chief function of profit-making in the world of business is astute competition, whereas the chief function of public administration is wise co-ordination. Although there is a wide distinction in principle, in method the difference is not so evident. In this respect critics fail to take into consideration the magnitude of the organization. A comparison of the methods adopted would disclose that there is a greater dissimilarity between a large business and a small one than between the organization of a large Government Department and a private concern of comparable size. Indeed, it can be claimed that in many of our Departments modern methods are in vogue which compare favourably with outside business firms, and that of the faults which are ascribed at times to the administration of Government Departments, all of them, and in some cases worse, could be found in the administration of many "successful" business concerns.

The fact that public activities are more open to public review tends to magnify any deficiency in public administration, thereby making it appear to contrast unfavourably with the conduct of private enterprise.

The control and management of business in public undertakings as contrasted with that of a private enterprise is, as I have stated, largely a process of limitation. The executive of a private undertaking has few, if any, legal or internal limitations placed upon his activities. Public officials, however, on the other hand, are limited and governed in almost every act by special statutory provisions or administrative regulations. In the raising and expending of funds these limitations are very definite. The importance of reflecting in the accounts, the limitations imposed in these respects by Parliament and the way in which they are followed out has given rise to the necessity of using what is termed "budget accounts" in the form of (1) estimates of revenue, (2) estimates of expenditure.

The Budget has been defined as a fiscal document exhibiting:—

(1) The estimated and actual revenues and expenditure of previous periods;
(2) The proposed appropriations for expenditure for the succeeding period; and
(3) The proposed sources of revenue to meet these appropriations, with all necessary supporting data and information.

In its final stage the Budget takes the form of the annual Appropriation Act, expressing as it does in Parliament's language approval of the greater portion of the proposed public expenditure for the ensuing year. Further provision is made by way of special statutes, which provide in many cases for payment without special appropriation.

The power of appropriation itself would be of little value if no means were availed of by Parliament to provide compliance therewith. These are obtained by the statutory requirements of publication and presentation of the Public Accounts to Parliament, after review and report (direct to Parliament) by a special parliamentary officer—the Controller and Auditor-General. It must be clearly understood, however, that the appropriation only "permits" expenditure—it does not "direct it." Within the appropriation control rests with the Government, which, in this matter, acts principally through the Treasury.

How far do the Public Accounts of this Dominion, as published, fulfil the requirements laid down? I feel I can do no better, in the first place, than refer to a report made by a Royal Commission in 1912, consisting of Messrs. W. D. Hunt, James Macintosh, and Peter Barr all of whom are well known to you. Dealing with "The Public Accounts" they report:—

> "Probably the most important and outstanding feature of the accounts, in common, as far as we are aware, with those of most other countries, is that, numerous as they are, they can be divided into two classes only—(1) the 'balance-sheets' or summaries of transactions, with subsidiary statements in detail of receipts and expenditure, and (2) the tables of balances at the close of the year dealing (*a*) with the public debt, and (*b*) with the cash and bank accounts. This means that the whole of them may be described as simply cash accounts.
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> "The term 'balance-sheet' as used throughout the accounts is entirely misleading, and at variance with the commonly accepted meaning of the words in business or by mercantile accountants. These statements merely show the balances of various cash and bank accounts at the beginning of the year with the total receipts and payments and the resulting balances at the close. They are summaries of cash transactions, and throw no more light upon the position of the Dominion than similar statements of cash transactions would throw upon the position of a bank or other financial or trading concern.
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> "We are strongly of opinion, however, that the time has now arrived when not only the accounts of the trading Departments, which are kept 'outside the Public Account' (see Part X of the Public Revenues Act), but the revenue and expenditure accounts of Consolidated and Public Works Funds, constituting the Public Account,' should be put upon such a system as regards book-keeping as would result in the 'General Balance-sheet' of the Dominion (B.-1) presenting a real balance-sheet, and disclosing the actual position of the country's finances.
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> "In connection with the accountant and book-keeping staff throughout the Service, we are strongly of opinion that officers who display sufficient ambition and interest in their work to study for and pass the examinations conducted by the University on behalf of the society established under the New Zealand Society of Accountants Act, 1908, should not only receive encouragement from departmental heads, but be definitely rewarded. This might be done by granting one year's advance in position, which would also recoup some of the expense incurred in tuition and books, and the degrees which are obtained should be entered opposite the names of officers in the Official List."