

The position in the mobilization camps as regards the accounting for equipment and stores has, I regret to state, been far from satisfactory, and my Inspectors are agreed that this is mainly due to the fact that for the performance of the work there is an absence of the required trained personnel.

It is, of course, readily understandable that the paramount desire of the responsible military officers was to equip the men and provide for them adequately in camp prior to their departure overseas, and that the matters of accounting for equipment and provisions were by the exigencies of the times forced into the background.

A proper control of the receipt and issue of military stores involves—(a) a sound stores-control system in the military establishments, and (b) a well-trained personnel to administer the system. If there is failure to meet either of these requirements the basis for an efficient stores audit is wanting, and the most that the Audit Office can do to effect a remedy is to report the circumstances to the responsible authority.

The Audit Office has kept the position constantly under the notice of the Treasury and the Defence Department, and I am pleased to be able to add that arrangements are in train for an Audit officer with long experience in stores work to be seconded to the Defence Department. His temporary duty will be not to engage in an audit, but to ensure that conditions prevail which will permit a satisfactory audit to be later carried out.

Other audits required to be carried out by the Audit Office in connection with the war relate to military canteens and the accounts of the National Patriotic Fund Board and Provincial Councils.

Departmental Balance-sheets.

Parliamentary paper B.—1 [Pt. IV] for the financial year 1938–39 contains some one hundred and thirty revenue accounts and balance-sheets of Departments and institutions closely connected with governmental activities. All these balance-sheets and the supporting books—except those of the Reserve Bank, the State Advances Corporation, and the British Phosphate Commissioners—were audited by the Audit Office during 1939–40. The books and accounts in general were found to be satisfactorily kept.

Treasury has decided to discontinue the preparation of the State Income and Expenditure Account and State Balance-sheet until the conclusion of the war.

Audit of Public Stores.

During the period under review Audit Inspectors examined some three hundred stores accounts in the offices and institutions of the following Government Departments: Prisons, Public Works, Health, Navy, Army, Air, Education, Marine, Mines, State Forest Service, Industries and Commerce, Tourist and Publicity, Mental Hospitals, Native, Railways, Lands and Survey, Internal Affairs, Transport, and Housing.

In addition, a continuous audit has been carried out of the various stores accounts of the New Zealand Division of the Royal Navy.

Owing to a substantial increase in the volume of stores transactions of the Army, Navy, and Air Departments and a shortage of trained staff it has not been possible to reduce outstanding work to any appreciable extent.

All matters arising from inspections and calling for comment were brought to the notice of the Departments concerned and the Treasury for appropriate action to be taken.

The inspections did not disclose any serious irregularities, and particulars of those which occurred are contained in the statement of "Irregularities in connection with Public Moneys and Stores," which is included in this report in accordance with the provisions of section 89 (2) of the Public Revenues Act, 1926.