

strictly for those purposes. Boards also receive grants for general purposes—*i.e.*, for expenditure on any object consistent with the provisions of the Education Act. The latter form what is known as the General Fund, from which is paid the cost of administration and sums required to supplement the grants received for special purposes. Boards have failed to discriminate between the Special Funds and the General Fund with the result that large sums have been misappropriated and that the conditions attached to the grants have been ignored. This misuse of the Boards' funds is clearly contrary to the provisions of the Education Act and the Public Revenues Act, and steps have been taken to stop the practice and to put the funds of the Boards on a sounder basis.

An examination of the Board's accounts for the year 1918 showed that before adjustments were made the Special Accounts were overdrawn, and had so-called debit balances amounting in the aggregate for all the Boards to approximately £95,000, representing moneys expended on special purposes in excess of the revenue for those purposes.

A Special Account is an account of moneys received in trust for a special purpose and of the payments properly made out of the fund thus created. When a fund is exhausted it ceases to exist, and no further payments can possibly be made out of it, so that it is impossible to have a debit balance in a Special Account. The fictitious debit balances had, therefore, to be eliminated from the Boards' accounts by transferring to the Special Accounts from other accounts sums sufficient to meet the deficiencies. Such transfers could properly be made only from the General Account, but, unfortunately, there were not, in the case of many of the Boards, credit balances sufficient for the purpose, and consequently recourse has been had to other accounts which are not properly available.

The Special Accounts that showed the greatest deficits were—New Buildings, £33,110; Sites, £19,595; School Committees' Allowances, £11,090; Technical Instruction, £9,285; and Relieving-teachers, £6,697. These deficits are due to various causes, the Boards alleging that the grants from the Government were inadequate. The Boards therefore used other special funds to supplement the grants. Whether such a defence of the proceeding could or could not be accepted as a temporary expedient is open to question, but it must be regarded as indefensible if adopted as a permanent and generally applicable course, and must be strenuously resisted as being without the authority of law.

The work of investigating the accounts has been difficult, and it has not yet been found possible to make all the adjustments necessary to put the accounts of some of the Boards in order. In the meantime in these cases transfers have been made from other accounts to meet the deficits. These transfers, which are in some cases tentative only and subject to future revision, are from the following accounts: General Account, £44,082; Rebuilding Account, £44,954; Manual Instruction Account, £6,219; other accounts, £1,265: total, £96,520.

In the case of the Auckland and Taranaki Boards the whole of the deficits in the Special Accounts have been met by transfers from the General Account, and the accounts have been put in order without the improper transfer of sums from Special Accounts; but in the cases of the other Boards in addition to transfers from the General Account transfers amounting to the following sums have been tentatively made from Special Accounts: Wanganui, £17,008; Wellington, £12,537; Hawke's Bay, £7,851; Canterbury, £1,081; Otago, £6,130; Southland, £3,715; Nelson, £4,115.

The total expenditure (excluding transfers) of all Boards in 1918 was £1,515,374; the total income (excluding transfers) was £1,546,057; the total credit balance at the end of the year amounted to £200,293.

EDUCATION RESERVES.

The Education Reserves Amendment Act of 1914 provides for the revenue received from primary-education reserves to be paid by the Receiver of Land Revenue into the Public Account to the credit of a special deposit account called "The Primary Education Endowments Deposit Account." The moneys so received are applied without further appropriation than the Act mentioned towards the payment of amounts charged on the Consolidated Fund for the purposes of primary education. The revenue from this source during the year 1918-19 was £82,793.