considered if such a suggestion were adopted, as to what is the best field of examination.

2571. Have you formed any opinion yourself as between the two—a Committee investigating a special branch of the Estimates, or a Committee investigating the Accounts of a special branch of expenditure?—The only reason in my mind is that which Sir Edgar Vincent has pointed out. I spoke of the Committee in 1903 looking at the Estimates of 1902, and he asked me why they should not take the Estimates of 1903. I agree that, provided it is understood that their Report is not necessary to voting Supply, they should take the last Estimates they have. That is the only reason why I should prefer the Estimates to the Accounts, because you get a more recent charge to examine.

2572. But do you not think that you would get a more thorough examination if you could go in detail into the way in which the money has been actually spent, and not only into the way it has been voted?—No doubt actual expenditure is more valuable than Estimate, but at the same time I think there is that countervailing advantage of getting the latest project of expenditure to examine.

2573. I understand you to say that you do not wish this Committee upon the Estimates, supposing it were a Committee upon the Estimates of the year, to make a Report to the House of Commons which would in any way effect Committee of Supply?—I do not wish them to make a Report which would be essential in any way to Committee of Supply.

2574. No doubt you remember that in 1888 certain Select Committees were appointed to examine the Estimates in certain branches?—Yes.

2575. And the Report of the last Committee of the House of Commons which sat upon Procedure in Supply, which was in 1888, suggested that: "Some experience will shortly have been gained of the results of the appointment of Select Committees having power to take the evidence of permanent officials in the Army, Navy, and

Sir *Robert Mowbray*—continued.

Revenue Estimates; and it will be for the House to decide whether advantage would be derived from the appointment of similar Committees to examine other clauses of the Estimates." I wanted to gather from you whether any experience had been gained of the advantages or otherwise of those Committees appointed in 1888 which were referred to in the Report of that Committee in 1888?—I daresay there was some result, but I do not recollect it at present.

2576. The experiment, so far as it went, was not one which made very much difference one way or the other?—No, I think not. The merit of the suggestion which has been made in regard to what has been called a *post-mortem* examination is, I think, continuity—that it should be in the nature of a Standing Committee appointed every year, making its examination of a block of the Estimates.

2577. Examining different branches each year?—Yes.

2578. And comparing one year with another?—Yes, and with former years. I should like to say, when I was at the Treasury I used to tell officers that they ought to have pasted up in each of the rooms the expenditure on every vote that came under them, going over ten or twenty years, so that they should have under their eye what the growth was under each head. That really is the best form in which control can take place, because then your eye catches directly where the increase arises.

Mr. *Hayes Fisher.*

2579. I should like to ask you one or two questions on the same subject as that on which you have just answered Sir Robert Mowbray. Let me first get at the exact date of your permanent headship at the Treasury?—I became Permanent Secretary at the Treasury in June, 1885, and I left in April, 1894.

2580. So that you were Permanent Secretary to the Treasury in 1888, when these three Committees, of which Sir Robert Mowbray has just spoken, were appointed?—Yes.

2581. Who was then Chancellor of the Exchequer?—Mr. Goschen.

2582. Was he Chancellor at the time these Committees were appointed?—Yes. He became Chancellor of the Exchequer at the close of 1886, or at the beginning of 1887.

2583. Are you aware of the terms of reference to these Committees?—No, I am not.

2584. Looking back, I find that the reference was the same to each of the Committees—that one Committee was appointed to examine into the Army Estimates and to report their observations, another was appointed to examine into the Navy Estimates and to report their observations, and a third was appointed to examine into the Revenue Estimates and report their observations. Can you tell us anything about the appointment of those Committees—whether they were strong Committees or weak Committees, for instance?—No, they have escaped my memory very completely. I was not examined before any one of them

Mr. *Hayes Fisher*—continued.

them. I presume their Reports were considered afterwards, but I am sorry to say my memory fails me completely as to any particular action being taken.

2585. When I tell you that the Army Committee consisted of 17 members presided over by Lord Randolph Churchill, and the Navy Committee consisted of 17 members presided over by Mr. Campbell-Bannerman, as he then was, and the Revenue Committee was presided over by Mr. Stansfield, and consisted of 17 members, you would say, would you not, that those were fairly strong Committees?—Yes.

2586. Are you aware that they sat many times, and took a great deal of evidence?—I have a recollection that they did sit for some time.

2587. And they examined both Political and Departmental Officials, including the First Lord of the Admiralty?—I did not remember that they examined the First Lord of the Admiralty, but I remember that they sat for some time.

2588. Are you aware that the Committees which sat to investigate the Army and Navy expenditure drew up several Reports?—That I had forgotten.

2589. I presume they must have been of great interest to the Treasury at the time?—Yes. I am afraid I must plead defect of memory in the matter, but I do not recollect the result of those Committees coming into active discussion with the Chancellor of the Exchequer.

2590. Then may I take it that you cannot remember any single practical result on the control of the expenditure as emanating from the Report of any of these Committees?—I cannot recollect any result at the present moment, but I am far from saying that there may not have been.

2591. You continued at the Treasury until 1894, that is six years after these Committees had reported?—Yes.

2592. You continued as Permanent Secretary at the Treasury for six years afterwards, and you are not aware that any single recommendation altering or making improvements in the control of expenditure emanated from the Reports of those Committees, or was carried out in consequence of the Reports of those Committees?—I do not say that it was not so; I only say that I do not recollect it.

2593. In all probability, if there had been any great change as a result of those Committees in the control of expenditure you would have recollected it?—I think so—I hope so; in all probability I should.

Chairman.

2594. But you never ceased to remember Sir George Cornewall Lewis' Committee of 1856?—That was a case which was constantly in debate in the Treasury. And, further, I remember after the passing of the Exchequer and Audit Act the Treasury was engaged, I may say, for several years in carrying out in detail all the changes that were consequent upon that Act.

Mr. *Hayes Fisher.*

2595. Would it not be some ground for saying that it was because there was no practical result from the Reports of those Committees that they were never again appointed?—Possibly so. Perhaps I may interpose here; one point that has always struck me is that if you want to get any real value from such inquiries I think they become much more useful if they are continuous. I will take, for instance, the great inquiry of 1848, which was before my time, of course, but the results of that inquiry were a kind of Bible in the Treasury when I went there. I refer to the very great inquiry that took place into the Army and Navy and Civil Service at the time of the financial distress which followed the Irish Famine. That inquiry was a very useful one because the information there contained was a kind of synopsis of the expenditure over a very long period. If you want to get value from an inquiry it should be continuous. What, for instance, is the value of the Public Accounts Committee? Every year organisation and the procedure are complete; as soon as the Public Accounts Committee has reported the Treasury takes the Report and takes every single recommendation in the Report and deals with it; and it does so under pressure, for if it neglects to do so, and if it does not put before the Public Accounts Committee at the commencement of the following Session an account showing how it has acted upon their Reports of the previous Session, at once the Treasury gets into difficulty with the Public Accounts Committee.

2596. You must, no doubt, be aware that the work of the Public Accounts Committee has been found to be of the greatest value by the House of Commons, and by every witness who has appeared before this Committee?—Yes.

2597. Can you adduce any similar argument from the Report of these further Committees which have been referred to for establishing them?—No, I do not think so. Certainly the precedent to which the honourable Member has alluded of the Committees of 1888 is not encouraging in that respect. There is an indirect advantage which I do think is of value if such Committees were appointed. It is of very great value to interest Members of the House of Commons in learning a good deal about our financial system.

2598. When you tell us that you favour the appointment of a Committee to examine *post mortem*, as we call it, some one class of the Estimates from Session to Session, is it not rather your view that the main advantage to be derived from setting up such a Committee would be the education of Members of the House of Commons rather than any practical result in diminishing expenditure?—I have got two views with regard to that. I think what the honourable Member has just mentioned is very important. Perhaps I might remind the honourable Member that the appointment of such a Committee is not a suggestion of mine. I have been asked my opinion upon it as a suggestion made by other authorities, but I think it would be a matter of public importance if you could get some method of interesting the House of Commons in this question. I referred at the beginning of my evidence to the difference which

Mr. *Hayes Fisher*—continued.

has occurred within my recollection in public opinion and its effect. I constantly hear it said now by people of great weight that economy is impossible, that you cannot get the House of Commons to pay attention. They may have been right or they may have been wrong in saying that, but I have always been struck as regards the possibility of reduction by the great case of 1860. In 1860 the Estimates leaped up, not as they leapt up lately, but they did leap up tremendously in three or four years. I think the Military Estimates altogether rose, upon a total, we will say, of between 22 and 23 millions to between 28 and 29 millions. When two or three years had passed in that way, the House of Commons was interested in the question, and the reduction which took place within the next four years was something very great indeed; they actually carried back the Military Estimates by four millions on a total of between 28 and 29 millions, which is a very considerable result to attain. That it was not a very hasty one I think is shown by the fact that Ministers of different Parties were in power for several years afterwards; honourable Members will remember that the Conservatives came in in 1866, the Liberals were in again in 1870, and the Conservatives came in again in 1874; and for ten or eleven years afterwards there was very little increase in the Army and Navy Estimates. Therefore that reduction seemed to be more or less confirmed by the opinion of Parties generally. I think that is a very remarkable result, and I do not like the idea to be prevalent that the House of Commons may put its hands in its pockets and say, the expenditure has risen to such and such an amount, there is no good in looking at it; it is gone and there is an end of it. I think anything that may have the effect of inducing the House of Commons to look closely into the matter and to see whether reduction is not practicable is very desirable. That is only a side method of arriving at the result. The main object, I think, is that there should be some correlation both in the minds of the Government of the time being and in the minds of the House of Commons between resources and expenditure, and I think that ought to exist, but I do not think it does exist at present. I see no evidence of it. That, I think, is the first object to be sought. Then as the next object after that, I should be very glad to see the interest of Members of the House of Commons addressed to these questions, and I think one way of doing it (although it is an imperfect method) would be by directing their attention to such branches of expenditure as we have been speaking of. That is the point of view from which I regard the suggestion that has been made.

2599. Was not this large reduction of expenditure which you speak of due rather to policy influenced by public opinion than to any examination in detail in Committee of Supply by the House of Commons?—No, I think not; but I will tell you what there was at that time. During those five or six years, I think I may say from my recollection, the Treasury was very vigorous.

Chairman.

2600. What date are you speaking of?—I am speaking of Lord Palmerston's Ministry, from about 1859-60 to 1865-6.

2601. May I interpose this question: Was not that largely in connection with the reduction of the establishments after the close of the Indian Mutiny, when they had been abnormally increased?—I think not.

2602. The Indian Mutiny was in 1857, 1858 and 1859?—Yes.

2603. Naturally, there had been a large increase in the Army expenditure consequent upon the Indian Mutiny, and the establishments were reduced after that?—Yes; but you will remember that the expenditure on the Indian Mutiny was not met by this country. What I am alluding to was commonly known at the time as the affair of the French Colonels, which led to a very large increase in the expenditure for those years.

Mr. *Hayes Fisher.*

2604. Apart from the question of policy, do you consider that any examination by any Committee of the House of Commons, if it had been established during the last few years, would have led to any real and substantial economies?—I should not dare to be very hopeful upon that point, but I think there is always this to be said: when large increase of expenditure is incurred the tendency is for that expenditure, especially if it is suddenly incurred to be freer than necessary. I think it possible that if the attention of Members was drawn to that, and they understood the detail of the branches of expenditure, they might discover methods of reduction which might be useful.

2605. But is it not the business of the Treasury, and the main business of the Treasury, to check that expenditure and keep it within reasonable bounds outside questions of policy?—Quite so; but might I venture to ask the honourable Member who occupies one of the most important posts in the Government, whether he would not be glad of support from the House of Commons?

2606. Most certainly we should on many occasions. I should like to ask you to explain one point a little further. You were kind enough to say that you considered the control of the Treasury was theoretically strong, and that it exercised that control fairly; but I understood you to go on to say that you did not think it was the duty of the Treasury to cut down expenditure, but only to require a Department proposing increased expenditure to make out its case for such expenditure. You had a very long experience at the Treasury. Were not you constantly in your Minutes suggesting to Departments who asked you for increaesd expenditure that they might do with less?—Yes.

2607. That they might affect the same result in a different and more economical manner?—Yes. As regards the ordinary idea that the Treasury control is simply cutting down, I want to bring before the Committee what I think is a very important matter, viz., that the control should not

be

Mr. *Hayes Fisher*—continued.

be in the direction of cutting down irrespective of the needs of the Service, but that the Treasury's first duty is to force a Department that wants an increase to show cause for it. Let me put it in this way: As the honourable Member knows, unless the matter is of such great importance as to go to the Cabinet direct, it would come in the shape of a proposal from the War Office, we will say, to the Treasury, and the Treasury asks questions about it. This induces the War Office to put their whole case forward, and then when the correspondence is complete, as the honourable Member knows, it is laid before the Chancellor of the Exchequer. The Chancellor of the Exchequer has the whole story before him. The value of the Treasury control exercised in that way is that they have elicited a full statement of the War Office demands. Then it is for the Chancellor of the Exchequer to say whether the benefits of the proposed increased expenditure are such as to merit the outlay.

2608. And as between the head of the Department and the Treasury, in the case of any dispute as to whether the increased expenditure should be granted or not, the ultimate arbiter must be the Chancellor of the Exchequer?—Yes; and, as I say, I think one great benefit of the Treasury control is that it forces the spending Department to make out their case.

2609. I entirely agree?—I wanted to put that forward as my view of what the duty of the Treasury is. I do not consider it is the duty of the Treasury to cut down without good reason for doing so.

2610. Is it not the practice of the Treasury from its very wide experience to suggest other and more economical methods of attaining the same end, or to suggest that some other expense might be given up if new needs required to be met in another direction?—Certainly. In confirmation of what I say, I think the House of Commons has rather taken that view. If the Committee will look at the Appropriation Act, they will see there is a clause in it which authorises the transfer of surpluses from one Vote in the Army or Navy to meet deficiencies in other Votes. It is a matter that has been very much discussed whether that ought to be done or not. That is sanctioned by a clause in the Appropriation Act, and the clause of the Act of Parliament itself says that the reasons which justify a Department in asking for such a transfer are to be stated in full to Parliament when Parliament is asked to ratify the action of the Treasury sanctioning the excesses. There is an instance in which I think Parliament has shown that it appreciates the value of that correspondence between the Treasury and a Department in order that they should make good the case for which the Department pleads.

2611. Apart from the benefits which you have described as resulting from Treasury control of this sort in keeping down expenditure, do you not think that the mere fact that a Department has to put its whole case before the Treasury, exercises very wholesome influence in preventing it from putting forward many extravagant proposals?—It has a most undoubted influence; that is one of the most salutary effects of the central control, in my opinion.

2612. Can you yourself suggest any method by which that control of the Treasury might be made even more complete than it is?—No. Various suggestions were made at different times when I was at the Treasury. At one time a discussion took place as to whether it would not be desirable that Treasury officers in the different Divisions should not be selected out of the great Departments, so that they should bring knowledge from those Departments in the particular line. Personally I was always very greatly opposed to any idea of that kind.

2613. Would you tell me why?—Because I do not consider it is a desirable thing to bring a man with partial knowledge only, such as these men would have, their knowledge ceasing at the time of the transfer; to bring, as it were, expert criticism into the Treasury. It is for the spending Department to supply the expert knowledge. The Treasury knowledge is only that of the Central Department, with a considerable experience, requiring such an explanation from the Department concerned as is sufficient to satisfy them, and therefore, such as would satisfy public opinion.

2614. I should like to get your opinion quite clearly on one suggestion which was made by Sir John Gorst; I am not sure that you have not already stated it: Would you think it desirable that some Minute should be executed by which the Treasury should have power to periodically revise the staffs of the different Departments? I believe it has power, has it not, now?—Yes.

2615. But it would, perhaps, feel a little delicacy on its part to exercise it?—There was a recommendation as to that by the Ridley Commission, the great Commission into the Civil Service, which Lord Randolph Churchill appointed. Undoubtedly it had the power, limited, as you say, by this, that it would be difficult for the Treasury to go to a Department and say, "I think it is time to revise your Department," but if a Department comes and asks for an increase, there is no difficulty whatever.

2616. Unless a Department comes to the Treasury and asks for an increase, the Treasury would be put in a very delicate position if it were to go to a Department and say, "We think you are over-staffed, and a good many of your well-paid officers are not quite earning their salaries"?—Yes; no doubt the honourable Member has present to his mind that the functions of the Treasury are very delicate in this matter, and if the Treasury are sensible they try to work along with the Departments, rather than in antagonism to them.

2617. Quite so?—It is for that reason, I think, it is not desirable that the Treasury should, as it were, *proprio motu*, start a thing of that kind. It would be a different matter if it were laid down that at a certain time there should be a periodic revision.

2618. If it had been laid down in a Minute, perhaps, as the result of this Committee, or some

Mr. *Hayes Fisher*—continued.

some other Committee considering National Expenditure, that it should be one of the regular duties of the Treasury to revise the staff and organisation of each different Department in turn periodically, would not that very much strengthen the hands of the Treasury?—Yes.

2619. And obviate the difficulty which you have alluded to?—Yes. I should like to say this, but Sir Francis Mowatt is much more qualified to say than I am, because I imagine the business of the Treasury has increased very considerably since I left it, you have to consider what the physical powers of the Treasury are to detach officers for such a revision as that. That is a matter that would have to be considered if the idea of such a periodical revision obtained force.

2620. An honourable Member has pointed out that in the Memorandum which you have been kind enough to hand in, you have expressed an opinion in favour of the appointment of the Comptroller and Auditor-General by the First Lord and the Speaker combined?—Yes.

2621. Have you thought at all what would happen in case the First Lord and the Speaker were to differ?—There is an excellent precedent in point for that. The Auditor of the India Office is appointed either by the Secretary of State with the concurrence of the Chancellor of the Exchequer, or by the Chancellor of the Exchequer with the concurrence of the Secretary of State, I forget which way it runs, and I think you will find that it has been decided that the Secretary of State has the deciding voice in case of difference between the two. A difference did occur in one case.

2622. You think any possible difficulty of that sort might be got over by making one of the two supreme in case of difference?—I think it is a forced construction of the Act of Parliament which makes the Secretary of State supreme, if I am right in my recollection. The case that occurred was a difference between Mr. Lowe and the Duke of Argyll, and it was decided that the Duke of Argyll was to prevail.

2623. While you have expressed an opinion

Mr. *Hayes Fisher*—continued.

in favour of the Speaker being joined with the First Lord of the Treasury in making the appointment of the Comptroller and Auditor-General, yet you have no ground in the past for suggesting that the Comptroller and Auditor-General has not always been entirely independent of any control or influence by the First Lord of the Treasury after he has been appointed?—Absolutely none. Of course there is one thing to be said for which there is no remedy whatever; I see it is alluded to in the papers before this Committee. There is nothing whatever that I know of that the First Lord of the Treasury, or any political officer, can offer to the Comptroller and Auditor-General; he stands in a higher position in one respect than any Civil Servant, being only removable by an Address of the two Houses; and his allowances are on the footing of an Under-Secretary of State; but it has been said that there is the prospect of distinction. Well, as to that, nothing can sweep that away; you cannot say that the Crown shall not give him some other distinction.

2624. But he would still be looking to the First Lord for that prospect of distinction, even if he were appointed by the Speaker?—Quite so; that is a thing you cannot possibly remove. It seems to me rather an absurd suggestion to put forward. But apart from that, the Comptroller and Auditor-General is absolutely independent of the Treasury, and over and over again he has, I will not say thwarted, but he has restrained, and reported against the Treasury without the slightest compunction for them. As for the idea of there being consultation, I know, during all the time I was at the Treasury, I was on excellent terms with the Comptroller and Auditor-General. his assistance was very great; we were entirely agreed on matters in which he did not interfere, matters of administration; that is to say, we did not go to him for advice, because he judged us; but all I can say is that I always found in a good cause he was the best support to the Treasury that there was, but if the Treasury chose to go outside their functions in any way, they were pulled up by him just like anybody else.

APPENDIX.

LIST OF APPENDIX.

APPENDIX.

*APPENDIX, No. 1.

PAPER handed in by Mr. *Blain*. (*See* Question 5.)

ANNUAL ESTIMATES.

THE Estimates for Civil Services and for the Revenue Departments are prepared under the direction of the Treasury, and are signed and laid before Parliament by the Financial Secretary to the Treasury. The Army and Navy Estimates are prepared under direction of the Secretary of State for War and the Board of Admiralty, whose signatures they bear. These Estimates are submitted to the Treasury for sanction before presentation, but they are laid before Parliament by the Ministers of the War Office and Admiralty respectively.

Preparation of Civil Service Estimates.

On the 1st October in each year a circular letter is addressed by the Treasury to the Accounting Officers for Civil Services and Revenue Departments, desiring them to forward to the Treasury their Estimates for the services administered by their Departments for the year commencing on the following 1st of April. This letter requests that Estimates which involve no special delay in their preparation may be furnished by the 1st of December. But there are many Estimates which cannot be finally framed so long before the opening of the financial year. Accordingly a later date is named as that before which every Estimate should be sent in. This is usually an early day in January, but it varies from year to year according to the period at which Parliament is expected to assemble. The bulk of the Estimates reach the Treasury between the 1st of December and the date so fixed.

To enable the Estimates to be issued promptly, the Treasury desire that all questions upon which the details depend should be settled before the time appointed for the Estimates to be sent in by the Departments. In the October circular the accounting officers are so advised. But this requirement cannot in all cases be fulfilled. Every year a number of Estimates fail to reach the Treasury by the appointed date, or else arrive in a provisional shape, because proposals which will affect future expenditure are under Departmental inquiry, or because reports are awaited from some distant part of the world, or it may be because measures already submitted to the Treasury for sanction have been questioned and are still under discussion. Several weeks are always required before every item can be settled and the complete Estimates published. Even up to the latest stage of the printer's work, pressing demands for alteration are liable to arise. The Treasury, while discouraging these belated applications, does its best to comply with them when a strong case is made out. The calls upon many Departments are continuously varying without regard to the limits of the financial year. If urgent need arises for some expenditure for which express provision has not been made, it can only be met either by adding a margin for such contingencies to the Estimate in the first instance, and considerations of economy require that this course should not be adopted beyond a limited extent, or by reducing expenditure on other items, or in the last resort by presenting a Supplementary Estimate.

The Treasury Circular impresses upon Accounting Officers the duty of seeing that, while every necessary expense is provided for in the Estimate, the provision is restricted to such services and sums as are imperatively required. Especially they are cautioned against regarding one year's Estimate as the starting point for the next, and against assuming that, merely because the amount estimated for a duly authorised service does not exceed the previous year's provision, no further defence or explanation of the Estimate is needed.

Along with the Estimate Circular the Treasury sends to the Departments blank forms of Estimate for the insertion of the necessary particulars. These forms are reproductions of the previous year's Estimate, containing the figures of that Estimate, with blank spaces for the figures of the coming year. The usual form of a Salary Sub-head of an Estimate comprises the following columns :—

Numbers.		Establishment.	Scale of Salary.			Provision required.	
1901-2.	1902-3.		Minimum.	Annual Increment.	Maximum.	1902-3.	1901-2.
Col. 1.	Col. 2.	Col. 3.	Col. 4.	Col. 5.	Col. 6.	Col. 7.	Col. 8.
			£.	£.	£.	£.	£.

The blank forms sent out for preparation of the Estimates for 1902-3 had already printed in Columns 1, 3, 4, 5, 6, and 8, the figures and details of the Estimates as voted for the year 1901-2. Columns 2 and 7 were left blank for the Department to insert the numbers of staff and amounts of money proposed for 1902-3. Where no Supplementary Estimate had been taken for the particular service in the Session of 1901, the 1901-2 figures were those of the original Estimate for that year. But in the case of Votes for which Supplementary Estimates had been taken in the Summer of 1901, and included in the Appropriation Act of that Session, the figures inserted for 1901-2 in the blank forms were revised figures, including the Supplementary sums so voted. This is in accordance with the practice to which the Financial Secretary to the Treasury draws notice each year in his Memorandum prefixed to the Estimate, whereby comparison is made throughout the Estimates between the sums proposed for the following year, and the sums granted by Parliament for the corresponding services in the preceding Session. It would not be possible to make the comparison with the total sums granted up to the close of the financial year, because the final Supplementary Votes of one financial year are not generally taken until after the Estimates for the following year have been closed.

The Treasury sends also to the Departments forms of explanation to be used for explaining any change proposed in the amount of each individual Sub-head of the Estimate, and also for enabling comparison to be readily made, not only with the previous year's Estimate for that Sub-head, but also with the actual expenditure therefrom in preceding years. The form used is as follows :—

Sub-head.	Explanation of Increase or Decrease in the Estimates for 1902-3.
A.—Salaries :—	
Estimate, 1902-3 - - - -	
„ 1901-2 - - - -	
Expenditure, 1901-2 (six months to 30th September 1901) - - -	
Expenditure, 1900-1 - - -	
„ 1899-1900 - -	
„ 1898-99 - - -	

The Department transmits its Estimate to the Treasury accompanied by the explanation forms, and also by a covering letter which usually deals with any broad questions arising upon the Estimate to which the particular explanations do not apply, and also draws attention to any items for which special Treasury sanction is required and has not already been given.

The work of preparation of the Estimate within the Department itself varies in its character according to the scope of the Department and of its Vote. In the case of small departments, where the whole establishment is congregated under one roof, the accounting officer, assisted by the officer in charge of the accounts, has usually all the materials at hand. The establishment books of the department show the salary of every officer and the date at which his next increment accrues, and records are kept of any decisions involving changes of the establishment. It is thus possible to calculate with exactitude the amount which will be required for personal remuneration, subject of course to any changes which may arise through death or other unexpected causes. For the other sub-heads of the Vote, comprising the charges incidental to the work of the Department, the accounting officer is guided by past expenditure, as well as by his knowledge of any changes which have been effected or may be impending in the Department's business, and any doubtful points are settled in consultation with the officers whose work they specially concern.

In the large Departments many of the Sub-heads of the Vote can be estimated in the same way by the accounting officer from his general knowledge and experience. But where there are large branches of the Department carrying on their work away from its headquarters, it may be necessary to obtain subsidiary estimates from the heads of those branches of their portion of the expenditure. In the Inland Revenue Department, for instance, reference is made to the Controller of Stamps and Stores, the Chief Inspector of Taxes, the Government Chemist, and the local Collectors, before fixing the provision for the Sub-heads with which they are concerned. When the necessary particulars have been obtained, they are collated by the accounting officer and the Estimate as a whole is reviewed by him under the direction of the head of the department; and the demands of individual branches may have to be reduced before the Estimate is forwarded to the Treasury, either on their own merits, or on a consideration of the total of the Estimate and the comparative strength of other claims. As an instance in which a special method of calculation is required may be mentioned the large grants for Elementary Education in the Estimates for the Board of Education and for the Scotch Education Department. The provision for these grants is computed, as explained at the end the two Estimates, by calculating the probable increase in the number of scholars in average attendance, and the probable change in the average rate of grant. The grants in aid of the revenues of Protectorates and of certain Colonies included in Class V. are based usually upon local estimates of income and expenditure, which are transmitted to the Foreign and Colonial Offices, reviewed, and if necessary, amended by the Secretaries of State, and then forwarded to the Treasury, whose decision thereon determines the amount to be proposed to Parliament as a Grant in Aid.

Treasury examination of Estimates.

When the Estimates for Civil Services and Revenue Departments reach the Treasury, they are examined by the Estimate Clerk, assisted by one of the junior clerks. The first business of the junior is to go through all the figures of the Estimate, noting in the margin the increase or decrease on every item which shows a difference from the previous year, either as regards number of staff or amount of provision. Any alteration which the Department proposes to make in the body of its Estimate, in the particulars represented by Columns 3 to 6 of the form already described, is at once apparent because the existing state of things is represented by the printed matter of the form. All variations of this kind, as well as all changes in the amount of the monetary provision which are not the automatic result of the operation of progressive scales of pay, are then compared with the record of Treasury sanctions relating to the Estimate which have been given since the previous year's Estimate was framed. For the purpose of this record, the several divisions of the Treasury have from time to time referred to the Estimate Clerk any decisions of the Board of Treasury which would entail alterations in any estimate. Every change which the estimate shows should be either covered by a sanction thus recorded or be otherwise satisfactorily accounted for in the Department's explanations.

The Estimate Clerk examines the estimate as regards any discrepancy on the above points, and also considers the necessity for the monetary provision in the light of past expenditure and of the explanations. Each separate sub-head is regarded, and also the estimate as a whole. It is not sufficient merely to examine the sub-heads piece-meal, for this reason :—the ideal of a scrupulous accounting officer is apt to be to provide on each individual sub-head enough money for its probable requirements with a small margin for contingencies. In an estimate which has a large number of sub-heads the effect of providing for each one thus fully may be to take an excessive amount for the vote as a whole, even though no particular sub-head could be regarded as extravagant. In order to guard against this tendency, the Treasury has to pay regard to the total vote, so as to ensure that proper allowance is made for the compensating effect of surpluses and deficiencies in the various sub-heads. If the Estimate Clerk is in doubt as to the effect proposed to be given to any Treasury sanction, he refers the estimate to the Principal Clerk in charge of the Treasury Division which deals with the Department concerned. That officer is also consulted as to any new proposal referred to in the estimate, and even in the absence of such special reason, he has usually the opportunity to advise upon any important estimate relating to the departments with which he deals.

The estimate then goes before the Financial Secretary, who directs the action to be taken upon any of the points submitted to him by his subordinates. He also considers the estimate in its general bearings, by his knowledge of the affairs of the Department, of Parliamentary opinion upon the services for which the Estimate provides, and of the financial circumstances of the time. He decides whether the Estimate shall be approved as submitted, or what criticisms and suggestions for its amendment shall be offered to the Department. In the latter event, subsequent correspondence may elicit explanations from the Department which will justify the Treasury in passing the Estimate, or alterations may be agreed between the Departments. Should agreement not be reached, it would be open to the Treasury, in the last resort, in the exercise of its responsibility, to present the Estimate to Parliament in the shape approved by the Treasury.

A special procedure is adopted in the case of the Estimates for Works and Public Buildings in Class I. The First Commissioner of Works in Great Britain and the Commissioners of Public Works in Ireland select from the demands which are submitted to them for new works by other Departments those which appear most urgent and frame their Estimate to provide for them, having regard at the same time to the total amounts which are likely to be placed at their disposal for such works. The draft Estimates are then reviewed by the Financial Secretary to the Treasury, and the final decision is taken at interviews between the Financial Secretary and the First Commissioner or the Chairman of the Irish Board of Works, as the case may be. At these interviews all the main items of the works programme for the year are discussed, and the amounts to be provided are settled, not without reference to the total financial requirements of the year, which are by that time more or less accurately known.

Out of 105 Civil Service Estimates presented for 1902–3, the Treasury itself accounts for 15. These Estimates are prepared within the Treasury, but in many cases preliminary Estimates have to be obtained from subordinate Departments. In the case of these Estimates Treasury control is, of course, absolute.

Reductions of Estimates in the House of Commons.

The following Table has been drawn up to show particulars of reductions subsequent to those shown in the Table furnished by the Clerk Assistant of the House of Commons to the Select Committee on Estimates Procedure of 1888. (Appendix No. 5 to House of Commons Paper No. 291, of 1888.)

Year.	Vote.	Amount of Reduction.	Particulars.
1887–8	Civil Service Supplementaries, Grants-in-Aid of certain Colonies.	18,500*l.* Grant for Steamer for New Guinea.	Hansard, 3rd Series, Vol. 322; 1867—1874. Withdrawn as a Supplementary Estimate on objection being taken that the money would not be required in the financial year. Voted next session as an ordinary Estimate.
1888–9	Courts of Law, Scotland, Supplementary.	200*l.*	Hansard, 3rd Series, Vol. 332; 373—378. Item withdrawn by Government after debate on case of Sheriff Ivory. Indemnity for cost of defending civil action. (Voted next session.)
1891–2	Highlands and Islands, Scotland, Supplementary.	3,000*l.*	Hansard, 3rd Series, Vol. 353; 1279. In respect of Scrabster Harbour. Reduction moved, and accepted by Government.
1892–93	Registrar General's Office, Ireland.	3,000*l.*	Hansard, 4th Series, Vol. 5; 991. Reduction proposed by Government, because the Irish Census work had been completed so quickly as to reduce the estimated cost.
1893–94	House of Lords Offices	500*l.*	Hansard, 4th Series, Vol. 17; 177. Reduction of the salary sub-head, on the ground that officers of the House of Lords were overpaid.
1893–94	Privy Council Office	1,000*l.*	Hansard, 4th Series, Vol. 17; 706. Reduction proposed by Government before Vote was put from the Chair. Lord Kimberley, the Lord President, was also Secretary of State for India, and did not draw salary as Lord President. Half the salary representing the half year already elapsed was not voted, the other half was kept in the Vote, in case of change in the holder of the office.
1894–5	Privy Council Office	1,000*l.*	Nothing reported in Hansard, but apparently a similar reason to 1893–94, Lord Rosebery being First Lord of the Treasury and Lord President.
1895–6	Second Vote on Account.	10,000*l.*	Hansard, 4th Series, Vol. 34; 467. Part provision for payment to British East Africa Company on surrender of charter. Withdrawn on objection being taken in the House to inclusion of a new service in the Vote on Account.
1895–6	Houses of Parliament Buildings.	500*l.* in Commitee	Hansard, 4th Series, Vol. 34; 1194—1202. To call attention to number of rooms occupied by officials of the House.
		500*l.* on Report	Hansard, 4th Series, Vol. 34; 1340—1361. Cromwell Statue.
1896–97	Army Vote 14	1,800*l.*	Duke of Cambridge's Pension Several questions having been asked in the House, a revised sheet of the Estimate, omitting the item, was circulated before the Vote was reached.

Growth of Voted Expenditure in the Last Ten Years.

The following Table compares the Expenditure out of the Votes of Parliament in 1892–3, as measured by the issues from the Exchequer to meet such expenditure, with the estimated normal expenditure of 1902–3. It does not include the cost of services charged on the Consolidated Fund, or of the payments made in aid of Local Taxation, which are provided partly out of the Consolidated Fund and partly out of revenues diverted from the Exchequer to the Local Taxation Accounts.

The War charges provided for in the Estimates for 1902–3 are excluded from the comparison.

Supply Services.	1892–3. Exchequer Issues.	1902–3 Estimates.	Increase in Ten Years.
	£.	£.	£.
Army	17,542,000	(a) 29,665,000	12,123,000
Navy	14,302,000	31,255,000	16,953,000
Civil Services	17,780,000	(a) 24,648,000	6,868,000
Customs and Inland Revenue	2,616,000	3,039,000	423,000
Post Office Services	9,829,000	14,752,000	4,923,000
Total Supply Services	62,069,000	103,359,000	41,290,000

(a) Excluding as War charges 40,000,000*l.* provided in Army Estimates and 1,800,000*l.* in Civil Service Estimates (Class V., 3, Grant in Aid of the Transvaal and Orange River Colony); excluding also the special grant of 50,000*l.* to Viscount Kitchener.

Army and Navy Services.

	Increase. £.
Army	12,123,000
Navy	16,953,000
Total Increase	£. 29,076,000

The increases on these Services, whether in the direction of increased numbers or improved pay of the Forces, augmented Stores, Armaments, or Ship-building, are dictated mainly by policy.

Civil Services

	£.
Increase	6,868,000

The great bulk of this increase occurs under the two heads of Educational and Foreign and Colonial Services.

	1892–3.	1902–3.	Increase.
	£.	£.	£.
Education, Science and Art (Class IV. of Estimates)	8,892,000	13,034,000	4,142,000
Foreign and Colonial (Class V. of Estimates)	651,000	2,056,000	1,405,000
		£.	5,547,000

The growth of the Education charge is mainly the result of policy, or of automatic expansion through the increase in the number of children in attendance at elementary schools, and their increased earning power under provisions of the codes. Policy again is mainly responsible for the increase in Foreign and Colonial Services as the following items of increase will show:—

	Increase. £.
Grants in Aid of Colonial Revenues	333,000
Niger Company Purchase	44,000
Protectorates and Uganda Railway	715,000
Pacific Cable	120,000
	£. 1,212,000

accounting for 1,212,000*l.* out of the total increase of 1,405,000*l.* on Class V.

The remainder of the increase on Civil Services arises under Classes I., II., and III., as Classes VI. and VII. are both submitted this year at totals slightly below the actual expenditure of 1892–93.

Class I.—Works and Buildings.

Net Increase - - - - - - - - - - - - £610,000.

The individual Votes which contribute chiefly to this increase are :—

	Increase. £.	
Vote 8.—Public Buildings (Great Britain)	229,000	General expansion.
Vote 12.—Rates on Government Property	279,000	New policy adopted in 1896 of paying full contributions.
Vote 14.—Railways (Ireland)	60,000	Policy of assisting railway development.
	568,000	

Class II.—Salaries and Expenses of Civil Departments.

Net Increase - - - - - - - - - - - - £669,000

Arising chiefly on the Votes for—

	Increase. £.	
Vote 4.—Home Office	65,000	Including increased cost of factory inspection, inebriates reformatories, &c.
Vote 8.—Board of Trade	40,000	Labour Department, Patent Office, Light Railways, &c.
Vote 9.—Mercantile Marine Services	56,000	Made a voted service under Act of 1898.
Vote 16.—Local Government Board	64,000	Large increase of staff for increased business ; audit of local bodies, partly repaid in stamps ; vaccine establishment.
Vote 23.—Stationery and Printing	259,000	General growth of requirements for all departments. Special provision at present for War Office.
Vote 26.—Secret Service	36,000	Policy.
Vote 34.—Department of Agriculture, Ireland	47,000	Development of new department.
	£. 567,000	

Class III.—Law and Justice.

Net Increase - - - - - - - - - - - - £102,000

	Increase. £.	
Vote 4.—Land Registry	32,000	Land Transfer Act, 1897.
Vote 7.—Prisons, England	46,000	New buildings, improvements of diet, &c.
Vote 16.—Irish Land Commission	65,000	Increased numbers of Assistant Commissioners to keep pace with the work.
	143,000	

Customs and Inland Revenue.

The increase of 423,000*l.* in the cost of these services appears moderate in view of the fact that the annual Revenue which they collect has risen from 82 millions to over 140 millions.

Post Office Services.

The same consideration applies in some degree to the increase of 4,923,000*l.* in the cost of Post Office Services. The Post Office Revenue has grown in the period from 12.830,000*l.* to 18,430,000*l.*, or by 5,600,000*l.*, so that the increase in receipt exceeds by 677,000*l.* the increase in the cost of the services.

APPENDIX, No. 2.

PAPER handed in by Mr. *W. Blain*. (*See* Question 140.)

TABLE showing the Amount of Issues for Supply Services at Intervals of Ten Years between 1852 and 1902-3.

SUPPLY SERVICES.	1852.	1862-3.	1872-3.	1882-3.	1892-3.	1902-3 (Estimates).
	£.	£.	£.	£.	£.	£.
Army - - - - - - -	9,510,000	16,265,000	15,413,000	16,602,000	17,542,000	29,665,000
Navy - - - - - - -	6,239,000	11,371,000	9,543,000	10,409,000	14,302,000	31,255,000
Civil Services - - -	4,343,000	8,047,000	10,175,000	17,336,000	17,780,000	24,648,000
Customs and Inland Revenue -	2,083,000	2,478,000	2,594,000	2,870,000	2,616,000	3,039,000
Post Office Services - - -	2,195,000	2,996,000	4,609,000	6,058,000	9 829,000	14,752,000
TOTAL Supply Services £.	24,370,000	31,157,000	42,334,000	53,275,000	62,069,000	103,359,000

Note.—For the years 1862-3, 1872-3, 1882-3, and 1892-3, the figures are those of the Issues from the Exchequer.

In 1852 the expenses of the Post Office, the Revenue Departments, and certain miscellaneous services were defrayed out of revenue intercepted on its way to the Exchequer. The expenditure so defrayed in that year was 4,437,900*l.*, which sum has been added in the above Table to the Exchequer Issues of the year to afford a more true comparison.

For 1902-3 the figures are those of the Estimates presented in the Session of 1902.

Special War Charges are excluded, namely, 370,000*l.* in 1852, 4,409,000*l.* in 1882-3, and 41,850,000*l.* in 1902-3.

Two causes have operated to keep down the total of the Exchequer Issues in the later periods: (1) The system of appropriating departmental receipts in aid of the Votes of Parliament, which has received considerable extension in the last two decades. (2) The substitution of assigned Local Taxation Revenues for the grants formerly voted in aid of Local Taxation, in connection with the Local Government legislation of 1888.

APPENDIX, No. 3.

MEMORANDUM handed in by Mr. *Robert Chalmers*, C.B.

1. The Treasury control over the War Office and Admiralty is exercised in three forms—

(a) Control over Estimates.

(b) Control over the expenditure under Votes.

(c) Control over details.

(a) *Control over Estimates.*

2. This in its initial and larger stage is the control of the Chancellor of the Exchequer, who settles first with the Secretary of State for War and the First Lord of the Admiralty, and subsequently with the Cabinet, what is approximately to be the total sum submitted to Parliament on account of Army and Navy services in any given year. If the proposed total shows any appreciable increase, the Minister will explain to what cause the demand is due, as, *e.g.*, a general scheme of re-organisation in the regular or reserve forces, an increase in the armed strength, an improvement in the soldiers' or sailors' pay, a large proposal for the re-armament of the troops or of forts, the necessity for increased accommodation at particular stations, some general change in clothing, &c., &c. In the case of the Navy, policy turns chiefly on the programme of new construction.

3. A general total having been arrived at between Ministers, the Department proceeds to draw up the Estimates in detail, and to submit each vote separately to the Treasury, with a covering letter, explaining more or less fully, as the circumstances may require, the reasons for any increase or decrease in the various items as compared with the sums taken in the previous year. The Estimate cannot be submitted to Parliament until Treasury sanction has been obtained, though such sanction may be given subject to the results of further consideration with regard to specific items (all of which are scrutinised by the Treasury as carefully as time permits).

4. New charges of any importance are not to be inserted in the Estimates unless they have been previously sanctioned by the Treasury. It is very frequently the case that the Treasury is represented on the Committees with which such new proposals commonly originate; and this Committee work is an important element in forming Treasury knowledge and control.

5. The form of the Estimates is laid down by the Treasury, and no alteration of arrangement or classification can be made without Treasury sanction.

(b) *Control over the Expenditure under Votes.*

6. The moneys voted by Parliament are earmarked to the services for which Parliament has voted them. But the Estimates are prepared in January or February and cover expenditure to be incurred up to the 31st of March in the following year, and within the intervening 13 or 14 months circumstances naturally arise involving a change of financial aspect and even policy. Prices vary, new and urgent demands present themselves. A deficiency in one direction has to be met by a surplus in another. Speaking generally, the War Office and Admiralty have power to transfer money from one item to another in the same subhead of each vote, provided the subhead itself is not exceeded, but transfers between different subheads of the same vote, and still more between vote and vote, require Treasury sanction. In practice the previous sanction of the Treasury for a transfer between two subheads of the same vote is not always sought, unless some change of policy is involved. But application is made towards the close of the financial year for temporary authority to meet any probable deficits on a vote by probable savings on other votes. This temporary power of *virement* is vested in the Treasury by the Appropriation Act, and its exercise is conditioned by Mr. Monk's Resolution of 4th and 5th March 1879:—"35. Public Accounts, Resolved,—That it is desirable that a statement of every case in which the Naval and Military Departments have obtained the sanction of the Commissioners of Her Majesty's Treasury to the application of an actual or anticipated surplus on one Vote to meet a deficiency on another Vote within the financial year, setting forth the representations made to them by the respective Department, be laid upon the Table of the House within three weeks after such sanction shall have been given, if Parliament be then sitting; or if Parliament be not then sitting, within three weeks after the next meeting of Parliament." In the exercise of this temporary power, the aim of the Treasury is to act on behalf of the House of Commons in the manner in which presumably the House would have acted under the altered circumstances.

7. The difference between the amounts estimated and voted, and those actually spent under each subhead of each vote are exhibited and explained in the Annual Appropriation Accounts. These Accounts are submitted to the Treasury after the end of each financial year, and presented to Parliament, after examination by the Audit Office.

(c) *Control over Details.*

8. The issue of pay is regulated by Royal Warrant for the Army and by Order in Council for the Navy, and all allowances are governed by regulations approved by the Treasury. Under the term pay is comprised everything of the nature of salary or wages (except hired labour paid at the market rate), not only of officers and soldiers, but also of persons of every description employed with or in connection with the Army or Navy, except those belonging to the ordinary civil service of the State.

No provision of a Royal Warrant or Order in Council can be changed without the authority of another Royal Warrant or Order in Council, and no Draft Warrant or Order in Council affecting finance can be submitted to the Sovereign until it has been approved by the Treasury. Special cases are, however, dealt with under the provisions of the "Dispensing Warrant" and "Dispensing Order in Council," which enables the War Office and Admiralty—with the approval in each individual case of the Treasury, and a report to Parliament—to go beyond the grants admissible under the Pay Warrant. As regard allowances, which may be defined as issues in kind to individuals or corps or money payments in lieu thereof, the rates or scales of allowance cannot be varied without Treasury approval.

9. When establishments have been fixed and included in Estimates, no addition should be made to the numbers of any rank during the financial year; but if unforeseen circumstances render unforeseen appointments or additions necessary, which will not cause an excess on the amount provided for in each Vote, the same are to be notified to the Treasury with an explanation, even although the additional appointments may not cause an excess on the total of the Vote.

10. All new civil situations, whether included in the Estimates under Establishment, New Works, or otherwise, are to be submitted to the Treasury if they carry with them the rights to pension under the Superannuation Act. Appointments of hired men at market rates, or on scales of pay or wages fixed by regulations approved by the Treasury, do not require Treasury approval unless they will cause an excess on the sum taken in the Estimates.

11. No new work, *i.e.*, fortification or building, of any magnitude provided for in Estimates is to be commenced without the previous sanction of Parliament; but if the work be urgent the Treasury may sanction its commencement, without waiting for the vote of the year.

Works services are classified in Estimates under three parts, viz. :—

Part 1.—For new works, alterations, repairs, and maintenance, estimated at 2,000*l.* and upwards in each case.

Part 2.—For new works and alterations, estimated at less than 2,000*l.*

Part 3.—Ordinary repairs and maintenance, estimated at less than 2,000*l.*

Each service voted under Part 1 is shown as a separate item and treated as such by the Treasury. The Treasury also treat as distinct items the totals of Part 2 and of Part 3 for all home stations and all foreign stations respectively.

Excesses, Part 1—

(1.) In the case of Works, the total cost of which is estimated at less than 6,000*l.*, the approval of the Treasury for an excess is only required if the total estimate is exceeded by more than 10 per cent. or 300*l.*, whichever is greatest.

(2.) In the case of works costing 6,000*l.* or more than 6,000*l.* the approval of the Treasury is required if the total estimate is exceeded by more than 5 per cent. or 1,000*l.*, whichever is greatest.

(3.) The same principle is applied if there is any excess in the provision made for the year for any particular work; but the Treasury has expressed willingness to waive reference to it in such cases, provided the excess is covered by savings in the year on other similar services within the same Command.

Any work of an urgent nature required during the year and not provided for in Army Estimates, the estimated cost of which exceeds 2,000*l.*, requires the previous sanction of the Treasury.

Treasury sanction is also necessary in the following cases :—

(*a*) For the purchase of land or premises, when the estimated value exceeds 1,000*l.* or for War Office sales or exchanges exceeding 5,000*l.* In the case of the Admiralty no property can be alienated without previous Treasury sanction (27-8 Vict., c. 64, s. 15).

(*b*) For services executed jointly with Colonies.

(*c*) For contributions towards cost of works, &c., made to public bodies or private individuals.

(*d*) For the insertion in Estimates of a Works service of magnitude.

12. There are besides special rules requiring Treasury sanction for certain administrative acts; the underlying idea being generally to secure an impartial tribunal in doubtful or exceptional cases. Such are :—

(*a*) The discharge of a loss, deficiency, or overissue of cash or stores of any kind. General Officers Commanding have lately been given powers under this head up to 5*l.* for cash and 20*l.* for stores, provided there is no proof or presumption of theft or fraud. The Secretary of State for War, or the Board of Admiralty, deal with losses of stores (except in cases of theft or fraud) up to 100*l.*, and with cash losses up to 20*l.*

(*b*) The granting of an increased price to a contractor under a formal contract.

(*c*) Compensation to a contractor for loss due to departure from terms of contract.

(*d*) Abandonment of claims for excess cost of stores, &c., purchased against contractors in default; and of fines for delay in execution of contracts, if extra expense to the public has resulted from the delay.

(*e*) Rewards to inventors exceeding 25*l.* in any one case or 50*l.* in the year; and royalties exceeding 15 per cent. on the value of patented articles or otherwise of exceptional amount.

(*f*) Gifts of public property to Colonial Governments, public bodies, or individuals.

APPENDIX, No. 4.

PAPER handed in by Mr. *Blain*. (*See* Question 233.)

RETURN of ACCOUNTING OFFICERS, with the TITLES and AMOUNTS of the VOTES for which they account.

Official position of Accounting Officer.	Titles of Votes accounted for.		Amount of Votes accounted for. (Estimates for 1902–1903, excluding Estimates for War Charges).
			£.
Accountant General of the Army.	*Army:*		
	Pay, &c., of Army	1	
	Medical Establishment pay	2	
	Militia: Pay, Bounty, &c.	3	
	Imperial Yeomanry in Great Britain: Pay, &c.	4	
	Volunteer Corps: Pay, &c.	5	
	Transport and Remounts	6	
	Provisions, Forage, &c., supplies	7	
	Clothing establishments	8	
	Warlike, &c., stores	9	
	Works, Buildings and Repairs, including Engineer Staff	10	29,665,000
	Establishments for Military Education	11	
	Miscellaneous Effective Services	12	
	War Office: Salaries, &c.	13	
	Non-effective charges, officers, &c.	14	
	Non-effective charges, men, &c.	15	
	Superannuation, compensation, &c., allowances	16	
	Ordnance Factories		
Accountant General of the Navy.	*Navy:*		
	Wages, &c., of Officers, Seamen, Boys, &c.	1	
	Victualling and Clothing	2	
	Medical Establishments, &c.	3	
	Martial Law	4	
	Educational Services	5	
	Scientific Services	6	
	Royal Naval Reserves	7	
	Shipbuilding, Repairs, &c.	8	
	Naval Armaments	9	
	Works, Buildings, and Repairs	10	
	Miscellaneous Effective Services	11	31,279,500
	Admiralty Office	12	
	Half-pay, Reserved and Retired pay	13	
	Naval and Marine Pensions, Gratuities, &c.	14	
	Civil Pensions and Gratuities	15	
	Civil Services:	Class and Number.	
	Peterhead Harbour	I. 11	
The Secretary, Office of Works.	Royal Palaces, &c.	I. 1	
	Royal Parks, &c.	I. 2	
	Houses of Parliament Buildings	I. 3	
	Miscellaneous Legal Buildings	I. 4	
	Art and Science Buildings	I 5	
	Diplomatic and Consular Buildings	I. 6	1,208,550
	Revenue Buildings	I. 7	
	Public Buildings, Great Britain	I. 8	
	Office of Works and Public Buildings	II. 25	

RETURN of Accounting Officers, with the Titles and Amounts of the Votes, &c.—*continued.*

Official Position of Accounting Officer.	Titles of Votes accounted for.	Class and Number.	Amount of Votes accounted for. (Estimates for 1902–1903, excluding Estimates for War Charges).
	Civil Services—continued.		£.
Director General, Ordnance Survey Department.	Surveys of the United Kingdom -	I. 9	208,409
Board of Trade, Assistant Secretary, Finance Department.	Harbours under the Board of Trade	I. 10	317,052
	Board of Trade - - - - -	II. 8	
	Mercantile Marine Services - -	II. 9	
	Merchant Seamen's Fund Pensions -	VI. 2	
Treasury, Assistant Secretary.	Rates on Government Property -	I. 12	1,329,784
	Treasury, &c., Departments - -	II. 3	
	Privy Seal Office - - - - -	II. 7A	
	Secret Service - - - - - -	II. 26	
	Miscellaneous Legal Expenses -	III. 2	
	Scientific Investigation, &c. - -	IV. 6	
	Universities and Colleges, Great Britain, &c. - - - - -	IV. 7	
	Telegraph Subsidies and Pacific Cable - - - - - - -	V. 5	
	Cretan Loan - - - - - -	V. 6	
	Miscellaneous Charitable, &c., Allowances - - - - -	VI. 3	
	Temporary Commissions - - -	VII. 1	
	Miscellaneous Expenses - - -	VII. 2	
	Repayments to the Local Loans Fund - - - - - - -	VII. 3	
	Coronation of His Majesty - -	VII. 4	
Board of Public Works, Ireland, the Chairman.	Public Works and Buildings, Ireland - - - - - -	I. 13	384,301
	Railways, Ireland - - - - -	I. 14	
	Public Works Office - - - -	II. 38	
Clerk of the Parliaments	House of Lords Offices - - -	II. 1	7,657
Principal Clerk, Public Bill Office.	House of Commons Offices - -	II. 2	25,044
Home Office, Principal Clerk.	Home Office - - - - - -	II. 4	462,659
	Police, England and Wales - -	III. 6	
	Reformatory and Industrial Schools, Great Britain - - - - -	III. 8	
Foreign Office, Senior Clerk.	Foreign Office - - - - - -	II. 5	1,307,813
	Diplomatic and Consular Services -	V. 1	
	Uganda, Central and East Africa Protectorates, &c. - - - -	V. 2	
Colonial Office, Accountant.	Colonial Office - - - - -	II. 6	641,151
	Colonial Services - - - - -	V. 3	
	Cyprus, Grant in Aid - - -	V. 4	
Privy Council Office, Deputy Clerk of the Council.	Privy Council Office - - - -	II. 7	12,390
The Inspector General in Bankruptcy.	Bankruptcy Department of Board of Trade - - - - - - -	II. 10	10 (net). (Gross Estimate 131,988*l.*)
Board of Agriculture, the Secretary.	Board of Agriculture - - - -	II. 11	95,716
Charity Commission, the Secretary.	Charity Commission - - - -	II. 12	33,442
Civil Service Commission, the Secretary.	Civil Service Commission - - -	II. 13	44,402
Assistant Comptroller and Auditor.	Exchequer and Audit Department -	II. 14	64,605
The Chief Registrar -	Friendly Societies Registry - -	II. 15	7,361
Assistant Secretary -	Local Government Board - -	II. 16	220,323

RETURN of Accounting Officers, with the Titles and Amounts of the Votes, &c.—*continued.*

Official Position of Accounting Officer.	Titles of Votes accounted for.	Class and Number.	Amount of Votes accounted for. (Estimates for 1902–1903, excluding Estimates for War Charges.)
	Civil Services—continued.		£.
The Secretary	Lunacy Commission	II. 17	15,140
The Deputy Master of the Mint.	Mint, including Coinage	II. 18	21 (net) (Gross Estimate, 126,921*l.*)
Comptroller General	National Debt Office	II. 19	13,300
Deputy Keeper of the Records.	Public Record Office	II. 20	24,060
The Secretary	Public Works Loan Commission	II. 21	16 (net) (Gross Estimate, 10,266*l.*)
Registrar General	Registrar General's Office	II. 22	54,524
The Controller, Stationery Office.	Stationery and Printing	II. 23	770,145
The Commissioners	Office of Woods, Forests, &c	II. 24	22,135
The Under-Secretary for Scotland.	Office of Secretary for Scotland	II. 27	35,319
The Chairman	Fishery Board, Scotland	II. 28	18,097
The Secretary	Lunacy Commission, Scotland	II. 29	6,075
Keeper of the Records and Deputy Clerk Register.	Registrar General's Office, Scotland	II. 30	7,530
The Secretary	Local Government Board, Scotland	II. 31	13,945
The Under-Secretary for Ireland.	Lord Lieutenant's Household	II. 32	231,256
	Chief Secretary's Offices, &c.	II. 33	
	Law Charges and Criminal Prosecutions, Ireland.	III. 14	
	Reformatory and Industrial Schools, Ireland.	III. 21	
	Queen's Colleges	IV. 13	
	Hospitals and Charities, Ireland	VI. 4	
Secretary	Department of Agriculture	II. 34	158,245
Secretaries	Charitable Donations and Bequests Office.	II. 35	1,980
The Vice-President	Local Government Board	II. 36	66,031
Deputy Keeper of the Records.	Public Record Office, Ireland	II. 37	5,253
Registrar General	Registrar General's Office	II. 39	21,377
Commissioner of Valuation, &c.	Valuation and Boundary Survey	II. 40	16,436
Solicitor to the Treasury	Law Charges	III. 1	72,131
Assistant Paymaster General (Law Courts).	Supreme Court of Judicature	III. 3	320,929
The Registrar	Land Registry	III. 4	39,202
Superintendent, County Court Department.	County Courts	III. 5	41.000 (net.) (Gross Estimate, 501,665*l.*)
Chairman, Prison Commission.	Prisons, England and the Colonies	III. 7	660,929
Superintendent	Broadmoor Criminal Lunatic Asylum.	III. 9	36,635
King's and Lord Treasurer's Remembrancer.	Law Charges and Courts of Law	III. 10	131,348
	Register House, Edinburgh	III. 11	
	Crofters' Commission	III. 12	
Chairman, Prison Commissioners.	Prisons, Scotland	III. 13	91,131

RETURN of Accounting Officers, with the Titles and Amounts of the Votes, &c.—*continued.*

Official Position of Accounting Officer.	Titles of Votes accounted for.	Class and Number.	Amount of Votes accounted for. (Estimates for 1902-1903, excluding Estimates for War Charges.)
	Civil Services—continued.		£.
Accountant General of Supreme Court.	Supreme Court of Judicature and other Legal Departments.	III. 15	104,000
Secretary - - -	Irish Land Commission - - -	III. 16	133,153
Treasury Remembrancer	County Court Officers, &c. - -	III. 17	110,858
Chief Commissioner -	Dublin Metropolitan Police - -	III. 18	94,417
Inspector General - -	Royal Irish Constabulary - -	III. 19	1,369,185
Chairman, Prisons' Board	Prisons - - - - -	III. 20	113,641
The Governor - -	Dundrum Criminal Lunatic Asylum	III. 22	6,533
The Secretary - -	Board of Education - - -	IV. 1	9,921,862
Director and Principal Librarian.	British Museum - - - -	IV. 2	166,580
Keeper and Secretary -	National Gallery - -	IV. 3	17,000
Director, Keeper, and Secretary.	National Portrait Gallery - -	IV. 4	5,541
Keeper - - - - -	Wallace Collection - - - -	IV. 5	7,816
The Secretary, Scotch Education Department.	Public Education, Scotland - -	IV. 8	1,407,712
Secretary - - -	National Gallery, Scotland - -	IV. 9	3,400
Resident Commissioner of National Education.	Public Education, Ireland - -	IV. 10	1,305,748
Secretary - - -	Endowed Schools Commissioners -	IV. 11	925
Director - - - -	National Gallery, Ireland - -	IV. 12	2,965
Assistant Paymaster General (Whitehall).	Superannuation, &c., Allowances -	VI. 1	607,950
	Revenue Departments:		
Accountant and Comptroller General, Customs Department.	Customs - - - - - - - -		892,500
Accountant and Comptroller General, Inland Revenue Department.	Inland Revenue - - - - - -		2,146,770
Comptroller and Accountant General, Post Office.	Post Office - - - - - - - Post Office Packet Service - - - - Post Office Telegraph Service - - -		14,751,980

APPENDIX, No. 5.

PAPER handed in by Mr. *Blain*. (*See* Question 741.)

STATEMENT showing the amounts Voted on Supplementary Estimates for Supply Services in each year since 1882-3 (excluding special Estimates for War Charges).

Year.	Army Services.	Navy Services.	Civil Service and Revenue Departments.		Total Amount of Supplementary Estimates.	Special Estimates for War Charges, excluded.
	Amount of Supplementary Estimates.	Amount of Supplementary Estimates.	Number of Supplementary Estimates.	Amount of Supplementary Estimates.		
	£.	£.		£.	£.	£.
1882-3	—	—	65	1,437,877	1,437,877	2,300,000 Vote of Credit, Forces in the Mediterranean. 1,595,500 Egyptian Expedition.
1883-4	370,900	—	61	1,021,617	1,392,517	1,000,000 Afghan War, Grant in Aid. 147,200 Egyptian Expedition.
1884-5	562,500	90,200	47	655,697	1,308,397	725,000 Bechuanaland Expedition. 2,588,000 Nile and Soudan Expeditions. 250,000 Afghan War, Grant in Aid.
1885-6	100 (nominal.)	308,400	44	364,692	673,192	11,000,000 Vote of Credit, Naval and Military Operations. 250,000 Afghan War, Grant in Aid.
1886-7	459,000	277,000	32	551,653	1,287,653	
1887-8	—	—	28	529,965	529,965	
1888-9	—	45,000	38	356,117	401,117	
1889-90	71,700	350,000	29	386,041	807,741	
1890-1	180,100	350,000	31	894,843	1,424,943	
1891-2	—	—	30	1,704,554	1,704,554	
1892-3	15,000	—	36	1,066,560	1,081,560	
1893-4	195,000	—	16	397,227	592,227	
1894-5	—	200,000	29	455,189	655,189	
1895-6	671,300	1,100,000	33	746,789	2,518,089	
1896-7	400,300	507,000	32	567,247	1,474,547	798,802 Egyptian Government, Grant in Aid (Dongola Expedition).
1897-8	1,490,000	500,000	33	1,978,039	3,968,039	
1898-9	885,000	350,000	29	751,132	1,986,132	
1899-1900	47,000	—	27	668,336	715,336	23,000,000 War in South Africa.
1900-01	100 (nominal.)	2,519,300	33	1,315,886	3,835,286	30,500,000 Wars in South Africa and China.
1901-02	—	200,000	17	831,151	1,031,151	5,000,000 War in South Africa. 6,500,000 Grant in Aid of Transvaal and Orange River Colony.
1902-03	—	—	9	501,076	501,076	

APPENDIX, No. 6.

PAPER handed in by Mr. *W. Blain.*

APPOINTMENT and FUNCTIONS of ACCOUNTING OFFICERS for SUPPLY SERVICES.

Section 22 of the Exchequer and Audit Departments Act, 1866, provides that the Treasury may assign to any public officer in the Department charged with the expenditure of any Vote the duty of preparing the Appropriation Account of such Vote.

EXTRACT from Treasury Minute, dated 14th August 1872, on the Second Report of the Committee of Public Accounts, 1872.

II. The Committee observe that it would be desirable that [the appointment of officers to sign and render Appropriation Accounts should be accompanied by some formal notice or warning as to the extent of the responsibility thereby conveyed, and as to the additional duty imposed, and they call attention to an apparent ambiguity in the use of the term "Accountant" in the Treasury Circular of 5th April 1872 (quoted by the Committee as a Minute of 7th May 1872).

This term is no doubt commonly held to describe persons performing duties of a technical character in connection with book-keeping and accounts, and possessing qualifications of a special kind; and my Lords admit that some other title is needed to distinguish public officers whose high and responsible position in their respective departments is the principal reason of their appointment to render Appropriation Accounts.

My Lords consider, therefore, that some term should be employed which shall clearly denote the relation in which such last-mentioned officers stand towards Parliament as responsible for the financial administration of the grant for services under the control of their departments, while it should at the same time avoid ascribing to them a character which properly belongs only to persons possessing a technical knowledge of book-keeping and accounts.

It appears to my Lords that the designation of "Accounting Officer" will sufficiently meet both of these requirements, and they are accordingly pleased to direct that the persons charged by them with the duty of rendering Appropriation Accounts on behalf of their respective departments shall be thus entitled, and that such designation shall be appended by them to their signature at the foot of the Appropriation Accounts. Sub-accountants will, as a matter of consequence, be styled "Sub-accounting Officers."

In order further to satisfy the requirements of the Committee, and to remove any possibility of misapprehension, my Lords think it desirable that the term "Accountant" should no longer be applied to the officers entrusted in each Department with the technical business of its accounts. They propose, therefore, to alter their designation to that of "Clerk in Charge of the Accounts."

With regard to the extent of the responsibility of the duty imposed upon "Accounting Officers," my Lords refer to the above-mentioned Circular letter addressed by their directions to the various departments of the Civil Service on 5th April last (4683), containing instructions to officers accounting for Parliamentary grants.

Those instructions related—

(1.) To the manner in which imprests should be made to Sub-accountants;

(2.) To the amount of the balances which ought to be kept in hand; and,

(3.) To the payment of extra receipts to the Exchequer.

My Lords will re-issue with this Minute so much of the Circular in question as is of a permanent nature, with corrections in order to remove the doubt raised upon it by the Committee of Public Accounts.

They are glad to observe and to express their sense of the readiness with which the officers rendering Appropriation Accounts on behalf of their respective departments have generally undertaken that duty, and the satisfactory manner in which (as the Committee remark in the 12th paragraph of their report) they have generally complied with the requirements of the Exchequer and Audit Department under the Act.

My Lords take advantage of this opportunity to repeat, for the information of the various Departments of the Civil Service, the observations contained in the letter addressed by their directions to the Vice-President of the Committee of Council on Education on the 14th June last, which were as follows:—

"The Exchequer and Audit Act (Section 22) directs that the Department charged with expenditure of a Vote shall prepare the Appropriation Account of such Vote.

"For that purpose, as my Lords read the proviso contained in the section, the Department is represented by an officer named by this Board. He signs the Appropriation Account, and thereby makes himself responsible for its correctness. This officer is the person whom Parliament and the Treasury regard as primarily responsible for the balance in the custody of the Department, although he himself may not hold one farthing of it. In respect of him, every person having charge of any portion of the money issued to, or received on behalf of, the Department, is simply in the position of a sub-accounting officer.

"It cannot be too distinctly announced that responsibility for the proper conduct of financial business cannot be delegated to the subordinate officers who may be placed in charge of the Departmental Accounts. The signature appended to the Appropriation Account would be otherwise an idle form, calculated only to mislead Parliament.

"My Lords have already pointed out, in their Circular of 5th April last, that technical knowledge of accounts is not necessary to enable the Representative of the Department, as above described, to discharge himself of the responsibility which his signature implies.

"But in order to secure efficient financial administration throughout the Service, it is above all things desirable that there should be hearty co-operation between the Departments and this Board. My Lords therefore trust that the representative officer in question will communicate freely with the Public Accounts' Commissioners" (or, as it will be henceforth, with the Treasury Officers of Accounts), "who have instructions to render on behalf of their Lordships, all assistance in their power."

My Lords expect that Accounting Officers will take precautions to secure the recovery and bringing to account at proper times of all extra or other receipts connected with the votes under their control.

They wish it to be understood that it is incumbent upon such Officers, before making or allowing payments, to satisfy themselves, by means of statements duly certified by the officers entrusted with the detailed duties of the account, as to the correctness and propriety of the transaction. Forms of the statement for this purpose will be prepared and furnished to them hereafter.

If they can show that they have not acted except on such statements, that they have not failed in a due exercise of their own common sense and administrative experience, and that in any case of serious doubt or difficulty they have consulted the officers deputed by this Board for the purpose, they will be considered to have discharged themselves of their responsibility.

III. My Lords now turn to the consideration of the third question raised by the Committee, viz., "the principle upon which the appointment of officers to render appropriation accounts (or as my Lords propose henceforth to call them, 'Accounting Officers') should proceed."

The Committee advert to the apparent want of system which has hitherto prevailed, and they recommend that the whole of these appointments should be reconsidered and placed upon an uniform footing in future.

My Lords admit that, hitherto, no uniform system has been prescribed, but this, as it appears to them, was inevitable.

The Exchequer and Audit Act provided for the reorganisation in the broadest sense of the financial administration of the Civil Departments. Its effect has been to introduce an obedience to regulation and a responsibility such as were not previously known.

The first step which the Treasury had to take in order to insure the attainment of that result was the revision of the book-keeping of the various departments, and the preparation, in accordance with the 23rd Section of the Act, of a plan of account books and accounts adapted to the requirements of each service.

The attention of this Board was accordingly concentrated upon this step as an indispensable measure, and the result has been the establishment of a system of accounts which the Committee of Public Accounts has, on more than one occasion, pronounced satisfactory. My Lords are far from thinking that no imperfections remain to be remedied: there will be time for this supplementary work now that the Departments have overcome the chief of the difficulties which invariably arise when numerous and independent departments are required to learn new duties, to undertake greater responsibilities, and to submit to more stringent control.

It will be remembered that the Exchequer and Audit Act, which became law on 2nd June 1866, was intended to come into operation on the 1st April 1867. The amount of labour, however, connected with the entire remodelling of the Estimates and Accounts of the Civil Service, and to some extent of the Military and Naval Services, and the arrangements necessary to reduce them into working order, proved so great that it was quite impossible to bring the Act into full operation at the prescribed date. It was, indeed, only on the 1st April, 1868, that every branch of the Imperial Service became actually subject to its provisions, and for a long time subsequent to that date the Public Accounts' Commissioners were continuously employed in working out the balances which would form the basis of the Audit ordered to commence as from the date above mentioned.

My Lords could not ascertain all the conditions which were essential to the complete development of the Act until these preliminary labours had been completed, and the new system had undergone fair trial.

They did not think it necessary to insist at once upon exercising, in all cases, the power conferred upon them by the 22nd Clause of the Exchequer and Audit Act, and in order to facilitate the working of the Act, they left it, generally, to the Department to make arrangements for the rendering of the Appropriation Account without any special directions with regard to the person who should be appointed to sign the same. In some cases, indeed, when considerable additional labour and consequent alteration of duties were necessary, they designated a particular officer whom they judged to be *primâ facie* best qualified by the nature of his duties, and the responsibility of his official position, to discharge the functions of rendering the account.

It was not, however, intended that the arrangements then made, or allowed, by my Lords, should be of more than a provisional character, and my Lords foresaw that it would be necessary and practicable before long to revise them with the view of adopting a more uniform and permanent system.

Four years have now elapsed since the Act came into operation, the accounts of the various departments are kept in a satisfactory manner, and my Lords are of opinion that sufficient experience has been gained to enable them to state the conditions which are henceforward to determine the selection of officers for the duty in question, and that the recommendation of the Committee may therefore be carried into effect without delay.

In some instances the accounts have hitherto been rendered by the Parliamentary Chiefs of Departments, but my Lords do not consider that the continuance of that practice would be expedient. The temporary character of their tenure of office, and the burden of their parliamentary, in addition to their strictly executive, duties, unfit them, in the opinion of my Lords, for a real and satisfactory performance of the duties connected with the rendering of the Appropriation Accounts.

In stating this view, my Lords do not mean to express an opinion upon the question whether constitutional usage requires in this instance the signature of a Minister. Their view is that such a signature should not stand alone, or in conjunction only with that of a mere subordinate.

It cannot be doubted that the officer entrusted with the duty should occupy a sufficient standing to enable him not only to exercise a direct supervision and control over the persons executing the detailed business of account and book-keeping, but also to influence the working of his department in all those respects which affect the methods of its receipts or expenditure. He must also be qualified to represent his department before the Parliamentary Committee of Public Accounts.

These conditions are satisfied in the Permanent Chiefs of the various departments. They are responsible for the general conduct and for the discipline of their departments. They have the best means of acquiring a personal knowledge of the staff placed under their orders, and their functions would be logically incomplete if they were not held responsible for the due discharge of financial as of other business transacted in their departments.

My Lords are therefore prepared to lay down the rule that, in the exercise of the powers conferred upon them by the Exchequer and Audit Act, they will nominate, whenever it is practicable, the Permanent Heads of Departments to render the Appropriation Accounts of grants for the services under their control.

As, however, there may be reasons for making, in some instances, exceptions to this rule, my Lords will not issue final directions until an opportunity has been afforded to the Departments to express an opinion upon the proposal, and they will be prepared to give their careful consideration to any representation which may be made to them.

They trust at the same time that it may be borne in mind that a permanent arrangement is now to be made, and that such an arrangement must secure a reasonable but sufficient responsibility on the part of Heads of Departments for financial administration.

As any arrangement which it may be necessary to make should come into operation at the commencement of the financial year 1873-74 (viz., 1st April 1873), my Lords request that the views of the Departments on the subject dealt with in the third part of this Minute, namely, the nomination of "Accounting Officers," may be made known to this Board not later than 1st December next.

Let a copy of the 50th paragraph of the Second Report of the Public Accounts Committee of last session, with copy of the Circular of 5th April last, corrected to meet the requirements of the Committee, and copy of this Minute be transmitted to the various departments of the Civil Service.

Call attention at the same time to the concluding paragraph of the Minute, and express the hope that any observations upon the point to which that paragraph alludes may be furnished to my Lords by the date therein mentioned.

Add that, as soon as the Accounting Officers are finally named for each department, instructions will be forwarded to them.*

COPY of an EXTRACT from the TREASURY MINUTE, nominating Accounting Officers for Civil Services and Revenue Departments, dated 20th December 1873.

MY Lords have before them the replies which have been received from the various Departments of the Civil Service to the letter from this Board of 12th October, 1872, transmitting copy of the Treasury Minute of 14th August, 1872, relating to Appropriation Accounts, and inviting an expression of opinion upon the proposal of my Lords to nominate, whenever practicable, the permanent heads of departments to render the accounts of grants for services under their control.

The views of my Lords, as contained in the above-mentioned Minute, were that such officers were the persons best fitted to undertake the duty in question, from their high position, their knowledge of the details of the business of their respective departments, and their continuity of tenure of office, as contrasted with that of the Parliamentary Chiefs, which is liable to frequent change.

My Lords are, however, aware that in some cases, as, for instance, in the offices of Secretaries of State, and in departments presided over by Boards, the appointment of the chief permanent officers would not be calculated to insure that real responsibility for financial administration combined with the utmost official convenience, which it is their desire to attain in the arrangements which are now to be made.

The desired result will be attained, as my Lords believe, in the limited number of cases to which the foregoing remarks apply, by the appointment of the salaried person holding the next highest position to the permanent head, with the exception only of those departments in which officers of high standing, and performing duties of a strictly financial character, are included.

In the nomination of "Accounting Officers," as hereinafter mentioned, my Lords wish it to be clearly understood that while their selection is guided, as before stated, by the object of combining real responsibility with administrative convenience, they on no account intend to relieve the permanent heads of those departments in which they may not be appointed to undertake the duties in question from their liability for the proper conduct of the financial, as of all other business, under their control.

My Lords now proceed to specify the persons whom they are pleased to nominate as "Accounting Officers" for the respective grants of Parliament, in the order in which the various grants are enumerated in the Statement of Accounting Departments and services prefixed to the Estimates for Civil Service (1873–4, page 8), accompanying the nomination by such observations as appear to be called for by special circumstances connected with the department affected.

* * * * * * * *

EXTRACT from CIRCULAR LETTER addressed by the TREASURY to Accounting Officers in October 1883.

QUESTIONS have at times been addressed to the Treasury showing that Heads of Departments and Accounting Officers do not always know the liability to which they subject themselves if they order expenditure contrary to Act of Parliament, Order in Council, or other regulation of superior authority. An incident which occurred lately illustrates the nature and extent of the responsibility thus incurred, and the Lords Commissioners o Her Majesty's Treasury think it advisable to state the case for the information of the officers in question.

* * * * * * * *

Accounting Officers will understand that if they are desired by their superior officers to order a payment which, under Act of Parliament, Order in Council, Queen's Warrant, Treasury Minute, or otherwise, they believe to be wrong, they must represent their objection, and the reason for it, to such superior officer in writing. If the order is then repeated in writing, they may obey without further responsibility; but if the officer directing the payment is not the supreme chief of the Department, they should ask to obtain the authority in writing of such chief before obeying. The responsibility is then transferred to the directing officer, who will be held personally liable.

The Public Accounts Committee in 1883 took the draft of this circular letter into consideration, and they reported on it as follows:—

"Your Committee desire further to express their entire concurrence in the circular and instructions sent out by the Treasury to the Departments respecting the pecuniary responsibility which is incurred by heads of departments and accounting officers in ordering expenditure not permitted by superior authority. The action of the Treasury in enforcing such liability will, your Committee feel assured, be supported by the Public Accounts Committee."

The Reports of the Public Accounts Committee, as quoted, show that the action of the Treasury in enforcing personal liability will be supported by the Committee, and my Lords are anxious that there should be no misunderstanding on this point throughout the Service.

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* Instructions as to manner of keeping Accounts of Departments were embodied in Order in Council of 16th January 1873.

APPENDIX, No. 7.

PAPER handed in by Mr. *W. Blain.*

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COMPTROLLER AND AUDITOR GENERAL.

THE powers and duties of the Comptroller and Auditor General, so far as they relate to the Appropriation Accounts of Supply Services, are prescribed by Sections 22-32 of the Exchequer and Audit Departments Act, 1866 (29 & 30 Vict., c. 39) as follows:

APPROPRIATION ACCOUNTS.

22. On or before the days specified in the respective columns of Schedule A. annexed to this Act, accounts of the appropriation of the several supply grants comprised in the Appropriation Act of each year shall be prepared by the several departments, and be transmitted for examination to the Comptroller and Auditor General and to the Treasury, and when certified and reported upon as herein-after directed they shall be laid before the House of Commons; and such accounts shall be called the "Appropriation Accounts" of the moneys expended for the services to which they may respectively relate; and the Treasury shall determine by what departments such accounts shall be prepared and rendered to the Comptroller and Auditor General, and the Comptroller and Auditor General shall certify and report upon such accounts as herein-after directed; and the reports thereon shall be signed by the Comptroller and Auditor General: Provided always, and it is the intention of this Act that the Treasury shall direct that the department charged with the expenditure of any vote under the authority of the Treasury shall prepare the appropriation account thereof: Provided also, that the term "department," when used in this Act in connection with the duty of preparing the said appropriation accounts, shall be construed as including any public officer or officers to whom that duty may be assigned by the Treasury. Annual accounts of the appropriation of public money to be prepared for the House of Commons.

23. A plan of account books and accounts, adapted to the requirements of each service in order to exhibit, in a convenient form, the whole of the receipts and payments in respect of each vote, shall be designed under the superintendence of the Treasury; and Her Majesty may from time to time, by Order in Council, prescribe the manner in which each department of the public service shall keep its accounts. Each department to keep to such books of account as may be prescribed by the Treasury.

24. An appropriation account of supply grants shall exhibit on the charge side thereof the sum or sums appropriated by Parliament for the service of the financial year to which the account relates, and on the discharge side thereof the sums which may have actually come in course of payment within the same period; and no imprest or advance, of the application of which an account may not have been rendered to and allowed by the accounting department, shall be included on the discharge side thereof. Description of account.

25. The department charged with the duty of preparing the appropriation account of a grant shall, if required so to do by the Comptroller and Auditor General, transmit to him, together with the annual appropriation account of such grant, a balance sheet so prepared as to show the debtor and creditor balances in the ledgers of such department on the day when the said appropriation account was closed, and to verify the balances appearing upon the annual appropriation account: Provided always, that the Comptroller and Auditor General may, if he thinks fit, require the said department to transmit to him in lieu of such balance sheet a certified statement showing the actual disposition of the balances appearing upon the annual appropriation account on the last day of the period of such account. A balance sheet or statement to accompany the appropriation account.

26. Every appropriation account when rendered to the Comptroller and Auditor General shall be accompanied by an explanation showing how the balance or balances on the grant or grants included in the previous account have been adjusted, and shall also contain an explanatory statement of any excess of expenditure over the grant or grants included in such account, and such statement as well as the appropriation account shall be signed by such department. The appropriation account to be accompanied by a statement explaining disposal of balances, &c.

27. Every appropriation account shall be examined by the Comptroller and Auditor General on behalf of the House of Commons; and in the examination of such accounts the Comptroller and Auditor General shall ascertain, first, whether the payments which the accounting department has charged to the grant are supported by vouchers or proofs of payments, and, second, whether the money expended has been applied to the purpose or purposes for which such grant was intended to provide: Provided always, and it is hereby enacted, that whenever the said Comptroller and Auditor General shall be required by the Treasury to ascertain whether the expenditure included or to be included in an appropriation account, or any portion of such expenditure, is supported by the authority of the Treasury, the Comptroller and Auditor General shall examine such expenditure with that object, and shall report to the Treasury any expenditure which may appear, upon such examination, to have been incurred without such authority; and if the Treasury should not thereupon see fit to sanction such unauthorised expenditure, it shall be regarded as being not properly chargeable to a Parliamentary grant, and shall be reported to the House of Commons in the manner hereinafter provided. In what manner the examination of appropriation accounts shall be conducted by the Comptroller and Auditor General.

28. In order that such examination may, as far as possible, proceed *pari passu* with the cash transactions of the several accounting departments, the Comptroller and Auditor General shall have free access, at all convenient times, to the books of account and other documents relating to the accounts of such departments, and may require the several departments concerned to furnish him from time to time, or at regular periods, with accounts of the cash transactions of such departments respectively up to such times or periods. The Comptroller and Auditor General to have access to books of account, &c. in the accounting departments.

How the vouchers of appropriation accounts included in Schedule (B.) shall be examined.

29. In conducting the examination of the vouchers relating to the appropriation of the grants for the several services enumerated in Schedule (B.) to this Act annexed, the Comptroller and Auditor General, after satisfying himself that the accounts bear evidence that the vouchers have been completely checked, examined, and certified as correct in every respect, and that they have been allowed and passed by the proper departmental officers, may admit the same as satisfactory evidence of payment in support of the charges to which they may relate: Provided always, that if the Treasury should desire any such vouchers to be examined by the Comptroller and Auditor General in greater detail, the Comptroller and Auditor General shall cause such vouchers to be subjected to such a detailed examination as the Treasury may think fit to prescribe.

How other vouchers are to be examined.

30. In conducting the examination of the vouchers relating to the appropriation of the grants for any services not enumerated in the aforesaid schedule, the Comptroller and Auditor General shall test the accuracy of the castings and computation of the several items of such vouchers: Provided always, that when any vouchers have been certified to be correct by any officers specially authorised to examine the same, it shall be lawful for the Comptroller and Auditor General, with the consent of the Treasury, to dispense with a second examination of the particular items of such vouchers.

Objections made by the Comptroller, &c. to be reported to the accounting department, and in certain cases to the Treasury.

31. If during the progress of the examination by the Comptroller and Auditor General herein-before directed any objections should arise to any item to be introduced into the Appropriation Account of any grant, such objections shall, notwithstanding such account shall not have been rendered to him, be immediately communicated by him to the department concerned, and if the objections should not be answered to his satisfaction by such department, they shall be referred by him to the Treasury, and the Treasury shall determine in what manner the items in question shall be entered in the annual Appropriation Account.

What reports the Comptroller and Auditor General shall prepare for submission to Parliament.

32. In reporting as herein-before directed, for the information of the House of Commons, the result of the examination of the appropriation accounts, the Comptroller and Auditor General shall prepare reports on the appropriation account of the Army and on that of the Navy separately.

He shall prepare a report on the appropriation accounts of the Departments of Customs, Inland Revenue, and Post Office.

He shall prepare a report or reports on the accounts relating to the several grants included within each of the classes into which the grants for civil services are divided in the Appropriation Act.

In all reports as aforesaid he shall call attention to every case in which it may appear to him that a grant has been exceeded, or that money received by a department from other sources than the grants for the year to which the account relates has not been applied or accounted for according to the directions of Parliament, or that a sum charged against a grant is not supported by proof of payment, or that a payment so charged did not occur within the period of the account, or was for any other reason not properly chargeable against the grant.

If the Treasury shall not, within the time prescribed by this Act, present to the House of Commons any report made by the Comptroller and Auditor General on any of the appropriation accounts, or on the accounts of issues for Consolidated Fund Services, the Comptroller and Auditor General shall forthwith present such report.

SCHEDULE A.

Grants or Services to which the Appropriation Accounts relate.	Dates after the Termination of every financial Year to which Appropriation Accounts relate, on or before which they are to be made up and submitted.			
	To the Comptroller and Auditor General by the Departments.	To the Treasury by Comptroller and Auditor General.	To the House of Commons by the Treasury.	
Army - - - - - - - - -	31 December -	31 January -	15 February -	If Parliament be then sitting, and if not sitting then within one week after Parliament shall be next assembled.
Navy - - - - - - - - -				
Miscellaneous Civil Services— (Classes I. to VII.) - - - - -				
Revenue Departments (Salaries, Superannuation, &c., and Expenses) - -	30 November -	15 January -	31 January -	
Post Office Packet Service, - - - - and				
All other Services voted in Supply - -				

SCHEDULE B.

Army;
Navy;
and such other services as the Treasury, by their minute to be laid before Parliament, may direct; but no such minute shall take effect until it shall have lain before the House of Commons thirty days, unless it shall have been previously approved by a resolution of the House of Commons.*

COMPTROLLER AND AUDITOR GENERAL AND ASSISTANT COMPTROLLER AND AUDITOR:

Under Sec. 3 of 29 & 30 Vict. c. 39, these officers hold their offices during good behaviour, and are irremovable except on an Address from the two Houses of Parliament; but they cannot hold their offices together with any other office to be held during pleasure under the Crown, nor under any officer appointed by the Crown, nor can they be Peers, nor Members of Parliament.

* By Treasury Minute of 27 March 1899 the Post Office and Revenue Departments Services were placed in Schedule B.

Under sec. 4 their salaries are fixed at 2,000*l.* and 1,500*l.* per annum respectively, and are charged on the Consolidated Fund; and their retiring allowances are fixed at half salary after 15 years' service, and two-thirds after twenty years' service, or they may elect to be pensioned under the provisions of the Superannuation Act of 1859.

Under sec. 7 the Assistant Comptroller and Auditor may perform all the functions of the Comptroller and Auditor General in his absence, *except* those of certifying to and of reporting on the Accounts for the House of Commons.

APPROPRIATION ACCOUNTS.

The Comptroller and Auditor General examines, on behalf of the House of Commons (sec. 27), all accounts of supply grants, called Appropriation Accounts, which are prepared by such departments or officers as the Treasury may appoint, provided such departments or officers be charged with the expenditure of the supply grants for which they respectively account (sec. 22).

All Appropriation Accounts of supply grants must exhibit on the charge side the sums appropriated by Parliament for the service of the financial year, and on the discharge side the sums which have come in course of payment within that period; and they must **not** include any advance of which an account has not been rendered to and allowed by the Accounting Department (sec. 24).

The Comptroller and Auditor General also examines the account of Consolidated Fund Services prepared by the Treasury (sec. 21), which is classed as an Appropriation Account, and certain other accounts governed by special Acts, which prescribe that they shall be examined *as if* they were Appropriation Accounts.

EXAMINATION ON BEHALF OF THE HOUSE OF COMMONS.

The examination on behalf of the House of Commons is confined to ascertaining that payments are made out of the proper funds and for the purpose intended by Parliament; that they are correctly classified and vouched, and have been made within the period of the Account.

EXAMINATION ON BEHALF OF TREASURY.

Under sec. 27, the Treasury can require the Comptroller and Auditor General to examine Appropriation Accounts for the purpose of ascertaining whether the expenditure is supported by Treasury authority, and to report to them unauthorised expenditure. Expenditure which the Treasury does not see fit to authorise is to be regarded as not properly chargeable to a grant.

ACCESS TO ACCOUNTS.

The Comptroller and Auditor General is to have free access to books of account and documents relating to accounts at all convenient times, and can call for periodical accounts of cash transactions at pleasure (sec. 28). He is the sole judge of the sufficiency of evidence of payment. At the same time, under sec. 29, if, in addition to the evidence of check by Departmental Officers, the Treasury should desire any vouchers to accounts comprised in Schedule B. of the Act to be examined in greater detail by the Comptroller and Auditor General, he shall cause such vouchers to be subjected to such a detailed examination as the Treasury may think fit to prescribe.

OBJECTIONS ARISING ON ANY ITEM TO BE INTRODUCED INTO APPROPRIATION ACCOUNTS.

The Treasury is referee upon all such questions, and can determine the mode of stating any item in an account (sec. 31). But the Treasury cannot withdraw any item or question from the purview of the House of Commons, if the Comptroller and Auditor General sees fit to call attention to it in his Report on an Appropriation Account.

LIBERTY OF REPORTING.

The Comptroller and Auditor General has complete liberty, in his reports, of narrating relevant facts and expressing opinions upon the conduct of departments in regard to their accounts or upon decisions of the Treasury affecting them; and if the Treasury fail to present his Reports to the House of Commons he must present them himself. He is bound to call attention in his Reports to every case in which he may have satisfied himself—

(*a.*) That a Grant has been exceeded:

(*b.*) That money received by a department from other sources than the Grants for the year to which the account relates has not been applied or accounted for according to the directions of Parliament:

(*c.*) That a sum charged against a Grant is not supported by proof of payment; the Comptroller and Auditor General being, as before stated, sole judge of the sufficiency of evidence of payment:

(*d.*) That a payment so charged did not occur within the period of the account, or was for any other reason not properly chargeable against the Grant. (Sec. 32.)

PROGRESS OF APPROPRIATION AUDIT.

Appropriation Audit, in the sense of restricting annual Supply Grants to the service of a particular year, and the examination of accounts with a view to ascertaining that such Grants are not applied to charges coming in course of payment within any other year, was first applied to the Navy Votes in 1832, under 2 & 3 Will. 4, c. 40.

It was next applied to Army Votes in 1847, under 9 & 10 Vict. c. 92;

Then to Votes for Services under the Office of Woods and Works in 1851, under 14 & 15 Vict. c. 42;

Then to the Votes for the Revenue Departments in 1861, under 24 & 25 Vict. c. 93;

And lastly to all Supply Grants in 1867, by 29 & 30 Vict. c. 39.

Appropriation Audit of Subheads of Votes.

When the Appropriation Audit was first established in 1832, by the 30th section of the Act 2 & 3 Will. 4, c. 40, the duties of the Audit Board, in relation to such audit, were confined to certifying upon the Accounts of Naval Receipt and Expenditure, the correctness of the same as compared with the vouchers, noting under each head or Vote, "as expressed in the Appropriation Act," whether the expenditure had exceeded or fallen short of the sums voted by Parliament for the Naval Service of the year. There was also a proviso in the same section of the Act, that the Audit Board should not be empowered to exercise any discretion as to the allowance or disallowance of any item of expenditure in support of which the usual and regular vouchers should have been produced to and allowed, by the Board of Admiralty.

The object of the law was to give the House of Commons a security against the misapplication of the Naval Grants, maintaining at the same time the exclusive responsibility of the Naval Branch of the Executive Government for the detailed application of the money granted for the several heads of the Naval Service. The auditors were not empowered to object to variations between the estimated and the actual expenditure under the sub-heads of the Votes; this limitation of their powers was acknowledged in their report on the first Naval Account audited under the provisions of the Act.

From 1832 to 1847 the Naval Account was the only one subjected to the Appropriation Audit under the directions of Parliament. In the latter year the Act 9 & 10 Vict. c. 92 was passed. This Act repealed the audit clause of the Act of 1832, and extended the Appropriation Audit to the whole of the Naval and Military Expenditure.

By the Act of 1847 the Commissioners of Audit retained the powers vested in them by the Act of 1832, and their audit of the Appropriation of the Votes was confined, as before, to the Heads of Service, "as expressed in the Appropriation Act of each year."

In 1851, by the Act 14 & 15 Vict. c. 42, the Appropriation Audit was extended to the Accounts of the Commissioners of Woods, and to those of the Commissioners of Works and Public Buildings, under regulations similar to those prescribed by the Act of 1847.

The Exchequer and Audit Departments Act was passed in 1866. By this Act the Appropriation Audit was extended to the whole of the "Supply Grants comprised in the Appropriation Act of each year." The 24th section of the Act enacts that the accounts shall be prepared under the heads of the Supply Grants; and by the 27th section of the Act, the Comptroller and Auditor General is required "to report whether the money expended has been applied to the purposes for which such Grants were intended to provide."

The intention of Parliament, as expressed in these Acts, was that a report should be made as to any misappropriation or excess beyond the money grants, as limited by the several amounts set forth in the Appropriation Act. The explanatory details under the sub-heads of the Annual Estimates are intended to define generally the purposes to which the aggregate vote is applicable; they are not intended to place a limit of amount applicable only to the separate sub-divisions of a vote.

It is, however, within the competence of the Comptroller and Auditor General to comment upon *material* divergencies from the scheme of expenditure submitted to Parliament.

The Treasury being more directly responsible for the Civil Expenditure, have directed the Comptroller and Auditor General to report to them every excess upon the sub-heads of the several Civil Service Votes; and the 27th section of the Act provides that, if required by the Treasury, the Comptroller and Auditor General shall report to that Department any expenditure which may appear to have been incurred without Treasury authority.

The words in the 27th section of the Act which require the Comptroller and Auditor General "to report whether the money expended has been applied to the purposes for which such Grants were intended to provide," impose upon him the duty of considering what those purposes are; and the Parliamentary Estimates, together with any Acts or Orders in Council regulating such expenditure, are his guide in that inquiry. He would raise no objection to any expenditure charged against the sub-head of a Vote, if it could be clearly shown, by the Parliamentary Estimate, that a provision for that description of expenditure was included in the Vote, and that the total Vote had not been exceeded, provided it was not inconsistent with any Act of Parliament or Order in Council.

ACCOUNTS INCLUDED IN SCHEDULE B.

With reference to accounts placed in Schedule B. of the Exchequer and Audit Departments Act of 1866 (namely, Army and Navy), the Treasury can cause the Vouchers of such accounts to be subjected to such a detailed examination as they may see fit to prescribe; it has, however, been decided by the Law Officers of the Crown that placing accounts in Schedule B. does not necessarily restrict the examination of them by the Comptroller and Auditor General.

By Treasury Minute, dated 27th March 1899, laid before both Houses of Parliament, the Appropriation Accounts of the Grants for the three Revenue Departments, viz.:—

Customs.
Inland Revenue.
Post Office (including Packet Service and Telegraphs), were added to Schedule B.

ARMY TEST AUDIT.

The first recommendation with the object of extending the independent audit of Army and Navy Accounts was made by the Public Accounts Committee in the year 1862, when it was proposed that the detailed audit by the Audit Board should be extended to the Civil Establishments of the Navy; and in the same year the Treasury proposed, in a letter addressed to the Commissioners of Audit, that not only the Civil Establishments of the Admiralty, but also those of the War Office, should be subjected to an independent audit. In 1868 the Public Accounts Committee reported their opinion that the time had arrived when the propriety of extending the audit of the Naval and Military Accounts should be considered by Treasury and Parliament. In 1869 the matter was again referred to, the Committee reporting that the internal examination by the Chief Departments of Account might with advantage be considered before the commencement of next session. In 1871 and 1872 the subject was again referred to by the Committee, and in the latter year the Treasury directed an inquiry into the most practicable and convenient mode by which Naval and Military Accounts might be made subject to more effectual audit. The subject was also referred to by the Committee in 1874. In 1875 the Treasury informed the Committee of Public Accounts that they had sketched a plan for the audit of War Office expenditure. The proposed arrangements were subsequently embodied in a Treasury Minute dated 20th March 1876.

In this Minute the Lords of the Treasury expressed their entire concurrence in the opinion of the Committee, unchanged through a series of years, that the examination then applied by the independent Auditor to Naval and Military expenditure was, not sufficient, and having considered the subject, with a view of giving practical effect to the instructions given them by the Committee, they came to the conclusion that a "Test Audit" was the best solution of the difficulty of giving to Parliament a guarantee that all its grants had been properly applied, without involving unnecessary repetition of labour or unnecessary interference with the current business of administration.

The Lords of the Treasury, therefore, in the exercise of the power conferred upon them by the 29th section of the Exchequer and Audit Departments Act, requested the Comptroller and Auditor General to at once apply a test examination to the vouchers relating to Army grants.

The principle laid down by the Treasury as the one which would, in their opinion, satisfy the essential requirements of an independent audit was, that in each year a Vote or subhead of a Vote, should be selected for examination, regulating the scheme, so that in a given number of years, say six, the whole of the heads of expenditure would be brought under the detailed Audit; that the castings and computations should be accepted on the certificate of the departmental examiner, unless there should be reason to question them: that Queen's Warrants and Regulations should be accepted as the governing authority of the War Office, unless it should appear that they are contrary to Statute: that Treasury authority should be asked for in cases where the previous authority of the Treasury should have been obtained: and that the authority of the Secretary of State should be accepted as sufficient in all cases where it is not at variance with Statute, Warrant, or Regulation, and where it does not require Treasury concurrence. Such are, in the main, the principles upon which the Test Audit has been conducted; two-thirds of the Audit Staff at the War Office employed upon the Test Audit are engaged in the detailed examination of certain Votes, or subheads of Votes, whilst the remainder undertake what may be termed a roving test, not confining their investigations to any particular heads of expenditure.

NAVY TEST AUDIT:

The Test Audit was extended, upon the principles above described, to the accounts of the Navy in October 1878.

STORE AUDIT:

The Audit of Store Accounts was sanctioned in 1886 for the Army, Navy, and certain Civil Services.

NAVY EXPENSE AND ARMY MANUFACTURING ACCOUNTS AUDIT:

This Audit is conducted under the provisions of the "Army and Navy Audit Act, 1889" (52 and 53 Victoria, cap. 31.).

In 1891 a test audit of the Navy Expense and Manufacturing Accounts at the Gibraltar, Malta, and Hong Kong Yards received Treasury sanction.

RELATIONS BETWEEN THE AUDIT OFFICE AND THE TREASURY:

The foregoing notes show that Parliament presupposes unity of purpose and action between the two Departments.

The primary function of the Audit Office is to examine on behalf of Parliament the accounts of all Supply Grants and to report thereon to the House of Commons, and in the performance of this duty it is independent of all Public Departments, including the Treasury; but at the same time it is an important instrument of the Treasury, inasmuch as the duty of ascertaining that Treasury directions respecting expenditure are duly obeyed also devolves upon the Audit Office.

The harmonious action and mutual support of the two Departments are absolutely essential to efficient financial administration.

APPENDIX, No. 8.

PAPER handed in by Mr. *T. Gibson Bowles*, M.P. (*See* Question 1084.)

INTERCEPTION.

THIS subject suggests whether either the Committee of Public Accounts or some other representing the House of Commons should not be consulted from time to time as to the form of the General Accounts of National Revenue and Expenditure, which is at present settled by the Treasury alone. These accounts, as officially published in the Statistical Abstract, have in recent years been so altered as to render impossible a comparison with the years preceding, and are so presented as to give a completely false notion, to all except an expert, of the true National Revenue and Expenditure. This is mainly due to interception.

Although the Exchequer and Audit Act, 1866, expressly enacts by Section 10 that "the gross revenue" of Customs, Inland Revenue, and Post Office shall (after deduction only of drawbacks, bounties of the nature of drawbacks, repayments, and discounts) be "paid into the Exchequer," and thereby be brought under all the Exchequer safeguards, it has pleased successive Ministers to propose, and successive Parliaments to pass, enactments which have gnawed away Clause 10; have intercepted large revenues on their way to, and have prevented them from over-reaching, the Exchequer; have disposed of them outside that Exchequer, and have thus withdrawn them from Exchequer control and also from the Accounts of Revenue and Expenditure. This evil system, begun in 1888 by Lord, then Mr. Goschen, causes the Revenues affected by it to escape all the ancient safeguards established in the House of Commons against undue expenditure. The interception of a portion of an existing tax requires no money committee of the whole House, and no precedent resolution of any such committee, nor does it require to be proposed by a Minister of the Crown. It escapes those ancient and necessary Standing Orders, Nos. 57, 58, 60, and 62, while it is being enacted, and all the usual Exchequer safeguards after it has been enacted. No triple concurrence of the Sovereign, the Treasury and the Comptroller and Auditor General is needed for its extraction from the Exchequer, for it is paid over or expended by the Department without ever going into the Exchequer. Some portions of the sums intercepted undoubtedly call loudly for some of that examination which at present they wholly escape; such for instance is the portion of the Death Duties amounting in 1900–01 to 4,215,016*l.*, intercepted by the Finance Act, 1894, in lieu of the previous Probate Duty contribution, which portion is ascertained by calculations made in the Inland Revenue under the direction of the Treasury, without any check or any control whatever.

It is the large and increasing amount of revenue thus intercepted and so withdrawn from account and from control which must create disquiet. In the year 1898–99 the intercepted revenues paid over by Acts of Parliament to the Local Taxation Account amounted to 9,521,160*l.*, while in 1900–01 they were 9,739,626*l.*

In addition to these sums there were in 1898–99 Appropriations in Aid, or sums received by the departments and applied to their own expenses, instead of being paid into the Exchequer, amounting to 8,278,018*l.*, while in 1900–01 they were 9,770,472*l.* The total interceptions in the latter year were 19,510,098*l.*, a notable sum considering that Mr. Pitt's whole revenue in 1792 was under 17,000,000*l.*

Thus something like 20,000,000*l.*, every farthing whereof is revenue and every farthing whereof is also expenditure, is withdrawn from its proper place in the National Accounts and as well from the receipt side as from the issue side, making both sides appear by so much less than the fact is. And the Chancellor of the Exchequer, although he incidentally mentions these immense sums, or at least that part of them paid to the Local Taxation Authorities, takes no account of them at all in his Budget, which concerns itself alone with Exchequer receipts, and none of these sums are Exchequer receipts though they all should be.

Far indeed have we departed, in this modern system of vast Appropriations in Aid, from the principle laid down by the Committee of Public Accounts in 1831, that "no branch of the administration should be permitted to dispose of any other funds than those especially voted for its service by Parliament"—and that "all public moneys should be paid in the first instance to the Exchequer"—still farther have we departed in the case both of the Appropriations in Aid of the payments to Local Taxation Account, from the equally sound principle affirmed by the Select Committee on Public Moneys of 1857, that "it is essential to a complete Parliamentary control of the public money that no portion of it should be arrested in its progress to that fund from which alone it can be issued and applied with Parliamentary sanction."

There still stands in the Journals of the House of Commons, the Resolution of 30th May 1848, whereby it was declared "that this House cannot be the effectual guardian of the Revenues of the State, unless the whole amount of the taxes and of various other sources of Income received for the Public Account be either paid in, or accounted for, to the Exchequer." That Resolution is as true to-day as it was then. But the principle it embodies is day by day more disregarded.

APPROPRIATIONS IN AID.

The system of Appropriations in Aid, though not without partial sanction from the Public Accounts Committee in 1881, has since that sanction was given so increased as regards the amounts affected by it as to merit special attention.

It is a form of Interception. It consists in allowing the various departments to retain in their hands large receipts of various kinds (including some 1,500,000*l.* of contributions from India to the Army), and, instead of paying those receipts into the Exchequer, to apply them in aid of the real, and in diminution of the apparent, departmental expenditure.

These are not sums granted by Parliament, in Committee of Supply, to the Crown to meet specified charges; they are sums which, having accrued to the Crown from various sources other than Parliamentary grant, are applied by the direction of the Treasury, under the authority of an Act of Parliament, as though they were grants in Supply.

By the Public Accounts and Charges Act, 1891, it is enacted (Sec. 2) that all moneys directed by any Act "or by the Treasury to be applied as an Appropriation in Aid shall be deemed to be money provided by Parliament for that purpose, and shall, without being paid into the Exchequer, be applied, dealt with and audited accordingly," and by Sec. 3, that the Treasury may by minute "direct that the whole or any specified part," of any "fee, penalty, proceeds of sale or other money of the nature of an extra receipt," hitherto payable into the Exchequer, shall be applied as an Appropriation in Aid.

As already mentioned the total sum of these Appropriations in Aid amounted in 1900-01 to 9,770,472*l.*, representing receipts by the departments applied by those departments, with Treasury sanction, to the departmental expenditure. The House of Commons has absolutely no control whatever over this large item of expenditure. It neither votes any part of it nor can refuse to vote any part of it as a Grant to the Crown, and it has no means of touching any portion of the sum in any way. This immense sum is in fact granted to the Crown, not by the House of Commons but by the Treasury alone, in exercise of its powers under the Public Accounts and Charges Act. For the House of Commons is only now asked to vote, and only does vote, a grant, not of the total gross amount required by the department, but of the net amount, after the gross total has been reduced by deduction of the Appropriations in Aid. And it was given as a considered ruling by the Chairman of Ways and Means on 26th April 1900 that this being so, the Committee of Supply in the House of Commons could not deal with them by way of reduction.

This is the more remarkable in face of the Treasury Minute of 27th June 1881, written at the time the sanction of the Public Accounts Committee was obtained to the system of Appropriations in Aid. This Minute advocated the systems of Appropriations in Aid on the ground that the payment of all receipts whatever into the Exchequer was "cumbrous," and had "the effect of over-stating both the Public Revenue and the expenditure, or, as the public understand it, the taxation of the country and the cost of Government by 4,000,000*l.*" Nevertheless it laid down that "it is an essential principle of constitutional government that the gross expenditure of every department should be reviewed and controlled by the House of Commons," whereas it is now the net expenditure only that is so controlled. The same Minute adds that under the new plan "every penny coming into the hands of a department is to come under the view and control of Parliament," whereas, as we have seen, many millions, though they do come under its view, do not come under its control. But then it was proposed that, in Supply, the gross expenditure should be voted, and in Ways and Means the net expenditure provided for, which is not what is now done. The only way in which any Appropriations in Aid could be questioned would seem to be by an amendment in committee on the Appropriation Bill, of Schedule B. of that Bill, or of the clause authorising the application of the sums therein set forth.

The present system is, in principle, a reversion to that vicious system of generations ago, when the Revenue departments paid their own expenses of collection and management out of their own receipts, and only handed over the balance to the Exchequer, a system abandoned in 1848, and believed to be abolished for ever by the Exchequer and Audit Act, 1866; but reverted to in and after 1881, and since then so largely extended.

Diverted Appropriations and Excesses.

Under a usual clause in the Appropriation Acts since 1862, the Treasury is empowered, in the case of the Army and Navy Votes, to authorise the departments to apply any savings that may be made on one Vote towards any other Vote of the same department in which an excess of expenditure has occurred. This system of applying the surplus of one Vote to meet the deficiency of another palpably amounts to a defeat of the appropriation made by the Act, inasmuch as it diverts to one Vote the money appropriated by the Act to another. It as palpably tends to the presentation of incorrect estimates. It is also calculated to prevent the due surrender of unexpended balances, by allowing of their application to other purposes; and it tends to the allowance of delay in rendering the year's accounts and the postponement of bringing into account all such excesses as are not capable of being met out of surpluses on the other Votes as well as to the postponement of actual payments properly chargeable to the year. And it must encourage the department to regard the total sum voted in respect of its services as one huge pooled fund into which it may dip at its own discretion, and irrespective of the specific appropriation, for any extra expenditure whatever, provided the total fund be not exceeded. It would seem that the Treasury has forgotten that an excess is a financial offence, and has come to a practice of authorising this diversion from one Vote to another of the sums granted, almost as a matter of course; and although the subsequent sanction of Parliament to the excess of expenditure over the authorised expenditure has to be obtained in such cases that will seem a very insufficient safeguard to those who know how ready Parliament is to sanction the accomplished fact.

The extent to which the financial offence of excesses is condoned is illustrated by the War Office Appropriation Accounts 1900-01, as to which it appears from the evidence given to the Public Accounts Committee that had all the accounts properly belonging to the year been brought in, the total excesses for the year, or in other words, the total amount expended by the Department beyond what was authorised by Parliament for the services in question, was upwards of 2,700,000*l.*, though as a matter of fact the amount brought under the notice of Parliament by the Excess Vote was only 932,880*l.*, which, being more than covered by an excess of receipts taken as Appropriation in Aid, amounting to 1,588,736*l.*, was represented by a Token Vote of 100*l.*

That Vote was none the less a real and substantial Vote of every penny of all the excesses on both sides of the account embraced in it under the Token sum. It was a supplementary Estimate in disguise, and at the same time a Re-appropriation Bill under the guise of a resolution—financial solecisms which arise from the fault of the department concerned in exceeding the expenditure under some of the appropriation heads while falling short thereof under others. It represented in that department two misdeeds—the misdeed of under-estimate in some items and of over-estimate in others.

The tendency bred by the easy diversion of savings to excesses must be to encourage incorrect estimates, and to suggest a general over-estimate in order that there may be in the general pooled fund of the department as large a balance as may be to move about from one Vote to another.

The diversions of appropriation thus affected by Treasury allowance are, it is true, submitted to the House of Commons for its sanction, but this is done usually at the very close of next year's session, the sanction is treated as a mere matter of formality, is hurriedly and summarily debated, and is asked for in one resolution for each of the two services, covering in each instance all the diversions made, a method which affords no adequate opportunity of putting any sufficient check upon a growing and dangerous diversion of public funds from their allotted purposes. The system of diversion of the moneys voted for and appropriated solely to one purpose to other and different purposes is one which seems for the reasons above cited to demand jealous watch by the Treasury of Departments, and by the Public Accounts Committee of the Treasury.

GRANTS IN AID.

A practice whereby to some extent the control of Parliament is weakened and the Appropriation Audit avoided is the development given to Grants in Aid. Thus on the last day of the financial year 1895-6 a payment of 30,000*l.* out of a Grant in Aid was made to the Crown Agents for the Colonies, not for the purpose of meeting a local deficit of the Bechuanaland Protectorate in a particular year, for which alone the Vote was granted and which only amounted to 4,007*l.*, but admittedly for the purpose and with the object of avoiding its surrender and of enabling it to be applied in reduction of the amount to be submitted for Vote by Parliament for the ensuing year. This proceeding the Committee on Public Accounts (in their second report of 1898) in deference to the Treasury condoned, notwithstanding that the Comptroller and Auditor General had declared himself unable to report that the grant had been applied to the purpose intended by Parliament. And the doctrine is now said to be "fully understood" and seems to be adopted, that even when a Grant in Aid is given for distinctly specified purposes alone, no part of the grant which may remain unexpended on those purposes at the end of the financial year is to be surrendered. This is palpably a negation of the principle of appropriation, and a negation which is in no way affected by the provision often made that the expenditure under the Grant in Aid shall be audited by the Comptroller and Auditor General. For his audit is thus debarred from acting on its most essential object, viz., that of seeing that the appropriation made by Parliament has been strictly carried out.

Unconditional Grants in Aid, subject to no restriction, are by no means unjustifiable in certain cases, as in those granted to learned societies and to the National Gallery, in which cases there arises no question of audit. But it is dangerous to increase the number and amount of these grants, as has recently been done, so as to place large sums of public money outside the usual checks and safeguards of control.

In the case of conditional Grants in Aid (such as that to Bechuanaland) where a limited and specific application and appropriation of the money is implied, it is clearly essential that such an application of it should be insisted upon, to the exclusion of all others.

Grants in Aid call for jealous scrutiny, or they may be made the means of withdrawing the expenditure of increasingly large sums from proper and necessary Parliamentary control.

APPENDIX, No. 9.

PAPER handed in by Sir *Richard Awdry*, K.C.B. (*See* Question 622.)

**

OFFICE MEMORANDUM (No. 1).

Admiralty, 10 December 1885.

1. I AM commanded by my Lords to annex, for the information of the several Departments of the Admiralty, a copy of Her Majesty's Order in Council, dated 18th November 1885, defining the functions of the Accountant General of the Navy, and authorising him to act under the Parliamentary and Financial Secretary as his Deputy and Assistant; and enabling him to furnish the Parliamentary and Financial Secretary with the means of exercising an independent financial control over Naval expenditure, whether of an ordinary or extraordinary character.

2. It will be the duty of the Accountant General—

(1.) To criticise the Annual Estimates as to their sufficiency before they are passed, and to advise the Parliamentary and Financial Secretary as to their satisfying the ordinary conditions of economy.

(2.) To financially review the progress of liabilities and expenditure under the Estimates.

(3.) To consider, in regard to dockyard expenditure, the proposed programme of construction, &c., that is in regard to labour, material, and machinery.

(4.) To review the current expenditure or employment of labour and material, as distinguished from cash payments at the Yards.

(5.) To review proposals to spend money on new work, or repairs of any kind, for which Estimates are currently proposed.

While these functions will enable the Accountant General to assist the various Departments to watch the progress of current expenditure, which is an indispensable condition of financial order, they will in no way interfere with the proper administrative functions of the Executive Departments.

3. It will be the duty of the several principal officers to keep a careful watch upon expenditure or credits accruing to the Votes under their control, and to keep the Accountant General accurately informed of all current liabilities. And it will be the duty of the Accountant General to keep himself thoroughly acquainted with the progress of such liabilities, and obtain such explanations from the various Departments as will enable him to appreciate the financial results of these liabilities, and bring to the notice of the Parliamentary and Financial Secretary any matter demanding attention.

He is further empowered to determine the form in which liabilities are to be recorded by the Spending Departments, and to call upon the Departments concerned for explanations in regard to all liabilities incurred on ordinary or special Votes.

4. The following Regulations are, therefore, to be observed in future; any alterations which may be found necessary being brought under the notice of the First Lord.

I. PREPARATION OF THE NAVY ESTIMATES.

5. The Estimates, before being finally approved, will be discussed at Board Meetings.

6. Each Member of the Board is to be furnished with the Estimate at least two days before the meeting of the Board, at which such Estimate is to be discussed.

7. The Heads of Departments are to be prepared to attend in the Board Room when summoned, while the Votes for which they are respectively concerned are being considered.

8. In order that the Accountant General may become possessed of the requisite information as to their Lordships' views and intentions with respect to the bases and amount of each Vote of the Navy Estimates, the Accountant General will be required to be present on the occasion of each Vote receiving their final approval.
The following detailed arrangements are to be observed for the purpose of obtaining such approval.

9. It is not intended by these arrangements to prevent in any way any Department bringing under their Lordships' notice any questions which may arise in the preparation of the Votes which it controls; but my Lords require the written concurrence of the Accountant General to each Vote before it is finally approved. This will secure that the Accountant General has been informed of all the facts connected with each Vote, and that he is in a position, from a financial point of view, to certify to its accuracy.

The following statement indicates the course to be pursued with each Vote :—

Vote.	In what Department prepared.	Course to be pursued for obtaining the Board's approval.
1. Wages to Seamen, &c. -	Accountant General's Department, and Deputy Adjutant General's Department in connection with Marines.	To be submitted to the Board by the Accountant General, the Deputy Adjutant General having previously concurred in that portion of the Estimate affecting the Marines.
2. Victuals for Seamen, &c. -	Director of Victualling - -	To be submitted to the Board by the Director of Victualling, the written concurrence of the Accountant General having been first obtained as to the necessary provision having been inserted, so far as he can offer an opinion from a financial point of view.
3. Admiralty Office - -	Accountant General's Department.	To be submitted to the Board by the Accountant General.
4. Coast Guard Service, Royal Naval Reserve, &c.	Accountant General's Department, and Admiral Superintendent of Naval Reserves.	To be submitted to the Board by the Accountant General, the Admiral Superintendent of Naval Reserves having previously concurred in that portion of the Estimate affecting his Department.
5. Scientific Branch - -	Accountant General's Department, and Hydrographer.	To be submitted to the Board by the Accountant General, the Hydrographer, and the President of the Naval College at Greenwich having previously concurred in that portion of the Estimate affecting their Departments.
6. Dockyards, at Home and Abroad.	Controller of the Navy, and Accountant General's Department.	To be submitted in its entirety by the Accountant General, the Controller of the Navy having previously furnished that portion of the Vote prepared in his Department.
7. Victualling Yards, at Home and Abroad.	Accountant General's Department, and Director of Victualling.	To be submitted by the Accountant General, the Director of Victualling having previously furnished that portion of the Vote prepared in his Department.
8. Medical Establishments, at Home and Abroad.	Accountant General's and Director General of Medical Departments.	To be submitted by the Accountant General, the Director General of the Medical Department having previously furnished that portion of the Vote prepared in his Department.
9. Marine Divisions - -	Accountant General's Department, and Deputy Adjutant General.	To be submitted by the Accountant General, the Deputy Adjutant General having previously concurred in that portion of the Vote affecting his Department.
10. Sec. 1.—Naval Stores, &c.	Controller of the Navy (Director of Stores).	To be submitted by the Controller of the Navy, the Accountant General having previously expressed, in writing, his concurrence as to the financial correctness of the Vote, so far as he is in a position to offer an opinion thereon.
10. Sec. 2.—Steam Machinery; Ships building by Contract, &c.	Controller of the Navy - -	To be submitted by the Controller of the Navy, after concurrence of Accountant General has been obtained, as above.
11. New Works, &c. - -	Controller of the Navy and Director of Works.	To be submitted by the Controller of the Navy and Director of Works respectively, after having been concurred in by the Accountant General, as in the case of other Votes.
12. Medicines, &c. - -	Director General of Medical and Accountant General's Department.	To be submitted by the Director General of the Medical Department, after having been concurred in by the Accountant General, as in the case of other Votes. The portion of the Vote prepared by the Accountant General's Department to be approved by the Permanent Secretary of the Admiralty before being submitted for Board's approval.
13. Martial Law - - -	Accountant General's Department.	To be submitted by the Accountant General.
14 Miscellaneous Services -	Accountant General's Department.	To be submitted by the Accountant General.
15. Half Pay, Retired Pay, &c.		
16. Sec. 1.—Military Pensions		
16. Sec. 2.—Civil Pensions -		
17. Army Department (Conveyance of Troops).	Director of Transports - -	To be submitted by the Director of Transports, the Accountant General's concurrence being previously obtained, as above.

10. In framing the Annual Estimates, each Vote is to be referred in sufficient time, with explanations to the Accountant General for concurrence or observations before being submitted to their Lordships for final approval, accompanied by a detailed statement showing the basis of calculation. The same course is to be followed with Supplementary Estimates.

11. When services of an extraordinary nature not provided for in the ordinary Estimates are required to be undertaken, in anticipation of application to Parliament for a Vote of Credit, the Departments are to supply the Accountant General with estimates of the amount required, after which he will submit the sum required in due form for the consideration of their Lordships.

12. Any proposals for alterations in the classification or arrangement of the Votes or Sub-heads of the Estimates, are to be referred to the Accountant General for opinion or advice before being carried out.

II.—Progress of Liabilities and Expenditure.

13. The several Departments are to be held responsible for the administration of their respective Votes, *i.e.*, for keeping their expenditure within the authorised limits; for seeing that, as far as possible, the estimated receipts are fully realised; and for informing the Accountant General and their Lordships, in sufficient time, of any anticipated surpluses or deficits, or variations from the credits estimated to be received.

14. In view of the responsibility which will thus devolve upon the several Departments in regard to watching closely the progress of their liabilities and disbursements, they are to be furnished with such information as may be necessary for securing an efficient control over expenditure under their Votes. The information in question is, however, to be as general as possible and free from unnecessary elaboration.

15. To this end the Spending Departments are to be furnished with the following periodical returns :—

(*a.*) Statements of liabilities outstanding from the previous financial year, which will become a charge on the Votes of the succeeding year, viz. :—

A Statement from the Accountant General, not later than 6th April, of the value of all stores received and entered on the Accounts of Receipt during the previous financial year, but not paid for in that year.

Statements from the Receiving Establishments, not later than 18th April, of the value of Stores ordered for payment in the preceding financial year, but not received in that year.

A Statement from the Director of Navy Contracts, not later than 6th April, of the estimated value of Stores demanded, but not ordered, during the preceding financial year.

(*b.*) Cumulative Statements from the Accountant General, on the 1st of each month, of the gross amount of claims made on other Departments, &c., up to those dates, compared with the amounts actually received and credited to the Votes on account of the same. Final Statements are to be furnished, as soon as possible after the Accounts for the year are closed, showing the credits outstanding from the previous financial year, which, if recovered, will be appropriated in aid of the Vote of the succeeding year.

(*c.*) Statements from the Accountant General, within three days after the close of each month from June to March in each financial year, of payments made by Bill up to the end of the preceding month on account of the Votes concerned.

16. The Accountant General is also to refer to the Director of Victualling that portion of the monthly Statements of Receipts and Payments received from the Paymasters of Her Majesty's ships, and from the Cashiers of Naval Establishments, which relate to his Vote; and provision is to be made in the same for the following details :—

Under payments :
(1.) Provisions.
(2.) Savings.
(3.) Other charges.

Under receipts :
(1.) Credits for charges against seamen's wages.
(2.) Credits for charges against marines' wages.
(3.) Other Credits.

17. All claims which are made for Stores supplied to, or services performed on account of, other Departments of Government, other Navy Votes, and private individuals, are to be referred as promptly as possible to the several Departments concerned.

18. The Accountant General is to be responsible, as heretofore, for keeping their Lordships acquainted, by means of Provisional Accounts of Naval Receipts and Expenditure, with the actual and prospective charges to all Navy Votes.

These provisional Accounts will be based upon the figures given by adding the ascertained actual receipts and expenditure of past months of the current year to the anticipated requirements for the remaining portion of the financial year. The special attention of their Lordships should be drawn to cases where the provision in the Estimates under Votes or Sub-heads of Votes is likely to be exceeded.

To enable the Accountant General to compile these provisional Accounts, the Spending Departments will prepare, immediately after the close of each month, from June to March, revised estimates, showing (*a*) the amount of all orders given; and (*b*) the anticipated variations from approved estimates.

These estimates should be furnished to the Accountant General on the 5th of each month, with a brief explanation of anything likely to affect the figures which they contain. Expenditure for Special Services paid for out of Supplementary Estimates, is to be distinguished from that provided for in the ordinary Grants of the year.

19. Special Statements, with such detailed information as the Accountant General may request, are to be furnished in the case of expenditure for services for which provision has been made out of Votes of Credit.

20. When there is a probability of the Sub-head of a Vote being exceeded, and it is found that liabilities are still being incurred at the existing rate of expenditure, the Accountant General is to warn the Department concerned; and, if necessary, bring the subject under the notice of their Lordships.

21. The existing rule that the Accountant General is to be consulted before any expenditure is incurred which is not provided for in the Estimates, or before any money provided in a Vote, or Sub-head, of the Estimates is applied to any purpose other than that for which it was so provided, is to be strictly observed.

22. In communicating their instructions, my Lords wish in no way to diminish the responsibility of each Department for its own expenditure: but they consider that in recognising the Accountant General themselves, and in calling upon the Spending Departments to recognise him to the fullest possible extent as the financial officer, who should be referred to in regard to all proposals involving expenditure, a security will be given for the economical administration of naval funds which does not now exist. With this view I am, therefore, to signify their directions that the above regulations are to be brought into immediate operation, and that as to details the Departments concerned are to place themselves at once in communication with the Accountant General.

23. This Order supersedes previous instructions in regard to the functions of the Accountant General.

By Command of their Lordships,
(signed) *Evan Macgregor.*

AT THE COURT AT WINDSOR, the 18th day of November 1885

Present :

The Queen's Most Excellent Majesty in Council.

WHEREAS there was this day read at the Board a Memorial from the Right Honourable the Lords Commissioners of the Admiralty, dated the 14th day of November 1885, in the words following, viz. :—

Whereas by an Order in Council of the 13th day of October 1832 the functions of the Accountant General of the Navy were defined, and whereas by your Majesty's subsequent Orders in Council of the 14th day of January 1869, and the 19th day of March 1872, certain alterations were approved by your Majesty in the constitution of the Board of Admiralty, affecting its financial arrangements, by the appointment of the Parliamentary and Financial Secretary to be responsible to the First Lord for the Finance of the Department; and whereas it is in our opinion desirable to afford him assistance in the discharge of these important duties, we would humbly recommend to your Majesty the appointment of the Accountant General of the Navy to act as an assistant to the Financial Secretary.

We are most humbly of opinion that while the Executive Departments of the Admiralty should continue to be held primarily responsible for keeping a careful watch upon the expenditure they recommend or incur, the Accountant General should be authorised to act under the Parliamentary and Financial Secretary as his Deputy and Assistant.

With this object he should be charged under the Parliamentary and Financial Secretary with the preparation of the Naval Estimates; with financially reviewing the expenditure under those Estimates; with advising or deciding as to any redistribution of Votes or transfers which may from time to time be found necessary; with satisfying himself that such expenditure is properly allowed and brought to account; with advising on all questions affecting Naval expenditure; and that he should not only be made acquainted with expenditure after it has been incurred, but be regarded as the officer to be consulted on all matters involving an expenditure of Naval Funds.

We therefore most humbly submit that your Majesty will be graciously pleased to sanction this arrangement.

Her Majesty having taken the said Memorial into consideration, was pleased, by and with the advice of Her Privy Council, to approve of what is therein proposed, and the Right Honourable the Lords Commissioners of the Admiralty are to give the necessary directions herein accordingly.

OFFICE MEMORANDUM.

[Issued 6th December 1886. Revised 29th January 1892.]

ADMIRALTY FINANCE COMMITTEE.

Under the terms of the Order in Council of the 18th November 1885, the Accountant General of the Navy has been constituted the Assistant and Deputy to the Parliamentary and Financial Secretary of the Admiralty. By virtue of the additional functions thus attributed to his office, he is authorised to require that he shall be informed of particulars of all liabilities or expenditure which may be incurred by the Spending Departments. He is to review the same, and may be called upon to advise the Board of Admiralty upon all questions affecting naval expenditure in general. Under this arrangement all Estimates, liabilities, and expenditure come under the direct scrutiny of the Accountant General and his officers, and he becomes immediately responsible that any irregularities or variations of procedure which may affect the normal expenditure approved by the Board of Admiralty, and sanctioned by Parliament, are promptly brought to notice and dealt with.

Moreover, with the view of assisting the Accountant General in the discharge of his duties, all papers affecting expenditure of Naval Funds, before going to the Financial Secretary, are referred to him as Assistant to the Financial Secretary for information, notation, or any observations he may have to offer upon the Financial aspect of the proposals.

By these means an effective check on the financial administration of the Spending Departments has been brought into operation without impairing the responsibility of the officers under whose direction they are conducted. What is desired is that a connection should be established and maintained between the Board of Admiralty (the members of which are liable to frequent change) and the permanent officers, so as to bring into harmony the general financial policy of the Admiralty Department with the particular policy which may be adopted by the Board of Admiralty for the time being, and to secure that the Financial Secretary, who is responsible to the First Lord for the finance of the Department, should be in possession, continuously, of the fullest information as to the progress and character of the financial operations of the Department. This can best be done by bringing the permanent officers into frequent and intimate association with him. A "Finance Committee of the Admiralty" has been constituted, with this object, consisting of the Parliamentary and Financial Secetary, as President, the Accountant General as Vice-President, who should preside in the absence of the Financial Secretary, the Secretary to the Controller of the Navy, and the Superintending Clerk in charge of the Estimates, Liabilities, and Salary Branch as Secretary. The Committee should confine its deliberations to questions of finance alone, and should be permanent, meeting at least once a month, or as much oftener as the Financial Secretary may require. The First Lord is to be at once informed of any matter requiring special attention. It must of course be understood that by the appointment of such a Committee the Financial Secretary is in no way relieved from his responsibility for the finance of the Department, the object being to enable him more adequately to fulfil his responsibility.

The heads of the Spending Departments will be called in, as occasion may require, as Associate Members in connection with the particular business of their Departments, and will be responsible to the Financial Secretary for the correctness and accuracy of the information furnished relative to their Departments.

This arrangement is intended to bring about a direct and constant communication between the Board of Admiralty (through the medium of the Financial Secretary), the several Departments of the Admiralty, and the Dockyards, &c., at the out-ports, and thus complete the system of financial control.

These instructions supersede the Orders of 30th January, 2nd February 1886, and 6th December 1886, relative to the Finance Committee.

By Command of their Lordships,

Admiralty, 29 January 1892. *Evan Macgregor.*

APPENDIX, No. 10.

PAPER handed in by Sir *Richard Awdry*, K.C.B. (*See* Question 624.)

PREPARATION OF THE NAVY ESTIMATES.

	Procedure as regards Approval. Vote submitted to—
VOTE A. Numbers.	
Prepared by Accountant General from Numbers decided by their Lordships, and sanctioned by Order in Council, as regards Officers, Seamen, Boys, and Coast Guard. The Deputy Adjutant General is consulted with respect to the Royal Marines, for whom there is an Establishment of 19,800 fixed by Order in Council of 9th March 1901. Any variation from the foregoing requires similar sanction.	Junior Nav l Lord (as to ranks and ratings under his superintendence). Second Naval Lord. First Naval Lord. Financial Secretary. First Lord.
VOTE 1. Wages of Officers, Seamen, &c.	
This Vote is prepared by the Accountant General from the Numbers fixed for Vote 1, as shown in Vote A., at authorised scales of Pay and Allowances, some of the items, *e.g.*, Contingencies, Coast Guard, Recruiting Expenses, &c., being based on past expenditure. The Salaries, &c., of the Royal Marine Divisions are based on fixed rates of Salaries and Allowances.	Junior Naval Lord (as to ranks and rating under his superintendence). Second Naval Lord. First Naval Lord. Financial Secretary. First Lord.
VOTE 2. Victualling and Clothing for the Navy.	
The Accountant General prepares the items relating to Salaries, Police, Wages of Naval Men, Extra Pay, Rents and Contingencies; Gas and Water being estimated for by the Director of Works. The remaining items are prepared by the Director of Victualling, viz., Wages of Artificers, Crews of Yard Hoys, Provisions, Mess Traps, &c., and are referred to the Accountant General for financial criticism before being submitted to their Lordships. The Vote as a whole is completed by the Accountant General, and concurred in by the Director of Victualling before being submitted to their Lordships.	Junior Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 3. Medical Establishments and Services.	
Prepared by Accountant General as regards Salaries and Allowances, Wages of Naval Sick Berth Staff, Police (at Home), Extra Pay, Rents, Contingencies, and Contributions in Aid of Lock Hospitals, &c. The items relating to Gas and Water are supplied by the Director of Works. The Director General estimates for Civilian Wages, Hospital Provisions, Miscellaneous Disbursements, &c., and refers the items to the Accountant General for financial concurrence. The Vote, as a whole, is completed by the Accountant General, and concurred in by the Director General before being submitted to their Lordships.	Junior Naval Lord. Civil Lord. Financial Secretary. First Lord.

PREPARATION OF THE NAVY ESTIMATES—*continued.*

	Procedure as regards Approval. Vote submitted to-
VOTE 4.	
Martial Law.	
Prepared by the Accountant General. The estimates for the Prison Establishments are based upon authorised scales of Salary and Wages, and upon the average expenditure in past years as regards other items.	First Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 5.	
Educational Services.	
Prepared by the Accountant General from information supplied by some of the Educational Establishments and partly from authorised scales of Salary and Allowance.	Junior Naval Lord. Second Naval Lord. First Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 6.	
Scientific Services.	
This Vote is prepared by the Accountant General. The Salaries of the Establishments are based upon authorised scales and numbers of Officers. Information as regards the Contingencies of the Observatories, Expenses of preparing Charts, Surveys, and Chronometers, is furnished by the hydrographer. Detailed estimates of the requirements of the Observatories and the Naval Museum at Greenwich are rendered by those establishments.	First Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 7.	
Royal Naval Reserve.	
Prepared by Accountant General from information furnished by the Admiral Superintendent of Naval Reserves and the Director of Naval Intelligence in regard to the numbers of the various ranks and ratings to be provided for in the Royal Naval Reserve and the Royal Fleet Reserve, &c., respectively. The Admiral Superintendent of Naval Reserves concurs in the portion of the Vote relating to his Department.	Junior Naval Lord. Second Naval Lord. First Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 8.	
Shipbuilding, Repairs, Maintenance, &c.	
Section I.—*Personnel.*	
Prepared by the Accountant General at regards Salaries and Allowances, and Contingencies, &c. The Controller furnishes the amounts for Labour and Police.	
Section II.—*Materiel.*	
The Store items (including Coals for the Fleet) are furnished by the Director of Stores. Other items are prepared by the Accountant General, gas and water being estimated for by the Director of Works.	Controller. Junior Naval Lord (as regrrds Fleet Coaling Service). Second Naval Lord (as to Training Service *materiel*).
Section III.—*Contract Work.*	
Estimate prepared by Controller - - - - - - - - - Estimates for Labour and Stores, &c., furnished by Controller's Department, are referred for the financial criticism of the Accountant General. The Vote, as a whole, is completed by the County Council.	First Naval Lord. Civil Lord (as regards Section I.) Financial Secretary First Lord.

PREPARATION OF THE NAVY ESTIMATES—*continued.*

	Procedure as regards Approval. Vote submitted to—
VOTE 9.	
Naval Armaments.	
The Accountant General prepares the items relating to Salaries, Wages of Naval Men, Police (partly), Rents, Contingencies, &c., Gas and Water being estimated for by the Director of Works. The remaining items are prepared by Director of Naval Ordnance, and referred to the Accountant General for financial criticism. The Vote, as a whole, is completed by the Accountant General.	First Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 10.	
Works, Buildings, and Repairs at Home and Abroad.	
Estimate prepared by the Director of Works, except as regards the Sub-heads relating to Salaries and Allowances of the permanent Officers superintending works in progress, "Redemption of Rent-charges on Branch Railways, &c." "Pay of Seamen and Marines employed on Works abroad" and "Annuity in repayment of advances under Naval Works Acts," which are furnished by the Accountant-General. The items for Works are referred for the concurrence of the Controller and for the financial criticism of the Accountant General.	Civil Lord. Financial Secretary. First Lord.
VOTE 11.	
Miscellaneous Effective Services.	
The Estimate is prepared by the Accountant General, and is based to a certain extent upon the average expenditure in previous years, any new items or doubtful points being considered separately.	Junior Naval Lord, First Naval Lord (as to items under their superintendence). Civil Lord. Financial Secretary. First Lord.
VOTE 12.	
Admiralty Office.	
Prepared by the Accountant General. The estimate is based on the authorised numbers for each rank, any variations in numbers or Scales of Salary receiving separate consideration and Treasury authority.	Civil Lord. Financial Secretary. First Lord.
Non-Effective Services.	
The following Votes (Nos. 13, 14, and 15), are prepared by the Accountant General, and are based upon the numbers actually in receipt of Half-Pay, Retired Pay or Pensions, the anticipated requirements of the ensuing financial year being duly considered.	
VOTE 13.	
Half-Pay, Reserved and Retired Pay.	Junior Naval Lord. Civil Lord. Financial Secretary. First Lord.
VOTE 14.	
Naval and Marine Pensions, Gratuities, and Compassionate Allowances	Junior Naval Lord Civil Lord. Financial Secretary. First Lord.
VOTE 15.	
Civil Pensions and Gratuities - - - - - - - - -	Civil Lord. Financial Secretary First Lord.

APPENDIX, No. 11.

PAPER handed in by Mr. *T. Gibson Bowles*, M.P., 27th October 1902. (*See* Question 1096.)

GRANTS IN AID, CIVIL SERVICE ESTIMATES.

Class.	Vote.	Title of Vote.	Service.	1900-01.	1901-02.	1902-03.
				£.	£.	£.
I.	12	Rates on Government Property.	Metropolitan Fire Brigade - †	10,000	10,000	10,000
	6	Colonial Office - - -	Emigrants' Information Office *	1,500	1,500	1,500
	8	Board of Trade - -	T. 2. Commercial Intelligence Advisory Committee - - *	1,000	1,000	1,000
	11	Board of Agriculture -	C. Experiments and Research, &c. - - - - - †	450	300	300
			E. Agricultural Colleges, &c. - †	7,500	7,900	8,900
			F. Diseases of Animals - - *	33,500	48,500	42,850
	27	Secretary for Scotland -	Congested Districts Board - *	20,000	20,000	20,000
	28	Fishery Board for Scotland.	Piers or Quays - - - *	3,000	3,000	3,000
	34	Department of Agriculture, Ireland.	E. Under Section 15 of Act - †	18,000	18,000	18,000
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			G. 2. Purchase of Specimens - - †	2,300	2,300	2,300
			G. 3. Purchase of Books for National Library - - - - †	1,300	1,300	1,300
		(*I. from 1901-02*) - - (*Class iv. V. 1. E. 4 (c) in 1900-01*).	H. Congested Districts Board - †	25,000	25,000	25,000
			H. 4. Technical Instruction - - †	3,600	3,500	3,500
III.	2	Miscellaneous Legal Expenses.	L. Incorporated Law Societies (*K. from 1902-03*) - - †	3,000	3,000	2,800
IV.	1	Board of Education - -	F. 3. Chelsea Physic Garden - - †	150	150	150
			F. 4. Committee on Solar Physics - *	1,000	1,000	2,000
			H. 7. Purchase, Science Collections *	1,800	1,560	1,560
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			H. 9. Local Museums - - - *	1,000	1,500	1,500
			K. 3. Geological Museum - - *	240	240	240
		(*Vote 8 from 1901-02*) -	L. 3. Edinburgh Museum - - *	2,600	2,600	2,600
	2	British Museum - -	Purchases, &c. - - - *	22,000	22,000	22,000
		Natural History Museum	Ditto - - - - *	5,800	5,800	5,800
	3	National Gallery - -	Ditto - - - - *	5,700	5,000	5,000
	4	National Portrait Gallery	Ditto - - - - *	750	770	750
	6	Scientific Investigations, &c.	A. C—N. - - - - †	33,584	35,850	35,226
			B. - - - - - - - *	15,300	15,300	15,300
	7	Universities, &c. - -	- - - - - - †	105,500	116,700	121,706
	10	National Gallery, Scotland.	(*Vote 9 from 1901-02*) - -	3,400	3,400	3,400
	11	Board of Education, Ireland.	J. Pension Fund (*Vote 10 from 1901-02*) - - - - *	18,000	18,000	18,000
	13	National Gallery, Ireland	Purchase of Pictures (*Vote 12 from 1901-02*) - - - *	1,000	1,000	1,000
	14	Queen's Colleges, Ireland	(*Vote 13 from 1901-02*) - - *	4,800	4,800	4,800
V.	2	Uganda, &c. - - -	Uganda - - - - - *	204,400	172,090	135,000
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	4	Cyprus - - - - -	- - - - - - - *	32,000	16,000	30,000
	5	Telegraph Subsidies, &c.	Pacific Cable (*Treasury Audit*) *	—	—	120,000
VI.	4	Hospitals and Charities, Ireland.	Hospitals - - - - - †	15,850	15,850	15,850
			Female Orphan House - - †	500	500	500
VII.	3	Paris Exhibition - -	- - - - - - - *	30,000	—	—
	4	Coronation of His Majesty	(Includes Supplementary, 279—1902) - - - - ‡	—	—	125,000
	7	Duke and Duchess of Cornwall's visit to Colonies.	(Supplementary, 84—1901) -	20,000	—	—

* Audit. No surrender.
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‡ Audit. Surrender. (Audit partly by Comptroller and Auditor General and partly by Auditor of Civil List).
§ £. 6,500,000 of this was taken under Vote.6, "Transvaal and Orange River Territory." In 1902-03 this Service was merged in V. 3, "Colonial Services."

APPENDIX No. 12.

PAPER handed in by Sir *Edward W. Hamilton*, K.C.B., K.C.V.O. (*See* Question 2043.)

MEMORANDUM on Points raised by Mr. T. GIBSON BOWLES, M.P.

The Paper handed in by Mr. T. Gibson Bowles, M.P., for the use of the Select Committee on National Expenditure, is a very able criticism on some difficult points in our financial system; and it could only have been written by one who had studied the subject with great care and intelligence. But I venture to think it can be shewn that he overstates what he conceives to be the defects in the system, and thus draws from such premises erroneous conclusions.

I propose to deal successively with each of the points which he raises.

I.—INTERCEPTION.

Under this heading Mr. Bowles mixes up, or treats together, two entirely different things: the proceeds of certain Imperial taxes which are payable to the Local Taxation Accounts, and the extra receipts which are realised by Public Departments, but are not in the nature of taxes. They have nothing in common beyond the fact that they are both money which might be paid into the Exchequer, but which Parliament has directed to be otherwise dealt with.

The treatment of both kinds of receipts is different and the reasons for the different treatment are strong. As it is well to keep the two items separate, and only confusing to lump them together, I propose to confine my remarks under this head to Local Taxation Revenue, leaving the other "intercepted" receipts to be dealt with under the head of "Appropriations-in-Aid."

Nobody is more alive to the inconveniences caused by changes in the form of the National Accounts than the Treasury; and they are often for this reason slow to adopt even changes which appear to be palpable improvements. It is generally a choice of evils, and therefore a question which course will be attended with the least evil consequences—to forgo the change or to make it. But with the Local Taxation arrangements the Department had no choice. They were part of a deliberate policy propounded by Mr. Goschen in 1888 and adopted by Parliament. The advocates of the arrangements would have held that the system of assigned Revenues was not inconsistent with the fundamental principle that all taxes raised for national purposes should be paid into the Exchequer. For, while adhering to that principle, they would have argued that Parliament said to the local authorities: "We have imposed on "you duties which involve expenditure of a more or less national character; we desire to empower you to "raise money by other means than rates; we recognise the difficulty there would be in your raising and "collecting taxes side by side with the taxes which we raise and collect for national purposes; therefore "we will act as your agents, and in doing so will distinguish between the two by paying the Imperial "portion of the taxes into the Exchequer and paying the local portion of them direct over to the Local "Taxation Accounts."

With all due deference to those who supported this argument, I have never personally been convinced of the wisdom of the change. The objections that I entertain to the present Local Taxation arrangements and the grounds on which those objections are based are fully set out in the Report which, as Members of the Royal Commission on Local Taxation, Sir George Murray and I signed. I append to this memorandum, for the sake of convenient reference, the paragraphs most in point, from which it will be seen that I sympathise with Mr. Bowles about the question of intercepted Revenue on the ground, among others, that the arrangement confuses the National Accounts.

But real though the drawbacks to the system may be, it is unnecessary to exaggerate its effect by declaring that large sums are withdrawn from Parliamentary control. As a matter of fact, this control over the Revenues assigned to the Local Taxation Accounts is not any less effective than it would be if an equal sum were given to the local authorities by a statutory charge on the Consolidated Fund; and, indeed, it may be doubted whether control would be any more effective, from a practical point of view, if these big subventions, the ultimate appropriation of which Parliament does not pretend to follow up, and could not follow up itself, were made the subject of annual Votes.

It is true that diversions of taxes or parts of taxes from the Exchequer have hitherto not been preceded by a Resolution of the whole House; but, when the question was last raised, so much exception was taken to the procedure that an undertaking was given to consider whether the Standing Orders of a safeguarding nature should not be altered so as to bring within their future operation a proposed interception of revenue as well as a proposed charge on the Consolidated Fund.

II.—APPROPRIATIONS IN AID.

Under this head falls the bulk of the rest of the "intercepted" Revenue, and the way in which it is dealt with by being "appropriated in aid" of Votes is severely criticised by Mr. Bowles. This system as now applied dates back to 1881; and it was carefully designed to preserve in its integrity Parliamentary control over finance.

What led the Committee of Public Accounts to recommend it, and the Government of the day to adopt it, was the necessity for remedying the unsatisfactory state of things that had long prevailed. In the first place, there was nothing but anomalies about the treatment of extra receipts. The bulk of them were paid into the Exchequer, while some were taken in diminution of expenditure without their appearing in the Appropriation Accounts, and others were appropriated in accordance with regulation. In the second place, so far as Extra Receipts were not appropriated in aid of Votes, both the Revenue

APPENDIX, No. 11.

PAPER handed in by Mr. *T. Gibson Bowles*, M.P., 27th October 1902. (*See* Question 1096.)

GRANTS IN AID, CIVIL SERVICE ESTIMATES.

Class.	Vote.	Title of Vote.	Service.		1900–01.	1901–02.	1902–03.
					£.	£.	£.
I.	12	Rates on Government Property.		Metropolitan Fire Brigade - †	10,000	10,000	10,000
	6	Colonial Office - - -		Emigrants' Information Office *	1,500	1,500	1,500
	8	Board of Trade - -	T. 2.	Commercial Intelligence Advisory Committee - - *	1,000	1,000	1,000
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			E.	Agricultural Colleges, &c. - †	7,800	7,900	8,900
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	27	Secretary for Scotland -		Congested Districts Board - *	20,000	20,000	20,000
	28	Fishery Board for Scotland.		Piers or Quays - - - *	3,000	3,000	3,000
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			G. 3.	Purchase of Books for National Library - - - - †	1,300	1,300	1,300
		(*I. from 1901-02*) - - (*Class iv. V. 1. E. 4 (c) in 1900–01*).	H.	Congested Districts Board - †	25,000	25,000	25,000
			H. 4.	Technical Instruction - - †	3,600	3,500	3,500
III.	2	Miscellaneous Legal Expenses.	L.	Incorporated Law Societies (*K. from 1902–03*) - - †	3,000	3,000	2,800
IV.	1	Board of Education - -	F. 3.	Chelsea Physic Garden - - †	150	150	150
			F. 4.	Committee on Solar Physics - *	1,000	1,000	2,000
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	11	Board of Education, Ireland.	J.	Pension Fund (*Vote 10 from 1901–02*) - - - - *	18,000	18,000	18,000
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V.	2	Uganda, &c. - - -		Uganda - - - - - *	204,400	172,000	135,000
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and the expenditure of the State were habitually overstated; and consequently both the taxation and the cost of Government appeared to be larger than they really were, as for instance resulted from the glaring case of the large payments made by the Indian Government to the War Office which acted merely as their Agents. In the third place, Departments had no inducement to realise to the full the receipts which belonged to them.

The Treasury were repeatedly enjoined by the Committee of Public Accounts, who described the system in 1881 as "admittedly inconsistent, imperfect and full of anomalies," to bring forward a plan that would remedy these defects and produce consistency and order.

It was accordingly proposed that all cash receipts should be appropriated in aid of the Votes—that is, should be used, under strict regulations, towards meeting the expenditure submitted to the House of Commons by Departments in the Estimates. The scheme was first applied to Army and Navy Services; and subsequently, by degrees, to the various Civil Services, in order that uniformity might prevail throughout the Public Accounts.

Under the scheme the amount which the House of Commons is asked to empower a Department to spend is as fully set out in the Estimates as it ever was; and the Department is as strictly tied down regarding expenditure as it ever was. The actual working of the system is best followed by an illustration. I take a very simple one. A Department estimates its expenditure at £10,000; but, as it expects that extra receipts to the amount of £1,000 will come into its hands in the course of the year, it applies to be allowed to spend a gross sum of £10,000, and to be provided with a grant out of the Exchequer to the amount of only £9,000. Whatever the amount of extra receipts may turn out to be, the Department cannot spend a penny more than £10,000 in all, for if the extra receipts should realise £2,000, £1,000, representing the surplus receipts, would have to be surrendered to the Exchequer. But it is contended by Mr. Bowles that the system must be at fault notwithstanding, because when a Vote with a credit Subhead is proposed, a Member of Parliament has no means of moving a reduction of the sum Appropriated in Aid, amounting in the foregoing illustration to £1,000, inasmuch as the Resolution in Supply relates only to the Exchequer grant. This contention requires to be examined. It is presumed that he proposes to reduce the Appropriation-in-Aid either because he objects to a particular item of expenditure, or because he wishes to emphasise his disapproval of the Ministerial policy connected with the Vote. But how, it may be asked, are those objects better served by reducing the Appropriation-in-Aid amounting to £1,000 than by reducing the Exchequer Grant amounting to £9,000? Moreover, if it were possible to move a Resolution reducing the amount appropriated, it would be a futile motion, because it could not have the effect of preventing the Department from receiving the money which is due to be paid to it. The only effect of the motion would be that either the expenditure must be *pro tanto* reduced (and this end can be just as well attained by reducing the Exchequer grant), or else more of the expenditure must be met out of the Exchequer Grant, and a Member is constitutionally precluded from making a motion to that effect.

It seems conclusive, therefore, that, in the case of Votes with Credit Subheads, the control of Parliament is, for all practical purposes, quite as complete over expenditure partly met by an Exchequer Grant and partly met by extra receipts appropriated in aid of the grant as over expenditure wholly met by an Exchequer Grant; and it was with this object in view that Sub-section (2) of Section 2 was inserted in the Public Accounts and Charges Act, 1891 (54 & 55 Vict., c. 24).

I readily admit that the introduction of the system of appropriating receipts was fraught for a time with inconvenience and considerable confusion of the public accounts. But it was held by the highest financial authorities both in and out of Parliament 20 years ago, that these considerations constituted a lesser evil than the practice which previously prevailed; and as by this time we have been enabled to carry the change throughout the services, we have secured consistency. This being so, the present system must be adhered to, more especially as I believe one may claim for the change not only that Parliamentary control has been in no way impaired, but that we have secured some decided advantages on balance; for, an over statement of both sides of the account does not make for economy or good financial administration, nor indeed for effective criticism, when real increases of charge are not easily distinguishable from fictitious entries of nominal increases.

In suggesting that the form of national accounts should not be changed without being first submitted to the House of Commons or its Committee, Mr. Bowles seems to imply that the changes made in the accounts which have been so upsetting to comparisons, were made by the Treasury on their own responsibility and of their own free will. This, however, was far from being the case. The changes were made to give effect to the decisions of Parliament, and omission to make them would have been a disregard of the directions of the supreme authority.

III.—Diverted Appropriations and Excesses.

Under this head, Mr. Bowles takes exception to the power that has long existed of applying in the case of the Army and Navy Grants, the surpluses on some Votes to meet the excesses on other Votes of the same Department. This power, as now exercised, is based on a recommendation of the Public Accounts Committee of 1862, who devoted their Second Report to the consideration of the question. It may be well to quote the main conclusions at which the Committee arrived.

"On a full consideration of the many difficulties attending the question, your Committee "recommend that the power of transfer from the surpluses to meet deficiencies should be continued; "but that such transfers should be considered as temporary advances and should require the subsequent "sanction of a Vote of Parliament.

"According to this proposal it will be the duty of the Department, when any unexpected expen- "diture shall become necessary, which will occasion an excess on a particular Vote, to apply to the "Treasury, and state in writing the reasons for such application. So again, when any expenditure has "occurred, without the knowledge of the Department, which will cause an excess on the Vote, a "statement, in writing should be made to the Treasury as soon as it becomes known to the Department, "with the reasons for such excess.

"On receiving and considering these statements the Treasury will judge whether an application "should be made to Parliament for a Supplementary Vote, or whether the additional expenditure may "properly be met by an advance from the surplus; and in the latter case will then have the power to "authorise in writing such transfer from the surplus as may be required. At the making up of the final "account, copies of these applications and of the Treasury letters and warrants should be presented to "the House.

"A Vote would then be proposed to meet any deficiencies and the surpluses would be surrendered "to the Exchequer. By this arrangement, which your Committee submit to the judgment of the "House, the Government will not be fettered by any rule injurious to the public service, the temporary "power which they may exercise will have the sanction of law, and the House will have the transfers "that have been made brought before them ultimately in the shape of a Vote."

It has been the practice of the Treasury, on the production of good cause by the spending department, to permit *virement* between the several Army and the several Navy Votes, and not to require a Supplementary Estimate to be presented, unless an excess of the aggregate of the Votes administered by the War Office or by the Admiralty is apprehended. The system is no doubt a relaxation of the strict rule which applies to the appropriation of Votes. But the power of relaxation is specially safeguarded by Parliament. It is conferred on the Treasury by the annual Appropriation Act; a statement of each case in which permission has been provisionally granted is, in accordance with a Resolution of the House of Commons passed in 1879, required to be reported to the House before the end of the financial year; and in the succeeding Appropriation Act the action of the Treasury is, though *ex post facto*, specifically sanctioned by Parliament. Nor am I aware that the system tends in the smallest degree to delay accounts or to postpone payments, while good reasons can be adduced for its existence.

In the first place, the several Votes of the Army constitute one service administered by the War Office, and the several Votes of the Navy constitute one service administered by the Admiralty—in each case under a single Accounting Officer. The several Votes, indeed, closely resemble the subheads of a Civil Vote, which do not profess to be more and cannot be more than the best notifications that the departments can give to the House of Commons of the manner in which they intend to spend, and probably will spend, the money granted to them for a particular service.

In the second place, the absence of the power of *virement* would not conduce to good Administration. To guard against the risk of an under-estimate on each separate Vote and of the consequent necessity for making a supplementary application to Parliament, the Naval and Military Departments would naturally feel bound to estimate each Vote more liberally than they do now, with the result that their aggregate spending power would be augmented. It not unfrequently happens that, in the course of the year, an item of expenditure is sanctioned by the Treasury conditionally—that is, on condition that, if an excess is caused on the Vote, it shall be met out of savings on other Votes; and the result is that savings are effected which might not otherwise be effected. I submit, therefore, that the present system decidedly makes for economy and prevents wasteful expenditure.

IV.—Grants-in-Aid.

The strict conditions under which provision for public services is made by Parliament constitute one of the cardinal principles of our financial system.

(1) Not only may no grants be exceeded without fresh Parliamentary authority, accorded by a supplementary or excess grant; but the only sums which are chargeable against grants must actually come in course of payment within the financial year to which the grants relate; and consequently any portion of the grant unexpended and remaining in the hands of the Accounting officer on the 31st March, is returnable to the Exchequer, the surrender being, for purposes of convenience, usually effected by a write-off of the unexpended sum against the grant of a subsequent year.

(2) The expenditure within the Parliamentary Grants has to be accounted for in detail by the Accounting Officer, and his account of the appropriation of the money, which is called the "Appropriation Account," is directed by Statute to be examined on behalf of the House of Commons by the Comptroller and Auditor General, who has to ascertain and report whether the conditions attaching to the grant have been complied with, and vouchers for payments are forthcoming.

In the case, however, of what are techniually called "Grants-in-Aid," the conditions no doubt are less strict. For while such grants, which are in the nature of subscriptions or contributions, must, like ordinary grants, be paid away within the year by the Accounting Officer, the receipt for the money in the lump which he obtains from the grantee or grantees, is held to be a sufficient discharge; and the expenditure in detail is not necessarily followed up by the Comptroller and Auditor General. I say "not necessarily" because in these cases, though the Comptroller and Auditor General is often required, under Section 33 of the Exchequer and Audit Departments Act, to examine and audit the account of the grantee, yet his statutory duty in the absence of such requirement, is confined to seeing that the Accounting Officer is entitled to claim credit for his payment to the grantees.

These Grants-in-Aid constitute an useful and economical arrangement, when the State, though willing to render some assistance to a service, does not wish to treat it as a Government Service, and also when the expenditure towards which the aid is given is an uncertain quantity and cannot be accurately estimated.

Such grants fall into three categories, and it may be well to illustrate each.

(1) Parliament makes a Grant-in-Aid of £500 annually to the Royal Geographical Society, and the Treasury account for the grant. But, while the Accounting Officer gets his discharge on producing the Society's receipts for the money, neither he nor the Society has to account in detail to Parliament for its actual expenditure. The sum is a pure subscription given by the State to a scientific body, over which it neither has, nor seeks to have, control. In order to justify the subscription, the Society furnishes to the Treasury certified statements of its receipts and expenditure with a short annual report of its proceedings, but its accounts are not examined by the Comptroller and Auditor General, nor would anything be gained by such examination.

(2) Parliament maintains the National Gallery, but there is one item or sub-head of expenditure which is uncertain, namely, the purchase of pictures; and accordingly that item or sub-head is treated as a Grant-in-Aid. The Trustees, who are the Accounting Officers, merely give their receipt for the money in the lump and thereupon get their discharge witdout being required to include in their Appropriation Account the details of the expenditure of the money. Such an arrangement is obviously economical for the State, and convenient for the Trustees. For, were the money destined for the purchase of pictures, required to be paid away in the year by the Trustees, and any portion of it unexpended to be surrendered, it would only be human nature on their part if, in order to avoid a surrender, they spent the whole sum on pictures, irrespectively of their being really desirable acquisitions for the Gallery. The Grant-in-Aid, therefore, is a direct inducement to the Trustees to nurse their resources. In this case, the accounts of the fund formed by this grant are required by the Treasury to be furnished to the Comptroller and Auditor General for examination, in which respect the National Gallery is treated differently from the Royal Geographical Society, and with reason. For, while the Society is an independent body and merely receives a subscription from the State, the National Gallery is a Government Institution, of which all the salaries and expenses are provided by Parliament. Moreover, the Grant-in-Aid to the National Gallery, unlike the Grant-in-Aid to the Royal Geographical Society, is intended to be applied to a specific purpose, namely, the purchase of pictures.

(3) Some of the poorer or less developed Colonies or Protectorates cannot pay their own way, and accordingly, Parliament comes to their assistance with a Grant-in-Aid. Such a grant is a distinct intimation to the Colony or Protectorate that it must not look to Parliament for entire support, and that those who are paid out of the grant are not Imperial Officers. Moreover, it is difficult to prepare accurate estimates of expenditure which is dependent on uncertain Local Revenue; and inaccurate estimates of expenses, which have to be accounted for in detail, must lead to excesses and Supple-

mentary Estimates. It is also difficult to watch and regulate the progress of expenditure which is incurred at a great distance, and cannot be under the close supervision of the Accounting Officer. These difficulties are avoided by asking the House of Commons to sanction Grants-in-Aid for such purposes. If the Grant-in-Aid one year should prove to be in excess of the requirements of that year, the Grant-in-Aid in a subsequent year admits of being reduced, and is reduced. Nor can any misappropriation of the money fail to be brought to the attention of Parliament, inasmuch as the audit of the Colonial or Protectorate Accounts is, under Section 33 of the Exchequer and Audit Departments Act, required by the Treasury to be conducted by the Comptroller and Auditor General, who has a special staff for examining accounts of Protectorates and Colonies.

The growth of the Empire has inevitably led to some extension of the third category of Grants-in Aid ; but the Treasury are fully alive to the importance of restricting Grants-in Aid to cases where very special considerations apply, and they cordially endorse Mr. Bowles' concluding paragraph that "Grants-in-Aid call for zealous scrutiny, or they may be the means of withdrawing the expenditure of increasingly large sums from proper and necessary Parliamentary Control."

E. W. HAMILTON.

1st November 1902.

APPENDIX TO MEMORANDUM.

EXTRACTS from REPORT of Sir *Edward W. Hamilton* and Sir *George H. Murray* on LOCAL TAXATION, relating to Intercepted REVENUE.

". . . . . At all events we think there is no doubt that the practical working of assigned or intercepted revenues has proved by experience to involve disadvantages of a more serious kind than was ever anticipated at the outset. The system has, as experience has taught us, greatly increased the difficulty of presenting in an intelligible form the accounts of Public Revenue and also of Public Expenditure. Double statements, respectively excluding and including the Assigned Revenues, are now found to be essential for any financial comparison with years prior to 1888, and for any comparison of the real annual growth of duties like the Estate Duty and Beer and Spirit Duties, the proceeds of which are brought to account partly in the national Budget and partly in the local Budget Indeed, in recent years, in order to show the true condition of things as evinced by the yield of taxes, the Chancellor of the Exchequer has had to re-introduce the figures relating to the revenues assigned to local purposes in the financial statement which he annually makes in explanation of the Imperial Balance Sheet, though such revenues are not brought to account in the Exchequer. Similar difficulties arise in connection with the other side of the account. In turning to the annual 'Finance Accounts' of the United Kingdom, the reader expects to be able to find the aggregate amount of the State's annual liabilities. But, as a matter of fact, his expectation will not be realised. In those accounts a part (but a part only) of the amount which the Central Government has undertaken to pay in relief of rates in Scotland and Ireland is included, because it constitutes a charge on the Consolidated Fund. But the corresponding payment in England, though identical in character, does not appear in the National Balance Sheet, because it is met out of Revenue diverted on its way to the Exchequer. The consequence is that our public accounts fail to show the true expenditure for which the State has made itself responsible.

"Anything that tends to complicate account-keeping is much to be regretted ; for, the essence of good accounts is simplicity, and of all accounts the National Accounts are those in which this end should be most steadily kept in view, as they are the accounts which are studied by the greatest number and variety of people. In short, to quote a well known correspondent of the 'Times,' 'the 'mode now practised of stating the accounts tends to make finance difficult and bad. Untoward 'results are to be feared if there is not a speedy improvement.'*

"We may notice another inconvenience, of less importance, but still of some significance, that arises out of the present local taxation system, an inconvenience which is specially felt in times of strain upon the resources of the Exchequer. The proceeds of the assigned revenues have to be paid over, as they accrue, to the Local Taxation Account irrespectively of the drafts upon it, and the consequence is that it often stands credited with a large balance while the Exchequer Account is overdrawn . . . . . .

" . . . . . We feel strongly the force of the objections taken to the present system of assigned revenues ; and having regard to those objections, and for other reasons which we immediately give, we are convinced that the proper course to pursue it to put an end to that system, and to make the fixed grant a charge on the Consolidated Fund, the amount being paid over as required to the credit of the Local Taxation Account.

"We proceed to give our reasons :—

"(1.) If, as we hold, it is no less incumbent upon the State to bear a part of the cost of those local services which are more or less national, than to pay for the whole of a national service like the Army, there can be no more justification for assigning some of the Imperial taxes, or portions of them, to a special Local Taxation Account than to a special Military Account. Nobody, we think, would dream of establishing a separate Military Account into which the proceeds of the income tax might be diverted, and then contend that the burden of maintaining the Army fell wholly on the shoulders of the income tax payers.

"(2) Nor can we see any sufficient ground for the contention so commonly put forward—that the contribution of the State towards local expenditure should be wholly or in great part levied on the owners of *personal* property. The assumption which underlies this argument probably originates in the fact that the revenue raised locally for the purposes of local expenditure is levied almost wholly in respect of real property, because real property is the only kind of property which can be localised ; and it appears, therefore, to be thought that the contribution to be made by the State should be charged on personal property which cannot be localised. We can see no ground for charging all local expenditure, however raised, upon the owners of property, whether real or personal. Even under the existing system, the greater part of the relief granted to the local ratepayers is ostensibly provided by means of funds drawn from sources which have little or no connection with real or personal property (*e.g.* the

* "Times" newspaper of 27th February 1899.

Excise Licences and Beer and Spirit Surtaxes); and we submit that there is no reason why the relief to be afforded in future to the ratepayer should not be wholly drawn direct from the general proceeds of taxation, instead of being identified (or nominally so) with a particular kind of property. A State provision towards local services is either a right charge or a wrong charge; and if, as we contend, it is a right charge in the case of such services as are national, and not a compassionate grant of the taxpayer to the ratepayer, it should fall on all taxpayers. Taxes in respect of commodities, or of personal exertion, should be drawn upon no less than taxes in respect of realised property. In short, the relief given should be a contribution from the whole community in its corporate capacity, and not from any special class of taxpayers.

"(3.) We attach great importance to making the State provision for local services a fixed sum for a given number of years. It is a great advantage to the Exchequer and to the Local Authorities to know how they stand *vis-à-vis*. Moreover, next to an arrangement whereby those who are charged with the expenditure of money are saddled with the responsibility for raising it, the arrangement best calculated to bring home responsibility, and to ensure economy, is one which obliges those who administer services to raise, at their own cost, every pound in excess of a fixed sum, and thus gives them a direct interest in economical administration. It is obvious that such an arrangement is incompatible with a system of assigned revenues, the amount of which must vary from year to year.

"(4.) If the State is to provide a fixed sum towards the cost of the national services which are locally administered, the system whereby the provision is made should surely be the same in England, Scotland, and Ireland. In Ireland, however, the assignment to local purposes of the Revenues corresponding to those which are assigned to England would be a wholly inadequate provision for meeting the charges to which, by a statutory arrangement, the State may be held to have permanently committed itself. Consequently, uniformity in the three divisions of the Kingdom can only be attained by resort to drafts on the general proceeds of taxation, and uniformity is unquestionably an important consideration.

"(5.) The advantages of the change from a financial point of view cannot be questioned.

"*a.* We should be returning to the long established system of paying into the Exchequer all the proceeds of taxes imposed by Parliament and collected by Imperial Officers, and of paying out of the Exchequer all charges for which the State makes itself responsible.

"*b.* There would be an end to the complications of accounts inseparable from a system under which the proceeds of Imperial taxes are paid partly into one account (the Exchequer Account), and partly into another account (the Local Taxation Account), and under which the annual liabilities of the State are habitually understated, appearing as they do, to be less than they really are.

"*c.* The Chancellor of the Exchequer would secure greater freedom of action in the matter of fiscal arrangements. It has constantly been urged, and especially of late, when the necessity for raising more revenue became apparent, that the increase of the Liquor Licenses would afford a ready means of adding to the resources of the Exchequer. But, as these duties are under the present law assigned to Local Authorities, an increase of them could not be made available for national purposes, unless a new complication were introduced and the proceeds were divided between the Exchequer Account and the Local Taxation Account.

"*d.* Comparisons of public Revenue and Expenditure will be made much easier, and the progress of receipts and charges will admit of being watched in a simpler and more effectual manner.

"It will probably be said that, after presenting the accounts for 14 years on one system, however confusing it may be, then to revert to the older and simpler system of presenting them would be to make 'confusion worse confounded,' and to render statistical comparisons more difficult than ever. There would, as a rule, be great force in this contention. But we believe that there is no need to apprehend any such result from the change which we propose. The modifications necessary to adapt past statements to the new system are plain and straightforward. We append to our Report two tables shewing how the accounts of any year since 1887-8 could easily be adjusted, so as to give the aggregate amount of Revenue collected by the State, and the aggregate amount of expenditure for which the State had to provide, and this without disagreeing in any particular with the figures already presented for those years."

APPENDIX, No. 13.

MEMORANDUM handed in by Lord *Welby*. (*See* Question 2505.)

THE CONTROL OF THE HOUSE OF COMMONS OVER THE PUBLIC EXPENDITURE.

PARLIAMENT under the Tudors and Stuarts exercised no control over the ordinary expenditure of the Crown, but from early times it sought *occasionally* to appropriate extraordinary grants to the service for which they were required. Under Charles II. it appointed on one occasion Commissioners of Accounts to ascertain how money granted for a particular emergency had been expended, and on that occasion, even before the Revolution, it grasped the meaning of a real control, inasmuch as it was not satisfied with directing beforehand that its grant should be appropriated to a specific object, but it sought to ascertain through its Commissioners that the money had been actually expended on that object. The established revenue of the Crown, however, whether derived from taxes or from other sources, and, indeed, in most cases extraordinary subsidies were left at the absolute disposal of the Sovereign.

The Revolution introduced great changes into our financial system. A fixed annual sum was granted to the King for his life to defray the expenditure of himself and his household, and also the charges of the Civil Government, and hence this grant was known as the Civil List. The King through his Ministers had absolute control over this grant, but he had no power of supplementing or increasing it. Hence, if the Royal expenditure was excessive, or if the charges of the Civil Government increased with the increase of wealth and population, the Civil List fell into arrear, and at various times in the eighteenth and in the early part of the nineteenth century Parliament was asked for special grants to clear off the debt which had thus arisen. In the reigns of George III. and George IV. various charges of the Civil Government were taken off the Civil List, and made either a permanent charge on the Consolidated Fund or provided by annual Vote; but the separation between the Royal expenditure and the expenditure on Civil Government was not completed till the reign of William IV. The Civil List then lost its original meaning as the provision of Parliament for the Civil Government. It was restricted to the personal expenditure of the Sovereign, while the cost of the Civil Government was made either a charge on the Consolidated Fund, or formed the subject of annual vote. Thus the present Civil List and the expenses of Civil Government charged on the Consolidated Fund (as distinct from charges of the Civil Government voted in Supply) are the remnant of the old fabric of the Civil List created at the Revolution. The expenditure incurred on these services does not come under the annual review of Parliament. It is granted once and for all. The Civil List is payable during the life of the Sovereign, and the charges on the Consolidated Fund are payable under the limitations of the Acts which grant them until Parliament repeals or modifies the Acts.

The great financial change made at the Revolution related to the charge of the Navy and Army. The Revolution introduced annual Sessions of Parliament, the French war led to annual Votes in Supply for Navy, Army, and Ordnance services, and these Votes were formally sanctioned by Lord Somers' Appropriation clauses. It should be added, for the sake of accuracy, that even in the time of William III. a few Votes were taken annually for services of a civil character. These gradually increased in number, but they were comparatively insignificant in amount until the latter part of the reign of George III. It will be seen, then, that the control of Parliament over public expenditure began with the Revolution, but that that control extended only to expenditure on the Army, Navy, and Ordnance. The reality of the control was proved by the reduction of the Army enforced after the Peace of Ryswick by the House of Commons against the wishes of the King. The control, however, was limited in its character. Estimates for the military services were laid before the House of Commons, and upon these estimates the House of Commons voted an amount for each service. There was only one vote for the whole of the Navy service until 1798. In Anne's reign the Army grant was divided into two or three Votes, but in both services there grew up a practice of expending large sums without the previous sanction of Parliament on "extraordinaries," and a vote for these extraordinaries was submitted for the sanction of the House of Commons in a subsequent Session. The control exercised through the Votes in supply was therefore imperfect, and left a great latitude to the executive Government, of which the Government did not fail to avail itself.

But this control, imperfect as it was, ceased with the act of voting. No means were taken by which the House of Commons could ascertain whether the money was actually expended on the service for which it was voted. No accounts were presented on system to the House of Commons until the introduction in 1802 of the publication which we know as the "Finance Accounts." Until 1802, therefore, Parliament had no information of any kind as to the expenditure of the money which it had voted, unless a return for a special object was asked and granted. It is true that under the financial pressure of the wars of William and Anne, Commissioners were from time to time appointed to examine the accounts, but these Commissions were too often of a party character; their reports were not, therefore, trustworthy, and were used for party purposes. During the long peace no demand arose for such inquiries, and though more thorough examination into accounts was instituted by Commissions appointed after the American and during the French War, and though these Commissions brought to light irregularities and pointed out defects in financial organisation, they had no continuity, and had none of the elements of an audit.

There was, indeed, an audit conducted by officers of the Exchequer under regulations framed for the times of the Tudors and Stuarts. It was left unaltered at the Revolution and for nearly a century afterwards. It limped leisurely along, so much so, that in 1782 great accounts 20 and 30 years old were still open, and there were accounts not yet settled which went back to the reign of William III. But this limping audit was not an audit for Parliament. The accounts when audited were not submitted to Parliament; they were declared before and passed by the Treasury, and the authority of the Treasury in passing them was unquestioned.

It is important also to note that the returns presented to Parliament, such as the Finance Accounts, were not based upon the results of this audit. The public revenue is paid into the Exchequer, and money required for the public service is issued from the Exchequer, but issues from the Exchequer do not represent actual expenditure. They are imprests to the different Departments, and the Departments defray the actual expenditure of the State out of those imprests. The statements of expenditure in the budget in the Finance Accounts, and in almost all other accounts laid before Parliament up to the present day, do not give the actual expenditure but the issues from the Exchequer. The Appropriation Accounts alone give the audited expenditure. It will be seen, then, that from the Revolution until 1802 the House of Commons received no information as to the public expenditure except that which the Chancellor of the Exchequer might think fit to give them in his Budget speech, and that was usually of very meagre character. It may be added that from 1802 until 1868 (the date of the Exchequer and Audit Act) the House learned only the issues from the Exchequer. Thus it knew the sums which had been imprested to the Departments from the Exchequer; it did not know how the Departments had actually expended those imprests.

Here was the great blot of our financial system. Defects in the Estimates and in the method of voting them were gradually removed, but the chief defect of all, that the House of Commons did not know how its grants had been expended, remained unremedied until the Exchequer and Audit Act came into force. It is singular that two of our greatest Chancellors of the Exchequer, Mr. Pitt and Sir Robert Peel, did not seize the point. It is the more singular as regards Mr. Pitt, because he reformed the system of audit, he swept away the old audit by Officers of the Exchequer, and transferred the duty to a new authority, the Board of Audit, which he endowed with considerable powers. The audit applied by the new Board was effective as far as it went, and prompt as compared with that of the Exchequer Officers, but he made no provision for laying the results of the audit before the House of

Commons. The Treasury passed the audited accounts, it owed no responsibility to Parliament in respect to them, and remained, as under the previous system, master of the situation. A clause added to his audit Act would have gone far to render the audit of Parliament effective, but he did not add it. Possibly he was not anxious to give the House of Commons that which the House had not asked, for it is difficult to conceive that so able a financier, when reforming the system of audit, did not see that the control of Parliament over expenditure must be gravely defective so long as Parliament was not aware of the results of that audit. The defect left unremedied by Mr. Pitt remained unremedied for another 80 years. The House of Commons entertained no doubt as to the efficiency of the Appropriation Act, and believed that the Executive Government needed no control in order to ensure the due observance of that Appropriation. Yet the attention of Parliament was again drawn to the subject in 1834 when the old Exchequer was abolished, and the custody of public money was entrusted to a newly created officer, independent of the Executive Government, the Comptroller of the Exchequer. It was his duty to allow no issue from the Exchequer, except in accord with Act of Parliament; but no attempt was made to bring the actual expenditure under control. The fact is that Chancellors of the Exchequer, their advisers, and Parliament itself were still under the illusion that Parliamentary control over expenditure could be effectively secured by safeguards on the issue of money from the Exchequer without following the expenditure further.

The great defect in Parliamentary control above described remained unremedied, I said, until 1866. That is the case, but some time earlier an important but isolated measure adopted in one department of the State laid a foundation for the reform of 1866. In 1831 that most able administrator, Sir James Graham, became First Lord of the Admiralty. He found the civil branches of that department organised as they had been organised in the time of Elizabeth. He left them organised on the principle that has worked, and worked well, to the present day. Sir James Graham's speech in moving the Navy Estimates of 1831 is of historical interest. In the course of it he said that he and Mr. Hume in 1829 and 1830, when calling attention to the Navy Estimates, "had too much neglected "the details of the Estimates in their anxiety to effect a tangible reduction of the general sums of the Votes. Had "they not been so much occupied in pointing out savings, *they would have effected much benefit in investigating* "*how far the actual expenditure under each head squared with each Estimate. The only remedy which he saw* "*then was to lay before the House annually a balance sheet, in which would be specifically placed under each head* "*the actual expenditure of the Navy and Victualling Boards.*" Parliament in consequence, and at his instance, passed an Act requiring the Admiralty annually to present such an account to the House of Commons. This account, called the Navy Appropriation Account, has been annually presented up to the present time. It is based on the *audited* account of naval expenditure, and it shows the actual expenditure, as ascertained by the auditor, under each head of service. The precedent thus created was applied in later years to other great divisions of the public expenditure, and has formed the model on which the Appropriation Accounts of public expenditure are now rendered. It is the first instance, as far as I am aware, in which a minister grasped the importance, I might say the necessity, of laying before the House of Commons a return of actual expenditure; but it was an isolated instance, applying to only one branch of expenditure, and there being no provision in the Act which forced the House of Commons to pass a judgment on the Account, it practically passed year by year without the notice which it deserved.

In 1846 an Act was passed requiring the War and Ordnance Offices to present yearly to the House of Commons accounts similar to the Naval Appropriation Account. But these Accounts, like the Navy Appropriation Account, did not attract much notice.

A few years later Parliament began to give closer attention to the question of public expenditure. Up to the year 1854 the large expenditure incurred in collecting the Public Revenue was defrayed out of the gross revenue collected, and did not form the subject of Vote by the House of Commons. Thus the Treasury and Revenue Departments were uncontrolled in their management of this important branch of administration.

In 1854 Mr. Gladstone, as Chancellor of the Exchequer, brought in and passed a bill under which the estimates of the charge of collecting the revenues of the Customs, the Inland Revenue, and the Post Office are annually laid before the House of Commons, and Votes are taken for those services similar to those taken for the Army, Navy, and Civil Services.

In 1856, on the motion of Sir Francis Baring, a Committee of the House of Commons was appointed to inquire into the receipt, issue, and audit of public moneys in the Exchequer, the Pay Office, and the Audit Department. The Committee was strongly constituted. It included Sir G. C. Lewis, then Chancellor of the Exchequer, Sir Francis Baring, Sir James Graham, Mr. Cardwell, Mr. Wilson, and Lord Stanley (afterwards Lord Derby). The Committee continued their inquiries during the Sessions of 1856 and 1857, reporting in 1857.

The Report discussed a considerable number of financial subjects, but its interest centres in two main questions: 1. The payment of all public service from a single cash balance: 2. The extension of the appropriation check, and the presentation of audited accounts to Parliament.

1. Formerly there were several Paymasters. Army Services were paid by the Paymaster of the Forces, Navy Services by the Treasurer of the Navy, and there were Paymasters for Civil Services and for Exchequer Bills. These different Pay Offices had been consolidated, between 1830 and 1856, into the single office of the Paymaster General, and the various cash balances, formerly held by different Paymasters, had been consolidated, with a considerable saving to the public, into one single cash balance in the hands of the Paymaster General. It was argued before the Committee that this consolidation of balances weakened Parliamentary control, inasmuch as the moneys issued from the Exchequer were not kept as separate accounts, and that in consequence moneys issued for the Army might be applied to Navy Services. The Committee, after full inquiry, gave an unhesitating verdict upon the question. They said: "Your Committee are satisfied, from the evidence taken before them, that the consolidation "of the Pay Departments has been attended with public benefit; that it has diminished the balances left in the "hands of the Public Accountants to the Crown; that it has increased the security of the public money and "promoted economy; and that the regulation which requires the Paymaster General to make all his payments "from a single cash balance has been attended with beneficial results.

"As the issue of money from the Exchequer in amounts sufficient to maintain a constant balance in the hands "of the Paymaster, on each separate grant or head of service, over and above the balances in the Exchequer at "the credit of such grant and service, would entirely defeat these objects, your Committee recommend that issues "from the Exchequer shall be made in order to adjust the payments under every head of service by placing each "in credit in the books of the Paymaster as frequently as possible, consistently with retaining the smallest cash "balance, and that such an adjustment shall be completely made, at least, at the close of every month; that the "Paymaster shall be required to make up, for the Commissioners of Audit, accounts to the end of every month, "showing the balances for or against every head of service; and that any provision of the Exchequer Regulation "Act of 1834 which may appear to be at variance with this mode of conducting the public payments should be "repealed."

2. The opinion of the Committee was no less decided on the extension of the appropriation check and the presentation of audited accounts to Parliament. They said:—

"The concurrent audit or appropriation check first applied to the expenditure of the grants for naval services "in 1832, and subsequently extended to the several Army grants, was a new security introduced for ensuring the "strict appropriation of the grants of Parliament. It was not intended to limit the discretion of the responsible "Departments of the Executive Government in which it was established, but to secure a revision of their accounts "by an independent authority, invested with sufficient power of investigation to detect any mis-application of the "Votes, or any deviation from the appropriation sanctioned by Parliament. This check now applies to the Naval "and Military expenditure, and is regulated by the provisions of an Act passed in 1846, also to the expenditure of "the Offices of Woods and Forests, and Public Works, and the Commissioners of Audit transmit annually to the "Treasury, for presentation to the House of Commons, accounts of Naval and Military expenditure compared with

"the grants, accompanied by reports in which they direct attention to every departure from the provisions of the "Appropriation Act. Your Committee recommend that this important check upon the application of the public "money be extended to the accounts of the income and expenditure kept at the Treasury, to the accounts of the "Revenue Departments, and to the various accounts comprising the expenditure of the Votes for Civil "Services, including Civil Contingencies . . . . . Your Committee are also of opinion that the whole "of these accounts, finally audited, should be presented to Parliament before the close of the year succeeding that "to which they relate."

"In order to strengthen the check upon the Government in regard to issues of money, for any service "whatever, in excess of the sum voted by Parliament, your Committee recommend that all payments of the "Paymaster General shall be checked from day to day in the departments in which they are authorised or made by "an officer to be appointed by the Commissioner of Audit; it will be the duty of this officer to follow from day to "day the appropriation of every payment to its proper account, and to report immediately to the Commissioners "any excess of the Vote sanctioned by Parliament or other irregularity.

"*And your Committee further recommend that these audited accounts be annually submitted to the revision of "a Committee of the House of Commons to be nominated by the Speaker.*" . . . .

"Your Committee suggest that the Audit Board should no longer transmit through the Treasury those accounts "which they are bound to lay before Parliament, but should communicate them direct, and that the appropriation "and inspection of Army and Navy Accounts, the selection of officers for 'the respective duties, their removal or "'dismissal should rest entirely with the Audit Board.'"

"Your Committee have recommended a large extension of the duties and powers of the Board of Audit. If "these suggestions be adopted it will be necessary that the composition and relative position of this Board, as a "great department of the State, should be reconsidered by the Executive Government. The Board of Audit is "responsible to Parliament alone, and the station and emoluments of the person at the head of it should be equal "to the importance of the duties to be performed, and not second in rank to any of the permanent officers "presiding over other principal departments."

The Committee were greatly aided in their inquiries by Mr. Anderson (afterwards Sir William Anderson), the principal clerk at the head of the Finance Division of the Treasury. Mr. Anderson had been specially selected by Sir James Graham to assist him in carrying out his financial reforms at the Admiralty in 1832. Mr. Anderson was afterwards transferred to the Pay Office in order to superintend that consolidation of the various pay offices which received such emphatic approval from the Committee. Later, he was placed by Mr. Gladstone at the head of the Finance Division of the Treasury. He always held that a check applied solely to the issues of the Exchequer was an illusion, and that a Parliamentary control over expenditure could only be effective, if it were applied by the House of Commons itself, to the *audited* accounts of the whole public service. He drew a memorandum on financial control which was laid by the Chancellor of the Exchequer before the Committee in 1857, and which I believe greatly guided them in their decision.

The Report of this most powerful Committee practically decided the form in which Parliamentary control over expenditure should be established. I have *italicised* that recommendation in the Report which was essential if Parliamentary control was to be effective; the constitution of a Standing Committee of the House of Commons to examine and advise the House upon the Reports of the Auditor. Without such a tribunal the machinery of control through audited accounts was absolutely ineffective, and the appointment of the Committee on Public Accounts is the key to the success of the system of account now in force.

In 1858 the Treasury laid before Parliament a Minute in which they practically adopted the recommendations of the Committee, but effect was only gradually given to them. In 1861, Mr. Gladstone, as Chancellor of the Exchequer, moved and carried the appointment of the Public Accounts Committee as a Standing Committee, and in 1866 he gave effect to the remaining recommendation of the Public Committees by the introduction of a Bill which became the Exchequer and Audit Act. This Act, which has now stood the strain of some 35 or 36 years, was practically prepared by Mr. Childers, then Financial Secretary of the Treasury, Mr. Anderson, and Mr. Macaulay, the Secretary of the Audit Board. A year or more was occupied in reconstituting the Audit Office, preparing and laying down the regulations under which the different departments were to present their accounts to the Audit Office and in reducing these accounts to uniformity. It was only in 1869 that the audited accounts of the whole public service were laid before Parliament. The passing of the Exchequer and Audit Act marks the final stage in the working out our system of financial control over public expenditure. The House of Commons learned at last that it could not ensure correct appropriation by cumbrous checks imposed before the expenditure took place, and that it could only enforce its control by early audit of the expenditure after it had taken place, and by examining itself the results of that audit.

The law which gave effect to their somewhat tardy conclusion has been in force, and practically without amendment for 36 years, and we can therefore form from experience a fair judgment on its efficiency.

It replaced the former Comptroller of the Exchequer and the former Board of Audit by a single officer, the Comptroller and Auditor with an assistant. These two officers are appointed by the Treasury, that is by the First Lord of the Treasury, but once appointed they hold their offices, like the judges, during good behaviour, and their salaries and pensions are fixed by Parliament, and, like the judges' salaries and pensions, are charged on the Consolidated Fund. They are therefore absolutely independent of the Executive Government. The clerks in the Audit Department are appointed in the ordinary manner by open competition, but the Comptroller and Auditor General alone promotes or dismisses them. Their number, classification, and rates of pay are fixed by Order in Council prepared by the Treasury and the Comptroller and Auditor General in concert. Mr. Gladstone, when about to create the post, thought it so important and so independent that he offered it to a man of the great political position of Mr. Cobden.

The Comptroller and Auditor General has in the first place, as Comptroller, the custody of all moneys paid into the Exchequer, and it is his duty only to issue these moneys only in accordance with the Appropriation Act, or other Act authorising expenditure. So far, therefore, the old check on the power of the Executive Government to obtain money from the Exchequer is maintained. Secondly, he audits on behalf of Parliament the accounts of all public expenditure authorised by Parliament. For that purpose his officers have free access to the departments, and can call for the papers necessary to prove and vouch the expenditure, and to show the authority on which it is made. In every department there is an Accounting Officer, usually the Chief Financial Officer, who renders to the Audit Officer the accounts of the department, and is responsible to the Comptroller and Auditor General. This officer in case of irregularity occurring can only discharge himself of his personal responsibility by showing that he acted on the order of his superior officer, or of the Minister at the head of the Department. Responsibility for irregularity can thus at once be brought home.

The departments are required to render their accounts to the Comptroller and Auditor General within a limited time after the close of the year to which they relate, and the Comptroller and Auditor General completes his reports upon them before the commencement of the following Session. He sends his reports to the Treasury, in order that the Treasury may learn without delay any important questions which he may raise, but the Treasury is bound to present them without delay to the House of Commons. If delay occurs on the part of the Treasury, the Comptroller and Auditor General may present the Accounts, over the head of the Treasury to the House.

The Appropriation Accounts and the Reports of the Comptroller and Auditor General upon them are referred by the House to the Committee on Public Accounts, and Members of the House know the close examination which the Committee gives to them, and the detailed character of the Reports which it makes thereupon to the House. These Reports are subsequently considered by the Treasury, in order that effect may be given to the recommendations which they contain. The Treasury decisions are embodied in a Minute, which is communicated later to the Public

Accounts Committee. If the Treasury differs on any point from the Committee, the reasons for the difference of opinion are stated in the Minute, and the question is reserved for reconsideration by the Committee in the next session. If then the Committee and the Treasury cannot come to agreement, the appeal must lie to the House itself. I cannot recollect, during the whole time over which my experience extends, any case which necessitated such an appeal; but the House would, undoubtedly, take into consideration any grave irregularity to which the Committee might call attention. It did so in 1873, when the Committee reported a grave financial irregularity on the part of the Post Office in connection with the purchase and extension of the telegraphs.

The Committee on National Expenditure is now considering the sufficiency of the present control over public expenditure. That question resolves itself into two branches: (1) the control of Parliament, and (2) the control of the Executive Government over expenditure.

1. It appears to me that the control of Parliament over the expenditure is now and has been since 1866 complete. The estimates of the whole public expenditure (the charges on the Consolidated Fund excepted) are annually laid before the House, and the House discusses them in such detail as it thinks proper. The charges on the Consolidated Fund, apart from the National Debt, the Civil List, and the salaries and pensions of judicial officers, are comparatively few. Many of them are temporary, and the number might probably be reduced without harm to the service. It has been argued by high authority that the discussions in Committee of Supply are of little use. I cannot agree in that conclusion. It is true that reductions are seldom made, but from long experience I can testify to the fact that the criticisms offered in discussion, especially if there is reason for them, are seldom forgotten either by the department or by the Minister responsible for the Vote. The accounts of the expenditure voted in Supply are audited on behalf of Parliament by an officer independent of the Executive Government. His reports are examined by a Committee of the House, and the House learns through its Committee whether the money it has voted has been duly and lawfully expended in accordance with its directions. The auditor has right of access to the departments and can demand books and papers necessary to support the expenditure with which a department is charged; and he is absolutely free as to the matter and manner of his report. He constantly makes suggestions or offers criticism on subjects outside the strict sphere of an audit, and the Committee of Public Accounts is always inclined to give him a free hand. He has every power necessary for the satisfactory discharge of his duty, and it only remains for him to discharge his duty without fear or favour. It may be objected that he and the Assistant Comptroller are appointed by the Treasury. When once, however, he has been appointed he is so independent that undue weight may be given to that objection. I should myself prefer that he and the Assistant Comptroller should be chosen by the Speaker and the First Lord of the Treasury in concert. A further objection may be taken, that he has to obtain the assent of the Treasury to change in the numbers and salaries of his staff. Theoretically, this objection might have some weight; I do not, however, attach much practical weight to it. The Comptroller and Auditor General would without doubt report to the Public Accounts Committee if the Treasury hampered him in the discharge of his duty, and the Treasury, except for very good reason, would not run the risk of being overruled by the Committee upon such a point. It appears to me, then, that the House of Commons has now full means for the exercise of its control, and, if so, the result depends upon the greater or less vigilance with which it exercises that control.

In connection with this point, reference may be made to the French practice of submitting the Estimates to a Committee of the Chamber before they are voted. It has been suggested that if the Estimates were in the first instance submitted to a Select Committee criticism might be offered, and reductions made which cannot be expected from the whole House in Committee of Supply, where the Government can rely to a great extent on the support of its followers, as a party matter, irrespective of the particular merits of an amendment. I doubt whether the French precedent is encouraging to economists, for division of responsibility between the Executive Government and the Chamber has not conduced in France, I think, to economical results. Examination by a Committee would, I grant, be more systematic and orderly than a discussion in Committee of Supply, and would probably produce more direct effect, but the House would not, I anticipate, surrender its right of discussion. There would, therefore, not be much saving of time. On the other hand, there is force in the objection that it is inadvisable to make the House undertake administrative work, and thereby lessen the direct and entire responsibility of the Executive Government for the work of administration.

If the duty of revising the Estimates were entrusted to a Select Committee, that duty ought to be effectively performed, and would involve a great sacrifice of time, both on the part of the Committee and on the part of the Public Officers who must attend in order to explain the Estimates. If that duty were perfunctorily performed, the responsibility of the Chancellor of the Exchequer and the Executive Government would be greatly diminished, without any compensating advantage from the new inquiry. If I may venture a personal opinion, I should deprecate any diminution of the responsibility of the Executive Government in finance, unless it could be decisively shown that great and permanent advantage would follow a change. The Committee to be of use must be strongly constituted, and I doubt if the men best fitted for the work could sacrifice the time. The work of the Committee of Public Accounts is comparatively easy, as it practically only considers the points to which the Auditor draws attention, with a view to decide points at issue between the Auditor and the Departments, and to correct irregularity. The work of an Estimate Committee would be much more detailed. I have no experience of a Grand Committee, but I should apprehend it is less qualified than a Select Committee for the examination of financial details.

Upon the general result of the reform of 1866, I may say that I was in the public service for some years before the Exchequer and Audit Act came into operation, and I know how defective the old system was. I have, of course, had experience of the new system both at the Treasury and as Treasury witness during some 14 years before the Public Accounts Committee. I can only record my opinion that the Act of 1866 was a reform of the greatest administrative importance. It is possible that it was unpopular at first because no one likes control. The unpopularity had passed away before I left the service, and I doubt whether any public servant who is worth his salt would wish a return to the old system. The new system has converted the nominal control of Parliament into a real control. I cannot say how much the Auditors' reports conduce to the maintenance of financial order. The knowledge that irregularity will without fail be brought to light enforces a very salutary restraint on ministers and civil servants alike.

The new system has taken away, and rightly, the unlimited discretion which the Treasury had formerly. It has done more, for while it has subjected the Treasury to a very needful control; it has at the same time enabled the Treasury better to discharge its responsibility for the maintenance of financial order, because the Treasury learns much now from the Reports of the Auditor which it never would have learned under the old system.

The control of the Executive Government over expenditure is a separate subject, and it would make this memorandum unduly long if I attempted to deal with it here.

Welby.

I N D E X.

[*N.B.*—In this Index the figures following the Names of the Witnesses, and those in the Digest of Evidence of each Witness, refer to the Questions in the Evidence; the figures following *App.* refer to the Pages in the Appendix; and the Numerals following *Rep.* to the Pages in the Report and Proceedings of the Committee.]

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ARMY ESTIMATES AND EXPENDITURE:

1. *Representations on the part of the Treasury and the Comptroller and Auditor General.*
2. *Explanations on various points on the part of War Office Representatives.*

1. *Representations on the part of the Treasury and the Comptroller and Auditor-General:*

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1. *As to the preparation of the Departmental Estimates and the control and supervision exercised by the Treasury:*

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1. *Representations on the part of the Treasury as to the Supervision and Control now exercised by the Comptroller and Auditor-General.*

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Paper submitted by Mr. Gibson Bowles explanatory of his views regarding the large interception of revenue, withdrawn from account, *App.* 212——Memorandum by Sir Edward Hamilton in reply to Mr. Gibson Bowles on this subject, *ib.* 223.

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Documentary evidence, together with explanation in full, showing the annual cost of maintaining an army of 150,000 men, 1576–1585——Information as to the duties and responsibilities of the Financial Secretary at the War Office; statement to the effect that he is the Parliamentary Head of the Financial Department and entirely independent of the Treasury, 1586–1591.

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Reasons for thinking that the powers of the Auditor-General should not be enlarged, 1327–1330——Representation that for future guidance it would be extremely useful to have a thorough investigation of the expenditure on large public works after completion, 1331–1335.

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Murray, Sir George Herbert, K.C.B. (Digest of his Evidence.)—Witness has been Secretary to the Post Office for three years; he has also been in the Foreign Office and the Treasury, and served as Chairman of the Board of Inland Revenue, 1618–1621.

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Evidence as to the control exercised by the Treasury over the Naval Estimates; explanation that they are not in a position to consider the Estimates in great detail, *Sir R. Awdry* 674–704——Improvement in the scrutiny of the Naval Expenditure resulting from better organisation of the Department, *ib.* 705–710——Reasons of witness for objecting to certify that careful economy has been practised, *ib.* 717–728——Statement to the effect that witness' powers enable him to see that value is received for all expenditure, *ib.* 729–732.

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Paper handed in by Sir Richard Awdry showing the several Votes, to whom they are submitted and the procedure as to their approval, *App.* 219–221.

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Obsolete Expenditure. Direct check exercised by the Treasury upon obsolete expenditure in their examination; illustrations to this effect, *Blain* 78–82. 178, 179——Information as to the care taken to detect obsolete expenditure, *Richmond* 826.

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Reference to memorandum submitted by witness to the Committee as showing the great change which has taken place in the financial system of this country, more especially as regards the method in which Parliamentary control of public moneys should be exercised, *Lord Welby* 2508–2510——Satisfactory character of the machinery now at the disposal of Parliament for an effective control, *ib.* 2511. 2518——Comment upon the former system of control by watching the issue of money from the Exchequer, the real control of Parliament being through independent officers of its own ascertaining how the money has been spent, *ib.* 2508.

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Recommendation that the Committee should thoroughly investigate all the reasons of past expenditure for the purpose of future guidance, *Sir R. H. Knox* 1574–1576——Witness considers the operations of the Committee extremely valuable, *Sir G. H. Murray* 1665–1667——Opinion that the powers of the Committee do not require enlargement, *ib.* 1726, 1727.

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REPORT

FROM THE

SELECT COMMITTEE

ON

NATIONAL EXPENDITURE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

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proposals, for indicating the relative importance of various works where there was insufficient money to carry them all out, and for enforcing economy in the Navy to the best of his ability. Mr. Marzials, the Accountant-General of the Army, took the same view of his position and functions.

All financial and economic objections raised within a Department by accounting officers are, of course, subject to be overruled on the ground of policy by the Minister responsible for that Department. As Lord Welby pointed out, the responsibility rests with the Chancellor of the Exchequer and ultimately with the Cabinet.

We come now to—

(II.) Extra-Departmental Control.

This falls under three heads :

(1.) The Action of the Treasury.

(2.) The Action of the Comptroller and Auditor General.

(3.) The Action of the House of Commons, exercised through—

(*a.*) The Public Accounts Committee.

(*b.*) The whole House sitting in Committee of Supply.

(1.) The Action of the Treasury.

The papers handed in by Mr. Chalmers and Mr. Blain set out in detail the manner of preparing and presenting the Estimates. Your Committee are satisfied that the control of the Treasury makes strongly for economy and efficiency.

Several witnesses, however, have suggested that to prevent any risk of obsolete expenditure the Treasury should at fixed periods (perhaps once in five years) exercise the right which they already possess to overhaul and systematically revise the staff of the various Departments.

Your Committee agree in recommending this course.

Your Committee think it important that the Departments should submit their Estimates to the Treasury in ample time for criticism, and further that all Legislative and Administrative proposals of Departments involving financial increase be submitted promptly and clearly to the Treasury. This is especially necessary in the case of War Office and Admiralty proposals, as expenditure of the one constantly creates demands on the part of the other. It is admitted that Treasury control must be weaker over these Departments, and that expenditure practically depends on the Chancellor of the Exchequer and his influence with the Cabinet.

(2.) The Action of the Comptroller and Auditor General.

Under the Exchequer and Audit Act of 1866 this officer (who is completely independent of all Departments, including the Treasury, and whose tenure of office is similar to that of a Judge), was appointed not only to see that no money was issued without authority, but also to examine on behalf of the House of Commons the accounts of the expenditure of the Grants in Supply and to report to Parliament.

The Comptroller and Auditor General in examination before us stated that he conceived his functions to go beyond mere audit, and that encouraged by the Public Accounts Committee he entered also into the merits of expenditure. In answer to Question No. 756, he said :—

> "I should say that my duty is to examine the accounts of the expenditure of the Grants in Supply on behalf of the House of Commons—that is to say, I am a Parliamentary officer whose duty it is not only to certify to the correctness of the accounts as rendered, but further I am directed by the Act to report to Parliament. As regards reporting, I conceive I have something of a free hand. There are some points which I am obviously to report, such as any excess over a

Grant of Parliament, any clear irregularity, and so forth; but I have also a duty to report on the accounts; and availing myself of that opportunity, I think it my duty to report anything which, in my judgment, falling within my proper functions, it concerns the House of Commons to know. In the first instance, my object is to report in such a way as to assist the House of Commons in making its way through what may be a very bulky volume of accounts; but beyond that I do not feel myself debarred from calling attention to anything which has occurred in the course of my audit during the year, which indicates loss or waste, or anything of that kind which I think it is well that Parliament should know. Of course, in doing so I have to act with great care and discretion. It is not for me to criticise administrative action as such; the Departments are responsible for their own action as regards general administration; but if I find the result of administrative action has been a loss or a wastefulness of in public money then I think it is not going beyond my duty of reporting as an officer of the House of Commons if I call specific attention to matters of that kind, even though the account itself would not disclose the facts."

Your Committee consider that this retrospective examination both by the Comptroller and Auditor General and by the Public Accounts Committee has been well done, and they recommend the Public Accounts Committee, even more than in the past, to encourage the Comptroller and Auditor General to scrutinise and criticise improper or wasteful expenditure and to indicate where censure is in his opinion required.

Your Committee recommend that the Departments endeavour to place the Comptroller and Auditor General in possession of their accounts at an earlier date in order that he may have more time to draw up his report.

(3.) Action of the House of Commons exercised through—

(*a.*) The Public Accounts Committee.

Every Witness bore testimony to the increasing value of this Committee as a check on wasteful expenditure. The Comptroller and Auditor General told us he "valued its services very highly in maintaining due regard for economy in the Public Departments." Mr. T. G. Bowles, who served on this Committee for many years, said in answer to Question No. 1017:

"As a check upon, not merely extravagant or unauthorised expenditure, but also upon unwise methods of management, this Committee is probably more effectual than the House of Commons itself. There is indeed ground for believing that the spending Departments stand more in awe of the Public Accounts Committee than of the House itself, probably because there is less chances of escaping its close scrutiny."

It is the business of the Treasury—a business duly performed—to write Minutes on the valuable Reports of this Committee, of which from three to six are usually issued each Session. Yet, notwithstanding the great value of these Reports and of the Treasury Minutes thereon, our present Parliamentary rules afford no fitting opportunity to the House of Commons of regularly discussing any of the matters contained within them.

Your Committee are of opinion that this is an important omission which should be promptly rectified.

We therefore recommend that a new rule of Supply should ensure that at least one day should be provided for the consideration by the House of Commons of the Reports of the Public Accounts Committee and, when possible, of the Treasury Minutes thereon, and an opportunity be given of taking a decision upon the recommendations embodied therein. The discussion would incidentally serve to indicate to the House which Votes most urgently required vigilant examination.

Action of the House of Commons exercised through—

(*b.*) The Committee of Supply.

Your Committee desire to direct attention to the following Statement supplied by the Treasury, showing the increases of expenditure sanctioned by the House of Commons in the last 20 years:—

ARMY, NAVY, AND CIVIL SERVICES.

EXPENDITURE from VOTES (EXCHEQUER ISSUES) and on CAPITAL ACCOUNT in the Years 1883–4, 1893–4, 1898–9, and 1903–4.

HEADS OF EXPENDITURE.	1883–4.	1893–4.	1898–9.	1903–4. (Estimates).*
ARMY.	£.	£.	£.	£.
From Votes	15,886,000	17,940,000	20,000,000	30,000,000
On Capital Account	40,000	717,000	830,000	3,450,000
NAVY.				
From Votes	10,556,000	14,048,000	24,068,000	34,457,000
On Capital Account	—	1,429,000	1,080,000	4,120,000
CIVIL SERVICES.				
From Votes	17,182,000*	18,226,000*	22,025,000*	26,565,000*
Including Education	[*4,462,000*]	[*9,096,000*]	[*11,590,000*]	[*14,156,000*]
On Capital Account	—	190,000	1,819,000	1,200,000
POST OFFICE SERVICES.				
From Votes	6,936,000	10,108,000	12,197,000	15,404,000
On Capital Account	—	160,000	133,000	600,000
REVENUE DEPAREMENTS.				
From Votes	2,772,000	2,671,000	2,816,000	3,113,000
TOTAL FROM VOTES	53,332,000	62,993,000	81,106,000	109,539,000
TOTAL ON CAPITAL ACCOUNT	40,000	2,496,000	3,862,000	9,370,000

The foregoing figures do not include the following items of War Expenditure:—

In 1883–4:—Army 209,000*l.*, Navy 173,000*l.*

In 1903–4:—Army, 4,500,000*l.* (South African Special Expenditure, China and Somaliland).

* The Expenditure for Civil Services in 1883–4 included 2,872,000*l.* for Grants in Aid of Local Taxation, since charged to the Local Taxation Accounts. The payments to the Local Taxation Accounts, made partly out of the Revenues specially assigned to those accounts and partly out of the Consolidated Fund, amounted in 1893–4 to 7,204,000, in 1898–9 to 9,973,000*l.*, and are estimated for 1903–4 at 10,938,000*l.*

It is important to note that money expended on Capital Account is borrowed as required from the National Debt Commissioners and repaid by annuities extending over a term of years, which are provided on the Votes.

Eight Witnesses who had had special opportunities of noticing the effect of discussions in the Committee of the House of Commons on Supply gave it as their opinion that for many years past the result was to urge increased not decreased expenditure. Your Committee do not pronounce on this.

But we consider that the examination of Estimates by the House of Commons leaves much to be desired from the point of view of financial scrutiny. The colour of the discussions is unavoidably partisan. Few questions are discussed with adequate knowledge or settled on their financial merits. 670 Members of Parliament, influenced by party ties, occupied with other work and interests, frequently absent from the Chamber during the 20 to 23 Supply days, are hardly the instrument to achieve a close and exhaustive examination of the immense and complex estimates now annually presented. They cannot effectively challenge the smallest item without supporting a motion hostile to the Government of the day; and divisions are nearly always decided by a majority of members who have not listened to the discussion. Your Committee agree in thinking that the Estimates are used in practice—perhaps necessarily by the Committee of Supply—mainly to provide a series of convenient and useful opportunities for the debating of Policy and Administration, rather than to the criticism and review of financial method and of the details of expenditure. We are impressed with the advantages, for the purposes of detailed financial scrutiny, which are enjoyed by Select Committees, whose proceedings are usually devoid of party feeling, who may obtain accurate knowledge collected for them by trained officials, which may, if so desired, be checked or extended by the examination of witnesses or the production of documents; and we feel it is in this direction that the financial control of the House of Commons is most capable of being strengthened.

It has been suggested as a means of providing Members with more information that a statistical statement should be presented annually with the Estimates showing the variation of each Vote during a period of ten years. To this should be added a few notes explanatory of any marked rise or fall in certain years.

Your Committee approve this suggestion, and they consider that in presenting the Estimates to Parliament more detailed information, especially as to new expenditure, might be furnished to the House of Commons in the Memoranda which are now circulated with the Army, Navy, and Civil Service Estimates.

Finally, your Committee have considered various proposals made to them for increasing through Committees the control of the House of Commons.

A suggestion was made that the Estimates should as early as possible after presentation be referred to a Grand Committee, and should only be discussed in the whole House on report of that Committee. We are of opinion that the House of Commons would be strongly averse to delegating any of its powers to such a Committee.

Another suggestion was made that the Estimates should immediately on presentation to the House of Commons be referred to one or more Select Committees for examination and report precedent to the Votes being discussed in Committee of Supply, and that such Select Committees should have power to examine Ministers, Officials, and papers.

We cannot recommend this proposal.

A third proposal has been put before us, and was approved by several leading witnesses, namely:—That a Select Committee should be appointed whose function would be to make a post-mortem examination of a class or portion of the Estimates, or of a particular item of expenditure of the nearest preceding year of which they could obtain an account, and after research and examination to issue a report thereon, pointing out any lessons of economical administration which might usefully be learned from the experiences of the past.

Your Committee have most carefully considered this proposal, which we are far from deeming valueless or impracticable; but we feel that the work of such a Committee would be so little different from that already discharged by the Public Accounts Committee as scarcely to justify the creation of a fresh body; and, moreover, the examination of Estimates already dead and done with seems hardly likely to command so much attention and yield the same effective result as the examination of the Estimates of the current year.

A fourth proposal has been made to us by Mr. T. G. Bowles that at the beginning of each Session one Class of the Estimates should be referred to a Select Committee for examination and report precedent to the votes being discussed in Committee of Supply, and that such Select Committee should have power to send for persons, papers, and records.

We consider that if the portion of the Estimates selected were not unduly large the temporal difficulties incidental to their examination would be removed, and that as the Committee would have no power to disallow any expenditure, but only to report thereon, there could be no question of any interference either with ministerial responsibility or with Parliamentary control.

Your Committee are therefore prepared to recommend that such a Select Committee be appointed; that it be called "The Estimates Committee"; that it be appointed continuously in the same way and possess the same powers as the Public Accounts Committee; that in order to combine and unify the machinery of financial control, and as it were to dovetail the Estimates Committee on to the Public Accounts Committee a proportion of members be appointed to sit on both committees; that the Estimates Committee with power to call for witnesses and papers, not of a secret character, should examine a class, portion or branch of the estimates for the current year not exceeding one-fourth of the whole; that this class shall have been selected for them in the previous year by the Public Accounts Committee, who shall likewise notify the Departments concerned and the Treasury; that the Public Accounts Committee while preserving full discretionary power in the selection of the class or portion of the Estimates to be referred to the Estimates Committee, shall endeavour to pass systematically in review each vote within a limited period of years; that to facilitate examination the selected class or portion shall be presented at the earliest possible date after the day of the meeting of Parliament, and that the consideration of this class by the House of Commons in Committee of Supply shall if convenient be deferred until the presentation of the Report of the Estimates Committee thereupon.

Your Committee are moreover of opinion that the powers of the Treasury, the Comptroller and Auditor-General, and the Public Accounts Committee should be extended in the directions and within the limits we have suggested; that an opportunity should be afforded for the discussion of the reports of the Public Accounts Committee in Committee of Supply; and that increased information should be afforded to Members showing the comparative growth of Estimates, and fuller explanation of the reasons for new expenditure. We feel hopeful that the adoption of our recommendations will enhance the value of discussion in Supply and enable the House of Commons more effectively to exercise control over the details of National Expenditure.

7 *July* 1903.

PROCEEDINGS OF THE COMMITTEE.

Monday, 15*th June* 1903.

MEMBERS PRESENT:

Mr. Trevelyan.	Mr. Churchill.
Sir Robert Mowbray.	Mr. Hayes Fisher.
Mr. Arthur Elliot.	Sir Lewis M'Iver.
Sir Edgar Vincent.	Mr. Lough.
Sir Walter Foster.	Mr. Bonar Law.
Mr. Eugene Wason.	

Sir JAMES FERGUSSON was called to the Chair.

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

"1. (A.) Your Committee were first appointed on 28th May 1902, and were re-appointed on 1st April of the present Session.

"Since beginning their deliberations the following changes have been made in the composition of the Committee:—Mr. Austen Chamberlain was discharged on the 21st October 1902, and Mr. Hayes Fisher was added; and on re-appointment in the present Session, Mr. Arthur Elliot served in the place of Sir John Dorington. Your Committee have examined important Witnesses, and from several of these have received valuable Papers, which are printed in the Appendix.

"2. Your Committee, while mainly directing their attention to elucidating some method of making the control of the House of Commons more effective, have considered some suggestions which were put forward for increasing the powers of supervision exercised by the Treasury and by the Comptroller and Auditor General in the interest of the House of Commons.

"3. Your Committee and the Witnesses whom they have examined have constantly borne in mind the limitation imposed upon any recommendations they might make by the proviso 'Not involving criticisms of policy.'

"Your Committee while agreeing with many witnesses that 'expenditure must mainly depend on policy, and policy must be, and can only be, elaborated and proposed by the Government of the day, and on its proposal accepted or rejected by Parliament,' nevertheless are convinced that in expending the money necessary to carry out that policy, there is a large field for the vigilance of the House of Commons in combining the most efficient with the most economic methods.

"4. All control of expenditure from the preparation and examination of Estimates to the final audit of accounts may be conveniently classified under the following heads:—

"(I.) Departmental; (II.) Extra-Departmental.

"(I.) DEPARTMENTAL.

"5. Your Committee gather from Mr. Blain and other witnesses that in each Department there is one or more accounting officers who is responsible for seeing that the money voted by Parliament is properly spent, and whose duty it would be to call attention to expenditure which had become obsolete.

"In the great spending departments of the War Office and the Admiralty there is an Accountant-General who revises and controls all expenditure.

"6. Sir R. Awdry, the Accountant-General of the Navy, told us that he considered himself responsible for pointing out the financial results of all proposals, for indicating the relative importance of various works where there was insufficient money to carry them all out, and for enforcing economy in the Navy to the best of his ability.

"7. All financial and economic objections raised within the Department by accounting officers are, of course, subject to be overridden by the Secretary of State on the ground of policy. As Lord Welby pointed out, the ultimate responsibility rests with the Chancellor of the Exchequer and with the Cabinet.

"8. We come now to—

"(II.) EXTRA-DEPARTMENTAL CONTROL.

"This falls under three heads:

"(1.) The Action of the Treasury.

"(2.) The Action of the Comptroller and Auditor General.

"(3.) The Action of the House of Commons, exercised through—

"(*a*.) The Public Accounts Committee.

"(*b*.) The whole House sitting in Committee of Supply.

"(1.) THE ACTION OF THE TREASURY.

"9. The papers handed in by Mr. Chalmers and Mr. Blain set out in detail the manner of preparing and presenting the Estimates. Your Committee are satisfied that the control of the Treasury makes strongly for economy and efficiency, and that the scrutiny and supervision of the Treasury leaves generally, apart from policy, little to be desired.

"Several witnesses, however, have suggested that to prevent any risk of obsolete expenditure the Treasury should at fixed periods (perhaps once in five years) exercise the right which they already possess to overhaul and systematically revise the staff of the various Departments.

"10. Your Committee agree in recommending this course.

"11. Your Committee think it important that the Departments should submit their Estimates to the Treasury in ample time for criticism, and further that all Legislative and Administrative proposals of Departments involving financial increase be submitted promptly and clearly to the Treasury. This is especially necessary in the case of War Office and Admiralty proposals, as expenditure of the one constantly creates demands on the part of the other. It is admitted that Treasury control must be weaker over these Departments, and that expenditure practically depends on the Chancellor of the Exchequer.

"(2.) THE ACTION OF THE COMPTROLLER AND AUDITOR GENERAL.

"12. Under the Exchequer and Audit Act of 1866 this officer (who is completely independent of all Departments, including the Treasury, and whose tenure of office is similar to that of a Judge), was appointed not only to see that no money was issued without authority, but also to examine on behalf of the House of Commons the accounts of the expenditure of the Grants in Supply and to report to Parliament.

"13. But the Comptroller and Auditor General in examination before us stated that he conceived his functions to go beyond mere audit, and that encouraged by the Public Accounts Committee he entered also into the merits of expenditure. In answer to Question No. 756, he said:—

> "'I should say that my duty is to examine the accounts of the expenditure of the Grants in Supply on behalf of the House of Commons—that is to say, I am a Parliamentary officer whose duty it is not only to certify to the correctness of the accounts as rendered, but further I am directed by the Act to report to Parliament. As regards reporting, I conceive I have something of a free hand. There are some points which I am obviously to report, such as any excess over a Grant of Parliament, any clear irregularity, and so forth; but I have also a duty to report on the accounts; and availing myself of that opportunity, I think it my duty to report anything which, in my judgment, falling within my proper functions, it concerns the House of Commons to know. In the first instance, my object is to report in such a way as to assist the House of Commons in making its way through what may be a very bulky volume of accounts; but beyond that I do not feel myself debarred from calling attention to anything which has occurred in the course of my audit during the year, which indicates loss or waste, or anything of that kind which I think it is well that Parliament should know. Of course, in doing so I have to act with great care and discretion. It is not for me to criticise administrative action as such; the Departments are responsible for their own action as regards general administration; but if I find the result of administrative action has been a loss or a wastefulness of in public money then I think it is not going beyond my duty of reporting as an officer of the House of Commons if I call specific attention to matters of that kind, even though the account itself would not disclose the facts.'

"14. Your Committee consider that this retrospective examination both by the Comptroller and Auditor General and by the Public Accounts Committee has been well done, and they recommend the Public Accounts Committee, even more than in the past, to encourage the Comptroller and Auditor General to scrutinise, criticise, and in his reports censure, if necessary, improper or wasteful expenditure.

"15. Your Committee recommend—

"(1.) That the Departments endeavour to place the Comptroller and Auditor General in possession of their accounts at an earlier date in order that he may have more time to draw up his report.

"(2.) That

"(2.) That a slight increase be made in his Staff.

"(3) ACTION OF THE HOUSE OF COMMONS EXERCISED THROUGH—

"(*a.*) The Public Accounts Committee.

"16. Every Witness bore testimony to the increasing value of this Committee as a check on wasteful expenditure. The Comptroller and Auditor General told us he 'valued its services very highly in maintaining due regard for economy in the Public Departments.' Mr. T. G. Bowles, who served on this Committee for many years, said:

> "'As a check upon, not merely extravagant or unauthorised expenditure, but also upon unwise methods of management, this Committee is probably more effectual than the House of Commons itself. There is indeed ground for believing that the spending Departments stand more in awe of the Public Accounts Committee than of the House itself, probably because there is less chances of escaping its close scrutiny.'

"17. Mr. Bowles is of opinion that the powers of the Public Accounts Committee are adequate; moreover, it seems to be the general opinion that it would be unwise to extend the functions and duties of this Committee for fear that they would become so onerous as to cease to attract the class of Member who is now anxious to devote his time to its arduous labours of investigation.

"18. It is the business of the Treasury—a business duly performed—to write Minutes on the valuable Reports of the Committee, of which from three to six are usually issued each Session. Yet, notwithstanding the great value of these Reports and of the Treasury Minutes thereon, our present Parliamentary rules afford no fitting opportunity to the House of Commons of regularly discussing any of the matters contained within them.

"Your Committee are of opinion that this is an important omission which should be promptly rectified.

"19. We therefore recommend that a new rule of Supply should ensure that at least one day should be provided for the consideration, by the House of Commons, of the Reports of the Public Accounts Committee and of the Treasury Minutes thereon, and an opportunity be given of taking a decision upon the recommendations embodied therein. The discussion would incidentally serve to indicate to the House which Votes most urgently required vigilant examination.

"20 (B.) Action of the House of Commons exercised through—

"(*b.*) Committee of Supply.

"Your Committee desire to direct attention to Appendix No. 1, showing that in the ten years from 1892–3 to 1902–3 the House of Commons has sanctioned an increase of expenditure on

"The Army of 12,123,000*l.* (excluding War charges),
"The Navy of 16,953,000*l.*,
"The Civil Services of 6,868,000*l.* (of this, Education accounts for 4,142,000*l.*),
"Post Office Services of 4,923,000*l.*

"21. No less than eight of the principal Witnesses who had had special opportunities of noticing the effect of discussions in the Committee of the House of Commons on Supply, gave it as their opinion that for many years past the result was to urge increased not decreased expenditure.

"Your Committee agree in thinking that for one cause or another most of the time occupied in Supply is directed rather to the debating of Policy than to the criticism and review of financial method and of detailed expenditure. Some Witnesses have attributed this defect to the want of knowledge on the part of Members of Parliament of the composition of the Estimates.

"22. It has been suggested as a means of providing Members with more information that a statistical statement should be presented annually with the Estimates showing the variation of each Vote during a period of ten years. To this might be added a few notes explanatory of any marked rise or fall in certain years.

"Your Committee approve of this suggestion, and they consider that in presenting the Estimates to Parliament more detailed information, especially as to new expenditure, might be furnished to the House of Commons at the same time as the Memoranda which are now circulated with the Army, Navy, and Civil Service Estimates.

"23. Finally, your Committee have considered various proposals made to them for increasing through Committees the control of the House of Commons.

"(A.) A suggestion was made that the Estimates should as early as possible after presentation be referred to a Grand Committee, and should only be discussed in the whole House on report of that Committee. We are of opinion that the House of Commons would be strongly averse to delegating any of its powers to such a Committee, and for other reasons we think such a proposal neither practical nor desirable.

"24. (B.) Another suggestion was made that all the Estimates should immediately on presentation to the House of Commons be referred to one or more Select Committees for examination and report precedent to the Votes being discussed in Committee of Supply, and that such Select Committees should have power to examine Ministers, Officials, and papers.

"25. We cannot recommend this proposal for the following among other reasons,—

"(1.) That such a course would weaken Ministerial responsibility and Departmental and Treasury control.

"(2.) That either the examination of Estimates by such Committees would be perfunctory, or if thorough and exhaustive, would make it impossible, in point of time, for the Reports of such Committees to be presented to the House before the necessities of the public service rendered it obligatory upon the House to vote Supply.

"26. (C.) A third proposal has been put before us, and was approved by several leading witnesses, viz., that a Select Committee should be appointed whose functions it would be to make a post-mortem examination of a branch or branches of the Estimates, or of a particular Vote or item of expenditure of the nearest preceding year of which it could obtain the account, and after research and review, to issue a Report thereon, pointing out any lessons in economical administration which might usefully be learnt from the experience of the past.

"27. Your Committee are prepared to recommend that such a Select Committee be appointed; that it be called the Estimates Committee; that it be appointed continuously in the same way and possess the same powers as the Public Accounts Committee; that in order to dovetail the Estimates Committee into the Public Accounts Committee a few Members be appointed to sit on both Committees; that it should examine and report on any branch of expenditure which, in the opinion of the Committee, most required observation; always, however, endeavouring to pass systematically in review each Vote within a limited period of years.

"28. Your Committee are of opinion that the slightly added powers which they have suggested should be given to the Treasury, and to the Comptroller and Auditor General and Public Accounts Committee, coupled with increased information to be supplied to Members indicating the comparative growth of Estimates, will, in conjunction with a close investigation—especially of New Services—by an Estimates Committee, linked up with the Public Accounts Committee, go far to enhance the value of discussions in Supply, and to enable the House of Commons to exercise an effective control over the details of National Expenditure."

Question, That the Draft Report be read a second time paragraph by paragraph,—put, and *agreed to.*

Paragraph 1, amended, and *agreed to.*

Paragraphs 2—4, *agreed to.*

Paragraph 5 :

Amendment proposed, in line 1, to leave out the word "gather" in order to insert the word "learn"—(Mr. *Churchill*)—instead thereof.—Question, That the word "gather" stand part of the paragraph,—put, and *negatived.*

Question, That the word "learn" be there inserted,—put, and *agreed to.*

Paragraph, as amended, *agreed to.*

Paragraph 6, *postponed.*

Paragraph 7 :

Amendment proposed, in line 2, to leave out the words "overridden by the Secretary of State" in order to insert the words "overruled by the Minister responsible for that Department"—(Mr. *Churchill*)—instead thereof.—Question, That the words proposed to be left out stand part of the paragraph,—put, and *negatived.*

Question, That the proposed words be there inserted,—put, and *agreed to.*

Another Amendment made.

Another Amendment proposed, in line 3, after the word "and" to insert the words "the decision depends largely upon his weight"—(Sir *Edgar Vincent*).—Question put, That those words be there inserted.—The Committee divided:

Ayes, 4.	Noes, 5.
Mr. Churchill.	Mr. Arthur Elliot.
Mr. Hayes Fisher.	Sir Walter Foster.
Mr. Trevelyan.	Sir Lewis M'Iver.
Sir Edgar Vincent.	Sir Robert Mowbray.
	Mr. Eugene Wason.

Another Amendment made.

Paragraph, as amended, *agreed to.*

Paragraph 8, amended, and *agreed*

Paragraphs 9—11, *postponed.*

Paragraph

Paragraph 12:

Amendment proposed, in line 2, to leave out the words "whose tenure of office is similar to that of a Judge" in order to insert the words "who described his position as being as nearly as possible analogous to that of one of His Majesty's Judges"—(Mr. *Lough*)—instead thereof.—Question, That the words proposed to be left out stand part of the paragraph,—put, and *agreed to.*

Paragraph, *agreed to.*

Paragraph 13, amended, and *agreed to.*

Paragraph 14:

Amendment proposed, in line 4, after the word "scrutinise" to insert the word "and"—(Mr. *Trevelyan*).—Question, That the word "and" be there inserted,—put, and *agreed to.*

Another Amendment proposed, in line 4, to leave out the words "and in his reports censure if necessary"—(Mr. *Trevelyan*).—Question, That the words proposed to be left out stand part of the paragraph,—put, and *negatived.*

Another Amendment proposed, at the end of the paragraph, to add the words "and in his reports to indicate where censure is, in his opinion, required"—(Mr. *Trevelyan*).—Question, That those words be there added,—put, and *agreed to.*

Paragraph, as amended, *agreed to.*

Paragraph 15:

Amendment proposed, in line 5, to leave out "sub-section (2)"—(Mr. *Lough*).—Question, That the words "(2) That a slight increase be made in his staff" stand part of the paragraph,—put, and *negatived.*

Paragraph, as amended, *agreed to.*

Paragraph 16, amended, and *agreed to.*

Paragraph 17, *postponed.*

Paragraph 18, *agreed to.*

Paragraph 19, *postponed.*

[Adjourned till Tuesday, 23rd June, at half-past Eleven o'clock.

Tuesday, 23rd June 1903.

MEMBERS PRESENT:

Mr. HAYES FISHER in the Chair.

Sir Robert Mowbray.	Mr. Hugh Law.
Sir Edgar Vincent.	Mr. Churchill.
Mr. Trevelyan.	Mr. Eugene Wason.
Mr. Dillon.	Mr. Lough.
Sir Lewis M'Iver.	

Mr. *Frank Thomas Marziale*, C.B., was examined.

Chairman's Draft Report further considered.

Paragraphs 20 and 21, *postponed.*

Paragraph 22, amended, and *agreed to.*

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

Monday, 29th June 1903.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Walter Foster.	Sir Lewis M'Iver.
Mr. Hayes Fisher.	Mr. Churchill.
Sir Edgar Vincent.	Mr. Hugh Law.
Mr. Dillon.	Mr. Arthur Elliot.
Mr. Eugene Wason.	Mr. W. F. D. Smith.
Mr. Trevelyan.	Sir Robert Mowbray.

Chairman's Draft Report further considered.

Paragraph 23:

Amendment proposed, in line 6, after the word "Committee" to leave out all words to the end of the paragraph—(Sir *Walter Foster*).—Question put, That those words stand part of the paragraph.—The Committee divided:

Ayes, 3.	Noes, 5.
Mr. Dillon.	Mr. Churchill.
Mr. Hayes Fisher.	Sir Walter Foster.
Sir Lewis M'Iver.	Mr. Trevelyan.
	Sir Edgar Vincent.
	Mr. Eugene Wason.

Paragraph, as amended, *agreed to.*

Paragraph 24, amended, and *agreed to.*

Paragraphs 25, 26 and 27, *postponed.*

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

Thursday, 2nd July 1903.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Edgar Vincent.	Mr. Trevelyan.
Mr. Hayes Fisher.	Mr. Churchill.
Mr. Arthur Elliot.	Mr. Eugene Wason.
Sir Robert Mowbray.	Mr. Dillon.
Sir Lewis M'Iver.	Mr. Hugh Law.
Mr. W. F. D. Smith.	Mr. Bonar Law.

Chairman's Draft Report further considered.

Paragraph 25:

An Amendment proposed, in line 1, to leave out the words "for the following among other reasons," in order to insert the following words:—

"A third proposal has been put before us, and was approved by several leading witnesses, namely:—That a Select Committee should be appointed whose function would be to make a post-mortem examination of a class or portion of the Estimates, or of a particular item of expenditure of the nearest preceding year of which they could obtain an account, and after research and examination to issue a report thereon, pointing out any lessons of economical administration which might usefully be learned from the experiences of the past.

"Your Committee have most carefully considered this proposal, which we are far from deeming valueless or impracticable; but we feel that the work of such a Committee would be so little different from that already discharged by the Public Accounts Committee as scarcely to justify the creation of a fresh body; and, moreover, the examination of Estimates already dead and done with seems hardly likely to command so much attention and yield the same effective result as the examination of the Estimates of the current year.

"A fourth

"A fourth proposal has been made to us by Mr. Gibson Bowles that at the beginning of each Session one Class of the Estimates should be referred to a Select Committee for examination and report precedent to the Votes being discussed in Committee of Supply, and that such Select Committee should have power to send for persons, papers and records.

"Such a Committee would have no power in itself of altering the Estimates, but only that of reporting on them to the House for the information of the Committee of Supply, and its chief use would be in affording information to that Committee. It would deal with one class of the Estimates for the current year before their discussion, just as the Public Accounts Committee deals with the Estimates of a preceding year.

"The practical difficulty which suggests itself at first sight is that of obtaining time between the presentation of the Estimates and the discussion in the House, for the work of such a Committee. This, however, does not seem insuperable. It is probable that since in 1902 the Public Accounts Committee gave 20 sittings in all to the examination of a report on all four classes. This suggested Committee would easily conclude its work on one class alone in eight sittings; and if appointed either by Standing Order or (as is the case with the Committee of Privileges) by Sessional Order on the first day of each Session, it would if sitting two days each week conclude its work within a month of that day. It is pointed out that in 1902 the first sitting of the Committee of Supply for the Estimates of the year was not taken till the 24th of February, or 39 days after the 16th January on which the House first met, and that time would therefore have allowed of this method.

"In case such a Committee were appointed it would be necessary that the particular class of Estimates to be referred to in that year should be distributed to the Committee immediately after the first day of Parliament meeting. The present rule of Parliament (under the Resolution of 21st February 1821) is that the Estimates for the Army and Navy shall in peace time, and when Parliament has assembled before Christmas, be presented before 15th January; or when it assembled after Christmas, within 10 days of the opening of the Committee of Supply. This indicates that in the case cited of the Session of 1902 it would have been possible to distribute at least one class of the year's Estimates on the 16th January when Parliament met, instead of their distribution being commenced as was the case on 17th February.

"We consider that if the portion of the Estimates selected were not unduly large the temporal difficulties incidental to their examination would be removed, and that as the Committee would have no power to disallow any expenditure, but only to report thereon, there could be no question of any interference either with ministerial responsibility or with Parliamentary control.

"Your Committee are therefore prepared to recommend that such a Select Committee be appointed; that it be called 'The Estimates Committee;' that it be appointed continuously in the same way and possess the same powers as the Public Accounts Committee; that in order to combine and unify the machinery of financial control, and as it were to dovetail the Estimates Committee on to the Public Accounts Committee a proportion of members be appointed to sit on both committees; that the Estimates Committee with power to call for witnesses and papers, not of a secret character, should examine a class, portion or branch of the Estimates for the current year not exceeding one-fourth of the whole; that this class shall have been selected for them in the previous year by the Public Accounts Committee, who shall likewise notify the Departments concerned and the Treasury; that the Public Accounts Committee while preserving full discretionary power in the selection of the class or portion of the Estimates to be referred to the Estimates Committee, shall endeavour to pass systematically in review each Vote within a limited period of years; that to facilitate examination the selected class or portion shall be presented at the earliest possible date after the day of the meeting of Parliament, and that the consideration of this class by the House of Commons in Committee of Supply shall if convenient be deferred until the presentation of the Report of the Estimates Committee thereupon"—(Mr. *Churchill*)—instead thereof.

Question put, That the words "for the following among other reasons" stand part of the paragraph.

The Committee divided:

Ayes, 5.	Noes, 7.
Mr. Arthur Elliot.	Mr. Churchill.
Mr. Hayes Fisher.	Mr. Dillon.
Mr. Bonar Law.	Mr. Hugh Law.
Sir Robert Mowbray.	Sir Lewis M'Iver.
Mr. W. F. D. Smith.	Mr. Trevelyan.
	Sir Edgar Vincent.
	Mr. Eugene Wason.

Question proposed, That the proposed words be there inserted.

Amendment proposed, in line 17 of the Amendment, to leave out from the words "Such a Committee" to the words "on 17th February" in line 41, inclusive.—Question, That the words proposed to be left out stand part of the Amendment,—put, and *negatived*.

Question

Question put, That lines 1—12 of the Amendment, from the words "A third proposal" in line 1 to the words "current year" in line 12, inclusive, be there inserted.

The Committee divided:

Ayes, 6.	Noes, 5.
Mr. Churchill.	Mr. Arthur Elliot.
Mr. Dillon.	Mr. Hayes Fisher.
Mr. Hugh Law.	Mr. Bonar Law.
Mr. Trevelyan.	Sir Robert Mowbray.
Sir Edgar Vincent.	Mr. W. F. D. Smith.
Mr. Eugene Wason.	

Question put, That lines 13—46 of the Amendment, as amended, from the words "A fourth proposal" in line 13 down to the words "Parliamentary control" in line 46, inclusive, be there inserted.

The Committee divided:

Ayes, 6.	Noes, 5.
Mr. Churchill.	Mr. Arthur Elliot.
Mr. Dillon.	Mr. Hayes Fisher.
Mr. Hugh Law.	Mr. Bonar Law.
Mr. Trevelyan.	Sir Robert Mowbray.
Sir Edgar Vincent.	Mr. W. F. D. Smith.
Mr. Eugene Wason.	

Question put, That lines 47—61 of the Amendment, from the words "Your Committee" in line 47 to the words "Committee thereupon" in line 61, inclusive, be there inserted.

The Committee divided:

Ayes, 6.	Noes, 5.
Mr. Churchill.	Mr. Arthur Elliot.
Mr. Dillon.	Mr. Hayes Fisher.
Mr. Hugh Law.	Mr. Bonar Law.
Mr. Trevelyan.	Sir Robert Mowbray.
Sir Edgar Vincent.	Mr. W. F. D. Smith.
Mr. Eugene Wason.	

Another Amendment proposed, to leave out Sub-sections (1) and (2) of the paragraph—(Mr. *Churchill*).—Question, That Sub-sections (1) and (2) stand part of the paragraph,—put, and *negatived*.

Paragraph, as amended, *agreed to*.

Postponed paragraphs considered.

Postponed paragraph 6:

An Amendment proposed, in line 4, after the word "ability" to insert the words "Mr. Marzials, the Accountant-General of the Army, took the same view of his position and functions"—(Mr. *Fisher*).—Question, That those words be there inserted,—put, and *agreed to*.

Paragraph, as amended, *agreed to*.

Postponed paragraph 9:

Amendment proposed, in line 3, after the word "efficiency" to leave out from the word "and" to the word "desired," in line 4, inclusive"—(Mr. *Dillon*).—Question, That the words proposed to be left out stand part of the paragraph.—The Committee divided:

Ayes, 5.	Noes, 6.
Mr. Arthur Elliot.	Mr. Churchill.
Mr. Hayes Fisher.	Mr. Dillon.
Mr. Bonar Law.	Mr. Hugh Law.
Sir Robert Mowbray.	Mr. Trevelyan.
Mr. W. F. D. Smith.	Sir Edgar Vincent.
	Mr. Eugene Wason.

Paragraph,

Paragraph, as amended, *agreed to.*

Postponed paragraph 10, *agreed to.*

Postponed paragraph 11:

Amendment proposed, at the end of the paragraph, to add the words "and his influence with the Cabinet"—(Mr. *Churchill*).—Question, That those words be there inserted,—put, and *agreed to.*

Paragraph, as amended, *agreed to.*

Postponed paragraph 17, *disagreed to.*

Postponed paragraph 19:

Amendment proposed, in line 3, after the word "and" to insert the words "when possible"—(Mr. *Fisher*).—Question, That those words be there inserted,—put, and *agreed to.*

Paragraph, as amended, *agreed to.*

Postponed paragraph 20, further *postponed.*

Postponed paragraph 21:

Amendment proposed, at the end of the paragraph, to add the following words: "Your Committee, however, feel bound to draw attention to the fact that the recent phenomenal annual increase in the amount of the Estimates dates from the year 1898—the year in which the new rule governing discussion in Committee of Supply was first introduced—and to record their opinion that the new procedure in Committee of Supply, involving automatic closure of the Committee, has materially contributed to the increase in National Expenditure"—(Mr. *Dillon*).—Question put, That those words be there added.—The Committee divided:

Ayes, 4.	Noes, 5.
Mr. Dillon.	Mr. Churchill.
Mr. Hugh Law.	Mr. Arthur Elliot.
Mr. Trevelyan.	Mr. Hayes Fisher.
Mr. Eugene Wason.	Sir Robert Mowbray.
	Sir Edgar Vincent.

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

Friday, 3rd July 1903.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Mr. Bonar Law.	Mr. Dillon.
Mr. Hayes Fisher.	Mr. Churchill.
Mr. Arthur Elliot.	Sir Robert Mowbray.
Mr. Trevelyan.	Mr. Lough.
Mr. Eugene Wason.	Mr. Hugh Law.

Chairman's Draft Report further considered.

Postponed paragraph 20:

Amendment proposed, in line 3, to leave out from the word "Appendix" to the end of the paragraph, inclusive, in order to insert the following words, "the following Statement supplied by

the Treasury showing the increases of expenditure sanctioned by the House of Commons in the last 20 years:—

ARMY, NAVY, AND CIVIL SERVICES.

EXPENDITURE from VOTES (EXCHEQUER ISSUES) and on CAPITAL ACCOUNT in the Years 1883-4, 1893-4, 1898-9, and 1903-4.

HEADS OF EXPENDITURE.	1883-4.	1893-4.	1898-9	1903-4 (Estimates).
ARMY.	£.	£.	£.	£.
From Votes	15,886,000	17,940,000	20,000,000	30,000,000
On Capital Account	40,000	717,000	830,000	3,450,000
NAVY.				
From Votes	10,556,000	14,048,000	24,068,000	34,457,000
On Capital Account	—	1,429,000	1,080,000	4,120,000
CIVIL SERVICES.				
From Votes	17,182,000	18,226,000	22,025,000	26,565,000
Including Education	[*4,462,000*]	[*9,096,000*]	[*11,590,000*]	[*14,156,000*]
On Capital Account	—	190,000	1,819,000	1,200,000
POST OFFICE SERVICES.				
From Votes	6,936,000	10,108,000	12,197,000	15,404,000
On Capital Account	—	160,000	133,000	600,000
REVENUE DEPARTMENTS.				
From Votes	2,772,000	2,671,000	2,816,000	3,113,000
TOTAL FROM VOTES	53,332,000	62,993,000	81,106,000	109,539,000
TOTAL ON CAPITAL ACCOUNT	40,000	2,496,000	3,862,000	9,370,000

The foregoing figures do not include the following items of War Expenditure:—

In 1883-4:—Army 209,000*l.*, Navy 173,000*l.*

In 1903-4:—Army 4,500,000*l.* (South African Special Expenditure, China and Somaliland).

The Expenditure for Civil Services in 1883-4 included 2,872,000*l.* for Grants in Aid of Local Taxation, since charged to the Local Taxation Accounts. The payments to the Local Taxation Accounts, made partly out of the revenues specially assigned to these Accounts, and partly out of the Consolidated Fund, amounted in 1893-4 to 7,204,000*l.*, in 1898-9 to 9,973,000*l.*, and are estimated for 1903-4 at 10,938,000*l.*

(Mr. *Fisher*)—instead thereof.

Question, That the words proposed to be left out stand part of the paragraph,—put, and *negatived.*

Question, That the proposed words be there inserted,—put, and *agreed to.*

Another Amendment proposed, at the end of the paragraph, to add the following words:—"It is important to note that money expended on Capital Account is borrowed as required from the National Debt Commissioners, and repaid by Annuities extending over a term of years, which are provided on the Votes"—(Mr. *Fisher*).—Question, That those words be there added,—put, and *agreed to.*

Paragraph, as amended, *agreed to.*

Postponed paragraph 21, further considered.

Amendments made.

Question, That the paragraph, as amended, from the beginning to the word "expenditure," in line 3, stand part of the Report,—put, and *agreed to.*

Another

Another Amendment proposed, after the word "expenditure," in line 3, to insert the words "Your Committee do not pronounce on this"—(Mr. *Churchill*).—Question, That those words be there inserted:

Ayes, 6.	Noes, 4.
Mr. Churchill.	Mr. Arthur Elliot.
Mr. Dillon.	Mr. Hayes Fisher.
Mr. Hugh Law.	Mr. Bonar Law.
Mr. Lough.	Sir Lewis M'Iver.
Mr. Trevelyan.	
Mr. Eugene Wason.	

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

Tuesday, 7th July 1903.

MEMBERS PRESENT:

Sir JAMES FERGUSSON in the Chair.

Sir Lewis M'Iver.	Mr. Trevelyan.
Sir Robert Mowbray.	Mr. Hugh Law.
Sir Walter Foster.	Mr. Lough.
Mr. Hayes Fisher.	Sir Edgar Vincent.
Mr. Churchill.	Mr. Eugene Wason.

Chairman's Draft Report further considered.

Postponed paragraph 21, as amended, further considered:

Another Amendment proposed, in line 3, as amended, after the word "this" to insert the following words: "but we consider that the examination of Estimates by the House of Commons leaves much to be desired from the point of view of financial audit. The colour of the discussions is unavoidably partisan, and the time available, having regard to other business, is insufficient. Few questions are discussed with accurate knowledge; hardly one is settled on its merits. It cannot be believed that 670 members influenced by party ties, occupied with other work and interests, capable often of only occasional attendances in the Chamber during the 22 supply days, are likely to achieve any real examination of the immense and complex estimates now annually presented. They cannot challenge a single sixpence in the Bill without supporting a vote of want of confidence against the Government of the day; and (even so) divisions are nearly always decided by a majority of members who have not listened to the discussion. Your Committee agree in thinking that from these causes the Estimates are used in practice—perhaps necessarily by the Committee of Supply—mainly to provide a series of convenient and useful opportunities for the debating of policy, rather than to the criticism and review of financial method and of the details of expenditute. We are impressed with the superior advantages for the purposes of such financial scrutiny which are enjoyed by Select Committees, whose proceedings are usually devoid of party feeling, who may obtain accurate knowledge collected for them by trained officials which may, if so desired, be checked or extended by the examination of witnesses or the production of documents; and we feel it is in this direction that the financial control of the House of Commons is most capable of being strengthened"—(Mr. *Churchill*).

Amendments made to the Amendment.

Another Amendment proposed to the Amendment, in line 4, to leave out from the word "hardly" down to the word "its," inclusive, in order to insert the following words, "or settled on their financial"—(Sir *Robert Mowbray*)—instead thereof.—Question, That the words proposed to be left out stand part of the Amendment,—put, and *negatived*.

Question put, That those words be there inserted.—The Committee divided:

Ayes, 9.	No, 1
Mr. Churchill.	Mr. Hayes Fisher.
Sir Walter Foster.	
Mr. Hugh Law.	
Mr. Lough.	
Sir Lewis M'Iver.	
Sir Robert Mowbray.	
Mr. Trevelyan.	
Sir Edgar Vincent.	
Mr. Eugene Wason.	

Other Amendments made to the Amendment.

Question, That lines 1 to 4 of the Amendment, as amended, from the beginning to the word "merits," in line 4, be inserted,—put, and *agreed to.*

Question put, That lines 4 to 7 of the Amendment, as amended, from the words "It cannot be," in line 4, to the words "annually presented," in line 7, inclusive, be inserted.—The Committee divided:

Ayes, 8.	Noes, 2.
Mr. Churchill.	Mr. Hayes Fisher.
Sir Walter Foster.	Mr. Lough.
Mr. Hugh Law.	
Sir Lewis M'Iver.	
Sir Robert Mowbray.	
Mr. Trevelyan.	
Sir Edgar Vincent.	
Mr. Eugene Wason.	

Question, That lines 7 to 9 of the Amendment, as amended, from the words "they cannot," in line 7, to the word "Government," in line 9, inclusive, be inserted,—put, and *agreed to.*

Question put, That lines 9 and 10 of the Amendment, as amended, from the words "of the day," in line 9, to the word "discussion," in line 10, inclusive, be inserted.—The Committee divided:

Ayes, 8.	Noes, 2.
Mr. Churchill.	Mr. Hayes Fisher.
Sir Walter Foster.	Mr. Hugh Law.
Mr. Lough.	
Sir Lewis M'Iver.	
Sir Robert Mowbray.	
Mr. Trevelyan.	
Sir Edgar Vincent.	
Mr. Eugene Wason.	

Question, That lines 10 to 13 of the Amendment, as amended, from the words "Your Committee agree," in line 10, to the word "expenditure," in line 13, inclusive, be inserted,—put, and *agreed to.*

Question put, That lines 13 to 18 of the Amendment, as amended, from the words "We are impressed," in line 13, to the end, be inserted.—The Committee divided:

Ayes, 9.	No, 1.
Mr. Churchill.	Mr. Hayes Fisher.
Sir Walter Foster.	
Mr. Hugh Law.	
Mr. Lough.	
Sir Lewis M'Iver.	
Sir Robert Mowbray.	
Mr. Trevelyan.	
Sir Edgar Vincent.	
Mr. Eugene Wason.	

Question, That lines 4 to 7 of the paragraph, from the words "Your Committee agree," in line 4, to the end, stand part of the paragraph,—put, and *negatived.*

Paragraph, as amended, *agreed to.*

Another Amendment proposed, to insert the following new paragraph in the proposed Report:—"Your Committee are moreover of opinion that the powers of the Treasury, the Comptroller and Auditor-General, and the Public Accounts Committee should be extended in the directions and within the limits we have suggested; that an opportunity should be afforded for the discussion of the Reports of the Public Accounts Committee in Committee of Supply; and that increased information should be afforded to Members showing the comparative growth of Estimates, and fuller explanation of the reasons for new expenditure. We feel hopeful that these proceedings, together with the results and reports of the proposed Estimates Committee, to which we attach the greatest importance, will enhance the value of discussion in Supply and enable the House of Commons more effectively to exercise control over the details of National Expenditure"—(Mr. *Churchill*).

Amendment proposed to the proposed new paragraph, in line 6, to leave out from the word "We" to the words "hopeful that," inclusive—(Mr. *Fisher*).—Question, That the words proposed to be left out stand part of the paragraph.—The Committee divided:

Ayes, 6.	Noes, 3.
Mr. Churchill.	Mr. Hayes Fisher.
Mr. Hugh Law.	Sir Walter Foster
Mr. Lough.	Sir Robert Mowbray.
Mr. Trevelyan.	
Sir Edgar Vincent.	
Mr. Eugene Wason.	

Another

Another Amendment made.

Another Amendment proposed, in line 6, to leave out from the word "these" to the word "importance," in line 8, inclusive, in order to insert the following words: "the adoption of our recommendations"—(Sir *Walter Foster*)—instead thereof.—Question, That the words proposed to be left out stand part of the proposed paragraph,—put, and *negatived*.

Question, That the proposed words be there inserted,—put, and *agreed to*.

Question, That the proposed new paragraph, as amended, stand part of the proposed Report,—put, and *agreed to*.

Paragraphs 26, 27, and 28, *disagreed to*.

Question, That this Report be the Report of the Committee to the House,—put, and *agreed to*.

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

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

Tuesday, 23rd June 1903.

MINUTES OF EVIDENCE.

Tuesday, 23rd June 1903.

MEMBERS PRESENT:

Mr. Churchill.	Sir Lewis McIver.
Mr. Dillon.	Sir Robert Mowbray.
Mr. Hayes Fisher.	Mr. Trevelyan.
Mr. Hugh Law.	Sir Edgar Vincent.
Mr. Lough.	Mr. Eugene Wason.

MR. W. HAYES FISHER IN THE CHAIR.

Mr. FRANK THOMAS MARZIALS, C.B., called in; and Examined.

Chairman.

1. You are the Accountant-General at the War Office?—I am the Accountant-General of the Army.

2. Since when have you held that position?—Since August, 1898.

3. Would you describe to the Committee your general duties?—I do not know whether it would be better for me to describe them in speech, or whether it would be better for me first to read the exact definition of my functions as they are contained in the War Office Memoranda dealing with the administration of the office generally.

4. I should like to come to that later, if you please; perhaps you would first give a short general description of your duties?—My duties are primarily those of account. It is my function to account for all Army expenditure, and to answer for that expenditure to the Public Accounts Committee of the House of Commons. It is also my duty to advise the Financial Secretary and the Secretary of State for War upon all financial questions which arise relating to Army expenditure.

5. I should like to call your attention to the evidence of Sir Richard Awdry before this Committee, at Questions 666 and 667. He is asked at Question 666: "In your responsibility to the Board of Admiralty, putting the question of order out of the case for the moment, do you consider yourself responsible for enforcing economy in the administration of the Navy?" and Sir Richard Awdry's answer is: "To the best of my ability." May I ask you, do you consider yourself responsible for enforcing economy in a similar way, in the administration of the Army?—Fully responsible.

Chairman—continued.

6. He was then asked, at Question 667: "How do you enforce it?" and his answer was: "If any proposition comes before me, I am called upon to give its financial results. I do so nakedly, and I not only show what the effect of such a proposition would be, but I should also consider it my duty to say that there are other and important matters which are now before the Board which involve money, and I should bring them together to show that only so much money, perhaps, was available, and say that it was for them to decide which was the most important, which was the most pressing, and which was the one that demanded the most instant attention." Do you conceive that that answer would cover your duties at the War Office?—That would cover my duties distinctly. I am not sure that I should not be prepared to go a little further than that—that I should not be prepared to claim for my branch or for myself that we should advise upon the substance of the proposal itself. I need not say that that is a claim we should exercise with very extreme delicacy, because many of the questions that arise are purely technical, and on a purely technical question I should not give an opinion; but if it was a semi-technical question, which involved common sense as well, then I should think it my duty to put forward such views as occurred to me, although they might not be in accord with those of the military advisers. But I need not repeat that is a claim I should only enforce or take advantage of with the very greatest delicacy; I should not do it except in an extreme case, but I should claim the right to do it.

7. Would you think it your duty to say that there

Chairman—continued.

there were other and more important matters upon which the money might be expended?—Most certainly.

8. Would you consider it your duty to point out more economical methods of arriving at the same end?—If, from such knowledge as I or my branch possessed, I conceived that that was possible in any particular case, I should certainly do so; and that kind of check is not infrequently exercised.

9. I should like to call your attention to a paper handed in by Sir Richard Awdry, Appendix paper No. 9. It is printed at page 215, and contains an Order in Council dated December, 1885; have you seen that memorandum containing that Order in Council until to-day?—I think I may say I have a general knowledge of it.

10. I want to direct your attention to certain parts of it. The Order in Council purports to define the functions of the Accountant-General of the Navy. It goes on to say, in Sub-section (1), that it is the duty of the Accountant-General of the Navy, amongst other things, "to advise the Parliamentary and Financial Secretary as to their satisfying the ordinary conditions of economy." Then, turning to page 217 in Section 18, it is stated that the Accountant-General ought to call "the special attention of their Lordships to cases where the provision in the estimates under votes or sub-heads of votes is likely to be exceeded." Then Section 20 says: "When there is a probability of the sub-head of a vote being exceeded, and it is found that liabilities are still being incurred at the existing rate of expenditure, the Accountant-General is to warn the department concerned, and, if necessary, bring the subject under the notice of their Lordships." Then Section 22 goes on to say: A "security" will thus be given "for the economical administration of naval funds which does not now exist." I should like to ask you whether there is any memorandum at the War Office detailing in a similar manner the duties of you as Accountant-General?—There is such a memorandum, which I will read to you if you will allow me.

11. Is that a memorandum which you could put in?—Yes.

12. I think we should like to have it put in?—I will put in all the memoranda dealing with the financial administration of the War Office. (*See Appendix.*)

13. Would you read the memorandum you have just referred to?—Perhaps I had better read to you first what, under the Order in Council, are the Financial Secretary's own duties.

14. Would you first give us the date?—The date of this Order in Council is the 4th of November, 1901.

Sir *Robert Mowbray.*

15. Would you explain what exactly is an Order in Council; from what Department does it issue?—An Order in Council issues from the Privy Seal Office; it is a Privy Council Order. The Order in Council to which I refer defines the duties of the principal officers of the War Department, not merely those of the Financial Secretary; it defines the duties of the Commander-in-Chief, the Adjutant-General, Director-General of Mobilisation, the Military Secretary, the Quartermaster-General, the Inspector-General of Fortifications, and so on.

Sir *Robert Mowbray*—continued.

Chairman.

16. Such Orders in Council are from time to time issued, are they not, for the guidance of the War Office and the Admiralty?—That is so.

17. Is that the latest Order in Council defining the various functions and duties of the Accountant-General and other officials of the War Office?—It is the last Order in Council. This Order in Council, I may say, does not define the functions of the Accountant-General. The Accountant-General is a subsidiary officer to the Financial Secretary, and the Financial Secretary's functions are defined by the Order in Council, the Accountant-General's functions being defined by a War Office Memorandum.

18. Will you read the Order in Council? I think you said the date of it was the 4th of November, 1901?—Yes; this Order in Council is dated the 4th of November, 1901. It takes the place of Orders in Council in most respects similar existing antecedently to this Order. The duties of the Financial Secretary are defined as follows: "The Financial Secretary shall be charged with financially reviewing the expenditure proposed to be provided in the Annual Estimates for Army Services, and with compiling these 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 payment 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." Then, in the War Office Memorandum dated the 21st of April, 1899, my own functions are defined. As I said, the Order in Council of the 4th November, 1901, merely in this respect repeats the pre-existing Orders in Council; therefore, it has not been necessary to have a subsequent War Office Memorandum, re-defining my functions. In the Memorandum my functions are thus defined: "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 payment of moneys; with making all imprests to accountants and others; with the preparation of the annual account for Parliament, and with advising

Chairman—continued.

advising the Financial Secretary upon all financial questions." I might explain that, besides that, although I am the financial officer for the Army, yet at the same time a large portion of the expenditure for the Army is incurred under the orders of the great administering branches. For instance, the Director-General of Ordnance supplies all arms and all stores to the Army, the Quartermaster-General feeds the Army and provides for its supplies, and also for its transport, and the Inspector-General of Fortifications is in charge of all buildings; and the officer in question is not only in charge of the execution of those services, but also he has authority under the various Orders in Council and War Office memoranda for incurring the expenditure involved. I am therefore in the position of being his critic: I am his critic as regards new forms of expenditure proposed, and also his checker as regards the expenditure that he actually incurs. Moreover, if I think that this expenditure, which is being incurred all over the world, is lavish or might be curtailed in any way, it is my function to point that out. But I am, as it were, only an external critic as regards this expenditure; I am not the actual person incurring it.

19. Now, I should like again to call your attention to the "office memorandum" which was handed in by Sir Richard Awdry, which is printed at page 218 of the Blue Book. In that office memorandum of the Admiralty, which was issued on the 6th of December, 1886, and revised on the 29th January, 1892, we are informed that "a Finance Committee of the Admiralty has been constituted, consisting of the Parliamentary and Financial Secretary as President, the Accountant-General as Vice-President (who should preside in the absence of the Financial Secretary)" and so on, and you will see from that memorandum that practically all Admiralty expenditure has to be submitted to that Finance Committee; is there any similar Committee at the War Office?—There is no Finance Committee; there is at the War Office a Board which is called the Army Board. The Army Board consists of the chiefs of all the military branches, with the Assistant Under-Secretary of State as representing the Secretary of State for War, and myself as Accountant-General.

20. You are on the Army Board?—I am on the Board. That Board is entrusted, under the War Office regulations, with the consideration of all questions that come up for the Army Estimates; that is to say, the various military branches prepare their statements of what they consider necessary during the ensuing year; they prepare a statement of any new services which they propose to bring forward: those are all collated, and the finance branch works out what they would mean as regards expenditure, either present or prospective, and those proposals are considered by the Army Board, and are referred by the Army Board to the Secretary of State. Explicitly under the regulations, my presence at the Army Board does not commit me to an assent to the expenditure proposed; I am there to state what the financial effect will be; I am there, so far as may be in me, to object or advise as regards the expenditure being excessive, or as regards the relative importance of such expenditure with regard to other expendi-

Chairman—continued.

ture, but I still have behind that my power of report to the Secretary of State.

21. If you will turn to that office memorandum put in by Sir Richard Awdry, which is printed on page 218, on the Admiralty Finance Committee, I will ask you to read it through with a view to ascertaining what are the powers of the Accountant-General of the Navy, and then I will ask you a general question upon it?—(*After a pause*) I have read the memorandum.

22. Would you say after perusing that document whether your position as Accountant-General of the Army is as strong as that of the Accountant-General of the Navy for checking expenditure and promoting economy, or suggesting more economical methods of achieving a certain end with certain expenditure at your command?—I should say it was quite as strong. As regards all normal expenditure which is incurred at the War Office, not by my own branch, but by the spending departments, all papers containing any authority go to my branch and are there recorded, and if there is anything to which they see any need to object they would draw my attention to it, and I should draw the attention of the Financial Secretary and the Secretary of State to it if necessary. As regards all new expenditure proposed, the office procedure, as laid down in this memorandum, which I will hand in to you ultimately, is that any new proposal for expenditure must come to the finance branch. The order of arrangement is that it should be referred to the finance branch, and that the finance branch should consider it. If the finance branch agree, then it goes forward with their financial agreement. If they differ, it has to go to the Secretary of State, with the objection of the finance branch recorded against it. As regards the possibility of expenditure being incurred without coming to me, the War Office memoranda are most stringent that any new expenditure incurred shall not be incurred without coming to me. I may say further I can guard against that being infringed, first, by this: that I am on the Army Board, and if the question is of considerable importance it would probably be referred to the Army Board, and I should know about it there. Further than that, if it is a new form of expenditure requiring Treasury sanction, it would be for me or my branch to agree as to the terms on which we should go to the Treasury, and all letters to the Treasury are in practice signed by myself for the Financial Secretary. Furthermore, if it became a matter (as it probably would) of War Office regulation, I am the chairman of the Committee which sits monthly to consider any new regulations which are issued. So that the chance of its escaping and going past me without my knowledge is very very small.

23. Can you suggest any method by which your position as responsible for enforcing economy could be strengthened?—No, I cannot: I think it is as full at the present moment as it can be.

Sir *Edgar Vincent.*

24. In your opinion, then, all possible measures for maintaining economy are already taken at the War Office; you are quite satisfied with the system?—I have been asked here mainly as regards my own power of enforcing economy

in

Sir *Edgar Vincent*—continued.

in the case of either new expenditure or old expenditure, but I should like to impress upon the Committee that really economy must mainly come from the spirit of those who are carrying out the work. Whatever may be effected by any external inquiry, such as that of a committee here or such as that which may be conducted to a certain extent with greater knowledge than a committee would probably possess of the details, but even then not with that intimate knowledge which a man has when he is actually doing the work, I think the main economy in administration must come from the administrator himself.

25. Under the present system is the administrator sufficiently inspired by that spirit of economy?—That, of course, is a personal matter to a great extent. I think myself the necessity for economy will be more and more impressed upon the administrators of the Army by the fact that they cannot get very much more money; and that, therefore, unless they reduce the expenditure which they are already incurring, they will not be able to carry out many things which they have greatly at heart. I think that will be more and more impressed upon them.

26. Do you conceive that, if that spirit of economy is enforced upon them in the way you indicate, the same results can be produced at less cost?—That is a question it is very very difficult to answer. If you ask me the question, I can only answer it in one way: if I knew of any point at which that could be done I should do my best to effect it.

27. But you think there is really less power in the Comptroller than in the actual administrator?—That is so. Perhaps I might illustrate by an example. There were two very important and extremely able committees which sat on Army expenditure and inquired into the subject at very great length; they took a great deal of evidence, and collected an amount of information of an extremely valuable kind. Those were the committee of 1848 and the committee presided over by Lord Randolph Churchill in 1888. But no economy resulted from what those committees found out in their inquiries, and yet, considered from a committee and external point of view, those inquiries were of an extremely exhaustive and very valuable character.

Mr. *Trevelyan.*

28. From what you said I understand you are in rather a different position in regard to the two different classes of expenditure in the Army. Over one class you have a very direct control; but over the other class, over the ordnance and feeding of the Army, and over the building expenditure and fortifications, I think you said you were only in the position of an external critic?—I am mainly an external critic. Of course, I am more than that in certain respects, because I stop their spending beyond their Parliamentary powers to spend. But in the details of the administration itself, as, for instance, as regards what is spent on a barrack or what is spent in repairs and things of that sort, and as to whether the work is done in the most economical way possible in regard to the employment of their workmen and so on, it is extremely difficult for me to check or even to form an opinion as regards any particular detail.

Mr. *Trevelyan*—continued.

29. You have no officials who do that for you?—No, I have no officials habitually doing it. I am extremely anxious to secure something of that sort, and I hope it will be secured, but I need hardly remind the Committee that for the last few years we have been working under a terrible strain; but I am more and more anxious to be able to deflect my men from the Accounts Branch of the War Office, and to send them, as one may say, on roving inspections locally to ascertain to what extent the local regulations are observed, and to what extent, in the first place, the people are conforming to such rules as they have; and, in the second place, to what extent they are performing their work economically. I can do much more in that way than I can by any central inquiry at the office itself, where, if I inquire, I am met with explanations which I have not the details before me sufficiently to check.

30. But I gather you have not done it to any extent yet?—To some extent it has been done, but not to the extent I should very much like to see it done.

31. Have you got enough men to do it under the normal circumstances of the Army, when there is not a war going on?—There has always been very great difficulty in that respect. The difficulty has been one of staff, of getting a competent staff; because, of course, such work must be done by competent men.

32. You implied that you had a closer control over some part of the Army expenditure?—Yes; over expenditure on Personnel expenditure, on Pay and expenditure of that kind, my control is, and from long tradition always has been, very much closer. That applies as regards Pay, whether effective or non-effective; that has always been seen to in the Accounts Branch. That is in accordance with an old tradition of the office of the Secretary at War, which existed before there was a Secretary of State for War. My check there is, I think, complete, but it is subject to this, that the Military Branch propose their establishments, they propose their own increases (they proposed, for instance, an addition to the Mounted Infantry in consequence of the experience of the war). But I am so closely in touch with these questions, and they are so largely central, that my control, I think, is complete.

33. Could you say at all what the proportion of the whole expenditure would be under each of those two headings; that is to say, that which you have a close control over and that as regards which you are in the position only of an external critic?—The normal estimate for the current year is 27,588,000*l.* The expenditure on Vote 6, Transports; on Vote 7, Provisions; on Vote 8, Clothing; on Vote 9, Stores; and on Vote 10, Works and Buildings, amounts approximately to between 11,000,000*l.* and 12,000,000*l.* But I should like to explain that the expenditure under those heads is varying in character. For instance, the expenditure on Provisions depends a great deal upon the strength of the Army, and as regards the strength of the Army either in men or horses, I have full check—so that there my control again is complete. I should also like

to

Mr. *Trevelyan*—continued.

to say that, even with regard to the expenditure, with regard to which I am only in the position of an external critic, I am in full information day by day as to the details of expenditure so far as it is commanded from headquarters. Correlated to the Military Branch which deals with Transports, Provisions, Clothing, or Stores, I have a Finance Branch under me which is daily in touch with them, and which knows what they are doing from day to day. The men in that branch are in full touch with the way in which the whole of the vote is being spent, and know what they are ordering and what they are doing in the Military Branches. Also with regard to any changes of patterns (which, of course, often involve a considerable amount of expenditure), any change of that kind is seen by my branch, and if it is important it is seen by me and submitted for decision.

Sir *Lewis McIver.*

34. Did you include the Department of the Inspector-General of Ordnance in the figures you gave us just now?—Yes.

35. Under "Stores" you included Armaments?—Yes.

Mr. *Trevelyan.*

36. Then, as I understand, rather less than half of the expenditure is under what you call your external criticism?—Yes.

37. And that expenditure, I suppose, is the part of the expenditure of the Army which is liable to the greatest change; there would be greater variety of expenditure and more new experiments going on in those branches probably than in the ordinary normal Pay branches?—Yes, no doubt. But I do not want the Committee to understand or infer more than I meant to convey. I am an external critic as regards the expenditure incurred under those heads locally, which, of course, is a great deal as regards Works and a great deal as regards Provisions; but as regards such large expenditures on Stores and on Clothing as are central and ordered from the War Office itself, there my control is full. As regards any change of pattern or any question of re-armament, any question of that kind is fully before me and fully before the Secretary of State from its financial side before he agrees to it.

Sir *Lewis McIver.*

38. What should you say was the dynamic value of your criticism in those cases which do not come direct under your control; to put my question in another way, does not its value very greatly depend upon the personal factor of the man you are dealing with?—Of course, there must be a personal factor in all these cases. I am afraid I scarcely sufficiently understand the scope of the question to be able to answer it in a way that would be distinct.

39. I will put my question in a third way: You say that in certain cases your functions are confined to those of external criticism; how does that criticism operate in the interest of economy?—If it is a new proposal for expenditure, and my hostile financial criticism is accepted, the expenditure does not take place. If it is expenditure already going on, the man would have to justify what he was doing—he would have to explain, for instance, why he wanted so many workmen or so many clerks; and if I were not satisfied with the explanation, I should put it forward as a question, and the Secretary of State would have to decide between me and the person criticised.

40. Then I come back to my original question: Is not the value of your criticism very largely conditioned by the strength of the man you are dealing with?—If the man is strong (if you like to put it in that way), or if he is obstinate, of course he can resist any criticism, and if he is somewhere away from headquarters, his position is a very strong one, because I do not know the details of what he is dealing with as well as he does himself.

41. Therefore, you cannot generalise about the effect of the criticism in such cases?—No. The effect of financial criticism, like the effect of a financial audit, is the prevention of waste.

42. That is the intended effect?—That is the intended effect, and, as a matter of fact, I think you may say it is the actual effect. You never can save very much by auditing an account; all you can do is to prevent the same kind of waste going on, and you can exercise such moral check upon a man that he will not incur wasteful expenditure. But all large questions of economy are not questions of audit—they are questions of policy.

Mr. *Dillon.*

43. What is your relation to the making of contracts?—My only relation to contracts is this: I do not intervene in the making of the contract—that is the work of the Director of Contracts; but if there is any reason afterwards to alter a contract, if a contract once made has to be altered, or if the contractor appeals against any application of the terms of the contract involving expenditure, or appeals against any fine inflicted upon him under the contract, then I intervene, and my consent has to be obtained, and not only my consent but the consent of the Treasury. The Contract Branch have to come to me because I am the intermediary between the War Office and the Treasury.

44. But in the ordinary course contracts do not come up before you for criticism?—They do not.

45. If you had any reason for suspecting that certain contracts were extravagant or wasteful or corrupt, would you feel it to be your duty to investigate the matter?—Certainly. It is not part of my defined duty to revise a contract, but simply on the general ground that I am more or less the responsible representative of economy at the War Office, if I saw reason to think that a certain contract was extravagant, I should take it upon myself to call attention to the matter.

46. In the ordinary course of business contracts do not come before you?—No.

47. You would have to take the initiative?—Yes.

48. As a matter of fact, have you had frequently to interfere with contracts, or criticise them?—Certainly not frequently. I am reminded by the Assistant Accountant-General that at the end

Mr. *Dillon*—continued.

end of the year we revise certain contracts, and compare them with the cost of manufacture in our factories, and if there is anything that calls for comment then, we bring that forward for consideration.

49. Then they do actually come up before you?—They are reviewed afterwards, but they do not come up to me for revision as they are made.

50. Supposing a large contract came up, in which the prices compared very unfavourably with the trade prices, what course would you adopt?—I am not quite sure I understand the question. Do you mean at the time when the contract was made, or afterwards?

51. I mean at the end of the year, when you say the contracts all come before your department for review?—Then we should put the matter forward for explanation, but the habitual review of contracts, as made, is not part of my financial duty; that, according to this memorandum which I have before me, is assigned to the Director of Contracts.

52. I do not know whether I would be in order in putting a specific case, but if I may take the case of the South African meat contract, was that reviewed in the War Office?—It was reviewed in the War Office by the contract branch, and considered at great length by the Financial Secretary; it was gone into entirely by the Director of Contracts and the Financial Secretary together.

53. And reported upon?—And reported upon. It was a very important matter, and, as a matter of fact, I knew of the negociations as they were going forward, but officially I had no information.

54. Then it did not come before you?—Not apart from my general knowledge of what was going on.

55. I should have imagined, from your previous answer, that it would have come before you in the regular course, to be compared with the trade prices. I mention that contract because, whatever explanation may have been given, in that contract the price given differed enormously from the trade prices?—I do not think that contention was ever accepted by the War Office.

56. That was stated in the House of Commons. I think?—I only wish to say that I must not be understood as accepting that conclusion.

57. It was not, at all events, surveyed by you in the ordinary course of business?—No, it was not.

Sir *Lewis McIver.*

58. Are we to understand that it is only after a contract has been sealed and concluded at the end of the year you come officially to know about its contents?—We know its contents, because directly a contract is made it is noted in the Accounts Branch, to make the payments under it; but it does not necessarily come before us officially to review the contract. I have no doubt in my various branches they know a great deal about what the prices are, and if there is anything very particular about a contract, they would call my attention to it; in fact, they occasionally do.

Sir *Robert Mowbray.*

59. You told us that if you had a larger staff in your department you would be inclined to send round some of your officers to make local inquiries and to watch local expenditure more closely?—That is so; they do it now to a certain extent, so far as my staff will allow. I should like to add, as regards the various Army Corps at Dublin, at Salisbury, and at Aldershot, I have at the present moment branches of my own attached to those Army Corps, where there are local men upon whom I can depend for local inspection and going into any of the local questions I wish inquired into, better than I could before; but local inquiry has not been carried out to the extent I should like it to be done.

Sir *Robert Mowbray*—continued.

60. How far are the officers of the Comptroller and Auditor-General employed in those local inquiries at the same time?—They go down occasionally; for instance, they went down to Aldershot and to Salisbury, and spent about three weeks at each place inquiring into what was done. The Honourable Member will understand that every single paper at the War Office, every contract, and everything that we do, is entirely open to the Comptroller and Auditor-General; he has power of access to all our correspondence. If one of my men, as occasionally happens, finds out something wrong (as they did at the Factories), the matter is taken up by us, and we put it straight, and obtain censure for the man who is in fault and that paper is sent to the Comptroller and Auditor-General, who, on the information ascertained by me, reports to the Public Accounts Committee that such and such a thing has been wrong. With regard to the Comptroller and Auditor-General, we play absolutely with the cards on the table. The only papers we do not give to him, and to which he has not power of access are those relating to his own queries to us. If he queries anything, and I discuss it with my Branch, then that discussion in the department he has not got access to, and I think that is fair. But so far as any action is taken upon the papers, if we write to the Treasury with regard to the point raised, anything official in that way he has full access to.

61. When the Comptroller and Auditor-General sends down his officers, we will say, to Salisbury Plain, do they come in contact with the officials of your department there, or do they go into the matter with what I may call the more executive branches?—They go into both—they go into the more executive branches as well. We write down and tell the General Officer Commanding at the station that they are coming down, and ask him to give them full facilities for any inquiry they like to make. And they call for the original documents, and go, as it were, behind the vouchers presented with the accounts; they go into details to see, for instance, whether such and such men have been employed, whether a local check has been taken of the number of employees, and various matters of that kind.

62. In fact, they are very much employed in doing what your officers, if you had sufficient strength to send them down, would be doing on your account?—That is so, only they do it at rare intervals.

63. You

Sir *Robert Mowbray*—continued.

63. You think yourself it would be better if you were in a position to do it more constantly?—I am sure of it.

64. I wanted to gather from you how far the existing system of the Comptroller and Auditor-General supplied what you thought ought to be done?—I should like to add one remark: that under the Regulations one of the functions of the Army Board is to make recommendations for economy, but I do not know that a great deal has resulted from that.

65. I wanted to ask one question about the Army Board. Do the estimates of these various departments which are represented on the Army Board come before the Army Board?—Those come before the Army Board in full detail. Every suggestion made by any of the military branches for any new service involving expenditure goes to the Army Board in detail with a *précis* of what it means, what it is about, and with our calculation of what it will cost.

66. I am dealing now entirely with the Estimates?—Yes.

67. I think a good deal of your evidence has been directed to the question of the administration of the Army and the expenditure of the money during the year after the Estimates have been passed?—That is so.

68. Now I come to the Estimates, and I want to have quite clear the procedure as to the actual framing of the Estimates?—I am very glad the Honourable Member has asked me the question. The mode of framing the Estimates is this: the proposals of the various military departments, including that of the Adjutant-General, who is responsible for the Establishments, for the strength of the Army, are put forward in the autumn, and they are translated into money by my Branch. We show what the expense involved will be, and they go to the Army Board. The Army Board considers these proposals, and put them forward to the Secretary of State, more or less in order of importance. The Secretary of State thereupon says, "I cannot give you all this money; you must reconsider your proposals." Then the Army Board reconsiders, and generally the Commander-in-Chief and the Secretary of State bring the details down to about the amount of money which they think will be available.

69. I may take it that all the Estimates go through the Army Board, not only the Estimates of the departments you have referred to, such as the Director-General of Ordnance, and so on?—All the estimates go through the Army Board: suggestions of new personnel, new Volunteer corps, or of any addition to the Army, or of the expenditure involved by seconding majors, for instance, instead of putting in captains, all questions of that kind go to the Army Board.

70. Having in the first instance passed through your department?—Having in the first instance been translated into money by my department. A great many of these suggestions have generally come up during the year before the Estimates, and received preliminary consideration. In those cases I have given my views

Sir *Robert Mowbray*—continued.

about them, and they have gone to the Secretary of State. The Secretary of State may say, "I will not listen to that suggestion at all," or he may say, "Let it be put forward for consideration in the next Estimates."

71. So far until we have got to the Secretary of State you have had no direct relation to the Treasury with regard to the preparation of the Estimates. Is not that so?—That is mainly true; but, of course, as regards a great many of the things that have been put forward, they have been put forward almost as necessities, and those have been submitted to the Treasury beforehand, and the Treasury authority has been obtained. What would happen, then, would be this: if they were subjects which required detailed examination by the Treasury, we should send them to the Treasury after the Army Board had considered them and the Secretary of State had approved of them.

72. The formal presentation of the Army Estimates to the Treasury is, after they have gone through your department, through the Army Board and through the Secretary of State?—Yes; a fair proportion of it would probably be matter which the Treasury has already considered. We send every Vote separately to the Treasury, and with the Vote we send a letter explaining in detail which are the new proposals, what are the reasons for the additional expenditure under the various sub-heads, and, if there are any specific items requiring specific sanction of the Treasury, we either refer to their previous consent or give such details as enable them to give it then. As regards very important matters, probably the Treasury would have been consulted beforehand, and the Chancellor of the Exchequer, perhaps, would have expressed his agreement.

73. You have told us that, besides being a member of the Army Board, you have the power of reporting to the Secretary of State with regard to the decisions you may arrive at and those with which you do not agree?—My presence at the Army Board does not commit me to financial acquiescence to what is there proposed. Of course, I state what my objections are to any proposal. The Board are a military body, and I am one representative of finance, and I am easily outvoted, as it were.

74. Then when it comes to be a question between you and the Army Board, how do you fight it out before the Secretary of State?—The Secretary of State has to decide on the merits of the case. Of course, it will be understood that in a sense the Secretary of State makes for economy, because he cannot get the money.

75. Of course, it ultimately comes back to the control and responsibility of the Cabinet?—Of the Cabinet.

76. Now, one other question upon another point. You referred to the Committee on Army Expenditure in 1888, presided over by the late Lord Randolph Churchill; was that a Committee on the Estimates for the year?—No; it was a Committee on Army and Navy expenditure generally, I think.

77. There was a Committee on the Army Estimates in that year, was there not?—I do not know quite whether the Committee considered

Sir *Robert Mowbray*—continued.

itself a Committee on the Army Estimates; in practice it was a Committee on Army expenditure generally; that was what it came to. I have forgotten whether the terms of reference were merely the Estimates of that year, but Army expenditure generally was within their purview.

78. In that year there were three or four Committees appointed, one to deal with the Army Estimates, one to deal with the Navy Estimates, and one to deal with the Revenue Estimates?—That was so.

79. You say that the inquiry was a general one, and not specifically addressed to the Estimates of the year?—That is my recollection of it.

80. And, so far as you know, the inquiry did not lead to any economy that you could point out?—That was so.

81. But you consider the general inquiry into the working of the War Office expenditure as being of great value?—It is of great value, both with regard to the Committee of 1848 and with regard to the Committee of 1888; they obtained a very great deal of extremely valuable information and statistics of a valuable kind, and they obtained information which any Member of the House of Commons, if I may say so, who wished to know the details of Army expenditure, could refer to with advantage.

82. I suppose the value of a Committee of that kind depends partly upon the fact that it is not annual, but that it is occasional, and can therefore take a comparatively long survey and a comparative review of the expenditure, rather than deal with the expenditure in one particular year?—An annual Committee, sitting upon the whole of the Army expenditure throughout, it seems to me, would scarcely do justice to it. An annual Committee, of course, taking up one point or one Vote annually, year by year, might do some good, but if the Committee is to consider the whole Army Estimates, it is a very, very large field of expenditure. If I might make a suggestion, I should say that any inquiry of that kind ought to be an inquiry, not only into the account portion of the Army expenditure, which I represent, but into the administrative portion of it as well; the inquiry ought to take both sides.

83. The account side is fairly well done by the Public Accounts Committee at the present moment, is it?—Yes. I have had some experience of it, and, regarded purely from an account point of view—from the point of view of accuracy of account and from the point of view of any *laches* which there may have been on part of a department in detail brought forward by the Comptroller and Auditor-General—I think, if I may say so, the Public Accounts Committee threshes its questions out thoroughly.

84. You think there might be room for another Committee, dealing more with the merits of the expenditure, or a certain branch of expenditure, from time to time?—Yes; but, if I may be allowed to say so, always with this proviso—that in the case of inquiry by a Committee—an inquiry by verbal cross-examination by a body not so well acquainted with the subject matter as the persons actually examined before them—the power of the Committee is to a certain extent limited. A clever witness, knowing his subject very, very well, can to a certain extent, I will not say elude, but maintain his own position and his own point against cross-examination. He is more or less put upon his defence, and the attitude of his mind would naturally be that of defence. I do not know if I make myself clear in what I have said.

Sir *Robert Mowbray*—continued.

85. Perfectly, I think. From all which I gather that you do not consider that an annual Committee sitting on the Army Estimates would do their work much more efficiently than the present Committee of Supply in the House of Commons?—I do not think so myself. Of course, in a Select Committee you get a little nearer to the actual facts than is possible in Committee of Supply in the House of Commons. In Committee of Supply in the House of Commons (I have been present on many occasions) a number of questions are asked, some of which are answered, according to the information given; but, after all, that information cannot be exactly the information of the man who is carrying out the work, and there is no power of cross-examination.

Mr. *Churchill.*

86. I understood you to state that you did not think that a committee of members of the House of Commons examining witnesses would be more likely to throw light on the merit of the Estimates than is thrown by the discussion in Supply downstairs?—I think I did not quite say that. I rather think myself if you want to grapple with the ultimate facts as they stand, you would get them more out of the executive witness whom you examine than you would out of the representative of the department, however admirably informed, in the House of Commons.

87. Then I think you stated that the departmental executive witness who knew more about the subject than the members of the committee was very often more than a match for the members of the committee, and that his cross-examination would not necessarily be fruitful?—I regard that as a possibility.

88. I think the Committee would certainly agree with you in thinking so in a great many cases. How would it be if there were an official like the Comptroller and Auditor-General, who could look about in the departments for himself, and guide the Committee in their examination of the expert witnesses? They would then, as it seems to me, be able to examine the witnesses with a more equal knowledge than they now possess, would they not?—That is so, no doubt. That represents what I have tried, as well as I could, to explain to the Committee: that any form of local inquiry, or any form of inquiry which is in touch with the actual facts (as this functionary whom you speak of would be), is more fruitful than a verbal inquiry unaccompanied by the examination of the facts. Of course, the functionary that you imagine would be something like the Comptroller and Auditor-General at the present moment. The Comptroller and Auditor-General has power, I take it, to perform those functions now.

89. The Comptroller and Auditor-General is limited mainly, though not absolutely, to questions of audit, of order, and of regularity, is he

Mr. *Churchill*—continued.

he not?—I hardly think so. I did not hear the Comptroller and Auditor-General's evidence as given before this Committee, but that does not agree either with my impression of his functions or even with what his functions are in actual performance. For example, he would go into any case where the execution of the work seemed extravagant to him.

90. Or any wasteful expenditure?—Yes.

91. It has been suggested to us several times in the course of our inquiry that the Comptroller and Auditor-General might be encouraged to carry his investigations further into the field of the merit of the expenditure, and not confine himself so much to the mere audit of the accounts, as he has done hitherto; how does that strike you?—I see no insurmountable objection.

92. Supposing the Comptroller and Auditor-General were to carry his excursions into the merit of the expenditure so far that the work of his department and his own work became too heavy for one man, would you see any objection to subdividing the functions of the Comptroller and Auditor-General, and allowing one officer to investigate the audit of the accounts and the other to look into the expenditure in the same way as the Comptroller and Auditor-General now looks into the expenditure, only from the point of view of merit?—That, perhaps, is rather a question of the administration of the Audit Department itself. I should have thought it would be better to have one functionary than to have two functionaries whose duties might clash and overlap. Any difficulty of the kind you suggest might, I think, be met by his having a sufficient staff—an additional assistant, or by some arrangement of that kind. You have got, of course, always to remember that any examination of that kind means a certain loss of time as regards the persons who are under examination. For instance, the Comptroller and Auditor-General sends down his men, or I send down my men, to inquire into certain expenditure; during the week or so those men are down there the people on the spot are answering his questions or my questions, and their own work is not progressing. I should like also to say with regard to the question of having a body like a Committee of the House of Commons constantly sitting on War Office expenditure, or it might even be almost War Office administration, that implies very great wear and tear in the department itself. For instance, if I may cite my own case, of course during the war the work has been extremely heavy. To have to collect the information and to pick up the knowledge required to answer, for instance, before the Public Accounts Committee takes a fair amount of time, which in execution and actual work I will not say might be better employed—I certainly will not say that, because it is quite necessary to have the information—but, at any rate, it takes, and must take, the Accountant-General personally off other matters. If you multiply that kind of work indefinitely you place a strain upon him under which his executive work must to a certain extent suffer—I apologise for mentioning my own case; it is, perhaps, rather beside the question; but it really is a typical case.

Chairman.

I think it is very pertinent to what we have to consider.

Mr. *Churchill.*

93. There is one point I want to get clear You are still of the opinion, I gather, that an official is much the best person to get information out of officials—that he has a great advantage in that respect over an ordinary member of a Select Committee of the House of Commons, who is an outsider?—Not if the ordinary member of the Select Committee of the House of Commons went down to the place and looked into the work there. If he did that he would certainly receive the same courtesy, and I think he would receive the same information. Assuming that he had himself specialised in knowledge of that kind—say, for instance, of the Factories—he would do it just as well as any functionary. My point was rather this: that an external verbal inquiry is not equivalent to an inquiry upon the spot.

94. What has been suggested to us as being an advantageous course to pursue is the establishment of a kind of financial police who would be officials, and who would report to a Parliamentary Committee, who would take action thereupon and report to the House. That is a suggestion which has been borne in on some of the members of the Committee very much during this discussion. That would meet, would it not, to some extent the very point which you have laid some emphasis upon, namely, the difficulty which an ordinary Member of Parliament, who cannot be acquainted with the technical and special circumstances of the different departments, and who cannot, on the face of it, give more than an hour or two's consideration a week to these matters, has to encounter in examining a trained official witness. It has been also observed that that difficulty would be greatly reduced if the Select Committee were guided and fed in the matter of information by a Parliamentary official like the Comptroller and Auditor-General, or someone representing the Comptroller and Auditor-General, who would be moving about in the department collecting information, and who would be able to draw the attention of the Parliamentary Committee to matters which were likely to yield fruitful result. Does that strike you as an objectionable course?—I see no objection to the Comptroller and Auditor-General's functions being extended to that extent, but you must always remember that a great executive statesman, and the departmental officers under him, must ultimately be responsible for the administration of the department, and that the risk of stopping their administration and arresting it in its course is a very great one. But as regards any fault to be found, I see no objection to the Comptroller and Auditor-General's functions being extended.

95. Do you think that if the Comptroller and Auditor-General's functions were extended in this way—I do not say in a very extreme manner, but still extended further into the realm of

Mr. *Churchill*—continued.

of merit than they have hitherto entered—that would weaken his utility? Do you think he would become the object of suspicion in the department, and that, perhaps, the information that is now placed very readily at his disposal might be safeguarded and concealed?—I do not think so. I really think as regards the Comptroller and Auditor-General we habitually play with him absolutely with the cards on the table, and if he has fault to find we acknowledge he is perfectly within his rights. Our relations with him throughout are quite friendly.

96. Then you do not think there would be any serious departmental objection to a further extension of the functions of the Comptroller and Auditor-General in the direction of the merits of expenditure?—No, I do not think so myself. Whether the Secretary of State would endorse that view I cannot tell you.

97. I was looking at it from the departmental point of view; of course, the Secretary of State would be looking at the expenditure from the Parliamentary and political point of view?—That might be so.

Chairman.

98. I should like to ask one question on a practical suggestion which you made. You suggested that an increase of staff should be given you to enable you to investigate local expenditure; what do you expect to gain by that investigation with an increased staff?—I expect to gain this: that it would correct whatever tendency to extravagance there might be locally; for instance, if there were a tendency not to dismiss a man who was perhaps redundant, or to keep the supporting statements for expenditure in a slipshod or haphazard way, that would be corrected; but that there would be any very large definite saving in money which I could point to at the end of the year, and say there was £20,000 or £30,000 saved, I very much doubt.

99. I presume, in making that suggestion for an increased staff, your observation has rather led you to suppose that you might be able to check in a more efficient way some extravagance in expenditure?—I think so.

100. Have you ever made such a request to the Secretary of State or to the Treasury?—I do not think that our establishments have ever been quite considered from that point of view.

Chairman—continued.

We have done what we could, always hoping that times would be better, and that we should be able to use our men more in that way. It will be understood that the strain upon the department has been very, very great during the last four years, and there has been little time for anything of the sort.

101. You have not attached so much importance to it that you have yourself put forward a special request?—For an additional staff for that specific purpose I do not think any request has gone to the Treasury.

102. Do you wish to add anything?—I should like to make one remark, if I may do so. In looking at the evidence that has been given before this Committee, I notice in one or two questions a tendency to contrast the administration of the Admiralty with that of the War Office—unfavourably to the War Office. I have not, obviously, the slightest desire to throw one little stone at the Admiralty, but I should like to say that the evidence would seem, to some extent, to have been founded upon what has happened during the last four years, and that during the last four years the War Office has been subjected to a strain heavier than has been placed upon it, certainly since 1815, and, I should say, heavier than any public department has had to bear within the last three generations.

Mr. *Churchill.*

103. Arising out of that, I should like to ask one or two more questions. Do you think, in consequence of that extraordinary strain, the reality and force of which is, I think, apparent to everyone on the Committee, that, in spite of all the efforts which, no doubt, have been made to examine the new expenditure of the War Office, nevertheless some of that expenditure has necessarily passed through with less thorough examination than would be the case in an ordinary year?—I do not think so; I think, with regard to the war, the latter part of the war especially, there was obviously a great desire on the part of the War Office to place in order that which had gone wrong, and, to a certain extent, that involved expenditure, but I do not think the expenditure has been less carefully revised; the pendulum, I think, is going back the other way now.

104. Might I ask you to paraphrase that last expression?—I think the paraphrase would be this: That I think the tendency at the present moment is not so much to increased expenditure as to increased economy.

APPENDIX.

APPENDIX.

PAPER handed in by Mr. *F. T. Marzials*, C.B.

ARMY EXPENDITURE.

FINANCIAL ADMINISTRATION IN THE WAR OFFICE.

I.—Military Departments.

II.—Civil Department.

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

IV.—The Army Board.

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

APPENDIX.

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PAPER handed in by Mr. *F. T. Marzials*, 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-Secretaryof 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

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PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE

AND APPENDIX.

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