

PUBLIC ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 1939.

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL.

I HAVE the honour to submit my report for the year ended 31st March, 1939, in terms of subsection (2), (3), and (4) of section 89 of the Public Revenues Act, 1926.

In connection with these reports, which the Controller and Auditor-General is required to submit to Parliament year by year, it is perhaps advisable that I should explain that it is necessary to comment only on a very small percentage of the matters affecting the Public Accounts which form the subject of inquiry during each year. It will be readily understood that in the vast majority of cases where questions regarding ordinary transactions are raised by Audit any adjustment necessary is made or a settlement is arrived at after discussion with the Treasury or the Department concerned, and there is no occasion therefore for reference to be made to these cases in the reports to Parliament.

The full Statement of the Receipts and Payments of the Public Account is contained in two parliamentary papers—namely, Parts I and II of B.—1. Part I shows, under main headings, the receipts and payments of the funds and accounts comprising the Public Account, and also shows details of the expenditure under the annual appropriations, Civil List, and the Unauthorized Expenditure Account, whilst Part II shows certain of the receipts and payments in greater detail than they are shown in B.—1 [Pt. I]. The last-mentioned paper for the year ended 31st March, 1939, has already been laid before Parliament and it only remains necessary for me now to present Part II.

Treatment of Exchange.

In the report of the Controller and Auditor-General each year since 1932 the attention of Parliament has been drawn to the unsatisfactory method which has been followed in connection with the treatment of exchange in the Public Accounts.

It is necessary to make remittances from time to time from New Zealand to London for the purpose of meeting the expenditure of the High Commissioner for Government services. By direction of the Minister of Finance, acting under the authority of the Finance Act, 1932, section 55, the cost of exchange on these remittances is charged to the Consolidated Fund, and any recoveries which are made are credited to that Fund.

The expenditure in London may be divided into two classes—(1) interest and (2) stores and material—and the following notes show the course which is followed in each case with reference to recovery of exchange:—

(1) *Interest.*—It was necessary to provide £5,283,000 during the year ended 31st March, 1939, for the payment of interest in London, and the exchange on this amounted to approximately £1,320,750. The interest, in the first place, is paid from the Consolidated Fund, and the various accounts concerned reimburse that Fund.

The cost of exchange on the interest was paid from the Consolidated Fund, but no recovery of any portion has been made.

For example, interest paid in London on capital borrowed for the Electric Supply Account, amounting to £382,906, was duly recovered to the Consolidated Fund. However, the exchange on this interest, amounting to approximately £95,726, was not recovered, and the expenditure of the Electric Supply Account has therefore been understated by this amount.