

The result, therefore, is an increase of £950,000 in the amount which the Government has, within statutory limits, the power to make use of without immediately charging to a parliamentary appropriation.

(2) For years past it has been the practice for Parliament to vote separately the expenditure on each of the several classes of "Public Buildings," but for the year ended 31st March, 1938, seven of these separate votes were amalgamated into one vote, and the votes formerly shown separately were treated merely as subdivisions of that vote.

Money voted under a particular vote can be used only for the purpose or purposes covered by that vote, and any excess expenditure or any surplus in the vote is in due course brought under the notice of Parliament. In general, the principle holds that the greater number of votes the greater the control; for money is more explicitly appropriated and the discretionary power of the department is correspondingly restricted. As the votes referred to are now shown as subdivisions of vote, "Public Buildings," any overexpenditure on one subdivision can be made good from the surplus of another subdivision, thus giving the Department much greater freedom for expenditure within the total vote, for Parliament is directly concerned only with that total.

In this case the Department has been given further freedom for expenditure as a result of the practice of Parliament to show in the estimates the total estimated cost of works under each subdivision, and at the same time to vote as a lump sum only the amount estimated to be expended during the year in respect of the aggregate cost of works of all the subdivisions. For the year ended 31st March, 1938, the total cost of the proposed works under this vote as detailed in the estimates was set down as £1,734,680, but the amount voted for expenditure for the year was £1,342,560. It has been left to the Government to decide as to how the reduction shall be allocated among the subdivisions.

State Income and Expenditure Account.

Since my last report the State Income and Expenditure Accounts for the years ended 31st March, 1936, and 31st March, 1937, have been examined and certified by the Audit Office.

The continued progress made by Treasury in the direction of producing this Account, which was prepared for the first time in respect of the operations for the year ended 31st March, 1935, but which was not as accurate as was desirable owing to the absence of information as to certain outstanding items of revenue and expenditure at the commencement of the year, has been maintained. Considerable improvement has since been effected, and the account now reflects with reasonable accuracy the financial result of the operations of all State functions and undertakings with the exception of the State-guaranteed institutions, the operations of which are not included in the Account.

Difficulties were experienced in allocating to Departments certain income and expenditure of a miscellaneous nature, and these difficulties have been overcome by establishing a "Treasury Miscellaneous Account," in which all miscellaneous income and expenditure is recorded. Consequently, all of the income and expenditure of the State has been brought to account, and the State Income and Expenditure Account is an amalgamation of the figures appearing in all departmental accounts.

In preparing the account, the vote expenditure has been grouped and shown as it appears in parliamentary paper B.—1 [Pt. I], and income is shown in like manner. To prevent inflation of income and expenditure figures certain items have been offset. Examples of this are to be found in the contributions towards the cost of education from the net revenues of the national, primary, and secondary endowment reserves in the accounts of which the contributions are treated as expenditure, while in the educational departmental accounts they appear as income, but in the compilation of the State Income and Expenditure Account they are eliminated.

Appropriations for sinking fund and payments to the Public Debt Repayment Account are excluded from the account, and interest on capital is, with the exception of interest on the unproductive debt, not shown separately but is treated similarly to ordinary expenditure of each account.