receipts and payments arising from transactions ancillary to the war effort are shown in total in the War Expenses Account of the annual accounts under the heading of "Civil."

Army Pay.

Close attention has been given to the audit of New Zealand Army pay disbursed both at home and overseas. It is pleasing to be able to report that the work has proceeded very smoothly, is well up to date, and that no irregularities of serious amount have been revealed in the course of it.

Ministry of Supply and Munitions.

The Ministry of Supply and Munitions is composed of the Minister in Charge and several Controllers of supplies and services. The Audit Office is concerned principally with the Indent Division of the Ministry, which procures equipment and stores both for Government Departments and for trading concerns, either by purchase or under the "lease-lend" plan of the Government of the United States of America. The work of the Division has been hampered by a dislocation of the mails and perhaps by lack of trained staff, and the Audit Office found it necessary to inform Treasury that the records were not in an entirely satisfactory state. Steps are being taken to put the position in order.

Eastern Group Supply Council.

Each member Government of the Council is to furnish to the British Ministry of Supply periodic statements showing (*a*) cash transactions in respect of production under orders issued by the Council, (*b*) the value of stores despatched to and recoverable from consignee members in accordance with issue orders or directions given by the Council. These statements require to be certified by the Audit Office, and an annual certificate is also required in respect of the stores accounts which each member Government must maintain. The New Zealand Government has not so far claimed any recoveries from other member Governments or from the British Ministry of Supply.

Loss of Field Pay.

In the course of the campaign in Greece some of the New Zealand field cashiers were made prisoner by the enemy, and it became necessary to reconstruct records lost there and in Crete. This reconstruction has proceeded as far as possible, and the results have been audited. The monetary loss ascertained to date which it will be necessary to write off as representing cash unaccounted for or destroyed to prevent its falling into enemy hands amounts to approximately £20,000.

Food Controller's Operations.

During the year the Food Controller, under the control of the Minister of Supply, found it inconvenient to operate through the Internal Marketing Account, and since July, 1941, all transactions have been financed through the War Expenses Account. The greater part of the Controller's expenditure charged to this account was incurred in the purchase of stocks of commodities for supply in the main to the armed forces, both Dominion and Imperial, and in the handling of the stocks represented by these payments an adequate stores system is most desirable. To date the requirements of Audit in this direction have not been met in their entirety, for although an efficient system has been instituted from 1st April, 1942, the stocks for the earlier period have yet to be balanced. The attention of the Food Controller has been drawn to the matter, and it is hoped that in the near future the position will be made satisfactory.

Army Stores.

My two previous reports drew attention to the unsatisfactory state of Army stores accounting, and although I am able to report this year that a decided general improvement has taken place, the position at several stores was such that the Audit Office could not regard it as satisfactory. A matter for concern is that two of the stores were ordnance depots through which pass the bulk of stores purchased by the Army Department. The unsatisfactory position has again been attributed to shortage of experienced staff, and the Department hopes to effect a remedy by changing the establishment from a civil to a military basis, when it should be possible to strengthen the staff with suitable men chosen from those called up for service.

The accounts examined by Inspectors have been mostly those relating to stocks held in store, but application during the year by the Army Department to bring ledger balances into agreement with stocks and to write off charge considerable losses in training and camp equipment indicates that control and custody of stores actually in use also leaves something to be desired.