

The information on which the Audit Office was asked to pass the latest payments was not satisfactory, but Treasury is pressing the Air Ministry for a complete statement. This should cover the cost of the whole of the material supplied and the services rendered, and the payments which have been made in respect of them. This statement will be examined when it is received.

Air Defence Fund

In June, 1948, the Government decided to establish an Air Defence Fund within the Public Account, and provision for the transfer to it of £1,000,000 was made in the Air Department's estimates, 1948-49, page 145.

Treasury proposed to credit this amount to a special Deposit Account, but the Audit Office represented that the terms of the item in the estimates as appropriated, contemplated the establishment of a Fund, expenditure from which would in turn be subject to parliamentary appropriation. As a result of these representations a new account, designated the Air Defence Fund, was opened in terms of section 27 (c) of the Public Revenues Act, 1926.

Although the item on the Air Department's estimates provided £1,000,000 only for transfer to the Fund, proposals were submitted at the close of the financial year for the transfer of an additional £600,000. The Audit Office was of the opinion that the original item was of a specific nature, and that it should not be exceeded, but on Treasury's assurance that it was intended as an estimate only, the transfer was passed.

The vote for Air Department as a whole was not overdrawn as other items were not spent up to the estimated amount.

T.s.s. "Monowai" Reconditioning

The reconditioning of the "Monowai," converted during the war to an armed cruiser, was carried out at Morts Dock, Sydney, on a cost-plus basis, under the supervision of a representative of the British Ministry of Transport.

Information obtained from the Union Steam Ship Co., Ltd., disclosed that costs incurred up to 31st January, 1949, amounted to £(A.)1,696,464, and that further costs would come to charge, although the company did not anticipate that they would be substantial.

Progress payments of £(A.)1,093,471, based on estimates of the work done, have been made to the owners by the United Kingdom Ministry of Transport. Prior to the end of the financial year the Ministry advised that the ship was employed in the service of the New Zealand Government for four-ninths of its period of commission, and suggested that payment of New Zealand's share of the reconditioning costs should be apportioned on this time basis.

The total amount due by New Zealand under this arrangement was £389,000 in New Zealand currency, and settlement was effected by a payment of £156,300 to the Ministry of Transport and by arranging for a set-off against the balance due of an amount of £232,700 held by the Admiralty since 30th March, 1948, as part payment of the purchase-price of a survey vessel which has not been delivered.