In the case of the Unemployment Fund, no fewer than 357 cases were reported where relief workers had during the year obtained moneys in excess of relief rates by making false statements to the Unemployment Board or by non-disclosure of material particulars of their circumstances. This represents an increase of 282 cases in comparison with the preceding year. Since the 31st March a further 528 similar cases have been recorded, making a total of 885 from 1st April, 1935, to date of this report.

The defalcations by local authority officials have been referred to in another section of my report under the heading of "Audit of Local Authorities' Accounts."

Surcharges.

Section 69 of the Public Revenues Act, 1926, requires the Controller and Auditor-General to surcharge any officer who is responsible for loss of public moneys or stores with the amount of such loss. A noticeable feature in connection with the examination of the year's expenditure of Public Account was the number of surcharges which I found it necessary to issue on account of losses of moneys from the Unemployment Fund, which were caused apparently by the negligence of departmental officers. I had occasion to issue twenty-seven surcharges against officers of the Labour Department. The amount involved in these surcharges totalled £324 19s. 8d., three of which, totalling £48 8s. 4d., have been withdrawn pending completion of action taken for recovery, while two surcharges amounting to £27 8s. 2d. have been satisfied, and two amounting to £17 8s. 9d. have been remitted by the Minister of Finance. I fully recognize that the Labour Department has been called upon to deal with very heavy expenditure on new activities, and there may be reasonable excuses for errors in some cases. The Audit Office has, however, no option but to impose a surcharge under the circumstances, but no surcharge can be imposed without carrying with it the right of appeal to the Minister of Finance.

Two officers of the Government Life Insurance Department were surcharged with the loss of £42 15s. 6d., which was apparently caused by the negligence of those officers. They have, however, lodged an appeal with the Minister of Finance for relief in accordance with the provisions of section 71 of the Public Revenues Act.

In connection with a surcharge amounting to £6 8s. 2d. issued against an officer of the Post Office following on a wrongful withdrawal from the Post Office Savings-bank, the Minister of Finance allowed the officer's appeal.

A surcharge was issued against an officer of the Railways Department who was held responsible for the loss of £25 2s. 9d. cash which had been removed from the office of a railway-station while the officer was temporarily absent. The amount involved was repaid.

An officer of the Public Works Department was surcharged with the loss of £1 15s., being air freight on goods which were required urgently and which he had omitted to order at the proper time.

An officer of the Pensions Department was surcharged with the amount of £34 9s. 4d., being the contents of a cash-bag which was stolen from an office of the Department while the officer was busily engaged on other duties. Action in connection with the surcharge has been postponed by the Minister of Finance pending restitution of the amount by the person who was convicted on a charge of stealing the sum involved.

Two officers of the Native Department who were surcharged with the loss of £2 17s. resulting from an overpayment of wages appealed to the Minister of Finance, who waived the surcharges.

Departmental Accounts and Balance-sheets.

The income and expenditure accounts and balance-sheets of all Departments for the year 1934–35 have been submitted to and examined by the Audit Office.

The examination showed that the system of accounting and internal check have been well maintained during the year. These accounts will be found included in parliamentary paper B.–1 [Pt. IV].

A semi-continuous audit of the accounts of the Meat Producers' Board, Dairy Produce Control Board, Fruit-export Control Board, Poultry Board, Broadcasting Board, and Wheat Committee has been maintained.

State Balance-sheet and Income and Expenditure Account.

The State Balance-sheet has been prepared by the amalgamation of the balance-sheets of all the Government Departments and Special Accounts, excepting the various Insurance, Trust and Superannuation Fund Accounts. As the funds of these latter accounts are the property of the policyholders, clients or contributors, they are not taken into the State Balance-sheet, which therefore represents the assets and liabilities of the State only.

In past years the depreciation charged has been credited to Depreciation Reserve, the assets being shown at the original value. During the year ended 31st March, 1935, a change was made in the case of departmental accounts whereby the amount of the depreciation charged to date was taken off the value of the assets, thus accounting for the decrease as compared with the previous year in many of the Asset Accounts and in the Depreciation Reserve.

The assets showing increases are those in respect of developmental and expanding services such as roads, railways, telegraphs, and electric-supply schemes.

The big reduction in the public debt is the result of the paying-off of the large amount of Treasury bills outstanding at the commencement of the year. Portion of these redemptions was made from the increase resulting from the transfer of sterling funds to the Reserve Bank in exchange for New Zealand currency.

Appropriations of profits for sinking funds or the payments made to the Public Debt Repayment Account are not included as expenditure.

For the forthcoming year it is hoped to link up completely the State Income and Expenditure Account with the State Balance-sheet, the balance of the Income and Expenditure Account, together with any capital losses or profits, being transferred to the account for the "Surplus of Assets over Libialities."