

might be approved by Parliament as required by the Public Revenues Act. The door has thus remained open to speculation and extravagance. These irregularities can only be checked by the institution of a proper system of stores accounting in each Department of the Service. With this object in view Departments were requested to draw up sets of rules governing the receipt, custody, disposal, and accounting for Government stores and property under their control. It was found, however, that considerable uncertainty existed in regard to methods of procedure, due to the fact that the different regulations published by the Public Service Commissioner, the Stores Control Board, and the Treasury, relating to the control of stores, were at variance with one another, and as a result some delay and confusion arose. This difficulty has since been removed, and I am pleased to say that steady progress is now being made in introducing a sound system in most of the Departments. Some Departments have appreciated the importance of and advantages to be derived from efficient control of stores, and have prepared and submitted their rules for approval and put them into operation at once, while other Departments, either from a lack of appreciation of the advantages to be derived or possibly from pressure of other work, have been dilatory in recognizing their duty to the State in this connection. Some Departments again have been satisfied with a mere superficial record of the receipt and first issue of stores, and have adopted no sound system of following them after issue so as to ensure that they have been actually devoted to the purposes intended. Such a system is practically useless, as it is after the first issue that speculation and unnecessary losses most frequently occur. In other Departments it has been found that the system takes into account the values of stores received and issued without subsequently requiring the full quantity issued to be accounted for. This also is of little use from an Audit point of view, as, owing to the frequent fluctuation in prices, it is not a difficult matter for the values to be manipulated. As an instance, I may cite the case of a Government officer who was responsible for the requisitioning and issuing of certain stores for his Department, and who was at the same time interested in a firm which supplied the goods. It was found on investigation that in some cases orders for goods were only partially executed by the firm, but those goods which the firm did supply were subsequently issued by the officer marked at excessive prices. The excess prices covered up the deficiency in the deliveries. Goods which were never received were thus being paid for, and this process had been carried on for years. This could not have happened without detection had the storekeeper been required to account to his Head Office for the quantity received and issued, as well as for the value. It may be explained that the departmental rules referred to above will contain details of Treasury and Audit requirements. A proper observance of the rules, therefore, should reduce the necessity for subsequent investigation by Audit to a minimum.

During the period under review 140 store accounts belonging to various Departments have been examined and reported on. Many of these reports disclose much waste and other serious irregularities and abuses. As examples of the many irregularities disclosed by the reports I may cite the following:—

In one Department of the Service wine, manufactured by the Department, was issued to Departmental officers and others without authority and without making adequate charge and without accounting for the issues. The value of these free issues was roughly £136. The Department has not collected the amount, although required by Audit to do so.

In another Department, owing to faulty purchasing of goods and overstocking and want of care in disposal, a loss of £1,800 has been recorded up to date, and this loss will be increased when the surplus and obsolete stores in hand have been fully disposed of.

In connection with Government farms the reports have disclosed many irregularities. In one instance the Manager issued farm-produce to the public, and in some cases to Departmental officers, without properly accounting therefor, without authority, and without making an adequate charge. In this case some of the free gifts were improperly charged so as to avoid disclosure. In another case dairy stock was lent to farmers for the season without any charge being made.

Dealing in stock by another Government Farm Manager, which was detrimental to the Government interests, led to Audit investigation, with the result in this case that the Manager has now resigned.

It may be said generally that irregularities in one shape or another have been found to exist in cases where Government officers are employed in connection with Government farming institutions and are also themselves the owners of farms in the vicinity.

The reports also disclosed the fact that the staffs in some institutions were receiving gratuitous issues of stores, and free services, such as quarters, fuel, light, furnishings, &c., without authority, and that stores were being sold to Government officers at less than cost, and at less than market rates, also without authority.

Audit investigation has further disclosed irregularities in connection with the recording of workmen's time, and subsequent overpayment of wages; haphazard and irregular methods of costing in connection with the manufacture and sale of Government stores; illicit sales, shortages, and extravagant consumption of motor-spirit. In one Department which controls many important institutions it has been ascertained that plant and material in three of these institutions alone, valued at roughly £27,000, were issued without any record as to ultimate use, consequently Audit was unable to apply any checks on the use to which these stores were being applied.

As a result of investigations made by the Public Works Department and by Audit into irregularities reported from Beaumont, Otago, it was ascertained that the storekeeper's assistant had failed to account for considerable supplies of cement, galvanized iron, &c., which had been disposed of by him to his own benefit. Had proper records been kept and a proper system adopted these losses could not have occurred without immediate detection.

In the three Departments which control the greatest amount of stores in the Service—namely, Railways, Public Works, and Post and Telegraph—the systems of controlling stores have hitherto been far from complete. In each of these Departments, however, the urgency of improving their methods is fully recognized, and doubtless a more complete system will be introduced in each Department ere long.