satisfactory explanation obtained. Audit is pleased to record that in respect to these breaches the majority have occurred either through want of knowledge of the law or misinterpretation of the statutes :—

Borrowing by promissory notes	2
Disqualifications	10
Fidelity bonds not taken out	1
Free tram passes issued	1
Free bath passes issued	1
Investments contrary to law	11
Illegal refund of excess unauthorized	1
Local Bodies Finance Act (offences under)—	
(*a*) Antecedent liability reduction instalment not paid	1
(*b*) Flood damage overdraft not reduced	1
(*c*) Overdrafts and liabilities in excess of legal limits	18
Local Bodies' Loans Act (offences under)—	
(*a*) Breach section 3 (2)	1
(*b*) Loan-moneys illegally expended	82
(*c*) Loans raised in excess of or without statutory authority	5
(*d*) Loans overexpended	13
(*e*) Loan-moneys not kept in separate bank account	7
(*f*) Loan recoupments wrongly credited	4
(*g*) Loan interest on fixed deposit wrongly credited	6
(*h*) Sinking funds not established or provided for	4
Payments made without legal authority	38
Payments unsupported by receipts	15
Purchases on terms involving interest payments	5
Public Contracts and Local Bodies Contractors Act (offences under)	10
Provisions *re* harbour leases not complied with	1
Rates not levied according to law	9
Rates and interest on levies rebated or remitted contrary to law	12
Security not taken for wharfage dues	1
Sinking fund unlawfully created	1
Transfers in breach of section 145, Municipal Corporation Act—Separate accounts to General Account	3
Transfers in breach of section 145, Municipal Corporation Act, between separate accounts	3
Travelling-expenses in excess of statutory provision	12
Unauthorized expenditure in excess of legal limits	18
Unauthorized commutation of harbour dues	2
Unauthorized trading by local body	1

Audit has also drawn attention during the year to the following matters relating to the accounts of local authorities, but which are not breaches of statute :—

Unsatisfactory accounting systems and records	11
Unsatisfactory stores systems	5
Unsatisfactory system of wages payments	1
Insufficiency or lack of depreciation charges in trading accounts	32

Stores Audit.

During the period under review 192 store accounts of the various Departments have been examined and reported on, and in addition the ledgers and accounts connected with the Naval Service have also received attention.

An approved copy of the following Departments' new Stores Rules has not yet been received in the Audit Office : Native Affairs, Printing and Stationery, External Affairs, Prisons, Labour, State Fire Insurance, Immigration, Income-tax, State Advances, Justice, Valuation, Superannuation Board, National Provident.

With regard to the Department of Agriculture, although good progress has been made in improving the system of accounting for stores, a copy of the proposed Stores Rules has not yet reached Audit.

The Government Railways Board has intimated that the reorganization of the Stores Branch is still in hand, and that the revised Stores Rules would not be issued before the end of this year.

Good progress is being made by the Post and Telegraph Department in connection with the new system of accounting for stores ; a copy of their proposed Stores Rules has not yet been received.

Section 91 (2), Public Revenues Act, 1926.

Statement of Royalties payable to the Crown and unpaid at 31st March, 1927.

Section 91 (2) of the Public Revenues Act, 1926, reads as follows :—

" The Controller and Auditor-General shall include in the report to be prepared by him pursuant to subsection two of section eighty-nine hereof a statement as to all royalties payable to the Crown and for the time being unpaid, setting forth in respect of such royalties,—

" (*a*) The name of the person by whom the same are payable ;

" (*b*) The amount payable by each such person ; and

" (*c*) The steps (if any) that have been taken to recover the said royalties, and, if no such steps have been taken, the reasons for allowing the said royalties to remain outstanding."