Crediting Loan Receipts

The prospectuses issued in connection with recent loans state that receipts therefrom will be used partly for repaying existing loans and partly for national development purposes. Part of the receipts from these loans was being credited to National Development Loans Account in respect of estimated requirements of that Account, and part to Loans Redemption Account.

Prior to the end of the financial year Treasury was experiencing difficulty in ascertaining whether the amounts credited to National Development Loans Account would be sufficient to meet the requirements of its development programme, and representations were made to Audit that all loan receipts should be credited in the first instance to the Development Loans Account, and that before the end of the financial year any unrequired balance should be transferred to Redemption Account in terms of section 7 of the National Development Loans Act, 1941. This section provides for transfers for redemption purposes from accounts which have a capital liability arising under section 6 of the Act.

As the Audit Office considered that any unallocated balance held in National Development Loans Account did not represent a capital liability to the Consolidated Fund as provided by section 6 aforementioned, it was of the opinion that section 7 of the Act did not provide statutory authority for Treasury's proposed action.

However, it was agreed that any moneys borrowed, which were within the amount of the authorization for national development, but which proved to be not required for that purpose, could be transferred to Loans Redemption Account as moneys available for the purpose of repaying any loan, in terms of section 11 (*c*) of the New Zealand Loans Amendment Act, 1947.

The accounts for the year under review disclose that £2,121,940 was transferred in accordance with this arrangement.

Permanent Investments of Public Account Balances

At the beginning of the last financial year investments in the following organizations were held as part of the balances of various accounts within the Public Account:—

Tasman Empire Airways, Ltd.
New Zealand Woolpack and Textiles, Ltd.
Reserve Bank.
State Advances Corporation.
Bank of New Zealand.

As these Corporation investments were of a permanent nature and not temporary investments of surplus cash, legislation was introduced to provide for their elimination from the balances of accounts, and their inclusion in a separate statement. Provision was made in the same legislation for the