

I have agreed to the discontinuance of the practice of placing footnotes on each account with reference to the fact that the accounts include charges against the Departments for which the Departments possess no Parliamentary appropriation, provided that the Treasury prefaced parliamentary paper B.—1. [Pt. IV] with an explanatory statement setting out the general methods adopted in compiling these accounts.

Stores Audit Section.

This branch of Audit was founded in May, 1920, and from that date up to the present day the section has gradually grown and the work has increased until to-day it occupies a very important branch of Audit work.

Prior to the above date and, in fact, for some time afterwards, when the system of control by Audit was in process of inauguration hundreds of thousands of pounds of public money were expended in the purchase of Government stores annually, and, apart from the auditing of the payment vouchers and authorities, no complete system of check upon the receipt, custody, or issue of these stores was maintained.

The initiation of a new system of control by Audit and the uprooting of old established methods naturally at first occasioned some opposition in certain parts of the Service. I am, however, very pleased to be in a position to report that throughout the various Departments of State the new system has fully justified itself, and that concrete records linking up the ordering, purchasing, receipt, custody, issue, and final consumption or use of stores are now in existence, and on the whole are well maintained. I am also pleased to be able to report that every assistance by Departments is being afforded to Audit Inspectors in the discharge of their duties.

The task of auditing Government stores differs materially from that of auditing cash, and experience shows that it is much more difficult to detect and prove misappropriation of stores than of cash.

It is difficult at times to draw the line between matters of administration and matters of account, which latter are the subject of Audit examination. It is, however, a well established principle that Audit investigation must not be withheld from matters of pure administration if losses have occurred to the State through lax administration.

Modern accounting authorities stress the importance of maintaining thorough stock records combined with the keeping of an up-to-date costing system, and in this respect our State Departments are not lacking.

Irregularities in accounting for stores at Mental Hospital Institutions and Railway Workshops have recently been reported by Audit Inspectors. I attribute these irregularities, not to the weakness of the stores systems which have been installed, but to the lack of observance of the details of the systems as laid down by regulations.

Owing to the general improvement of store accounting in the various Departments of State and to the increase in the Stores Audit staff, I have been able during the year to undertake the inspection of the Railway Department's stores and workshops at Otahuhu, Woburn, and Hillside.

I am pleased to be able to say that there has been a considerable improvement in the method of accounting for stores used on the development schemes under the control of the Native Department since the Audit complaints of two years ago were investigated and disposed of. There is still, however, room for improvement in the Rotorua district, but here difficult problems are met which do not present themselves to the same extent in other districts.

As a result of Audit investigations during 1934–35 it was ascertained that certain stores in the Native Department had been improperly issued to persons other than those connected with development schemes, and although the debits have been established, the cash received in reduction of these outstandings has been negligible and ultimate recovery seems doubtful.

During the course of their work Inspectors have reported numerous cases of the irregular use of departmental motor-vehicles by departmental officers. The use of Government cars for private purposes results in a direct loss to the State, and should on no account be permitted. It is, however, very difficult to detect irregularities of this nature. This matter will be brought under the notice of the Public Service Commissioner.

Stores Audit inspections have been made throughout the year of offices and institutions of the following Departments, and Audit is of opinion that the stores systems existing in these Departments are satisfactory :—

Prisons, Public Works, Health, Printing and Stationery, Naval Defence, Defence, Education, Marine, Mines, State Forest Service, Industries and Commerce, Tourist and Publicity, Agriculture, Legislative, Police, Mental Hospitals, Native, Railway Workshops, and Post and Telegraph Workshops.

Audit of Local Authorities' Accounts.

The auditing of the accounts of local authorities constitutes a very important branch of the work of the Audit Office.

The total number of bodies coming within the statutory definition of "local authority" for purpose of audit is no less than 1,983, and the task of auditing the accounts of these bodies statutorily devolves upon the Audit Office.

The classes and numbers respectively of "local authorities" are as follows :—

Borough Councils	..	..	..	124	Rabbit Boards	..	..	..	63
County Councils	..	..	..	125	River Boards	..	..	..	41
Drainage Boards	..	..	..	54	Road Boards	..	..	..	16
Educational bodies	..	..	..	67	Town Boards	..	..	..	64
Electric-power Boards	..	..	..	44	Miscellaneous bodies	..	..	..	53
Fire Boards	..	..	..	54	Cemetery Trustees	..	..	..	333
Harbour Boards	..	..	..	45	Domain Boards, Public Hall Boards, &c...	..	..	..	847
Hospital Boards	..	..	..	53					