

charges against the annual revenues for depreciation in respect of the depreciable assets of the undertaking, and statutory provision is also made for the setting-aside of reserves. In addition, certain non-trading local authorities—viz., Hospital Boards, Harbour Boards, Education Authorities, and Fire Boards—are required to prepare an income and expenditure statement and balance-sheet, as well as the usual statutory statement of receipts and payments.

Machinery and Plant Renewal Funds.—There is a growing tendency on the part of local authorities, as evidenced in their annual accounts, to set up renewal funds in respect of machinery and plant purchased by them. As the law now stands there is no authority for local bodies to create funds of this nature where the machinery or plant is not an asset of an authorized trading undertaking. An amendment of the law in the direction of giving local authorities power to establish renewal funds for replacement of roading plant, &c., is desirable.

Stores Systems.—Although much has been accomplished in improving the manner of keeping the accounts of local authorities, a matter which calls for the attention of many local bodies is an improvement in the manner of recording and controlling the receipt, issue, and use of stores. Audit Inspectors have frequently reported on the absence or inefficiency of stores records in the accounts of many local authorities.

In order to efficiently control the expenditure and eliminate possible waste and extravagance on the part of local authorities it is essential that accurate stores records should be kept where materials are purchased for either subsequent conversion or use, and the keeping of such records by responsible officials should be made compulsory.

Disqualifications.—In the past two years the members of the principal local bodies have, by statute, been given wider powers of trading with the local authority of which they are members, and it is interesting to note that, notwithstanding these wider powers, the number of members who have automatically forfeited their seats during the year through infringing the statute by trading with the local authority to an extent in excess of the authorized limits has not decreased. Fifteen members of local bodies forfeited their seats in this manner during the year. It is only fair to such members, however, to say that in the majority of cases they acted in ignorance of the law.

Defalcations.—Eleven cases of misappropriation of the funds of local authorities by employees were reported during the year by Audit Inspectors, and in every instance the defaulter was dealt with by Criminal Court action. In addition to these cases, six instances of cash shortages were reported, and, in accordance with the established rule, they were referred to the police for investigation and appropriate action.

Breaches of Statute.—The numerous breaches of statute by local-body members and officers which were dealt with by the Audit Office during the past year are detailed in Schedule A below. An adjustment in the accounts, or a recovery of the moneys, as the case may be, has been required in all cases, excepting where a satisfactory explanation has been made or where the special circumstances were such that an adjustment has been waived conditionally on legislation being obtained to validate the irregularities. A list of these special cases is set out in Schedule B.

Schedule A.

Disqualification of local-body members on account of breaches of law	..	..	..	15
Expenditure without legal authority	..	..	..	30
Fidelity securities, absence of	..	..	..	3
Imprest accounts without authority of law	..	..	..	3
Inadequacy or absence of depreciation charges in trading accounts	..	..	..	15
Investments contrary to law	..	..	..	14
Local Bodies' Finance Act, 1921–22 (offences under)	..	..	..	33
Local Bodies' Loans Act (offences in respect of loans):—				
(a) Loans raised in excess of or without statutory authority	..	..	..	12
(b) Loan-moneys illegally expended	..	..	..	66
(c) Interest on loan fixed deposit wrongly applied	..	..	..	5
(d) Loan-money not in separate bank account	..	..	..	14
(e) Sinking funds not established or provided for	..	..	..	14
(f) Separate accounts not kept for loan-allocations	..	..	..	3
Moneys not banked regularly as required by law	..	..	..	7
Mortgage, land illegally purchased subject to	..	..	..	8
Overdrafts without statutory authority	..	..	..	40
Payments unsupported by receipts and/or vouchers	..	..	..	32
Purchase on terms or by instalments, and interest payments thereon, contrary to law	..	..	..	20
Rates, dues, &c., not levied according to law	..	..	..	20
Rates, dues, licenses, &c., rebated or remitted contrary to law	..	..	..	15
Reserves for depreciation, &c., not invested	..	..	..	14
Travelling expenses and allowances in excess of or without statutory authority	..	..	..	14
“Unauthorized” payments in excess of legal limits	..	..	..	23
Unlawful sinking and other funds	..	..	..	7
Miscellaneous	..	..	..	45
Public Reserves and Domains Act (offences under):—				
(a) Borrowing without authority of law	..	..	..	15
(b) Breaches of trustee law	..	..	..	10
(c) Investments and deposits without authority of law	..	..	..	12
(d) Payments without statutory authority	..	..	..	4
(e) Miscellaneous	..	..	..	3