

same manner as timber royalties. Before such allocation of the funds can be made, survey and other expenses that have been paid out of vote "Lands and Survey," and have already been appropriated by Parliament, are recovered by the Receiver and paid to Public Account up to the limit of 3s. per acre only. Compensation for any resumption of land is also to be deducted. The functions of the Receiver are thus limited, and no other powers are vested in him. No claims for expenses or compensation have arisen for many years past.

The policy of the Treasury is to discourage the application of appropriation by Act as recommended by the Economics Committee, so that expenditure can be controlled and voted annually by Parliament. There is no objection, however, to adjustments of this limited character being made without further appropriation when the authority does not give any discretionary power to the paying officer. The total rents received each year only amount to £1,600, of which one-half is paid to the Public Account and the other half to about twenty local bodies.

The accounts of the local Receivers of Land Revenue are subject to Audit examination by officers of the Audit Department.

If necessary, the detailed distribution of the funds can be published in the Public Accounts in future in the departmental balance-sheets (B.-1, Part IV) instead of in B.-1, Part II.

AUDIT OF LOANS AND PUBLIC DEBT.

(Pages 4 and 5 of Report.)

The Department's statement is :—

As regards the discrepancy between the figures given by the Controller and Auditor-General and those in the Budget, it should be stated that, in consequence of the different methods shown last year, the Treasury in this Budget framed its statement of the debt operations to accord with the mode adopted by the Controller and Auditor-General. This was done, but, as pointed out in the House, the figures do not agree, there being a difference of £200 in the amount raised for redemption in 1925-26. The Controller and Auditor-General in his compilation appears to have assumed that a certain debenture was wholly cancelled out of loan-moneys, whereas £200 of it had previously been cancelled out of unclaimed moneys on New Zealand Government bonds. The Controller and Auditor-General consequently has understated the redemption loan-moneys carried forward at the end of the financial year by £200, and the Treasury figure is correct. The total balance carried forward in Loans Redemption Account, however, is not affected—it is merely a question of its composition. This erroneous assumption has also led to other consequential differences in the figures relating to the increases and decreases in the debt, but the correct figures are as set down in the Budget.

LOANS BETWEEN TREASURY ACCOUNTS.

(Pages 5 and 6 of Report.)

Treasury memorandum :—

The reference here apparently relates to the use and investment of cash proceeds of loans for the purpose of temporarily funding other accounts in need of cash by virtue of the powers given by Parliament in terms of section 38 of the Public Revenues Act.

As an index to the extent of the temporary use of loan proceeds for these purposes, the figures from the Debenture Sales Accounts of 1913-14 and 1924-25 respectively, quoted by the Controller and Auditor-General, do not on examination represent a just comparison. For instance, the account for the first-mentioned year does not disclose the fact that £60,000 loan-moneys of the Waihou and Ohinemuri Rivers Improvement Account and £738,400 cash from Loans Redemption Account—all loan proceeds—were temporarily invested as at 31st March, 1914, in the securities of other accounts. The same account for the year 1924-25 contains many transactions which represent more or less permanent investments of revenue, and in no way involve the temporary use of loan balances. For instance, the balance as at 31st March, 1925, quoted by the Controller and Auditor-General (£5,752,275) includes over £2,300,000 of investments held by Ordinary Revenue Account (accumulated surplus) and large sums invested by other revenue-earning accounts and sinking funds, none of which involves loan-moneys. The temporary use of loan proceeds not immediately required has the effect of postponing the raising of moneys for other purposes, and thus actually effects an economy. The Treasury has always recognized the desirability of keeping this floating debt at a minimum, and since 1922 has reduced it considerably. In view of the present annual turnover in cash compared with 1913-14, the balance now used for this purpose is not disproportionate.

In regard to the remedy suggested by the Controller and Auditor-General, it may be pointed out that it is not the practice of the Treasury to allocate to any account loan-money in excess of its requirement for the year. The investments referred to arise from the fact that the whole of the loan-money allocated to any particular account is not required immediately.

The temporary increase of debt that the system incurs could, if thought desirable, be overcome by a method of book transfers without formal issue of securities. The procedure at present followed, however, is in accordance with law.