In terms of section 14 of the Public Revenues Act reports have also been sent to the Right Hon. the Minister of Finance in respect of matters relating to the collection, receipt, issue, and payment of public moneys or stores. The Right Hon. the Minister has, under this section, been advised of all cases of defalcation or irregularity which have been reported. Particulars of these cases appear in a statement in this report under the heading "Section 89 (2) (c), Public Revenues Act, 1926." Of the cases of defalcation or irregularity mentioned in the statement, persons not employed by the State were the offenders in fifty-four instances, whilst in the remaining thirty-five cases State employees were the delinquents. A perusal of the statement will show that in numerous instances the deficiencies were of insignificant amount and that recoveries were effected to the fullest extent possible.

Expenditure Vouchers.

The vouchers submitted for examination during the year show that considerable care has been exercised in the accounting branches of Departments, and that officers dealing with the expenditure possess a good working knowledge of the requirements of the Public Revenues Act and regulations. This has been especially noticeable during the past year, and, besides affording evidence of efficiency in the administration of public expenditure, it assists materially in simplifying the work of the Audit Office.

Writing off Irrecoverable Debts due to the Crown.

An unusual position occurred with regard to certain land which had been declared discharged soldiers' settlement land and had been sold to discharged soldiers. There were three instances where the land reverted to the Crown owing to the default of these ex-soldiers. The Crown then transferred the land to civilian settlers. Subsequently the Revaluation Board reduced the value of the land, and for the purpose of securing this reduction to the civilian settlers then in occupation the land was transferred back to the Crown and the civilian settlers were then reinstated at a reduced valuation. The Department's attention was called to the absence of authority for this procedure. After due inquiry, however, the Audit Office was satisfied that in each case the action taken by the Department was the most economical and in the best interest of all concerned, and the applications to write off the losses of £941 15s. 4d., £507 5s. 8d., and £500 respectively were concurred in by Audit. The Department has been requested to seek validating authority during the present session of Parliament. There will probably be other similar cases in the future.

Stores Audit.

The audit of Government stores differs considerably from the audit of revenue and expenditure, and whilst it is not less important it is more complicated, and the difficulty of detecting irregularities and shortages in connection with the use and disposal of stores is much greater than in the case of shortages of cash.

In one Department it is the practice to purchase a large proportion of its stores and material for what is termed "immediate use." In such cases the stores after purchase are not brought on ledger charge, and it is impossible for Audit to exercise any check over their use and final disposal.

During the period under review 207 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 been dealt with. Speaking generally, the results indicate that steady improvement is being made in the care, custody, and accounting for Government property.

The Agriculture and Railway Departments have not yet submitted a set of revised Stores Rules, and it would appear that those of the Public Works Department require further revision. I would again emphasize the fact that from an Audit point of view it is most desirable that the preparation of these rules should be expedited. I regret that owing to this and other causes it has been possible to exercise very little check over the receipt and disposal of the stores of some of the most important Departments of the Service. In the case of those Departments which have reorganized their stores systems, however, the Audit inspection has disclosed a very great improvement in the care and control of Government property.

Local Authorities' Accounts.

The number of accounts comprised in this heading now totals 1,892, all of which are required by law to be audited by the Audit Office. The classes of account extend over a wide field, from a simple record of receipts and payments to the complex accounts of a city with its varied activities and trading undertakings.

The extent to which trading undertakings are controlled by local bodies is shown in the following figures: Electricity-supply, 94; gas-supply, 28; tramways or motor-bus transport, 12; steamer ferries, 1; milk-supply, 1; local railways, 1.

The work of the audit of local authorities' accounts has been carried on continuously throughout the year, and extra assistance has been given to the inspecting staff to cope with the normal increase of work.

At the request of the Harbour Boards' Association for a more frequent audit of Harbour Board accounts, arrangements have been made whereby a periodical examination of the accounts of the principal Boards will be carried out at intervals during the year, with the object, if possible, of completing the audit immediately after the balance-sheet is prepared at the close of the financial year.

Form of Accounts.—Improvement continues to be made in the form in which the trading accounts of local authorities are being prepared, and it is the desire of the Audit Department that these accounts, in their preparation, should conform to established commercial principles.

With the enacting of the Municipal Corporations Amendment Act during last session of Parliament practically all local bodies controlling trading undertakings are now required to make proper