

that the supervision exercised over them by the Head Office is satisfactory. The Air Force returns, however, indicate that there is scope for improvement in their preparation, and the accounting for them by Air Department head office.

In the Navy, standard prices, based on the average cost of each item over the previous twelve months, are fixed for all commodities. Standard quantities of foodstuffs are not fixed except in the classes of goods rationed to civilians. Quarterly returns are prepared showing what the standard cost of rationing a depot or ship should be, and whether that cost has been exceeded or not. These returns, which are examined by the Audit Office, indicate that the accounting system in force relating to rationing is carried out in a satisfactory manner.

Military Currency : Italy

Mention was made last year of an interim payment of £500,000 sterling charged to War Expenses Account for the New Zealand Government's share of costs incurred by the United Kingdom Government in converting lire currency spent in canteens to sterling, when the canteen authorities desired to remit receipts elsewhere.

Although it was not possible to determine accurately the proportion of the sales attributable to New Zealand personnel, it was estimated by the War Office that up to August, 1945, New Zealand's share would be approximately £600,000 sterling, leaving the period from September, 1945, until the withdrawal of the New Zealand troops from Italy to be dealt with at a later date.

Advice has now been received from the High Commissioner, London, that the United Kingdom Government has agreed to accept the payment of £500,000 sterling made in the previous financial year in full settlement and to waive the claim for any balance.

Costs of Hospital Ships

As a result of agreement reached between the Governments of the United Kingdom, Australia, and New Zealand to allocate, on a *per capita* basis of patients carried, the costs of running certain hospital ships, an amount of £284,000 became due from New Zealand to Australia, and a net amount of some £14,000 is due to New Zealand from the other partners to the arrangement. A payment of £200,000, charged to War Expenses Account and representing part of the amount due to Australia, was made before the end of the year. South Africa has yet to ratify a minor share in the agreement.

Occupation Force in Japan

Reference was made in last year's report to the financial arrangements in connection with the British Commonwealth Occupation Force in Japan, and to the keeping of a "Pool Account" of costs by the Australian authorities.