

but when the money is spent there is no alternative open to Audit but to accept the charge and ask for validating legislation. Mention has been made of this matter in previous reports.

Parliamentary Control over Expenditure

The accepted primary functions of Government, such as defence and administration of justice, have been extended to include, amongst others, education, social services, and trading activities. In New Zealand, well-established examples of Government trading are rail transport, insurance (life and fire), and trustee business. In each of these cases there is a relative Department of State, administered by a Minister of the Crown, and Parliament exercises a control over finance by means of an annual vote. In respect of railways, for example, all expenditure—administrative, capital, and operative—is estimated under detailed headings and is appropriated by Parliament in the annual Appropriation Act. In respect of the other trading Departments, administrative expenditure and capital expenditure (as on new buildings) is subject to annual parliamentary appropriation, although what may be termed trading expenditure, such as disbursements in respect of insurance policies, trust estates, &c., is provided for by a permanent (as distinct from annual) authority.

The recently established Linen Flax and New Zealand National Airways Corporations follow the lines of the State Advances Corporation (set up in 1935) in that each of these entities is subject to considerable Government control, but is not subject to parliamentary control of its finances except in an indirect manner. In the case of the New Zealand National Airways Corporation, for example, a limit has been placed by Parliament upon the amounts which may be paid or advanced to the Corporation by the Minister of Finance, but beyond those limits Parliament has surrendered financial control. The change is clearly apparent as between the New Zealand Government Railways and the New Zealand National Airways Corporation, as they exercise similar functions—the one in land transport, the other in air transport. Apart from freedom from parliamentary control over their finances, the new structures are not subject to that other established domestic form of control, which requires that all expenditure over a certain sum must be specially approved by a Minister or by Cabinet; nor will the salaries and wages of their employees be subject to the control of the Public Service Commissioner or any of the other authorities for determining the employment conditions of State employees.

The setting-up of Corporations as against the establishment of Government Departments is in general not a concern of the Audit Office, and the present references are made because some of the consequences, as set out in the preceding paragraph hereof, do not appear to have engaged the attention of Parliament when the Linen Flax Corporation and the New Zealand National Airways Corporation Bills were under discussion.