

More offices and accounts were inspected than in the previous year, and I am pleased to be able to report that the position in regard to outstanding work has been improved during the year. The inspections did not disclose any major defalcations in connection with the accounting for stores, and I have to report that in most Departments adequate records are maintained to record the receipt and issue of stores. Copies of all reports have been forwarded to the Departments concerned, and in many cases suggestions made by the Audit Office to improve the accounting for stores have been adopted.

Audit of Accounts of Local Authorities.

I am pleased to be able to report a satisfactory position regarding the audit of the accounts of local authorities. In almost all districts the position of the work has been maintained, and in some cases improved, since the date of my last report.

Delay and inconvenience in the carrying out of their duties are often experienced by Audit Inspectors by reason of the fact that little and sometimes practically no work on the preparation of the final accounts has been done after the close of the financial year by local-body officers. This does not apply to the larger local authorities, but to a considerable number of the smaller bodies in respect of which the work of the Audit Inspector has often been greatly protracted by the necessity for the preparation by him or under his direction of the final accounts.

A matter to which reference may be made in this report is the large increase in the number of qualifications included in the certificates of the Audit Office to the accounts of local authorities regarding breaches of section 20 of the Finance Act, 1934. Section 20 imposes restrictions on the application by local authorities of moneys received, in the circumstances set out in subsection (2) of the section, in reimbursement of loan-moneys. Its provisions require all reimbursements to which it applies to be paid by the local authority into a separate account at the bank and to be applied from that account in the manner set out in subsection (6), and not otherwise. Considerable difficulty appears to have been experienced by local authorities in determining whether or not particular moneys received by them are moneys to which the restrictions of the section apply, and the Audit Office has found it necessary to include reference to a breach of the terms of the section in its certificates during the year to the accounts of no less than twenty-five local authorities. In these cases the legal position has been pointed out to the local authorities concerned, and they have been requested to take the necessary action to have the matters adjusted and to ensure that the provisions of the section will be strictly observed in the future.

During the year sixteen members of local authorities were notified by the Audit Office that they had automatically forfeited their seats on account of their having been interested in contracts of their local authorities. Thirteen of these cases arose in circumstances which resulted in disqualification under the provisions of the Local Authorities (Members' Contracts) Act, 1934, two arose under section 37 of the Municipal Corporations Act, 1933, due to the Councillors concerned having been employed by their Councils and one under section 62 (1) (g) of the Counties Act, 1920, due to the Councillor having been employed under one of the employment-promotion schemes conducted by his Council. In two cases legislation was introduced which validated the irregularities and enabled the gentlemen concerned to continue as members of their respective local authorities. In one of these cases the legislation was introduced in connection with the disqualification of a member of a Domain Board on account of the fact that the normal period of appointment of Domain Board members being seven years, the member concerned would have been required to wait some years before seeking reappointment.

In the other case the legislation was introduced on account of the particular circumstances of the case having operated to constitute an undue hardship to the member concerned.

In connection with the question of the disqualification of local-authority members and in particular with the Local Authorities (Members' Contracts) Act, 1934, I desire to refer to the remarks in my report of last year. As was stated in that report, the Audit Office had anticipated that the passing of the