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Contributions to Local Government Accountability in Colonial New South Wales

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Abstract

Accountability innovations often reflect the contemporary social, political and economic relationships, and they are not always made by accounting professionals. This article reports the contributions made to local government accountability in colonial New South Wales by a medical practitioner, Dr John Spark. His contributions relate specifically to the financial management and reporting practices of the Katoomba Municipal Council (NSW), during his tenure as Alderman and Mayor in 1893 and 1894. Spark's innovations included the regular reporting and reviewing of major expenditure items, separate reporting of extraordinary items, separation of capital expenditure and recurrent expenditure, the presentation of detailed comparative reports, and the attempted introduction of a sinking fund. The results support the proposition that socio-economic variables influence the adoption of accountability mechanisms.

Keywords

Local government, Accountability, colonial accounting, accounting history, accounting innovations

Disciplines

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CONTRIBUTIONS LOCAL GOVERNMENT ACCOUNTABILITY IN COLONIAL NEW SOUTH WALES

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ABSTRACT

Accountability innovations are often a reflection of social, political and economic relationships of the time and not always made by accounting professionals. This article reports the contributions made to local government accountability in colonial New South Wales, by a medical practitioner, Dr John Spark. His contributions relate specifically to the financial management and reporting practices of the Katoomba Municipal Council (NSW), during his tenure as Alderman and Mayor in 1893 and 1894. Spark's innovations included the regular reporting and reviewing of major expenditure items, separate reporting of extraordinary items, separation of capital expenditure and recurrent expenditure, the presentation of detailed comparative reports, and the attempted introduction of a sinking fund. The results support the proposition that socio-economic variables influence the adoption of accountability mechanisms.

Key Words: Local Government Accountability; Colonial Accounting; Accounting history; Accounting innovations.

CONTRIBUTIONS TO LOCAL GOVERNMENT ACCOUNTABILITY IN COLONIAL NEW SOUTH WALES

INTRODUCTION

The introduction of new or innovative accounting methods is often considered as a reflection of social, political and economic relationships (Bryer, 1993) and as such is “an element of the social and organizational context” (Napier, 1989, 244) influenced by a variety of social and political forces. No time in Australian history could provide this mix of social, political and economic forces in greater magnitude than the closing decade of Colonialism in New South Wales (1890-1900).

According to accounting historians, little research has been carried out in the early history of accounting in pre federation Australia (Goldberg, 1952; Parker, 1982) let alone the area of local government accounting in colonial New South Wales. This study is positioned between 1888, the introduction of the Municipalities Act, and 1906, when the local Government (Shires) Extension Act repealed the existing Act. During this 18 year period the standard of local government accounting and financial reporting was renowned for its inaccuracy and high levels of defalcations and embezzlements. This was primarily due to the lack of accounting procedures, slack auditing provisions, nepotism between Mayors and council clerks and/or council clerks and council auditors, and the employment of unqualified clerks and auditors (Rainsford, 1925; Selby, 1942; Larcombe, 1976)

It is within this context that this article reports on the contribution made to local government accountability and accounting practice by Dr John Spark a medical practitioner in Katoomba, New South Wales between 1892 and 1895. While having no formal training in accounting, Spark’s accounting innovations were, in part, due to his earlier commercial experience as a manager of a large medical practice in London. Further, his business dealings in South America prior to settling in Australia, and his entrepreneurial drive, which contributed to the establishment of Katoomba as a major sanatorium in New South Wales (Spark, 1896) provided him with a unique understanding of business and accounting techniques.

His contribution to local government accountability was restricted to Katoomba Municipal Council and included establishing regular open reviews of major expenditure items, the separate reporting of extraordinary items, the separation of capital expenditure from recurrent expenditure, the presentation of regular comparative reports, and the attempted introduction of a sinking fund to accommodate Council’s debt (The Mountaineer, February, 1895). This study recognises Spark, a non-accountant, as a pioneering contributor to colonial local government accounting practices and accountability mechanisms and as such these contributions add to the mosaic of colonial accounting history in Australia. Further, the study examines the proposition that a variety of social and political factors influence the introduction of accounting and accountability innovations.

METHOD

This study draws on both narrative and interpretational research (Funnell, 1998; Previts, Parker and Coffman, 1990a). Narrative research establishes and describes facts while interpretational research provides an interpretation of those facts within their social context (Scott, McKinnon and Harrison, 2003). It emphasizes the political roles of accounting through its ability to constitute social relations and is an active constituent element in shaping society (Funnell, 1998). The study is narrative as it describes the innovations introduced into Katoomba Municipal Council during 1893 and 1894. It is interpretational as it examines and interprets these events against the existing political and social setting. The study uses a single case study which, according to Previts, Parker and Coffman (1990b, 149), provides a situation where “analysis and description of the research subject are facilitated and can be set within their historical context”.

DATA SOURCES

The choice of a narrative and interpretative research method in part direct the data source. Data was obtained from a variety of primary and secondary sources. The primary sources and their advantages and limitations are below:

1. *Annual reports and financial statements of Katoomba Municipal Council – 1890-1899*. These documents would have provided an extremely valuable data source to examine the introduction of accounting innovations. However, as a result of amalgamations and relocations over the past 100 years neither the Blue Mountains City Council nor the local history section of the Blue Mountains Library were able to locate the council records for this period.

2. *The New South Wales Government Gazette*. These records are important for two reasons: (1) confirming the expenditure and balances of Council’s reported accounts, and (2) to help interpret the socio-political influence the on council financial reporting practices. This is important as council auditors were elected at council elections, often had little accounting knowledge and were only appointed by the Colonial Governor if none had been nominated..

3. *Other primary sources*. These included municipal legislation, medical registrations records and immigration records.

Secondary data sources included:

1. Newspapers of the day, including city (Sydney), local (Katoomba) and district (lower Blue Mountains),
2. Information provided by the Corporation of London Records Office, and
3. Local publications including the Rotary Club of Katoomba and the Katoomba School of Arts.

BACKGROUND

Spark’s life and interests can be broadly divided into three periods. Although these periods have some overlap they are primarily, his formative years, 1869-1885; his concerns with, and involvement in, local government and his accountability and management innovations, 1886-1894; and his community advocacy, 1895-1907.

John Spark was born at Twickenham, Middlesex, England, on August 8 1853, the eldest of a family of eight, where his father (Dr John Spark) operated an extensive medical practice. As a boy he suffered from ill health and experienced the tragedies of having four of his siblings die in the cholera epidemic of 1866, his father die in 1867,

and his youngest brother William die in an orphanage in 1872. Showing considerable aptitude for the medical profession he was taken for training under the supervision of his late father's colleagues.

THE FORMATIVE YEARS: 1869-1885

Spark commenced his medical studies on December 7 1869 becoming apprenticed to John Molden Barton, surgeon, of Lee Park, Blackheath, in Kent, who was a member of the Apothecaries Company, a founding guild and forerunner of today's professional medical associations, and who had his practice in London. Spark's aptitude was soon appreciated and at eighteen he was dispensing for Barton at his London practice. During this period he undertook his studies at St. Bartholomew's Hospital where he completed his course with credit in 1875 and was immediately admitted as a Licentiate of the Society of Apothecaries and a Member of the Royal College of Surgeons. In December that year he accepted a position at High Holborn. It was here that his innate business acumen became apparent and over the next seven years he managed various city branches of a prominent West End practitioner. Following this he commenced his own practice in Devonshire.

On May 5 1885 he was admitted to the Freedom of the Apothecaries Company and in so doing became a City Freeman by servitude and apprenticeship through the Apothecaries Company. These privileges of the Freedom of the City of London were sought by persons wishing to practice within the city limits and were essential for all who wished to exercise a trade or profession there (CLRO, 1993).

However, a recurrence of his boyhood illness together with the unfavourable local climate caused him to consider relocation to a healthier climate. Having made earlier trips to Australia and South America, Spark finally arrived to settle in Australia in 1887 with his sister Elizabeth (another sister, Fanny who had married a Mr Henderson had remained in England). In January 1888 he was registered by the New South Wales Board as a legally qualified medical practitioner (NSWGG, 1888) and after a brief stay with his sister in North Sydney moved to Katoomba, a small town on the main western rail line 80 kilometres from Sydney in the Blue Mountains where he established a medical practice (The Katoomba Times, December, 1889).

LOCAL GOVERNMENT ACCOUNTABILITY INNOVATIONS: 1886-1895

The doctor's involvement in local government issues was almost immediate through membership of the Progress Committee, which was agitating for the establishment of Katoomba as a municipal district. Spark's interest was influenced by his medical training and by the public health debate raging in Sydney, and also by his commercial sensibilities which allowed him to appreciate the general concern at the time relating to uncontrolled council expenditure and the lack of accounting and auditing procedures within local government (See Larcombe, 1976). A local example within the Katoomba Council was the appointment, in 1884, of W. F. Goydry, the Council Clerk and local land agent and valuer (Katoomba Times, September, 1893), as valuer of the Municipality of Katoomba (NSWGG, 1894). While no impropriety is suggested this does reflect a potential conflict of interest.

The efforts of the Progress Committee were rewarded with the proclamation of the municipal district of Katoomba on October 31 1889. In accordance with the provisions of the Municipalities Act of 1867, the proclamation was published on

November 2 1889 (NSWGG, 1889) Under the Act, six aldermen and two auditors could be elected (Accounting and Audit Requirements, Municipalities Act, 1858) and the returning officer, John Henry Mitchell, called for nominations on December 28 1889.

True to his beliefs as a member of the Progress Committee, Spark offered himself as a candidate for alderman, unfettered by party affiliations and promising to serve with “discretion and impartiality”. His platform for election was “the advancement of the district on sound and healthy lines” with the inauguration of a sewerage system and water supply having the highest priority. This was followed by the provision of “well metalled roads” and “*careful supervision of the expenditure of municipal funds through proper accounting practice*” (emphasis added) (The Katoomba Times, January, 1890).

[Take in Spark photograph – role text of paragraph below around photo]

At the election, which took place on January 11 1890, Spark was unsuccessful but he offered himself again for candidature at the 1892 elections. This time he was successful (NSWGG, 1893) and he served on a number of committees during his period as alderman, culminating in 1894 when he was elected Mayor by his fellow aldermen.

Spark’s contribution to local government accountability commenced 1893 when, as a newly elected alderman, he served as Chairman of the Council’s finance committee. He was appalled at the state of Council’s finances, with the general account at the end of 1892 showing a deficit balance of £580/11/5 (NSWGG, 1893) During the following twelve months he argued for, and put in place, a variety of accountability and management techniques drawn from his years of commercial and business experience in London and South America. These measures included detailed expenditure reviews and reports on road maintenance, one of Council’s major outgoings, and special reviews of all large expenditure items, together with closer inspection of general recurrent expenditure. These actions, together with the introduction of detailed comparison reports (a common practice in Colonial Government accounts but not incorporated in local government accounting) saw the deficit reduced to £33/9/7 by the close of the 1893 municipal year (NSWGG, 1894)

In February 1894 he was elected Mayor by his fellow councillors (NSWGG, 1894) and from this position continued to oversee expenditure reviews and introduce additional accountability and management improvements. The result was a complete turnaround of Council’s 1892 deficit and by the close of the 1894 municipal year Council had a surplus of £121/9/8 (The Mountaineer, February, 1895). However, the attainment of a surplus was not without its critics who maintained that it was engineered by cutting back on road maintenance, a high profile issue in the Blue Mountains at that time, and the election plank of most candidates for Council.

While it was correct that road maintenance on the six mile section of the Bathurst Road (now the Great Western Highway) from Katoomba north west to Medlow Bath had decreased by over fifty six percent during his period in office, Spark argued it was a reflection of better management of Council resources. Expenditure on that particular section of road had decreased from £317/10/5 in 1892 to £257/12/7 in 1893 and to £137/10/11 during 1894. In his Mayoral Report in February 1895 Spark maintained this reduction was due to the use of higher quality materials and the increased skills of

the Council workforce. This had resulted in a high quality “metalled road resistant to the wear and tear of traps and wagons” (The Mountaineer, February, 1895). For the first time the reduction in expenditure and its result was visible. This was due to Spark’s insistence on the identification and separate recording of capital and recurrent items, which resulted in funds used to improve the roads in the municipality being recorded and reported separately from funds used to maintain the roads.

Similar rigid expenditure controls reduced the outgoings necessary to enforce the maintenance of the Nuisance Prevention Act and the maintenance of the crematory, which, during the same period had reduced from £337/19/2 to £241/5/7 and finally to £220/8/1. In the same year, 1894, Spark insisted on reporting on extraordinary and/or unusual items at Council meetings. The result, notwithstanding extraordinary payments of some £140/0/0, which included £18/0/0 for “unusual repairs” to the crematory, was a surplus of £121/9/8. (The Mountaineer, February, 1895). In fact the surplus was £141/16/8, consisting of cash at bank of £121/9/2 and cash on hand of £40/7/6) (NSWGG, 1895).

One major accounting innovation attempted by Spark was the introduction of a sinking fund to accommodate the Council’s debt of £5,000 inherited by him when he assumed the position of Mayor. As mentioned, his knowledge of accounting issues was, in part, a legacy of his education, commercial and management experience, however his awareness of the debate surrounding local government finances which had commenced in England in the early 1800’s had been kept current through a lifelong subscription to the London Times. Spark recommended that the £5,000 debt, which was due to mature in 1910, be accommodated by applying half of a special grant from the New South Wales Colonial Government to form the nucleus of a sinking fund. This would provide an accounting mechanism to repay the debt by transferring a regular fixed amount from Council’s general fund to the Sinking Fund account with the amount transferred invested outside the council in guaranteed securities and allowed to accumulate at compound interest. For a variety of reasons he thought it wise to defer this action (The Mountaineer, February, 1895). While no reason is recorded it is speculated that it was due to the fact that the amount required to be set aside in order to extinguish the debt by 1910 may be greater than Council’s surplus each year. He is reported as saying at his last Council meeting that “it had been one of my ambitions upon entering the Chair last year to have instituted a sinking fund during my term of office” ... however ...”I trust that the Council will endeavour to take the matter in hand at an early date” (The Mountaineer, February, 1895). Spark’s contributions are summarised in Figure 1.

[take in Figure 1

During 1894 his ill health, which had dogged him for many years, worsened and this together with a young family – he had married Johanna Cashman in July 1893 and had a baby daughter – caused him to relinquish the position of Mayor in February 1895. Despite repeated requests from his peers he declined to offer himself again for that position.

COMMUNITY ADVOCACY: 1895-1907

While Spark had deliberately removed himself from local government his concern for the people of Katoomba and its development continued. One major area of concern was the advocating of the health-giving characteristics of the Blue Mountains in the

areas east and west of Katoomba, in particular, Wentworth Falls and Mount Victoria. In December 1896 the Doctor 'went public' and contributed a three column article to the Sydney Mail titled *The Blue Mountains as a Health Resort*, an unusual step for a medical practitioner even in 1896. In the article Spark drew on his "nine years of experience of the mountains" and outlined what he considered the remarkable health giving and convalescent properties provided by the area, the type of patient who should and should not go to the mountains, and the effect they might expect. He concluded with a plea to the then three major Sydney hospitals to establish a convalescent home "wherein cases might lessen greatly their period of recovery from operation and sickness" (Spark, The Sydney Mail, December, 1896). Some years later, his vision was realised with the establishment of two sanatoriums at Wentworth Falls, the Queen Victoria Home for Consumptives in 1903 and Bodington Hospital in 1908.

Convinced of the educational benefits provided by living in the mountains, Spark also campaigned for the establishment of more schools and the expansion of existing ones. Citing the superior results obtained at Katoomba Public School, compared to city schools, as a reflection of the bracing climate he campaigned for greater educational opportunities for students completing the fourth standard examinations (12 –13 years of age). To pursue this, he accepted the position of Chairman of the Katoomba School Board and argued his theory that in the mountains students were exposed to "a climate favourable and conducive to the best continuous brainwork through the year". Further, this would provide the greatest benefits to students during "their transitional period, when with rapid growth towards maturity, the studies are of a more actively mental, rather than a passively receptive, character" (Rotary Club of Katoomba, 1981).

The community involvement of John Spark was not limited to medical and educational issues. In June 1889, as one of the founding members of the Katoomba School of Arts he was elected Vice-President (Nepean Times, June, 1889) and in July 1901 he was elected President, a position he held until July 1904. Further, in 1906 was re-elected for a further year. In July 1902, mainly due to his financial and management abilities, he undertook the responsibility for the construction of the new School of Arts building, and accepted the appointment of trustee, a position he held for six years (Katoomba School of Arts, 1925). He resigned as a trustee of the School of Arts in August 1908 and was made that institution's second life member in July of that year.

VALE

In mid 1907 Spark suffered a paralytic stroke from which he never properly recovered and which forced him to relinquish all public positions and retire from public medical practice. On September 30 1907, the residents of Katoomba, through the Mayor and Council, presented Spark with an illuminated address and purse in recognition of his twenty-one years of service to the community.

[Take in photograph of Illuminated Address]

Early on March 1 1910, at the age of fifty six, John Spark died at his home in Katoomba (Blue Mountains Echo, March, 1910). He left a wife and seven children. On Wednesday March 2 all business premises in the township of Katoomba closed

out of respect to farewell Dr, John Spark, former Mayor, Alderman, Government Medical Officer, Railway Medical Officer, President of the Katoomba School Board, President of the Katoomba School of Arts, activist for the health-giving characteristics of the Blue Mountains, and contributor to local government accountability and accounting practices. The man who described himself as a “simple country doctor” had left behind a legacy of improved local government accountability and inspired community service.

CONCLUSION

This study has traced the life of Dr John Spark from his formative years prior to arriving in Australia, through his intermediate years, which included his involvement in local government, to his later years as a community advocate. The specific focus of the study is the two year period 1893 and 1894 and the introduction of various accountability innovations to the Katoomba council. In doing so this study relied upon both narrative and interpretive research methods (Previtc et al, 1990, a b; Funnell, 1998).

The findings support the proposition that accounting and accountability innovations are historically contingent on political and socio-economic issues which emerge under particular conditions (Miller and Napier, 1993). The historical setting that had a direct impact on Spark’s innovations included the high levels of accounting inaccuracies, defalcations, and embezzlements occurring in local government at the time, the lack of accounting procedures and slack auditing provisions and problems arising from poorly qualified, or unqualified, council staff and auditors, as well as the tensions existing within a newly formed municipality. The findings also add to our understanding of colonial accounting in Australia, specifically in the under-researched area of local government. The innovations, which in current terms could be described as a combination of management and financial accounting techniques, and disclosure requirements, served to expand the degree of accountability in Katoomba council by making visible particular areas of expenditure.

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- The Nepean Times*, (1889) 15th June.

Figure 1

**Accounting Contributions of John Spark to Katoomba Council
1893 – 1894**

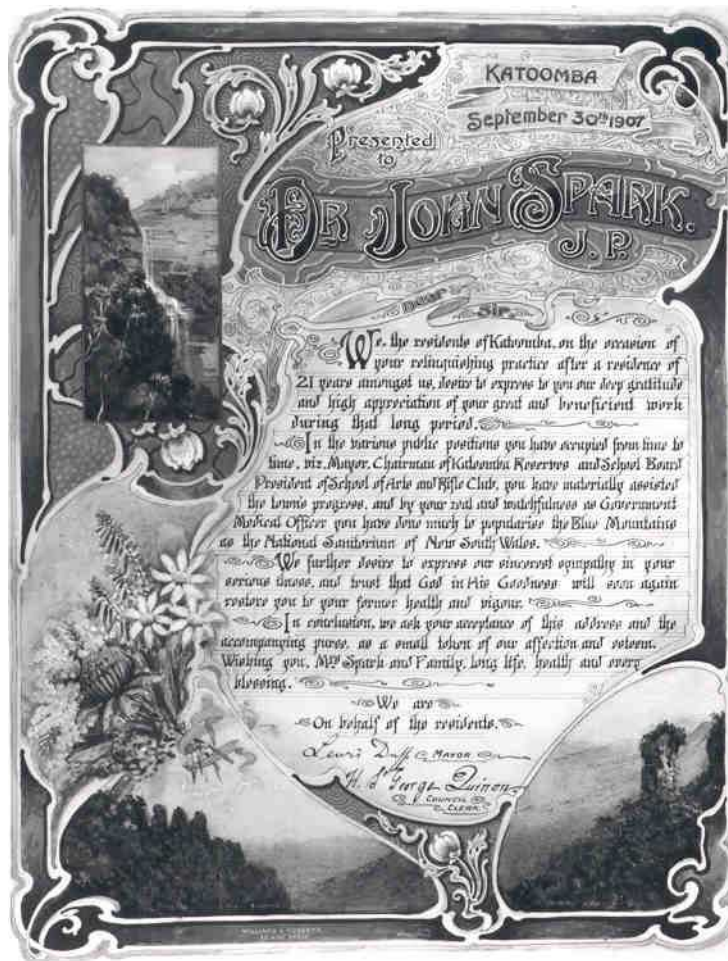
Year	Position	Contribution	Financial Position at Year End
1892	Not elected		£580/11/5 Deficit
1893	Alderman and Chairman of the Finance Committee	<ul style="list-style-type: none"> • Detailed expenditure reviews • Reports on road maintenance • Special reviews of large expenditure items • Inspection of general recurrent expenditure • Detailed comparison reports 	£33/9/7 Deficit
1894	Mayor	<ul style="list-style-type: none"> • Emphasis on quality of material purchases and staff skills to reduce expenditure • Made expenditure publicly visible • Separated the recording of capital and recurrent items • Rigid expenditure controls • Reporting on extraordinary items at Council meetings • Attempted to introduce a sinking fund to accommodate Council's debt 	£141/16/8 Surplus
1895	Stood down due to ill health		

Spark photograph



(Source – Katoomba Council)

Illuminated Address from the Residents of Katoomba



(Source – Spark family)