

credits in aid to the amount of £270,000 for the services of the vote, and this amount has in terms of the above Act been included in the statement of the Unauthorized Expenditure Account for the validation of Parliament. Under the old system this amount would have been expended in excess of appropriation without any subsequent reference to Parliament. In this case the necessity for applying so large an amount without previous parliamentary appropriation appears to have arisen from the absence of due appreciation by the Department of the effect of the changed method of treating credits, and there is every reason to think that the new system will lead to the closer estimation by Departments of both expenditure and credits in aid.

With a view to obtaining a more complete control of expenditure the necessity exists, as pointed out in my last report, for taking a separate vote for each service, so that the amount of appropriation unused on any particular service may not be applied to the use of an entirely different service, which is possible under the present system of taking one vote covering a number of entirely different services.

In connection with control of expenditure incurred in London attention is drawn to the use which is being made of the General Services Account for the purpose of expending on a particular service sums in excess of the amount which has been appropriated in the vote for that service. Cases have arisen in which the appropriation authority under a vote for a service has been exhausted, and the whole, or nearly the whole, of the "Unauthorized" authority under section 54 of the Public Revenues Act has also been exhausted. In such cases the Audit Office has had no option but to refuse to authorize further payments for the services if the amounts are charged against the exhausted vote, and the Treasury has sometimes adopted the alternative of charging against "General Services" provided by section 75 of the Public Revenues Act, and thus Audit control is to a certain extent weakened. It would appear that the authority contained in section 75 of the Public Revenues Act, 1910, to charge against "General Services" was intended to cover only payments made in London for which the proper vote was not at the time ascertainable in New Zealand, or to meet small payments in respect of which it would be undesirable to cable particulars. The general rule is that no payments in excess of £500 shall be charged against "General Services," although there is no statutory provision to that effect, and it is suggested that an amendment of the Public Revenues Act giving this rule the force of law would have a beneficial effect in securing more complete parliamentary control of expenditure incurred in London.

An amendment of the law effected by section 317 of the Land Act, 1924, provides that the rents received from land in mining districts, which had hitherto been paid into the Public Account, shall, after the 31st March, 1925, be paid by the Receiver of Land Revenue into a Deposit Account, and authorizes the Receiver to make payments out of the Deposit Account without further appropriation than the Act. Attention is drawn to the fact that the result of this amendment is to make it practically impossible for the Audit Office to exercise any control over these transactions, and, moreover, the total receipts and the expenditure, including the payments which the Receiver is authorized to make to local authorities and which practically amount to a subsidy from the public funds, will not now be disclosed by the Public Accounts. It is understood that the Economies Commission commented adversely on the provision in many Acts authorizing the payment of moneys by the Treasury without annual appropriation, and it would appear that such objection would apply with even greater force to payments made in such manner by the Receivers of Land Revenue.

AUDIT OF LOANS AND PUBLIC DEBT.

The total of loans outstanding on the 31st March, 1925 (including loans between Treasury Accounts, which are referred to in a later paragraph) was £227,814,647, showing a net increase in the total debt during the year of £6,198,286. It will be seen from the following statement giving details of the increase and decrease that the net increase was chiefly caused by large borrowings for Public Works and State Advances.

<i>Increase in Public Debt (including State Advances Debt),--</i>		£
Raised for redemptions due in 1925-26 .. .. .	.. .. .	64,480
New loans raised during the year—		
For public works (General Purposes Account) .. .. .	.. .. .	3,547,451
For Waihou and Ohinemuri Rivers improvement .. .. .	.. .. .	50,000
For Discharged Soldiers Settlement Account .. .. .	.. .. .	22,870
For Native Land Settlement Account .. .. .	.. .. .	289,323
For Education Loans Account .. .. .	.. .. .	540,000
For Hauraki Plains Settlement Account .. .. .	.. .. .	70,000
For Rangitaiki Land Drainage Account .. .. .	.. .. .	37,100
For State Advances Account (Settlers Branch) .. .. .	.. .. .	3,028,133
For State Advances Account (Workers Branch).. .. .	.. .. .	1,603,133
For State Forests Account .. .. .	.. .. .	100,000
For Swamp-land Drainage Account .. .. .	.. .. .	90,000
For charges and expenses of raising for redemption—		
Land for Settlements Account .. .. .	.. .. .	1,168
State Advances Account (Settlers Branch) .. .. .	.. .. .	222
State Advances Account (Workers Branch).. .. .	.. .. .	4,172
Total increase during 1924-25 .. .. .	.. .. .	9,448,052