

The target price or target cost contracts in connection with ship-building mentioned in my last report have now been completed, but the Department concerned advises that owing to material changes in design the final costs were approximately double the target price. The aim, therefore, was wide of the mark, and the value of fixing a target was altogether discounted. The Audit Office was, however, able to satisfy itself as to the expenditure which the contractors had incurred. An extra fee to be settled by negotiation is to be paid to the contractors on account of the excess cost.

Since the recent appointment of the Commissioner of Defence Construction, building contracts have been arranged upon the basis of schedules of quantities prepared by quantity surveyors and priced by reference to master schedules based on agreements between the Commissioner and the Master Builders' Association. Provision is made for the contractor to claim adjustments of schedules arising from circumstances of a particular contract, and the contract price is arrived at by adding to the priced schedule 5 per cent. for profit and a further $2\frac{1}{2}$ per cent. to cover overhead expenses. Timber requirements are arranged and paid for by the State Forest Service under a procedure which allows the contractor the agreed percentages upon the assessed value of timber incorporated in the works.

(j) **MONEY OR STORES WRITTEN OFF.**

Section 3 (3), Public Revenues Act, 1926.

The above section provides that no moneys or stores may be finally written off and discharged from Public Account without the authority of Parliament.

It has been the past practice to include an appendix to the Controller and Auditor-General's report a complete statement of all moneys and stores in respect of which Audit concurrence has been given since the last report for their writing off and discharge from the Public Account.

The statement has invariably been one of considerable length, and, in the present circumstances, it is shown in an abridged form, by including therein only the more important items (see Appendix, page xix).

(k) **ROYALTIES.**

Section 91 (2), Public Revenues Act, 1926.

Since 1927 the Controller and Auditor-General has included in his report to Parliament a statement of royalties due to the Crown but unpaid at the close of the financial year. The statement has been presented in terms of section 91 (2) of the Public Revenues Act, 1926, although the names of individual debtors have not been published as the section requires. The amount of royalties outstanding at the end of any financial year is relatively not considerable, and they come under review in the ordinary course of departmental audits. The Audit Office has been advised that legislation dispensing with the necessity for publishing any statement of royalty debts will be introduced at the first opportunity, and in anticipation of the passing of this legislation no royalty statement appears in this report.

ROLL OF HONOUR.

It is with deep regret that I record the death on active service of the under-mentioned Audit officers :—

G. B. Casey	..	..	Gunner, Anti-aircraft Regiment.
W. T. Everist	..	..	Pilot Officer, R.N.Z.A.F.

CONCLUSION.

The staff of the Audit Department has continued to render loyal and efficient service under increasingly difficult conditions, and officers of other Departments have shown willingness to give due consideration to Audit representations.

I acknowledge also the valuable advice I have received from the Law Officers of the Crown on difficult legal questions affecting Audit.

CYRIL G. COLLINS,
Controller and Auditor-General.

Audit Office, 19th August, 1942.