

I am pleased to be able to report that the examinations carried out by this Branch did not disclose any major defalcations in connection with public moneys or stores. Certain irregularities regarding Government stores and the use of services for private purposes were reported during the year, but in practically every case the irregularities were attributable to insufficient supervision being exercised over the officers concerned.

Departments generally are fully alive to the necessity for keeping accurate store and cost accounts, and, on the whole, have complied with the provisions of the Departmental Stores Rules and Regulations, Treasury Regulations, Stores Control Board Regulations, and the Public Revenues Act, 1926, in connection with the accounting for public moneys and stores. The Departments have afforded the Audit Office every assistance in the discharge of its duties.

Audit of Accounts of Local Authorities.

I am pleased to report that the satisfactory position with regard to the auditing of the accounts of local authorities has been well maintained during the year. In only one or two districts were the arrears of work at the 31st March last of any moment.

Last year attention was drawn to the fact that it was desirable that County Councils should be given the power to establish depreciation and renewal funds in respect of plant and other depreciable assets. By section 20 of the Statutes Amendment Act, 1936, County Councils were given power to set aside moneys to establish funds for the repair, renewal, replacement, &c., of property, plant, fixtures, or appliances vested in them, or for purchasing additional such property. In view of the fact that the daily-plant-hire rates fixed by the Main Highways Board in connection with the calculation of subsidy to local authorities include an allowance for depreciation of the plant, the Audit Office is of opinion that it would be desirable for legislation to be enacted to make it compulsory, in every case where a main-highway subsidy is received, for the County Council or other local authority receiving the subsidy to set aside moneys to establish a renewal fund in respect of the plant used on the main highways.

Recently a committee has been set up by the Municipal Association of New Zealand to investigate the desirability of the standardization of the accounts of municipal corporations, and to suggest improvements to the existing methods of recording the financial transactions and of presenting the accounts of such bodies. There has been a need for more uniformity in the form of presenting local authority accounts, and the Audit Office has notified the association that it is prepared to give any necessary assistance in connection with the matter. The question of standardization could be extended to other classes of local authority with considerable advantage.

In a previous report reference was made to the practice of local-body members signing blank cheque forms and leaving the details to be filled in by the respective officials concerned, and also to the dangers arising therefrom. While there has been an improvement in the position since then, instances are still being reported to the Audit Office where the practice obtains. However, in all cases where the existence of the practice has come to the notice of the Audit Office action has been taken to ensure that it is discontinued.

As stated last year, difficulty has been experienced at arriving at any decision as to what is the reasonable additional cost of holding an election of members of a Harbour Board or an Electric-power Board when it is held simultaneously with an election of members of Borough or County Councils, and as to what proportions of the cost of preparing and printing the district electors' roll of a Borough Council are to be borne under the provisions of section 16 of the Municipal Corporations Act, 1933, by other local authorities entitled to use the roll. A Supreme Court decision during the year clarified the position in the latter regard somewhat, but the position is still unsatisfactory, and the previous remarks in regard to the situation are still applicable.

During the year many questions arose in connection with the travelling-allowances and refunds of expenses payable to members of local authorities in respect of their attendance at meetings of or their travelling on business of the local