

(b) Financial Arrangements : Middle East

Apart from pay and allowances and initial equipment, the cost of maintaining the 2nd New Zealand Expeditionary Force in the Middle East is met in the first place by the Imperial Government, which recoups itself by means of an agreed capitulation charge. This arrangement avoids detailed book-keeping and enables payments to be kept so well up to date that the charge to 31st March, 1943, is actually included in the public accounts to that date.

(c) Civil Expenditure

Section 2 of the War Expenses Act, 1939, permits moneys in the War Expenses Account to be expended, without further appropriation than the section itself provides, on any purposes connected directly or indirectly with the war, and the Minister of Finance is empowered to decide any question which arises as to whether any purpose is a purpose for which War Expenses Account may be used.

Indirect war expenditure is included in the War Expenses Account under the heading of "Civil," and information regarding it was given in the Financial Statement lately presented by the Honourable the Minister of Finance.

(d) Army Pay

Within the limits imposed by staff shortage, close attention has again been given throughout the year to the audit of Army pay both in the Dominion and overseas. The work is well up to date, and the only serious irregularity that occurred was in connection with payment of casual assistance for medical examinations in Dunedin. In this case certain personnel have been convicted of fraud based on forgery of acquittance rolls. The Audit Office is informed by the Army Department that an inquiry is to be held to ascertain what degree of responsibility for loss arising from the frauds must be accepted by controlling officers who certified the rolls.

(e) Fiji Expenditure

Since 1939 considerable sums have been disbursed in Fiji and Tonga by the Government of Fiji on account of New Zealand. These sums are additional to funds remitted directly from New Zealand and disbursed by New Zealand officers. To recoup itself the Government of Fiji from time to time drew on the New Zealand Government, but it has retained all original vouchers and documents required to support the disbursement of the advances, and the Audit Office has been unable to audit this expenditure by inspection of original documents in the ordinary way. A certificate from the British Colonial Office auditor resident in Fiji has been received in respect of expenditure up to 31st December, 1941, and it is proposed to accept this and subsequent certificates as being equivalent to the normal Audit Office examination required under the Public Revenues Act, 1926.

(f) Eastern Group Supply Council

Last year's report outlined the procedure to be followed in connection with claims for stores produced in New Zealand on behalf of the Eastern Group Supply Council. Two claims against the British Ministry of Supply aggregating £1,733,067 4s. 3d. have since been examined and certified by this Office, and a sum of £11,440 4s. 11d. has been recovered from the Australian Government. At the date of this report practically all the expenditure on the Eastern Group Supply Council account has been recovered or has been included in certified claims for recovery.

(g) Food Controller's Operations

The hope expressed in last year's report that the accounts of the Food Controller would be kept to my satisfaction has not been wholly realized, and this is due in no little measure to staff shortage. Until the records of stocks purchased have been brought up to date Audit is unable to satisfy itself that all stocks purchased have been disposed of and the proceeds accounted for, or are still on hand. Outstanding debts were not followed up as they should have been, and the posting of the Sundry Debtors Ledger was for a time allowed to fall considerably into arrears.

(h) Ministry of Supply and Munitions

In my last report I mentioned that the state of the accounting records of the Indent Division of the Ministry was not as satisfactory as could be desired. During the year under review the volume of business expanded to such an extent that, although substantial additional staff and accommodation were made available to the Division, the work of the Accounts Branch fell further into arrears. The Audit Office made suitable representations in the matter, and has been assured that steps have been taken to remedy the position.