

1944
NEW ZEALAND

PUBLIC ACCOUNTS COMMITTEE

REPORT ON THE ANNUAL REPORT OF THE CONTROLLER AND AUDITOR-GENERAL (B.-1 [PT. II]) FOR YEAR ENDED 31ST MARCH, 1944, REFERRED TO THE COMMITTEE BY THE HOUSE

(MR. T. H. MCCOMBS, CHAIRMAN)

Laid on the Table of the House of Representatives

ORDERS OF REFERENCE

Extracts from the Journals of the House of Representatives

THURSDAY, THE 16TH DAY OF MARCH, 1944

Ordered, "That for the remainder of the session all Select Committees of the House have leave to sit on days on which the House is not sitting."—(Right Hon. Mr. FRASER.)

FRIDAY, THE 24TH DAY OF MARCH, 1944

Ordered, "That a Select Committee be appointed, consisting of ten members to examine into and report upon such questions relating to the Public Accounts which may be referred to it by the House or the Government, and also into all matters relating to the finances of the Dominion which the Government may refer to it: the Committee to consist of Mr. Bowden, Mr. Coleman, Mr. Combs, Mr. Goosman, Mr. McCombs, Mr. Mackley, Hon. Mr. Nash, Mr. Polson, Mr. Thorn, and the Mover."—(Hon. Mr. SULLIVAN.)

THURSDAY, THE 31ST DAY OF AUGUST, 1944

Ordered, "That the name of the Honourable Mr. Sullivan be discharged from the Public Accounts Committee, and that of Mr. Petrie substituted therefor."—(Hon. Mr. NASH.)

TUESDAY, THE 12TH DAY OF SEPTEMBER, 1944

Ordered, "That Parliamentary Paper No. 134 (Public Accounts for Year ended 31st March, 1944, together with Report of the Controller and Auditor-General—B.-1 [PT. II]) be referred to the Public Accounts Committee."—(Right Hon. Mr. FRASER.)

THURSDAY, THE 23RD DAY OF NOVEMBER, 1944

Ordered, "That the Public Accounts Committee have leave to sit during the present sitting of the House."—(Mr. MCCOMBS.)

WEDNESDAY, THE 6TH DAY OF DECEMBER, 1944

Ordered, "That the Public Accounts Committee have leave to sit during the present sitting of the House."—(Mr. MCCOMBS.)

REPORTS

REPORT ON THE ANNUAL REPORT OF THE CONTROLLER AND AUDITOR-GENERAL FOR THE YEAR
ENDING 31ST MARCH, 1944 (B.-1 [PT. II])

I HAVE the honour to report that the Public Accounts Committee has examined the report of the Controller and Auditor-General referred to it by the House, and has heard from the Controller and Auditor-General and his officers the various circumstances which gave rise to the comments in his report. The Committee has also heard, at considerable length, departmental officers on the points raised affecting their Departments, and other witnesses who had evidence relative to the inquiries made. The investigations required the Committee to sit on twenty-five occasions and the examination of twenty-three witnesses.

After hearing the evidence the Committee agrees that the comments of the Controller and Auditor-General are substantially in accordance with the facts as he found them, and supported by the results of careful checking of departmental records by his Inspectors. In extenuation, however, of any weaknesses or defects found in the administration of wartime Departments, concerning which most of the adverse comment has been made, the Committee found there has been considerable difficulty both in obtaining sufficient and trained staff, and also in improvising methods of dealing with sudden emergencies.

While the Committee has not been able to complete inquiries into all the matters raised in the report, it feels that it cannot usefully add to the Controller and Auditor-General's comments, except in regard to the Ministry of Supply and the disposal of Army vehicles.

In his remarks on the Ministry of Supply the Controller and Auditor-General reports a number of instances where stocks held are either in excess of requirements or not quite suitable for the purpose intended. Many of these goods have been obtained on lend-lease terms, and it should be pointed out that lend-lease goods no longer required for war purposes become "surplus" and cannot be disposed of or used until agreement can be reached with the Government of the United States of America. As always occurs in wartime, some of the excess goods are held because orders were placed in anticipation of exigencies which did not arise. In some instances where goods were proved to be not quite suitable for the intended purpose, a wartime substitute was sent by the supplying country because the particular goods ordered could not be obtained. The Committee has noted that the Controller and Auditor-General agrees that, since his previous report, improvement has been made and continues to be made in the accounting and organization of this Department.

Disposal of Army Motor-vehicles.—In his remarks on the disposal of Army motor-vehicles the Controller and Auditor-General quotes a statement from an investigating officer, who reports as follows: "Before the vehicles could be valued, the standardized basis of their valuation should have been agreed upon." It was shown in evidence that in a Ministerial statement by the Minister of Supply and published on the 28th April, 1943, the following procedure was to be adopted:—

"Vehicles would be valued by special Government valuers, who would value on a fair basis taking into account the original retail price, thus eliminating any inflation of prices due to war influences."

It was evident from the facts placed before the committee that all the valuers did not follow the same procedure on all occasions, and that officials acting as Disposal Officers did not always have written authority so to act. Many of the arrangements for valuing and disposal were made in discussions and over the telephone. The Committee points out that as conversations were not confirmed in writing, confusion arose as to the precise arrangement made. That confirmatory letters should be used in similar circumstances in future will now be apparent to all concerned.

It was also shown that the official who acted for a period as Disposal Officer at Christchurch on behalf of the Ministry of Supply exceeded his duties by granting price concessions to two Army officers without proper authority, and also supplied petrol to purchasers of motor-vehicles in excess of the authorized quantity. Administrative difficulties were created by the failure of the then chief valuer to co-operate with the Army Vehicles Disposal Board, to which he was attached as technical advisor and chief valuer. This attitude of the officers referred to towards those in authority was responsible for the work of disposal being temporarily disturbed and also for the development of unnecessary friction.

Evidence was given that a full investigation by both Audit and the Army Security Intelligence Bureau was made into the sale of certain cars in Christchurch to Army officers. With the exception of those cases where the Disposal Officer exceeded his authority by granting special allowances, the cars were sold in accordance with the then policy of the Ministry of Supply at values supported by a competent valuer working in accordance with the policy of the Supply Department. The report on all the transactions was submitted by the Controller and Auditor-General to the Crown Law Office, and an opinion was received that no legal action would succeed against any of the officers concerned, or the officer who bought a truck and resold it immediately for a profit of £100. The investigation was continued, and as a result proceedings were taken against those persons who were involved in the handing over and acceptance of non-Army or Government petrol for breaches of the O! Fuel Regulations. In addition, Army officers have now been surcharged for work done on cars after valuation, unauthorized running on private occasions by Army vehicles, and for discounts which had been given in two cases which were not in accordance with the regulations. These surcharges amount to £142 16s. 10d., of which £127 7s. 0d. has been paid into the Public Account at the date of this report, and the Controller and Auditor-General states that satisfactory arrangements have been made for the recovery of the remainder. Further inquiries are being made to see if other action is warranted.

It is desirable to state in this report that the Controller and Auditor-General is not a servant of the Government, but of Parliament. He reports direct to Parliament, through the Speaker, and is not responsible to any Minister. The Controller and Auditor-General can, and does, initiate prosecutions where he, after consulting the Crown Law Office, considers that he should do so. This power is not subject to the control of any Minister or the Government. In a democracy such an officer invested with these powers ensures that the administration of the country in financial matters is carried out strictly in accordance with the law, and his power to report direct to Parliament is a most valuable safeguard in the control of the people's money.

The Committee desires to thank the Controller and Auditor-General for the great assistance he has been to the Committee, and also to thank the Commissioner of Supply and other witnesses for the manner in which they have presented their evidence.

In view of the investigation made by the Committee last year into the accounts of the Armed Forces, the Committee is pleased to note that this year the Controller and Auditor-General reports substantial improvements have been made, though matters are still not wholly satisfactory.

13th December, 1944.

T. H. McCOMBS, Chairman.

REPORT *re* CHAIRMAN

I HAVE the honour to report that at a recent meeting of the Public Accounts Committee the following resolution was agreed to: "That the Public Accounts Committee desires to express its appreciation of the unvarying impartiality and courtesy with which Mr. McCombs, as Chairman, has, during a long and trying period, directed the proceedings of the Committee."

14th December, 1944.

W. J. POLSON, a Member of the Committee.

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