

Some difficulty has also been experienced in carrying out the provisions of section 22 of the Finance Act, 1926, which exempts separate accounts from the necessity of contributing to the debt redemption scheme. In the respective principal Acts under which certain of these separate accounts are constituted special provisions are contained requiring the accounts to contribute towards a sinking fund in respect of the loans of those accounts. These special provisions were not repealed when section 22 of the Finance Act, 1926, was enacted, and in view of the apparent conflict between the Acts no effect is now being given to the special provisions referred to. I may cite as an instance the case of the Waihou and Ohinemuri Rivers Improvement Act, 1910, which contains special provisions for making payments out of the account towards a sinking fund, and also provisions for recovery from various contributories of the amounts so paid. These special provisions have not been repealed and appear to be in conflict with section 22 of the Finance Act, 1926. In the absence of any repeal of these special provisions Audit has had some doubts as to whether it was the intention of Parliament to wholly relieve the separate account and the various contributing bodies of all liability to contribute towards a sinking fund in respect of the loans raised under the principal Act. The position has been placed before the Treasury for action should it be found necessary.

DEPARTMENTAL ACCOUNTS AND BALANCE-SHEETS.

The work of auditing the Government Departments, some of which have been in arrear owing to shortage of staff, has been actively pressed forward during the year, and although there are still some arrears outstanding I am pleased to say that the instances in which audit is not up to date are now comparatively few. These arrears comprise several of the larger Courts and also several of the offices of Receivers of Land Revenue, in respect to which the overtaking of arrears is a slow and laborious task owing to the great quantity of detailed checking which has to be carried out.

Generally speaking, the result of the audit inspection of departmental accounts has revealed that the records are well kept and that the collection of revenue has been satisfactorily attended to. A large number of questions regarding departmental accounts which have come under the notice of Audit Inspectors and which they have deemed it necessary to refer to in their reports, have been taken up with the Treasury and the Departments concerned, and in many instances improved methods have in consequence been adopted by the Receivers concerned.

Reports have been regularly furnished to the Minister of Finance in terms of section 68 (2) of the Public Revenues Act showing the general result of the inspection, examination, and audit of the books and accounts of accounting officers or other persons in the Public Service.

All Departments have submitted Income and Expenditure Accounts or Revenue Accounts and Balance-sheets during the year, all of which have been examined by the Audit Office. I have again to report continued improvement in the method of preparation of these accounts. As forecasted last year, semi-continuous audits were conducted in several Departments, which should result in a much more expeditious presentation of the accounts of those Departments during the current year. This should be noticeable in the case of the Post and Telegraph Department. It is hoped to extend this practice wherever possible during the current year.

It has been found difficult with the staff available to audit all Land Office accounts in sufficient time each year to enable the Balance-sheet to be prepared from audited figures in the case of some of the local districts, before submitting them to Parliament. Improvement in this direction is anticipated in the near future. Audit, however, has every confidence in the accuracy of the Department's figures as submitted.

So far as the examination of accounts by Audit is concerned, difficulty is always experienced in checking the allocation of capital and revenue expenditure made by a Department. This could readily be obviated if the estimates of the Departments were prepared separating capital items from revenue items. The effect would be that Audit would be able to satisfy itself, by detailed examination of every voucher, that amounts were correctly treated as capital items, whereas at present a somewhat perfunctory test only is possible.

It is not customary in some Departments to charge interest on the cost of works under construction. This is not in accord with Audit views, and will be far-reaching in its effects, as Departments holding assets constructed out of Public Works Fund will not reflect in their Balance-sheets the true capital cost of the works, and the Revenue Accounts of such Departments will also not reflect the true amount of interest chargeable. The practice is also inconsistent with the system adopted in the Electric Supply Account, in which case interest during construction is being charged.

A semi-continuous audit of the Meat Producers, Dairy Producers, and Fruit Producers Boards has been maintained. The operations of the Dairy Producers Board grew to very large proportions on the board assuming absolute control of dairy-produce, and by the 31st March, 1927, 1,450,000 boxes of butter and 590,000 crates of cheese had been shipped to various countries for disposal by the Board.

Departmental Balance-sheets have now been prepared annually over a series of years, and they are being constructed in such a way that the public, or that portion of the public which understands the primary principles of accountancy, can readily watch the trend of expenditure on the various activities of the Government and form a fair conclusion as to the results of their investments.

It is well, however, to sound a word of warning in this connection, as there is an almost universal tendency on the part of the taxpayer to compare Government activities with commercial undertakings without considering the wide difference which exists between the objects to be attained by