by realizable assets so earmarked or set aside that an actual fund may be built up available for the repayment of each loan. All loans not provided with such special sinking funds will come within the provisions of the Public Debt Extinction Act, 1910, and will eventually be repayable out of the sinking fund established by that Act.

Investment of Balances of the Public Account.

A feature of the year's transactions has been the large number of investments made by the various funds and accounts in securities issued in respect of other accounts. By this means moneys raised and received have been made temporarily available where most needed, and a considerable saving of interest has thus been effected, which would not have been possible if the statutory provisions for temporary investment of public funds had not been in operation.

In this connection, however, it must be pointed out that section 28 of the Finance Act, 1920, which provides for the charging of such investments against the "Public Account Cash Balance Investment Account," instead of against one or more of the funds and accounts which form part of the Public Account, destroys to some extent the control of the cash accounts which the Audit Office is expected to exercise, as it makes it possible to actually issue moneys out of the Public Account without charging any of the accounts of which the Public Account is made up, and which must therefore be affected by any issues made therefrom.

Imperfect Vouchers.

As required by section 69 of the Public Revenues Act, 1910, the authority of the Minister of Finance was given to the Audit Office to pass certain claims without the production of supporting vouchers on the grounds (1) that receipts were not obtained, (2) that it was not possible to obtain them, or (3) that they were lost and could not be replaced.

The total of claims so passed was £5,964 17s. 9d., the details of which appear in a schedule attached hereto.

Under authority contained in section 70 of the Public Revenues Act, 1910, the Audit Office passed certain vouchers, as shown in the schedule attached, which were defective for want of certificates or other relative documents.

Surcharges.

A considerable number of transactions calling for surcharge occurred during the year. Of these a good proportion were adjusted without formal procedure on part of Audit and the remainder disposed of as follows:—

Captain Trask, Command Paymaster, Palmerston North: A deficiency in his Imprest Account caused by the defalcations of Trooper J. A. Will, £155 12s. A surcharge was issued by the Audit Office, Captain Trask having been found by a Board of Inquiry to have been culpably negligent. The amount was reduced as follows: £68 3s. paid by South British Insurance Company; £19 6s. recovered from gratuity due J. A. Will; £18 10s. deducted from salary of Captain Trask; leaving a balance of £49 13s. to be recovered from Captain Trask, of which he was relieved by the Hon. Minister of Defence on appeal.

Captain G. H. Grover, General Headquarters School, Trentham, was surcharged with the amount of £11 17s. 2d., being amount of salary cheque issued for payment to Inspector Livesay. The cheque was cashed at the bank on the signature of Captain Grover, who failed to account for same by acquittance of payee or by refund to Public Account. As the surcharge was not satisfied, the amount was recovered from Captain Grover's salary and paid to Public Account.

Major E. L. Hornibrook, A.D.W.: A surcharge was issued against this officer for loss of discount (£7 1s. 9d.) resulting through the claim of the Challenge heating system not being passed on for payment, Major Hornibrook being responsible for the delay in promptly forwarding. The officer surcharged appealed to the Hon. Minister of Defence, with the result that the surcharge was remitted.

R. S. Denvers, District Accountant, Vocational Training, Auckland: The sum of £17 18s. 8d., received by the Vocational Accountant, Rotorua, for payment to Public Account, was by that officer, acting on the authority of Mr. R. S. Denvers, withheld from banking in contravention of the terms of Treasury Regulations 26 and 27, and the sum was in the meantime stolen. A surcharge was issued, but on an appeal, under section 67 of the Public Revenues Act, 1910, being made to the Minister of Defence by Mr. Denvers he was relieved of £13, leaving a balance of £4 18s. 8d., which sum was paid by him to Public Account.

J. L. Lee: Loss of registered letter containing £5 addressed to the Soldiers' Financial Assistance Board, signed for by Mr. J. L. Lee, who was surcharged with 50 per cent. of the amount, £2 10s., which sum was paid to Public Account.

J. W. Ennis, Overseer, Awakino (Public Works Department): A surcharge was issued against J. W. Ennis for the loss of £168 3s. 9d., being money in his possession for the purpose of paying workmen employed by the Public Works Department at Awakino, and which through his negligence was stolen. Deductions amounting to £13 2s. 6d. were made from his salary, leaving a balance of £155 1s. 3d. to be written off, Mr. Ennis being called upon to resign on account of his unsatisfactory service.

Defalcations.

The Controller and Auditor-General would regard it as being amiss on his part if he failed to take advantage of this his only available opportunity of placing before the Dominion his protest against the impression of special iniquity on the part of public servants which has been created by the industrious circulation of particulars of all cases of defalcation or like irregularities which have been