

1949
NEW ZEALAND

Report of the
Controller and Auditor-General

on the

PUBLIC ACCOUNTS
of New Zealand

for the

Financial Year ended 31st March, 1949

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REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

I HAVE the honour to submit my report for the year ended 31st March, 1949, in terms of subsections (2), (3), and (4) of section 89 of the Public Revenues Act, 1926, which are set out hereunder.

(2) The Controller and Auditor-General shall in each year examine the public accounts received from the Treasury, and prepare and sign a report showing—

- (a) The particulars of any discrepancies between such accounts and the books of the Treasury :
- (b) Full particulars of every case in which the provisions of this or any other Act, or the regulations or any forms, have not been carried out or adopted, or have in any manner been varied or departed from :
- (c) Every case of failure to deliver or send in accounts or to collect or account for any moneys or stores :
- (d) All sums allowed or disallowed without vouchers, or with imperfect vouchers, or upon incorrect certificates :
- (e) Any proceeding that may have been taken by or against any person in pursuance of the provisions of this Act or the regulations :
- (f) All unsatisfied surcharges which have been made by the Controller and Auditor-General, and all surcharges disallowed by the Minister on appeal :
- (g) In what accounts the Controller and Auditor-General has, with the consent of the Minister, dispensed with a detailed audit :
- (h) Such other information as may be prescribed, or as the Controller and Auditor-General thinks desirable.

(3) The Controller and Auditor-General shall annex or append to the said report copies of all cases laid by him before the Attorney-General for his opinion, together with a copy of the opinion given in every such case.

(4) The Controller and Auditor-General shall lay the said report before Parliament within fourteen days after the public accounts have been laid before Parliament.

The public accounts received from the Treasury have been examined in terms of the first part of subsection (2) and have been printed as B-1 [Pt. I], and the further provisions (a-h) of subsection (2) and the provisions of subsection (3) are satisfied as follows :—

(a) DISCREPANCIES IN THE STATEMENT OF ACCOUNTS

There are no discrepancies between the accounts and the books of the Treasury, and no cases were laid before the Attorney-General.

(b) CASES IN WHICH THE PROVISIONS OF THE LAW HAVE NOT BEEN CARRIED OUT

The Audit Office is required to satisfy itself that all financial transactions of the State are supported by proper authority, and that they contravene no provisions of the law. Circumstances arise, however, which require or render desirable that public moneys shall be expended for purposes for which no specific authority exists, and for which the statutory provisions governing "unauthorized expenditure" or "emergency expenditure" are not available, or not available to a sufficient amount. There are cases also in which it is in the interest of public business that legislative restrictions shall not be applied.

Several cases covered by the foregoing explanation arose during the year, and the Audit Office, following past practice, agreed to pass relative transactions on being informed by the Government that it would introduce validating or amending legislation, or otherwise provide the authority required.

The necessary legislation or authority in the following cases was obtained during the year covered by the report :—

(1) Section 29 of the Finance Act, 1948, validated payments made to members of the General Assembly for expenses incurred by them in attending the conference of the Empire Parliamentary Association held at London in 1948. It also contained the balance of the authority required to validate payments made to two members of Parliament mentioned in my report last year as having become disqualified by reason of becoming contractors within the meaning of the Electoral Act, 1927.

(2) Section 6 of the Finance Act, 1948, which was passed on 12th November, 1948, provided for the abolition of overseas passenger-duty from 30th September, 1948.

Reference was made last year to cases in which validating legislation or other authority had not been provided at the date of the report. Legislation has since been provided as follows :—

(1) Section 4 of the Finance Act, 1948, authorized the Marine Department to operate cargo and passenger ships and to insure cargo carried in those ships.

(2) Section 10 of the Superannuation Amendment Act, 1948, validated payment of increased annuities to widows who were in receipt of or entitled to annuities at the date of coming into operation of the Superannuation Act, 1947, but to whom section 39 (a) (i) of that Act did not apply as was intended.

(3) Section 5 of the Finance Act, 1948, validated unauthorized expenditure in excess of the limit fixed by section 7 of the Finance Act, 1947.

Validating or other authority is awaited in respect of the following :—

(1) For the payment of an allowance of £26 a year in addition to any age-benefit granted to a beneficiary who is a parent of a deceased member of His Majesty's Forces other than the New Zealand Forces or to the parent of a deceased member of the Mercantile Marine.

(2) For the payment during the financial year 1948-49 of £229,772 5s. 5d. in excess of the amount of £2,592,538 5s. 2d. assessed in terms of section 7 of the Finance Act, 1947, as the limit of unauthorized for all services in that year.

**(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC
MONEYS AND STORES**

Misappropriations of public moneys by departmental officers included in this statement numbered thirteen, involving a total sum of £8,686 9s. 3d. The largest concerned the Social Security Department, in which a cashier in Auckland, who handled very large sums of money, stole £6,329 6s. 6d. The check on daily transactions in the Auckland office is an internal one, and the Audit Office takes no part in its application. Any tightening of the check which the fraud indicates to be desirable will be made.

Where a Department is handling an immense number of transactions, as the Social Security Department is, it is an extremely difficult matter to keep checks so up to date and efficient that a defaulter cannot escape detection for a time.

Another considerable theft, to an amount of £993 16s. 11d., happened in the Works Department, and was committed by a senior clerk who obtained the moneys by falsifying wages-sheets and, in collusion with two contractors of the Department, by preparing and causing to be paid fictitious claims for lorry hire. Inquiry revealed that the official time-books were not supported by field time-books, nor were the hire claims supported by daily cartage docketts certified as correct by field personnel. The police brought charges against the three offenders, and they were convicted and sentenced as stated in the schedule below. At a subsequent inquiry by the Public Service Commission into the actions of the officers who passed the claims for payment, it was found that they had failed in their duty to see that the departmental instructions relating to the payment of moneys were observed, and they were suitably disciplined.

Of two other large defalcations one was in the Land and Income Tax Department and the other in the Post and Telegraph Department. In the Land and Income Tax Department a cashier misappropriated the sum of £869 6s. 7d. The major portion of this amount was obtained by him by suppressing the Department's copies of receipted demands. He also omitted to issue receipts, and in one or two instances he manipulated the carbon copies of receipts.

The Post Office case concerned a Postmistress at a small post-office who converted moneys from cash in hand to her own use and falsified her returns by delaying the accounting of departmental remittances which had been sent to her to meet current commitments.

As has been mentioned on previous occasions, the ordinary safeguards provided by internal checks are applied wherever possible to prevent irregularities, and the Audit Office in the course of its duties examines the accounting systems in operation and suggests improvements where necessary.

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
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NOTE.—In cases marked * Police inquiries were either unsuccessful or are incomplete.

CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED

Air Department

A. 21/101/48	Misappropriation of moneys . .	£ s. d.			Offender admitted to probation for twelve months. Restitution made.
		13	15	3	

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>continued</i>			
Army Department			
		£ s. d.	
A. 21/9/48	Theft of meat	Not stated	Offender convicted and admitted to probation for twelve months.
A. 21/9/48	Theft of bacon	11 10 7	Offender placed under stoppage of pay to the extent of £10.
Education Department			
A. 21/10/48	Misappropriation of moneys ..	47 1 1	Offender convicted and admitted to probation for two years. Restitution ordered.
Health Department			
A. 21/14/48	Misappropriation of moneys ..	18 2 3	Offender admitted to probation for twelve months. Restitution made.
A. 21/14/48	Theft of liquor	4 7 11	Investigated by police. Officer resigned.
Health Department (Division of Mental Hygiene)			
A. 21/24/48	Theft of bricks	2 0 0	Offender convicted and fined £5. Bricks recovered.
Island Territories Department (New Zealand Reparation Estates)			
A. 23/45/9	Theft of rations	190 18 7	Police prosecution pending.
A. 23/45/9	Theft of building material ..	35 0 0	Police prosecution pending.
Land and Income Tax Department			
A. 21/21/48	Misappropriation of moneys ..	869 6 7	Investigated by Department. Officer responsible now deceased. £500 recovered under Fidelity Guarantee Insurance policy.
Marketing Department (Milk Marketing Division)			
A. 21/127/48	Misappropriation of moneys ..	6 14 7	Offender convicted and sentenced to fourteen days' imprisonment.
Department of Maori Affairs			
A. 21/27/48	Misappropriation of moneys ..	42 10 5	Offender admitted to probation for two years. Restitution made.
A. 21/27/48	Misappropriation of moneys ..	57 19 2	Offender convicted and sentenced to twelve months' imprisonment.
Ministry of Works			
A. 21/35/48	Moneys obtained by fraud ..	993 16 11	Three offenders : One, a departmental officer, was sentenced to two years' imprisonment, and one, a contractor of the Department, was sentenced to one year's imprisonment. The third offender was admitted to probation for three years. He made restitution of £207 12s. 6d., and was ordered to pay £50 towards Court costs.
Navy Department			
A. 21/28/48	Theft of lead counterweights (16)	13 0 0	Offenders (3) convicted and admitted to probation for twelve months. Goods recovered.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>continued</i>			
Post and Telegraph Department			
A. 21/30/48	Misappropriation of moneys ..	£ s. d. 259 8 11	Offender sentenced to two years' reformatory detention.
Railways Department			
A. 21/36/48	Theft of corrugated iron ..	15 16 8	Offender sentenced to fourteen days' imprisonment. Value of iron recovered.
A. 21/36/48	Misappropriation of moneys ..	0 11 0	Offender convicted and fined £2. Restitution made.
A. 21/36/48	Theft of moneys ..	10 0 0	Court action pending.
A. 21/36/48	Misappropriation of moneys ..	2 17 2	Offender convicted and fined £5.
Department of Scientific and Industrial Research			
A. 21/98/48	Misappropriation of moneys ..	44 19 5	Offender admitted to probation for two years. Restitution made.
Social Security Department			
A. 21/2/49	Misappropriation of moneys ..	6,329 6 6	Offender sentenced to three years' reformatory detention.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED			
Agriculture Department			
A. 21/4/48	Theft of typewriter, gum boots, and camera (three instances)	Not stated	*
Air Department			
A. 21/101/48	Theft of arms, clothing, equipment, rations, tools, and stores (twenty-seven instances)	Not stated	Each case was investigated by the police or by Air Force authorities. Convictions were obtained in two cases. Inquiries in respect of four of the cases are not yet complete.
A. 21/101/48	Misuse of rail travel warrant ..	1 12 9	*
Army Department			
A. 21/9/48	Theft of arms, clothing, equipment, and stores (forty-four instances)	Not stated	Each case was investigated by the police or by the military authorities. Convictions were obtained in two cases. Inquiries in respect of four of the cases are not yet complete. In one case the officer responsible for the safe custody of the goods was required to make good the loss.
A. 21/9/48	Excess gratuity paid due to falsification of departmental records	100 0 0	Investigated by police. Insufficient evidence obtained to warrant prosecution. Amount being recovered by instalments.
A. 21/9/48	Fraudulent cashing of dependant's allowance warrant	6 6 0	*
Health Department			
A. 21/14/47	Unlawful cashing of salary cheque	6 13 9	*
A. 33/3 ..	Postal warrant cashed by unauthorized person (two instances)	1 10 0	*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount Involved..	Action Taken, and Result.
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CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*contd.*

Health Department (Division of Mental Hygiene)

A. 21/24/48	Theft of stores, equipment, and rations (four instances)	£ s. d. Not stated	*
A. 31/8 ..	Theft of boots (twenty-five pairs)	36 8 4	*

Department of Industries and Commerce

A. 21/42/29	Theft of stores	Not stated	Offender convicted and admitted to probation for twelve months. Goods valued at £3 recovered.
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Island Territories Department (New Zealand Reparation Estates)

A. 23/45/9	Theft of cash	118 11 5	Police investigations proceeding.
A. 23/45/9	Theft of moneys (two instances)	45 6 0	Police prosecution pending.

Department of Labour and Employment

A. 21/120/48	Theft of blankets, bed, and electric iron (four instances)	Not stated	*
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Lands and Survey Department

A. 21/38/48	Theft of petrol, tools, and stores (five instances)	Not stated	*
A. 13/21/4.	Theft of sheep (178 ewes, 389 hoggets)	372 10 0	*

Department of Maori Affairs

A. 21/27/48	Theft of barbed wire (178 coils)	223 19 8	*
A. 21/27/48	Theft of roofing-iron ..	Not stated	*

Marine Department

A. 21/23/48	Theft of tools	2 13 3	*
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Marketing Department

A. 23/182/7	Egg subsidy obtained by fraud	1,861 3 4	Offenders (2): one was sentenced to one year's and the other to two years' reformatory detention.
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Mines Department

A. 21/25/48	Theft of detonators (2,000) ..	Not stated	*
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Ministry of Works

A. 21/43/48	Cheque cashed by unauthorized person	8 8 0	*
A. 31/11/2	Theft of stores (two hundred and forty-seven instances)	930 4 5	Reported to police—mostly petty items.

Ministry of Works (Housing Division)

A. 31/59/2	Theft of stores (twenty-six instances)	113 15 9	Reported to police—mostly petty items.
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National Broadcasting Service

A. 21/97/48	Theft of cash	11 10 7	*
A. 21/97/48	Theft of equipment and a radio (two instances)	Not stated	*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
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CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*contd***Navy Department**

		£	s.	d.	
A. 21/28/48	Theft or improper possession of stores, equipment, clothing, and bicycle (thirteen instances)	Not stated			Each case was investigated by the police or by the naval authorities. Inquiries in respect of one case are not yet complete. In three of the cases the officers responsible for the safe custody of the goods were required to make good the loss. Three surcharges totalling £64 16s. 4d. were issued.

Post and Telegraph Department

A. 21/30/48	Theft of cash (seven instances)	153	4	3	*In one case the officer responsible for the safe custody of the money was required to make good the loss, £3 5s.
A. 21/30	Theft of cash and equipment from public call offices and stamp-vending machines	140	2	11	Investigations were carried out in respect of each loss.
A. 21/30/48	Theft of stores and equipment (twenty-five instances)	Not stated			Each case was investigated by the police. A conviction was obtained in one case. In another case the officer responsible for the safe custody of the goods was required to make good the loss, £2 3s.
A. 21/30/48	Fraudulent withdrawal from Post Office Savings Bank account (six instances)	258	18	9	Each case was investigated by the police. Convictions were obtained in two cases. Inquiries in respect of four of the cases are not yet complete.
A. 21/30/48	Theft of mail-bag containing remittance	310	0	0	*
A. 21/30/48	Theft of safe and contents ..	50	0	7	*
A. 21/30/48	Theft of departmental remittance	12	0	0	*

Railways Department

A. 21/36/48	Theft of moneys (seven instances)	61	1	7	*In four of the cases the officers responsible for the safe custody of the money were required to make good the loss. Inquiries in respect of three of the cases are not yet complete.
A. 31/27/1	Theft of stores and equipment (various)	335	14	4	*

Rehabilitation Department

A. 21/116/48	Theft of equipment, timber, and tools (twenty instances)	Not stated			*
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Department of Scientific and Industrial Research

A. 21/98/48	Theft of tools and equipment (two instances)	9	6	4	*
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(c) **STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES**—*continued*

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED — <i>contd.</i>			
Social Security Department			
(Cases in which moneys were wrongly received, but not in circumstances in which the Social Security Commission deemed criminal proceedings justifiable are not included in this return)			
		£ s. d.	
A. 21/2/48	Widow's benefit obtained by fraud	458 8 4	Offender convicted and admitted to probation for two years. Restitution of £50 ordered.
A. 21/2/48	Age-benefit obtained by fraud	68 17 6	Offender convicted and fined £30. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	40 10 0	Offender convicted and admitted to probation for two years. Restitution ordered.
A. 21/2/48	Age-benefits obtained by fraud	60 6 10	Offender convicted and discharged.
A. 21/2/48	Sickness-benefit obtained by fraud	80 2 0	Offender convicted and fined £15. Restitution ordered.
A. 21/2/48	Emergency benefit obtained by fraud	57 3 0	Offender convicted and admitted to probation for two years. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	18 0 0	Offender convicted and fined £5 plus costs. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	30 3 0	Offender convicted and fined £50. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	10 8 5	Offender convicted and fined £5 plus costs. Restitution ordered.
A. 21/2/48	Invalid's benefit obtained by fraud	58 10 0	Police prosecution pending.
A. 21/2/48	Sickness-benefit obtained by fraud	58 10 0	Police prosecution pending.
A. 21/2/48	Benefits obtained by fraud ..	246 17 10	Offender convicted and sentenced to three months' imprisonment.
A. 21/2/48	Sickness-benefit obtained by fraud	24 7 0	Offender convicted and fined £33 15s.
A. 21/2/48	Sickness-benefit obtained by fraud	31 4 0	Prosecution pending.
A. 21/2/48	Emergency sickness-benefit obtained by fraud	100 6 0	Offender convicted and admitted to probation for twelve months. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	60 6 0	Offender convicted and sentenced to three weeks' imprisonment.
A. 21/2/48	Sickness-benefit obtained by fraud	22 10 0	Offender convicted and fined £7 plus costs.
A. 21/2/48	Age-benefit obtained by fraud	82 11 0	Offender convicted and fined £30 plus costs 15s.
A. 21/2/48	Widow's benefit obtained by fraud	110 10 0	Offender convicted and admitted to probation for two years. Restitution ordered.
A. 21/2/48	Sickness-benefit obtained by fraud	22 8 0	Offender convicted and sentenced to three months' imprisonment.
A. 21/2/48	Sickness-benefit obtained by fraud	60 0 0	Case adjourned <i>sine die</i> . Restitution ordered.
A. 21/2/48	Widow's benefit obtained by fraud	215 0 0	Offender convicted. Restitution of £45 10s. ordered.
A. 21/2/48	War veteran's allowance obtained by fraud	156 0 0	Offender convicted and sentenced to two months' imprisonment.
A. 21/2/48	Sickness-benefit obtained by fraud	5 17 6	Offender convicted and fined £5.
A. 21/2/48	Unemployment benefit obtained by fraud	2 4 0	Offender convicted and sentenced to two days' imprisonment. Restitution made.
A. 21/2/48	War veteran's allowance obtained by fraud	494 7 5	Prosecution pending.
A. 21/2/48	Age-benefit advice negotiated by unauthorized person	9 15 0	*
A. 21/2/48	Unemployment benefit obtained by fraud	9 10 0	Offender convicted and sentenced to two days' imprisonment.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount Involved.	Action Taken, and Result.
CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—<i>contd.</i>			
State Forest Service			
		£ s. d.	
A. 21/87/48	Theft of petrol, fencing-wire, and stores (five instances)	Not stated	*
A. 21/87/48	Theft of petrol	0 19 3	Offender convicted and fined £5. Restitution ordered.
State Hydro-electric Department			
A. 21/126/48	Theft of scrap copper ..	34 11 0	Offenders (2) convicted and each sentenced to three months' imprisonment.
A. 31/66/2	Theft of stores (seventeen instances)	240 9 2	Reported to police—mostly petty items.
Department of Tourist and Health Resorts			
A. 21/42/48	Theft of bicycle	4 10 0	*
Transport Department			
A. 21/105/48	Theft of motor-tires (ten) ..	110 11 6	*
Treasury Department (War Assets Realization Board)			
A. 21/12/48	Theft of machinery	15 0 0	*
Valuation Department			
A. 21/44/48	Theft of wages, £72 17s. 11d., and office cash, £5	77 17 11	*
A. 21/44/48	Theft of chain tape	Not stated	*

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926

Section 73, which requires the Audit Office to disallow any sum as paid where the voucher for the actual receipt or payment has not been produced, empowers the Minister, on satisfactory evidence being produced that the requisite papers have been lost or destroyed or that it is not possible to obtain or replace them, to order that the relative sum be allowed.

The powers of the Minister under section 73 have been delegated to the Secretary to the Treasury in terms of section 15 of the Finance Act, 1937, and the following payments have been passed by the Audit Office pursuant to orders made under the delegated powers:—

Department and Particulars.	Reason.	Amount.	Total Amount.
Agriculture		£ s. d.	£ s. d.
Travelling-expenses	Receipts not obtained	20 18 10	
Travelling-expenses of officers travelling overseas	Receipts not obtained	28 5 4	49 4 2

(d) **SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued**

Department and Particulars.	Reason.	Amount.	Total Amount.
Air			
Expenses incurred searching for lost aircraft	Receipts not obtained ..	£ s. d. 183 5 8	£ s. d.
Goods and services	Receipts unobtainable ..	3 19 2	
Pay and allowances	Vouchers lost	432 11 2	
Post and Telegraph services ..	Vouchers lost	5,965 9 11	
Repatriation expenses	Receipts not obtained ..	124 8 9	
Toll calls	Receipts not obtained ..	4 6 5	
Travelling-expenses	Receipts not obtained ..	553 8 5	7,267 9 6
Army			
Goods and services	Voucher lost	347 5 0	
Overtime	Voucher lost	40 10 4	
Pay and allowances (overseas) ..	Acquittance rolls lost ..	3,450 2 4	
Repatriation expenses	Receipts not obtained ..	16 17 10	
Salaries	Receipt unobtainable ..	7 3 4	
Travelling-expenses	Receipts not obtained ..	6 12 5	3,868 11 3
Broadcasting			
Cables	Receipt not obtained ..	0 15 11	
Freight charges	Receipt unobtainable ..	2 2 10	
Travelling-expenses	Receipts not obtained ..	96 18 2	99 16 11
Customs			
Temporary permits	Receipt not obtained ..	20 0 0	
Travelling-expenses of official representative in U.S.A.	Receipts not obtained ..	262 12 8	282 12 8
Education			
Boarding-out fees	Warrants lost	8,418 0 5	
Goods and services	Receipts unobtainable ..	14 16 10	
Imprest payments	Receipts destroyed by fire ..	5 0 0	
Purchase of publications	Receipts unobtainable ..	48 6 8	
Salaries	Vouchers lost	6,201 7 1	
Tolls	Voucher lost	8 12 11	
Travelling-expenses	Receipts not obtained ..	248 0 3	14,944 4 2
External Affairs			
Miscellaneous payments, Moscow Legation	Receipts unobtainable ..	265 9 4	
Miscellaneous payments, Ottawa Legation	Receipts unobtainable ..	12 14 11	
Miscellaneous payments, Washington Legation	Receipts unobtainable ..	36 4 8	
Publications	Receipts unobtainable ..	1 11 2	
Travelling-expenses of officers overseas	Receipts not obtained ..	2,099 1 11	2,415 2 0
Health			
Travelling-expenses	Receipts not obtained ..	64 10 3	
Travelling-expenses of officers travelling overseas	Receipts not obtained ..	15 7 6	79 17 9
Health (Mental Hygiene Division)			
Salaries	Voucher lost	7 13 9	
Travelling-expenses	Receipts not obtained ..	10 1 6	17 15 3

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued

Department and Particulars.	Reason.	Amount.	Total Amount.
Housing			
Goods and services	Vouchers lost	£ s. d. 3,090 1 1	£ s. d.
Publications	Voucher lost	0 16 11	
Salaries and wages	Vouchers lost	5,063 7 4	8,154 5 4
Industries and Commerce (includes Ministry of Supply)			
Imprest payments	Receipts lost	194 10 1	
Petty expenses, Eastern Group Supply	Receipts not obtained	34 6 10	
Petty expenses, Price Control	Receipts not obtained	3 13 9	
Postages	Receipts unobtainable	3 0 5	
Publications	Receipts unobtainable	7 17 8	
Salaries	Receipts not obtained	15 12 6	
Salaries, Washington Supply Mission	Receipts lost	387 18 1	
Travelling-expenses	Receipts not obtained	50 6 0	
Travelling-expenses of officers overseas	Receipts not obtained	78 19 1	776 4 5
Internal Affairs			
Freight charges	Receipt unobtainable	9 6 9	
Goods and services	Receipt not obtained	2 3 0	
Publications	Receipt unobtainable	2 15 5	
Refund of expenses : Aid to Britain	Receipts unobtainable	9 2 0	
Refund of expenses : assistance to stranded New Zealander	Receipt unobtainable	61 13 6	
Travelling-expenses	Receipts not obtained	41 17 6	
Travelling-expenses of officers travelling overseas	Receipts not obtained	209 8 9	336 6 11
Island Territories			
Post and Telegraph services	Voucher lost	251 1 1	
Salaries	Vouchers lost	372 2 2	
Travelling-expenses	Receipts not obtained	17 0 0	640 3 3
Justice and Prisons			
Prisoners' earnings	Receipt unobtainable	5 0 0	
Travelling-expenses	Receipts not obtained	7 0 11	12 0 11
Labour and Employment			
Travelling-expenses	Receipts not obtained	18 0 0	
Travelling-expenses of officers travelling overseas	Receipts not obtained	88 0 3	106 0 3
Land and Income Tax			
Salaries	Voucher lost	42 0 5	
Travelling-expenses	Receipts not obtained	11 10 6	53 10 11
Lands and Survey			
Wages	Vouchers lost	22 12 0	22 12 0
Maori Affairs			
Toll calls	Receipts unobtainable	4 19 0	
Travelling-expenses	Receipts not obtainable	40 1 0	45 0 0

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued

Department and Particulars.	Reason.	Amount.	Total Amount.
Marine		£ s. d.	£ s. d.
Toll calls	Receipts unobtainable	0 7 8	
Travelling-expenses	Receipts not obtained	19 6 0	
Wages	Receipt not obtained	12 17 4	32 11 0
Mines			
Travelling-expenses	Receipts not obtained	13 19 10	
Wages	Receipt not obtained	2 0 0	15 19 10
Ministry of Works			
Goods and services	Vouchers lost	33 1 4	
Publications	Receipts unobtainable	2 8 7	
Salaries	Receipts lost	18 17 2	
Toll calls	Receipt destroyed	18 4	
Travelling-expenses	Receipts not obtained	91 3 9	
Travelling-expenses of officers travelling overseas	Receipts not obtained	136 2 7	282 11 9
Navy			
Goods and services	Vouchers lost	77 4 8	
Overtime	Receipt lost	22 6 0	
Pay and allowances	Vouchers lost	254 15 0	
Ship's mess account	Receipts lost	12 11 9	366 17 5
Police			
Gaming and Licensing Acts enforcement	Receipts unobtainable	105 16 1	105 16 1
Post and Telegraph			
Publications	Receipts unobtainable	25 6 3	
Travelling-expenses	Receipts unobtainable	33 17 11	
Travelling-expenses of officers travelling overseas	Receipts not obtained	139 5 3	
Wages	Voucher lost	44 17 0	243 6 5
Prime Minister			
Publications	Receipt unobtainable	3 2 1	
Travelling-expenses	Receipts not obtained	12 19 0	16 1 1
Public Trust			
Distribution of estates	Receipts unobtainable	272 18 3	
Travelling-expenses	Receipts not obtained	9 12 0	282 10 3
Railways			
Commission on letter of credit	Receipt unobtainable	1 2 11	
Travelling-expenses	Receipt not obtained	3 19 0	5 1 11
Rehabilitation			
Educational assistance : purchase of text-books	Receipts not obtained	16 6 9	
Farm training subsidy	Receipts unobtainable	40 11 0	
Salaries	Vouchers lost	23 16 10	
Travelling-expenses	Receipts not obtained	91 6 10	
War gratuity discount	Receipts not obtained	6 3 8	178 5 1

(d) **SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued**

Department and Particulars.	Reason.	Amount.	Total Amount.
Scientific and Industrial Research		£ s. d.	£ s. d.
Goods and services	Receipt unobtainable	16 13 4	
Publications	Receipts unobtainable	4 16 10	
Salaries	Vouchers lost	99 18 2	
Travelling-expenses	Receipts not obtained	112 2 11	
Travelling-expenses of officers travelling overseas	Receipts not obtained	158 11 4	392 2 7
Social Security Fund			
Benefit payments	Warrants lost	53 2 6	
Pensions	Receipts unobtainable	11 3 6	
Salaries	Vouchers lost	1,913 14 6	
Travelling-expenses	Receipts not obtained	10 19 7	1,989 0 1
State Forest Service			
Transfer expenses	Voucher lost	50 0 0	
Travelling-expenses	Receipts not obtained	20 3 4	
Travelling-expenses of officers travelling overseas	Receipts not obtained	85 0 0	
Wages	Receipt lost	6 8 8	161 12 0
State Hydro-electric			
Freight charges	Receipts lost	24 0 3	
Toll calls	Receipts unobtainable	0 10 2	
Travelling-expenses	Receipts not obtained	98 18 8	123 9 1
Tourist and Health Resorts			
Censorship fee	Receipt lost	1 8 0	
Salaries	Voucher lost	12 9 4	
Travelling-expenses	Receipts not obtained	1 14 6	15 11 10
Treasury			
Travelling-expenses	Receipt not obtained	0 6 6	0 6 6
War Assets Realization Board			
Toll calls	Receipt destroyed	2 9 10	2 9 10
			£43,384 10 5

(e) **PROCEEDINGS TAKEN AGAINST DEFAULTERS AND OTHERS**

Particulars of cases in which proceedings have been taken in pursuance of section 69 (3) of the Public Revenues Act, 1926, are included in the statement under para. (c), page 5.

The Audit Office is required by the above-mentioned section to take all such steps as it thinks fit to prosecute according to law all defaulters in respect of any public moneys or stores, but the section does not prevent prosecutions in such cases by persons other than the Audit Office. The statement includes, therefore, prosecutions which were instituted by Departments concerned as well as by the Audit Office.

(f) SURCHARGES

Section 69 (1) of the Public Revenues Act, 1926, provides that the Audit Office shall surcharge the person responsible wherever it appears to it that public moneys or stores have been lost through default, neglect, fraud, or error.

In the past year it was found necessary to surcharge three officers, the surcharges being in respect of loss of stores.

Any person surcharged has the right under section 71 of the Act to appeal to the Minister of Finance, and the Minister may thereupon confirm or waive the surcharge as he thinks fit. Two of the surcharges were made the subject of appeal, the other one being met in full.

The appended table summarizes the position in connection with surcharges issued :—

Department.	Number of Surcharges.	Total Amount of Surcharges Issued.	Upon Appeal.	
			Confirmed.	Waived.
		£ s. d.	£ s. d.	£ s. d.
Navy	3	4 16 4	4 16 4	.. ..
		10 0 0	2 0 0	8 0 0
		50 0 0	10 0 0	40 0 0
		64 16 4	16 16 4	48 0 0

Of three unsatisfied surcharges remaining at date of last report two have now been met. An appeal was lodged in each of these two cases, and the Minister of Finance, in terms of section 71, reduced the amounts from £200 8s. 9d. and £301 10s. to £45 19s. 4d. and £296 0s. 5d. respectively. The reduced surcharges were satisfied from moneys withheld from the officers concerned pending completion of surcharge action. An appeal has also been lodged in respect of the third amount, £285, and it is now under consideration.

Last year it was mentioned that officers of the Defence Services had expressed concern that after offences involving loss of Government property had been dealt with by Court of Inquiry or other disciplinary action the power of surcharge by the Audit Office remained, and had in some few cases been exercised. They submitted that it was undesirable from the point of view of discipline and morale that this position should obtain. The legal position has not been changed, but the Audit Office proposes in future to issue surcharges only when it appears that the penalty inflicted by the Court or other body dealing with the offender is inadequate.

(g) DETAILED AUDIT OF ACCOUNTS DISPENSED WITH

Section 72 of the Public Revenues Act, 1926, authorizes the Controller and Auditor-General, with the consent of the Minister of Finance, to dispense with a detailed audit of any accounts in circumstances which render a detailed audit unnecessary.

The Minister was not asked to give any new consent under this section during the year.

(h) GENERAL INFORMATION

The authority given to the Audit Office to give such other information as it thinks desirable has been taken to cover reference to items which are of interest in themselves, or which disclose a position calling for corrective action.

Public Accounts and Statements

It is mentioned on page 3 of this report that the public accounts received from the Treasury have been published as B-1 [Pt. I]—

That statement includes details of the Civil List Act, 1920, presented in terms of section 65 of the Constitution Act, 1852.

The following additional statements complete parliamentary paper B-1 [Pt. I] :—

The statement of the appropriation accounts required by section 86, Public Revenues Act, 1926 :

The statement of the Unauthorized Expenditure Account required by section 58, Public Revenues Act, 1926 :

The Statement of Corporation investments required by section 3, Finance Act, 1947.

The Statement of the Public Debt of New Zealand and summary of the transactions thereof :

The Statement of Advances by the Reserve Bank to the Government by way of overdraft :

The Statement of Loans guaranteed by the Government.

Increase and Decrease of the Public Debt

The following statement shows increases and decreases of the public debt during the year :—

					£	s.	d.
Total debt as at 31st March, 1948	..	..	..	..	631,614,315	8	2
Increases during the year—					£	s.	d.
Bank of New Zealand Shares Account	..	..	..	1,330	0	0	
National Development Loans	..	..	..	28,284,425	0	0	
Reserve Bank Exchange Adjustment Account	..	..	..	20,000,000	0	0	
Securities issued for renewal of loans falling due	..	..	..	965,105	0	0	
					49,250,860	0	0
					680,865,175	8	2
Decreases during the year—							
War expenses debt redeemed	..	..	..	7,071,522	14	2	
Exchange adjustment as at 19th August, 1948*—							
United Kingdom debt	..	..	..	27,344,668	13	1	
Australian debt	..	..	..	150,774	0	0	
Other debt redeemed	..	..	..	5,121,469	12	4	
					39,688,434	19	7
Total debt as at 31st March, 1949	..	..	..	..	£641,176,740	8	7

*Includes exchange adjustment of £6,547,777 3s. 1d. on funded and other debt of £26,191,108 12s. 4d. owed to the United Kingdom Government.

Repayment of Public Debt

The following table gives particulars of the amount of securities redeemed under the provisions of section 12 (b) of the New Zealand Loans Amendment Act, 1947, and the Repayment of the Public Debt Act, 1925 (now repealed), and also shows the total cost of redemption :—

Rate of Interest, per Cent.	Nominal Value of Securities Redeemed.			Total Cost of Redemptions.
	Total to 31st March, 1948.	Year 1948-49.	Total to 31st March, 1949.	
Free of interest ..	£ 780 0 0	£ ..	£ 780 0 0	£ 780 0 0
1¼	459,417 10 0	..	459,417 10 0	459,417 10 0
1½	1,760,437 0 0	..	1,760,437 0 0	1,760,437 0 0
2¼	8,246,620 0 0	69,885 0 0	8,316,505 0 0	8,316,505 0 0
2¾	199,200 0 0	..	199,200 0 0	199,200 0 0
3	6,032,863 14 8	318,220 0 0	6,351,083 14 8	6,351,083 14 8
3½	621,210 0 0	15,765 0 0	636,975 0 0	636,975 0 0
3½	7,067,676 8 8	..	7,067,676 8 8	7,067,676 8 8
3¾	288,111 7 4	..	288,111 7 4	288,111 7 4
4	8,499,260 10 6	3,495,900 0 0	11,995,160 10 6	11,983,472 19 7
4½	2,104,760 0 0	..	2,104,760 0 0	2,089,382 5 0
5	5,573,735 0 0	..	5,573,735 0 0	5,573,181 5 0
5¼	1,530,990 0 0	..	1,530,990 0 0	1,530,972 10 0
5½	1,033,310 0 0	..	1,033,310 0 0	1,030,894 12 2
6	2,633,588 9 9	..	2,633,588 9 9	2,612,292 8 8
	46,051,960 0 11	3,899,770 0 0	49,951,730 0 11	49,900,382 1 1

The balance of amortization contributions unspent at the beginning of the year was £150,638 0s. 9d., and during the year £4,513,155 16s. 1d. was transferred from the Consolidated Fund to Loans Redemption Account. Securities of a nominal value of £3,899,770, as shown above, were redeemed, leaving unspent amortization-moneys in Loans Redemption Account at 31st March, 1949, of £764,023 16s. 10d.

These contributions are calculated on “the defined portion of the public debt,” which, in terms of section 3 of the New Zealand Loans Amendment Act, 1947, includes the whole of the public debt except:—

- (a) Moneys borrowed on the security of Treasury Bills issued under section 41 of the Public Revenues Act, 1926 (nil at 31st March, 1949) :
- (b) Moneys borrowed in respect of Electric Supply Account or State Advances Account, and transfers to either of these accounts from National Development Loans Account :
- (c) Funded debt owing to the United Kingdom.

The following statement shows the amount of loans included in the defined portion of the public debt and those not included as at 31st March, 1949. The amounts set opposite the several accounts, other than Ordinary Revenue Accounts, War Expenses

Account (1939), and Loans Redemption Account, represent also the amounts of capital liability due to the Consolidated Fund in terms of section 6 of the National Development Loans Act, 1941.

Loans included in the defined portion of the Public Debt—

	£	s.	d.	£	s.	d.
Consolidated Fund : Ordinary Revenue Account—						
Greymouth Harbour Board	148,000	0	0			
War Expenses (1914-18)	54,583,634	10	11			
Reserve Bank Exchange Adjustment	20,000,000	0	0			
Bank of New Zealand shares	7,967,505	0	0			
British Commonwealth Pacific Airlines, Ltd.	300,000	0	0			
British Petroleum Co. of New Zealand, Ltd.	1,083,750	0	0			
Housing Account	43,471,570	1	4			
Land for Settlements Account	19,237,191	4	5			
Cheviot Estate	160,918	0	0			
Linen Flax Corporation	300,000	0	0			
Nauru and Ocean Islands	192,044	7	3			
New Zealand National Airways Corporation	1,225,000	0	0			
Public Works Account—						
Public Works (including Railways and Post and Telegraph)	205,015,340	13	6			
Housing Construction	5,336,257	10	4			
State Coal-mines Account	4,540,990	3	0			
War Expenses Account (1939)	203,874,694	4	0			
				567,436,895	14	9
Less loans represented by funded debt due to the United Kingdom Government	24,100,199	10	7			
Decrease in Australian debt as a result of New Zealand exchange reverting to parity with sterling	150,774	0	0			
				24,250,973	10	7
				543,185,922	4	2
Loans Redemption Account—						
Securities issued for renewal of loans falling due	965,105	0	0			
Amounts received in reduction of various liability accounts and not used for redemption of securities as at 31st March, 1949	843,330	5	7			
				1,808,435	5	7
				544,994,357	9	9
Loans not included in the defined portion of the Public Debt—						
Electric Supply Account	38,080,486	7	5			
State Advances Account	34,001,697	0	10			
				72,082,183	8	3
Funded debt due to the United Kingdom Government				24,100,199	10	7
Total liability represented by debt as at 31st March, 1949				£641,176,740	8	7

Excess Unauthorized

In terms of section 7 of the Finance Act, 1947, the authority available for unauthorized expenditure during 1948-49 was £2,592,538, but the total issue against the authority amounted to £2,822,310, and resulted in the statutory limit being exceeded by £229,772. The Audit Office has been advised that legislation will be introduced to validate the excess.

Of the total issue from the Unauthorized Account, special items accounted for £129,020, and overdrawn appropriated items for £2,693,290.

Details of the expenditure appear on pages 61–66 of the Public Accounts 1948–49.

Departmental Accounts

Various Government Departments and bodies are required by their governing statutes or under section 57 of the Finance Act, 1932, to present their audited accounts to Parliament, and these are submitted either in their annual reports or in parliamentary paper B-1 [Part IV]. All accounts will have been presented this year up to 1947–48 or later, with the exception of the Public Service Superannuation Fund, for which it is not expected that accounts later than 1945–46 can be prepared. This Fund was merged into the Government Superannuation Fund as from 1st April, 1948, and the Audit Office is pressing for completion of accounts up to the date of merger.

Interest on Capital Liability

References have been made in earlier reports to interest payable on capital liability in terms of section 6 (5) of the National Development Loans Act, 1941. The rate charged to the various accounts is related to that paid by the Consolidated Fund for interest and costs of administration of the public debt. In view of the lower interest rates payable on public-debt securities the Minister of Finance decided to reduce the rate being charged on capital liability from 4 per cent. to $3\frac{1}{2}$ per cent. for all accounts except Housing, which pays 1 per cent. on the first £5,000,000 of its liability and $1\frac{1}{2}$ per cent. on the balance. The new rate applied to all interest accruing from 1st April, 1948.

The following accounts have paid interest in full: Electric Supply, Housing, Post Office.

Part interest has been paid by Housing Construction, Land for Settlements, Maori Land Development and Housing Schemes, Nauru and Ocean Islands, New Zealand National Airways Corporation.

No interest was paid by Linen Flax Corporation, State Coal-mines, State Forests, Working Railways.

In the following cases recoupments to the Consolidated Fund take the form of dividends on shares as earned: Bank of New Zealand, British Commonwealth Pacific Airlines, Ltd., British Petroleum Co. of New Zealand, Ltd.

Dividends were received from the Bank of New Zealand, but not from the other Corporations.

Interest has been received in full on the State Advances Corporation stock, which offsets the capital liability of the State Advances Account.

Silver and Bronze Coin Account

The Silver and Bronze Coin Account, or, as it could now be more correctly described, the Silver, Cupro-nickel and Bronze Coin Account, is one of many individual accounts shown in Deposits Account on pages 32–33 of the Public Accounts.

Payments now being made from this account represent principally purchases from the Reserve Bank, at face value, of silver coinage withdrawn from circulation, and the cost of cupro-nickel coinage manufactured by the Royal Mint for replacement or addition. The new coinage is resold to the Reserve Bank at face value, and the receipts from these sales are credited to the account. The balance in the account (£3,200,864 at 31st March last) has been increasing over many years, and it appears that a large part of it could be used as ordinary revenue if that course should be deemed advisable.

Purchase of Carlton Hotel Co.'s Property in London

An important transaction during the year was the acquisition by the Government of a United Kingdom Crown lease of the property in London which is at present occupied by the Carlton Hotel and His Majesty's Theatre.

By the payment of £325,000 to the Carlton Hotel Co. the Government took over the company's interests in the site and buildings. A new lease for ninety-nine years, which requires the payment of an annual ground rent of £16,000, was then entered into with the United Kingdom Commissioners of Crown Lands.

It appears that the present buildings cannot be satisfactorily adapted as New Zealand Government offices, and that they will have to be demolished. Agreements with existing tenants and building restrictions are likely to cause this to be deferred for some years.

It is anticipated that the rents which will be collected meanwhile will provide approximately for outgoings plus 4 per cent. interest on the £325,000, but they will not provide for the loss of this capital on demolition. Such loss will in effect be an addition to the cost of the new New Zealand House, London.

Oldman Collection

Another purchase made in London during the year was in respect of the Oldman Collection of Polynesian and Melanesian articles, or, as the experts prefer to call them, artifacts. It was suggested when the purchase was first mooted that it could be effected for £10,000, and approval to the expenditure of this sum was actually given by Cabinet. The suggestion proved to be unfounded, and a figure as high as £55,800 was later mentioned. Finally the price was fixed at £44,000. There is little information on the relative file as to how this sum was arrived at—that is, no valuation of the collection article by article is recorded there.

The cost of purchase and delivery was covered by an item in last year's supplementary estimates.

Compensation Paid to the Reserve Bank on Alteration of Exchange-rate

Section 4 of the Finance Act, 1934, provides that any depreciation of the assets of the Reserve Bank, expressed in New Zealand currency, due to an alteration in the rate of exchange shall be recouped to the Bank from the Consolidated Fund. Similarly, any appreciation of these assets due to a like alteration would be credited to that Fund.

The decision announced on the 19th August, 1948, to bring New Zealand currency to parity with sterling caused the Bank's overseas assets to be depreciated, as the statute contemplated they might be, and a claim was accordingly made by the Reserve Bank for the amount involved, including certain overseas assets held by the trading banks on terms which entitled them to recoupment on exchange adjustment. The Reserve Bank also advised that a second claim would be made for compensation on forward exchange contracts which were current and which also came within the recoupment provisions.

To enable the Consolidated Fund to discharge its liability to the Bank provision was made in section 2 of the Finance Act, 1948, for the borrowing of any funds required. The first claim amounted to £19,007,906 19s. 11d. and the second to £1,568,299 19s. 3d., a total of £20,576,206 19s. 2d. To meet these claims £20,000,000 was borrowed by the issue to the Reserve Bank of 1-per-cent. stock maturing on the 15th June, 1959, and the balance was paid from cash resources.

Certificates as to the amount of the claims, given in precise terms, were obtained from the Auditors of the Reserve Bank for its portion, while claims submitted by the various trading banks were certified in the same way by the chief officer in New Zealand in each case. The Reserve Bank also assured the Audit Office that claims by the trading banks had been subjected as far as possible to scrutiny by its own officers.

Exchange Adjustments

In addition to compensation paid to the Reserve Bank, it was necessary to adjust balances in the hands of overseas imprestees, and investments in the United Kingdom, to show their new value in New Zealand currency. In terms of section 55 of the Finance Act, 1932, the Minister of Finance directs how exchange is to be dealt with, and, arising from alterations in rates made prior to 1948, the Reserve Fund Account in the Public Accounts had received an accretion of £646,031.

Adjustments arising from the 1948 alteration of rate were made as follows :—

- (1) Some £84,000 in respect of the balances of overseas imprestees was charged to Ordinary Revenue Account and is included in the item "Exchange on remittances overseas" on page 19 of the Public Accounts, 1948-49.
- (2) £339,525 was charged against the Earthquake and War Damage Fund to reduce the value of its overseas investments as at 19th August, 1948, from £(N.Z.)1,697,625 to £1,358,100.
- (3) £528,250 was charged to Reserve Fund to make a similar reduction in that Fund from £2,641,250 to £2,113,000.
- (4) Investments of a New Zealand value of £782,375 held in London by the Government Life Insurance Department, and of £2,825,619 held by the Post Office Savings-bank, were adjusted by reversing the entries which carried to reserves in their own accounts former accretions arising from currency adjustments.

The London debt was reduced as at the 19th August, 1948, by £27,344,669. Debt domiciled in Australia amounting to £(A)779,000 was adjusted to £628,226.

It will be noticed from the foregoing statement that Earthquake and War Damage Fund had no previous exchange accretions to take up the 1948 charge, and the consequent loss to it has been heavy.

Rotorua Water-supply and Drainage System

Provision was made in section 9 of the Rotorua Borough Act, 1922, for the Governor-General, at any time, to vest in the Rotorua Borough Council all or any of certain undertakings owned by the Government. In 1946 the Council was desirous of taking over water-supply and drainage-works, and a Commission was set up under the authority of section 10 of the Act to determine the purchase-price. It valued the assets in question at £88,495, but recommended that, on account of the peculiar situation of the Borough of Rotorua in that it had been a Government-controlled town to 1922, and also on account of its being a tourist resort of the nature of a national asset, the Crown should make a very substantial concession in the price.

To give effect to this recommendation the Government appointed a committee to examine it and to recommend equitable terms on which a transfer should be made. The committee recommended that the sum of £20,000 should be accepted, and this figure was agreed to. Payment is to be spread over a period of twenty-five years and will be secured by the issue of debentures bearing interest at £3 5s. per cent. per annum. The property was vested in the Council as from 5th December, 1947, and the first annual instalment has been received.

The amount of £53,141 8s. appearing in the Appendix to this report of sums irrecoverable by the Crown, Department of Tourist and Health Resorts, represents the difference between the book value of the assets, £73,141 8s. and the price payable for them by the Rotorua Borough Council.

Cost-plus Contracts

The use of cost-plus contracts has not ceased with the war, and in some cases want of Ministerial or Treasury approval, and other circumstances, have caused the Audit Office concern.

The Milk Division of the Marketing Department, for instance, let some cost-plus contracts for building construction and for the installation of machinery in milk-treatment stations which appeared to lack desirable authority. Following Audit representations, it was agreed that future work should be let for fixed prices where possible, and that cost-plus contracts, if they cannot be avoided, should be submitted to the Minister for approval.

Air Force cost-plus contracts with the de Havilland Aircraft Co. of New Zealand, Ltd., and Airwork (N.Z.), Ltd., have been supervised by Air Force technical staff, and claims have been verified by an Investigating Accountant attached to the Air Department. These contracts were let with Treasury's concurrence.

The Railways Department has a continuing cost-plus contract with an engineering company for the repair and overhaul of AB locomotives. The work as it proceeds is inspected by a departmental technical officer, and claims are verified by a costing officer.

A group of cost-plus contracts let by the Department of Lands and Survey is at present under inquiry.

Roading Lands for Settlement

The matter of capitalizing the roading costs of lands under development by the Lands and Survey Department and the Maori Affairs Department was considered by those Departments, the Treasury, and the Commissioner of Works some two years ago. The

Lands Department and the Maori Affairs Department proposed that no portion of the costs should be loaded on the lands, while the Treasury and the Commissioner took the view that half the cost of internal or special access roading should be capitalized, but that the expenditure on roads running through the development blocks and on to other districts could properly be charged against vote, "Roads," and not against the lands. It was submitted by both development Departments that losses were inevitable in settling certain lands and that the capitalizing of roading costs would merely increase the amounts to be written off when blocks were settled. It was decided that the costs of constructing all roads would be met from vote, "Roads," on the Public Works Account, and that half the cost of internal or access roading only would be recouped from the Land Development votes on the Land for Settlements Account—(e.g., Maori Land Development). In the past some statutes required roading-costs to be charged on the lands or to be added to what otherwise would be their disposal values—for instance, section 17, Land Laws Amendment Act, 1927, and section 18, Maori Land Amendment Act, 1936. The requirement was not embodied in the Small Farms Acts, under which most of the land-development operations of the Lands and Survey Department have been carried out in recent years, nor is it repeated in the Land Act, 1948, which replaced the amendment of 1927.

Overseas Travel

The Audit Office has continued to maintain a reasonably close watch on the aspects of authority, accounting, and appropriation for expenditure on overseas travel. The question of the justification for such expenditure is usually a matter for departmental and Treasury recommendation, but care is taken to see that necessary authorities, such as Cabinet, Ministerial, and Public Service Commission, are obtained. Accounting has been reasonably good, though delayed at times. The largest claims which came under survey were those of the Havana and Paris Conferences, and although they involved much detail they were very well presented.

With the large delegations expenditure on entertaining appears to be high, but possibly this would not be so if figures relating to representation of other countries were available for comparison.

Barque "Pamir"

The tenth voyage account (Wellington to London and Antwerp and return to Auckland) submitted by the Union Steam Ship Co., Ltd., as agent for the Government, showed a loss of £11,922 16s. 10d., but this figure is not quite final as sundry credits have yet to be received and accounts to be met. The following is a summary of the Account:—

VOYAGE 10—PERIOD: 3RD OCTOBER, 1947, TO 18TH AUGUST, 1948

Disbursements.	—	Receipts.	Cargo.
£		£	
59,093	Wages, victualling, repairs, &c.		
	Freight—Outwards	34,996	Wool and tallow.
	Freight—Inwards	10,140	Cement and basic slag.
	Canteen Profits	173	
	Sale of Stores	1,855	
	Passage money	6	
	Excess payments over receipts	11,923	
59,093		59,093	

The loss on this voyage would have been less had the “Pamir” not been held up for approximately four months in England awaiting a suitable cargo for the return voyage. Eventually cement was obtained in London and basic slag at Antwerp, and the ship returned to New Zealand on the 18th August, 1948, after an absence of ten and one-half months.

From the commencement of the first voyage up to the present time the net cost of running, as shown in the books of the Marine Department, amounts to £11,520, as follows :—

	Profit. £	Loss. £
First voyage	15,449	
Second voyage	15,722	
Third voyage	14,620	
Fourth voyage		1,708
Fifth voyage		7,653
Sixth voyage	3,828	
Seventh voyage	3,035	
Eighth voyage		17,787
Ninth voyage		17,886
Lay-up period		7,217
Tenth voyage		11,923
Deficit	11,520	
	<u>£64,174</u>	<u>£64,174</u>

The commercial operation of vessels such as the “Pamir” and insurance of cargo by the Government, formerly lacked statutory authority, but this has now been provided by section 4 of the Finance Act, 1948.

On the 12th November, 1948, the “Pamir” was handed over to the Government of Finland, after having been in the possession of the New Zealand Government since seized in prize on the 3rd August, 1941.

S.s. “Matai”

References to the high victualling costs of the “Matai” have been made in previous annual reports of the Audit Office. Costs were equally high for the September quarter of 1948, but are stated by the Marine Department to have been no higher than those of ships of a trading company. No later figures have been taken out owing to the lack of essential returns for two subsequent periods. These would have been of only academic interest as the “Matai” has not operated since the middle of November last, except for a few weeks on cable-repair work in 1949, and a twelve months’ charter to the Anchor Shipping and Foundry Co., Ltd., has recently been approved.

It is estimated by the Marine Department that an annual saving of some £25,000 might be effected by dispensing with the “Matai” and by servicing the lighthouse stations overland, or from smaller vessels where there is no land access.

M.v. “Maui Pomare”

It was reported last year that representations had been made by the Audit Office to Treasury with a view to improving the accounting work in connection with this vessel.

A detailed audit examination has not been possible since then, but a brief inspection has indicated that as a result of increased staff and reorganization in the Department of Island Territories there has been an improvement in the general accounting work.

With regard to the cost of victualling, the figures produced during the past year were unreliable, but the Audit Office has been assured that steps will be taken to prepare accurate returns as from 1st April, 1949.

Chartered Shipping

The Government charters vessels in its own name and entrusts them to the Union Steam Ship Co., Ltd., which operates them as agent. Section 78 (1) (c), Harbours Act, 1923, exempts "any ship in the service of the Government of New Zealand" from payment of harbour dues, but these are being paid on chartered vessels, and the practice has the approval of Treasury. The Audit Office does not question the justice of the payments, but draws attention to a departure from statutory provisions. Harbour dues are not paid on ships—*e.g.*, "Maui Pomare"—owned by the Government.

Subsidies are paid on certain vessels chartered by the Union Steam Ship Co., Ltd., and the net cost of these subsidies, together with operating losses and charter costs on ships operated by the company as agents for the New Zealand Government, amounted in 1948-49, to more than £1,300,000.

This figure does not include the net costs, which last year amounted to £358,000, of chartering and operating the immigration ship "Atlantis," provided for in the Estimates under vote, "Labour and Employment."

An amount of £67,000 had been paid to 31st March last on account of converting the "Atlantis" to her present use, but no definite information appears to be available as to the balance payable by New Zealand for this work.

Hostels and Workers' Camps

Some nine hundred persons displaced from their homes in Europe have been accommodated in the reception camp at Pahiatua previously occupied by Polish children. This camp is administered by the Labour and Employment Department, which also controls workers' camps and hostels for immigrants, miners, industrial workers, home aids, typists, and Government cadets. "Antrim House," in Wellington, was recently bought for £20,000 to provide additional accommodation for the last-named group of employees. A hostel just opened at Ohai is the fourth miners' hostel to be brought into service, and others are in various stages of construction.

Other Departments, too, find it necessary to provide hostel accommodation, and the Audit Office has urged the adoption of standard stores and accounting methods for all departmental hostels to enable proper controls and comparison of rationing and similar operating costs. Treasury is investigating the methods followed in different Departments, and is "noting the merits and defects in each."

The Labour and Employment Department has a specialized control organization and prepares adequate final accounts for each institution. An over-all saving in clerical and administrative work might result if it accepted responsibility for hostels run by less-specialized Departments. An example is a hostel erected during the war at Motueka for dehydration-factory employees and now operated by the Y.W.C.A. on behalf of the

Marketing Department. Incidentally, this hostel was built at the cost of War Expenses Account, but no adjustment to realize this surplus war asset has been passed, though the account received £220,000 from Ordinary Revenue Account in respect of a group of hostels and camps taken over by the Labour and Employment Department.

Not all hostels controlled by Government Departments are directly for the benefit of employees. "Pendennis House," in Wellington, was purchased out of the Maori Hostels Fund established in terms of section 7 of the Maori Purposes Act, 1946, and it is administered by the Maori Trustee. Accounts up to 31st July, 1948, have been prepared for the Fund, but there is no requirement to publish them. The Maori Trustee also furnishes temporary accommodation in other centres, but separate accounts are not required in respect of this. Three hostels in Auckland are leased to the United Maori Mission.

Ministry of Supply (now Industries and Commerce Department)

The trading activities undertaken by this Department have either ceased or been transferred to other Departments such as the Marketing Department. Stocks purchased under wartime conditions have been sold, declared to the War Assets Realization Board for sale, or been handed over to the Marketing Department. One sale by the Ministry, in which an instruction to require the receipt of cash from the particular purchaser before delivery of goods was not followed, resulted in a loss of £970. The Audit Office was not able to surcharge in respect of this loss as responsibility could not be fixed definitely on any particular officer.

Munitions Section.—The difficulty experienced in verifying from inadequate records disposals of plant and machinery, engines and spare parts, still exists. Some work has been done in the matter, but the position is much the same as it was.

In particular the financial settlement in respect of one contractor, which depends partly on the establishment of ownership of certain plant and machinery, is still held up until this can be done.

Departmental Motor-vehicles

The Audit Office occasionally drew the attention of Departments to possible economy in motor transport. One inquiry concerned an account of £450 for a month's use of Post Office cars and vans in and about Christchurch by the Department of Agriculture. It appeared that cars were sometimes hired for a whole day, although the mileage run on that day was very small. The Audit Office also inquired in a few cases why Government cars were garaged at private houses or left standing in streets overnight or at week-ends. None of these inquiries revealed an unauthorized use of the vehicle in question. The Treasury consulted the Post Office with a view to achieving better control by Departments, and recently a Departmental Motor-vehicles Committee was appointed consisting of a Transport sub-committee of Cabinet and of representatives of the Transport, the Post and Telegraph, and the Treasury Departments. The duties of this Committee will relate to the economical provision and use of departmental vehicles.

Broadcasting Service

During the audit of the accounts of the Broadcasting Service the Audit Office raised with the Service the matter of the cost of the National Orchestra. The Orchestra was formed in 1946, when the Government authorized the Director "to expend not more than £49,000 per annum for the purpose," but the cost has considerably exceeded that figure, the gross expenditure being as follows :—

			£
1946-47	..	..	20,000 (approximately).
1947-48	..	..	60,000
1948-49	..	..	70,000

The Service has credited the following concert proceeds to the Orchestra's account :—

			£	
1946-47	..	..	800	
1947-48	..	..	10,000	} Includes proceeds of thirteen concerts of Isobel Baillie.
1948-49	..	..	4,000	

The services of the Orchestra were utilized in recent tours of the opera Carmen and the Italian Grand Opera Company, but it is not intended to make any charge for them.

The Audit Office drew attention to the excess of expenditure over the existing authority, and the Director has advised that he will bring it to the notice of the Minister of Broadcasting. The cost of the Orchestra is covered by the permanent appropriation contained in section 13 of the Broadcasting Act, 1936, and therefore does not appear in the annual estimates.

Tornado Damage, Hamilton

The Government agreed to assist in restoring property damaged by the tornado which struck Hamilton on 25th August, 1948. The assistance was given on condition that should it increase the value of the property above the pre-damage value, the owner would refund a commensurate sum to be assessed by the Valuation Department. Of a total of 425 properties capable of being restored, approximately 400 have been repaired to date, and of this number 33 have been revalued. Enhanced values apply to only 10 of these, and the amounts to be recovered total £521.

Overseas-passenger Duty

Overseas-passenger duty was levied under section 30 of the Finance Act, 1936, subsection (8) of which provided a penalty of 10 per cent. of any amount unpaid two months after due date.

During an audit of collections it was noted that overdue duty had been paid by two air transport companies without penalties, the explanation advanced being that considerable difficulty had been experienced in completing the necessary returns for the principal assessment. The matter was submitted by the Stamp Duties Department to the Minister of Stamp Duties, who agreed that penalty, £792 12s. 7d. be treated as a "claim abandoned" and be included as such in the Fourth Schedule to the next Appropriation Bill.

Section 30 of the Finance Act, 1936, was repealed on 1st October, 1948, by section 6 of the Finance Act, 1948, and passenger duty is not now payable.

Post and Telegraph Department

Post Office profits are payable on demand to the Consolidated Fund. In the financial year just ended £1,109,967 was paid over, representing the whole of the profits for 1945-46 and £400,000 on account of 1946-47. This left due to the Consolidated Fund on the 31st March, 1949, £1,655,700, being the balance of 1946-47 profits, £997,928, and 1947-48 profits, £657,772. The £997,928 has since been paid to Public Account. The accounts for 1948-49 have not yet been prepared.

Post Office : Motor-vehicles

The Post and Telegraph Department maintains a fleet of motor-vehicles at its garages at Auckland, Wellington, Christchurch, and Dunedin. Some other Departments have their own vehicles in these cities, but the general policy has been for the Post Office to provide official motor transport there. The transport, besides being used for Post Office purposes, is available on requisition to Departments, Ministers of the Crown, semi-Government bodies, representatives of other Governments, and, in special circumstances, to private individuals such as distinguished visitors. The Post Office submits monthly claims, at prescribed rates, supported by running-sheets, to all Departments for the hire of its vehicles, and each of the four garages is a separate accounting unit. Each garage debits its working account with operating-costs, interest on capital, and depreciation, and obtains credit by the charges it makes to the various branches of the Post Office and to the outside users of the service. The combined garage working account for the year ended 31st March, 1948, shows a loss of £28,835, which indicates that the hiring rates, last fixed in 1946, are too low to cover costs. Investigations carried out by departmental officers disclose that the loading of the accounts with an appropriate portion of the general overhead of the Department would increase the loss for 1947-48 to £43,851. The loss for the year ended 31st March, 1949, is estimated at £64,000. The adjustment of charges between the garages and other Post Office branches is a matter of internal accounting, but any failure to recover full costs from other users of the service results in a loss to the Post Office. It is difficult to apportion the deficiencies with accuracy, but a close approximation, based on the Post Office records of claims rendered and charges to Post Office branches, shows that the loss attributable to the use of vehicles on other than Post Office services amounted in 1947-48 to £14,800 and in 1948-49 to £22,800. The Audit Office understands that the question of increasing hiring rates has been under consideration during the past twelve months, but no decision has yet been reached.

The Department does not insure its vehicles against damage caused by accidents. The number of these and the cost of repairing damage to them and to other property have shown a considerable increase over the past few years. In 1946-47, according to files submitted to Audit, some 230 accidents cost the Department approximately £2,300; in 1947-48, 450 cost £5,100; and in 1948-49, 500 cost £6,300. The number of vehicles in service in 1947 was 1,186; in 1948, 1,247; and in 1949, 1,405, so that the number of accidents has increased out of proportion to the increase in the number of vehicles. This increase is causing the Department some concern, and a committee has been set up to investigate ways and means of reducing it. It is understood, however, that the amount of the loss falling on the Department is still well below what would be required to effect adequate insurance cover.

Cook Islands Administration Accounting Work

The Department of Island Territories has made available to the Audit Office a report by the Treasurer, Rarotonga, which discloses an unsatisfactory state of the accounting work in the Treasury there. Unless it is remedied it is likely to result in loss to the Administration. The report of the Treasurer, which is detailed and careful, makes it clear that he will require additional staff to place his work on a satisfactory footing, and the Audit Office understands that some assistance has recently been given him. The last accounts certified by the Audit Office covered the financial year to 31st March, 1947, but they are not required to be published, and they are not included in the report of the Administration presented to Parliament.

Cook Islands Fruit Control Scheme

In 1937 the Cook Islands Administration assumed control of the export of citrus fruit and bananas from the islands of the Cook Group, and an advance of £30,000 for working capital was made in that year by the New Zealand Government, and a further advance of £20,000 in 1948-49. To provide the funds necessary for the ordinary expenses of the scheme a levy was imposed on all fruit exported. The accounts disclose a surplus on the annual operations until the 31st March, 1942, since when losses have been incurred, due partly to the fact that fewer shipments have resulted in a decreased revenue from levies and partly to the expansion of the original scheme by the establishment and maintenance of nursery plantations.

Losses are stated to be £11,000 to 31st March, 1949, but the accounts have not been completely audited past 31st March, 1947. The Audit Office has been informed that provision has been made on the Island Territories Department's estimates for 1949-50 for a grant to cover this loss and for a further loan of £30,000 to provide additional funds for making advances to growers.

The accounts relating to this scheme have not been published as required by the Cook Islands Fruit Control Regulations 1937.

Railways Department : Claims for Loss or Damage to Goods

The liability of the Railways Department for loss or damage to goods whilst in the custody of the Department is limited in terms of section 15 (b) of the Government Railways Act, 1926, as amended by section 25 (2) of the Statutes Amendment Act, 1944, and section 6 (2) of the Carriers Act, 1948. Section 15 (f) of the first-named Act provides that the Minister of Railways may make special arrangements to insure any goods delivered on a railway against all loss or damage from any cause whatever. The position may briefly be set out as follows :—

The limits set out in the Government Railways Act (as amended) apply to all goods accepted at " Railway risk," and, subject to payment of a premium of one-sixth of the relative tariff charge, also to goods accepted at " owner's risk " on which otherwise no liability is accepted.

If insurance to an amount in excess of the statutory limit is desired, cover is available on payment of a premium depending on the declared value of the goods and the distance they are to be carried.

A claim for £600 as compensation for the deaths in March, 1949, of two pedigree dogs was recently received by the Department. As the consignment had not been insured, the maximum legal liability was £20, but in June the Department made an *ex gratia* payment of £500.

It is understood that no publicity (other than that provided by the gazetting of the tariff) is given regarding the insurance cover available, and that the number of consignments insured during any year is relatively very small.

For the year ended 31st March, 1949, twenty-six claims were settled for an amount of £752 in excess of the maximum legal liability.

Departmental Income-tax Returns

Government Departments, as in the case of other employers, submit annually to the Land and Income Tax Department returns showing the sum paid to each employee during the preceding financial year. Fixed annual remuneration has of late years been much increased by payments in respect of overtime made on an hourly basis.

In the Railways Department the required information is prepared in the district offices, where special cards are kept to record the individual payments made during each year. These cards have been test-checked periodically by the Department's inspecting officers.

During 1948, however, a more exhaustive check was made, and it was found that some items entered on a few cards had later been reduced or deleted altogether. As a result the remuneration of the officers concerned was understated on the income-tax returns by varying amounts—in one case £149.

A disturbing feature was that two large understatements related to officers who wrote up their own cards. In another instance the salary of the officer controlling the district staff was considerably understated, although he did not enter up the card.

In furnishing their personal returns to the Land and Income Tax Department the officers concerned acted on the information supplied by their Department, but it might have been expected that where earnings were understated to any great extent they would have been aware of the differences.

Information regarding the two worst cases was submitted to the police, but that Department advised in one case "the circumstances would scarcely warrant a prosecution" and in the other "no evidence has come to light upon which the police could take action."

The Railways Department has advised the Land and Income Tax Department of the position, and it has also taken steps to ensure that similar discrepancies will not occur again.

Linen Flax Industry

It was expected that a considerable capital loss would be sustained on the liquidation of the assets of the Linen Flax Section of the Industries and Commerce Department, and the United Kingdom Government agreed to the loss being shared between it and the New Zealand Government in the same proportion as trading losses were shared—i.e., the ratio in value linen-flax fibre supplied to the United Kingdom bore to fibre sold to New Zealand manufacturers.

The liquidation has been completed and the Audit Office has certified a statement showing that the capital loss was £593,646 16s. 1d. The amount due as the United Kingdom Government's share is £523,436 3s. 11d., and when recovered this amount will be payable to Public Works Account as the account from which the capital expenditure was made.

State Interests in Air Services

In recent years the State has acquired an interest in various air services by providing the entire capital or by contributing in partnership with other Commonwealth Governments. Some details of these investments or contributions are given hereunder.

Tasman Empire Airways, Ltd.—The original capital of this company consisted of 500,000 £1(N.Z.) shares, of which 300,004 were issued from 1940–41 to the United Kingdom, Australia, and New Zealand in the proportions of 38 per cent., 23 per cent., and 39 per cent. respectively, as provided for in the memorandum of association of the company.

To finance the purchase of new aircraft it was decided to call up the unallotted capital and to increase the total capital to 750,000 £1 shares. A redistribution of capital was also agreed upon by the three Governments, the new proportions of shareholdings to be United Kingdom 20 per cent., Australia 30 per cent., and New Zealand 50 per cent. The specific provisions of the memorandum of association regarding proportions of shareholdings were varied by the execution by all parties of deeds of waiver, and during 1948–49, in accordance with the new arrangement and under the authority of section 2 of the Finance Act (No. 2) 1939, New Zealand made the following purchases of shares :—

118,997 shares of the unallotted capital.

14,001 shares of the United Kingdom holding.

125,000 shares of the newly created capital.

257,998

Together with the 117,002 shares already owned by New Zealand the new purchases gave a total holding of 375,000 £1 fully-paid-up shares. New Zealand also paid a half-share amounting to £85,000 of the company's estimated operational loss for the year ended 31st March, 1949. This payment was charged to Unauthorized Expenditure Account.

New Zealand National Airways Corporation.—The Corporation was established in terms of the New Zealand National Airways Act, 1945, wherein provision was made for the payment to the Corporation from National Development Loans Account of capital amounting to £1,000,000 and further advances up to £500,000. The sum of £685,000 was transferred to the Corporation during the year, and, with previous transfers of £540,000, brought the total at 31st March, 1949, to £1,225,000. Apart from the capital payments referred to, an amount of £21,734 was paid to the Corporation from Unauthorized Expenditure Account to offset a revenue deficit on Pacific Regional Services for the period 1st November, 1947, to 31st March, 1948.

British Commonwealth Pacific Airlines, Ltd.—This company, registered in Australia, was formed in 1946 to establish a trans-Pacific air service between Australia and North America, and New Zealand and North America. The capital of £1,000,000 is by agreement to be held in the proportions: Australia, 50 per cent., New Zealand, 30 per cent. and the United Kingdom, 20 per cent. Provision was made in the Finance Act, 1946, section 3, for the Minister of Finance to take up shares in the company and to pay for them out of National Development Loans Account. New Zealand's capital contribution of £300,000 was fully paid during 1946–47 and 1947–48, and, although no capital contributions were made during the year just past, a further amount of £240,000 will be required during 1949–50 to meet authorized increases in the company's capital.

The three Governments in a directive to the company requested the preparation each year of a programme of operations and an estimate of expenditure to cover the ensuing year. If the company's operations result in a loss, the Governments have undertaken to make good the whole of the deficiency or such part of it as is deemed necessary.

During the year under review New Zealand paid £58,110, representing 30 per cent. of the loss on operations for the period 24th June, 1946, to 30th June, 1948, and a further sum of £48,387 for the year ended 30th June, 1949, will come to charge during the current year. These amounts are being charged to Consolidated Fund, vote, "Air."

South Pacific Air Transport Council Pool Account.—The New Zealand Government has undertaken the control and operation of the international airport at Nadi, Fiji. The cost of this undertaking is borne initially by the New Zealand Government and is adjusted under a pooling arrangement between the Governments of the United Kingdom, Australia, and New Zealand to a payment of one-third each. The total expenditure incurred from the inception of the Pool Account in December, 1946, to 31st March, 1948, was £245,584, and claims have recently been preferred against the United Kingdom and Australian Governments for their share of the expenditure, but to date no settlement has been effected. The accounts for the year ended 31st March, 1949, have not yet been completed. An amount of £(F.)10,000 is payable annually from 1st April, 1948, by Fiji for the use of trunk air route facilities on local services, and of this sum £(F.)7,500 was received during the financial year.

Claims are also being made against Fiji and the Western Pacific High Commission for meteorological services, but the amount recoverable may be reduced through the setting off by these administrations of expenditure made on behalf of the Pool Account.

Annual statements of expenditure by New Zealand to 31st March, 1948, have been certified on the information disclosed by the books and records held in New Zealand, but subject to the statement that no examination has been made of the books and records held in Fiji. Recently a preliminary inspection was made in Fiji by an Audit Officer, and he has now returned there to carry out a more detailed examination.

Phosphate Interests

Nauru and Ocean Islands.—Since 1920 the phosphate deposits on these Islands have been worked by the British Phosphate Commission, which was appointed under a partnership agreement between the Governments of the United Kingdom, Australia and New Zealand. Of the capital of £3,531,500, an amount of £565,040, representi

16 per cent., was contributed by New Zealand, the balance being paid by the other partners in equal shares. Interest and repayments of capital were to be paid on an annuity basis over a period of fifty years, and surplus profits have been invested in the business to avoid further capital contributions. Payments under the agreement were received until 1941, when enemy occupation of the Islands caused the Commission to lose its main source of revenue. New Zealand's outstanding capital had by then been reduced to £483,899.

When the Islands were reoccupied it was found that the plant had been extensively damaged, and as the fixed annuity rate was considered to place too great a burden on the Commission's finances during reconstruction the Governments agreed to accept repayments on the basis of a royalty of 7s. per ton of phosphates shipped. This royalty is being divided in proportion to the capital contributions, and the arrangement is to be reviewed in 1950. Certificates from the Commission's Auditors as to the tonnage of phosphates shipped have been sighted by the Audit Office.

In 1947-48 New Zealand received royalties amounting to £14,911 7s. 4d. and in 1948-49 to £32,384 13s. 9d., and these have been applied to interest accrued on loan liability for the years 1941-47 and part of 1948.

The rate of interest on outstanding capital was fixed in 1920 at 6 per cent. which is much higher than comparable rates now paid, and discussions between the Governments as to a reduction have been proceeding for some time.

Statements of account in connection with New Zealand's investment in the Commission have not been submitted since 1941, and the Audit Office has taken up with Treasury the question of their preparation to 1949.

Christmas Island.—This island contains considerable deposits of high-grade phosphates which have been worked since 1897 by the Christmas Island Phosphate Co., Ltd. With a view to increasing the supply of phosphates available to their respective countries the Governments of Australia and New Zealand entered into negotiations for the purchase of the company's assets on the island and the right to mine phosphates there.

A contract for purchase was signed in London on the 31st December, 1948, and the price—£2,750,000—was borne equally by the Governments. It is anticipated that a further sum of £250,000 will be required for working capital.

The purchase-price is subject to increase by the amount of capital expenditure made by the company subsequent to the 30th June, 1948, and by the extent to which stocks on hand have increased from that date to the date of handing over.

The concession, which was originally granted in 1891, will expire in 1990, and carries no right of renewal.

Section 2 of the Finance Act (No. 2), 1948, provided statutory authority for New Zealand to enter into the agreement, and in terms of that section £1,375,000 was paid from Public Works Account, vote, "Christmas Island Phosphate Rights."

Discussions are at present proceeding between the Governments for the setting-up of a suitable authority to work the concession. Although it is anticipated that most of the phosphates will be used in West Australia because of its proximity to the source of production, New Zealand will benefit by the consequent availability of increased supplies coming from Nauru and Ocean Islands.

Coal-mines Acquisition

During the last two years approval has been given to the purchase of at least thirteen mining undertakings. Some of these required relatively small payments, but two very large transactions were involved. These were the acquisition of the undertakings of the Westport Coal Co., Ltd., for which the purchase-price was £900,000, and the Taupiri Coal Mines, Ltd., for £823,000. These figures were arrived at by negotiation with the respective companies and after investigation and report by Treasury and the Mines Department.

The terms of each of these two transactions involved the purchase of the shares of the company either by cash payment or by the issue of Government stock.

Under the Westport Coal Company Act, 1948, the assets and liabilities of the company were vested in the Crown on 1st October, 1948, and receipts from the depots from that date have been paid to Public Account. The balance-sheet of the company as at 30th September, 1948, has been audited by a firm of public accountants, and the incorporation of the assets and liabilities in the State Coal-mines Accounts for 1948-49 is being verified by the Audit Office.

The Taupiri purchase is a more recent one, and it will be some time yet before a similar inclusion can be made. In the meantime the company is still carrying on as such, although the shares are owned by the Government, which is responsible for the management of the business.

Rehabilitation Loans Contributions

Sections 32 and 33 of the State Advances Corporation Act, 1934-35, require all mortgagors who receive loans from the Corporation to make a contribution equal to 2 per cent. of the loans to a General Reserve Fund to be established and maintained by the Corporation. In connection with rehabilitation loans to ex-servicemen the 2 per cent. contribution (exceeding £800,000 in total at 31st March, 1949) has been made from the War Expenses Account. The majority of these loans exceeded two-thirds of the value of the security, and the Government guaranteed the Corporation against loss in respect of them. The authority for the guarantee appears to be section 24 (3) of the Act already mentioned, but in terms of this section it can be only in respect of loss attributable to lending in excess of the two-thirds security.

When a claim was submitted as coming under the guarantee the Audit Office noted that the full loss was included in one case and it pointed out that reimbursement of losses which fell within the ordinary lending limit was not contemplated under section 24 (3), and that, if gross losses on rehabilitation loans were to be made good from the Public Account, it was not reasonable to pay the 2-per-cent. contribution also, as that was specially applicable to make them good. The Corporation thereupon agreed to prefer no claims within the two-thirds limit.

Aircraft Purchase

During 1947-48 an amount of £150,000 was paid from vote, "Air" to the United Kingdom Air Ministry for aircraft, and a sum of £510,000 was transferred to Deposits Account to meet the cost remaining due in respect of aircraft, spares, and freight. The account was cleared during the year by several payments to the Ministry and a further amount of £19,767 for the same service was paid from the vote.

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.

Naval Vessels : Purchase

In March, 1948, the Government decided to purchase from the Admiralty six "Loch" class frigates and one other ship suitable for conversion to a survey vessel, and a payment of £1,600,000 sterling was made on 30th March, 1948.

The cost of the six frigates, which have since been transferred to the Royal New Zealand Navy, was £1,367,300 sterling.

As a survey ship was not available the Admiralty was asked to transfer the balance of £232,700 as referred to in this report relative to reconditioning the "Monowai."

Occupation Force in Japan

Further claims were received from the Australian authorities for New Zealand's share of expenditure charged to the British Commonwealth Occupation Force "Pool Account." These claims adjusted charges in respect of expenditure previously made but not debited, and credit was allowed for supplies forwarded direct to Japan by New Zealand.

The claims, after taking account of a progress payment of £100,000 made during the previous financial year, amounted to £160,253 4s. 6d., and an amount of £56,673 7s. 10d was received. These sums were debited and credited respectively to item "Army" in War Expenses Account.

The Australian Treasury recently advised that the pricing of issues to 5th September, 1948, when services to New Zealand ceased had not been completed and that further claims would be submitted.

Following representations to Treasury by the Audit Office that arrangements be made with the Australian Government for claims rendered on New Zealand to be certified by the Commonwealth Auditor-General, advice has been received from that official that suitable action is taken in Australia to verify their correctness.

Rationing Defence Forces

Rationing returns have continued to be submitted for audit by the three branches of the Defence Forces.

A good standard has been maintained by the Army and Navy, but Air Force returns should be improved. It is clear that these have not been checked by the Air Department Head Office.

Stores : Defence Forces

Army.—All Army stores depots and camps have been inspected within the last year either by Audit or Army Department Inspectors. Certain improvements are being effected in the system of control and accounting, and on the whole the position is satisfactory.

Air.—Inspections of Air Department stores in the past revealed a standard of accounting and control which left a good deal to be desired. During 1948 the Department took steps to effect an improvement. A working party is making a complete physical stock-take of all stores at each station and is adjusting store ledger-cards to

agree therewith. At the same time stores surplus to peacetime requirements are being sorted either for disposal or for return to main depots. This work is taking a considerable time and up to the present only two out of five stations have been checked.

The certificates of stocktaking relating to these stations have been perused by Audit and they confirm previous evidence that the position is not satisfactory. The Audit Office hopes that with the fresh start stations will be able to set a higher standard than in the past.

The Department maintains three stores depots, but one, Mangaroa, is being closed. This store was recently inspected by the Audit Office, but it was unable to inspect the other two. These have been noted for early attention.

Navy.—The Navy stores depot at Devonport, the only one in service, has been inspected by the Audit Office within the year, and the position can be regarded as fairly satisfactory.

Services by Army Personnel

During the war the Army assisted farmers by providing man-power and transport for harvesting and other seasonal farm work. The soldiers received a bonus, and payment at agreed rates was to be made by those for whom the work was done. At 31st March, 1948, farmers still owed approximately £4,700, and collections since then have been small. A Treasury recommendation that legal action to recover should be taken was made in September, 1948, but no proceedings have yet been instituted.

Recovery of Treasury Expenditure Charged to War Expenses Account

Treasury undertook prior to last year's report to scrutinize its files to ensure that proper action had been taken in respect of any recoverable war expenditure which had been charged to War Expenses Account, Ancillary (Treasury). It has lately advised that it has not yet been able to do so, but that arrangements have been made for an officer to take up the work "in about three or four months' time."

Financial Arrangements With the Government of Fiji

Considerable expenditure was incurred by New Zealand during the war on account of defence measures in Fiji, and the amount due by the Government of Fiji after all adjustments had been made was £(F.)768,580. This sum was accepted as correct by the Fiji Government, which advised that the claim had been referred to the Colonial Office, London, for payment of the New Zealand equivalent to the credit of the New Zealand Public Account, London. After considerable delay advice was received that the United Kingdom Treasury submitted that the Colonial Office was under no liability to pay as the debt was the responsibility of Fiji.

Following discussions between the Governments of New Zealand and Fiji in which Fiji gave certain undertakings respecting future defence, Cabinet approved on 3rd November, 1948, that New Zealand accept in full and final settlement an annual payment of £(F.)50,000 for ten years. The first payment has been received and utilized in Fiji to fund New Zealand Imprest Accounts operating there.

The arrangement, though it involves a remission of £(F.)268,580, has not been considered as coming within the writing-off provisions of section 3 (3) of the Public Revenues Act, 1926.

War Assets Realization Board

The above-named Board was dissolved as at 31st December, 1948, and its functions are being carried on by the Stores Control Board. Receipts from the sale of war assets for the financial year 1948-49 amounted to over £1,500,000, and from the disposal of assets acquired under German Reparations to £125,000. Some £915,000 of these amounts was handled by the Realization Board, and its successor. The number of transactions was high; in fact, September, 1948, was a peak month so far as issue of invoices was concerned. The accounts are under audit at present.

East Coast Maori Soldiers' Fund

In view of the several parties interested in the station properties of this Fund the Audit Office suggested in October, 1946, to the Minister in Charge of War Funds that he review the trust. The matter was ultimately referred to the Crown Law Office, which was of opinion that the position was not fully covered by law.

The Maori Trustee has lately advised that it will be necessary for him to discuss the matter further with the law officers before any adjusting action can be taken.

Patriotic Funds

The accounts of the New Zealand Patriotic Fund Board and of ten Provincial Patriotic Councils for the year ended the 30th September, 1948, have been audited as required by section 40 (1), Patriotic and Canteen Funds Act, 1947. The audit of the accounts of two other Councils for the same period is in progress, but that of the remaining two has been delayed through lack of Audit staff.

The last report mentioned that the Minister of Internal Affairs had approved of the introduction of legislation validating grants made by four Councils to returned services' organizations. This legislation is contained in section 25, Finance Act, 1948.

Canteen Board (Now Armed Forces Canteen Council)

Under the Armed Forces Canteens Act, 1948, the Armed Forces Canteen Council was established as from 1st December, 1948. The Council takes the place of and has the same staff as the Canteen Board established under the Defence Canteen Emergency Regulations 1939 (now revoked), and its constitution, functions, and powers are similar to those set out in the above regulations.

The accounts of the Board up to 31st March, 1948, have been audited by the Audit Office. The examination suggested that the internal check was not fully functioning, but the Audit Office has been advised that steps have been taken to remedy the matter.

A reference to a new body, the Canteen Fund Board, is made in the paragraph following.

Canteen Fund Board

The above-named Board was constituted by section 25 of the Patriotic and Canteen Funds Act, 1947, to administer a fund which consists principally of amounts paid over to it from the profits of the wartime Canteen Board. As mentioned in the previous paragraph of this report, the last-mentioned Board has been replaced by the Armed Forces Canteen Council. The Canteen Fund Board is not empowered to operate canteens, its principal functions being to assist discharged servicemen or their dependants. The accounts of the Board from its inception to the 30th September, 1948, at which date it held £614,000, were audited by the Audit Office as required by section 40 of its governing Act.

Travelling and Entertainment Allowances and Expenses of Boards, &c.

With a view to obtaining uniformity in the payment of travelling allowances and expenses to members of quasi-Government Boards, Committees, and similar bodies, a standard set of provisions was incorporated in the Travelling-allowance Regulations 1941. It was hoped that they would be adopted by or applied to all bodies set up after their enactment, but the hope was not always realized. Another standard set is now offered in similarly described Regulations 1949, but it may be doubted if they will prove any more acceptable. Some Boards and Committees avoid having the conditions under which their members claim travelling allowances and expenses defined and restricted more than they can help, and endeavour to keep payments of this nature regularized gives the Audit Office considerable trouble and does not increase its popularity with the travellers concerned.

Most of the sundry Boards and Commissions concerned with the control and disposal of our primary products find it necessary to pay entertainment allowances to their chief officials, and sometimes also the cost of certain specific functions at which they may be hosts. No details are submitted to audit to account for the amounts paid as allowances, but the maximum paid in any case is so far not so great as to cause much concern. The Audit Office proposes to ask each authority to show separately in its accounts the amounts paid as entertainment allowances and as entertainment expenses, and the producers as the most interested parties will thus be able to see what is being spent under each heading.

United Nations Appeal for Children

At the request of the Government the Audit Office audited the collections of the New Zealand National Committee of the United Nations Appeal for Children. Donations in cash by the public totalled £391,553, and a Government grant of £350,000 was made to the Appeal, and a further grant of £18,257 to cover administration expenses, principally advertising. The cash receipts from the public were remitted by the many District Collectors to a central bank account of the Committee, and at the close of the appeal the total amount was transferred to a Deposit Account in the Public Account. The Government grant of £350,000, and £70,000 transferred by the European headquarters of the United Nations International Children's Emergency Fund to meet freight charges on supplies for overseas, and £6,837 paid in by the authorities of the United Nations Relief and Rehabilitation Administration were also credited to the Deposit

Account. With regard to the Government grant of £350,000, mention was made in my last report that £250,000 had been transferred to the Deposit Account. The additional £100,000 was transferred during May, 1949, at the request of the representative of the parent body in order to fulfil the conditions under which "a matching contribution" might be claimed by it from the Government of the United States.

Up to 30th June, 1949, some £380,000 has been expended in New Zealand out of the Deposit Account on supplies for shipment overseas as required by the Fund, and all disbursements have been audited by the Audit Office. The balance of collections, &c., held on deposit at 30th June, 1949, amounted to £438,216.

United States Property Educational and Cultural Fund

On 14th September, 1948, the agreement between New Zealand and the United States relating to the above-mentioned Fund was extended to make more detailed provision for its use for educational and cultural purposes. In terms of the extension New Zealand is required to make available for such purposes New Zealand currency up to an amount equivalent to \$2,300,000 at the diplomatic rate of exchange.

Payments made during 1948-49 from the special Fund Deposit Account amounted to £32,842 7s. 8d. for transfers of property and to £3,082 8s. 6d. for educational purposes. The balance of the account remaining at 31st March, 1949, was £1,299,606 19s. 4d.

Marketing Department

Apple and Pear Growers' Pool.—With the passing of the Apple and Pear Marketing Act, 1948, the Apple and Pear Marketing Board became, from 1st December, 1948, the statutory marketing authority. The Department has been appointed the agent for the Board as regards receiving, storage, and distribution of the fruit, and accounting.

An Apple and Pear Growers' Pool Account, prepared for the year ended 31st December, 1948, shows a debit balance of £9,800. This amount represents overpayments to growers which were made as a result of a miscalculation of the final payout rate.

In previous years it would have been possible for the Department to have recovered an item of this nature from the next year's distributions, but under the new organization this is not possible. The Audit Office is not aware as to what action the Department proposes to take to clear the balance.

Potato Contracts.—For some years past the Marketing Department has entered into contracts with certain potato-growers who on their part undertake to plant and harvest a specified area of potatoes, while the Department agrees to purchase any portion of their crops which remains unsold at a fixed date. The potatoes are required to be "fair average quality," and the price to be paid is that fixed by the appropriate Order of the Price Tribunal in respect of sales by the growers to merchants.

In 1948, as a result of a favourable climatic season, there was a surplus of potatoes to requirements. The Department became liable under the terms of its contracts, and it purchased some 14,000 tons of potatoes, most of which were grown in the South Island.

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

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.

Proceedings have not yet been instituted in either of the two cases outlined, for it appears that if refunds are enforced to the amounts mentioned the punishment would far outweigh the offence. The Audit Office suggests that the Act should be amended so that a fine at the discretion of the Court in which any proceedings are instituted would replace the refund now required. This would allow all the circumstances of a case to be considered before fixing a penalty.

Recoveries by the Audit Office

The presence of the Audit Office is doubtless effective in preventing many happenings which would be undesirable, but, in addition to supplying that salutary influence, it is sometimes able to instigate action to effect recoveries of overpayments or to collect moneys where collection has been overlooked. In general, the amounts involved are small and do not suggest that the accounting is seriously at fault, but a few comparatively large sums totalling some £19,000 were recovered or otherwise saved to Government funds during the year under review.

The gross cost of the Audit Department during 1948-49 amounted to £110,000, while its earnings in cash from local authorities and trading departments, &c., amounted to £42,000.

MONEY OR STORES WRITTEN OFF

Section 3 (3), Public Revenues Act, 1926

The above section provides that no public moneys or stores may be finally written off and discharged from the relative Account without the authority of Parliament, and the Treasury Regulations require that before presentation of relative items to Parliament the concurrence of the Audit Office and the Treasury shall have been obtained.

A statement of moneys and stores in respect of which Audit concurrence to writing off has been given since last report is given in the Appendix to this report.

CONCLUSION

The Audit Department continues to work at under its pre-war strength, but it does the best it can with the forces at its command. This shortage of staff was brought to the notice of the Government during the year, and has been referred to the Public Service Commission from time to time.

The Commission and the Treasury have assisted the Audit Office to carry out its duties, and Departments generally were courteous and co-operative in dealing with the very large number of audit references which were made to them.

J. P. RUTHERFORD,

8th August, 1949.

Controller and Auditor-General.

APPENDIX

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC., IN RESPECT OF WHICH AUDIT CONCURRENCE HAS BEEN GIVEN DURING 1948-49, FOR THE WRITING-OFF AND DISCHARGE FROM THE RELATIVE ACCOUNT

Department and Particulars.	Reason for writing off.			Value of Stores.	Cash.
				£ s. d.	£ s. d.
<i>Agriculture</i>					
Value of stores	Lost, broken, &c.			216 18 3	..
Value of stores	Stolen			77 14 1	..
Value of stores	Gratuitous issue			3 6 6	..
Value of stores	Destroyed by fire			0 9 3	..
Value of stores	Loss on sale			27 7 2	..
Value of live-stock	Died and missing			831 16 0	..
Balance of Loan Account	Remitted as part compensation			..	766 9 10
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure			..	209 15 3
<i>Agriculture (Services Vegetable Projects)</i>					
Value of buildings	Loss on sale			398 17 4	..
Value of tools	Loss on sale			76 0 9	..
<i>Air</i>					
Value of stores	Lost, broken, &c.			5,587 11 5	..
Value of stores	Deficient			7,866 4 1	..
Value of stores	Stolen			674 1 3	..
Value of stores	Destroyed by fire, Rongotai			34,577 9 11	..
Compensation for loss of and damage to private property	Nugatory expenditure			..	174 6 11
Miscellaneous	Irrecoverable			..	16 6 8
Pay and allowances overpaid	Irrecoverable			..	654 8 2
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure			..	722 19 4
<i>Army</i>					
Value of stores	Lost, broken, &c.			13,425 5 8	..
Value of stores	Deficient			16,461 14 2	..
Value of stores	Stolen			535 11 4	..
Value of stores	Destroyed by fire			2,705 15 8	..
Hire of equipment	Irrecoverable			..	137 1 3
Miscellaneous	Irrecoverable			..	24 13 4
Pay and allowances overpaid	Irrecoverable			..	650 12 7
Repairs to motor-vehicles and private property	Nugatory expenditure			..	459 6 0
Warrants cashed by unauthorized persons	Irrecoverable			..	34 6 0
<i>Broadcasting</i>					
Value of stores	Lost, broken, &c.			75 0 10	..
Value of stores	Gratuitous issues			1 4 0	..
<i>Customs</i>					
Value of stores	Lost, broken, &c.			36 17 11	..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Education</i>			
Value of stores	Lost, broken, &c.	£ s. d. 345 10 4	£ s. d.
Value of stores	Stolen	24 9 10	.. ..
Value of stores	Destroyed by fire	2,603 0 0	.. ..
Value of live-stock	Died and missing	89 17 10	.. ..
Loan to Dental Clinic Committee	Irrecoverable .. ..	.. ..	147 0 0
Maintenance fees	Debtors unfinancial .. ..	.. ..	5,749 19 9
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	143 16 3
<i>External Affairs</i>			
Value of stores	Loss on sale	17 8 11	.. ..
Cost of air fare unused	Nugatory expenditure .. ..	.. ..	17 10 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	25 1 4
<i>External Affairs (Prime Minister's Department)</i>			
Processing and supply of film ..	Part payment accepted in full satisfaction .. ..	.. ..	45 0 6
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	23 11 9
Value of work performed on publications not proceeded with	Nugatory expenditure .. ..	.. ..	52 10 0
<i>Health</i>			
Value of stores	Lost, broken, &c.	1,615 2 7	.. ..
Value of stores	Stolen	25 10 0	.. ..
Maintenance fees	Debtors unfinancial .. ..	.. ..	55 13 0
Miscellaneous	Irrecoverable .. ..	.. ..	8 16 5
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	100 0 5
Sales of sera	Irrecoverable .. ..	.. ..	13 17 9
<i>Health (Mental Hygiene Division)</i>			
Value of stores	Lost, broken, &c.	9,218 14 3	.. ..
Value of stores	Stolen	143 17 2	.. ..
Value of stores	Destroyed by fire	500 0 0	.. ..
Value of stores	Loss on sale	44 3 3	.. ..
Value of live-stock	Died, &c.	2,286 11 4	.. ..
<i>Housing</i>			
Value of stores	Lost, broken, &c.	1,765 9 4	.. ..
Value of stores	Stolen	133 13 3	.. ..
Value of stores	Loss on sale	83 15 1	.. ..
Half-cost of boundary fencing ..	Irrecoverable .. ..	.. ..	15 15 0
Miscellaneous	Irrecoverable .. ..	.. ..	2 11 1
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	59 14 10
Sale of house for removal	Irrecoverable .. ..	.. ..	32 0 0
<i>Industries and Commerce (Includes Ministry of Supply)</i>			
Value of stores	Lost, broken, &c.	7,849 8 1	.. ..
Value of stores	Stolen	33 10 0	.. ..
Value of stores	Destroyed by fire	341 16 7	.. ..
Miscellaneous	Irrecoverable .. ..	.. ..	1 15 1
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	16 3 0
Sale of pig iron	Irrecoverable .. ..	.. ..	71 9 8

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Internal Affairs</i>		£ s. d.	£ s. d.
Value of stores	Lost, broken, &c.	65 11 5	.. ..
Value of stores	Loss on sale	34 6 4	.. ..
Advances to stranded New Zealanders	Irrecoverable .. ..	.. ..	894 5 3
Compensation for loss of equipment	Nugatory expenditure .. ..	.. ..	55 9 7
Fishing licences	Complimentary issues .. ..	.. ..	110 3 0
Passport fees	Irrecoverable .. ..	.. ..	1 0 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	36 12 11
Sale of skins	Irrecoverable .. ..	.. ..	154 5 0
<i>Internal Marketing</i>			
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	73 6 6
Value of containers	Irrecoverable .. ..	.. ..	6 6 10
<i>Island Territories</i>			
Value of stores, buildings, &c	Loss on sale, Samoa	21,099 15 11	.. ..
Sundry debts	Debtors deceased and untraceable .. ..	.. ..	233 13 8
<i>Justice and Prisons</i>			
Value of stores	Lost, broken, &c.	242 12 0	.. ..
Value of stores	Destroyed by fire	101 17 1	.. ..
Value of stores	Loss on sale	5 13 1	.. ..
Value of stores	Gratuitous issues	6 6 0	.. ..
Value of live-stock	Died, &c.	1,302 13 0	.. ..
Court costs	Irrecoverable .. ..	.. ..	1 1 0
<i>Labour and Employment</i>			
Value of stores	Lost, broken, &c.	1,894 8 2	.. ..
Value of stores	Stolen	16 11 0	.. ..
Value of stores	Destroyed by fire	6 2 7	.. ..
Advances to workers, &c.	Irrecoverable .. ..	.. ..	337 0 6
Passage-money	Irrecoverable .. ..	.. ..	408 15 11
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	71 5 6
Separation allowance paid in error	Irrecoverable .. ..	.. ..	51 8 6
<i>Land and Income Tax</i>			
Cash deficiencies	Irrecoverable .. ..	.. ..	22 0 0
Cash remittances stolen	Irrecoverable .. ..	.. ..	42 9 2
Compensation for loss of effects	Nugatory expenditure .. ..	.. ..	4 10 0
Income-tax, &c.	Debtors deceased or untraceable .. ..	.. ..	26,126 6 7
Misappropriation	Irrecoverable .. ..	.. ..	370 1 7
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	93 10 7
Salaries overpaid	Debtor left service .. ..	.. ..	5 4 8
<i>Lands and Survey</i>			
Value of stores	Destroyed by fire	49 13 5	.. ..
Value of stores	Lost, broken, &c.	1,633 13 10	.. ..
Value of stores	Stolen	122 14 4	.. ..
Value of live-stock	Died, &c.	40,610 2 7	.. ..
Advances: Small farms	Loss on realization .. ..	.. ..	880 10 6
Consent fees	Returned Servicemen's loans .. ..	.. ..	28 17 6
Land-drainage rates	Compromise of amount due .. ..	.. ..	3,719 19 11
Miscellaneous	Irrecoverable .. ..	.. ..	16 17 9
Rent	Debtors unfinancial .. ..	.. ..	788 5 1
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	244 8 4

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Maori Affairs</i>		£ s. d.	£ s. d.
Value of stores	Lost, broken, &c.	902 13 11	.. ..
Value of stores	Stolen	32 1 0	.. ..
Value of stores	Destroyed by fire	21 0 0	.. ..
Value of live-stock	Died, &c.	5,384 14 6	.. ..
Value of nursery seedlings	Destroyed	571 11 1	.. ..
Advances on mortgage	Loss on realization .. ..	.. ..	934 5 5
Job adjustment account	Irrecoverable .. ..	.. ..	92 18 8
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	55 18 11
Unpaid interest	Irrecoverable .. ..	.. ..	9,966 5 4
<i>Marine</i>			
Value of stores	Lost, broken, &c.	2,955 15 6	.. ..
Value of stores	Stolen	13 9 5	.. ..
Value of live-stock	Died	39 19 0	.. ..
Foreshore rents	Irrecoverable .. ..	.. ..	15 0 0
Inspection fees	Irrecoverable .. ..	.. ..	15 14 11
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	16 0 7
<i>Mines</i>			
Value of stores	Lost, broken, &c.	3,224 8 0	.. ..
Value of stores	Stolen	62 1 2	.. ..
Value of stores	Destroyed by fire	4 5 6	.. ..
Value of live-stock	Died	80 0 0	.. ..
Advances: Employment Promotion Fund	Irrecoverable .. ..	.. ..	2,398 15 3
Housing advances	Property abandoned .. ..	.. ..	121 2 10
Interest on advances for purchase of Waimea and Kumara water-races	Part payment accepted .. ..	.. ..	2,832 15 10
Miscellaneous	Irrecoverable .. ..	.. ..	1 9 4
Rent	Debtors unfinancial .. ..	.. ..	25 12 6
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	3 4 2
<i>Ministry of Works</i>			
Value of stores	Lost, broken, &c.	9,887 18 1	.. ..
Value of stores	Stolen	930 4 5	.. ..
Value of stores	Destroyed by fire	1,695 2 2	.. ..
Value of stores	Loss on sale	4,935 14 1	.. ..
Value of live-stock	Died	24 15 0	.. ..
Compensation for loss of personal gear	Nugatory expenditure .. ..	.. ..	64 4 9
Compensation for loss of live-stock	Nugatory expenditure .. ..	.. ..	76 0 0
Fees for services	Adjustment of error .. ..	.. ..	498 2 6
Master schedule contract, overpayment due to incorrect measurement	Irrecoverable .. ..	.. ..	544 10 11
Miscellaneous	Irrecoverable .. ..	.. ..	35 13 1
Rents, &c.	Irrecoverable .. ..	.. ..	662 4 9
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	2,783 2 11
Wages overpaid	Irrecoverable .. ..	.. ..	18 11 7
Water rates	Part payment accepted .. ..	.. ..	101 11 3
<i>Navy</i>			
Value of stores	Lost, broken, &c.	1,288 4 1	.. ..
Value of stores	Deficient	22,298 8 6	.. ..
Value of stores	Stolen	212 4 9	.. ..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Navy—continued</i>			
Value of stores	Destroyed by fire	£ s. d. 315 15 2	£ s. d.
Value of stores	Loss on issue and sale	323 18 6	.. ..
Salaries overpaid	Debtors untraceable .. ..	.. ..	19 14 9
<i>Police</i>			
Value of stores	Lost	3 17 0	.. ..
Compensation for loss of property	Nugatory expenditure .. ..	.. ..	10 3 8
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	280 4 2
<i>Post and Telegraph</i>			
Value of stores	Lost, broken, &c.	1,523 16 8	.. ..
Value of stores	Stolen	426 18 9	.. ..
Value of stores	Destroyed by fire	1,991 8 4	.. ..
Value of stores	Obsolete	1,297 13 4	.. ..
Cash deficiencies	Irrecoverable .. ..	.. ..	107 19 8
Fraudulent withdrawals	Irrecoverable .. ..	.. ..	191 12 9
Loss through burglary and theft ..	Irrecoverable .. ..	.. ..	228 11 5
Miscellaneous	Irrecoverable .. ..	.. ..	14 16 2
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	.. ..	6,279 7 6
Salaries overpaid	Irrecoverable .. ..	.. ..	29 4 5
Toll accounts	Irrecoverable .. ..	.. ..	166 16 3
<i>Printing and Stationery</i>			
Value of stores	Lost, broken, &c.	2,059 6 8	.. ..
Value of stores	Loss on sale	5 17 0	.. ..
Sale of publications	Irrecoverable .. ..	.. ..	2 13 2
<i>Public Trust</i>			
Value of stores	Lost, broken, &c.	80 1 1	.. ..
Value of stores	Loss on sale	1 15 11	.. ..
Advances on mortgages	Loss on realization .. ..	.. ..	4,401 19 0
<i>Railways</i>			
Value of stores	Lost, broken, &c.	2,574 17 2	.. ..
Value of stores	Stolen	648 11 3	.. ..
Value of stores	Destroyed by fire	493 6 1	.. ..
Value of stores	Deficient	1,137 4 10	.. ..
Value of stores	Loss on sale	1,059 17 4	.. ..
Value of rolling-stock	Destroyed in accidents	3,506 13 0	.. ..
Freight charges	Irrecoverable .. ..	.. ..	60 8 5
Miscellaneous	Irrecoverable .. ..	.. ..	2 13 10
<i>Rehabilitation</i>			
Value of stores	Lost, broken, &c.	486 19 8	.. ..
Value of stores	Stolen	235 8 3	.. ..
Value of stores	Destroyed by fire	144 2 9	.. ..
Miscellaneous	Irrecoverable .. ..	.. ..	11 12 3
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	.. ..	62 14 8
Salaries overpaid	Irrecoverable .. ..	.. ..	57 2 11
<i>Scientific and Industrial Research</i>			
Value of stores	Lost, broken, &c.	59 6 11	.. ..
Value of stores	Stolen	110 11 7	.. ..
Value of stores	Gratuitous issue	323 16 4	.. ..
Compensation for damage to clothing, &c.	Nugatory expenditure .. ..	.. ..	19 15 0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Scientific and Industrial Research—continued</i>		£ s. d.	£ s. d.
Excess debtors over creditors taken over by Dairy Research Institute	Grant	..	315 11 7
Value of services rendered ..	Irrecoverable	..	82 0 11
<i>Social Security</i>			
Value of stores	Lost, broken, &c.	14 17 6	..
Benefits, pensions, and allowances overpaid	Debtors unfinancial and untraceable	..	2,041 3 5
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure	..	7 3 0
Salaries overpaid	Irrecoverable	..	0 1 10
Warrant cashed by person unknown	Irrecoverable	..	9 15 0
<i>Stamp Duties</i>			
Amusement-tax	Irrecoverable	..	0 4 11
Salaries overpaid	Irrecoverable	..	15 6 1
Sharebrokers' licence fees	Irrecoverable	..	40 0 0
<i>State Advances (Housing Account)</i>			
Rents	Debtors unfinancial	..	664 8 1
<i>State Forest Service</i>			
Value of stores	Lost, broken, &c.	2,994 6 3	..
Value of stores	Stolen	11 13 3	..
Value of stores	Destroyed by fire	347 0 0	..
Value of live-stock	Died	31 0 0	..
Compensation for loss of tools ..	Nugatory expenditure	..	11 11 8
Loss on charcoal-production ..	Irrecoverable	..	599 16 6
Miscellaneous	Irrecoverable	..	11 17 2
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure	..	40 19 11
Sales of timber	Irrecoverable	..	1,191 16 9
<i>State Hydro-electric</i>			
Value of stores	Lost, broken, &c.	1,940 17 8	..
Value of stores	Stolen	275 0 2	..
Value of stores	Destroyed by fire	5 8 0	..
Value of stores	Loss on sale	96 17 1	..
Compensation for loss of live-stock	Nugatory expenditure	..	20 2 6
Repairs to motor-vehicles and private property	Nugatory expenditure	..	797 13 2
Sales of electric energy	Penalties waived	..	245 0 0
Sales of electric energy	Irrecoverable	..	370 15 9
Wages overpaid	Debtors untraceable	..	5 6 5
<i>Tourist and Health Resorts</i>			
Value of stores	Lost, broken, &c.	840 5 6	..
Value of stores	Stolen	11 9 6	..
Value of stores	Destroyed by fire	0 19 0	..
Value of stores	Loss on sale	26 13 4	..
Value of stores	Gratuitous issues	15 10 0	..
Value of live-stock	Died	5 10 0	..
Compensation for damage to clothing	Nugatory expenditure	..	0 19 6
Dishonoured cheques	Debtors unfinancial	..	66 12 10
Miscellaneous	Irrecoverable	..	35 9 0
Rent	Irrecoverable	..	548 18 11
Repairs to motor-vehicles and private property	Nugatory expenditure	..	35 7 8
Rotorua water and drainage system	Loss on realization	..	53,141 8 0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off	Value of Stores.	Cash.
<i>Transport</i>			
Value of stores	Lost, broken, &c. ..	£ s. d. 8 14 0	£ s. d. ..
Value of stores	Stolen	118 12 6	..
Goods service licence fees ..	Debtors unfinancial ..	..	2 11 7
Repairs to motor-vehicles damaged in accident	Nugatory expenditure ..	..	131 17 7
Value of work performed on posters discontinued	Nugatory expenditure ..	..	20 0 0
<i>Treasury</i>			
Advances, bush fire relief ..	Irrecoverable	..	71 5 5
Advances, earthquake relief ..	Debtor deceased	..	28 0 0
Advances to returned servicemen	Irrecoverable	..	3,141 7 0
Rural housing: Sale of huts ..	Loss on realization ..	..	690 0 0
<i>Valuation</i>			
Value of stores	Lost, broken, &c. ..	4 17 1	..
Compensation for property lost ..	Nugatory expenditure ..	..	1 19 6
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure ..	..	7 2 6
Valuation fees	Debtors deceased	..	5 10 0
<i>War Assets Realization Board</i>			
Value of stores	Lost, broken, &c. ..	49 10 7	..
Value of stores	Stolen	110 5 6	..
Value of stores	Deficient	862 8 0	..
Exchange	Irrecoverable	..	3 13 7
Expenses incurred by purchasers through incorrect deliveries	Nugatory expenditure ..	..	7 19 7
Freight charges overpaid ..	Irrecoverable	..	0 10 0
Repairs to private property ..	Nugatory expenditure ..	..	4 18 8
		259,040 12 10	142,837 8 6
		401,878 1 4	

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