

## **A Few Good Men: Public Sector Audit in the Swan River Colony, 1828 – 1835**

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### **Abstract**

*The appointment of the Auditor General to undertake public sector audit is the primary instrument used to safeguard public finances in most contemporary Westminster-based democracies. It is axiomatic that the independence of the Auditor General from executive government is a critical element in ensuring the effectiveness of the role, yet this separation is a relatively recent phenomenon. Those responsible for nineteenth century public sector audit in the Australian colonies operated in what would today be considered an unacceptable environment, with little, if any, independence from the executive arm of government. Yet, while several other Australian colonies suffered from the mismanagement of government finances, there is nothing to show that the Swan River Colony experienced much more than clerical errors and minor administrative oversights. In this paper, we explore the extent to which satisfactory public financial management in the Swan River Colony occurred as a result of both good financial management systems (in the context of the era) and the appointment of competent and ethical administrators – a few good men.*

**Key Words:** Accounting History, Auditing History, Swan River Colony, Public Sector Accounting

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## **Introduction**

In 2007 the International Organisation of Supreme Audit Institutions (INTOSAI) proclaimed that ‘...the orderly and efficient use of public funds and resources constitutes one of the essential prerequisites for the proper handling of public finances and the effectiveness of the decisions of the responsible authorities’.<sup>1</sup> In most democracies, the Auditor General’s role in the auditing of public sector financial reports is one of the principal elements used by Parliaments in safeguarding public finances and for assisting in providing an assurance of executive accountability and transparency. Indeed, the 1992 Western Australian Royal Commission into the Commercial Activities of Government and Other Activities (more commonly known as the ‘WA Inc’ Royal Commission) described the Auditor General’s role as providing ‘the public’s first check and best window on the conduct of government’, and as ‘a critical link in the accountability chain between the public sector, and the Parliament and the community. It alone subjects the practical conduct and operations of the public sector as a whole to regular, independent investigation and review’.<sup>2</sup> In order to adequately fulfil this role, the Auditor General must be independent of the organisations he or she audits. Such independence includes separation (preferably supported by legislation) from the executive government, a point also highlighted in the 2007 INTOSAI declaration quoted above.

Notwithstanding the importance of this independence, it is of relatively recent origins. Those responsible for early to mid-nineteenth century public sector audit operated in what would today be considered an unacceptable environment with very little independence from the executive arm of government and certainly without any legislative ‘guarantees’. For instance, Funnell (1994:177) has demonstrated that the state auditor in Britain in the late eighteenth and early nineteenth centuries:

...was not independent of the executive in any practical or real sense, but was a subordinate executive department which carried out audits for the executive. Audits were for the purpose of detecting fraud and to encourage honesty in dealings with government departments.

In this context, the colonial auditor's role in early to mid-nineteenth century Australia was identical to that of ensuring 'traditional' accountability, with the focus on regular fiscal transactions and compliance with legal requirements and administrative policies by a 'bureaucrat who has been given the authority to discharge a particular function as an expression of hierarchically ordered legal responsibilities' (Carino, 1991:46). Examination of the history of public sector audit in Australia reveals that the first colonial auditors followed a similar model and were also far from independent, essentially operating as part of the executive administration (Bowyer, 1966:10-14; Di Francesco, 1999; Longhurst, 1995:9; Scripps, 2006:13; Yule, 2002:6).

Additionally, audit independence in the often isolated colonies was further conflicted because a lack of human and other resources frequently forced local colonial heads of government to allocate multiple roles and responsibilities to individuals. The priority of colonial auditors in this period has been described as providing 'a competent accounting function for the colonial administration' rather than 'a rigorous check on the propriety of the Governor's expenditure': the function of colonial audit 'was not distinguished from the responsibilities of the executive' (Di Francesco, 1999:44). It was not until the 1870s and 1880s, well after the establishment of Parliamentary systems in the Australian colonies, that the idea of independent audit of government administrative and financial management systems began to be argued for as a necessary part of democratic government.<sup>3</sup>

In this paper, we seek to explore the colonial audit role and consider the extent to which the apparent lack of public financial misconduct in the Swan River Colony was due to the early establishment of financial management systems that included public audit, or to the good fortune that competent and ethical government administrators were available for appointment to the relevant roles.

Between 1808 and 1824, prior to the introduction of a formal colonial audit role, the first Australian colonies on the east coast<sup>4</sup> suffered from mismanagement of government finances (Di

Francesco, 1999:44; Longhurst, 1995:5-6; Scripps, 2006:8-11; Yule, 2002:5). Imperial Government inquiries, implemented at least partly because of concerns about some of these 'damaging financial scandals' (Di Francesco, 1999:44), led to the implementation of stricter accountability practices (including an audit function and a local check on expenditure) that were expected to improve the management of public finances and ensure 'a competent accounting function' (Di Francesco, 1999:44). By the 1820s and 1830s, colonial auditors were playing a significant role in colonial Australian public finance systems - despite a lack of independence, auditors having multiple roles and a merging of audit functions with broader treasury functions. Administrators appear to have accepted that the role of the non-independent colonial auditor was crucial for effective 'on-site' management of government resources in the early colonies.<sup>5</sup> One reason why colonial auditors were considered an effective tool in managing public finances, despite a lack of independence from executive functions, can be explained in terms of the importance of personal reputation. Watts and Zimmerman (1983) have discussed the importance of commercial audit prior to the introduction of legislative fiat and provide evidence that the early definition of audit independence related to the expectation that discovered breaches would be reported. They also show that auditors had personal incentives to be effective – they were frequently required to provide personal bonds, could be fined for not completing audits in time and, crucially, were likely to have their reputation diminished if there was a lack of performance. In rigidly class conscious early nineteenth-century England, an individual's reputation was fundamental to their ability to make a living. Job vacancies, particularly for government positions, were filled via nepotism and patronage – relationships were the basis of career advancement. This was no less the case in colonial Australia where the considerably smaller population meant reputation was even more important. In such small communities, everyone would have been known to everyone else and, as with most administrative positions, colonial audit positions were typically granted by the governor or the Colonial Office on the basis of personal

recommendation. Such contextual factors help to explain why colonial auditors were considered important in providing control over colonial resources even though they operated as part of the executive.

The third colony formed in Australia – the Swan River Colony (now Perth, Western Australia) – was formally established in June 1829 by Lieutenant-Governor James Stirling (Governor from 30 December 1828<sup>6</sup> to 1839).<sup>7</sup> Detailed study of official government records regarding the early Swan River Colony<sup>8</sup> demonstrates that Stirling established a very thorough and highly structured system for managing government finances that was in keeping with the systems that had eventually been established in the older colonies. Unlike the first two Australian colonies, the Swan River Colony enjoyed from its very beginning a well-structured financial administrative system. Further, such examination also reveals nothing to indicate this Colony experienced little more mismanagement of public finances than various clerical errors and minor administrative oversights, quite unlike experiences of the older, eastern Australian colonies. Of course, a lack of evidence does not categorically mean substantial mismanagement did not occur. However, the lack of reference to poor financial management in contemporary records is strongly indicative.

This paper is divided into four sections. In section two, we will briefly examine the early experiences of the eastern Australian colonies in the matter of colonial and Imperial audit in order to provide the historical context faced by Stirling in establishing an administrative framework for the Swan River Colony. In section three we shall examine the actual experience of the Swan River Colony and, in section four, we shall provide some concluding remarks wherein we will address the key themes and our findings.

### **Colonial Finances - the Eastern Australian Colonial Experience**

The early colonial administrations in New South Wales and Van Diemen's Land experienced a series of significant public finance difficulties between 1808 and 1824. These problems famously include

the 'Rum Rebellion' of 1808 as well as other issues of mismanagement and misconduct including corruption, embezzlement, fraud, illegal taxation and unauthorised loans of public money to private citizens.<sup>9</sup> Two significant examples of dishonesty in managing public finances by individuals are, firstly, the misappropriation of over £6000 by the head of the New South Wales Commissariat, Frederick Drennan, for which Governor Brisbane sent Drennan to England in 1822 under arrest (Di Francesco, 1999:44, 58; Parsons, 1992). Secondly, in Van Diemen's Land, the colonial Naval Officer/Treasurer, Edward Bromley, managed to embezzle an amount equivalent to a quarter of the colony's total annual revenue for 1824 (Di Francesco, 1999:45; Eldershaw, 2011; Scripps, 2006:11). It appears that neither the existing systems of public financial management nor the personal morality of the persons appointed to the key roles were sufficient to ensure proper accountability for government resources in these colonies in the early 1800s.

As early as 1817 Lord Bathurst (Secretary of State for the Colonies, 1812-1827) had decided to institute a commission of inquiry into the state of affairs in New South Wales and Van Diemen's Land. Initially, the terms of reference concerned the penal nature of the colonies but, by the time J. T. Bigge was appointed to head the inquiry in 1819, the investigation was to extend into 'all the laws regulations and usages of the settlements' (Bennett, 1999). Importantly, Bigge's third report included recommendations that the existing system of revenue collection should be replaced with both a Colonial Treasury and a Commissary of Accounts to act as a local check on internal expenditure:

...the collection of colonial revenue should be transferred from the naval officers to persons named and appointed collectors of the customs, accountable to the governor, and through him to the Lords Commissioners of the Treasury. ... With respect to the collection of the internal revenue of the colony,... the duty of collection, receipt, and account, should be intrusted [sic] to an officer, to be named the colonial treasurer... Similar appointments will be necessary in Van Diemen's Land. (Bigge, 1823:89).

The Imperial Treasury agreed with Bigge's recommendations, sending Assistant Commissary General William Lithgow to Sydney in 1824 to establish a Commissariat of Accounts and to be appointed as 'Auditor of the whole Colonial Revenue, in order that He may have the entire financial state of the colony under His eye'.<sup>10</sup>

The serious mismanagement of government finances in Van Diemen's Land resulted in the appointment of G. T. W. B. Boyes in 1826 as Auditor of Civil Accounts. It is apparent that Lieutenant-Governor Arthur intended this appointment would significantly improve financial accountability in that colony, as per his explanation in early 1827 to the Secretary of State in London:

Perceiving the necessity for establishing every possible Check upon the disbursements from the Colonial Revenue, and the consumption of Stores by the various Public departments, Mr Boyes has been directed to examine them, most attentively and minutely, before any Warrant is issued or any Account passed, and I feel a confidence that a very considerable Public Saving may be anticipated. *The fraud and robbery in every way is beyond description* [authors' emphasis].<sup>11</sup>

It is interesting to note the *ex ante* and *ex post* aspects of the audit process envisioned and the limited nature of Imperial support.

The various governors of New South Wales and Van Diemen's Land were not greatly helped by the instructions, advice and precedents administered by the Imperial Government. The Imperial management of colonial finances was itself complex and cumbersome, and further hindered by the long time-lags in communication between 'home' and the colonies. However, this period saw major evolution in government auditing and in accounting procedures in general.<sup>12</sup> Efforts to improve effectiveness in colonial financial management meant Imperial systems also underwent considerable change during the first three decades of the 1800s. Initially the Imperial Parliament's focus was not on the Australian penal colonies at all, but on other, more lucrative, parts of the British Empire. In 1800, five commissioners were

appointed 'for the more effectual examination of accounts of public expenditure for the forces in the West Indies,'<sup>13</sup> reporting to the Commissioners for Auditing the Public Accounts (Jacob, 1809). More comprehensive legislation was enacted in 1814,<sup>14</sup> establishing a Colonial Audit Office to specifically audit the colonial expenditure of Parliamentary grants made to colonies, but its jurisdiction was not extended to the Australian penal colony of New South Wales until 1822 (under legislation enacted in 1821<sup>15</sup>) (Di Francesco, 1999:44; Longhurst, 1995:6). Prior to 1822, accounting returns had been forwarded to the Imperial Treasury and Colonial Office, not to the Colonial Audit Office.<sup>16</sup>

By 1826, the gradual winding down of the convict system in Australia's eastern colonies resulted in further adjustments to the coverage of the Colonial Audit Office. Expenditure relating to the convict system was separated from expenditure on each colony as a settlement. Despite this change, it appears the Colonial Audit Office could not satisfactorily keep up with the workload. New legislation was passed in 1832 that specifically referred to there being 'several Accounts ... which have not been examined'.<sup>17</sup> This new Act transferred from 5 April 1833 all unexamined and future colonial accounts back to the Commissioners for Auditing the Public Accounts. After examining and auditing the accounts, the Commissioners were to transmit to the Treasury a statement of every account received. After consideration, the Treasury would return these to the Commissioners for Audit with a warrant directing them to make up and pass the account (with any required variations). When the account was finally made up, and signed by three or more of the Commissioners, it was to:

remain deposited in the Audit Office, and shall have the same Force and Validity, and be as effectual in Law for all Purposes whatsoever, as if the same had been declared according to the usual Course by the Chancellor of the Exchequer.<sup>18</sup>

This reporting relationship and audit process was similar to the local audit arrangements in the Swan River Colony during the first few years of settlement.



Clearly, the early experience of Australia's eastern penal colonies in the management of public finances was one of administrative inefficiencies, complicated by constant development and changes in public audit and financial management roles, and combined with some poor choices of individuals in key financial management roles. Key reforms to improve checks on colonial public finances included the introduction of colonial treasuries and a public auditing role. The early experience in the Swan River Colony, and the extent to which it mimicked the eastern seaboard in order to prevent the issues experienced there, are dealt with in the next section.

### **The Swan River Colony – 1828 to 1835**

The Swan River Colony was established in June 1829 but, unlike the earlier Australian colonies, was not created as a penal colony<sup>19</sup>. It was initially founded as a private settlement with land grants being allocated according to the value of assets imported by settlers. It appears the Imperial decision to form the colony was largely the result of intensive lobbying from, *inter alia*, Captain James Stirling, then a naval officer on half pay who had explored the Swan River in 1827 and been impressed by the possibilities of the area. The initial Imperial government response to Stirling's proposals was negative, principally because of the cost involved to the government at a time when increasing political attention was being paid to government expenditure. Yet Stirling was able to interest several wealthy private investors. Their confidence in the private enterprise-based settlement scheme and the influence of Stirling's political friends (including the Secretary of State for the Colonies, Sir George Murray), reinforced by continuing political fears that the French government might annexe the still-unclaimed western third of the Australian continent, resulted in the Imperial government agreeing to Stirling's proposal and appointing him as Lieutenant-Governor.<sup>20</sup>

At no point did the Imperial government intend to finance the Swan River Colony beyond the salaries of the official establishment and a grant in aid (Battye, 1924; de Garis, 1981:303). The Colonial

Office informed the Imperial Treasury of the decision to establish the colony in a letter dated 31 December 1828, pointing out:

Being fully aware of the necessity of adhering to the strictest economy in carrying into effect the proposed undertaking, Sir George Murray has provided, that the Expedition which is preparing should be on the least expensive scale compatible with the nature & effectual accomplishment of the project in view. ... As in the outset of this Colony, no funds can be derived from it for its support, it will be necessary for their Lordships, besides the first Expenses incidental to the Expedition, to provide for the Pay and Subsistence [sic] of the Public Servants in that Quarter, until they are enabled to raise the necessary Supplies in the Colony and to defray the Expenses of the Establishment from its own revenues.<sup>21</sup>

This Imperial parsimony helped to ensure the local colonial administration was well-managed financially. Indeed, close examination of the original records provides no evidence of serious mismanagement and it is unlikely, in such a small community, that such incidences would have gone unnoticed and unreported.

In contrast to New South Wales and Tasmania, the Swan River Colony was established with a local administrative framework already described and with officers appointed. However, the extent to which this system prevented mismanagement is questionable. Experience elsewhere shows that such frameworks and systems alone did not prevent financial mismanagement - the later Australian colonies experienced financial management difficulties similar to those experienced in New South Wales and Van Diemen's Land. The early colony of South Australia experienced serious problems with its financial administration despite being founded in 1834, five years after the establishment of the Swan River Colony, and also with an administrative system that included public audit. Additionally, the offices in the Swan River Colony were established by the Imperial government over a very brief two to three month period (between late November 1828 and January 1829) and the rush led to ongoing problems for the local administration. Stirling did not receive detailed directions on how to manage the colony's public

finances from the Imperial Government. In fact, the limited instructions Stirling did receive from the Secretary of State for the Colonies, a few weeks prior to sailing, specifically warned him about the lack of established financial systems and made it clear that he was expected to sort it out himself:

As Swan River and the adjacent Territory are not within the limits of any existing Colony, difficulties may easily be anticipated in the course of your proceedings, from the absence of all Civil Institutions, Legislative, Judicial or Financial. Until provision can be made, in due form of Law, for the Government of the projected Colony, the difficulties, to which I refer, must be combated, and will, I trust, be overcome with your own firmness and discretion.<sup>22</sup>

Clarity was still lacking in September 1830. The Colonial Office responded to a query from the Commissioners of Audit when Stirling had not provided the vouchers for the colony's 1829 accounts, and suggested it was:

an irregularity which the Secretary of State is disposed to attribute to ... Captain Stirling ... not having been furnished with detailed instructions on that subject on his first departure from this Country. ... that Officer could not have been aware of the mode in which he was to account for all monies received by him.<sup>23</sup>

Stirling's administration was naturally subject to the requirements of the Imperial Parliament and Imperial Treasury. For instance, the manner in which Stirling was 'to be supplied with money for carrying on the Service entrusted to his Charge at the intended Settlement' was set out in an Imperial Treasury Minute of 23 January 1829,<sup>24</sup> which authorised Stirling to draw bills on the Imperial Government 'for such Sums as may be necessary [sic] for carrying on the Service' and gave some instruction on how he was to account to the Imperial Commissioners of Audit for all of these sums.<sup>25</sup> However, these instructions did not make recommendations or provide instructions with regard to the establishment of audit processes within the Colony itself. This same Minute also sanctioned an official

establishment consisting of the Lieutenant-Governor, a Secretary and Clerk, a Storekeeper, a Surveyor and an Assistant, a Surgeon, a Harbour Master and a Naturalist. It is notable that no responsibility is allocated for local financial management. Given his experience as a senior naval officer and consequent familiarity with naval accounting systems, Stirling must have understood the importance of implementing a suitable financial management framework. On 16 May 1829 –while still at sea – Stirling issued regulations for the Colonial Secretary’s Office that effectively added the role of Acting Treasurer to his duties.<sup>26</sup> Stirling also appointed three officers to the position of Commissioner in ‘a Board of Counsel and Audit in the management of the property of the Crown and of public property within the settlement’.<sup>27</sup> This Board was initially primarily responsible for valuing the personal property being imported by settlers so that the proper amount of land could be granted – an essential activity.<sup>28</sup> However, the Commissioners were also required to examine the official accounts of the various government offices and provide certifications to Stirling.

Thus was formed the administrative framework to operate at the settlement. Soon after landing in June 1829, Stirling commanded these offices to be opened ‘for the despatch of business’ on 12 August 1829.<sup>29</sup> The key finance officers in the original financial management framework were Stirling, Peter Brown (the Colonial Secretary/Acting Treasurer) and the three Commissioners of the Board of Counsel and Audit, headed by Captain Mark John Currie. Who, exactly, were these men? All had obtained their positions via the usual system of personal reference, but all were also experienced in government administration. As naval captains, Stirling and Currie had considerable experience in naval accounting processes (the principal systems used in the eastern colonies – see Scorgie and Reiss (1997) and Funnell (1997)). Stirling and Currie had virtually joined the Navy together as young boys and were close friends. Prior to his appointment in the colony, Currie had held the position of Secretary to Vice-Admiral Sir Henry Blackwood – a role that would have strengthened his administrative experience. Brown, Colonial Secretary and Acting Treasurer (and also the unofficial banker of the colony until about 1835), appears to

have been highly regarded as a senior public administrator.<sup>30</sup> Brown had some early clerical experience in Scotland, and was recommended to the position of Secretary by Sir George Murray, Secretary of State for the Colonies (who was a close personal friend of Brown's father and also of Stirling's family). Brown was to hold various high public offices in the colony for eighteen years (including Clerk of Council, Registrar of Deeds, Commissioner of Audit and later Colonial Auditor), until his death in office at the age of 49 in 1846.

The Lieutenant-Governor was administratively responsible to the Imperial Government via the Colonial Office, which was principally concerned with land policy, the form of government and the finances of the colony (de Garis, 1981:302). Stirling was consequently left relatively free to manage day-to-day administration as he thought best although he was required to report on the financial status of the colony to the Colonial Audit Office in London. However, in addition to the time lags and relative immateriality of the Swan River Colony to the Imperial Government, in 1832 the effectiveness of the Colonial Audit Office itself was found wanting (as has been described above). Therefore, any reports sent home may not have been audited there. This is verified by Stirling himself, in his correspondence to Britain seeking advice, clarification and support for the implementation of various administrative procedures. For example, in January 1830 Stirling wrote a private letter to London<sup>31</sup> indicating his belief that for the Colony to thrive certain steps should be implemented, including the introduction of a system of revenue, adequate salaries for 'those who are in Gov't employment so that efficient and honest people may be induced to seek & prize them', and that '[p]ower must be given to the local Gov't to warrant the occasional Expenditure of Funds on objects requiring immediate attention'. Later in the same letter, Stirling wrote: 'I believe I am the first Governor who ever formed a Settlement without Commission, Laws, Institutions and Salary. You must not therefore be dissatisfied if I should sometimes step out of course.' Stirling was still seeking advice and clarification over a year later, in June 1831, when he reported to the Colonial Office that:

The Instructions which I had the honour to receive on quitting England were so few and general and so much better suited to the commencement of this Settlement than to its present circumstances that on almost every subject I am at a loss to know how to proceed.<sup>32</sup>

Stirling suggested he should return to London in order to personally discuss issues with the new Colonial Secretary, Lord Goderich, and become more 'acquainted with the views of His Majesty's Government' on various matters including:

the Amount and distribution of Expenditure; the Numbers, Duties and Salaries of the persons comprising the Civil Establishment; the Amount of Funds to be appropriated to the subsistence and allowance of the Troops; the mode of keeping and transmitting Accounts; the amendments required in the general mode of granting Land.

In relation to the Board of Counsel and Audit, examination of the various letter books within the Colonial Secretary's Office shows that property valuation work kept the Board very busy during the latter half of 1829 - which is not surprising as the settlers would have been impatient to make their land selections.<sup>33</sup> In addition, each of the three Commissioners held other official positions that imposed large workloads, including financial management responsibilities for their own offices that would also be subject to audit by the Board on which they sat. For instance, by late October 1829, Commissioner Captain Currie (in his office as Harbour Master) had finalised the Harbour Master's accounts from the beginning of the settlement up to the end of September and forwarded them to the Secretary 'for the information of the Lieutenant-Governor'.<sup>34</sup> In late November 1829, Stirling then sent the Board (via the Colonial Secretary), for its examination and certification, the first accounts of the Acting Treasurer, the Storekeeper, and the Harbour Master (i.e. the account that Currie had sent the Secretary a few weeks earlier). It is evident these accounts were not quite as Stirling required. The letter accompanying them notes that new rules would be issued shortly – in the meantime, when transmitting them to Stirling, it

would be sufficient for the Board to attach a certificate of examination noting any deficiencies and verifying that proper warrants and receipts had been shown.<sup>35</sup>

‘The rules which are to be followed in all future cases’ were issued by Stirling three days later (27 November 1829) in a memorandum to all government ‘departments’ (as each office was called, even though most consisted of only one or two men). These detailed instructions required each department to keep a cash account (including, on the debit side, all monies received from government, fines, fees and proceeds of sales and, on the credit side, all wages and other expenditure), a salary account (containing the wages paid to each person, less their rations and stores) and a store account (a statement of all stores received and how they were expended). An abstract of each account was to be sent on the fourth day of each month to the Secretary. At the end of each quarter:

these Accounts will be referred to the Commissioner of Audit, who will call upon the heads of the several Departments, to exhibit the Documents necessary to vouch and support their respective Accounts, and it is to be carefully observed, that no expenditure of Money or Stores will be allowed unless sup[ported] by corresponding warrants from Government, and receipts from the Parties to whom the issue may be made. The Cash and Salary Accounts are to be balanced Monthly, and the Store Accounts at the end of each Quarter viz 31 March, 30 June, 30 September, 31 December [each year]. Immediately after the conclusion of each Month, a sum of Money will be supplied to each Department sufficient for its Current Monthly expenditure.<sup>36</sup>

Over time, the audit process became more complex with the adoption, for instance, of approved forms for submitting accounts.

Given that so many of the people involved held more than one office within the system, it would seem there was significant opportunity for petty corruption. Pressure would have fallen most intensely on Brown and on Currie, the Colonial Auditor. As Secretary and as Acting Treasurer, Brown was required to

provide both monthly accounts to himself as Secretary and then forward them quarterly on to the Commissioners for Audit. Captain Currie had to provide the Secretary with the monthly accounts of both the Harbour Master's Office and of the Board of Counsel and Audit, and the Secretary then forwarded them back to Currie for quarterly audit as Commissioner. At the completion of audit, the Commissioners sent each account (including their own accounts and those of the Secretary) to the Lieutenant-Governor – a process of transmission undertaken through the Secretary's office. Stirling then advised the Secretary of his approval of the accounts or requested the Secretary to rectify any errors. Notwithstanding the opportunities, extensive study of original official correspondence reveals no evidence of corruption and all parties seem to have been scrupulous in avoiding conflicts of interest by managing to clearly separate their functions. There is an almost extraordinary level of transparency in the correspondence and a meticulous official recording of procedures. An example, from May 1831, shows how minutely the public accounts were examined: correspondence from the Secretary to the Commissioners informs them that their advice to the Lieutenant-Governor regarding a salary overpayment to the Storekeeper, for March to October the previous year, has now been actioned and a warrant is to be transmitted to the Acting Treasurer to deduct the amount from the next sum to be paid to the Storekeeper.<sup>37</sup> What is remarkable is the small size of the error detected – an overpayment of just five shillings and sixpence for eight months payment of an annual salary of at least £200 (the annual salary specified in the Imperial Treasury minute of January 1829). Such detail provides evidence that the concept of personal reputation and the system of close mutual monitoring operated effectively to provide assurance, despite a lack of independence from executive government. The small number of people involved, and the scarcity of financial resources, also meant that any syphoning off of funds and/or supplies would have been obvious and of detriment to all colonists.

Although Stirling was satisfied with the proceedings of the Board, due to its increasing workload he abolished it on 1 July 1831 and separated the work into two new offices: an Auditor's Office and the



Commissioners of Crown Lands.<sup>38</sup> Captain Currie was appointed as the first Colonial Auditor, provided with an official salary of £300 per annum and made responsible to the Colonial Office through the Governor.<sup>39</sup> As Colonial Auditor, he was to continue the work of valuing the personal property imported by new settlers. He would also continue to receive from the Secretary at the beginning of each quarter the accounts of all government departments: 'These he is carefully to examine with reference to existing Regulations and according to the usual mode pursued in Auditing Accounts.' If correct, he was to attach a certificate passing them, lodge one copy with the Registrar of Deeds and Papers and retain the other copy (rather than forward it to the Secretary) until an opportunity arose of transmitting them to Britain. If not found correct, he was to directly communicate with the relevant department to have the errors corrected. At the end of the first month in each quarter, he was to make a return of accounts passed, those found to be missing vouchers and those not presented for audit. He was also to report any accounts remaining in arrears from any former quarter. Additionally, the Auditor was to take on the responsibility of auditing future government purchases and works. Government purchases were made by tenders and contracts and the departments were required to provide the Auditor with the original notices, tenders, contracts and agreements. The Auditor was to then lodge the documents with the corresponding accounts at the Registrar's Office. Stocktaking duties were also imposed. The Auditor was to require 'all Persons in charge of any Description of Property belonging to the Crown' to provide full accounts regarding these responsibilities.

The end of 1831 marked a significant turning point for Stirling's administration. In December, almost two years after he had received his preliminary instructions in the Treasury minute, a dispatch (dated 4 March 1831) finally arrived in the colony with a commission appointing Stirling as Governor and Commander-in-Chief of Western Australia.<sup>40</sup> The dispatch also contained an Order in Council providing the Constitution for the colony's first parliament: a Legislative Council consisting of five members - the Governor himself, the Senior Military Officer next in command (Captain Irwin), the

Colonial Secretary (Brown), the Surveyor General (Roe) and the Advocate General (W. H. Mackie). It is interesting to note that Currie (the Colonial Auditor) was appointed as the first Clerk to the Legislative Council (without salary). The first meeting of the Legislative Council also formally approved Currie's appointment as Auditor because the position had not been included in the approved estimates of civil expenditure from Britain<sup>41</sup>. Also arriving in December 1832<sup>42</sup> was the new Deputy Assistant Commissary General, John Lewis (DACG Lewis), meaning that Stirling could finally establish a formal Treasury Department and relieve Brown as Acting Treasurer. Lewis arrived in the colony with authority from the Imperial Treasury to be appointed as Colonial Treasurer, with the responsibility of paying the colonial accounts (Bowyer 1966:12). In February 1832, Brown formally transmitted to Lewis and Currie the lists of civil expenditure.<sup>43</sup> In the same month Stirling wrote to Lewis, acknowledging that he had received instructions from the Imperial Treasury as to how Lewis was to undertake his duties.<sup>44</sup> Stirling separated these duties into two areas: military and colonial matters. The military transactions were to be governed by the existing general standing instructions and orders of the Treasury. However, instructions on managing colonial transactions were still unclear. Stirling wrote:

Referring to that which I have designated as the Colonial Branch of your Duties, I regret that I am not at present in Possession [sic] of such full Instructions from their Lordships as would enable me to refer you to such Instructions for your Guidance in discharging those Duties. But as I am given to understand ... that you are to take Charge of the Receipt and Expenditure of every Description of Public ... Money in the Colony I have to direct that you charge yourself with the Colonial Receipts and Disbursements accordingly. I have further to inform you that orders will be given forthwith to the Colonial Treasurer to conclude his Accounts of Receipts and Disbursements, and the Balance of Money being ascertained by a Board of Survey will be given into your hands. With the view of simplifying as much as possible [sic] all Transactions in which you may have to engage, relative to the Colonial Accounts, I have to inform you that it is my

Intention that all Payments to be made by you shall be final and that you will be furnished with regular Warrants for such Payments and that I see no objection to limit the Days for Payment at your office as such. It amounts to one or two Days in each Month. Should any further arrangement appear to you to be requisite for simplifying or aiding in the Execution of these Duties I shall be happy to attend to any Suggestions you may care to afford.

Currie left the Swan River Colony in late June 1832 to continue his naval career and, according to Bowyer, DACG Lewis was appointed in his stead. Incorporating the audit function within the Treasury Department (where it was to remain until 1846<sup>45</sup>) was not inconsistent with the Imperial audit system wherein the Commissioners for Auditing the Public Accounts reported to the Treasurer. However, it was unusual for both roles to be held by one person and it was not to last. In August 1834 the responsibility of auditing accounts 'relating to the Collection and Disbursement of Public Money' was given to a newly created Legislative Council committee. The members appointed were the Colonial Secretary and Captain Daniell, Commander of the 21<sup>st</sup> Regiment.<sup>46</sup> A year later, Captain Armstrong was included as a third Commissioner to the Committee. It was also made clear in August 1835 that the quarterly accounts of receipts and disbursements (after examination by the Committee) were to be transmitted to Britain for final audit.<sup>47</sup>

The practice in the colony of appointing one person to hold more than one office appears to have worked effectively, as shown above, and not resulted in petty corruption despite the significant and self-evident conflict of interest.

## **Concluding Remarks**

This paper has briefly explored a component of the evolution of audit and government accountability in Imperial Britain and, particularly, its application in the early Swan River Colony of Western Australia. We have considered the extent to which the lack of public financial misconduct in the

Swan River Colony was due to the early establishment of financial management systems (especially the colonial audit role) that provided, in the context of the era, adequate checks and balances, and also to the fact that 'a few good men' - competent and ethical government administrators - were appointed to the relevant roles.

The Lieutenant-Governor had been required to establish the colony with little formal instruction from Britain and, until December 1831, was not able to use any local legislative power to support his administration of the government. While the audit and other financial administrative systems introduced by Stirling appear to have been either of his own making or in response to the changing resourcing capacity at his command as the colony developed, they appear to have operated effectively in managing the finances of the early colony. This framework included audit checks but was not separated from the executive – as was also the case in Britain. The lack of independence in each of the various Western Australian colonial arrangements appears to have been considered acceptable. It is also reasonable to consider that including audit in the local administrative framework, in addition to being required to submit accounts and returns to the Imperial Colonial Audit Office, meant the position of Colonial Auditor was viewed as a fundamental part of good government administration – even if to merely provide a 'competent accounting function' for the executive.

Although Stirling was empowered to operate autocratically on a day-to-day basis, it seems that government appointees in the Swan River Colony operated as they were legislatively authorised to do - to 'make ordain and establish all such laws institutions and ordinances ... as may be necessary for the peace order and good government of his Majesty's subjects and others within the said settlements'.<sup>48</sup> The closely held senior positions within the Colony were monopolised by a few men, but it is likely this monopolisation occurred more because of the paucity of qualified personnel than because of any intent on the part of colonial officers to control public finances. The small coterie of skilled, hard-working and loyal officers in the colony probably did as much to ensure proper management as did the administrative

system itself. Technically the systems were not strong, because the lack of separation of duties ensured that, if they had wanted to, these officers could have colluded to circumvent the system to their own advantage. But the powerful nineteenth-century concepts of personal honour and reputation, plus the close mutual monitoring required by the system, combined to operate effectively in providing assurance - despite lack of independence from executive government. It is evident that the 'few good men' of the Swan River Colony administration used the resources they had to effect sound financial management and to avoid loss through theft.

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## **Abbreviations Used in Notes**

Acc	Accession
AJCP	Australian Joint Copying Project
AN	Archive Note
CO	Colonial Office (London)
CSO	Colonial Secretary's Office (Swan River Colony)

INTOSAI	International Organisation of Supreme Audit Institutions
SLWA	State Library of Western Australia
SROWA	State Records Office of Western Australia
WAS	Western Australian Series

## Notes

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<sup>1</sup> INTOSAI (2007) Preamble: *Mexico Declaration on Independence*.

<sup>2</sup> Kennedy et al (1992) para 3.10.1; 3.10.5.

<sup>3</sup> For example, the passage of the Imperial *Exchequer and Audit Departments Act* in 1866 is accepted as a significant milestone in ensuring an independent Auditor General – for further discussion see Funnell (1996).

<sup>4</sup> The colony of New South Wales, founded in 1788, originally encompassed virtually all of the Australian continent's eastern two-thirds and was administratively responsible for all of the settlements within the area. Van Diemen's Land (Tasmania) was not formally separated until 1825, the Port Phillip settlement (Victoria) in 1851 and Queensland in 1859. The British Parliament passed the *South Australia Colonisation Act* in 1834, comprising all of central Australia. What is now the Northern Territory was not transferred to Commonwealth control from SA until 1911.

<sup>5</sup> Final verification of government financial management in the Australian colonies was maintained by the Imperial government – the Imperial Treasury and/or the Commissioners of Audit - to which all colonial administrations had to report (via the Secretary of State for the Colonies). More detail about Imperial financial control is considered later in this paper.

<sup>6</sup> Hay to Stirling (30 Dec 1828) CO 397/1 (AJCP r.303).

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<sup>7</sup> The Western Australian settlement was officially proclaimed by Stirling in June 1829, although a small military outpost had been established at King Georges Sound (now Albany), on the south coast of what is now Western Australia, in 1826.

<sup>8</sup> Documents examined for this paper included microfilmed copies of colonial government correspondence for 1828 to 1832 (held by the State Records Office of Western Australia (SROWA), in the Colonial Secretary's Office (CSO) Letterbooks Acc 36 and 49). Also examined were microfilmed copies of Imperial Colonial Office correspondence and other documents regarding the Swan River Colony contained in the Australian Joint Copying Project (AJCP) records held in the State Library of Western Australia (particularly Part 2, CO 18 and 19, and Part 6 - records and correspondence of the Imperial Exchequer and Audit Office and the Imperial Treasury).

<sup>9</sup> See, for instance, Evatt (1971) [1938], Day (2001), McMartin (1958, 1983) and, generally, Kociumbas (2001).

<sup>10</sup> *Historical Records of Australia I* (1914-25) vol 11:379. Sir Thomas Brisbane to Earl Bathurst, 2 October 1824. Cited in Longhurst (1995:6-7), Di Francesco (1999:44) and Yule (2002:5).

<sup>11</sup> *Historical Records of Australia III*, p472 Arthur to Bathurst, Secretary of State, 2 January 1827. Cited in Scripps (2006:14) and Di Francesco (1999:45).

<sup>12</sup> Warwick Funnell (1988, 1994, 1996, 1997, 2004) has written extensively on the public audit reforms that took place in nineteenth-century Britain. Edwards (2011) and Scorgie and Reiss (1997) have also examined the accounting dimension of Imperial administrative reforms designed to improve government efficiency and economy.

<sup>13</sup> Great Britain (1800) 41 Geo III c.22 (*Expenditure in the West Indies Act 1800*).

<sup>14</sup> Great Britain (1814) 54 Geo III c.184 (*Accounts of Colonial Revenues Act 1814*). 'An Act for the more effectual Examination of Accounts of the Receipt and Expenditure of the Colonial Revenues in the

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Islands of Ceylon, Mauritius, Malta, Trinidad, and the Settlements of the Cape of Good Hope, for Five Years’.

<sup>15</sup> Great Britain (1821) 1 and 2 Geo IV c.121, s17 (*Commissariat Accounts Act 1821*). ‘An Act to alter and abolish certain Forms of Proceedings in the Exchequer and Audit Office ... and to render perpetual and amend an Act passed ... for the effectual Examination of the Accounts of certain Colonial Revenues’

<sup>16</sup> See Scorgie and Reiss (1997) for a detailed examination of colonial accounting requirements in the first four years of British settlement in Australia.

<sup>17</sup> Great Britain (1832) 2 Will IV c.26 (*Colonial Audit Revenues Act 1832*) – this legislation authorised ‘the Commissioners for auditing the Public Accounts of Great Britain to examine and audit Accounts of the Receipt and Expenditure of Colonial Revenues’.

<sup>18</sup> Knight (1835:81).

<sup>19</sup> Eventually Western Australia did receive some convicts, principally to provide a source of labour, but the first did not arrive until June 1850 and the last ship in January 1868. In those eighteen years, less than ten thousand men arrived in the colony (far less than the 150,000 men, women and children transported to the other colonies). This interesting period is outside the scope of this paper.

<sup>20</sup> The formation of the Swan River Colony has been extensively written about elsewhere. See, for example, Battye (1924), de Garis (1981), Hasluck (1965), Stannage (1981) and Statham (1981; 2004).

<sup>21</sup> Hay to Dawson (31 Dec 1828) CO 397/1 (AJCP r.303); also at Treasury Instructions (TI) 3426 (AJCP r.1085).

<sup>22</sup> Sir George Murray to Stirling (30 December 1828) SROWA WAS 1182, Cons 391/19. Also available at National Archives of Australia: <http://www.foundingdocs.gov.au>.

<sup>23</sup> Hay to Dawson (15 September 1830) SLWA TI/3426 (AJCP r.1085).

<sup>24</sup> Copy of a Treasury Minute (23 January 1829) SROWA CSO Acc 36 V1 no99.



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<sup>25</sup> Quarterly accounts, including one set of vouchers, were to be transmitted to the Commissioners of Audit as soon as possible after the end of each quarter.

<sup>26</sup> Bryan and Bray (1935:8) record that the 'Regulations for the Colonial Secretary's Office' issued by Stirling included the following: 'He is to keep an Account Currency Book of the Receipts and Disbursements of money. ... He is to present to the Lieut. Governor punctually at the established periods the Storekeepers, Surveyors, Engineers and Superintendents returns and accounts, and after inspection and signature to deposit them in cases of reference'. From July 1831, the Secretary (as Acting Treasurer) was required to keep a petty cash book for all disbursements made without warrant, in addition to the general cash book (Brown (Colonial Secretary) to Brown (Acting Treasurer) (15 July 1831) SROWA CSO Acc 49 V3-4 no2200). Interestingly, a Treasurer was not formally appointed for three years. Instead, the Colonial Secretary, Peter Brown (later Broun), at Stirling's request, held the role of Acting Treasurer. Brown held the dual roles until 1832 when John Lewis arrived in the colony with authority from the Imperial Treasury to take on the Treasurer's duties as Deputy Assistant Commissary General.

<sup>27</sup> Government Notice (8 June 1829) SROWA CSO Acc 49 V1 no18. Batty (1924: chapter 4) cites the same reference as 'Stirling to Sir George Murray, 10 September 1829, Encl. 9, Swan River Papers V3', indicating that it was several months after making these official appointments before Stirling sent notice to London. The three persons appointed were the Harbour Master, Captain Mark John Currie; the Surveyor General, John Septimus Roe; and the Registrar, William Stirling. Each also formally held other, paid, positions in the new colony and this may have been the reason why Stirling also made it clear they would not receive a salary for their position on the Board, writing: 'I am to acquaint you that His Excellency expects from your zeal the performance of the services required of you without reward or remuneration beyond the satisfaction you will derive from the fulfilment of a duty of this confidential nature' (Bowyer, 1966:3).

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- <sup>28</sup> For specific details on the conditions of settlement, see the *Historical Records of Australia* Series I, Vol 12, pp215f, 701ff and the *British Parliamentary Papers, Colonies General*, Vol 2, pp80-1.
- <sup>29</sup> General Memorandum (27 July 1829) SROWA: CSO Acc49 V1 no94.
- <sup>30</sup> Bryan and Bray (1935) have written a detailed biography of Peter Brown but none of his personal papers have survived to the present.
- <sup>31</sup> Stirling, WA, private, to Twiss (26 Jan 1830) CO18/7 f68. Cited by Statham-Drewe (2003:162-3).
- <sup>32</sup> Stirling, Perth, Dispatch no7 to Viscount Goderich (17 June 1831) (rec 7 Dec 1831) CO18/9 f96. Cited by Statham-Drewe (2003:195).
- <sup>33</sup> The various official letter books reveal only isolated complaints about the valuations, perhaps because the valuation process included having the settler sign an acknowledgement that they accepted the official statement of valuation, prior to it being submitted to Stirling for final approval and authorisation to select land.
- <sup>34</sup> Currie to Brown (20 October 1829) SROWA CSO Acc 36 V2 no140. Brown acknowledged its receipt on 2 November 1829 (Brown to Currie) SROWA CSO Acc 49 V1 no294.
- <sup>35</sup> Brown to Board of Counsel and Audit (24 November 1829) SROWA CSO Acc 49 V1 no377.
- <sup>36</sup> Government Memorandum (27 November 1829) SROWA CSO Acc 49 V1 no387.
- <sup>37</sup> Brown to Commissioners for Counsel and Audit (9 May 1831) SROWA CSO Acc 49 V3-4 no1984;  
Brown to Colonial Storekeeper (9 May 1831) SROWA CSO Acc 49 V3-4 no 1985.
- <sup>38</sup> Brown to Commissioners of Counsel and Audit (1 July 1831) SROWA CSO Acc 49 V3-4 no2165.
- <sup>39</sup> Brown to Currie (1 July 1831) SROWA CSO Acc 49 V3-4 no2166; Brown to Audit Department (1 July 1831) SROWA CSO Acc 49 V3-4 no 2167.
- <sup>40</sup> Bathurst to Stirling (4 March 1831) SROWA: WAS 1354, Cons 622/1. Also available at National Archives of Australia: <http://www.foundingdocs.gov.au>.
- <sup>41</sup> Brown to Lewis (16 February 1832) SROWA CSO Acc 49 V3-4 No2750

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- <sup>42</sup> Lewis to Stirling (30 December 1831) SROWA CSO Acc 36 V19 No55.
- <sup>43</sup> Brown to Lewis (16 February 1832) SROWA CSO Acc 49 V3-4 No2750 and Brown to Auditor (17 February 1832) SROWA CSO Acc 49 V3-4 No2761.
- <sup>44</sup> Stirling to Lewis (8 February 1832) SROWA CSO Acc 49 V3-4 No2741.
- <sup>45</sup> Di Francesco (1999:46).
- <sup>46</sup> *The Perth Gazette and Western Australian Journal* (30 August 1834:345 and 11 October 1834:366); Bowyer (1966:14-15).
- <sup>47</sup> *The Perth Gazette and Western Australian Journal* (8 August 1835).
- <sup>48</sup> Great Britain (1829) 10 Geo IV c.63 (*Government of Western Australia Act 1829*).

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