

1948
NEW ZEALAND

Report of the
Controller and Auditor-General
on the
PUBLIC ACCOUNTS
of New Zealand
for the
Financial Year ended 31st March, 1948

TABLE OF CONTENTS

	PAGE		PAGE
Accounts of Local Authorities	46	Ministry of Supply	35
Air Travel Passages	33	Money or Stores Written off	47
Bank of New Zealand Shares	23	Moutoa Estate	27
Barque "Pamir"	34	M.v. "Maui Pomare"	34
Broadcasting Service	33	National Provident Fund Schemes	45
Cable and Wireless, Ltd.	31	National Seaside Health and Recreation Area	29
Canteen Board	36	New Zealand Wool Disposal Commission	44
Costs of Hospital Ships	38	Occupation Force in Japan	38
Cost of Rationing Defence Forces in New Zealand	37	Overseas Travel	24
Crediting Loan Receipts	22	Patriotic Funds	46
Defence Forces: Stores	36	Permanent Investments of Public Account Balances	22
Departmental Accounts	25	Post and Telegraph Department	29
Department of Agriculture	26	Proceedings Taken against Defaulters and Others	15
Department of Scientific and Industrial Research	33	Provisions of the Law not Carried Out	4
Detailed Audit of Accounts Dispensed with Discrepancies in the Statement of Accounts	3	Public Accounts and Statements	17
Emergency Cool-storage and Meat-canning Plants	42	Recovery of Treasury Expenditure Charged to War Expenses Account	40
Excess Unauthorized	23	Rehabilitation of Ex-servicemen	28
Food Controller	39	Remuneration of Members of Statutory Bodies	24
Hides Equalization Fund	45	Repayment of Public Debt	20
Hostels and Workers' Camps	31	S.s. "Matai"	34
Increase and Decrease of the Public Debt	19	Staff Position	47
Interest on Capital Liability	25	Sums Allowed by the Audit Office as Paid under Provisions of Section 73, Public Revenues Act, 1926	12
Internal Marketing Division	43	Surcharges	16
Iron and Steel Industry Account	39	Toll Charges	32
Irregularities in Connection with Public Moneys and Stores	5	Transit Housing	32
Land Development Schemes: Profits or Losses on Development	27	War Assets Realization Board	40
Marketing Department	42	War Stores	41
Military Currency: Italy	38		

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

I HAVE the honour to submit my report for the year ended 31st March, 1948, in terms of subsections (2), (3), and (4) of section 89 of the Public Revenues Act, 1926, which are set out hereunder.

(2) The Controller and Auditor-General shall in each year examine the public accounts received from the Treasury, and prepare and sign a report showing—

- (a) The particulars of any discrepancies between such accounts and the books of the Treasury:
- (b) Full particulars of every case in which the provisions of this or any other Act, or the regulations or any forms, have not been carried out or adopted, or have in any manner been varied or departed from:
- (c) Every case of failure to deliver or send in accounts or to collect or account for any moneys or stores:
- (d) All sums allowed or disallowed without vouchers, or with imperfect vouchers, or upon incorrect certificates:
- (e) Any proceeding that may have been taken by or against any person in pursuance of the provisions of this Act or the regulations:
- (f) All unsatisfied surcharges which have been made by the Controller and Auditor-General, and all surcharges disallowed by the Minister on appeal:
- (g) In what accounts the Controller and Auditor-General has, with the consent of the Minister, dispensed with a detailed audit:
- (h) Such other information as may be prescribed, or as the Controller and Auditor-General thinks desirable.

(3) The Controller and Auditor-General shall annex or append to the said report copies of all cases laid by him before the Attorney-General for his opinion, together with a copy of the opinion given in every such case.

(4) The Controller and Auditor-General shall lay the said report before Parliament within fourteen days after the public accounts have been laid before Parliament.

The public accounts received from the Treasury have been examined in terms of the first part of subsection (2) and have been printed as B-1 [Pt. I], and the further provisions (a-h) of subsection (2) and the provisions of subsection (3) are satisfied as follows:—

(a) DISCREPANCIES IN THE STATEMENT OF ACCOUNTS

There are no discrepancies between the accounts and the books of the Treasury, and no cases were laid before the Attorney-General.

(b) CASES IN WHICH THE PROVISIONS OF THE LAW HAVE NOT BEEN CARRIED OUT

The Audit Office is required, in the exercise of its duties, to satisfy itself that all financial transactions of the State are supported by proper authority, and that they contravene no provisions of the law. As stated in previous reports, circumstances arise which require or render it desirable that public moneys shall be expended for purposes for which no specific authority exists, and for which the statutory provisions governing "unauthorized expenditure" or "emergency expenditure" are not available, or not available to a sufficient amount. There are cases also in which circumstances render it desirable that legislative restrictions shall not be applied.

Several cases covered by the foregoing explanation arose during the year, and the Audit Office, following past practice, agreed to pass relative transactions on being informed by the Government that it would introduce validating or amending legislation, or otherwise provide the authority required.

The necessary legislation or authority in the following cases was obtained during the year covered by the report:—

(1) Section 7 of the Finance Act (No. 2), 1947, validated the payment of a general increase of salaries to Government servants of £25 in each case from 30th September, 1947.

(2) Section 8 of the Finance Act (No. 2), 1947, validated the payment of the general increase in salaries from 30th September, 1947, to retired public servants and teachers temporarily re-employed, without such increases being taken into consideration in fixing the maximum retiring-allowances payable in terms of sections 33 (2) and 78 (2) of the Public Service Superannuation Act, 1927.

(3) The War Pensions Amendment Act, the War Pensions and Allowances (Mercantile Marine) Amendment Act, and the Social Security Amendment Act, each of which was passed on 11th November, 1947, provided authority for payments of increased benefits on and from the preceding 1st October.

Reference was made last year to cases in which validating legislation or other authority had not been provided at the date of the report. Legislation has since been provided as follows:—

(1) Section 12 of the Finance Act, 1947, provided for the exemption of members of His Majesty's Forces from payment of national security tax from 1st April, 1947, the date the new pay scales commenced, to 20th April, the date of the abolition of the tax.

(2) Section 36 of the Finance Act, 1947, made provision for personnel of the military Forces appointed for a limited period to become contributors to the Government Superannuation Fund, and for payment from the Fund of retiring-allowance to members who had retired.

(3) Section 40 of the Finance Act, 1947, validated payment of the sum of £125,000 out of the Meat Industry Account for flood relief in the United Kingdom.

(4) Section 17 of the Social Security Amendment Act, 1947, validated the payment, from 1st April, 1946, of family benefits in respect of children of Service personnel.

(5) Section 6 of the Finance Act, 1947, validated unauthorized expenditure in excess of the limit fixed by section 58 of the Public Revenues Act, 1926, for all Services other than Working Railways.

Validating or other authority is awaited in respect of the following:—

(1) For the Crown (Marine Department) to operate vessels on a commercial basis, and to accept marine insurance risks on general cargo carried in those ships.

(2) For payment of increased annuities to widows who were in receipt of or entitled to annuities at the date of coming into operation of the Superannuation Act, 1947.

(NOTE.—It was found that section 39 (a) (i) of the Superannuation Act, 1947, did not apply, as, it is said, was intended, to the persons mentioned.

(3) For payment during the financial year 1947–48 of £642,730 12s. 3d. in excess of the amount of £2,460,947 assessed in terms of section 7 of the Finance Act, 1947, as the limit of unauthorized for all services in that year.

Since last report two members of Parliament became disqualified by reason of becoming contractors within the meaning of the Electoral Act, 1927. The action required of the Audit Office in such circumstances is to withhold payment of honoraria, but in each of the cases in question the Government advised that validating legislation would be introduced, and no withholding action was taken. Part of the legislation was provided by section 6 of the Rehabilitation Amendment Act, 1947, and what is still required is expected to be brought down during the present session.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES

Fifteen cases of misappropriation of public moneys by departmental officers, involving the total sum of £503 8s. 8d., are included in this statement. The largest occurred in the State Forest Service, where a field officer failed to account for timber royalties paid to him in respect of timber milled. He omitted to forward returns to his district conservancy office as he was required to do, and in some cases he gave receipts on copies of produce delivery-notes issued by him instead of on official receipt forms. He made full restitution. A defalcation of £51 5s. in the Social Security Department was committed by a cashier, who forged signatures to benefit advices to a beneficiary who had left the country, and whose identity card had come into the cashier's possession.

In addition to the above-mentioned cases, the theft of wire valued at £400 18s. from a dump controlled by the Ministry of Supply is reported in that part of the statement detailing irregularities committed by persons other than departmental officers. The loss occurred in 1945, but a case against the offenders was not brought until July, 1947. Detection of the theft was made difficult by the huge stocks held by the Ministry and its inability to have a physical check made of them.

As has been mentioned on previous occasions, the ordinary safeguards provided by internal checks are applied wherever possible to prevent irregularities, and the Audit Office in the course of its duties examines the

accounting systems in operation and suggests improvements where necessary. The instances reported do not point to remediable weaknesses in the accounting procedure, but one case is still being investigated.

The number of cases reported to the Audit Office in which recipients of pensions, sickness, age, and other benefits obtained payment in excess of scale rates by failing to disclose material particulars of their circumstances to the Social Security Department was 76, as against 164 last year, the relative amounts involved being £545 9s. 2d. and £1,992 17s. It has been ascertained, however, that the foregoing particulars relating to the year 1947–48 are not complete, in that they cover only overpayments of weekly benefits. Overpayments of monthly benefits and pensions, other than cases in which there were prosecutions, have not been recorded in the returns required to be submitted by the Social Security Department to Treasury and Audit. The Department explains that this omission has been due to a misunderstanding in its own office, and has stated further that, even in respect of weekly benefits, the return covers only cases where the Department considered that the breach was deliberate. The relevant Treasury Regulation, however, requires the return to include all cases where “any person illegally obtains possession of any public moneys,” and this would appear to apply to moneys improperly received as a result of any beneficiary’s carelessness or negligence in advising the Department of altered circumstances. This Office has suggested to the Department that if it proposes to continue to differ from this interpretation of the regulation it should take the question up with Treasury. Time did not permit of the figures submitted being corrected by the Social Security Department even on the basis of its own restricted reading of the requirements of the regulation, and the amount shown as overpaid must be read subject to these remarks.

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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NOTE.—In cases marked * police inquiries were either unsuccessful or are incomplete.

CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED

Department of Industries and Commerce

A. 21/42/30	Misappropriation of moneys ..	£ s. d. 49 18 3	Investigated by police. Restitution made. Officer resigned.
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Department of Industries and Commerce (Ministry of Supply)

A. 26/95 ..	Theft of wire	47 0 6	Offender admitted to probation and ordered to make restitution.
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Justice Department (Registrar-General’s Office)

A. 21/37/2 ..	Misappropriation of moneys ..	9 0 0	Offender admitted to probation for twelve months. Restitution made.
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(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>continued</i>			
Land and Income Tax Department			
A. 21/21 ..	Misappropriation of moneys ..	£ s. d. 27 19 5	Offender convicted and admitted to probation for twelve months. Restitution ordered.
A. 21/21 ..	Misappropriation of moneys ..	30 14 3	Offender convicted and ordered to come up for sentence if called upon within three years. Restitution made.
National Broadcasting Service			
A. 21/97 ..	Misappropriation of moneys ..	58 11 10	Offender convicted and admitted to probation for two years and ordered to pay the cost of the prosecution. Restitution made.
Post and Telegraph Department			
A. 21/30/795	Misappropriation of moneys ..	66 11 3	Offender convicted and admitted to probation for twelve months. Restitution made.
Public Works Department			
A. 21/35/63	Theft of motor tires (2) ..	Not stated	Offender convicted and admitted to probation for six months. Tires recovered.
A. 21/35/65	Misappropriation of moneys ..	20 0 0	Offender convicted and admitted to probation for twelve months. Restitution made.
Railways Department			
A. 21/36/285	Misappropriation of moneys ..	0 4 8	Investigated by police. Restitution made.
A. 21/36/285	Misappropriation of moneys ..	1 3 0	Offender convicted and admitted to probation for twelve months. Restitution made.
A. 21/36/285	Theft of stores ..	13 12 0	Offender convicted and fined £10. Restitution made.
A. 21/36/1947	Misappropriation of moneys ..	0 5 6	Offender convicted and fined £3. Restitution made.
A. 21/36/1947	Misappropriation of moneys ..	1 5 0	Offender convicted and fined £5. Restitution made.
A. 21/36/47A	Theft of railway stores ..	9 2 7	Offender convicted and fined £10. Stores recovered.
A. 21/36/47B	Misappropriation of moneys ..	1 9 10	Offender admitted to probation for two years. Restitution made.
A. 21/36/47B	Misappropriation of moneys ..	0 4 0	Charge dismissed under the Offenders Probation Act, 1920. Amount recovered.
A. 21/36/285	Theft of box containing cash and tickets	17 8 10	Offender convicted and admitted to probation for twelve months. Restitution made.
State Forest Service			
A. 21/87/8	Misappropriation of moneys ..	184 16 8	Offender admitted to probation for three years. Restitution made.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>continued</i>			
Social Security Department			
A. 21/2/108	Misappropriation of moneys . . .	£ s. d. 51 5 0	Offender convicted and admitted to probation for two years. Restitution ordered.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED			
Agriculture Department			
A. 21/4/31, 47	Theft of wheel, tire, tube, poultry, and strychnine — three instances	Not stated	*
Air Department			
A. 21/101/85	Theft or improper possession of stores, petrol, clothing, rations, tools, arms and ammunition—thirty instances	Not stated	Each case was investigated by the police or Air Force authorities. Convictions were obtained in four cases. Inquiries in respect of six of the cases are not yet complete.
A. 21/101/86	Fraudulent cashing of pay cheques—three instances	50 3 6	*
A. 21/101/84	Public moneys obtained by fraud	4 10 0	*
Army Department			
A. 21/9/357, 1947, 360	Theft or improper possession of stores, equipment, motor accessories, arms and ammunition—sixty-three instances	Not stated	Each case was investigated by the police or by military authorities. Convictions were obtained in two cases. Inquiries in respect of sixty-one of the cases were unsuccessful or are not yet complete.
A. 21/9/358	Theft of cash collected for payment of private toll calls	6 10 0	*Court of Inquiry ordered officers responsible for its safe custody to make good the loss.
A. 21/9/359	Privilege railway pass obtained by fraud	20 0 0	Charge dismissed under the Offenders Probation Act, 1920.
A. 21/9/359	Theft of reservation fees collected at Railway Transport Office	0 5 5	*
A. 21/9/1947B	Fraudulent cashing of an allotment and dependant's allowance warrant	5 12 0	Offender convicted and ordered to come up for sentence if called upon within six months. Restitution ordered.
A. 21/9/1947B	Fraudulent cashing of an allotment and dependant's allowance warrant	9 16 0	*
Government Superannuation Office			
A. 21/33 . .	Refund of contributions obtained by unauthorized person	7 9 2	*
Health Department			
A. 21/14/1947	Theft of fire hose	Not stated	*
A. 21/14/36	Fraudulent cashing of postal warrant	0 7 6	Offender convicted and fined £2 and costs. Restitution made.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>contd.</i>			
Health Department (Division of Mental Hygiene)			
A. 21/24/16	Theft of wireless set	£ s. d. Not stated	*
Department of Industries and Commerce			
A. 21/42/29	Theft of cash drawn for payment of salaries	13 5 0	*Officer responsible for its safe custody was surcharged. Surcharge reduced to £5.
A. 21/42/29, 24	Theft of stores—three instances	Not stated	*
Department of Industries and Commerce (Ministry of Supply)			
A. 26/95 . .	Theft of wire (9 tons)	400 18 0	Two persons were charged with the theft. One was acquitted and the other was convicted and sentenced to two years' imprisonment.
Department of Labour and Employment			
A. 21/120 . .	Fraudulent cashing of cheque	3 14 3	*
Lands and Survey Department			
A. 21/38/35	Theft of building-materials	18 14 6	Offender convicted. Restitution, £17 12s., made.
A. 21/38/35, 1947	Theft or improper possession of stores, wire, and hand-truck—five instances	Not stated	*
Legislative Department			
A. 21/86 . .	Theft of typewriter	Not stated	*
Department of Maori Affairs			
A. 21/27/22	Theft of timber	45 0 0	Offenders (2) convicted and fined £7 each. Timber recovered.
A. 21/27/22	Theft of barbed wire	32 14 4	*
Marketing Department			
A. 21/127 . .	Theft of cash	2 7 9	*
Mines Department			
A. 21/25/31	Theft of cloth and timber	2 8 0	Offender convicted, fined £10, and ordered to make restitution.
A. 21/25/31	Theft of paint, lead, and an ammeter	Not stated	*
A. 21/25/31	Theft of bath, pipes and fittings and electric grinder	Not stated	*
National Broadcasting Service			
A. 21/97 . .	Theft of heater	Not stated	*
Navy Department			
A. 21/28/20	Theft or improper possession of stores, equipment, clothing, bicycle, timber, arms, and ammunition—twenty-three instances	Not stated	Each case was investigated by the police or by the naval authorities. Convictions were obtained in two cases. Inquiries in respect of two cases are not yet complete.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>contd.</i>			
Post and Telegraph Department			
		£ s. d.	
A. 21/30/795	Fraudulent withdrawals from War Gratuity Accounts—three instances	55 15 1	Each loss was investigated by the police, and two convictions were obtained. In one case the amount of £5 14s. 4d. was recovered.
A. 21/30/797, 1947	Fraudulent withdrawals from Post Office Savings-bank accounts—four instances	39 0 0	Each loss was investigated by the police. Convictions were obtained in two cases, and restitution of £28 made.
A. 21/30/795, 47, 787	Theft of cash—eight instances	191 13 0	Each loss was investigated by the police. Convictions were obtained in two cases. Inquiries in respect of three cases are not yet complete.
A. 21/30/1947, 797	Theft of cash and stamps—two instances	121 15 0	*
A. 21/30/796, 1947	Thefts of cash and equipment from public call offices and stamp-vending machines	144 14 4	Investigations were carried out in respect of each loss.
Public Trust Office			
A. 21/34/1947	Theft of cash	16 13 0	*Officer responsible for its safe custody called upon by the Department to make good £10 of the loss.
Public Works Department			
A. 21/35/63	Theft of steel reinforcing-rods (48)	34 4 0	Offender remanded to the Supreme Court for trial.
A. 21/35/65	Theft of wages	18 15 6	*Loss made good.
Public Works Department (Housing Construction Division)			
A. 21/35/56	Theft of timber, fittings, tools, and equipment—sixteen instances	Not stated	*
Railways Department			
A. 21/36/285	Theft of cash and tickets—three instances	Not stated	*
A. 21/36/1947	Theft of cash and tickets ..	30 17 6	*Cash made good by officer responsible for its safe custody.
A. 21/36/47	Theft of cash—two instances ..	13 6 8	*In one case the amount of the loss, £11 17s. 3d., was made good by officer responsible for its safe custody.
Rehabilitation Department			
A. 21/116/5	Theft of tools and equipment—twenty-five instances	Not stated	*
Scientific and Industrial Research Department			
A. 21/98/12	Theft of stores	14 10 0	*
A. 21/98/12	Theft of radiators (2)	1 15 0	*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>contd.</i>			
Social Security Department			
		£ s. d.	
A. 21/2/106	Pensions obtained by fraud ..	495 14 8	Offender admitted to probation for three years and ordered to make restitution at the rate of £2 per week.
A. 21/2/107	Pensions obtained by fraud ..	171 19 2	Offender convicted and admitted to probation for two years and ordered to repay amount of pension overpaid.
A. 21/2/101	Sickness-benefit obtained by fraud	21 12 0	Offender convicted and ordered to come up for sentence if called upon within two years.
A. 21/2/101	Benefits obtained by fraud ..	839 11 9	Offender convicted and sentenced to two months' imprisonment.
A. 21/2/101	Sickness-benefit obtained by fraud	29 4 0	Offender admitted to probation for two years and ordered to make restitution.
A. 21/2/101	Unemployment benefits obtained by fraud	24 0 0	Two offenders—Court action pending.
A. 21/2/101	War veterans' allowance obtained by fraud	69 0 0	Offender convicted and fined £50 and costs £4 10s. In default, he was sentenced to twenty-one days' imprisonment on first charge and ten days on each of other charges. Offender did not pay, and was sent to prison.
A. 21/2/101	Unemployment benefits obtained by fraud	65 11 10	Offender convicted and ordered to make restitution at rate of £2 per week.
A. 21/2/101	Family benefit obtained by fraud	4 6 8	*
A. 21/2/101	Sickness-benefits obtained by fraud	72 8 7	Court action pending.
A. 21/2/101	War pension obtained by fraud	63 5 5	Offender convicted and ordered to come up for sentence if called upon within two years. Restitution ordered at rate of £1 5s. per month.
A. 61/1	Seventy-six cases in which recipients of war pensions, unemployment, sickness, and other benefits obtained in excess of scale rates by failing promptly to disclose material particulars of their circumstances to the Social Security Department	545 9 2	Excepting a small number of cases where beneficiaries are in straitened circumstances, or deceased, efforts have been made to obtain refunds.
State Hydro-electric Department			
A. 21/126/47A	Theft of motor-spirit ..	0 14 6	Offenders (3) convicted and each fined £2. Restitution made.
Treasury Department			
A. 21/44	Pay cheque negotiated by unauthorized person	9 9 4	*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>contd.</i>			
Treasury Department (War Assets Realization Board)			
		£ s. d.	
A. 21/125	Theft of clothing, equipment and tools—six instances	Not stated	Each loss was investigated by the police, and one conviction was obtained. Inquiries in respect of four of the cases were either unsuccessful or are not yet complete.
A. 21/125	Cheque cashed by unauthorized person	2 10 0	
A. 21/125	Army hut removed by unauthorized person	68 0 0	

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926

Section 73, which requires the Audit Office to disallow any sum as paid where the voucher for the actual receipt or payment has not been produced, empowers the Minister, on satisfactory evidence being produced that the requisite papers have been lost or destroyed, or that it is not possible to obtain or replace them, to order that the relative sum be allowed.

The powers of the Minister under section 73 have been delegated to the Secretary to the Treasury in terms of section 15 of the Finance Act, 1937, and the following payments have been passed by the Audit Office pursuant to orders made under the delegated powers:—

Department and Particulars.	Reason.	Amount.	Total Amount.
		£ s. d.	£ s. d.
Agriculture			
Travelling-expenses	Receipts not obtained	13 18 3	
Travelling - expenses of officers travelling overseas	Receipts not obtained	89 11 11	103 10 2
Air			
Acquittance rolls	Vouchers lost	2,627 10 4	
Goods and services	Receipts not obtained	256 11 1	
Imprest accounts	Vouchers lost	3,118 17 2	
Messing expenses : personnel returning from overseas	Receipts not obtained	147 18 11	
Pay and allowances	Receipts unobtainable	106 3 11	
Toll services	Receipts unobtainable	9 11 5	
Travelling-expenses	Receipts not obtained	621 5 3	
Wages, Native labour	Vouchers lost	1,270 0 8	
			8,157 18 9
Army			
Repatriation expenses	Receipts not obtained	115 9 2	
Travelling-expenses	Receipts not obtained	20 1 9	
			135 10 11

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued

Department and Particulars.	Reason.	Amount.	Total Amount.
Census and Statistics			
Postages and telegrams	Voucher lost	£ s. d. 22 13 6	£ s. d. 22 13 6
Customs			
Travelling-expenses of official representative in U.S.A.	Receipts not obtained	171 9 9	171 9 9
Education			
Postages and telegrams	Vouchers lost	1,674 9 1	2,086 9 7
Purchase of publications	Vouchers lost	47 4 1	
Travelling-expenses	Receipts not obtained	364 16 5	
External Affairs			
Freight charges	Voucher lost	10 2 3	660 17 4
Travelling-expenses	Receipts not obtained	650 15 1	
Government Insurance			
Relieving-expenses	Receipt not obtained	6 15 0	6 15 0
Health (including Mental Hygiene Division)			
Petty expenses	Receipts unobtainable	2 18 11	114 14 1
Postages and telegrams	Voucher lost	19 0 0	
Travelling-expenses	Receipts not obtained	92 15 2	
Housing			
Postages	Vouchers lost	3 10 0	47 8 3
Travelling-expenses	Receipts not obtained	37 9 11	
Wages	Receipts unobtainable	6 8 4	
Industries and Commerce			
Salaries	Receipts not obtained	59 15 8	195 12 9
Travelling-expenses	Receipts not obtained	135 17 1	
Internal Affairs			
Freight charges	Receipt not obtainable	14 1 1	92 1 0
Purchase of publications	Receipt unobtainable	6 10 6	
Salaries	Receipt unobtainable	0 8 9	
Travelling-expenses	Receipts not obtained	71 0 8	
Island Territories			
Travelling-expenses	Receipts not obtained	6 0 0	6 0 0
Justice and Prisons			
Freight charges	Receipt unobtainable	0 7 1	15 0 10
Prisoner's earnings	Receipt unobtainable	13 14 7	
Witnesses' expenses	Receipt unobtainable	0 19 2	
Labour and Employment			
Overtime	Voucher lost	20 11 11	94 5 1
Salaries	Receipt unobtainable	14 0 1	
Transport charges	Receipt not obtained	55 5 3	
Travelling-expenses	Receipts not obtained	4 7 10	
Land and Income Tax			
Travelling-expenses	Receipts not obtained	5 15 3	5 15 3
Lands and Survey			
Travelling-expenses	Receipts not obtained	30 18 5	30 18 5

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued

Department and Particulars.	Reason.	Amount.	Total Amount.
Legislative			
Purchase of publications	Receipt not obtainable	£ s. d. 1 18 6	£ s. d. 1 18 6
Maori Affairs			
Travelling-expenses	Receipts not obtained	3 1 8	3 1 8
Marine			
Travelling-expenses	Receipts not obtained	1 10 6	1 10 6
Mines			
Travelling-expenses	Receipts not obtained	34 9 2	34 9 2
Ministry of Supply			
Purchase of publications	Receipts unobtainable	4 12 7	
Salaries	Voucher lost	33 2 11	
Travelling-expenses	Receipts not obtained	97 1 10	
Wages	Voucher lost	20 3 7	155 0 11
National Broadcasting			
Travelling-expenses	Receipts not obtained	18 10 11	18 10 11
Navy			
Goods and services	Voucher lost	3 3 4	3 3 4
Police			
Gaming and Licensing Acts enforcement	Receipts not obtainable	262 6 0	
Travelling-expenses	Receipts not obtained	2 15 8	265 1 8
Post and Telegraph			
Freight charges	Voucher lost	1 10 0	
Goods and services	Voucher lost	329 9 11	
Travelling-expenses	Receipts not obtained	11 5 8	342 5 7
Prime Minister's			
Toll services	Receipts unobtainable	2 17 6	
Travelling-expenses	Receipts not obtained	6 13 1	
Wages	Receipts unobtainable	2 10 0	12 0 7
Public Works			
Purchase of publications	Receipts not obtainable	4 5 2	
Toll services	Receipts unobtainable	1 16 3	
Travelling-expenses	Receipts not obtained	89 5 0	95 6 5
Rehabilitation			
Educational assistance: purchase of text books	Receipts not obtained	67 12 6	
Subsistence allowance: overseas bursars	Receipts unobtainable	40 0 10	
Travelling-expenses	Receipts not obtained	238 13 11	346 7 3
Scientific and Industrial Research			
Cables	Receipts unobtainable	1 9 1	
Freight charges	Receipts unobtainable	1 0 0	
Purchase of fruit-trees (Japan)	Receipts unobtainable	48 7 11	
Purchase of publications	Receipts unobtainable	1 7 4	
Travelling-expenses	Receipts not obtained	64 16 11	117 1 3
Social Security			
Benefit payments	Warrants lost	190 3 9	190 3 9

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued

Department and Particulars.	Reason.	Amount.	Total Amount.
Stamp Duties		£ s. d.	£ s. d.
Postages and telegrams	Voucher lost	2 10 0	2 10 0
State Forest Service			
Petty expenses	Vouchers lost	15 2 5	
Toll services	Receipt unobtainable	0 9 1	
Travelling-expenses	Receipts not obtained	81 5 11	
Wages	Receipt not obtained	12 17 1	109 14 6
State Hydro-electric			
Travelling-expenses	Receipts not obtained	37 11 9	37 11 9
Tourist and Health Resorts			
Toll services	Receipt unobtainable	0 7 6	
Travelling-expenses	Receipts not obtained	1 1 0	1 8 6
Treasury			
Expenses: (ORSO)	Receipts unobtainable	5 7 11	
Petty expenses	Receipts not obtained	1 3 0	
Postages and telegrams	Vouchers lost	41 11 0	
Travelling-expenses	Receipts not obtained	60 3 10	
U.S.J.P.B. expenses	Vouchers lost	1,613 15 2	1,722 0 11
Valuation			
Postages and telegrams	Vouchers lost	43 19 9	43 19 9
War Assets Realization Board			
Wages	Voucher lost	9 13 10	9 13 10
			£15,460 1 5

NOTE.—The recurring item “Postages and telegrams, Vouchers lost” calls for explanation. As mentioned last year, a complete bundle of vouchers covering payments in respect of numerous Departments disappeared, it is said, on V.J. Day, 15th August, 1945. The relative items in the foregoing list have only been cleared in 1947–48.

(e) PROCEEDINGS TAKEN AGAINST DEFAULTERS AND OTHERS

Particulars of cases in which proceedings have been taken in pursuance of section 69 (3) of the Public Revenues Act, 1926, are included in the statement under para. (c), page 5.

The Audit Office is required by the above-mentioned section to take all such steps as it thinks fit to prosecute according to law all defaulters in respect of any public moneys or stores, but the section does not prevent prosecutions in such cases by persons other than the Audit Office. The statement includes, therefore, prosecutions which were instituted by Departments concerned as well as by the Audit Office.

(f) **SURCHARGES**

Section 69 (1) of the Public Revenues Act, 1926, provides that the Controller and Auditor-General shall surcharge the person responsible wherever it appears to the Audit Office that public moneys or stores have been lost through the default, neglect, fraud, or error of any person.

In the past year it was found necessary to surcharge five officers, three of the surcharges being in respect of loss of cash and two in respect of damage to departmental motor-vehicles.

Any person surcharged has the right under section 71 of the Act to appeal to the Minister of Finance, and the Minister may thereupon confirm or waive the surcharge as he thinks fit. Four of the surcharges were made the subject of appeal.

The appended table summarizes the position in connection with surcharges issued:—

Department.	Number of Surcharges.	Total Amount of Surcharges issued.	Upon Appeal.	
			Confirmed.	Waived.
		£ s. d.	£ s. d.	£ s. d.
Air	3	21 19 0	.. .. .	21 19 0
		25 3 0	5 0 0	20 3 0
		285 0 0	No appeal yet lodged.	
Industries and Commerce	2	13 5 0	5 0 0	8 5 0
		55 0 0	.. .. .	55 0 0
	5	400 7 0	10 0 0	105 7 0

The two unsatisfied surcharges mentioned in the report of last year have not yet been met. Appeals have not been received, and money which would otherwise be due to the persons concerned is still being withheld.

Officers of the Defence Services have expressed concern that after offences involving loss of Government property have been dealt with by Court of Inquiry or other disciplinary action the power of surcharge by the Audit Office remains in terms of section 69 of the Public Revenues Act, 1926, and has in some few cases been exercised. They submit that it is undesirable, from the point of view of discipline and morale, that this position should obtain.

When the Audit Office decides to surcharge, it must, in terms of section 69, do so for the full amount of the loss or damage. If it could be given a discretion in the matter in the direction of taking into account action by other authorities, the few difficulties that have hitherto arisen could be reduced to an even smaller number in the future.

It has to be remembered that any person surcharged has the right of appeal to the Minister of Finance, and there has been no example of a surcharge being harshly enforced. As these reports have shown year by year, waivers have been very generously applied.

(g) DETAILED AUDIT OF ACCOUNTS DISPENSED WITH

Section 72 of the Public Revenues Act, 1926, authorizes the Controller and Auditor-General, with the consent of the Minister of Finance, to dispense with a detailed audit of any accounts in circumstances which render a detailed audit unnecessary.

The Minister was not asked to give any new consent under this section during the year.

(h) GENERAL INFORMATION

The authority given to the Audit Office to give such other information as it thinks desirable has been taken to cover items which are of interest in themselves, or which disclose a position calling for corrective action, and which in both cases are not likely to come under particular notice of Parliament unless referred to herein. Items of the nature of the foregoing have been much reduced in number with the cessation of wartime activities, and the consequent falling off in expenditure of moneys and stores. Much detail of expenditure of each financial year just past is given with the estimates submitted to Parliament along with each year's Budget, and the totals of such detail are in agreement with the figures appearing in the Public Accounts. This source of information, available when this report is published or soon thereafter, renders unnecessary any reference herein to many payments which would otherwise have been worth notice, but it appears sometimes to be overlooked when the amount of published detail of public expenditure is in question.

Departments are sometimes faced with expenses very much in excess of what was anticipated. Some of these items might be of interest, but if relative correspondence indicates that any excess that foresight might have avoided has caused the Departments due concern, and that care will be taken to avoid similar experience in the future, they are not brought specially to notice in this report.

Public Accounts and Statements

It is mentioned on page 3 of this report that the public accounts received from the Treasury have been published as B-1 [Pt. I]—

That statement includes details of the Civil List Act, 1920, presented in terms of section 65 of the Constitution Act, 1852.

The following additional statements complete parliamentary paper B-1 [Pt. I]:—

The statement of the appropriation accounts required by section 86, Public Revenues Act, 1926:

The statement of the Unauthorized Expenditure Account required by section 58, Public Revenues Act, 1926:

Statement of the Public Debt of New Zealand and summary of the transactions thereof:

The Statement of Advances by the Reserve Bank to the Government by way of overdraft:

The Statement of Loans guaranteed by the Government.

The Public Accounts, as has been mentioned from time to time in Audit Office reports, are on a cash basis—that is, they take no account at their closing date of moneys payable to or from them. This basis is satisfactory, all things considered, as outstandings of one year are likely to approximate in total the outstandings of another so long as they are allowed to accrue in a routine way. If expenditure should be delayed beyond a normal date, the accounts would show a more favourable position than accords with fact, and, on the other hand, a delayed revenue collection would have the opposite result. The 1947–48 accounts were affected, as at the end of the preceding year, by late issues of certain income-tax demands which placed the penalty date outside 31st March. Numbers of taxpayers would, however, pay their tax without awaiting the penalty date, and, apart from a detailed investigation, the amount excluded from the accounts as a result of late issue of demands cannot be accurately known.

On the expenditure side of the accounts certain amounts were included which would not have appeared if routine, as referred to at the commencement of the preceding paragraph, had been followed. The following services, numbered 1 to 6, had been provided for in appropriations under the descriptions given against them, but payment was not arranged before the end of the year.

Department and Vote.	Description of Items.		£	s.	d.
Internal Affairs ..	International Children's Emergency Fund Appeal: Portion of contribution towards—				
	Expenses	(1)	9,000	0	0
	Grant	(2)	250,000	0	0
	Physical welfare and recreation—				
	Grants and subsidies	(3)	7,000	0	0
	Grants, New Zealand Literary Fund	(4)	1,125	0	0
External Affairs ..	United Nations Organization: New Zealand's proportion of Secretariat expenses: Balance of annual contribution	(5)	19,718	7	6
Air	Purchase of aircraft, spares, and freight	(6)	510,000	0	0

Treasury, however, wished to avoid reappropriation of the items and submitted vouchers transferring the amounts to Deposits Account, thus bringing them to charge last year. Apart from interference with the routine on which the accounts are based, the moneys received into the Deposits Account were not properly deposits in terms of section 29 of the Public Revenues Act, 1926. Treasury was therefore advised that the entries could only be accepted subject to special reference to them in this report. The aircraft and spares mentioned in item 6 had not been supplied at 31st March.

The Audit Office suggests that, if Treasury proposes to continue making such transfers, special legislative approval should be given to the principle involved.

Consequent on the passing of the New Zealand Loans Amendment Act, 1947, certain changes in the method of recording debt transactions in the Public Accounts were made as from the 1st April, 1947:—

- (1) The annual contribution from the Consolidated Fund for debt-redemption purposes, formerly payable to the Public Debt Repayment Account, is now paid into the Loans Redemption Account,

and the Public Debt Repayment Account has been abolished. As a result, all moneys raised for the purposes of repaying loans or available from other sources for that purpose are now credited to the Loans Redemption Account, and all repayments of loans are made from that account:

- (2) Transactions involving merely the exchange of one class of securities for another of the same rate of interest and term, or where the only variation is an extension of the term by not more than two years, are no longer recorded in the Loans Redemption Account.

Increase and Decrease of the Public Debt

The following statement shows increases and decreases of the public debt during the year:—

	£	s. d.
Total debt as at 31st March, 1947	634,751,761	4 6
Increases during the year—	£	s. d.
Bank of New Zealand Shares Account	1,770	0 0
National Development Loans	25,946,940	0 0
	25,948,710	0 0
		660,700,471 4 6
Decreases during the year—		
War Expenses debt redeemed	10,154,246	12 6
Other debt redeemed	18,931,909	3 10
	29,086,155	16 4
Total debt as at 31st March, 1948	£631,614,315	8 2

The statement shows that the total public debt has been reduced during the year by £3,137,445 16s. 4d. This reduction is represented wholly by long-term debt, the short-term Treasury bills debt remaining at the same figure as that shown in last year's report (£55,000,000).

It is to be noted that the heading "Decreases during the year" includes public debt amounting to £11,287,987 16s. 2d. which was cancelled by using the assets of the Public Debt Redemption Fund. This fund was originally established by section 8 of the Repayment of the Public Debt Act, 1925, and it was continued, and its capital moneys were declared, in terms of section 15 of the New Zealand Loans Amendment Act, 1947, with effect from 1st April, 1947. The capital moneys of the Fund were declared to be—

- (1) An amount of £3,250,000, being the balance of the State Advances Corporation stock set aside as an investment of the Fund by section 8 of the Finance Act, 1937.
- (2) The sum of £8,037,987 16s. 2d. held by the Public Trustee and representing the accumulated balances of the old sinking funds which were constituted part of the Public Debt Redemption Fund by section 8 of the Repayment of Public Debt Act, 1925.

Section 19 of the New Zealand Loans Amendment Act, 1947, gave the Public Debt Commission power to use these capital moneys for the redemption of public debt, and on the 11th December, 1947, the Commission passed a resolution to apply the whole of the capital moneys of the Public Debt Redemption Fund for that purpose.

To give effect to this decision the following transactions took place:—

- (1) The amount of £3,250,000 State Advances Corporation stock was sold to the Post Office and the proceeds utilized to purchase from the Post Office an equivalent amount of New Zealand Government stock:
- (2) The investment in the hands of the Public Trustee was converted into a like amount of New Zealand Government stock.

All the investments of the Fund then consisted of New Zealand Government securities, and these were cancelled in accordance with the Commission's resolution. The result was a reduction of the public debt, as already stated, by £11,287,987 16s. 2d. and the extinguishment of the Fund.

Repayment of Public Debt

The following table gives particulars of the amount of securities redeemed under the provisions of section 12 (b) of the New Zealand Loans Amendment Act, 1947, and the Repayment of the Public Debt Act, 1925 (since repealed), and the total cost of redemption.

Rate of Interest, per Cent.	Nominal Value of Securities redeemed.						Total Cost of Redemptions.	
	Total to 31st March, 1947.		Year 1947-48.		Total to 31st March, 1948.			
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Free of interest ..	780	0 0	..	..	780	0 0	780	0 0
1½	459,417	10 0	..	..	459,417	10 0	459,417	10 0
1½	1,760,437	0 0	..	..	1,760,437	0 0	1,760,437	0 0
2½	4,228,190	0 0	4,018,430	0 0	8,246,620	0 0	8,246,620	0 0
2½	199,200	0 0	..	..	199,200	0 0	199,200	0 0
3	5,766,288	14 8	266,575	0 0	6,032,863	14 8	6,032,863	14 8
3½	613,150	0 0	8,060	0 0	621,210	0 0	621,210	0 0
3½	7,067,676	8 8	..	..	7,067,676	8 8	7,067,676	8 8
3½	288,111	7 4	..	..	288,111	7 4	288,111	7 4
4	8,486,045	10 6	13,215	0 0	8,499,260	10 6	8,487,572	19 7
4½	2,104,760	0 0	..	..	2,104,760	0 0	2,089,382	5 0
5	5,423,735	0 0	150,000	0 0	5,573,735	0 0	5,573,181	5 0
5½	1,530,990	0 0	..	..	1,530,990	0 0	1,530,972	10 0
5½	1,033,310	0 0	..	..	1,033,310	0 0	1,030,894	12 2
6	2,633,588	9 9	..	..	2,633,588	9 9	2,612,292	8 8
	41,595,680	0 11	4,456,280	0 0	46,051,960	0 11	46,000,612	1 1

The balance of contribution unspent at the beginning of the year was £229,694 18s. 3d., and during the year £4,377,223 2s. 6d. was transferred from the Consolidated Fund to Loans Redemption Account. Securities of a nominal value of £4,456,280, as shown above, were redeemed for a like amount, leaving a balance of contribution of £150,638 0s. 9d. included in the balance of Loans Redemption Account at 31st March, 1948.

In addition to the amount of £4,456,280 redeemed during the year, as shown above, the following amounts making a total redemption of £29,086,155 16s. 4d., as mentioned in the preceding section of this report, have been paid out of Loans Redemption Account to redeem securities:—

- (1) £13,341,888 0s. 2d. in terms of section 12 (c) of the New Zealand Loans Amendment Act, 1947:

- (2) £11,287,987 16s. 2d. representing the capital moneys of the Public Debt Redemption Fund utilized in terms of section 19 of the New Zealand Loans Amendment Act, 1947.

The Repayment of the Public Debt Act, 1925, has been repealed and in the main re-enacted by Part I of the New Zealand Loans Amendment Act, 1947, with effect from 1st April, 1947. Section 3 of the 1947 Act provides that debt subject to the repayment scheme shall be known as the "Defined portion of the public debt", and shall include the whole of the public debt except—

- (1) Moneys borrowed on the security of Treasury bills issued under section 41 of the Public Revenues Act, 1926 (nil at 31st March, 1948):
- (2) Moneys borrowed in respect of Electric Supply Account, or the State Advances Account, and moneys transferred to either of those accounts from the National Development Loans Account:
- (3) Funded debt owing to the United Kingdom.

The following statement shows the amount of loans included in the defined portion of the public debt and those not included as at 31st March, 1948. The amounts set opposite the several accounts, other than the Ordinary Revenue Accounts and War Expenses Account (1939), represent also the amounts of capital liability due by such accounts to the Consolidated Fund in terms of section 6 of the National Development Loans Act, 1941.

Particulars.

Loans included in the defined portion of the Public Debt—

Consolidated Fund: Ordinary Revenue Account—		£	s.	d.	£	s.	d.
Greymouth Harbour Board Account	.. .. .	148,000	0	0			
War Expenses Account (1914-18)	.. .. .	58,294,079	10	11			
Exchange Account	.. .. .	27,344,668	13	1			
Bank of New Zealand Shares Account	.. .. .	7,994,660	0	0			
British Commonwealth Pacific Airlines, Ltd.	.. .. .	300,000	0	0			
British Petroleum Co. of New Zealand, Ltd.	.. .. .	318,750	0	0			
Housing Account	.. .. .	36,556,494	6	0			
Land for Settlements Account	.. .. .	16,787,191	4	5			
Cheviot Estate Account	.. .. .	160,918	0	0			
Linen Flax Corporation Account	.. .. .	190,000	0	0			
Nauru and Ocean Islands Account	.. .. .	192,044	7	3			
New Zealand National Airways Corporation	.. .. .	540,000	0	0			
Public Works Account—							
Public Works (including Railways and Post and Telegraph)	.. .. .	190,621,722	5	6			
Housing Construction	.. .. .	4,569,403	4	7			
State Coal-mines Account	.. .. .	3,399,143	3	0			
State Forests Account	.. .. .	5,977,438	7	5			
War Expenses Account (1939)	.. .. .	210,946,216	18	2			
					564,340,730	0	4
Less loans represented by funded debt to the United Kingdom Government	.. .. .				30,125,249	8	3

534,215,480 12 1

Loans not included in the defined portion of the Public Debt—

Electric Supply Account	.. .. .	33,271,888	7	0			
State Advances Account	.. .. .	34,001,697	0	10			
					67,273,585	7	10
Funded debt due to the United Kingdom Government	.. .. .				30,125,249	8	3
Total liability represented by debt as at 31st March, 1948	.. .. .				<u>£631,614,315</u>	<u>8</u>	<u>2</u>

Crediting Loan Receipts

The prospectuses issued in connection with recent loans state that receipts therefrom will be used partly for repaying existing loans and partly for national development purposes. Part of the receipts from these loans was being credited to National Development Loans Account in respect of estimated requirements of that Account, and part to Loans Redemption Account.

Prior to the end of the financial year Treasury was experiencing difficulty in ascertaining whether the amounts credited to National Development Loans Account would be sufficient to meet the requirements of its development programme, and representations were made to Audit that all loan receipts should be credited in the first instance to the Development Loans Account, and that before the end of the financial year any unrequired balance should be transferred to Redemption Account in terms of section 7 of the National Development Loans Act, 1941. This section provides for transfers for redemption purposes from accounts which have a capital liability arising under section 6 of the Act.

As the Audit Office considered that any unallocated balance held in National Development Loans Account did not represent a capital liability to the Consolidated Fund as provided by section 6 aforementioned, it was of the opinion that section 7 of the Act did not provide statutory authority for Treasury's proposed action.

However, it was agreed that any moneys borrowed, which were within the amount of the authorization for national development, but which proved to be not required for that purpose, could be transferred to Loans Redemption Account as moneys available for the purpose of repaying any loan, in terms of section 11 (c) of the New Zealand Loans Amendment Act, 1947.

The accounts for the year under review disclose that £2,121,940 was transferred in accordance with this arrangement.

Permanent Investments of Public Account Balances

At the beginning of the last financial year investments in the following organizations were held as part of the balances of various accounts within the Public Account:—

Tasman Empire Airways, Ltd.
New Zealand Woolpack and Textiles, Ltd.
Reserve Bank.
State Advances Corporation.
Bank of New Zealand.

As these Corporation investments were of a permanent nature and not temporary investments of surplus cash, legislation was introduced to provide for their elimination from the balances of accounts, and their inclusion in a separate statement. Provision was made in the same legislation for the

inclusion in the statement of other Corporation investments which, although originally purchased with moneys in the Public Account, were not included in any of the Public Account balances.

The legislation referred to was enacted by section 3 of the Finance Act, 1947, and the statement of investments is shown on page 63 of the Public Accounts, 1947-48.

Excess unauthorized

In previous reports reference was made to the continued overdrawal of the unauthorized authority then provided by section 58 of the Public Revenues Act, 1926.

As a result of the passing of section 7 of the Finance Act, 1947, the total amount available during the currency of the annual Appropriation Act for any year was increased from £600,000 to $1\frac{1}{2}$ per cent. of the total of all sums appropriated by that Act. Although the amount of the unauthorized authority thus made available for the year ended 31st March, 1948, was £2,460,947, the total issue against the account was £3,103,678. The statutory limit was therefore exceeded by £642,731.

The Government has advised that legislation will be introduced to validate the excess.

Last year this Office was able to say that it was satisfactory to notice that there was no general overspending of votes, and that a large part of the excess arose from single special items for which there was no appropriation. This year, however, although there has been no widely distributed overspending of votes, it is by heavy overdrawn on appropriated items that the excess has been mainly caused. Of the total issue, special items accounted for £254,970, and overdrawn appropriated items for £2,848,708.

The unauthorized statement submitted on pages 57-62 of the Public Accounts 1947-48, shows the composition of the total charge.

Bank of New Zealand Shares

When arrangements were made by the New Zealand Government to purchase Bank of New Zealand shares held in Australia, shareholders were offered stock bearing interest from 1st November, 1945, to compensate them for the loss of the Bank's final dividend for the year ended 31st March, 1946, which upon sale of the shares by the private holders would become payable to the New Zealand Government. A condition of the offer, however, was that it would remain open only to 31st March, 1946.

Due to an oversight, certain shareholders who accepted the Government's offer after that date were given stock bearing interest from 1st November, 1945, and also received the Bank's dividend for the year ended 31st March, 1946. The amount of dividend which should have accrued to the Government but was received by the former shareholders was £113 8s. and Treasury, considering that legal action to recover this amount was not desirable, decided to write it off.

It appears to the Audit Office that the payees might at least have been apprised of the circumstances of the overpayment and asked to make refunds.

Overseas Travel

New Zealand's representation at overseas conferences, and the need for public servants to obtain first-hand information and experience from outside sources, continue to involve considerable overseas travel, and many departmental votes now contain an item for the relative expenditure.

Reference was made last year to the fact that the accounting by overseas travellers had shown some improvement. This has been generally maintained, although action had to be taken recently by Treasury to accelerate the accounting in respect of some outstanding advances.

Mention was also made last year that particulars of the previous year's overseas travel were to be provided annually in the estimates. In 1947-48 there was considerable variation, as between Departments, in the amount of detail supplied. Instructions have been issued this year to achieve uniform treatment, and it appears that one item of detail to be omitted in future will be a separate record of payments made as individual grants of lump sums to travellers in lieu of payments based on a pre-fixed daily rate of travelling-allowance or on actual expenses. Such grants will lose their identity by incorporation under more general headings, and this will be a departure from the usual practice that amounts to be paid as grants are voted either individually in respect of each proposed recipient, or in a total covering several, but still described as grants.

Remuneration of Members of Statutory Bodies

Appointments to Committees, Councils, Boards, and similar organizations established by statute are either offices of honour, for which no remuneration is payable, or offices of profit, which are paid positions. The Audit Office is advised that in law appointments are deemed to be offices of honour unless the statute under which they are made provides expressly or by implication for payment. In some cases a specific appropriation has been accepted as enabling an honorarium to be paid to persons holding an honorary office if there is no legal obstacle to their receiving it. An example is the payments to Chairmen and members of the War Pensions Boards provided for on page 256 of the 1947-48 estimates.

Provisions regarding remuneration are not always in the same terms, as may be seen from the following extracts from the statutes passed in the same year:—

Section 9, New Zealand National Airways Act, 1945.—“(1) There shall be paid to the Chairman, to the Deputy Chairman, and to the other directors such remuneration by way of salaries, fees, or allowances as the Minister of Finance may from time to time approve.” “(3) All payments made pursuant to this section shall be paid out of the funds of the Corporation.”

Section 6 (4), Employment Act, 1945.—“There may from time to time be paid out of moneys appropriated by Parliament for the purpose to the members of any Advisory Council or Advisory Committee appointed under this section (not being officers of the Public Service) such fees, allowances, and travelling-expenses as may be fixed from time to time by the Minister of Finance, either generally or in respect of any particular person or class of persons.”

It will be observed that only the former Act specifically authorizes the payment of salaries, and when approval was given to the payment to each Chairman of several Advisory Committees authorized under the latter Act of remuneration at a rate of £500 per annum (altered after a period of three months to a rate of £200 per annum and a fee of three guineas for each day on which the Committee is engaged or is travelling on business), plus travelling-expenses, the Audit Office raised with the Director of Employment the propriety of paying a salary or honorarium when the authorizing section spoke only of “fees, allowances, and travelling-expenses.” The Director replied that salary or honorarium at an annual rate was within the authority conferred by the statute, and the Audit Office acted on this view of the administering Department subject to reference to Parliament as now made.

Departmental Accounts

The Audit Office has been advised that the various Government Departments and bodies required, by their governing statutes or under section 57 of the Finance Act, 1932, to prepare Revenue Accounts and Balance-sheets will present them to Parliament during the present session either in their annual reports or in parliamentary paper B.-1 [Pt. IV]. The accounts so presented will be for the year 1946-47 or later, except in the cases mentioned below:—

- (a) Public Service Superannuation Fund Board: The Board expects to present accounts for year 1943-44.
- (b) National Provident Fund Board: The Board may present a report, but is unlikely to include accounts therein for the calendar year 1947, as they have not been completed.
- (c) Teachers' Superannuation Fund Board: It is unlikely that a report will be presented. The last balance-sheet submitted for audit was at 31st January, 1945.
- (d) Marketing Department (Milk Division): The Division does not intend to include accounts in the 1946-47 report, as its milk-treating plants had not operated for a complete year at 31st March, 1947.

It is unsatisfactory that preparation of the accounts of the two above-named Superannuation Funds, and of the National Provident Fund, has been allowed to fall into arrears.

Interest on Capital Liability

Reference has been made in previous annual reports to the provisions of section 6 (5) of the National Development Loans Act, 1941, regarding the payment of interest to the Consolidated Fund by those accounts which have a capital liability constituted by section 6 (1) and (2) of that Act.

In terms of the Act the Minister of Finance in 1942 fixed the rate of interest payable at 4 per cent. for all accounts except Housing Account, which was charged interest at the rate of 1 per cent. on the first £5,000,000 of its capital liability and 1½ per cent. on the balance.

Details of the amount of interest on capital liability received by the Consolidated Fund are shown in the Public Accounts B.-1 [Pt. I], pages 6 and 8.

During the past financial year the following accounts paid interest in full: Post and Telegraph, Electric Supply, Housing, Housing Construction, State Advances, and Linen Flax Corporation.

Accounts which paid part interest only are Land for Settlements, New Zealand National Airways, and Nauru and Ocean Islands.

No interest was paid by Working Railways, State Forests, State Coal-mines, and Iron and Steel Industry.

Interest is not payable by the following accounts, as the capital liability to the Consolidated Fund is represented by moneys used for the purchase of shares which attract any dividend declared: Bank of New Zealand, British Commonwealth Pacific Airlines, Ltd., British Petroleum Company of New Zealand, Ltd. Receipts by way of dividend from Corporations are shown in the Public Accounts, Ordinary Revenue Account, under the heading "Profits of Trading Undertakings."

The capital liability of the State Advances Account is offset by a corresponding asset consisting of State Advances Corporation stock which bears interest at the rate of 3¾ per cent. These interest receipts are shown in the public accounts in Ordinary Revenue Account under the heading "Interest on Other Public Moneys."

Department of Agriculture

Regulation 35 of the Dairy-produce Regulations 1938 prescribes fees for grading butter and cheese, and states that if the total relative fees of the grading service for any year exceed the total of the expenses payable the Minister may direct that the following year's fees be reduced. If the fees are less than the expenses "the amount of such deficiency shall be deemed to be part of the cost of the said service in respect of the next succeeding financial year." A similar provision in Regulation 11 of the Farm-dairy Instruction Regulations 1938 relates to the recovery of three-fifths of the costs of farm-dairy instruction.

Following a recent examination of the accounts of the Agriculture Department, the Audit Office advised Treasury that, according to the records of the Department, since the passing of the regulations the net recoverable expenses had exceeded the fees in total by some £59,000 (grading) and £24,000 (farm-dairy instruction). These amounts remain to be dealt with in terms of the regulations.

The Department produces and issues the *Journal of Agriculture* for which various sale-prices are charged to different classes of subscribers. Audit represented to the Department the desirability of improving the records so that a more satisfactory check could be imposed on the proceeds. Sales of the *Journal* are increasing yearly, and, as subscriptions are considerably under cost of production, the contribution required to maintain publication now exceeds £60,000 annually.

Moutoa Estate

Reference has been made on previous occasions to the Moutoa Estate, which is an area near Foxton devoted to the production of *Phormium tenax*.

Receipts from royalties for the year ended 31st March, 1948, totalled £16,000, and expenditure during the same period amounted to £45,774. The royalties for 1947-48 exceeded the whole of those for the previous eight years, the reason being that New Zealand Woolpack and Textiles, Ltd., which purchases the green leaf from the estate, had previously withheld royalties of 5s. per ton until finances permitted of payment. The Audit Office suggested to Treasury some time ago that inquiry should be made as to the prospects of recovering the arrears, and payment of £11,727 was received during last financial year. It may be that the continued interest which the Audit Office has taken in the affairs of the estate has been in some measure responsible for this tangible result.

The administration of the property has for some years been conducted by the Department of Industries and Commerce, but it was recently decided that it be transferred to the Agriculture Department as from 1st April, 1948.

Land Development Schemes : Profits or Losses on Development

Balance-sheets relating to the development of numerous individual blocks of Maori land are examined annually by the Audit Office, but they are not published. Further, any losses on development do not fall within the provisions of section 3 (3) of the Public Revenues Act, 1926, and therefore do not come under review by Parliament.

Up to March, 1941, certain details—mainly statistical—relating to each scheme were included in parliamentary paper G.—10, but since that date only a summary of the district totals has been submitted.

The Audit Office drew the attention of the Department of Maori Affairs to the desirability of giving fuller information to Parliament, and, in this connection, to a previous Treasury suggestion that it should adopt the procedure followed by the Lands and Survey Department in connection with its similar schemes.

Where a block of land developed by the Lands and Survey Department has been finally disposed of, a disposal statement is prepared by the Department and submitted to the Audit Office.

The Department prepares annually a return showing the names of all blocks in respect of which disposal statements have been certified during the preceding twelve months, the profit or loss on each such block, and the amount of any subsidy it may have received from the Consolidated Fund or the Employment Promotion Fund towards meeting the cost of its development.

Copies of these returns for the years ended on the 31st March, 1946, and 31st March, 1947, were included, as table F, in the relative annual reports of the Department.

The Department of Maori Affairs has now agreed to adopt the same procedure as the Lands and Survey Department.

Considerable unexplained losses of stock are suffered on both Maori and European schemes. For example, the Manager of Whareponga Station, part of the Tuparoa Scheme in the Gisborne area, reported on 27th March, 1947, that losses occurred "on the Waitotoki Block which is too big for efficient handling. There is a public thoroughfare through the block and the gates are always being left open." "Some sheep," he went on to say, "just disappear, and I have not yet been able to find a clue to what happens to them." In another case the Acting-Superintendent of the Lands and Survey Department, Land Development Branch, Te Kuiti, under date 9th December, 1947, reported to the police, losses on Waitanguru Block as under—

Sheep, 1946-47: 86 breeding-ewes, 215 wethers, and, since June, 1947, 260 wethers also.

Cattle, 1946-47: 150 cattle, mostly grown steers.

It is evident from relative correspondence that these losses have caused the officers in charge of the block considerable concern, even after allowance has been made for the nature of the country in which the block is situated.

Rehabilitation of Ex-servicemen

Expenditure incurred on the rehabilitation of ex-servicemen is controlled by various Departments and is summarized each year in Table V of parliamentary paper H.-18, which shows the amount for the year, and also the total to the date up to which the return is made.

Except for tools purchased for resale to ex-servicemen, the expenditure made directly by the Rehabilitation Department is mainly of a non-recoverable nature—*e.g.*, administration costs, grants to individuals and to societies looking after the welfare of disabled men, and costs of tuition and trade training.

The acquirement and development of lands for settlement by European ex-servicemen is undertaken by the Lands and Survey Department, while the Department of Maori Affairs caters for the farming needs of the Maoris, and also advances moneys to them by way of loans for housing, furniture, tools of trade, and business purposes.

The audit of the accounts of the three Departments named above is reasonably up to date, with the exception of those of Head Office of the Rehabilitation Department, which will be attended to shortly.

The greater part of the rehabilitation expenditure, however, is by way of loan from State Advances Corporation funds for farming and housing purposes. The Corporation also, as agent for the Treasury, advances public moneys to purchase businesses, tools of trade, and furniture.

The Audit Office, under the authority of section 12, Finance Act, 1946, has authorized the Corporation auditors to audit the accounts kept by the Corporation relating to advances from public moneys, and this work has been done up to 31st March, 1948.

National Seaside Health and Recreation Area

In recent years areas of land in the Paekakariki-Raumati locality have been purchased out of vote, "Small Farms Development" in the Land for Settlements Account. The properties are in use for farming purposes and the receipts are credited to the Land for Settlements Account, but the principal object of the acquisition is to provide a health and recreation area. The purchase-price is approximately £100,000, and the intention is to reimburse the Land for Settlements Account by transfers from Vote, "Lands and Survey" in the Consolidated Fund. In 1947-48 an initial transfer of £20,000 was made as a charge against the item, "Recreation grounds and domains acquisition," but, as there was sufficient balance in the whole vote at the end of the year, this was increased to £40,000. It is proposed to make six more transfers of £10,000 annually to recoup the balance.

The purchase does not appear strictly to fall under the small-farms legislation in the first place, and the arrangements as to adjustment from Lands and Survey vote are unusual.

Post and Telegraph Department

Section 98 of the Post and Telegraph Act, 1928, provides as follows:—

(1) The Postmaster-General shall forthwith after the close of each financial year cause to be prepared—

(a) A balance-sheet and a Profit and Loss Account, together with such other statements of accounts as may be necessary to show fully the financial position of the Post Office Savings-bank and the financial results of its operations for the year:

(b) A balance-sheet and a Profit and Loss Account, together with such other statements of accounts as may be necessary to show fully the financial position of the Department (exclusive of the Post Office Savings-bank) and the financial results of its operations for the year.

(2) The aforesaid balance-sheets and accounts, duly audited by the Audit Office, together with such report thereon as the Postmaster-General thinks fit to make, shall be laid before Parliament as soon as practicable after the close of the financial year to which they relate.

The accounts and balance-sheets are not completed until well after the close of each year, and are therefore not included in the Department's annual report to Parliament. They appear in parliamentary paper B.-1 [Pt. IV], the latest published to date being for the year ended 31st March, 1946.

The Department controls fixed assets of a book value exceeding £21,000,000, and in building up this figure over the years there has been much discussion as to correct methods of apportionment of various classes of the Department's expenditure as between maintenance and capital, and as to proper provision for depreciation of assets. The correctness of the declared profit from year to year has depended to a considerable degree on the correct assessment of these charges, which must to some extent be arbitrary. The reserve for depreciation and obsolescence has been built up at 31st March, 1947, to a figure of approximately £7,750,000 in relation to assets of £21,000,000, and as these assets are kept in a state of good repair the reserve certainly appears to be on the generous side. The declared profit has also been affected by the creation of miscellaneous reserves such as fire, earthquake, and war damage (these three totalling £1,345,000 at 31st March, 1947). The Postmaster-General is empowered to establish these reserves "as he deems necessary."

The loan liability of the Post Office Account forms part of the public debt, the interest and incidental costs of management of which are paid out of the Consolidated Fund, and the Post Office Account pays to the Consolidated Fund interest at rates fixed by the Governor-General on the joint recommendation of the Minister of Finance and the Postmaster-General. The rate was last fixed in 1942-43 at 4 per cent., and the Profit and Loss Accounts of the Post Office have since been debited on that basis. This rate is somewhat in excess of the present average of the actual interest and incidental costs met by the Consolidated Fund, which approximates 3.2 per cent.

The Department is also required to pay "from time to time" to the Consolidated Fund the profit it earns, and in practice these payments have been made as required by Treasury. In the financial year 1947-48 an amount of £1,168,814 was paid over, representing a balance of £500,000 of 1943-44 profits, and £668,814, which was the total of the 1944-45 profit. This left due on 31st March, 1948, on demand from the Post Office, £2,107,895, being the profit for 1945-46, £709,967, and 1946-47, £1,397,928. These figures do not include the 1947-48 profit, as the accounts for that year have not yet been prepared.

A detail of Post Office expenditure, though small in amount, may be of interest. Some months ago a trustee of the estate of his deceased father, a former public servant, advised the High Commissioner in London that included in the assets of the estate were some dies of the New Zealand postage-stamps that are known to philatelists as the "Queen Victoria Full Face Issue," first printed in 1855. The trustee stated that his father had said to him that the

dies were a gift made to him many years ago by a Postmaster-General, and he offered them to the New Zealand Government for £250 sterling. It seemed clear that the dies could not properly have been given away by any one, but as counsel in England advised that there were legal difficulties in the way of securing repossession of them, other than by purchase, and as the Post Office viewed with concern the possibility of their falling into the hands of an unscrupulous person, it was decided to pay the amount asked for. The dies have now arrived in New Zealand and will shortly be defaced as required by regulations.

Cable and Wireless, Ltd.

In 1946 Parliament was informed in parliamentary paper F.-2 of a proposed transfer to public ownership of the external telecommunications system of the British Commonwealth, of the pending acquisition by the United Kingdom Government of all shares of Cable and Wireless, Ltd., and of the proposed subsequent purchase by the New Zealand Government of the company's assets in New Zealand.

The proposed transactions were proceeded with in 1947-48, and, pending the establishment of national bodies of the partner Governments and the Central Board, which will ultimately conjointly control the overseas cable and wireless facilities of the British Commonwealth, the New Zealand Government agreed to manage the affairs of the company in New Zealand for an annual fee of some £3,000. In addition, interest at the rate of 4 per cent. on the purchase-price of the assets, £43,372, is payable by the company. The working-expenses have not been charged to vote, "Post and Telegraph Department," but to a current account to which the revenue is credited.

There is no specific statutory authority for this agency arrangement, but, in view of its nature, and as section 96 (1) (b) of the Post and Telegraph Act, 1928, contemplates that the Post Office may, on occasions, act as an agent, no question has been raised by the Audit Office.

Hostels and Workers' Camps

A number of Departments continue to find it necessary or desirable to provide hostels or camps for the accommodation of their employees or trainees. The Department of Labour and Employment specializes more particularly in supplying accommodation for industrial workers and for immigrants, who, in some cases, are employed in Government Departments—*e.g.*, tradesmen working for the Government Printing Office.

The main systems under which Departments operate hostels are—

- (1) Provide the buildings and usually part or all of the furniture and equipment, and—
 - (a) Charge boarders a nominal rent, leaving them to arrange their own catering.

(b) Place a non-Government body such as the Y.W.C.A. in charge, and have it account periodically.

(c) Let the catering on contract, the Department collecting board-moneys and paying the caterer for meals on a *per capita* basis.

(2) Provide buildings, furniture, equipment, and staff, purchase all stores, and collect board-moneys.

In an effort to avoid administrative detail, Departments prefer to leave the ordering and preparation of food to a committee set up by the boarders, or to a caterer who undertakes the work at a contract price subject to the number of boarders not falling below certain figures.

There is no complete uniformity of procedure in the various Departments, and though some of them may have accumulated valuable figures on—*e.g.*, ration costs—others do not appear to collect such information, or to make use of what is available from other sources. As a result they may lack reliable standards by which to judge their own ration costs, or the *per capita* charges made by caterers. The question of comparative costs is not as simple as might appear as allowance must be made for such factors as distance from main supply points, sex of boarders, and the nature of work performed. Manual workers ration costs are relatively high and are reflected in the higher cost they pay for board.

A noteworthy feature of departmental hostels is the degree to which use has been made of surplus wartime buildings, such as United States barracks, Army recreation huts, linen-flax factory buildings, and one-time defence buildings. Delay in determining the prices at which some of these surplus defence assets are to be transferred has held up the preparation of complete accounts in some cases. It is desirable that departmental reports should disclose costs relating to hostels and camps, but, unless authoritative direction is given, it seems unlikely that this will be done except by the Department of Labour and Employment.

Transit Housing

During the past financial year expenditure charged to War Expenses Account, "Ancillary," in respect of buildings, huts, and equipment handed over gratuitously to local authorities for housing purposes amounted to £71,669 2s. 9d., while costs debited to Ordinary Revenue Account, vote, "Maintenance of Public Works and Services," "Transit Housing," for dismantling and transporting huts and buildings, aggregated £29,798 9s. 6d.

Toll Charges

The attention of Treasury was drawn to what appeared to be the excessive use of toll facilities by the Ministry of Works, the Public Works Department, and the Broadcasting Service during the year, the first-mentioned

having incurred monthly accounts up to £380, including a call to Auckland costing £21. The Departments explained to Treasury that the calls related to urgent business, but two of them intimated that they would tighten the control which had hitherto been exercised on this service.

Air Travel Passages

During the last two years there has been a substantial increase in the use of both local and overseas air travel by public servants. The Department of Tourist and Health Resorts acts as an agent for the booking of air passages, and in that capacity earns commission for the work handled by it.

A Treasury instruction requires that bookings for air flights must, wherever possible, be made through Government channels, but a check carried out by the Audit Office during the year showed that a number of Departments were not observing this requirement, and that the loss of commission on vouchers examined over a period of four weeks averaged more than £50 a week.

As a result of discussions between Treasury and Audit, Departments have been reminded of previous instructions, and an increase in commission earned should result from this action.

Broadcasting Service

In the annual report of the Service for the year ended 31st March, 1947 (parliamentary paper F.-3), mention was made of its policy of broadcasting public concerts and recitals of artists of world standing. The report stated that "these broadcasts could not have been provided without the inducement of public concert work to bring the artists to this country. The cost of such broadcasts would be prohibitive unless available broadcasting revenue were to be supplemented by revenue from public concerts."

This principle has been departed from in the arrangements made during the year 1947-48 for the production of the opera "Carmen." The Service is to meet the costs of two principal artists from overseas, and also those of certain other personnel and of the services of the National Orchestra, but all financial return from the performances will remain in the hands of local musical societies.

Department of Scientific and Industrial Research

Certain manufacturing work for the general public, for which a charge is made, is done in the laboratories of the above-mentioned Department, and the Audit Office inquired the statutory authority for it to be undertaken. The Department replied that it did not undertake manufacturing, which, in the sense usually given to the word, involves repetitive production of articles on a commercial basis. It said that "the work done was highly specialized and, in the great majority of cases, involved preliminary investigation before it was brought to a successful conclusion." The Department quoted several

sections of the Scientific and Industrial Research Act, 1926, and its amendments as its authority, but such authority appears to be more inferential than specific. It may be desirable to have the position clarified when the Department's Act is next under amendment.

M.v. "Maui Pomare"

It was reported last year that representations had been made to the Island Territories Department regarding the apparently high consumption of foodstuffs on certain voyages of the above-named vessel.

A recent inspection has shown that the accounting work generally is considerably in arrears, and as a result the victualling returns have neither been checked nor costed since the previous audit.

A suggestion has therefore been made by the Audit Office to Treasury that it review the position so that arrears may be overtaken and current work kept up to date.

S.s. "Matai"

The position regarding victualling costs on the s.s. "Matai" appears to have been closely watched by the Marine Department since the Audit Office mentioned it last year.

Figures taken out by the Department over a period of eight months on the basis of standard costs indicated that costs were unduly high for a portion of that time, but an improvement is shown in the figures for the quarter ended 30th June, 1948.

Barque "Pamir"

The ninth voyage (Lyttelton to Sydney and return to Wellington) account of the "Pamir," which is managed by the Union Steamship Co., Ltd., as agent for the Government, shows a loss of £17,886, while the net expenditure incurred during the lay-up period that followed this voyage, amounted to £7,217 (including £2,832 cost of annual survey and docking, &c.). The following is a summary of the accounts:—

Voyage 9: 5/10/46- 30/6/47.		Lay-up: 1/7/47- 9/9/47.		Voyage 9.		Lay-up.	
Disbursements.				Receipts.	Cargo.	Receipts.	Cargo.
£ 29,224	£ 7,223	Freight outward ..	£ 3,675	Timber.		£	
		Freight inward ..	5,576	Cement.			
		" ..	1,772	Wire.			
		Wine and tobacco account: profit ..	112	..		6	..
		Sundries ..	203	..			
		Excess payments over receipts ..	17,886	..		7,217	..
29,224	7,223		29,224			7,223	

The vessel was held up in Sydney for over three months, and this contributed considerably to the financial loss on voyage nine.

“Pamir” was made available as the flag-ship for the 111th Anniversary Regatta on Sydney Harbour on 27th January, 1947, at a cost of £178 4s. 6d. The Hon. the Minister of Marine approved that this sum be included in the ordinary working expenses of the ship.

The tenth voyage account, Wellington to United Kingdom and Continent, with a cargo of wool and tallow, opened on 10th September, 1947, and “Pamir” returned this month with a load of cement and basic slag. Accounts for this voyage have yet to be prepared.

In view of the high rates of insurance applicable to sailing-ships compared with those prevailing for steamships, Treasury agreed that insurance on the freight carried on the tenth voyage would be the risk of the Government. Audit pointed out, however, that this arrangement appeared to lack statutory authority, and also asked whether there was authority for the Department to operate commercially vessels such as the “Pamir.” It is understood that relative empowering clauses will be included in the next Finance Act.

Ministry of Supply

The activities of the Ministry of Supply continued on a reduced scale, the expenditure for the year on material purchased for disposal being £1,657,000, principally in connection with tinplate, tin, and wire. Receipts amounted to £1,870,000.

The Ministry has been clearing somewhat slowly, miscellaneous old debts in dispute, and has reduced the total to some £38,000, of which £25,000 relate to the supply of jute to one company in 1943. With regard to this debt, there appears to have been some lack of understanding between the Treasury and the Ministry, and the position has not been settled at date of writing this report.

The audit of the accounts and stores records of the various Sections is reasonably up to date, but the stores records of the Textile Section (now closed) and the plant and machinery records of the Munitions Section (in process of being closed) leave much to be desired.

Textile Section.—Stocktaking during April, 1945, disclosed such an unsatisfactory position that new stock-cards were prepared with opening balances based on the physical stocktaking then made. Notwithstanding these adjustments, the final audit disclosed further shortages totalling £7,634, and surpluses not related to the shortages exceeding £12,000.

Munitions Section.—Plant and machinery owned by the Government and used during the war by contractors for the manufacture of munitions have been so inadequately recorded that satisfactory verification of its final disposal is extremely difficult.

Factories where the machinery was owned partly by the Government and partly by a contracting company were closed on the cessation of hostilities.

The company will continue to supply limited quantities of its product to the Government, and negotiations have been entered into as to the future use of the whole machinery, and the terms under which future supplies will be made. The financial settlement has, however, been held up for over a year mainly because the parties are not clear as to the ownership of certain plant.

It appears to the Audit Office that only spasmodic efforts are being made by the Industries and Commerce Department (as successor in this matter to the Munitions Controller) to reach finality, and it has asked the Department whether it can detail one of its officers specially to clear up the position, but no reply has been received.

Stocks of engines and power-transmission spare parts imported for use in machine-gun carriers and trailer fire-pumps were until recently stored by the local representative of the manufacturers, and satisfactory records of these have not been kept by the Department.

Canteen Board

The audit of the Canteen Board's records fell somewhat in arrears, but the accounts for the year ended 31st March, 1947, have now been examined, and those for 1948 are under action.

The audit revealed somewhat unsatisfactory accounting in connection with sales through Head Office, especially in connection with liquor stocks held surplus in 1946. These were of considerable value. Some half of them was disposed of to wholesale firms and to the Tourist and Health Department, and the balance to private firms and persons.

Defence Forces : Stores

Most of the Army stores depots, areas, and camps have been inspected within the last year by either Audit or Army Department Inspectors, and the results, on the whole, have been satisfactory.

Stores inspections of Air stations and depots have been carried out within the last eighteen months, with the exception of Woodbourne Station, which has not been inspected since January, 1946. In the main, the inspections revealed a standard of stores accounting and control which left a good deal to be desired. "Shortages of staff" and "untrained staff" are reasons that have been advanced for the inefficiencies disclosed, but an Audit Inspector's report just to hand says, "shortage of staff may be a contributing reason, but I am of opinion that lack of supervision and organization is the main factor." The recently appointed Director of Equipment has reviewed the position, and by reducing the stocks held on stations and by regular checks it is hoped that an improvement will be effected and maintained.

The two Navy stores depots, the main one at Devonport and the other at Seaview (since closed), have been inspected within the year, and the inspections showed a reasonably satisfactory position. The staff position has eased, and increased efficiency can be expected in the future.

Some defence Forces property losses which might have been avoided if certain officers had shown a higher regard for the public interest have come under notice since last report. An army officer in Samoa was instructed to accept a tender of £510 for two trucks, but at the time the instructions were sent from New Zealand he was on discharge leave and no action was taken by him. Later inquiries disclosed that in the meantime care of the trucks had been neglected, and also that a quantity of tires, tubes, and batteries—valued at £263—had disappeared and could not be traced. The two trucks were eventually sold for £210, so that the total loss which prompt disposal could have avoided was £563, made up of £300 on the vehicles and £263 on the tires, &c. A write-off in respect of the £263 is included in the Appendix to this report in the figure of £7,547 13s. 3d. under the heading "Army."

Another case related to the sinking of an Air Force refuelling barge whilst lying in Lauthala Bay, Fiji, on 3rd March, 1947. Heavy seas threatened the safety of the barge, and the officer commanding the marine section and the n.e.o. were aware of the danger for several hours before the barge sank. They took no action other than to instruct Fijian personnel to obtain an extra pump and equipment, and to carry on. They then left for lunch, and on their return an hour later the barge had begun to settle. A Court of Inquiry found both guilty of negligence. The officer commanding was reprovved under King's Regulations (R.A.F.) 1154 (whereby no entry is made in an officer's record), and the n.e.o. was reprimanded. The barge was valued at £5,500, and equipment and fuel lost with it at £1,211.

Cost of Rationing Defence Forces in New Zealand

Statements are prepared monthly by Army and Air Force units showing, amongst other particulars, the quantity of provisions used during the month, and also the average daily cost of rationing each man. The Army fixes a maximum quantity of each foodstuff which may be drawn per person on camp strength, and for book-keeping purposes it also fixes at intervals of about a year the standard cost of a daily ration at the schedule quantities.

This standard-cost figure applies throughout New Zealand. Any variation in the cost of foodstuffs according to locality or seasonal variations in prices are therefore not reflected in the statements.

In the Air Force the maximum quantity which may be drawn is fixed only in respect of a few commodities—*e.g.*, rationed goods are limited to the same standards as apply to civilians. Dry rations, which are not subject to seasonal fluctuation in price, and the cost of which is practically the same to all stations, are brought into the accounts at standard prices as in the case of the Army, but perishable rations—*e.g.*, bread, milk, butter, meat, fish, vegetables, &c.—are brought in at actual cost.

The rationing returns of the Army and Air Force are submitted to the Audit Office, which checks them in as much detail as is practicable. The Army returns indicate that reasonable care is given to their preparation, and

that the supervision exercised over them by the Head Office is satisfactory. The Air Force returns, however, indicate that there is scope for improvement in their preparation, and the accounting for them by Air Department head office.

In the Navy, standard prices, based on the average cost of each item over the previous twelve months, are fixed for all commodities. Standard quantities of foodstuffs are not fixed except in the classes of goods rationed to civilians. Quarterly returns are prepared showing what the standard cost of rationing a depot or ship should be, and whether that cost has been exceeded or not. These returns, which are examined by the Audit Office, indicate that the accounting system in force relating to rationing is carried out in a satisfactory manner.

Military Currency : Italy

Mention was made last year of an interim payment of £500,000 sterling charged to War Expenses Account for the New Zealand Government's share of costs incurred by the United Kingdom Government in converting lire currency spent in canteens to sterling, when the canteen authorities desired to remit receipts elsewhere.

Although it was not possible to determine accurately the proportion of the sales attributable to New Zealand personnel, it was estimated by the War Office that up to August, 1945, New Zealand's share would be approximately £600,000 sterling, leaving the period from September, 1945, until the withdrawal of the New Zealand troops from Italy to be dealt with at a later date.

Advice has now been received from the High Commissioner, London, that the United Kingdom Government has agreed to accept the payment of £500,000 sterling made in the previous financial year in full settlement and to waive the claim for any balance.

Costs of Hospital Ships

As a result of agreement reached between the Governments of the United Kingdom, Australia, and New Zealand to allocate, on a *per capita* basis of patients carried, the costs of running certain hospital ships, an amount of £284,000 became due from New Zealand to Australia, and a net amount of some £14,000 is due to New Zealand from the other partners to the arrangement. A payment of £200,000, charged to War Expenses Account and representing part of the amount due to Australia, was made before the end of the year. South Africa has yet to ratify a minor share in the agreement.

Occupation Force in Japan

Reference was made in last year's report to the financial arrangements in connection with the British Commonwealth Occupation Force in Japan, and to the keeping of a "Pool Account" of costs by the Australian authorities.

As a result of agreement having been reached regarding the basis of apportionment of pool expenditure, an amount of £170,354 was paid to Australia in July, 1947, representing the balance of a claim for £770,354 received prior to the end of the previous financial year for New Zealand's share of costs up to 28th February, 1947.

During last financial year further claims amounting to £1,023,463 were received in respect of the period up to 30th November, 1947. The sum was arrived at after credit had been allowed by the Australian authorities for expenditure of £493,004 incurred by the New Zealand Government for maintenance supplies forwarded to Japan.

These claims, together with a progress payment of £100,000 covering the period 1st December, 1947, to 31st March, 1948, were paid and charged to War Expenses Account for the year ended 31st March, 1948. The Audit Office made representations to Treasury that arrangements should be made with the Australian authorities for claims against New Zealand to be certified by the Commonwealth Auditor-General, but the matter has not yet been settled.

Food Controller

The Food Controller's purchasing operations continued on a reduced scale during the year, apart from the importation of tea, which, when it reaches this country, is handled by the Tea Brokers' Association on the Controller's behalf. Tea-costs are charged against the War Expenses Account, and the sale proceeds are credited thereto. Tea is sold at stabilized prices under cost and, prior to 1st April, 1947, the loss remained in the War Expenses Account, but during the year 1947-48, a progress transfer of £600,000 was made to that account from vote, "Stabilization," towards the estimated loss on that year's trading. The loss considerably exceeds that of previous years, due mainly to a substantial increase in purchase-prices in Ceylon and India following the termination of the Empire Tea Scheme, under which the United Kingdom Government purchased the crop and released supplies to other consumers.

The Controller supervised disbursement of the meat subsidy to retail butchers, which amounted to some £750,000 for the period 1st April, 1947, to 26th September, 1947, at which latter date is terminated. Owing to its staff position, the Audit Office was unable to impose a satisfactory audit on this subsidy, and arrangements were made for the Food Controller's staff to make an independent test check of payments to butchers. No very material errors were disclosed by the examination.

Iron and Steel Industry Account

Reference was made last year to the lack of any provision in the legislation setting up the Iron and Steel Industry Account for the submission of an annual Balance-sheet.

The Audit Office represented to Treasury that a direction should be given in terms of section 57 of the Finance Act, 1932, requiring preparation of

annual accounts and their presentation to Parliament. Treasury communicated with the Department requesting that a combined statement from 1st April, 1939, to 31st March, 1946, be prepared so that it could be published in B-1 [Pt. IV]. The statement submitted in response to this request and examined by Audit covers only receipts and payments, but in the circumstances it appears to be sufficient.

Payments from the account for the year 1947-48 amounted to £174,847, and represented compensation payments and adjustments in connection with the acquirement of the property and rights at Onekaka. A small balance remaining in the account at the end of the financial year was transferred to Loans Redemption Account.

Costs amounting to £1,374, which were incurred during the year for maintenance of plant at Onekaka, were charged to the vote of the Department of Industries and Commerce.

Recovery of Treasury Expenditure Charged to War Expenses Account

During an audit of the Treasury Receiver's Accounts in December, 1947, the Audit Office remarked that ledger accounts had not been prepared to record recoverable expenditure which had been charged to War Expenses Account, Ancillary (Treasury), and the Treasury agreed to prepare them and to look further into the matter of recovering the sums involved.

Latest inquiries, however, disclose that as yet little progress has been made with the work.

The Audit Office has not perused all the relative papers, and the number of accounts to be established may be small, but in one case which has recently engaged Treasury's attention the sum recoverable is £158,627 15s. 8d.

War Assets Realization Board

The activities of the above-named Board have continued on a considerable scale. Receipts from sales of surplus war assets for the financial year 1947-48 amounted to over £5,000,000, of which some £3,000,000 was handled by the Board. This latter amount includes £1,382,235 paid by the Public Works Department from Public Works Account vote, "Public Buildings" for a number of buildings, principally large stores.

Some unsatisfactory features of stock records, caused by circumstances beyond the control of the Board, made a fully satisfactory audit impracticable, but so far as the limited attention the Audit Office was able to give to the accounts allowed it to form an opinion it was satisfied that good work was being done under difficult circumstances.

After the end of the war most of the launches and other small vessels purchased for war purposes were available for sale. Previous owners were given a prior right of repurchase, but they did not always exercise it, as some of the vessels had seen much service or had been structurally altered. Where the right was exercised the prices were adjusted to allow for depreciation

and the cost of reconverting for original purposes. The formula followed in assessing the price in these cases was altered more than once, as it was found that independent valuations far exceeded the adjusted prices—one launch was returned to the former owner for £100, although a tender of £2,500 had been received from another prospective purchaser. Vessels not sold to former owners were submitted for tender. The Board advises that at date “the sale of all surplus vessels has to all intents and purposes been completed.”

War Stores

During the war years stores supplied through the United Kingdom Government were allocated to various depots throughout New Zealand, and were there tallied and taken on ledger charge. In respect of these stores, claims from the War Office, supported by “repayment vouchers” issued by the various United Kingdom Ordnance Depots, were paid from time to time from New Zealand funds in London, and charged to War Expenses Account. The Army Department was holding paid but unchecked claims of an approximate value of £21,000,000 sterling, and the question arose as to the steps which could reasonably be taken to ensure that the stores paid for agreed with what had been taken on charge.

Several large packing-cases contained the relative supporting payment vouchers, which represented amounts ranging from a few pence to thousands of pounds, and a conference of representatives of the Army, Treasury, and Audit Departments was held late in 1947 to consider the position.

The conference, taking into account the time which would be required to make a check (estimated that of eight men for at least twelve months), and of the difficulty, at a late date, of proving any non-delivery, suggested that the United Kingdom Government be approached with a view to reaching an agreement that it would not make any further claims in respect of stores supplied before a date to be named (31st March, 1944, was suggested), provided the New Zealand Government on its part agreed not to make claims for refunds on the grounds of any overpayments, double payments, &c.

Before negotiations on these lines were commenced, the War Office submitted a claim for approximately £3,300,000 sterling for stores supplied by Canada during the period 1942–44. Prior to this submission these had been considered by New Zealand as having been covered by reciprocal aid, and part of them had been reshipped for use by the United Kingdom Forces.

Submissions which brought the period under review up to 31st March, 1947, were taken into consideration by both Governments, and in March, 1948, an agreement was reached that a payment of £1,400,000 sterling by New Zealand would constitute a settlement of all claims for stores and services supplied up to the former date, except in respect of certain transport and freight claims.

The settlement was recorded by an exchange of letters between representatives of the two Governments.

In view of this arrangement, the Audit Office decided that no good purpose would be served by checking the "repayment vouchers" against the stores records of the Departments concerned.

An effort was made by Treasury to have an amount of £(F.)768,580 due to New Zealand by the Fiji Government included in the settlement, but the United Kingdom Government preferred that this claim should be treated as a separate issue.

Marketing Department

This Department is in the process of reorganization, and the three Divisions, Export, Internal, and Milk Marketing, are now under one Director of Marketing and an Assistant Director. The Department administers the Marketing Act, 1936, and also a number of regulations, including the Meat Marketing Order 1942. An arrangement has been made with the New Zealand Meat Producers Board for it, on behalf of the Department, to arrange payment for all meat purchased for export, and to keep the accounts and statistics relating to the bulk-purchase of meat contracts.

Legislation is necessary for the amalgamation of the Divisions, and is desirable for the arrangement with the Board.

Emergency Cool-storage and Meat-canning Plants

During the war the expenditure as listed hereafter was made from War Expenses Account, Ancillary Subdivision, to provide emergency storage space for meat and dairy-produce, and to enable meat-canning companies to obtain additional plant and buildings:—

	£
Emergency cool-storage space	406,293
Meat-canning	398,732
Kakariki Freezing-works: additional cool store and machinery	118,160
	<hr/>
	£923,185
	<hr/> <hr/>

War Expenses Account has been recouped to the extent of £673,332 from the Meat Industry Account, and £220,000 from the Dairy Industry Account, and, in addition, has been credited with receipts amounting to £45,061 from rent and other recoveries in respect of the expenditure.

The terms under which financial assistance was given to freezing and canning companies entitled them to use the facilities, and required them to pay for such use in certain circumstances. According to the records of the Marketing Department, the emergency facilities have not been used since 1945 in circumstances requiring payment.

Provision is made for the ultimate purchase of the plant and buildings by the companies, if required by them, or for their realization and for a settlement of accounts. Audit understands that no negotiations for the realization of the assets have yet been entered into with the companies.

Internal Marketing Division

Dehydration Factories.—Reference was made in last year's report to the operation by the Division of the food-processing plants established during the war years, and it was then stated that a book record of all expenditure on the buildings and equipment, supported by full details of the assets, was held. However, no complete and up to date physical reconciliation of the assets on hand with the original record of expenditure appears to have been made, and it is possible that some of the assets may prove difficult to trace at this date. The records show that certain of the equipment is on loan to a private firm, and it seems to the Audit Office that if equipment is surplus to the Division's requirements it should be declared as such to the War Assets Realization Board.

A decision as to the ultimate control of these plants has not been made, and operation of them by the Division has continued, the resulting profit or loss for the year ended 30th September, 1947, being included in its accounts. It is noted from the examination of the relative accounts that no charge for the use of the factories at Pukekohe, Motueka, and Riccarton has been made by War Expenses Account, out of which these properties were purchased. They were valued originally at some £800,000. The trading results have been assisted by this concession.

Egg-pulp.—Egg-pulp is imported by the Division from Australia and is also produced in New Zealand for sale to the Division. The local pulp can be produced at a lower figure than that at which Australian pulp can be imported (including Customs duty), but both varieties are sold by the Division at the same price. The Division has suffered heavy losses in pulp trading—some £68,000 for the year ended 30th September, 1946, and £105,000 for the year ended 30th September, 1947. A substantial part of the loss, however, arises from payment of Customs duty.

This loss affects the net result of the Division's operations, as disclosed by its accounts, but it seems doubtful whether the loss arising from handling the Australian pulp should fall against trading. The Division states that the importation of Australian pulp and its subsequent sale at a loss are for the purpose of enabling the present supply of eggs in shell to the public to be maintained.

Use of Property of the Division.—In 1943 the Crown erected a dehydration plant at Hastings on land owned by a company. It immediately adjoined a similar plant owned by that company, and the two were operated as one unit. An agreement between the Crown and the company gave the latter the option of purchasing the building and equipment when the war-time emergency ceased to exist, and if this option should not be exercised the Crown had the right to purchase the land on which its buildings and plant had been erected.

Negotiations for the sale to the company were commenced some time ago, but finality has not yet been reached. Audit is not aware as to the extent of the use (if any) being made of the property, but no revenue is received from it.

The Audit Office suggested to the Division that the terms of a temporary arrangement, which has now continued for some time, under which "Farm Products Co-operative (Wellington), Ltd.," occupied most of the space in the Thorndon Quay building owned by the Crown, be reviewed, as the rental charged did not appear to be adequate. This view was concurred in by the Public Works Department, which generally deals with such leases, and steps have since been taken to obtain an increased rental.

Apple and Pear Losses.—For the three years prior to the establishment of the Apple and Pear Growers' Pool Account in 1944 losses in trading in respect of the pip-fruit handled by the Division totalled £668,063. These losses were included in the Division's financial accounts.

In March, 1948, reimbursement of the £668,063 was made to the Division out of the War Expenses Account and charged to an item, "Wartime Losses on Apples and Pears." Treasury view, with which Audit concurred, was that these losses could not be regarded as normal trading losses and that, but for the existence of the Internal Marketing Account, the finance for the transactions would have been provided out of the War Expenses Account.

New Zealand Wool Disposal Commission

During the war years the Marketing Department purchased the New Zealand wool clip, and sold the exportable surplus to the United Kingdom Government. The accounts relating to each season's transactions were included in the Department's annual reports up to the end of the 1944-45 season.

The above-named Commission, which was established by the Wool Disposal Act, 1945, is the subsidiary in New Zealand of the Joint Organization which was set up in England for the purpose, *inter alia*, of disposing of the accumulated stock of Dominion-grown wool owned by the United Kingdom Government at 31st July, 1945. The Commission was given all the powers and functions of the Marketing Department under the Purchase of Wool Emergency Regulations 1939, and, on commencing operations on 1st January, 1946, took over responsibility from the Marketing Department for the purchase and disposal of wool beginning with the whole of the 1945-46 season's clip.

Section 24 of the Wool Disposal Act, 1945, requires the Commission, as soon as practicable after the expiration of every financial year, to furnish to the Hon. the Minister of Marketing a report of its proceedings and operations for that year, together with a copy of its accounts for the year as presented

by the Commission to the Joint Organization, and a copy of the report and accounts is required to be laid before Parliament. The provisions of this section have not been complied with.

Audit is aware that the Commission has furnished the Joint Organization with financial information relating to the 1945-46 and 1946-47 seasons, and is advised that accounts for these seasons are being prepared by the Joint Organization. Difficulties experienced by United Kingdom Wool Control in finalizing valuations of stocks at 31st July, 1945, are given as the reason for delay in the preparation of accounts for the two seasons, but it is expected that they will be presented to Parliament simultaneously, probably during the current session.

Hides Equalization Fund

This Fund is administered by the Hides Committee appointed by the Hides Emergency Regulations 1940 (No. 2), under which the Fund was established to ensure that New Zealand tanners receive their requirements of hides in accordance with a scale of Standard Domestic Values fixed by the regulations.

Most of the claims on the Fund are made by tanners who have paid more than the Standard Domestic Value, and by freezing companies and exporters who have sold at less than the export value.

The revenue of the Fund is derived from a levy on hides exported, and in order to meet claims the Committee has varied the levy from time to time. The rates imposed from 5th September, 1946, have been sufficient to convert the Committee's overdraft of £152,730 7s. 2d. (the highest figure reached), at 31st January, 1947, to a credit balance at the bank of £674,565 13s. 3d. at 31st March, 1948. Audit is of the opinion that the regulations do not contemplate the building-up of such a large balance, and that, if it is intended that the Committee shall hold a large accumulated fund, the authority for it to do so should be made clear, and provision made for current investment and ultimate disposal.

National Provident Fund Schemes

Several authorities, whose accounts are subject to Audit Office audit, such as the Wool Disposal Commission, Wool Board, Dairy Board, Wheat Board, and the Linen Flax Corporation, have negotiated with the National Provident Fund Board for the establishment of staff superannuation schemes, but formal contracts have not yet been completed. The Audit Office has been to considerable trouble to assure itself that the proposed schemes are in accordance with relevant statutory provisions. It is understood that, in some cases at least, completion is dependent on the enactment of legislation further amending the National Provident Fund Act, 1926. In the meantime staff and employers' contributions in respect of provisional schemes are being received by the Fund.

Accounts of Local Authorities

Four cases of misappropriations of funds by local-body officials involving an aggregate of £1,575 10s. 2d. were reported during the year. In each case the matter was placed in the hands of the police for appropriate action. Full restitution was made in all cases. Shortly after the close of the year, and as a result of audit, misappropriations of moneys of the New Plymouth Borough Council were alleged to an amount of some £17,000. As the matter, at the time of writing this report, is *sub judice*, comment on the relative circumstances will be delayed until next year.

Numerous breaches of law relating to accounts were dealt with and an adjustment thereof or a recovery of moneys was required in all cases. There was a considerable increase in the number of local authorities which had failed to live within their incomes as required by section 9, Local Bodies' Finance Act, 1921-22, or which had incurred bank overdrafts without authority or in excess of statutory limits.

Five cases of disqualification for membership of local authorities in terms of section 3, Local Authorities (Members' Contracts) Act, 1934, were dealt with.

It has been observed that it is the practice of some local authorities raising loans through a financial agent to hand over debentures in return for an undertaking in each case by a bank that the moneys of the loan will be paid over as and when required. The Audit Office has been advised that some at least of these undertakings are not satisfactory from a legal point of view. Apart from this it is not in order for a local authority to hand over securities in excess of the amount of loan-moneys received. Very large sums of money are involved, but the most the Audit Office can do is to comment on the accounts of the local authority concerned that it is acting illegally, and to advise it that, in the event of any loss arising from the transaction, individual members may be liable to make it good.

Patriotic Funds

The accounts of the National Patriotic Fund Board and of thirteen Provincial Patriotic Councils for the year ended the 30th September, 1947, have been audited, and Audit reports thereon have been submitted to the Hon. the Minister of Internal Affairs as required by regulations. The audit of the accounts of the remaining Council for the same period is in progress, and will be completed very shortly.

In the last report reference was made to the fact that, as the definition of "patriotic purpose" in the Patriotic Purposes Emergency Regulations 1939 did not cover a grant to a returned services' organization, there was no authority for a grant of £1,000 made by the Taranaki Provincial Patriotic Council towards the cost of establishing a returned services' club at Stratford. Later, it came to the notice of the Audit Office that the Canterbury, Nelson, and Southland Provincial Patriotic Councils had also made grants in money or kind to returned services' organizations.

The Minister of Internal Affairs has approved the introduction of legislation validating these grants, but the Department advises that it has been made clear to Provincial Patriotic Councils that no further similar payments will be countenanced.

MONEY OR STORES WRITTEN OFF

Section 3 (3), Public Revenues Act, 1926

The above section provides that no public moneys or stores may be finally written off and discharged from the relative Account without the authority of Parliament, and the Treasury Regulations require that before presentation of relative items to Parliament the concurrence of the Audit Office and the Treasury shall have been obtained.

A statement of moneys and stores in respect of which Audit concurrence to writing off has been given since last report is given in the Appendix to this report.

STAFF POSITION

It is with reluctance that reference is again made to the shortage of staff in the Audit Department, but it is such that it is no longer possible to carry out with full efficiency the duties devolving on the Audit Office in Wellington. Year by year additional work accrues through normal expansion of State activities, or because of fresh undertakings based on new legislation. The Audit Office would be sorry not to be named the auditing authority in terms of such legislation, but if it is to carry out efficiently the work involved in these new audits additional experienced staff is necessary.

In the decade 1938-48, in spite of the great increase in the work it should carry out, the Department has suffered a numerical diminution of one-tenth of its staff, and amongst the reduced numbers are some new personnel of limited experience.

At present it is barely possible to certify the correctness of the public accounts without some qualification as to the limited examination that has been made of the detail on which they are based.

J. P. RUTHERFORD,
Controller and Auditor-General.

19th August, 1948.

APPENDIX

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC., IN RESPECT OF WHICH AUDIT CONCURRENCE HAS BEEN GIVEN DURING 1947-48, FOR THE WRITING-OFF AND DISCHARGE FROM THE RELATIVE ACCOUNT

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Agriculture</i>			
Value of stores	Lost, &c.	£ s. d. 243 3 2	£ s. d.
Value of stores	Stolen	14 19 7	.. ..
Value of stores	Loss on sale	55 16 10	.. ..
Value of stores	Gratuitous issue	45 19 0	.. ..
Value of live-stock	Died, &c.	2,326 12 9	.. ..
Misappropriation	Irrecoverable .. ..	.. ..	132 8 2
Miscellaneous	Irrecoverable .. ..	.. ..	27 6 1
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	258 9 1
Salaries overpaid	Irrecoverable .. ..	.. ..	39 19 7
Theft of cash	Irrecoverable .. ..	.. ..	20 16 11
<i>Air</i>			
Value of stores	Lost, &c.	18,671 4 9	.. ..
Value of stores	Deficient	8,870 17 7	.. ..
Value of stores	Stolen	983 14 0	.. ..
Value of stores	Destroyed by fire	2,722 7 6	.. ..
Value of fuel	Lost by evaporation	7,255 18 9	.. ..
Advances : travelling-expenses	Irrecoverable .. ..	.. ..	28 6 2
Deficiencies in imprest accounts	Irrecoverable .. ..	.. ..	23 19 0
Expenses advanced to prisoners of war	Irrecoverable .. ..	.. ..	620 6 5
Pay and allowances overpaid	Irrecoverable .. ..	.. ..	253 9 2
Rents, &c.	Debtors untraceable .. ..	.. ..	4 9 10
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	1,452 19 7
Salary envelope lost	Irrecoverable .. ..	.. ..	20 3 0
Value of travelling orders lost	Irrecoverable .. ..	.. ..	19 15 0
Value of railway fares obtained on stolen orders	Irrecoverable .. ..	.. ..	314 14 1
Warrants and cheques cashed by unauthorized persons	Irrecoverable .. ..	.. ..	54 13 6
<i>Army</i>			
Value of stores	Lost, &c.	7,547 13 3	.. ..
Value of stores	Deficient	35,508 8 0	.. ..
Value of stores	Stolen	1,386 9 3	.. ..
Value of stores	Destroyed by fire	134 3 6	.. ..
Deficiency in imprest account	Irrecoverable .. ..	.. ..	31 5 0
Harvesting labour	Irrecoverable .. ..	.. ..	1,051 15 11
Misappropriation	Irrecoverable .. ..	.. ..	16 8 1
Miscellaneous	Irrecoverable .. ..	.. ..	2 0 8
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	1,546 19 5
Repatriation expenses	Remitted .. ..	.. ..	18 3 2
Value of official stamps destroyed	Irrecoverable .. ..	.. ..	3 6 4
Warrants cashed by unauthorized persons	Irrecoverable .. ..	.. ..	26 18 0
<i>Customs</i>			
Value of stores	Lost	6 4 1	.. ..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Education</i>			
Value of stores	Lost, &c.	£ s. d. 296 2 6	£ s. d.
Value of stores	Stolen	0 19 0	.. ..
Value of stores	Loss on sale	20 9 5	.. ..
Value of live-stock	Died, &c.	41 11 6	.. ..
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	151 3 5
<i>Electoral</i>			
Value of stores	Lost, &c.	40 2 10	.. ..
<i>Health</i>			
Value of stores	Lost, &c.	4,242 16 5	.. ..
Value of stores	Stolen	692 7 1	.. ..
Value of stores	Destroyed by fire	4 0 5	.. ..
Value of stores	Loss on sale	33 14 1	.. ..
Value of live-stock	Died, &c.	53 15 5	.. ..
Dental Clinic contributions	Irrecoverable .. ..	.. ..	243 5 7
Miscellaneous	Irrecoverable .. ..	.. ..	15 12 6
Repairs to motor-vehicles damaged in accidents, &c.	Nugatory expenditure .. ..	.. ..	103 19 6
Sale of drugs	Irrecoverable .. ..	.. ..	51 19 4
<i>Health (Mental Hygiene Division)</i>			
Value of stores	Lost, &c.	3,872 7 6	.. ..
Value of stores	Stolen	19 18 10	.. ..
Value of live-stock	Died, &c.	1,557 6 2	.. ..
Compensation for damage to property	Nugatory expenditure .. ..	.. ..	11 17 5
<i>Housing</i>			
Value of stores	Lost, &c.	1,106 4 9	.. ..
Value of stores	Stolen	155 14 6	.. ..
Wages overpaid	Irrecoverable .. ..	.. ..	0 12 1
<i>Industries and Commerce</i>			
Value of stores	Lost, &c.	93 10 3	.. ..
Fees and levies, Bureau of Industry	Irrecoverable .. ..	.. ..	1 15 9
Pay envelope lost	Irrecoverable .. ..	.. ..	8 5 0
Repairs to motor-vehicles damaged in accidents, &c.	Nugatory expenditure .. ..	.. ..	45 11 0
Sale of seed (Food Control)	Irrecoverable .. ..	.. ..	88 15 7
<i>Industries and Commerce (Ministry of Supply)</i>			
Value of stores	Lost, &c.	7,069 5 8	.. ..
Value of stores	Stolen	695 11 7	.. ..
Value of stores	Loss on sale	103 19 7	.. ..
<i>Internal Affairs</i>			
Value of stores	Lost, &c.	45 10 2	.. ..
Value of live-stock	Died, &c.	42 0 0	.. ..
Advances to stranded New Zealanders	Irrecoverable .. ..	.. ..	1,085 6 0
Fishing licences	Complimentary issues .. ..	.. ..	171 8 6
Repairs to motor-vehicles damaged in accidents, &c.	Nugatory expenditure .. ..	.. ..	101 13 1
<i>Internal Marketing</i>			
Value of stores	Destroyed by fire	33 9 0	.. ..
Value of stores	Loss on sale	33 19 8	.. ..
Sale of hutment	Debtor unfinancial .. ..	.. ..	36 8 6
Value of containers	Irrecoverable .. ..	.. ..	13 10 0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Island Territories</i>			
Value of stores	Lost	£ s. d. 255 12 3	£ s. d.
<i>Justice and Prisons</i>			
Value of stores	Lost, &c.	214 12 5	.. ..
Value of stores	Stolen	19 2 6	.. ..
Value of stores	Destroyed by fire	88 6 7	.. ..
Value of live-stock	Died, &c.	2,041 12 2	.. ..
<i>Labour and Employment</i>			
Value of stores	Lost, &c.	176 0 8	.. ..
Value of stores	Stolen	14 4 3	.. ..
Value of stores	Destroyed by fire	146 13 4	.. ..
Value of stores	Loss on sale	1 3 8	.. ..
Value of live-stock	Died	1 7 6	.. ..
Advances to workers, &c. ..	Irrecoverable .. ..	.. ..	755 13 5
Cheque cashed by unauthorized person	Irrecoverable .. ..	.. ..	3 14 3
Home Aid services	Irrecoverable .. ..	.. ..	23 18 6
Passage-money	Irrecoverable .. ..	.. ..	192 16 10
Penalties for breaches of awards ..	Irrecoverable .. ..	.. ..	22 16 2
Repairs to motor-vehicles damaged in accidents, &c.	Nugatory expenditure .. ..	.. ..	55 10 6
<i>Land and Income Tax</i>			
Income-tax	Irrecoverable .. ..	.. ..	629 11 6
<i>Lands and Survey</i>			
Value of stores	Lost, &c.	503 16 2	.. ..
Value of stores	Stolen	48 10 3	.. ..
Value of stores	Destroyed by fire	123 4 5	.. ..
Value of stores	Loss on sale	17 0 10	.. ..
Value of live-stock	Died, &c.	36,294 6 0	.. ..
Advances, discharged soldiers' settlement	Loss on realization .. ..	.. ..	170 9 3
Advances, small farms	Loss on realization .. ..	.. ..	124 11 4
Consent fees	Remitted by the Minister .. ..	.. ..	14 14 0
Interest, deferred-payment licences	Irrecoverable .. ..	.. ..	72 3 11
Land-drainage rates	Remitted by the Minister .. ..	.. ..	942 9 4
Miscellaneous	Irrecoverable .. ..	.. ..	9 1 11
Rents, royalties, &c.	Irrecoverable .. ..	.. ..	1,185 3 9
Repairs to motor-vehicles damaged in accidents, &c.	Nugatory expenditure .. ..	.. ..	64 17 7
Survey Liens	Irrecoverable .. ..	.. ..	113 15 1
Water charges	Remitted by the Minister .. ..	.. ..	25 0 0
<i>Maori Affairs</i>			
Value of stores	Lost, &c.	440 18 5	.. ..
Value of stores	Destroyed by fire	2 5 10	.. ..
Value of live-stock	Died, &c.	15,213 8 5	.. ..
Grazing fees	Irrecoverable .. ..	.. ..	1,041 16 6
Interest unpaid	Irrecoverable .. ..	.. ..	1,539 12 8
Loss on maize-production	Destroyed by tidal wave .. ..	.. ..	115 0 0
Miscellaneous	Irrecoverable .. ..	.. ..	23 16 2
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	86 14 7
<i>Marine</i>			
Value of stores	Lost, &c.	326 12 4	.. ..
Value of stores	Stolen	113 2 2	.. ..
Value of live-stock	Died, &c.	26 8 0	.. ..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
		£ s. d.	£ s. d.
<i>Marine—continued</i>			
Foreshore rentals	Irrecoverable .. ..	.. ..	250 3 4
Inspection fees	Irrecoverable .. ..	.. ..	1 9 4
Passage-money	Irrecoverable .. ..	.. ..	7 10 0
Toll charges	Debtor deceased .. ..	.. ..	0 3 10
<i>Mines</i>			
Value of stores	Lost, &c.	3,911 10 2	.. ..
Value of stores	Stolen	62 12 11	.. ..
Value of stores	Destroyed by fire	307 12 0	.. ..
Value of stores	Loss on sale	106 16 4	.. ..
Value of live-stock	Died, &c.	10 14 0	.. ..
Exchange, &c.	Irrecoverable .. ..	.. ..	1 19 4
Freight charges	Irrecoverable .. ..	.. ..	25 5 9
Rent	Debtor deceased .. ..	.. ..	10 10 0
Sale of coal	Estate insolvent .. ..	.. ..	10 19 4
<i>National Broadcasting Service</i>			
Value of stores	Lost, &c.	91 18 9	.. ..
Value of stores	Stolen	2 13 1	.. ..
Artists' fees : cash missing	Irrecoverable .. ..	.. ..	8 0 0
Radio advertising	Debtors unfinancial .. ..	.. ..	8 16 6
<i>Navy</i>			
Value of stores	Lost, &c.	2,118 9 2	.. ..
Value of stores	Deficient	20,566 19 8	.. ..
Value of stores	Stolen	239 16 9	.. ..
Value of stores	Loss on sale and issue	2,008 17 8	.. ..
Value of stores	Destroyed by fire	63,688 9 1	.. ..
Compensation for loss of personal effects	Nugatory expenditure .. ..	.. ..	9 19 8
Costs and damages arising out of accidents	Nugatory expenditure .. ..	.. ..	233 15 6
Miscellaneous	Irrecoverable .. ..	.. ..	11 0 0
Value of supplies issued to ship's mess	Irrecoverable .. ..	.. ..	35 11 1
Warrants cashed by unauthorized persons	Irrecoverable .. ..	.. ..	5 11 0
<i>Police</i>			
Value of stores	Lost, &c.	3 6 2	.. ..
Value of stores	Stolen	1 0 0	.. ..
Value of stores	Destroyed by fire	67 16 6	.. ..
Compensation for loss of property	Nugatory expenditure .. ..	.. ..	5 0 0
Repairs to vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	49 5 6
<i>Post and Telegraph</i>			
Value of stores	Lost, &c.	1,626 11 4	.. ..
Value of stores	Stolen	244 2 9	.. ..
Value of stores	Destroyed by fire	1,530 17 10	.. ..
Value of stores	Obsolete	331 2 1	.. ..
Cash deficiencies	Irrecoverable .. ..	.. ..	208 0 4
Fraudulent withdrawals	Irrecoverable .. ..	.. ..	403 9 7
Loss arising through theft and burglary	Irrecoverable .. ..	.. ..	866 4 2
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	5,103 9 3
Salaries overpaid	Irrecoverable .. ..	.. ..	37 8 5
Toll accounts	Irrecoverable .. ..	.. ..	82 17 4

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Public Trust</i>			
Value of stores	Lost, &c.	£ s. d. 78 14 3	£ s. d.
Advances on mortgage	Loss on realization .. ..	.. ..	74 7 10
<i>Public Works</i>			
Value of stores	Lost, &c.	8,262 18 1	.. ..
Value of stores	Stolen	869 11 4	.. ..
Value of stores	Destroyed by fire	687 7 7	.. ..
Value of stores	Loss on sale	4,015 8 8	.. ..
Compensation for loss of personal effects	Nugatory expenditure .. ..	.. ..	9 12 6
Compensation for loss of live-stock	Nugatory expenditure .. ..	.. ..	75 10 2
Irrigation charges	Remitted by the Minister .. ..	.. ..	93 5 0
Rents, &c.	Irrecoverable .. ..	.. ..	41 3 5
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	1,137 1 10
Salaries overpaid	Irrecoverable .. ..	.. ..	40 15 9
Sale of electrical energy	Irrecoverable .. ..	.. ..	8 16 8
Sale of stores, &c.	Irrecoverable .. ..	.. ..	7 12 0
<i>Railways</i>			
Value of stores	Lost, &c.	2,912 19 5	.. ..
Value of stores	Stolen	859 19 9	.. ..
Value of stores	Destroyed by fire	528 13 1	.. ..
Value of stores	Deficient	741 6 0	.. ..
Value of stores	Loss on sale	572 1 8	.. ..
Cash lost in accident	Irrecoverable .. ..	.. ..	0 8 2
Freight charges	Irrecoverable .. ..	.. ..	23 15 3
Rents	Irrecoverable .. ..	.. ..	193 15 6
<i>Rehabilitation</i>			
Value of stores	Lost, &c.	179 14 8	.. ..
Value of stores	Stolen	120 17 0	.. ..
Value of stores	Destroyed by fire	34 15 6	.. ..
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	2 0 6
Salary overpaid	Irrecoverable .. ..	.. ..	0 15 2
Value of travel warrant lost	Irrecoverable .. ..	.. ..	0 5 6
<i>Scientific and Industrial Research</i>			
Value of stores	Lost, &c.	693 9 1	.. ..
Value of stores	Stolen	267 12 4	.. ..
Value of stores	Gratuitous issue to Dairy Research Institute	10,778 11 4	.. ..
Compensation for damage to clothing	Nugatory expenditure .. ..	.. ..	15 12 6
Compensation for loss of live-stock	Nugatory expenditure .. ..	.. ..	17 0 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	31 3 4
<i>Social Security</i>			
Value of stores	Lost, &c.	3 9 3	.. ..
Benefits, pensions, and allowances overpaid	Irrecoverable .. ..	.. ..	3,599 1 10
Salaries overpaid	Irrecoverable .. ..	.. ..	3 9 4
<i>State Advances (Housing Account)</i>			
Rents	Irrecoverable .. ..	.. ..	720 15 10
<i>State Forest Service</i>			
Value of stores	Lost, &c.	885 2 9	.. ..
Value of stores	Stolen	156 0 3	.. ..
Value of stores	Destroyed by fire	2 13 0	.. ..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
		£ s. d.	£ s. d.
<i>State Forest Service—continued</i>			
Value of stores	Loss on sale	20 0 0	..
Value of live-stock	Died, &c.	64 0 0	..
Rents	Debtor untraceable .. ..	..	7 10 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	..	108 2 4
Royalties	Irrecoverable .. ..	..	72 15 0
Salary overpaid	Debtor left the service .. ..	..	0 10 10
Sale of timber	Irrecoverable .. ..	..	147 9 7
<i>State Hydro-electric</i>			
Value of stores	Lost, &c.	5,716 10 3	..
Value of stores	Stolen	11 8 1	..
Value of stores	Loss on sale	743 12 2	..
Value of stores	Destroyed by fire	88 11 9	..
Value of live-stock	Died, &c.	7 10 0	..
Compensation for loss of live-stock	Nugatory expenditure .. ..	..	82 10 0
Hire of plant	Irrecoverable .. ..	..	0 7 1
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	..	232 16 6
Sale of electrical energy	Irrecoverable .. ..	..	212 3 5
Sales tax on electrical equipment	Irrecoverable .. ..	..	60 11 11
<i>Tourist and Health Resorts</i>			
Value of stores	Lost, &c.	762 8 6	..
Value of stores	Stolen	11 0 7	..
Value of stores	Loss on sale	38 9 8	..
Value of stores	Destroyed by fire	393 19 10	..
Value of live-stock	Died, &c.	0 12 0	..
Compensation for loss arising out of incorrect travel bookings	Nugatory expenditure .. ..	..	12 0 0
X-ray fees	Irrecoverable .. ..	..	7 9 0
<i>Transport</i>			
Value of stores	Lost, &c.	3 8 6	..
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	..	33 6 6
<i>Treasury</i>			
Advances to returned servicemen	Irrecoverable .. ..	..	5,222 6 1
Advances, flood relief	Irrecoverable .. ..	..	62 14 0
Advances, Hawke's Bay earthquake	Irrecoverable .. ..	..	522 5 0
Advances, land-settlement associations	Deficiency on winding up .. ..	..	2,485 17 5
Advances, storm damage	Part payment accepted in full satisfaction	..	40 0 0
Cost of cables	Irrecoverable .. ..	..	0 14 7
Salary overpaid	Debtor left the service .. ..	..	3 14 7
Sale of huts, Rural Housing	Loss on Realization .. ..	..	10 3 6
<i>War Assets Realization Board</i>			
Value of stores	Lost, &c.	743 14 7	..
Value of stores	Stolen	1,708 11 11	..
Value of stores	Deficient	374 11 4	..
Value of stores	Destroyed by fire	15,109 0 0	..
Cheque fraudulently negotiated	Irrecoverable .. ..	..	2 10 0
Exchange, &c.	Irrecoverable .. ..	..	4 3 0
Expenses incurred by purchasers through incorrect delivery	Nugatory expenditure .. ..	..	4 7 11
Repairs to motor-vehicles and property	Nugatory expenditure .. ..	..	93 9 3
Sale of goods	Irrecoverable .. ..	..	4 10 0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>War Expenses Account</i>			
Agriculture (Services Vegetable Projects)—			
Value of buildings and improvements	Loss on sale	£ 59,986 0 11	s. d. ..
Value of tools, &c.	Loss on sale	1,992 11 4	.. ..
Sales of produce	Irrecoverable .. ..	.. ..	30 7 1
Public Works—			
Value of stores	Lost, &c.	28 7 0	.. ..
Value of stores	Stolen	2 10 0	.. ..
Compensation for damage to property	Nugatory expenditure ..	.. ..	6 10 0
		378,576 6 2	38,257 4 7
		£416,833 10 9	