

- (b) All moneys transferred from the National Development Loans Account to the separate accounts constitute a capital liability of the appropriate account to the Consolidated Fund, but the liability of the separate accounts does not attach to them according to the terms on which the loan-moneys they received were raised. It attaches as to interest at such rate or rates as the Minister of Finance from time to time decides, and, as to repayment other than by way of sinking fund, when, and to the extent, the Minister is satisfied that any account has moneys available for reduction of the capital liability to the Consolidated Fund. These provisions are also made retrospective in respect of loans received by separate accounts prior to the coming into operation of the Act and remaining undischarged at that date.

Audit of Public Stores.

Stores accounts numbering 151 and relating to twenty Government Departments were examined by Audit Inspectors. The inspections showed that accounting systems were well maintained, and disclosed no serious irregularities. In twenty-five cases reports by Public Works Department Inspectors were accepted by Audit as presenting satisfactory evidence that the relative accounts were in order. The foregoing figures are exclusive of audit work performed in connection with Navy, Army, and Air Force stores. This work is dealt with in the War Expenses section of this report.

Audit of Accounts of Local Authorities.

I am again able to report a satisfactory general state of the audit of local authorities accounts.

During the year there were three cases of disqualification of members of local authorities, due to such members having been concerned or interested in contracts entered into by their respective local authorities in excess of the limits set out in section 3 of the Local Authorities (Members' Contracts) Act, 1934.

There were seven cases of misappropriation of funds by local-body officials, a decrease of four cases as compared with the previous year. In each case the matter was placed in the hands of the police for appropriate action by them. The aggregate sum of all the misappropriations was £3,442 9s. 4d.

The Audit Office dealt with numerous breaches of law relating to the accounts of local authorities, and an adjustment of the accounts or a recovery of the moneys was required in all cases except where a satisfactory explanation was made, or where the special circumstances were such that Audit requirement was waived conditionally on legislation being obtained to validate the irregularities.

The following is a list of the cases where this conditional waiver was granted:—

Auckland Harbour Board ..	..	"Unauthorized" expenditure exceeded by £60 4s. 3d.
Bay of Plenty Hospital Board ..	..	Bank overdraft exceeds the statutory limit.
Bay of Plenty Hospital Board ..	..	Precedent consent of the Governor-General in Council not obtained to the raising of a loan.
Hawke's Bay Rabbit Board ..	..	Wrongful transfer of funds.
Hawke's Bay Rivers Board ..	..	Unlawful payment to a Board member under a disqualifying contract.
Lyttelton Borough Council ..	..	Expenditure incurred prior to the date a loan was authorized wrongly charged to the loan.
Nelson Raspberry Marketing Committee		Unlawful payments of allowances to members of the Committee.
Otorohanga Town Board ..	..	Agreement entered into without lawful authority.
Thames Valley Electric-power Board ..	..	Borrowing after expiration of period stipulated by authorizing Order in Council.
Waipawa Hospital Board ..	..	Grants to nurses in respect of personal effects destroyed by fire.
Wanganui Hospital Board ..	..	Expenditure incurred prior to the date a loan was authorized and wrongly charged to the loan.
Wellington Education Board ..	..	Unlawful payment of £20, representing the cost of a presentation.

The necessary legislation has already been provided in the above cases with the exception of the Auckland Harbour Board, the Hawke's Bay Rabbit Board, the Otorohanga Town Board, and the Thames Valley Electric-power Board.

Two local authorities engaged in pig-raising and eight in the cultivation of vegetables and seed-cropping activities for which there was no authority of law. The Audit Office has taken no action in these cases beyond drawing attention to the position in its certificate on the annual accounts of the local authorities concerned. It is understood that the Department of Internal Affairs is considering the question of promoting legislation to authorize such undertakings and validate past expenditure thereon.