

Travelling-expenses.—That some clearly-expressed statutory rule should be laid down in respect of these expenses, either on a mileage basis or a maximum per meeting, where travelling is essential, becomes more obvious every year. At present different classes of local authority have different provisions, which it is practically impossible to reconcile, while the term “actual and reasonable” expenses, used in the Acts, is most conflictingly construed by different bodies.

Disqualifications.—Here again the law is so diverse in its provisions that a member of one class of local authority is at liberty to do with impunity that for which he would be subject to disqualification and penalties if done in respect of another body of which he may be, and often is, a member. There is no *prima facie* reason why these distinctions should exist, and certainly the effect of their application creates a sense of unfairness and irritation.

For the reason above given, it is earnestly hoped that the Government will see fit to make at an early date more satisfactory provisions than now apply to the matters mentioned.

DEPARTMENTAL ACCOUNTS AND BALANCE-SHEETS.

Examination by the Audit Office of revenue accounts and balance-sheets during 1924–25 primarily comprise those prepared by Departments to cover the 1923–24 period, but a number of belated accounts of the 1922–23 period were also examined during 1924–25. There are approximately ninety-four Government departmental accounts for preparation annually, but no less than 118 have been certified to by Audit since the 1st April, 1924, comprising twenty-six accounts for 1922–23 and ninety-two accounts for the 1923–24 period. The remaining two accounts, which have not yet been submitted to audit for 1923–24 are for the Native Land Settlement Account and Mental Hospitals Department.

These figures disclose the need that exists for the submission of accounts to audit with more expedition. The position in respect to 1923–24 accounts is more satisfactory than for the previous year, but there is still need for more promptitude by some Departments, especially in view of the fact that these statements of account are required for the information of the Public Accounts Committee. This delay not only causes inconvenience, but has the disadvantage that improvements found to be necessary cannot always be made in the following year's account owing to the fact that part of a year has already elapsed when the previous year's accounts are received.

The improvements reported last year in regard to the completeness and preparation of accounts generally has been maintained in the 1923–24 accounts. There is still, however, room for improvement in a number of accounts, and these are receiving close attention. In some cases, as reported last year, real difficulties exist which tend to delay the introduction of improvements that are obviously necessary, but this does not apply in all cases.

Most of the accounts can now be said to be on a sufficiently complete basis to disclose both the true expenditure and revenue and full financial workings of all Departments, and Departments and the Treasury, as well as the public, will be able to examine details of expenditure in the interests of efficiency and economy.

During the year the Audit Office has called upon Departments to give more attention than previously to the preparation of accounts covering subsidiary trading operations, such as farming, manufacturing, trading, &c. This refers to cases where the undertakings do not represent the main feature of a Department's activities. For example, farming operations are carried on by the Agriculture, Education, Health, Lands and Survey, Mental Hospitals, and Prisons Departments. In such cases, and in cases where other trading activities comparable with private institutions are carried on, the Departments are required to prepare a separate balance-sheet for each undertaking, so that, as far as possible, fair comparisons can be made.

It may be necessary for me to explain that the certificates appended to departmental balance-sheets by the Controller and Auditor-General do not necessarily embody the whole of the Audit requirements as regards the method of preparation of future statements of accounts. There are many improvements yet to be made in the accounts of some Departments, but in many cases where Departments have agreed to embody Audit requirements in future statements it has not been considered necessary to take exception to the items in question when endorsing the Audit certificate on the balance-sheet.

In addition to the departmental accounts, a semi-continuous audit of the accounts of the Meat Producers and Dairy Producers Boards is maintained.

Receivers' Accounts.—During the previous period (1923–24) the audit of a number of Receivers' accounts had to be postponed owing to the extra pressure of work caused by the number of defalcations which required investigation by Audit that year, and also to reduction of staff. During the year just concluded these arrears have been overtaken to a very great extent, and it is expected that at an early date they will be entirely cleared.

DEFALCATIONS.

A review of the audits during the year and the drop in the number of defalcations ascertained, in connection with cash, reflects an improving efficiency of administration in the care and custody of Government moneys. A list of defalcations, &c., is appended to this report. I cannot too plainly emphasize the fact that any Audit system cannot be solely relied upon for the detection and prevention of defalcations. The departmental internal check must be sound, and Audit is therefore most careful to require that such a check should be adequately provided by Departments.

LOCAL PRE-AUDIT OF EXPENDITURE.

During the year the system of local pre-audit of accounts and payment thereof at the District Treasury offices has been extended, and the whole of the Dominion now benefits by the speedier means of payment possible by having local Treasury and Audit officers at the four principal centres. The system necessitates the employment of an Audit officer at each of the four District Treasury offices, who, when not engaged on District Treasury audit work, is able to render assistance to the local Audit Inspector.

Generally speaking, the system of payment from District Treasury offices appears to work satisfactorily, and undoubtedly the public benefits by earlier settlement of accounts.