

incurred bank overdrafts without authority or in excess of statutory limits was mentioned last year. During the year 1948–49 there were fewer unauthorized or excessive overdrafts, but there was a further increase in the number of cases of failure to live within income.

Six cases of disqualification for membership of local authorities in terms of section 3, Local Authorities (Members' Contracts) Act, 1934, were dealt with. Further reference to the operation of this Act is made later on in this report.

The practice of some local authorities of handing over loan debentures in return for an undertaking by a bank that the moneys of the loan will be paid over as and when required is now authorized by section 49, Finance Act (No. 2), 1948, on condition that the debentures are handed over only in exchange for an irrevocable undertaking given by a bank, and approved by the Minister of Finance, that it will pay the principal moneys to the local authority as and when demanded, and that it will reimburse the local authority for any interest paid on the debentures for any period before the relative principal moneys are received.

Local Authorities (Members' Contracts) Act, 1934

In terms of the above-mentioned Act, if a member of a local authority contracts with it in excess of certain amounts he vacates his membership, and he becomes liable to a fine if he purports to continue to act. A further consequence ensues if payments are made by the local authority under the disqualifying contract. They are illegal payments and are recoverable from the members who received them. A duty is imposed on the Audit Office by the Act to institute proceedings for offences under it. It is easy to notify a person that he has ceased to be a member and that if he continues to do any act as such he will be liable to fine. Such notification is invariably enough and the Audit Office has no further trouble so far as that is concerned. The recovery of any payment made is a very different matter. A member may become involved through ignorance or misinterpretation of the law, or through ignorance that a contract had been made. Naturally when he knows that the local authority has received full value for the payment it has made to him he is extremely loath to refund the money he has received, and if the Audit Office has no reason to doubt his good faith it is equally reluctant to institute proceedings for recovery. Two actual instances of what may happen are as follows. A member of a Borough Council was holder of one-third of the shares in a company which supplied the council with timber to the value of £1,270, and the company received payment accordingly. The disqualified member explained that the timber was asked for urgently in respect of a housing shortage, that it was not procurable elsewhere, and that he did not know it was being bought from his company. He appears, however, to have become liable to refund £423. In a second case a sheep-station in which a member of a Rabbit Board had a third interest supplied carrots and transport at a cost of £1,939. The Board represented that the carrots were grown to oblige it in an area to which it would be difficult to transport them, and that in paying for them, and for other services for pack horses, packman's wages, and horse feed, it was not aware it was acting illegally. Again there has been no suggestion of bad faith, but the disqualified member is liable to be called upon to refund some £645.