Public Accounts as a credit from the State Advances Corporation, but are included therein under the following headings:—

	£	s.	d.
Ordinary Revenue Account (Expenditure)—			
Credits in reduction of expenditure—			
Debt services—			
Interest	1,067,750	2	9
Other special Acts—			
Rural Advances Act, 1926	132,745	5	2
Ordinary Revenue Account (Receipts)—			
Interest—			
On Public Debt Redemption Fund	24,322	7	0

In the opinion of the Audit Office the whole of the amount should be shown as "Receipts" in the Ordinary Revenue Account, so that the total received from the Corporation may be clearly seen.

Control of Expenditure.

In previous reports the attention of Parliament has been drawn to the tendency in recent legislation to depart from certain established methods which have been built up during a long period of years with a view to ensuring proper and efficient control over public expenditure.

I should like to make reference to the legislation which was introduced last session to enable the Crown to acquire the farm training-station Flock House from the trustees of the New Zealand Sheepowners' Acknowledgment of Debt to British Seamen Fund. The appropriation provision in section 32 of the Reserves and other Lands Disposal Act, 1936, gave the Minister of Finance power to pay the purchase price of the land and other property acquired out of such fund or account as the Minister in his discretion might determine.

The Minister of Finance may reasonably be expected to exercise a wise discretion in such matters, but the duty of deciding which fund is to bear the expenditure should rest with Parliament.

The Public Accounts of New Zealand contain many separate funds or accounts wherein moneys have been set aside for the purpose of promoting trading activities or developmental schemes fostered by the Government. Any of these moneys could have been legally used for the purchase-money if the Minister so desired, and the action could not have been questioned.

Internal Marketing of Primary Produce.

In December of last year the Government decided to undertake the internal marketing of butter, cheese, bacon, and other foodstuffs, so that fluctuations in price to consumers caused by speculation would be minimized, and purchased the business of Picot Bros., Ltd., Wellington. The legal and financial advisers of the Government expressed some doubt on the question of whether this undertaking was authorized by the Primary Products Marketing Act, 1936, and it was decided to charge the capital expenditure and working-expenses of the purchased business to Unauthorized Expenditure Account. This course was agreed to by the Audit Office on the undertaking by the Prime Minister that the Government would promote any validating legislation which might be necessary.

Unauthorized Expenditure Account.

Section 58 of the Public Revenues Act, 1926, authorizes the Government to expend money in excess of or without the appropriation of Parliament, and provision is made therein whereby sums not exceeding £250,000 may be *issued* for services other than the services of Government Railways Department in respect of which special provision is made.

It was anticipated as the result of the operations in connection with the internal marketing of produce to which reference is made above that the limit of £250,000 would prove insufficient to meet requirements for the year, as the statutory provision governing "Unauthorized Expenditure" does not allow any