

Some of the stocks acquired were disposed of, but it was necessary to dump a considerable portion. In addition to payment under the contracts, the Government decided to meet claims for losses arising out of the effects of a transport "stay order" imposed in February, 1948, under which the consignment by rail of potatoes from certain districts in the North Island was prohibited for a period.

The net cost of these transactions has been £159,200; which has been charged to vote, "Stabilization: Subsidies."

In connection with the grading of the South Island potatoes some substantial payments to graders were noticed, one firm receiving £850 for grading the equivalent of 102,000 sacks in approximately six weeks. According to normal practice, half of this cost was met by growers and half by the purchaser—the Department. Other graders received what appears to be correspondingly high reward for the work done by them, and the Audit Office suggested that in the special circumstances wherein a large surplus of potatoes over requirements was graded the rate might reasonably be reviewed, but the Department did not agree.

Hides Equalization Fund

It was mentioned last year that the Committee administering the above-named Fund had a credit balance at the bank of £674,565 at the 31st March, 1948, and the opinion was expressed that the Hides Emergency Regulations 1940 (No. 2) did not contemplate the building-up of such a large balance.

The Hides Emergency Regulations 1940 (No. 2), Amendment No. 1, made on the 23rd March, 1949, provides that funds for the time being surplus to the Committee's requirements shall be paid into the Meat Industry Account and may be refunded from that account if required to enable the Committee to meet expenditure. At the end of April, 1949, an amount of £1,500,000 was held in the Meat Industry Account under this arrangement.

Local Authorities' Accounts

Six cases of misappropriations of funds by local-body officials, involving an aggregate of £21,064 5s. 9d., were reported during the year. This total includes thefts of moneys of the New Plymouth City Council mentioned in last report. In each case the matter was placed in the hands of the police for appropriate action. Restitution and moneys received under fidelity guarantee policies amounted to £1,888 7s.

The loss to the New Plymouth City Council was £16,895 14s., and by petition of right it has asked for judgment against the Crown for this sum plus £500 for legal, clerical, and other expenses, on the ground that the Audit Office failed and neglected to carry out its duties with proper and reasonable care, skill, and diligence. The case was recently heard in the Supreme Court, New Plymouth, but as judgment has not yet been given it is regretted that further comment on the matter must again be delayed.

Numerous breaches of law relating to accounts were dealt with, and an adjustment thereof or a recovery of moneys was required in all cases. A considerable increase in the number of local authorities which had failed to live within their incomes or which had