Owing to the practice adopted by the Treasury of omitting to include in the Public Accounts the vouchers for the payments in question, and the failure to submit them for an appropriation audit, as required by the Public Revenues Act, it would be possible for public moneys to be utilized by private individuals for their own purposes without the knowledge of the Audit Office. The recent embezzlements by the Finance Officer and an Audit Officer in London referred to elsewhere furnish a case in point.

I may say that subsection 1 (*b*) of section 20 of the Public Revenues Act requires that the approval of the Treasury (which presumably here means the Minister of Finance) shall be obtained before public moneys are expended under this section on behalf of private persons or institutions, but so far as Audit is aware no approvals have been given to cover the payments actually made. As the vouchers for such payments are not submitted for audit as required by the Public Revenues Act, the Audit Office has no opportunity of ensuring that Ministerial approval has been given.

List of payments excluded from the Public Accounts which have been made during the year 1931–32, so far as it has been possible for Audit to trace them :—

Particulars.	Amount outstanding at 31st March, 1931.	Amounts paid during 1931–32.	Amounts recovered during 1931–32.	Amount outstanding at 31st March, 1932.
Sundry payments made by the High Commissioner on behalf of—	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Post and Telegraph Department ..	910 5 6	8,247 15 5	9,068 3 10	89 17 1
Public Service and Teachers' Superannuation Funds	2,776 11 6	17,904 15 6	17,944 2 11	2,737 4 1
National Provident Fund ..	54 17 6	410 0 1	393 13 1	71 4 6
Government Life Insurance Department	461 0 3	2,115 9 11	2,043 6 7	533 3 7
State Fire Insurance Department ..	3 1 8	511 10 7	513 9 9	1 2 6
Otago University	89 7 2	53 13 4	143 0 6	..
Hawke's Bay Hospital Board ..	8 5 0	..	8 5 0	..
Otago Hospital Board	1 12 0	2 6 6	3 18 6	..
General Assembly Library ..	180 10 1	563 17 11	386 2 8	358 5 4
Christ's College	..	32 9 6	32 9 6	..
A. B. Gibson	..	0 5 1	0 5 1	..
Resident Commissioners, Niue and Rarotonga	..	2 16 0	2 16 0	..
W. A. Veitch	..	0 5 2	0 5 2	..
Auckland War Museum	..	6 2 6	6 2 6	..
Colonial Ammunition Co., Ltd. ..	..	162 8 0	162 8 0	..
Canterbury College	..	27 9 11	27 9 11	..
External Affairs Department ..	..	0 18 0	0 18 0	..
Cook Islands Department.. ..	..	512 4 3	431 9 11	80 14 4
Funeral and other expenses paid on behalf of the estate of the late W. S. Ferguson, formerly Trade and Produce Officer on the High Commissioner's staff	132 0 7	..	132 0 7	..
	4,617 11 3	30,554 7 8	31,300 7 6	3,871 11 5

Treatment of Exchange in the Public Accounts.

No uniform method appears to have been followed in the treatment of exchange in the public accounts for the year 1931–32, and the cost of or premium receivable on exchange has in some cases been added to or deducted from the cost of the goods or services while in other cases it has been charged or credited to some other head of account, and in yet other cases has not been brought to account in any way.

The practice of adding the cost of or deducting the premium on exchange to or from the cost of the particular goods or services in respect of which the exchange arises appears to the Audit Office to be the soundest method, as by this means the true cost to the Government of such goods or services is disclosed in the published accounts.

Little difficulty was experienced in the case of exchange arising from transactions with countries having a currency unit differing in name from the currency unit of this Dominion, as it was clearly impossible to bring, say dollars, into the New Zealand accounts without first converting them into New Zealand currency. In the case, however, of transactions with other parts of the Empire whose currencies were based on a unit having the same name as that of New Zealand (the pound) some considerable difficulty has been experienced, owing to the tendency to treat all the pounds as being the same, and of equal value, whereas, as a matter of fact, owing to the depreciation in the value of the currencies of different parts of the Empire, the various currency units though still bearing the designation "pound" in each case are dissimilar except in name.