

such as the Primary and Secondary Education Endowment Deposit Accounts and the National Endowment Account. It does not appear that such diversion is according to law, nor does it appear that these accounts have any equitable right to receive such moneys, which represent the repayment of expenditure made from other accounts. The matter is under discussion with the Treasury.

Post and Telegraph Act, 1928.—Section 96, subsection (2), of the Post and Telegraph Act, 1928 (and the corresponding section 7 (2) of the Post and Telegraph Amendment Act, 1927), provides that "All moneys appropriated from the Public Works Fund for the purposes of telegraph-extension works shall as and when required be paid into the Post Office Account, and may be paid out of that account, without further appropriation than this Act, for the several purposes for which they were so appropriated from the Public Works Fund." The intention of this subsection appears to be that moneys required for the purpose of telegraph-extension works are to be paid to the Post Office Account and expended from that account, instead of being issued from the Public Works Fund in direct payment for such works. If this be the correct interpretation of the subsection it is not being carried into effect, but moneys required for payment of telegraph-extension works are being applied direct from the Public Works Fund, in the same manner as before the section in question was enacted.

Section 204 of the Post and Telegraph Act, 1928, makes certain provisions with reference to the payment of royalties on patents covering wireless apparatus used in connection with broadcasting, and subsection (4) (and the corresponding section 7 (4) of the Post and Telegraph Amendment Act, 1924) states that any moneys payable to a patentee in respect of any invention to which this section relates may be paid out of the Consolidated Fund without further appropriation than this section. During the year certain payments coming within the foregoing provisions of law became due, and it was desired by the Government to make such payments from the Post Office Account instead of from the Consolidated Fund as provided by the Act. As this arrangement, though contrary to the terms of the Act, seemed a proper one from an accounting point of view, as the Post Office revenue and expenditure are now entirely separated from the Consolidated Fund, the Audit Office passed the expenditure against the Post Office Account on the undertaking of the Minister of Finance that a suitable amendment of the law would be introduced during the present session.

Government Railways Act, 1926.—Section 38 (1) (a) of the Government Railways Act, 1926, provides for the payment of interest from the Working Railways Account into the Consolidated Fund on the total amount of capital moneys expended in respect of the railways. Subsections (4) and (5) of this section authorize the amount of such capital moneys to be determined by Order in Council, and section 40 (1) authorizes the rate of such interest to be determined by Order in Council.

By clause 3 of an Order in Council gazetted on the 4th March, 1926, the rate of interest to be paid by the Working Railways Account on railway capital moneys expended out of the Railways Improvement Authorization Accounts, 1904 and 1914, was fixed as being the actual rate payable by the Government on such moneys. On all other capital moneys the rate was fixed at $4\frac{1}{2}$ per cent. per annum.

The average rate actually payable by the Government on railways-improvement loans as at the inception of the Working Railways Account was ascertained to be £5 3s. 9d. per cent. per annum. This rate was correctly charged for the year 1925–26, but, apparently through an oversight, the same rate has been charged up to the 31st March, 1929, though the actual rate payable by the Government on these loans has been materially reduced during this period. As a result the Working Railways Account has been considerably overcharged with interest on this portion of the railway capital expenditure during the three years ended on the 31st March, 1929.

By clause 4 (b) (iii) and (iv) of the same Order in Council there was to be included in the total amount of capital moneys expended in respect of the railways the charges and expenses of raising by way of loan the capital moneys expended on railways, and also the Public Works administration and supervision charges in respect of the construction of railways, in so far as such charges and expenses of raising loans and administration and supervision charges were incurred subsequent to the 1st April, 1925 (the date of inception of the Working Railways Account).

A tentative allocation of such charges has been made during the year 1928–29, but the basis on which the allocation is to be made has not yet been finally agreed upon.

Both the foregoing matters are now receiving the attention of the Treasury, and any adjustment found to be necessary will no doubt be made during the present financial year.

Government Railways Amendment Act, 1928.—Section 5 of the Government Railways Amendment Act, 1928, provides authority for payment, without further appropriation than this section, of a subsidy not exceeding £8,000 per annum, in aid of any sick-benefit fund established by certain railway employees. An item for this subsidy was placed on the vote for Working Railways, and the expenditure was charged to the vote, and not to the permanent appropriation provided in the Act. As a result such subsidy does not show on the expenditure side of the Working Railways Account (B.-1, Part I, page 69), although the amount, £2,101 6s. 3d., is actually included in such expenditure, being part of the amount of £7,639,245 8s. 8d. shown under the vote. It appears to the Audit Office that when a permanent appropriation is provided it is not a correct procedure to take an appropriation for the same service under the annual vote, thus providing two separate appropriations for the same service and making it difficult to decide to which appropriation the expenditure should be charged.

The position was accordingly placed before the Railway Department, and it was agreed that in future years the payment should be charged against the permanent appropriation, and that it would not be necessary to take a special item. Under the circumstances Audit agreed that the special item should remain in the appropriations for the current year.

The same section makes provision for the collection of contributions from the members, and for the payment of such contributions into the Working Railways Account. As a matter of accounting it would seem preferable in such cases to provide that the moneys, which are received by the Government in a fiduciary capacity only, and are therefore not liable to be appropriated to the Public