The immediate result of this report was the passing of the Public Service Act, 1912. One of the first acts of the Commissioner was to appoint a Committee of Accountants to personally investigate and submit recommendations for the improvement of accountancy methods in all Departments. The report was made by Messrs. G. W. Barltrop, Accountant, Government Insurance Department; H. A. Huggins, Chief Accountant, Post and Telegraph Department; and J. J. Esson, Assistant Accountant, Treasury Department.

As a result of this report, and the passing of the Public Revenues Amendment Act, 1913, opportunity was taken to revise and recast the then existing regulations to meet the altered conditions and to give effect to practically the whole of the matters referred to by the Commission.

Briefly, the general effect of the amended regulations has been to shorten the methods of rendering departmental accounts to the Treasury, without in any way impairing the efficiency of the result formerly obtained, while closer co-operation has been established. Forms have been standardized while an efficient, uniform, and progressive system of accounting for departmental receipts and expenditure has been introduced, doing away with a considerable amount of duplication and overlapping. The responsibility for keeping itemized accounts has been definitely placed with Departments, the Treasury dealing with totals only.

To give effect to the recommendations of the Commission to what may be described as the minor matters affecting the efficient administration and simplification of the accounting and book-keeping practices was a matter quickly decided upon. To go further, however, and prepare the various Departmental accounts on "commercial" lines was a much larger question, involving in addition an important principle of Government policy. Further, the outbreak of war in 1914, and the consequent depletion of the trained staffs of the various Departments, together with the necessity of providing for the various new activities created in the Defence Department rendered the institution of "balance-sheets" a practical impossibility. However, at the close of hostilities the matter again came into prominence as the result of continued action by my predecessors and also the National Efficiency Board. An instruction from Treasury, dated 20th December, 1920, reads as follows:—

> "I am directed by the Right Hon. the Minister of Finance to state that in accordance with a Cabinet decision it will be necessary for your Department to prepare at the end of the current financial year, and annually thereafter, the above statements for presentation to Parliament early in the session immediately following each financial year.
>
> "The following principles should be observed in the preparation of the accounts:—
>
> "To prepare an annual Profit and Loss or Income and Expenditure Account and balance-sheet, it will be necessary to have assets valued, liabilities ascertained, and both set out in a 'Statement of Affairs' as the basis of entry on the first day of the financial year.
>
> "The difference between the total of the assets and the total of liabilities may be regarded as the 'capital' of the Department for the purpose of preparing its first balance-sheet.
>
> "To produce an annual balance-sheet, the books must be kept on the 'double entry' system, and capital and revenue items classified.
>
> "Real accounts will require to be opened for each asset, and nominal accounts for the purpose of recording under appropriate headings income and expenditure transactions.
>
> "A Trading Account, Profit and Loss Account, or Income and Expenditure Account should include all income accrued during the year, whether actually received or not, and all expenditure incurred during the year, whether paid or not.
>
> "A separate set of accounts will be required for each undertaking or trading venture."

This instruction involved a complete change in the system of compiling the annual Departmental Statements of Accounts. The instruction has been given effect to, and the printed accounts of all Departments (except one) are now available in a special parliamentary paper, B.-1, Part IV. The exception to which I refer is the Navy Office, but this Department is now, in the parlance of the silent Service, "in line," and its accounts for the past year (in accordance with Treasury requirements) are under preparation.

The compilation of this work has been one of great magnitude—many difficulties have been experienced and considerable labour involved.

The finalization of these departmental Statements will, at an early date, render the preparation of a "General Balance-sheet of the Dominion" an accomplished fact, and New Zealand will, I believe, then be in a position to add lustre to its laurels as the first Government to issue a "balance-sheet" in the sense of the term accepted by accountants, and showing the actual financial position of the Government of the Dominion.

In carrying out the work referred to full use was made of those officers who had qualified by passing the examination of the New Zealand Society of Accountants. In the Public Service special salary inducements are provided to those qualifying. It must be of interest to note that whereas there were in the whole of the Service, in 1914, only thirty-one Accountants qualified by examination, and of all the Departments of State in two cases only was the position of Accountant held by an officer qualified by examination. At present there are no less than 242 officers so qualified, and it is a *sine qua non* that to obtain promotion in this branch of the Service the Professional Examination qualification is essential. The following list shows the extent to which the principal accounting positions in the Service are held by qualified members of the society:—

Accountants in Public Service.

Agriculture—

The positions of Accountant and Accounts Clerk are held by qualified accountants. 1914 (—); 1928 (3).

Audit—

Four qualified accountants in 1914, as compared with nineteen in 1928. (Note—Officers in this Department will not be advanced beyond £470 until they have passed the Professional Accountants Examination.)