

### Audit of War Expenses.

New Zealand's participation in the Empire's war effort has necessarily resulted in increased work and responsibilities for the Audit Office.

In view of the extreme urgency of the work of erecting and equipping the mobilization bases and training camps, both for land and air forces, the normal procedure of calling for tenders for the carrying-out of the work was found by the Public Works Department to be impracticable, and the Hon. the Minister of Public Works approved the system of the letting of contracts on a "cost plus" basis. The "cost plus" contract system was a feature of armament expenditure in the United Kingdom and in the United States of America during the war of 1914-18.

Under the New Zealand system contractors are reimbursed for proved expenditure, and receive an additional percentage designed to cover general overhead and to return some margin of profit.

The Audit Office agreed to check before settlement all claims made by the contractors under this system, and this service entailed considerable urgent work on the part of my Inspectors.

Some little time after the commencement of work on "cost plus" contracts the Public Works Department prepared a standard contract form which was drawn to embody the conditions verbally conveyed to contractors by Public Works Engineers. Several groups of contractors declined to sign the contract documents, claiming that the contracts did not coincide with their impressions of the position, and that they did not wish to prejudice their rights to maximum remuneration. This attitude led to disputes during the settlement of claims and several of the "cost plus" contracts when settled had to carry a final on-cost considerably in excess of the originally intended  $7\frac{1}{2}$  per cent. The intervention of Audit before payment resulted in substantial savings of public moneys, and contractors' claims in respect of one mobilization camp alone were, due substantially to Audit action, reduced by more than £8,000.

Special Audit sections have been established for the purpose of auditing the pay and allowances due in New Zealand to army and air force personnel and the allotments and allowances due to their dependants. This work may be expected to increase with the formation of successive echelons and reinforcements and, in view of the large staffs that would be required for a complete and detailed check, the Audit Office has been particularly concerned to formulate an audit programme that is adequate without being elaborate.

To facilitate the audit of pay and allowances due to officers and men of the New Zealand Expeditionary Forces overseas, and of other war expenditure incurred by the New Zealand forces abroad, it was arranged to set up an Audit section at the Overseas Base. Two officers have already been attached to the New Zealand Army and have left New Zealand with the Second Echelon, and the number will be increased as circumstances warrant. As regards these additional appointments it is hoped to be able, by mutual arrangement with the Army authorities, to fill them from members of the staff of the Audit Office who are already serving with the forces abroad. Experience in the war of 1914-18 illustrated the difficulties of auditing field expenditure from New Zealand and it is anticipated that an Audit branch at the Overseas Base will remove many of the disabilities previously experienced. The Audit officers hold commissioned rank similar to the senior Audit officers attached to the Australian Overseas Base and although they are subject to Army disciplinary control, they remain under the complete control of the Audit Office as regards the execution of their duties.

Another duty arising from war activities required to be undertaken by the Audit Office is the audit of the receipt and issue of equipment and stores in the mobilization camps, training camps, and home-service depots.