

Audit of Accounts of Local Authorities.

Although a considerable amount of extra work devolved on the inspecting staff by reason of an increase in State activities during the year under review, the satisfactory position outlined in my report last year regarding the auditing of accounts of local authorities has been maintained.

The Local Bodies' Finance Act, 1921-22, was enacted to ensure that local authorities should provide for their ordinary obligations and engagements in any year out of their revenues for that year, and it is regrettable that in the year under review thirty-one of them failed to live up to the statutory requirements. There are certain weaknesses in the Act which have contributed to its failure to act always as a brake on excessive borrowings and commitments, but as they have been commented on in reports by my predecessor it is unnecessary to refer further to them here than to say that they still obtain. It has also been stated in the past that the application of strict budgetary control of expenditure would assist local authorities to avoid financial difficulties, and I am in agreement with that statement.

Under the provisions of section 3 of the Local Authorities (Members' Contracts) Act, 1934, thirteen members of local authorities were disqualified from acting as members by reason of their interest in contracts entered into by their local authorities. The action which the Audit Office takes respecting disqualifying contracts may often appear harsh to the local authority concerned, especially to the member on whom disqualification falls. In most cases it seems clear that no moral turpitude is involved and that the breach of the statute is the result of inadvertence or ignorance of the law, but the Audit Office does not possess any discretion in applying the relative statutory provisions.

During the year the Audit Office was required to deal with four cases of misappropriation of funds by local-body officials, the particulars of which were in each case referred to the police for any necessary action by them. The total sum involved in these misappropriations was £1,310 8s. 2d., while the largest sum misappropriated by any one official was £748 14s. 5d.

As previously reported, several County Councils within the Taranaki Provincial District have adopted the practice of refraining from the collection of heavy-traffic-license fees in respect of farmers' private motor-lorries used in carting milk to factories. These fees are properly payable in terms of the Heavy Motor-vehicle Regulations and should be collected, but the Audit Office has no statutory power to surcharge the Councillors responsible for the non-collection of the fees, although it appears open for any interested ratepayer to take appropriate action in the Courts to compel the Councils to collect the fees. If the Legislature deems it wise that local authorities should have an option of collection or non-collection, it is desirable that the law should provide accordingly.

As a result of the local-body elections held in May, 1938, and by reason of the difficulties experienced by local authorities in reaching an agreement as to the reasonable additional costs payable by Electric-power Boards and Harbour Boards in those cases where the elections for such Boards were held in conjunction with the elections of Borough or County Councils, the Audit Office was on numerous occasions requested to determine costs which were in dispute. The matter has been made more difficult by an effort on the part of County Clerks, acting as returning officers at the elections, to charge on the basis of a scale agreed upon among themselves in respect of returning officers' fees, irrespective of many different circumstances ruling in different cases.

Breaches of law relating to the accounts of local authorities with which the Audit Office was concerned during the year are detailed below in Schedule A. Other matters which, although not breaches of law on the part of the local authorities, the Audit Office felt called upon to refer to in its certificates to the several accounts are set out in Schedule B. In regard to these matters the necessary action was taken by the Audit Office to obtain an adjustment of the accounts or a recovery of moneys which had been unlawfully expended except in those cases (comprising Schedule C below) where assurances were given by the local authorities concerned that they would make application for the introduction of legislation validating the irregularities. In numerous instances during the early part of the year exception was taken to the