

since been received from the Solicitor-General to the effect that the exchange of securities and the antedating of the transaction were both without authority of law. This opinion has been communicated to the Treasury, and no further action in regard to the matter would appear to be necessary.

LAND FOR SETTLEMENTS ACCOUNT.

During the year securities for moneys raised for the Land for Settlements Account amounting to £20,400 were redeemed out of the Ordinary Revenue Account of the Consolidated Fund. Redemption out of ordinary revenue did not appear to be contrary to law, but, as the effect would be to relieve the Land for Settlements Account of the liability, and the interest thereon, at the expense of the Consolidated Fund, the matter was brought under the notice of the Treasury, and it was agreed that legislation should be drafted to place the matter in order.

PURCHASE OF WHEAT, 1925-26.

In connection with the purchase of wheat for the 1925-26 season the Audit Office was given to understand that the purchase was to be made by the Government on behalf of the millers, who were to advance the money required. Such a transaction appeared to be in order, and the vouchers were passed accordingly, the transactions being recorded by means of a Deposit Account. During last year it transpired, however, that the transaction was viewed not as a purchase on behalf of the millers, but as a purchase on Government account, and that the Government was to retain the profit arising from the transaction. As it did not appear that a Department of State could properly purchase wheat on Government account without authority of Parliament, the matter was brought under the notice of the Treasury, which has promised to recommend legislation validating the procedure. The transfer of the profit to miscellaneous revenue has accordingly been passed by Audit subject to the introduction of such legislation.

ISSUE OF COMMISSIONERS' ORDERS FOR PAYMENT OF INTEREST IN LONDON.

Section 79 of the Public Revenues Act, 1926, contemplates the issue of bank orders in New Zealand for the payment of the charges of the public debt in London, and section 82 of that Act enables a Commissioners' order to be issued in London should such bank order not be received in England in time for payment. To avoid delays in the transmission of advices between Wellington and London, with consequent loss of interest, it has been found advisable to issue Commissioners' orders for the payment of interest in London in every case. The Audit Office has agreed to this change, subject to the amendment of the Public Revenues Act so far as may be necessary to cover the altered system.

ISSUE OF INSCRIBED STOCK.

Section 7 of the New Zealand Inscribed Stock Act, 1917, provides that, except in the case of conversions, stock may not be inscribed for an amount less than £100. During the year a case came under the notice of the Audit Office in which an amount of stock issued in redemption of debentures had been inscribed contrary to the provisions of the Act. The attention of the Treasury was drawn to the matter, and I am informed that it is proposed to promote legislation with a view to meeting the position. The inscription of the stock in question has accordingly been passed by Audit subject to the necessary authority being provided.

CONSOLIDATED STOCK LOANS NOT ALLOCATED TO ACCOUNTS.

I had occasion in my last report to call attention to consolidated-stock loans amounting to £55,671,994 11s. 1d. which had not been allocated to accounts, and full particulars of the allocation of this stock were subsequently placed before Parliament by the Treasury (B.-2, 1926).

In some cases it was found necessary to allocate the stock loans on a proportional basis, and owing to the lapse of time an effective audit in detail of the allocation was not practicable. The basis on which the allocation was made by the Treasury appeared, however, to be a reasonable one, but it was deemed advisable by the Audit Office, in view of the fact that the allocation was to some extent arbitrary, that the approval of Parliament should be obtained before the allocation was made effective in the accounts. The Treasury has accordingly intimated that a suitable clause validating the adjustment of the various accounts in accordance with the allocation will be introduced during the present session, and the accounts embodying the allocation have been passed by Audit subject to such validating legislation.

GOVERNOR-GENERAL'S WARRANT.

It is provided by section 54 of the New Zealand Constitution Act, 1852, and also by section 53 of the Public Revenues Act, 1926, that no moneys shall be issued out of the Public Account except in pursuance of a Warrant under the hand of the Governor-General. It has hitherto been customary to request the issue of a single Warrant covering payments out of both the Public Account in London and Wellington, and the Audit Office, before countersigning issue requisitions and bank orders, has necessarily assured itself that the balance of the Warrant was sufficient to cover them. Early in August, 1926, however, it was discovered that issues amounting to over £300,000 had been made in excess of the Warrant. This arose through the payment of large amounts from the New Zealand Public Account, London, at the end of July by means of Commissioners' orders (which are issued in London), the requisitions for which were not submitted by the Treasury until the 5th and 6th August, when it was found the Warrant had been overdrawn. A fresh Warrant was at once obtained to cover the amount.