

specific power had been prescribed at the time of issue of the loan, or where such alteration does not impose any additional burden on the public revenue. The matter was brought under the notice of the Treasury.

Payment by Means of Drafts.

Under the Finance Act, 1930 (No. 2), section 12, authority was given for payment of Government services by means of drafts. Prior to the enactment of this section the only method of payment authorized was by means of cheques, drawn by the Paymaster-General on the Public Account, or by cheques drawn by the various Imprestees on their imprest accounts, which accounts could be funded only by means of cheques drawn by the Paymaster-General on the Public Account.

Comment on this new system of payment was withheld pending the submission of certain questions connected therewith by the New Zealand Treasury to the Lords Commissioners of His Majesty's Treasury in London.

In the opinion of the Audit Office the new system involves a weakening of the constitutional control by Parliament over the expenditure of public moneys, the two points in respect of which particular objection may be offered being—

- (1) The absence of any statutory limitation to the amount of such drafts which may at any time be outstanding.
- (2) The failure to confine the issue of drafts to *sight* drafts, or at least to restrict their purpose to the payment of services of the financial year in which they are issued.

Regarding the first point, the Lords Commissioners of His Majesty's Treasury state, "They think that suitable limits for the operation of the procedure might have been fixed and arrangements made to keep the Controller and Auditor-General fully informed of drawings. If these steps had been taken his position under the law would appear to have been safeguarded." As a matter of fact, there is no statutory limitation of this nature, the only limitation being that placed by the Treasury on the issue of such drafts. Such limitation may be extended by the Treasury at will, and the making of payments by means of drafts is therefore placed beyond the control of Parliament, as the Controller and Auditor-General is not in a position to question the issue of drafts to any amount, provided the Treasury approved such issue.

Regarding the second question, I would point out that the present practice might, if not restricted by Act, be extended by future Administrations and might have far-reaching effects. The Solicitor-General has ruled that the drawing of drafts amounts to borrowing from the bank within the meaning of section 44 of the Public Revenues Act, 1926. It is clear that unless the issue of drafts is limited to *sight* drafts, which it is not, it would be quite possible for any future Administration if it thought fit, in effect to borrow money by this method for considerable periods, and possibly by this means make payments and delay the accounting for such payments until after the end of the financial year in which they are made. Such a system would prevent the effective control by Parliament of the public expenditure to be made in any year. There is no limitation in the Act as to the period for which drafts may be drawn.

The Act requires that drafts shall be "in such form as may be prescribed." No regulation was made prescribing the form of draft as required by the Act until the 1st August, 1932. The system of payment by drafts was, however, brought into operation at the beginning of April, 1929, and it would appear that all drafts drawn between that time and the 1st August, 1932, were drawn contrary to the provisions of law. It would also appear that, in view of the Solicitor-General's opinion and of the provisions of section 44 above referred to, the repayment to the bank of the amount of the drafts issued prior to the 1st August, 1932, was contrary to law. Section 44 reads as follows:—

"Except as specially provided by any Act it shall not be lawful for the Government to borrow, nor for any bank or other person to lend to the Government, any moneys either by way of loan or overdraft, and every engagement for the repayment of any such loan or overdraft shall be absolutely null and void."

The Treasury has kept the issue of drafts within reasonable limits, and has in every case made such drafts payable at sight, and apart from the fact that drafts were issued in a form which had not been prescribed pursuant to the requirements of the Act, the Audit Office has no fault to find with the manner in which the authority given in the section authorizing the issue of drafts has been utilized. There is, however, no legal provision which would ensure that future Treasurers will administer the Act in the same reasonable manner, and the Audit Office would suggest that, in order that the principle of the constitutional control by Parliament over public expenditure may be fully maintained, the section should be amended by making it mandatory to issue only sight drafts, and by fixing a limit as to the amount of such drafts which may at any time be issued and be unpaid.

Section 17, Land Laws Amendment Act, 1927.

Under subsection (5) (b) of this section certain charges on land to cover the cost of roading were abolished. Notwithstanding this abolition, an amount of £78 0s. 10d., representing such charges in respect of the Wanganui River Trust loan block, was recovered by the Government during the year and credited to the Land for Settlements Account as recoveries on account of expenditure of previous years. The credit was passed on the promise of the Government to introduce legislation validating the recovery.

Section 55, Public Revenues Act, 1926.

This section requires that the Audit Office shall be satisfied that there is a sufficient balance in the Public Account to the credit of the fund, vote, or account before countersigning a requisition and bank order for the issue of moneys chargeable against such fund, vote, or account.

The 1931 Budget contained proposals for the transfer to the Ordinary Revenue Account of £550,000 from the Reserve Fund Account, and £590,000 from the Discharged Soldiers Settlement Depreciation Fund. Before legislation had been introduced to give effect to these proposals the balance of the