

1946  
NEW ZEALAND

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**REPORT OF THE CONTROLLER AND AUDITOR-GENERAL**  
**ON THE**  
**PUBLIC ACCOUNTS OF NEW ZEALAND**  
**FOR THE**  
**FINANCIAL YEAR ENDED 31ST MARCH, 1946**

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I HAVE the honour to submit my report for the year ended 31st March, 1946, in terms of subsections (2), (3), and (4) of section 89 of the Public Revenues Act, 1926, which are set out hereunder.

(2) The Controller and Auditor-General shall in each year examine the public accounts received from the Treasury, and prepare and sign a report showing—

- (a) The particulars of any discrepancies between such accounts and the books of the Treasury:
- (b) Full particulars of every case in which the provisions of this or any other Act, or the regulations or any forms, have not been carried out or adopted, or have in any manner been varied or departed from:
- (c) Every case of failure to deliver or send in accounts or to collect or account for any moneys or stores:
- (d) All sums allowed or disallowed without vouchers or with imperfect vouchers or upon incorrect certificates:
- (e) Any proceeding that may have been taken by or against any person in pursuance of the provisions of this Act or the regulations:
- (f) All unsatisfied surcharges which have been made by the Controller and Auditor-General and all surcharges disallowed by the Minister on appeal:
- (g) In what accounts the Controller and Auditor-General has, with the consent of the Minister, dispensed with a detailed audit:
- (h) Such other information as may be prescribed, or as the Controller and Auditor-General thinks desirable.

(3) The Controller and Auditor-General shall annex or append to the said report copies of all cases laid by him before the Attorney-General for his opinion, together with a copy of the opinion given in every such case.

(4) The Controller and Auditor-General shall lay the said report before Parliament within fourteen days after the public accounts have been laid before Parliament.

The public accounts received from the Treasury have been examined in terms of the first part of subsection (2) and will be printed as B.-1 [Pt. I], and the further provisions (a-h) of subsection (2) and the provisions of subsection (3) are satisfied as follows:—

**(a) DISCREPANCIES IN THE STATEMENT OF ACCOUNTS**

There are no discrepancies between the accounts and the books of the Treasury, and no cases were laid before the Attorney-General.

**(b) CASES IN WHICH THE PROVISIONS OF THE LAW HAVE NOT BEEN CARRIED OUT**

The Audit Office is required, in the exercise of its duties, to satisfy itself that all financial transactions of the State are supported by proper authority and that they contravene no provisions of the law. As stated in previous reports, circumstances arise which require or render it desirable that public moneys should be expended for purposes for which no specific authority exists and for which the statutory provisions governing “unauthorized expenditure” or “emergency expenditure” are not available, or not available to a sufficient amount. There are cases also in which circumstances render it desirable that legislative restrictions should not apply.

Several cases covered by the foregoing explanation arose during the year, and the Audit Office, following past practice, agreed to pass the transactions on being informed by the Government that it would introduce at the earliest opportunity validating or amending legislation, or otherwise provide the authority required.

The necessary legislation or authority in the following cases was obtained during the year covered by this report:—

(1) The Wool Disposal Act, 1945, came into force on the 1st January, 1946, the date appointed by the Governor-General by Proclamation in terms of section 1 thereof.

Section 11 of the Act provides for the establishment of the Wool Disposal Account which can be operated upon only by cheque signed by or on behalf of the Chairman of the New Zealand Wool Disposal Commission and countersigned by the Audit Office.

It became necessary to operate on the account before the Commission was appointed, and on being advised by the Minister of Finance that transactions initiated by persons authorized by him to operate on the account pending the appointment of the Commission would be regularized either by adoption by the Commission or by legislation, the Audit Office countersigned cheques.

The appropriate resolution adopting the above-mentioned procedure was passed by the Commission at its meeting on 15th February, 1946.

(2) The Finance Act, 1945, section 2, validated payments of subsidies made for the purposes of stabilization from accounts established under the Marketing Act 1936.

Reference was made last year to cases in which validating legislation or other authority had not been provided at the date of the report. They have since been validated by the Finance Act (No. 2), 1945:—

(1) Part V validated retrospective increases of rates of remuneration, including overtime, to employees of the Railways Department for periods between 30th June, 1944, and the dates of the various applications to the Tribunal (see section 18 of the Government Railways Amendment Act, 1944).

It also gave power for regulations having retrospective effect to be made under the Public Service Act, 1912, or by Order in Council under section 19 of the Appropriation Act, 1920, or by regulations under the Post and Telegraph Act, 1928, and the Education Act, 1914, to authorize increases in remuneration to employees in the respective Services.

(2) Section 38 validated salaries paid in excess of amounts provided in the estimates for Administrative officers whose salaries are required by statute to be specifically appropriated, and made provision for increases in salaries of those officers whose salaries are fixed by statute.

(3) Section 5 validated unauthorized expenditure in excess of the limits fixed by section 58 of the Public Revenues Act, 1926.

Validating or other authority is awaited in respect of the following transactions:—

(1) Payment from 1st April, 1946, of increased pensions to war widows and to wives of ex-servicemen suffering from disabilities, and of increased social security benefits to widowed mothers with dependent children and to deserted wives and wives of inmates of mental institutions.

(2) Payment to the Governor-General of an allowance for salaries and expenses of his establishment, exclusive of the Official Secretary, in excess of the amount authorized by section 4 of the Civil List Act, 1920.

(3) Payment of increased superannuation allowances to officers of the Defence Force retired compulsorily in 1930 on allowances computed on an actuarial basis and to one other officer who retired in 1921 in respect of whom a special statutory limitation applied.

NOTE.—Section 31 of the Superannuation Amendment Act, 1945, dealing with similar adjustments was found not to apply to the above officers.

Legislation is also required to enable the Public Service Superannuation Board and the Teachers' Superannuation Board to accept from permanent employees who purchased previous service contributions at a percentage rate referable to age of contributor at commencement of contributory service.

(4) Payment of £692,259 2s. 2d. in excess of the limit of £500,000 fixed by section 58 of the Public Revenues Act, 1926, as the limit of unauthorized for general services.

### (c) **STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES**

Included in the statement are eight cases of misappropriation of public moneys by departmental officers involving a total sum of £318 17s. 6d. In addition to the above cases, an officer of the Social Security Department fraudulently obtained sickness-benefits to the value of £1,026 4s. 10d. He raised fictitious records which resulted in warrants being prepared and

forwarded to addresses where he was able to uplift them and cash them through the Post Office. The Department re-examined its system of recording, investigation, and authorization of benefits and the control, preparation, and issue of postal warrants, and instituted further safeguards with a view to preventing further losses.

As has been mentioned on previous occasions, the ordinary safeguards provided by internal checks are applied wherever possible to prevent irregularities, and the Audit Office, in the course of its duties, examines the accounting systems in operation and suggests improvements where necessary. The instances reported, apart from the Social Security Department loss, did not point to remediable weaknesses in the accounting procedure in the Departments concerned.

The number of cases reported to the Audit Office in which the recipients of pensions, sustenance, age, and other benefits obtained payment in excess of scale rates by failing to disclose material particulars of their circumstances to the Social Security Department was 232, as against 116 last year, the relative amounts involved being £5,061 18s. 2d. and £1,946 1s. 9d.

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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NOTE.—In cases marked \* police inquiries were either unsuccessful or are incomplete.

### CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED

#### Cargo Control Committee, Auckland

A. 17/94 ..	Cash shortage .. ..	£ s. d. 31 12 6	No prosecution—shortage made good.
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#### Health Department

A. 21/14/33	Fraudulent cashing of salary cheque	8 6 3	Offender convicted and admitted to twelve months' probation. Restitution ordered.
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#### National Service Department

A. 21/120 ..	Misappropriation of moneys ..	16 14 3	Offender admitted to probation for eighteen months. Restitution made.
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#### Navy Department

A. 21/28/15	Theft of stores .. ..	283 0 0	Eight charges. Offender convicted and sentenced to six months' imprisonment on one charge and convicted and discharged on the other charges. Goods recovered.
A. 21/28/16	Theft of overcoats (56) ..	350 4 8	

#### Post and Telegraph Department

A. 21/30/788	Misappropriation of moneys ..	41 5 0	Offenders (4) remanded to Supreme Court for sentence. Restitution made.
A. 21/30/788	Misappropriation of moneys ..	76 13 3	Offender convicted and placed on probation for two years. Ordered to pay £5 towards cost of prosecution. Restitution made.
A. 21/30/788	Misappropriation of moneys ..	30 3 9	Restitution made.
A. 21/30/788	Misappropriation of moneys ..	25 0 0	Officer convicted and placed on probation for two years. Restitution ordered.

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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CASES IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*continued*

## Railways Department

		£ s. d.	
A. 21/36/284	Thefts of goods from checked luggage	Not stated	Seven offenders—two were convicted and placed on probation for a period of two years and ordered to make restitution, three were convicted and sentenced to imprisonment ranging from one to three months, and two were convicted and fined £7 and £12 respectively. Restitution of £30 17s. 4d. has been made.
A. 21/36/284	Theft of rubber hose (10 ft.) ..	Not stated	Court action pending. Officer dismissed the Service.
A. 21/36/284	Theft of cement and shingle ..	0 4 3	Officer dismissed the Service.
A. 21/36/284	Misappropriation of moneys ..	16 1 6	Offender convicted and admitted to probation for twelve months. Restitution made.
A. 21/36/284	Theft of timber .. ..	2 5 0	Case adjourned for twelve months provided offender paid compensation £10 within one month. Amount of loss recovered. Officer dismissed the Service.

## Social Security Department

A. 21/2/91	Fraudulent cashing of benefit advices	49 0 0	Offender convicted and sentenced to six months' imprisonment.
A. 21/2/94	Fraudulent issue and receipt of benefits	1,026 4 10	Offender sentenced to three years' imprisonment.
A. 21/2/99	Misappropriation of moneys ..	4 0 0	Offender convicted and placed on probation for twelve months. Restitution ordered.
A. 21/2/97	Misappropriation of moneys ..	107 11 0	Offender convicted and placed on probation for twelve months.

## CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED

## Agriculture Department

A. 21/4/30	Theft of stores, equipment, tools, petrol, and poultry—nine instances	Not stated	*
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## Air Department

A. 21/101/73	Fraudulent cashing of allotment imprest cheques—ten instances	84 19 6	Each loss was investigated by the police and convictions obtained in eight cases. Inquiries in respect of one case are not yet complete.
A. 21/101/75	Theft of imprest cash (United Kingdom)	31 1 6	*
A. 21/101/73, 76	Moneys obtained by fraud—two instances	19 4 0	*
A. 21/101/72	Thefts or improper possession of stores, equipment, petrol, clothing, rations, tools, arms, and ammunition—one hundred and fourteen instances	Not stated	Each case was investigated by the police or by the Air Force authorities. Convictions were obtained in five cases. Inquiries in respect of thirty-seven of the cases are not yet complete.
A. 21/101/72	Theft of wheels, tires, and tubes—twelve instances	Not stated	*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*contd.*Air Department—*continued*

		£ s. d.	
A. 21/101/72, 74, 77	Theft of cash—three instances	14 6 9	Each loss was investigated by the police. In two cases the officers responsible for safe custody of cash were required to make good the loss. Inquiries in respect of one other case are not yet complete.

## Army Department

A. 21/9/341	Theft of cash (Central Mediterranean Forces)	62 10 0	Offender sentenced by Field General Court-martial to six months' detention for theft of £25. Investigations by military authorities in respect of balance of loss unsuccessful.
A. 21/9/335	Theft of cash (Central Mediterranean Forces)	687 10 0	Officer found guilty of negligence by court-martial and placed under stoppage of pay £50 (stg.).
A. 21/9/334	Failure to account .. ..	20 0 0	Offender convicted and ordered to make restitution.
A. 21/9/345	Failure to account .. ..	43 17 6	Court action proceeding.
A. 21/9/324	Failure to account .. ..	4 5 4	Police action unsuccessful. Amount recovered.
A. 21/9/318	Fraudulent cashing of soldier's pay warrant	7 14 0	*
A. 21/9/318	Fraudulent cashing of final pay warrant	73 6 0	Police action unsuccessful.
A. 21/9/318	Fraudulent cashing of allotment and dependant's allowance warrants—ten warrants	68 19 0	Offender convicted and sentenced to three months' imprisonment. Restitution made.
A. 21/9/318	Fraudulent cashing of allotment and dependant's allowance warrants—nine warrants	90 12 6	Offender convicted and sentenced to three months' imprisonment. Part restitution made.
A. 21/9/318	Fraudulent cashing of allotment and dependant's allowance warrants—forty-three instances	276 11 0	Each loss was investigated by the police. Convictions were obtained in nine cases, and in seven of these restitution was ordered. Inquiries in respect of two of the cases are not yet complete.
A. 21/9/319, 333	Theft or improper possession of stores, equipment, petrol, clothing, motor accessories, arms, and ammunition—eighty-eight instances	Not stated	Each case was investigated by the police or military authorities. Convictions were obtained in six cases. Inquiries in respect of forty-six of the cases are not yet complete.
A. 21/14/33	Fraudulent cashing of postal warrants—eight instances	6 15 0	*

## Internal Affairs Department

A. 21/17/5	Theft of fire hose and fittings, book, and electric radiators (3)	18 18 11	*
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## Lands and Survey Department

A. 24/14/23	Theft of stock (174 sheep) ..	Not stated	*
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(c) **STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—continued**

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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**CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—contd.**

**Marketing Department (Internal Marketing Division)**

		£	s.	d.	
A. 21/107/34	Loss of money .. ..	3	13	0	Officer responsible for its safe custody required to make good the loss.
A. 21/107/32	Theft of battery .. ..	2	3	0	*
A. 21/107/28	Theft of cash (£1,604 18s.) and watches (6), (R.N.Z.A.F. canteen overseas)	1,604	18	0	£1,601 0s. 3d. and watches recovered from offender.
A. 21/107/25, 29	Theft of stock (R.N.Z.A.F. canteens)—two instances	62	13	7	*
A. 21/107/27, 31	Theft of cash (Army canteens)—two instances	47	6	10	*
A. 21/107/35	Theft of stock (Army canteen)	9	5	8	*
A. 21/107/33	Theft of stores and safe containing cash (Army canteen)	105	2	5	*
A. 21/107/26	Theft of stores (Navy canteen)	40	0	0	Offender charged with theft of goods valued at £16 7s. and sentenced to three months' imprisonment by Naval authorities. Stores partly recovered.

**Mental Hospitals Department**

A. 21/24/15	Moneys obtained by fraud ..	5	10	5	*
A. 21/24/15	Fraudulent cashing of cheque	1	5	0	*

**Mines Department**

A. 21/25/30	Failure by agent to account for moneys collected	17	19	0	Moneys recovered.
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**Ministry of Supply**

A. 21/111/3	Theft of wheels, tires, and tubes	150	0	0	Police investigations unsuccessful. Goods partly recovered.
A. 21/42/21	Theft of rail tickets .. ..	Not stated			*
A. 21/114/4	Loss of stamps .. ..	36	1	3	Officer surcharged—paid £5.

**National Service Department**

A. 21/120 ..	Theft of twenty-six electric radiators	26	15	6	*
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**Native Department**

A. 21/51 ..	Moneys obtained by fraud ..	16	8	6	Amount recovered.
A. 21/27/22	Moneys obtained by fraud ..	10	0	0	Offender admitted to probation. Restitution ordered.

**Navy Department**

A. 21/28/13	Fraudulent cashing of allotment warrants—three instances	14	9	4	Each loss was investigated by the police. A conviction was obtained, and restitution of £3 4s. made in one case. Inquiries in respect of one of the other cases are not yet complete.
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**Government Printing and Stationery Department**

A. 21/13/14	Theft of cutting-shears ..	Not stated			*
A. 21/13/14	Theft of blankets (3) ..	Not stated			*

(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved.	Action taken, and Result.
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CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*contd.*

## Post and Telegraph Department

		£ s. d.	
A. 21/30/788	Fraudulent withdrawals from Post Office Savings-bank accounts—fourteen instances	698 15 0	Each loss was investigated by the police. Eight convictions were obtained and restitution of £157 ordered. Inquiries in respect of one of the cases are not yet complete.
A. 21/30/788	Fraudulent withdrawals from Post Office Savings-bank accounts	65 0 0	} Offender sentenced to twelve months' reformatory detention. Restitution £50 made.
A. 21/30/788	Failure to account for savings-bank deposits	131 10 0	
A. 33/15 ..	Theft of remittance .. ..	6 0 0	*
A. 21/30/788	Moneys obtained by fraud ..	8 8 0	*
A. 21/30/788	Theft of cash, stamps, &c. ..	393 13 4	*
A. 21/30/788	Theft of stamps, &c. ..	10 15 8	Officer responsible for safe custody of stamps required to make good the loss.
A. 21/30/788	Theft of cash—three instances	61 15 1	* In one case officer responsible for its safe custody required to make good the loss of 9s. 2d.
A. 21/30/788	Theft of cash and National Savings Bonds (£100)	160 3 1	*
A. 21/30/788	Theft of cash and stamps ..	942 5 4	Police action unsuccessful. Court action for recovery of money pending.
A. 21/30/788	Theft of cash and postal-notes	176 13 3	*
A. 21/30/788	Theft of cash and registered letter	2 2 2	
A. 21/30/790	Thefts from public-call offices and stamp-vending machines	324 7 1	An investigation was carried out in respect of each loss.

## Public Works Department

A. 21/35/49	Fare obtained by false pretences	0 10 0	Offender convicted and fined £5.
A. 21/35/48	Theft of cash .. ..	24 1 0	Police investigations unsuccessful. Officer surcharged—paid £1.
A. 31/11 ..	Theft of stores (242 instances)	819 16 4	An investigation by the police was carried out in respect of each loss.

## Rehabilitation Department

A. 21/116/4	Theft of electric motor ..	Not stated	*
A. 21/116/4	Theft of tools—two instances	21 17 6	*

## Scientific and Industrial Research Department

A. 21/98/12	Theft of electric motor ..	12 0 0	*
A. 21/98/12	Theft of petrol—four instances	Not stated	*
A. 21/98/12	Theft of cash .. ..	4 10 0	Police investigations unsuccessful. Officer surcharged. Surcharge waived.



(c) STATEMENT OF IRREGULARITIES IN CONNECTION WITH PUBLIC MONEYS AND STORES—*continued*

File No.	Nature of Irregularity.	Amount involved	Action taken, and Result.
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CASES OTHER THAN THOSE IN WHICH DEPARTMENTAL OFFICERS WERE INVOLVED—*contd.*

## Social Security Department

		£ s. d.	
A. 21/2/92	Benefits obtained by fraud ..	60 13 4	Offender placed on probation for twelve months. Restitution ordered.
A. 21/2/93	Benefits obtained by fraud ..	113 10 8	Offender convicted and ordered to come up for sentence if called upon within three years. Restitution of £87 ordered.
A. 21/2/95	Sickness-benefit obtained by fraud	11 0 0	Offender convicted and sentenced to one month's imprisonment.
A. 21/2/96	Age-benefit obtained by fraud	14 1 8	*
A. 21/2/96	Fraudulent cashing of a postal warrant	1 0 0	*
A. 21/2/100	Fraudulent cashing of a benefit advice	7 0 10	*
A. 21/8/45	Two hundred and thirty-two cases in which recipients of rehabilitation, war pensions, unemployment, sickness, and other benefits obtained in excess of scale rates by failing promptly to disclose material particulars of their circumstances to the Social Security Department	5,061 18 2	Proceedings instituted in two cases, involving the sum of £423 12s. 3d., resulted in two convictions being entered. Restitution of the sum of £30 2s. was ordered to be made. Excepting a small number where beneficiaries are on active service, in straitened circumstances, or deceased, efforts have been made to obtain refunds in the balance of cases.

## Stamp Duties Department

A. 21/60/1	Loss of moneys .. ..	20 0 0	*
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## Department of Tourist and Health Resorts

A. 21/42/22	Theft of cash .. ..	2 10 0	*
A. 21/42/20	Loss of pay envelope containing cash	5 16 11	Loss made good by officer responsible for its safe custody.

(d) **SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926**

Section 73, which requires the Audit Office to disallow any sum as paid where the voucher for the actual receipt or payment has not been produced, empowers the Minister, on satisfactory evidence being produced that the requisite papers have been lost or destroyed or that it is not possible to obtain or replace them, to order that the relative sum be allowed.

The powers of the Minister under section 73 have been delegated to the Secretary to the Treasury in terms of section 15 of the Finance Act, 1937, and the following payments have been passed by the Audit Office pursuant to orders made under the delegated powers:—

Department and Particulars.	Reason.	Amount.	Total Amount.
<b>Agriculture</b>		£ s. d.	£ s. d.
Purchase of publications ..	Receipt unobtainable ..	0 9 0	0 9 0
<b>Air</b>			
Allotment .. ..	Voucher lost .. ..	85 5 5	
Cost of tropical kit .. ..	Receipt not obtained .. ..	3 6 9	
Goods and services .. ..	Vouchers lost .. ..	139 16 9	
Medical expenses .. ..	Receipt not obtained .. ..	1 12 0	
Messing-expenses .. ..	Receipts not obtained .. ..	159 12 9	
Pay and allowances .. ..	Vouchers lost .. ..	173 12 3	
Post Office schedules .. ..	Vouchers lost .. ..	285 9 0	
Repatriation expenses of service-men's wives .. ..	Receipts not obtained .. ..	334 16 11	
Travelling-expenses .. ..	Receipts not obtained .. ..	307 19 2	1,491 11 0
<b>Army</b>			
Allotments .. ..	Warrants destroyed by fire .. ..	93 2 0	
Freight charges .. ..	Receipt not obtained .. ..	2 18 7	
Messing expenses : personnel returning from overseas .. ..	Receipts not obtained .. ..	148 6 3	
Overtime .. ..	Vouchers lost .. ..	6 12 6	
Post and Telegraph services .. ..	Vouchers lost .. ..	3 3 6	
Repatriation expenses of service-man's wife .. ..	Receipts not obtained .. ..	14 5 0	
Salaries .. ..	Voucher lost .. ..	59 18 8	
Travelling-expenses .. ..	Receipts unobtainable .. ..	163 10 11	482 17 5
<b>Customs</b>			
Travelling-expenses of official representative travelling in North America .. ..	Receipts unobtainable .. ..	4 7 6	4 7 6
<b>Education</b>			
Purchase of publications .. ..	Vouchers lost .. ..	38 15 10	
Purchase of publications .. ..	Receipts unobtainable .. ..	3 7 3	
Tolls .. ..	Receipts not obtained .. ..	0 8 6	
Travelling-expenses .. ..	Receipts not obtained .. ..	54 5 4	96 16 11
<b>Electoral</b>			
Expenses of Returning Officer, India .. ..	Receipts unobtainable .. ..	11 1 3	
Overtime .. ..	Voucher lost .. ..	9 7 8	20 8 11

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—*continued*

Department and Particulars.	Reason.	Amount.	Total Amount.
<b>External Affairs</b>		£ s. d.	£ s. d.
Miscellaneous payments : Canberra	Receipts not obtained ..	15 10 9	
Miscellaneous payments : Ottawa..	Receipts not obtained ..	219 16 1	
Miscellaneous payments : Washing- ton	Receipts not obtained ..	1,096 17 2	1,332 4 0
<b>Government Life Insurance</b>			
Air fare .. .. .	Receipt not obtained ..	12 0 0	12 0 0
<b>Health</b>			
Medical services.. .. .	Receipt not obtained ..	6 0 0	
Travelling-expenses .. .. .	Receipt not obtained ..	3 15 4	
Travelling-expenses of officer from overseas	Voucher lost ..	412 10 9	
Wages .. .. .	Voucher lost ..	5 10 10	427 16 11
<b>Industries and Commerce</b>			
Analysis fee .. .. .	Voucher lost ..	2 12 0	
Goods and services .. .. .	Receipts not obtained ..	2 5 0	
Miscellaneous purchases : Price- control	Receipts not obtained ..	0 9 6	
Overtime .. .. .	Voucher lost ..	8 0 0	
Post and Telegraph services ..	Voucher lost ..	33 3 10	
Tolls, &c. .. .. .	Receipts unobtainable ..	0 14 3	
Travelling-expenses .. .. .	Receipts unobtainable ..	41 10 11	88 15 6
<b>Internal Affairs</b>			
Cables, &c. .. .. .	Voucher lost ..	18 9 4	
Casual labour .. .. .	Receipts not obtained ..	12 7 0	
Relief payments to New-Zealanders in enemy countries	Vouchers lost ..	196 15 3	
Travelling-expenses .. .. .	Receipts unobtainable ..	83 16 5	311 8 0
<b>Justice and Prisons</b>			
Prisoners' earnings .. .. .	Receipt not obtained ..	2 2 0	
Travelling-expenses .. .. .	Receipt not obtained ..	0 13 6	2 15 6
<b>Lands and Survey</b>			
Tolls, &c. .. .. .	Receipts unobtainable ..	0 9 1	0 9 1
<b>Marine</b>			
Travelling-expenses .. .. .	Receipts not obtained ..	5 12 0	
Wages .. .. .	Vouchers lost ..	56 14 8	62 6 8
<b>Marketing</b>			
Travelling-expenses .. .. .	Receipts not obtained ..	5 11 9	5 11 9
<b>Mental Hospitals</b>			
Travelling-expenses .. .. .	Receipts not obtained ..	38 13 4	38 13 4
<b>Mines</b>			
Tolls, &c. .. .. .	Receipts unobtainable ..	0 6 1	
Travelling-expenses .. .. .	Receipts not obtained ..	69 10 6	
Wages .. .. .	Voucher slips lost ..	2,663 17 6	2,733 14 1

(d) SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—*continued*

Department and Particulars.	Reason.	Amount.	Total Amount.
<b>Ministry of Supply</b>		£ s. d.	£ s. d.
Freight and charges .. ..	Receipt unobtainable .. ..	3 12 4	
Publications .. ..	Receipts not obtained .. ..	13 4 1	
Taxes : Receiver-General, Canada ..	Voucher lost .. ..	39 7 8	
Travelling-expenses .. ..	Receipts not obtained .. ..	69 2 2	125 6 3
<b>National Broadcasting</b>			
Tolls, &c. .. ..	Receipts not obtained .. ..	8 12 5	8 12 5
<b>National Service</b>			
Salaries .. ..	Voucher lost .. ..	77 1 9	
Tea-money .. ..	Voucher lost .. ..	1 4 0	
Travelling-expenses .. ..	Receipts not obtained .. ..	44 17 9	123 3 6
<b>Native</b>			
Travelling-expenses .. ..	Receipts not obtained .. ..	5 13 0	5 13 0
<b>Navy</b>			
Goods and services .. ..	Vouchers lost .. ..	282 15 3	
Post and Telegraph services .. ..	Vouchers lost .. ..	16 7 11	
Remittances .. ..	Receipts unobtainable .. ..	12 0 0	
Repatriation expenses of wives of servicemen	Voucher lost .. ..	496 7 6	
Travelling-expenses .. ..	Receipts not obtained .. ..	3 10 9	811 1 5
<b>Police</b>			
Salaries .. ..	Receipt unobtainable .. ..	11 7 2	
Wagers .. ..	Receipt unobtainable .. ..	4 7 6	15 14 8
<b>Post and Telegraph</b>			
Goods and services .. ..	Voucher lost .. ..	41 17 11	
Travelling-expenses .. ..	Receipt unobtainable .. ..	3 15 6	15 13 5
<b>Printing and Stationery</b>			
Publications .. ..	Receipt not obtained .. ..	0 1 3	0 1 3
<b>Public Works</b>			
Travelling-expenses .. ..	Receipts unobtainable .. ..	32 15 0	32 15 0
<b>Rehabilitation</b>			
Refund of cost of tools .. ..	Receipt unobtainable .. ..	0 17 11	0 17 11
<b>Scientific and Industrial Research</b>			
Goods and services .. ..	Voucher lost .. ..	11 8 8	
Publications .. ..	Receipts unobtainable .. ..	10 13 6	
Salaries and wages .. ..	Vouchers lost .. ..	92 19 9	
Travelling-expenses .. ..	Receipts not obtained .. ..	95 7 11	210 9 10
<b>Social Security Fund</b>			
Pensions .. ..	Receipts unobtainable .. ..	13 16 11	
Pensions .. ..	Vouchers lost .. ..	233 8 7	
Post and Telegraph services .. ..	Vouchers lost .. ..	654 18 6	
Travelling-expenses .. ..	Receipt not obtained .. ..	3 18 0	906 2 0

(d) **SCHEDULE OF SUMS ALLOWED BY THE AUDIT OFFICE AS PAID, UNDER PROVISIONS OF SECTION 73, PUBLIC REVENUES ACT, 1926—continued**

Department and Particulars.	Reason.	Amount.	Total Amount.
<b>State Forest Service</b>		£ s. d.	£ s. d.
Publications .. ..	Receipts unobtainable .. ..	0 3 9	
Travelling-expenses .. ..	Receipts unobtainable .. ..	2 12 6	2 16 3
<b>Tourist and Publicity</b>			
Goods and services .. ..	Receipts not obtained .. ..	8 8 9	
Travelling-expenses .. ..	Receipt not obtained .. ..	13 8 8	21 17 5
<b>Treasury</b>			
Maintenance .. ..	Receipt unobtainable .. ..	4 16 0	
Tolls, &c. .. ..	Receipts not obtained .. ..	0 12 11	
Travelling-expenses .. ..	Receipts not obtained .. ..	34 19 6	40 8 5
			£9,462 18 4

(e) **PROCEEDINGS TAKEN AGAINST DEFAULTERS AND OTHERS**

Particulars of cases in which proceedings have been taken in pursuance of section 69 (3) of the Public Revenues Act, 1926, are included in the statement under para. (c), page 3.

The Audit Office is required by the above-mentioned section to take all such steps as it thinks fit to prosecute according to law all defaulters in respect of any public moneys or stores, but the section does not prevent prosecutions in such cases by persons other than the Audit Office. The statement includes, therefore, prosecutions which were instituted by Departments concerned as well as those instituted by the Audit Office.

(f) **SURCHARGES**

Section 69 (1) of the Public Revenues Act, 1926, provides that the Controller and Auditor-General shall surcharge the person responsible wherever it appears to the Audit Office that public moneys or stores have been lost through the default, neglect, fraud, or error of any servant of the Crown.

In the past year it was found necessary to surcharge seven officers, the surcharges being in respect of loss of money.

Any person surcharged has the right under section 71 of the Act to appeal to the Minister of Finance, and the Minister may thereupon confirm or waive the surcharge as he thinks fit. Six of the surcharges issued were made the subject of appeal. No appeal was received in respect of the other surcharge, which remains unsatisfied. Until the matter is completed payment of certain moneys due to the officer concerned is being withheld.

The appended table summarizes the position in connection with surcharges issued:—

Department.	Number of Surcharges.	Upon Appeal.		Total amount of Surcharges issued.
		Confirmed.	Waived.	
		£ s. d.	£ s. d.	£ s. d.
Marine .. .. .	1	1 0 0	15 1 5	16 1 5
Ministry of Supply .. .. .	1	5 0 0	31 1 3	36 1 3
Navy .. .. .	1	(No appeal lodged)		301 10 0
Public Works .. .. .	1	1 0 0	23 1 0	24 1 0
Railways .. .. .	2	..	10 0 0	10 0 0
Scientific and Industrial Research ..	1	..	4 10 0	4 10 0
	7	7 0 0	83 13 8	392 3 8

### (g) DETAILED AUDIT OF ACCOUNTS DISPENSED WITH

Section 72 of the Public Revenues Act, 1926, authorizes the Controllor and Auditor-General, with the consent of the Minister, to dispense with a detailed audit of any accounts in circumstances which render a detailed audit unnecessary.

The Minister was not asked to make any new exercise of his power under this section during the year.

### (h) GENERAL INFORMATION

It is mentioned on page 2 of this report that the public accounts received from the Treasury will be published as B.-1 [Pt. I]—

This statement will include details of the Civil List Act, 1920, presented in terms of section 65 of the Constitution Act, 1852, and shown previously as a separate statement.

The following additional statements will in due course complete parliamentary paper B.-1 [Pt. I]:—

The statement of the appropriation accounts required by section 86, Public Revenues Act, 1926:

The statement of the Unauthorized Expenditure Account required by section 58, Public Revenues Act, 1926:

Statement of the Public Debt of New Zealand and summary of the transactions thereof:

The Statement of Advances by the Reserve Bank to the Government by way of overdraft:

The Statement of Loans guaranteed by the Government.

### Repayment of Public Debt

The following table gives particulars of the amount of securities redeemed under the provisions of the Repayment of the Public Debt Act, 1925, and the total cost of redemption:—

Rate of Interest, Per Cent.	Nominal Value of Securities redeemed.			Total cost of Redemptions.
	Total to 31st March, 1945.	Year 1945-46.	Total to 31st March, 1946.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Free of interest ..	780 0 0	..	780 0 0	780 0 0
1 $\frac{1}{4}$ .. ..	459,417 10 0	..	459,417 10 0	459,417 10 0
1 $\frac{3}{4}$ .. ..	1,760,437 0 0	..	1,760,437 0 0	1,760,437 0 0
2 $\frac{1}{2}$ .. ..	158,410 0 0	37,300 0 0	195,710 0 0	195,710 0 0
2 $\frac{3}{4}$ .. ..	199,200 0 0	..	199,200 0 0	199,200 0 0
3 .. ..	4,413,938 14 8	1,029,530 0 0	5,443,468 14 8	5,443,468 14 8
3 $\frac{1}{2}$ .. ..	592,830 0 0	3,655 0 0	596,485 0 0	596,485 0 0
3 $\frac{1}{2}$ .. ..	7,067,676 8 8	..	7,067,676 8 8	7,067,676 8 8
3 $\frac{3}{4}$ .. ..	288,111 7 4	..	288,111 7 4	288,111 7 4
4 .. ..	5,674,837 0 6	12,865 0 0	5,687,702 0 6	5,676,014 9 7
4 $\frac{1}{2}$ .. ..	2,104,760 0 0	..	2,104,760 0 0	2,089,382 5 0
5 .. ..	5,423,735 0 0	..	5,423,735 0 0	5,423,181 5 0
5 $\frac{1}{4}$ .. ..	1,530,990 0 0	..	1,530,990 0 0	1,530,972 10 0
5 $\frac{1}{2}$ .. ..	1,033,310 0 0	..	1,033,310 0 0	1,030,894 12 2
6 .. ..	2,633,588 9 9	..	2,633,588 9 9	2,612,292 8 8
	33,342,021 10 11	1,083,350 0 0	34,425,371 10 11	34,374,023 11 1

The opening balance of the Public Debt Repayment Account was £520,670 11s. 6d., and during the year £3,914,183 19s. 2d. was transferred from Consolidated Fund to that account. Securities of a nominal value of £1,083,350, as shown above, were redeemed, leaving a balance at 31st March of £3,351,504 10s. 8d. The major portion of this balance was utilized to redeem 4-per-cent. 15th April, 1946-49, securities repayable on the 15th April, 1946.

The following statement shows the amounts of loans subject to the Repayment of the Public Debt Act, 1925, and those not subject to the Act, as at 31st March, 1946. The amounts set opposite the several accounts, other than the Ordinary Revenue Accounts and War Expenses Account (1939), represent also the amounts of capital liability due by such accounts to the Consolidated Fund in terms of section 6 of the National Development Loans Act, 1941.

## Particulars

## Loans subject to the Repayment of the Public Debt Act, 1925—

Consolidated Fund: Ordinary Revenue Account—	£	s.	d.	£	s.	d.
Greymouth Harbour Board Account .. ..	148,000	0	0			
Mining Advances Account .. ..	33,209	0	11			
Miscellaneous .. ..	13,961,142	18	0			
Reserve Bank of New Zealand Account .. ..	1,125,000	0	0			
State Advances Corporation Account .. ..	1,030,728	9	0			
War Expenses Account (1914-18) .. ..	58,296,698	11	3			
Exchange Account (Ordinary).. ..	30,180,070	17	2			
Public Works Account—						
Public Works .. ..	173,189,421	3	10			
Housing Construction .. ..	4,260,286	18	11			
Housing Account .. ..	26,813,033	7	5			
Bank of New Zealand Shares Account .. ..	7,037,410	0	0			
Iron and Steel Industry Account .. ..	16,000	0	0			
Land for Settlements Account .. ..	9,150,270	2	3			
Cheviot Estate Account .. ..	160,918	0	0			
Main Highways Account .. ..	13,067,918	11	8			
State Forests Account .. ..	4,177,438	7	5			
War Expenses Account (1939) .. ..	221,774,506	3	0			
				564,422,052	10	10
Less Loans represented by funded debt to the Imperial Government .. ..				30,125,249	8	3
				534,296,803	2	7

## Loans not subject to the Repayment of the Public Debt Act, 1925—

Loans for which provision for repayment is otherwise provided—	£	s.	d.			
State Coal-mines Account .. ..	1,813,123	3	0			
Electric Supply Account .. ..	24,082,672	10	10			
Nauru and Ocean Islands Account .. ..	192,044	7	3			
State Advances Account .. ..	34,001,697	0	10			
				60,089,537	1	11
Funded debt due to the Imperial Government .. ..				30,125,249	8	3
				£624,511,589	12	9

## Increase and Decrease of the Public Debt

The following statement shows increases and decreases of the public debt during the year:—

Total debt as at 31st March, 1945 .. ..	£	s.	d.
	603,238,411	14	8
<b>Increases during the year—</b>	£	s.	d.
Bank of New Zealand Shares Account .. ..	7,038,880	0	0
National Development Loans .. ..	12,980,000	0	0
War Expenses .. ..	37,182,884	5	0
	57,201,764	5	0
	660,440,175	19	8
<b>Decreases during the year—</b>			
War expenses debt redeemed .. ..	34,158,484	4	6
Other debt redeemed .. ..	1,770,102	2	5
	35,928,586	6	11
Total debt as at 31st March, 1946 .. ..	£624,511,589	12	9



The statement shows that the total public debt has been increased during the year by £21,273,177 18s. 1d. The long-term debt was increased by £13,273,177 18s. 1d., and the short-term Treasury bills debt by £8,000,000, as shown in the following summary:—

		£	s.	d.	£	s.	d.
Long-term debt as at 31st March, 1945	..	556,238,411	14	8			
Long-term debt as at 31st March, 1946	..	569,511,589	12	9			
Increase	..				13,273,177	18	1
Treasury bills as at 31st March, 1945	..	47,000,000	0	0			
Treasury bills as at 31st March, 1946	..	55,000,000	0	0			
Increase	..				8,000,000	0	0
Increase to 31st March, 1946	..				£21,273,177	18	1

The statement includes as long-term debt transactions under the Memorandum of Security Agreement. The balance outstanding at 31st March, 1945, was £18,962,500, and a further amount of £3,537,500 was borrowed during the year. The amount of £22,500,000—the entire balance outstanding under the agreement—was repaid during March, 1946.

#### Overseas Investments of Reserve, and Earthquake and War Damage Funds

Of the investments of £4,690,000 in the Earthquake and War Damage Fund, and £2,375,000 in the Reserve Fund, as shown in the Public Accounts, £420,000 of the former Fund and all of the latter were held at 31st March in British Government securities.

#### Excess unauthorized

Section 56 (1) of the Public Revenues Act, 1926, provides for general imprest advances in New Zealand, of which the balance unaccounted for shall not at any time exceed £600,000. A further similar provision is made in section 80 (1) under which transfers to Foreign Imprest Account for expenditure in London may be charged to "General Services" provided the amount outstanding under this heading does not exceed £750,000. These limits were increased by the Finance Act, 1945, section 4, to £1,500,000 for General Imprest and £1,000,000 for General Services, thus increasing by £1,150,000 the amount which may be advanced in excess of the provision under annual appropriations. One result of this is that when the advances have been spent and come to final charge some of the votes liable to carry the charge are caused to be overspent. This excess expenditure necessitates recourse to the unauthorized authority provided by section 58 of the Act, but the limit of this, apart from Railways, is £500,000. Such limit is therefore likely to be exceeded, as it was last year to an amount of £692,259 2s. 2d.,

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.

### Credits-in-aid of Votes

During the year the Treasury decided that the system introduced in 1924 of treating recoveries of expenditure as credits-in-aid of votes, in terms of section 51, Public Revenues Act, 1926, should be discontinued, and that receipts which previously had been treated as credits-in-aid should be shown as departmental receipts. This alteration was made in the votes in the separate accounts of the Public Account and in the accounts outside the Public Account, with the exception of the Post Office Account, and it is in future to be applied to the votes in the last-named account and in the Ordinary Revenue Account.

Formerly Parliament appropriated the net estimated expenditure of a vote, and, separately, the estimated credits-in-aid, and issues could then be made from that vote to an amount of the net estimated expenditure plus the amount of the estimated credits-in-aid actually received by the vote. This procedure of appropriation tended to ensure that no laxity existed in connection with recovering all possible credits-in-aid. In terms of section 51 (3) of the Act, any credit received in excess of the estimate could, with the approval of the Minister of Finance, be used for the purposes of the vote.

Under the new method the gross expenditure will be appropriated by Parliament, and any recoveries will, as already stated, be treated as departmental receipts. The sum of £4,532,700 was estimated over individual votes as credits-in-aid of Ordinary Revenue Account for the year 1945-46, and of this amount, £4,340,642 17s. 2d. was received and issued within or up to individual vote estimates. Surplus credits-in-aid, being amounts received in excess of individual vote estimates, were made available by the Minister to an amount of £306,245 14s.

The full arguments for and against the credits-in-aid system need not be put forward here. The Audit Office would have preferred that it be continued, though in the past concern has been expressed about the use of very large sums of excess credits. The most serious objection to the new system is that expenditure will in some cases be twice estimated and twice shown in the public accounts without relative deductions being clearly shown against it. A great volume of departmental receipts arises from one Department doing work for another, and the first Department is charged with the cost of the work, and the second is charged with the recoupment of the first.

### Charges between Departments

In order that a Department administering a service shall bear the full cost thereof it is necessary to reimburse other Departments for expenditure incurred by them in performing any part of that service, and the relative financial adjustment is made by means of an inter-departmental transfer. It has been the practice to make certain transfers from the Social Security Fund to Consolidated Fund votes in respect of maintenance fees reduced or not charged at various Government institutions. During the year Treasury decided to discontinue these transfers, which were of an estimated value of £250,000.

It has further been the practice to charge the Social Security Fund with the cost to Ordinary Revenue Account of administering Part III of the Social Security Act and with the cost of collecting the social security tax. The Treasury proposes to discontinue these transfers, which for the year 1946-47 would have totalled on estimate £230,000.

It is intended also to discontinue the transfer from War Expenses Account to Ordinary Revenue Account covering the cost of treating service patients at the Services' Convalescent Hospital, Rotorua, and Queen Mary Hospital, Hanmer.

### **Interest on Capital Liability**

In terms of section 6 (1) and (2) of the National Development Loans Act, 1941, all amounts transferred under the Act to any account other than Consolidated Fund, together with the balances of the various liability accounts as at 1st April, 1942, other than Consolidated Fund and War Expenses Account, were constituted a capital liability of the appropriate accounts to the Consolidated Fund.

Section 6 (5) provides that interest on the amounts of capital liability of the various accounts shall be paid to Consolidated Fund at such rates and times as the Minister of Finance prescribes.

This mandatory provision is qualified by section 3 of the Finance Act (No. 3), 1943, whereby the Minister of Finance may remit the whole or part of the interest owing if the available funds in the relative account are insufficient to meet the interest charge. In addition, the reduction of interest on capital liability owing by Working Railways Account is provided for in the Finance Act, 1930 (No. 2), section 14.

During the past financial year liability accounts as follow have paid interest on capital liability in full: Electric Supply, Housing, Housing Construction, Post and Telegraph, and State Advances.

Part interest only was paid by: Working Railways, Land for Settlements, and State Coal-mines.

No interest was paid by: Main Highways, State Forests, Nauru and Ocean Islands, and Iron and Steel Industry.

### **Public Works Account : Replacement Works**

A substantial amount is expended each year from Public Works Account on non-productive works such as courthouses, police-stations, &c., and for some years it has been the practice to transfer from Consolidated Fund vote, "Maintenance of Public Works and Services" to Public Works Account vote, "Public Buildings," an amount to recoup the buildings vote in respect of expenditure charged thereto in connection with any maintenance and replacement works. In the year under review Parliament appropriated £10,000 for this item.

As funds for Public Works are almost exclusively provided by borrowing, Treasury considered that a greater contribution from revenue should be made in respect of these non-productive works, and, with the approval of the Minister of Finance, it was decided to increase the transfer from Consolidated Fund to £100,000 for the year ended 31st March, 1946.

### **Interest on Public Account Cash Balance Investment Account**

As a result of heavy investments the interest earned by Public Account Cash Balance Investment Account to 31st March, 1946, amounted to £161,822 16s. 7d. In terms of an approval under section 39 (2) of the Public Revenues Act, 1926, this interest has for some time been credited to Ordinary Revenue Account, and this practice was followed during the past financial year. The Audit Office considers, however, that the interest should be apportioned amongst the various accounts comprised in the balance of the Public Account according to the amount each account has furnished for investment, and Treasury has undertaken that this will be done in future.

### **Travelling-expenses incurred on Official Business Overseas**

Some time ago the Audit Office took up with Treasury the question of a delay that has been taking place in clearing the advances accounts covering the expenditure of public servants and others travelling out of New Zealand on official business.

As this expenditure is mainly made overseas the majority of the relative vouchers make a belated appearance in New Zealand, and this, coupled with the difficulty that special approvals are often required before the expenditure may be finally passed, has been to some extent the cause of delay. There have been cases, however, in which unwarranted delays of many months have occurred.

Treasury agreed with the views of the Audit Office as to the need for improvement in this matter and took action with the Departments responsible to accelerate movement of vouchers. As a result of this action the position may be said to have shown an improvement, though not to an extent satisfactory to Audit.

### **Departmental Balance-sheets**

Certain Departments are required by their governing statutes to produce balance-sheets and supporting accounts for presentation to Parliament, and others have been directed to do so in terms of section 57 of the Finance Act, 1932. The 1944-45 balance-sheets and accounts, duly audited, will appear in due course either in parliamentary paper B.—1 [Pt. IV] or with the annual departmental reports to Parliament.

### Railways Department Accounts

The amount available for payment by the Working Railways Account to Consolidated Fund as interest on capital invested depends to a considerable extent on provision made in the Railways accounts for certain reserves. The position as shown in the accounts in respect of three of these for the last three years is set out hereunder:—

			Depreciation Reserve.	Deferred Main- tenance Reserve.	Renewals Reserve.	Interest Short Paid.
			£	£	£	£
1943-44	..	..	959,362	410,500	226,824	197,745
1944-45	..	..	911,407	..	234,390	1,642,926
1945-46	..	..	955,797	246,000	471,917	1,829,192

### State Advances Corporation Agency Accounts

The State Advances Corporation has, under the authority of section 40, State Advances Corporation Act, 1936, accepted various agencies, including—

- (1) The collection of certain rent, interest, and instalments of principal on behalf of the Public Works, Air, and Marketing Departments.
- (2) The collection of interest and principal repayments in respect of loans granted under—
  - (a) The Agriculture (Emergency Powers) Act, 1934:
  - (b) Farmers' Loan Emergency Regulations 1940.

- (3) The supervision of advances to ex-servicemen for furniture, businesses, and tools of trade, and the recovery of the amounts so advanced.

The books and accounts of the Corporation proper are audited by two public accountants appointed by the Governor-General in Council under the second part of subsection (2) of section 43, State Advances Corporation Act, 1936, to act in lieu of the Audit Office.

The Audit Office, however, is at present required to examine the transactions relating to the above agencies in the books of the Corporation. All payments are made out of and all receipts are lodged to the Corporation's bank account, and the relative receipts and vouchers are intersorted with those of the Corporation. In view of the difficulty of searching out and identifying the agency transactions, the Corporation is of opinion, and the Audit Office agrees, that the audit can be more conveniently carried out by the Corporation's auditors in the normal course of their audit.

The Treasury has advised that the Right Hon. the Minister of Finance has approved of legislation being promoted during the present session of Parliament empowering the Audit Office, as it thinks fit, to entrust to the Corporation's auditors the complete audit of all types of transactions undertaken by the Corporation as agent for a Government Department. In anticipation of this legislation the Audit Office has arranged for the Corporation's auditors to examine the above agency accounts as from the 1st April, 1946, and to report thereon to it.

The Treasury periodically pays to the Corporation sums representing concessions made to ex-servicemen who obtain loans from the Corporation proper for the purchase of houses and farms, and the Audit Office passes the relative claims upon certificates given by the Corporation's auditors.

The Corporation has also an agency in respect of the Housing Account, but, as the relative transactions are readily identifiable in the books of the Corporation, the Audit Office will continue to undertake their audit, and also those of the accounts of the Rural Intermediate Credit Board, which are kept by the Corporation.

### **Land and Income Tax Department**

On account of the size of this Department, which makes detailed audit check impracticable—accounts of some four hundred thousand income-tax payers, forty thousand land-tax payers, and the accounts of social-security-tax payers are on its books—the state of the system of internal check is of vital concern from the audit as well as the departmental point of view.

In recent years the operation of certain important phases of the internal check has been deferred by the Department pending a hoped-for improvement in its staff position, but it now appears unlikely that this hope will be realized in the near future. The position will therefore remain unsatisfactory.

### **Marketing Department**

*Export and Internal Divisions.*—A continuous audit of the transactions of these Divisions is being maintained. In recent years the accounts of the Internal Division were advantageously affected by contracts for supplies for the Armed Services, and adversely by transactions involving sales of certain foodstuffs under cost for stabilization purposes. The amount of at least one of the resulting losses (some £50,000 in connection with Tasmanian potatoes imported during 1945–46) is to be recouped from War Expenses Account under Cabinet direction, but other losses (such as £35,000 in connection with egg-pulp from Australia) are borne by the Division.

In 1937 the State, as represented by the Internal Marketing Department, purchased a business which dealt principally in dairy-produce. The Department continued the business until December, 1941, when it merged some of the relative activities in a company known as Combined Distributors, Ltd., in which it acquired 135 out of 400 shares and from which it received annual dividends of up to £7,942. The business was recently disposed of to a producers' co-operative company, to be known as Farm Products Co-operative (Wellington), Ltd., the capital of which is to equal the value of certain assets handed over, but excluding goodwill, and is to be subscribed equally by the Department and a representative of the producers. The Department did not desire to obtain from the new company right to a profit or dividend from its share of the goodwill of the old company, though it was this goodwill, rather than tangible assets, which had produced the very much greater part of the

past considerable profits. The dividend on the new shares is limited to 4 per cent., and the investment will return only some £130 annually. It appears to the Audit Office that the Department should not relinquish its claim to a share of the profits on the lucrative, though intangible, asset of goodwill without some clear authority, and the matter is at present the subject of correspondence between Treasury and Audit.

*Milk Marketing Division.*—The Milk Act, 1944, was enacted for the purpose of providing “for the regulation and control of the supply and distribution of milk in metropolitan and other areas with a view to the provision at a reasonable price of an adequate supply of milk of the best quality having regard to the health of the inhabitants of the areas.”

Section 107 of the Act establishes the Milk Marketing Division, which exercises the functions of the Marketing Department as far as these relate to milk. Although the section makes provision for a Milk Marketing Account for the purposes of the Division, such account has not yet been opened, and at present subsidies are paid from War Expenses Account and administration expenses from vote, “Agriculture.” The receipts and payments have been audited by the Audit Office.

### **Air Transport**

The Royal New Zealand Air Force operates a service under a commercial aircraft service license issued under the Transport Licensing (Commercial Aircraft Services) Act, 1934, and section 93 of the Statutes Amendment Act, 1945, and also a South Pacific Regional Service. The Audit Office was not satisfied that there was sufficient statutory authority for either of these Services, and drew the attention of Treasury and the Air Department to the position. The matter has not yet been finally dealt with. The Air Department has not prepared accounts relating to these activities, and the Department's instructions to its stations regarding fares, freights, &c., have not yet been approved by Treasury.

### **Moutoa Estate**

The Moutoa Estate, which is the largest *Phormium tenax* area in the Manawatu, was purchased by the Crown in 1939 with a view to the encouragement of the flax industry. The produce from the estate was to help in maintaining in full production New Zealand Woolpack and Textiles, Ltd., Foxton, in which company the Government is the principal shareholder.

The condition of the estate at purchase date was such that considerable development work has been necessary to bring the land into a state of continuous production. According to the records of the Department of Industries and Commerce, the expenditure brought to charge from the Public Works Account from purchase date to 31st March, 1946, on land, plant, buildings, and wages approximated £260,000, and an additional £52,000, not regarded as capital expenditure, was charged against vote, “Labour” (Employment Promotion Scheme 13). Against this expenditure royalties to an amount of £10,935 have been received.



A report of the Flax Plan Industrial Committee estimated that the ultimate annual revenue under the present planting programme, which is still proceeding, will, on the basis of current royalty rate, be £8,500. It was considered that this revenue would be unlikely to exceed the costs of maintenance, and that there seemed to be little prospect of providing any interest on the investment or recouping any part of the capital cost.

Estate accounts covering the operations between the initial purchase and 31st March, 1946, have been written up by the Industries and Commerce Department.

### **Linen-flax Development**

The accounts of the linen-flax industry have been audited to 31st March, 1945, and the Audit Office has certified a statement of apportionment of loss showing a trading loss for the year of £167,704 8s., of which £151,520 18s. 6d. is recoverable from the United Kingdom Government.

The industry ceased to operate as a section of the Industries and Commerce Department at 31st March, 1946, when the Linen Flax Corporation took over the management and a large portion of the assets.

The disposal of the assets and stores rests with the War Assets Realization Board, which decided, subject to approval by the Right Hon. the Minister of Finance, that sales should be made to the Corporation at salvage value as determined by the Board. This will result in a considerable capital loss, but the United Kingdom Government has agreed to bear capital losses in the same proportion as trading losses—*i.e.*, the ratio in value linen-flax fibre supplied to the United Kingdom bears to fibre sold to New Zealand manufacturers. It is not yet known, however, whether salvage value will be acceptable to the United Kingdom as a basis of disposal.

### **Patriotic Funds**

The accounts of the National Patriotic Fund and of eleven Provincial Patriotic Councils for the year ended 30th September, 1945, have been audited, and Audit reports thereon have been submitted to the Hon. the Minister of Internal Affairs as required by regulations. The audit of the accounts of a further Council for the same period is almost complete, but that of the remaining two has been delayed through lack of Audit staff.

### **Canteen Board**

The accounts for the year 1945–46 at present being audited disclose a turnover of £1,123,000, which represents a reduction of £687,000 on that of the previous year.

Nearly all of the canteens in the Pacific area have been closed, but the Board has recently taken over the administration of New Zealand canteens in Japan, and some fifty others are still operating in the Dominion.

There were seven instances of theft reported, involving a total amount of £269, and a further case where \$5,200 was stolen at Green Island, but later recovered when the offenders were apprehended.

### Overseas Audits

The audit of the records of the New Zealand Forces serving overseas, including prisoners of war awaiting repatriation and the J Force in Japan, and of the overseas accounts of the National Patriotic Fund Board and the various Forces' clubs and patriotic bodies, was maintained during the year.

In the war period several organizations of the New Zealand Government were established in North America for diplomatic and defence purposes or to negotiate the acquirement of supplies. The principal check and audit of the relative records was imposed in New Zealand, but an Audit Officer made a test inspection on the spot of the accounts of the New Zealand Minister and of the New Zealand Supply Mission in Washington, and the High Commissioner, the New Zealand Air Mission, and the New Zealand Supply Mission at Ottawa. The Inspector reported that at the time of his examination the accounts in general were in a reasonably satisfactory condition, but there was evidence that some shortcomings had formerly existed in accounting at the Supply Mission, Washington.

### Social Security (Medical Benefits)

The Audit Office has been given an assurance that during the year under review the revision by the Health Department of the Patients' Lists which determine the amount of capitation fees payable from the Social Security Fund to medical practitioners who participate in the capitation scheme has been steadily maintained.

The Audit Office, however, has been unable to find staff to carry out a check of the various Medical Offices of Health of payments made from the Fund by means of postal warrants in respect of claims by patients for refunds in respect of amounts paid to medical practitioners, and it cannot regard such a position as satisfactory.

### Public Stores

Inspection of the stores accounts of Departments has proceeded to the extent that staff was available. Inspectors have not yet been able to make a full round of visits to departmental stores, or to take up the audit of Public Works stores, which for some years has been left to the Department's own Inspectors.

In a number of instances Inspectors found the accounts examined not up to the desired standard, and their reports have been forwarded to the Departments for necessary action.

This reference is additional to remarks on the stores accounts of the Armed Services, War Assets Realization Board, and Ministry of Supply, which are dealt with separately hereinafter.

### Accounts of Local Authorities

Three cases of misappropriation of funds by local-body officials involving an aggregate sum of £927 1s. 6d. were reported during the year. In each case the matter was placed in the hands of the police for appropriate action, and restitution has been made.

Numerous breaches of law relating to accounts were dealt with, and an adjustment thereof or a recovery of moneys was required in all cases except one, where special circumstances were such that Audit requirement was waived conditionally on legislation being obtained. This legislation, which validated an *ex gratia* payment to a contractor for sales tax omitted from his tender, was provided by section 32 of the Local Legislation Act, 1945.

Five cases of disqualification for membership indicate that members of local authorities do not make themselves well enough aware of the provisions of the Local Authorities (Members' Contracts) Act, 1934. It is sometimes overlooked that a member may be interested in a contract as a shareholder in a contracting company of twenty members or less, or if he supplies goods in the knowledge that his customer will apply them to a contract with the local authority. The Audit Office is empowered to extend the contractual limit to £50 in special cases on prior application, and it has almost invariably acceded to requests to do so. This has partly met the difficulty experienced in small centres where a member may be the only tradesman in his line. It is, however, occasionally represented that the restrictive provisions operate harshly and should not be strictly applied, but as the report of the 1945 Local Government Committee records no objections to them it may perhaps be assumed that they are generally accepted as assisting the cause of disinterested administration.

## WAR EXPENSES ACCOUNT

### “ Lend-lease ” Assistance

Further assistance from the United States of America to the extent of £21,030,404 has been recorded in the public accounts, making a total of £104,569,399 since the inception of the scheme. As mentioned in previous reports, an exact reconciliation between accounts of the United States of America and New Zealand Governments has not been attempted, owing partly to the fact that the values of certain lend-lease services are not yet included in the public accounts and that certain other costs have been shown there at an estimated figure only, the actual costs being unobtainable.

A transaction occurred some months ago involving lend-lease supplies of phosphate imported for the British Phosphate Commission. The position as understood by the Audit Office is that Australia and New Zealand agreed to pool available supplies of phosphate, and that Australia should take two-thirds and New Zealand one-third. The pool included phosphate other than lend-lease, being supplies procured by purchase from North Africa and elsewhere. It was not economical to deliver lend-lease and purchased supplies to Australia and New Zealand in the proportion of 2 to 1 in respect of each class of supply, with the result that New Zealand happened to obtain much more than a one-third share of supplies under the lend-lease heading. This was sold in New Zealand by the Commission, and the question arose as to how the proceeds were to be allotted. Although according to the cash each Government received it would be required to accept a lend-lease debit, Australia evidently took the view that cash though set off by a lend-lease debt

to U.S.A. was preferable to no cash and no debt, and that the proceeds of lend-lease phosphate sales should be allotted also on the quantity basis of 2 to 1 irrespective of where sales were made. Treasury agreed and authorized an adjustment by the Commission of the proceeds of sales in New Zealand, involving payment by the Commission of some £98,000 to Australia instead of to New Zealand.

### **Reverse “ Lend-lease ” Assistance**

Reverse lend-lease assistance provided to the Armed Forces of the United States during the year cost £22,777,672, making a total of £80,951,652 since the outbreak of the war to 31st March, 1946, subject to certain downward adjustments, principally in connection with the residual value of assets returned by the Americans.

### **Canada Mutual Aid**

Canadian mutual aid to New Zealand recorded in the public accounts during 1945–46 amounted in value to £5,806,112, making a total of £6,103,721 for the two years during which the scheme operated. This aid has ceased, but the final total value has not yet been recorded in the accounts.

### **War Gratuities**

In terms of the War Service Gratuities Emergency Regulations 1945, the date of entitlement of gratuities to members of the Forces is in general the 31st March, 1946, and Treasury desired to bring an approximate amount to charge in the accounts to that date. This involved an estimate being made, and an amount of £18,000,000 was arrived at. This sum, which appears as expenditure in the Public Accounts in War Expenses Account, Subdivision VII, “ Gratuities,” was placed to the credit of the Post Office Account, which in turn will credit the individual servicemen in accordance with advices as Base Records makes them available. The Audit Office test checks the assessment of the amounts of gratuities.

The amount of £18,000,000 is therefore subject to adjustment—it may turn out to have been too much or not enough. The latest information is that 141,000 applications out of an estimated possible 206,000 have been dealt with and have resulted in credits to individual accounts to a total of £12,000,000. The estimated grand total may therefore prove to have been a fairly close one.

### **Allied Military Currency issued to the New Zealand Forces in Italy**

While the New Zealand Forces were in Italy all cash requirements of lire were obtained from the Allied Financial Agency, which was responsible for the issue of Allied Military Government lire.

The Imprest Account of the Paymaster, 2nd N.Z.E.F., Central Mediterranean Forces, discloses that Allied military lire of the New Zealand equivalent of £2,504,831 has been received from the Allied Financial Agency up to 20th February, 1946, the date of the closing of the Paymaster's Imprest Account. Against this amount there is a probable set-off of £68,612 arising from a devaluation transaction.

Although the War Expenses Account has recorded the receipt in respect of the total amount of Allied military lire advanced to New Zealand to date, no settlement has yet been effected with the British Military authorities.

The High Commissioner's Office, London, was advised by the War Office on 31st May, 1944, that any such currency used by the New Zealand Government in Italy would form one of the many items to be taken into account in arriving at New Zealand's ultimate settlement with the Italian Government under the Peace Treaty.

### **Ancillary Expenditure**

Section 2 of the War Expenses Act, 1939, permits moneys of the War Expenses Account to be expended, without further appropriation than the section itself provides, on any purpose connected, directly or indirectly, with the war, and the Minister of Finance is empowered to decide any question which arises as to whether any purpose is one for which the account may be used. As in previous years, the published War Expenses Account shows the expenditure in connection with the three fighting Services separately. The Ancillary (previously Civil) Subdivision of the War Expenses Account recorded net expenditure for the year of £1,640,241, the difference between some £45,400,000 and £43,800,000 approximately one-third of which involved inter-departmental transfers and the balance cash.

### **Eastern Group Supply Council**

Since my last report further claims totalling £3,915,705 against the British Ministry of Supply have been certified by the Audit Office. The total sum recovered to 30th June, 1946, is £14,887,403.

Acting on behalf of the British Government, the War Assets Realization Board is now disposing of surplus stocks.

### **Food Controller**

The Food Controller's purchasing operations were on a reduced scale during the year and call for no particular comment. The Audit Office is at present endeavouring to satisfy itself that the Controller and other Government purchasing authorities recovered all drawbacks of customs duty due from contractors. It was mentioned last year that the Controller had agreed to take action in connection with his debtors' accounts, and at present the oldest remaining are those of Government Departments and the United States Joint Purchasing Board. These are being slowly reviewed and cleared.

A large item of expenditure by the Controller was the subsidy to retail butchers, which amounted to £644,000, against which was set off a contribution of £300,000 from the Meat Stabilization Account. It would appear that a further £100,000 is due from this Account. When operated efficiently by all parties, the accounting system in connection with the subsidy provides a

reasonably satisfactory check on the claims, but the state of many of the records prepared by butchers and amended by Rationing Officers and Secretaries of Meat Supply Committees leaves much to be desired from the point of view of the Audit Office. Up to the present it has been possible for Audit to test check the calculation of subsidy claims from Wellington and Wairarapa butchers only, and arrangements were made with the Food Controller for test examinations of records at other centres by his own Inspectors.

### Ministry of Supply

As mentioned in my last report, the volume of commodities handled by the Ministry was decreasing, and the rate of decrease was accelerated after the termination of active hostilities against Japan, when the flow of lend-lease goods ceased and the Ministry discontinued ordering supplies (except two or three commodities such as tinplate) for the commercial community. Cash receipts, arising principally from sale of commodities previously ordered and from reserve stock, continue to be substantial. They exceeded £1,000,000 even for May, 1946.

The condition of the records of the Ministry was discussed in detail before the Public Accounts Committee in the year 1944, and it may fairly be said that a considerable improvement has since been in evidence. There are still, however, certain records, such as those of the Textile Section and the Reserve Stock Section, which require attention before they can be considered to be satisfactory. The largest slow-moving stocks are still jute and khaki drill, both of which items were reported to the above-mentioned Committee by the Audit Office in 1944. Audit recently drew the attention of the Ministry to the accounts of some dozen debtors on the books whose balances, totalling some £250,000, had been long outstanding pending settlement of disputes or negotiations; but, as regards sundry debtors generally, the Audit Inspector reported that "the internal check in force is excellent and has been carried out meticulously."

During the war period advances were made by the Ministry to certain companies or their properties were improved for the purpose of increasing the production of leather, but the results achieved fell far short of the estimates. Extensions of the equipment of one company cost some £40,000, but no additional hides were tanned, and as the wartime improvements proved surplus to peacetime requirements they have recently been sold to the company for £12,500. In another case a bank overdraft up to £24,000 was guaranteed for the purpose of purchasing and tanning hides (receipts to be set off against this), and the company's premises were extended at a cost of £4,150. The venture was not successful, and the Crown was obliged to pay the bank £23,000 in March, 1945. Some £80,000 was expended in connection with three other tanners, but the ultimate financial results have not yet been ascertained.

### Aviation Fuel, Motor-spirits, &c.

Negotiations with two oil companies for review of their contracts for the storage, handling, &c., of aviation fuel, reference to which has been made in my last three reports, were brought to a satisfactory conclusion during the year. The Government succeeded in obtaining a substantial reduction in the rate per gallon provided for in the contract, and cash refunds amounting to £269,817 were received.

Agreement was also reached with all oil companies on the prices to be charged them by the Ministry of Supply for benzine and petroleum products received under lend-lease.

As a result of the agreement, which increased debits against the companies by a net amount of approximately £50,000, the Ministry of Supply was able to make final claim of £645,191, and of this amount £564,822 has been collected.

### Defence Works Camps

Control of Defence Works Camps has passed from the Public Works Department to the National Employment Service, and the camps have been renamed Industrial Workers' Camps as being more appropriate to the use to which they are now put. The number of men in camp averages 735.

The board rates charged the men accommodated are not sufficient to cover the running costs of the camps.

### Contracts

*Timber.*—Settlement of defence building contracts is now in sight, there being only two contractors who are still disputing the deductions from the contract sum for timber supplied to them. On four contracts special allowances were made because of timber appropriated by the Forces for tent-floors, duck-walks, &c., and because of losses from recutting, and deterioration arising from delay due to changes in plans.

*Allowances.*—In respect of five contracts, representations were made to the Public Works Department by contractors that special circumstances justified the payment of allowances in respect of their contracts, and these allowances were granted, although there were instances in which the quantity surveyors appeared to retain doubts as to whether they were justified.

### Army Stores

*Ordnance.*—Inspection of the main depot, where by far the greater bulk of Army stores is held, is in progress as this report is being written. An interim report states that, generally speaking, stocks held are in agreement with ledger balances, but the reservation is made that in regard to the important C Group, which comprises all articles of clothing, the stocks held are so large and so much in course of transit to and from laundry as to make stocktaking impracticable.

Last year's report on the depot remarked that in numerous cases ledger accounts had been brought into agreement with stocks by means of conversion or adjusting vouchers which were not strictly in order. The vouchers had been accepted as necessary to straighten out the accounts and give the depot a fresh start for proper accounting. The Inspector reports that adjustment of the accounts by similar means was continued for a lengthy period after his last inspection, and therefore the position is not as satisfactory as a stocktaking would make it appear.

Stocks include extremely large quantities of second-hand clothing, and disposal of some 70,000 garments is held up pending decision by the UNRRA authorities as to its requirements. Further supplies cannot be declared to the War Assets Realization Board until cleaned and renovated, and delay in this direction is occurring through the depleted staff now left to handle the goods. Recently 50,000 blankets were sold through the Ministry of Supply, and further sales will be made as others are received back from the laundries. The laundries, however, are a retarding factor in disposal as they have a capacity of only 1,000 per week, with 40,000 awaiting treatment.

The compilation of a complete schedule of surpluses to requirements is in progress, but is a lengthy process, and there appears to be no reason why piecemeal declarations could not be made. For instance, the following items are already known to be surplus and could be declared to the War Assets Realization Board immediately:—

Saucers, tea, plain .. .. .	36,626
Plates, tea, plain .. .. .	31,561
Plates, dinner, plain .. .. .	42,398
Plates, coupé, plain .. .. .	119,342

*Areas.*—An investigation of the accounts of a Wellington clothing store which was run for the sole purpose of selling articles of clothing to officers showed a deficiency in either cash or goods of £400 17s. 6d. No satisfactory explanation was forthcoming, and a Court of Inquiry found those concerned in the running of the store guilty of negligence. In the circumstances, the Hon. the Minister of Defence has withheld payment of gratuities.

Irregularities in connection with the sale of barbed wire in the Whangarei district led to an investigation, which disclosed that records of this item were in a confused state. No satisfactory explanation can be obtained as to the disposal of a particular consignment of 6 tons 8 cwt. of new wire, and the arrangements generally for the sale of salvaged wire have been loose.

*Camps.*—Owing to shortage of staff, no camps accounts have been inspected.

*Mechanical Transport Stores.*—The inspection of two stores controlled by motor companies on behalf of Army, which was proceeding at the date of my last report, disclosed a satisfactory position. Attention was drawn in the same report to the importance, in view of the profit fee of £4,000 per annum being paid to each company, of transferring the stores to Army's own control as early as possible, and information is just to hand that the transfer of one of the stores is in progress.



### Air Force Stores

Over the past two years the Air Force had made considerable progress in its endeavours to keep better stores accounts, but the progress is now halted through staff being directed to duties connected with gratuities and through personnel freely exercising their right to discharge. A system of duplicate tally-cards introduced to ensure greater accuracy in ledger work has had to be abandoned.

The accounts of a number of closed stations have been examined and found to be properly balanced off. In one or two cases final vouchers or applications to provisionally write off deficiencies were open to question, but have been accepted because of the impracticability of obtaining explanations from officers now returned to civilian life.

Under a Treasury regulation all Departments are required to notify the Audit Office and Treasury whenever any stores are stolen, lost, or damaged otherwise than by fair wear-and-tear, and the number of notifications received indicates that pilfering on stations has been rife.

At two stores depots Inspectors report signs of deterioration in such items as gloves, fabrics, and metalware, and suggest an immediate survey of stocks to classify the immense quantities held into useful and obsolete classes. A clearance of the latter class would enable more attention to be given to those required for future use.

A fire at the Te Awamutu Depot on 24th February, 1946, destroyed stores, including large quantities of useful wearing apparel, to the value of £398,041. This loss stresses the importance of disposing of surplus stocks as quickly as is possible.

### Navy Stores

*Bulk Store, Auckland.*—A report on the dockyard store just to hand states that ledger postings are an improvement over recent years. A number of cards, however, show over-issues which have been allowed to run on without investigation. A test stocktaking revealed more discrepancies between ledger balances and actual stocks than should be the case, and the accounts still require much improvement before they can be considered satisfactory.

*Lower Hutt Store.*—Examination of the accounts of this store also revealed a position which left something to be desired.

### General Remarks on Army, Air, and Navy Stores

In each report from 1940 onwards the stores accounts of the Armed Services have been the subject of criticism, and now that the Services are reverting to peacetime operations the matter of wartime stores accounting is briefly and finally reviewed.

Stores accounting in all three Services deteriorated rapidly immediately following the war expansion, and during the peak mobilization period of 1942–43 was in a desperate state. The accounts at this stage did not provide a satisfactory safeguard against misappropriation, and could not have been

of much assistance in providing information regarding stocks available for use, or in estimating future requirements. From this period on some improvement was noticeable, but in respect of bulk stores and depots, it was necessary, before the accounts could be placed on a proper footing, to open up fresh accounts from physical stocktakings, or to pass adjusting vouchers which in ordinary circumstances would not have been accepted.

By 1944 further improvement in the standard of accounting was in evidence, but it was only gradual, and even at the present date not all accounts are in a satisfactory state.

The foregoing prompts the questions—

- (1) What were the causes of the breakdown, and were they remediable?
- (2) Did the Services do all within their power to keep proper accounts?

In view of the many difficulties of staffing, accommodation, and other problems which the Services had to face, the Audit Office believes that some confusion was inevitable. Nevertheless, it is of opinion that the position could have been improved very materially had it been attacked in real earnest. Much of the trouble was caused through bad "paper" work; yet, with the many clerks in the ranks to call upon, the selection of suitable personnel for this class of work should have been possible. Another cause of trouble was the constant changing of office and stores personnel, with a consequent loss of efficiency and sense of responsibility. Often when a man had become proficient in his particular task he was transferred to a new post or new store.

It appeared, too, that not all quartermasters and equipment officers possessed the necessary standard of efficiency or were sufficiently interested in their jobs, but apparently they could not be disgraced except as a result of most formal and lengthy inquiry.

On the subject of interest in the job the following quotation taken from the reply of an Air Force officer of high rank to an Audit report, is illuminating:—

It must be appreciated that no comparison could or should be made between the Air Force records and those of civil Departments. Personnel are enlisted on the basis of war, and cannot be expected to take the same interest in work which has as its foundation waste and destruction, as they would in peacetime work of their own choosing.

A tremendous amount of work was done on stores accounting, and, whatever were the shortcomings noted in connection with it, there may yet remain a reasonable hope that on balance it was worth while. There may also be consolation in the fact that some, if not all, other Empire countries have experienced the same trouble as New Zealand. Some lengthy extracts from overseas audit reports could have been placed in those of this Office and they would have described our own position exactly.

### War Assets Realization Board

*Sale of Motor-vehicles.*—A sale of a large number of motor-vehicles bought by the New Zealand Government from the United States of America has received publicity, and the terms of it have been criticized; but as the matter is about to be the subject of a special inquiry no comments are made upon it here.

*Buildings.*—Inspections of the Wellington and Auckland offices disclosed that the records were inaccurate as to huts and buildings sold and on hand. All buildings taken over by the Board for disposal are immediately valued and buyers sought at the valuations. Where difficulty is experienced in finding buyers there is a danger that too large a portion of the value will be eaten up in caretaking and maintenance expenses or lost through deterioration. These remarks have particular application to prefabricated sections of tropical huts, which, in the first place, were built for the Pacific area and are now lying in Housing Construction Department yards at Auckland, Wellington, and Christchurch. The hut sections were declared surplus in August, 1944, but were then “frozen” by the Commissioner of Works for rural housing. Only a few issues were made for this purpose, and as long ago as 31st October, 1944, the Commissioner of Works stated, *inter alia*, “a recent inspection of the stocks indicated that there had been considerable depreciation in general, and particularly of the plywood components.” The book value of the huts held at Wellington is approximately £47,000, and the cost of running the yard for the year ended 31st March, 1946, was £1,347 10s. 3d.

*Method of Sale.*—The Board has adopted the policy of selling through normal trade channels. In the case of new goods “trade channels” has meant sale to wholesalers, and where there is a keen demand for the goods there may be question as to whether sale should not be made to retailers and the wholesalers profit be thus saved to the Board or to consumers.

*Miscellaneous Stores: Price Fixations.*—Advisory Committees have been set up by the Board for each class of goods for the purpose of fixing prices, and according to the procedure laid down no sales are to be made without the approval of a Committee. Audit inspection revealed that the procedure was not being adhered to in the section dealing with radio and electrical equipment, and some unauthorized sales were found. A number of what appeared to be irregular transactions were handed to the police for investigation, and it is understood a prosecution is pending.

### Nandi Aerodrome

This airfield was constructed by New Zealand on behalf of the United States of America at a cost of £1,212,341, of which £586,538 has been paid. New Zealand did not press for payment of the balance as the question of rights to airfields was involved, and decided to allow the matter to stand over for post-war discussion. Probably it has been dealt with by the Right Hon. the Minister of Finance in his recent negotiations with the United Kingdom Government in London.

**Barque "Pamir"**

Voyage accounts prepared by the Marine Department have been examined and stand as follows:—

			<i>Dr.</i>			<i>Cr.</i>		
			£	s.	d.	£	s.	d.
Voyage 1	..	..	..	..	..	15,449	7	9
Voyage 2	..	..	..	..	..	23,803	15	8
Voyage 3	..	..	..	..	..	29,468	11	10
Voyage 4	..	..	1,761	13	10	..	..	..
Voyage 5	..	..	542	5	6	..	..	..
Voyage 6	..	..	..	..	..	2,096	16	9

The reason for the drop in earnings over the three latest voyages appears to be in reduced earnings outwards from New Zealand, which for the six voyages made to date were—

						£
Voyage 1	..	..	..	..	..	29,500
Voyage 2	..	..	..	..	..	41,301
Voyage 3	..	..	..	..	..	40,506
Voyage 4	..	..	..	..	..	8,650
Voyage 5	..	..	..	..	..	5,700
Voyage 6	..	..	..	..	..	6,000

The Union Steamship Co., Ltd., which acts as agent for the Government, has made the following comment on the position:—

It would appear fairly obvious that the profits yielded in the first three voyages are due to full capacity loadings northbound, including quantities of wool with comparatively low stevedoring costs, and the losses in subsequent voyages due to carriage of only part cargoes of tallow with comparatively higher stevedoring costs.

The Marine Department is now in communication with the Industries and Commerce Department in an endeavour to secure full loads and cargo of a more remunerative nature.

**MONEY OR STORES WRITTEN OFF****Section 3 (3), Public Revenues Act, 1926**

The above section provides that no moneys or stores may be finally written off and discharged from Public Account without the authority of Parliament, and the Treasury Regulations require that before presentation of relative items to Parliament the concurrence of the Audit Office and the Treasury shall have been obtained.

A statement of moneys and stores in respect of which Audit concurrence to writing off has been given since last report is shown as to the more important items in the Appendix hereto.

**ROLL OF HONOUR**

It is with deep regret that the death on active service of the under-mentioned Audit officer has to be recorded.

McBride, Sub-Lieutenant T. C. G., R.N.V.R. . . Killed in action, 10th August, 1945.

### STAFF POSITION

In the twelve months prior to date of this report the accretion to the staff of the Audit Department as a result of return of servicemen was 37 out of a possible 84, and the net overall staff increase was only 19. Not all of this latter number were able to take up duty in Wellington, and it is here that arrears of work chiefly are. There remain 18 officers absent with the Forces, and 14 are testing prospects outside the Public Service before coming to a decision as to return.

### CONCLUSION

Some of the remarks in the foregoing sections of this report prompt the reflection that in it the Audit Office is obliged to refer to transactions of certain Departments or aspects of their work which may give ground for criticism. But in making these references it is not unmindful that its own work of auditing certain accounts is not as up to date or as efficient as it would be if a larger experienced staff were available. *Quis custodiet ipsos custodes?*

J. P. RUTHERFORD,

Controller and Auditor-General.

31st July, 1946.

## APPENDIX

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC., IN RESPECT OF WHICH AUDIT CONCURRENCE HAS BEEN GIVEN SINCE LAST REPORT, FOR THE WRITING-OFF AND DISCHARGE FROM THE PUBLIC ACCOUNT

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Agriculture</i>		£ s. d.	£ s. d.
Value of stores .. ..	Lost and broken, &c. ..	841 8 11	..
Value of stores .. ..	Stolen .. ..	157 4 6	..
Value of stores .. ..	Destroyed by fire .. ..	11 2 0	..
Value of stores .. ..	Gratuitous issues .. ..	17 5 0	..
Value of live-stock .. ..	Died and missing .. ..	6,943 5 5	..
Value of stores .. ..	Loss on sale .. ..	1,637 5 8	..
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure ..	..	29 12 2
<i>Customs</i>			
Cost of repairing broken telegraph-poles, &c.	Nugatory expenditure ..	..	2 12 0
<i>Education</i>			
Value of stores .. ..	Lost and broken, &c. ..	282 8 0	..
Value of stores .. ..	Stolen .. ..	30 3 9	..
Value of live-stock .. ..	Died .. ..	6 18 3	..
Interest on loan for school hostel buildings	Remitted by Cabinet ..	..	987 14 0
Lodging-allowances overpaid ..	Irrecoverable .. ..	..	46 9 7
Rent .. ..	Irrecoverable .. ..	..	8 19 3
Repairs to motor-vehicles, &c., damaged in accidents	Nugatory expenditure ..	..	134 5 0
<i>Electoral</i>			
Value of stores .. ..	Lost and broken, &c. ..	14 4 6	..
<i>Health</i>			
Value of stores .. ..	Lost, broken, &c. ..	1,352 8 0	..
Value of stores .. ..	Stolen .. ..	21 7 8	..
Value of live-stock .. ..	Died .. ..	34 13 4	..
Value of stores .. ..	Loss on sale .. ..	385 11 10	..
Maintenance fees .. ..	Debtors unfinancial ..	..	32 8 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure ..	..	57 2 5
Value of medical warrants cashed by unauthorized persons	Irrecoverable .. ..	..	1 17 6
<i>Housing</i>			
Value of stores .. ..	Lost, broken, &c. ..	19 19 7	..
Value of stores .. ..	Stolen .. ..	3 11 6	..
Value of stores .. ..	Loss on sale .. ..	3,322 18 1	..
Half cost of boundary fencing ..	Debtor unfinancial ..	..	4 15 0
Rents .. ..	Debtors unfinancial ..	..	336 13 10
<i>Industries and Commerce</i>			
Value of stores .. ..	Lost, broken, &c. ..	202 14 7	..
Value of stores .. ..	Stolen .. ..	8 3 11	..
Value of stores .. ..	Destroyed by fire .. ..	45 8 6	..
Value of live-stock .. ..	Died .. ..	1 10 0	..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Internal Affairs</i>		£ s. d.	£ s. d.
Value of stores .. ..	Lost, broken, &c. .. ..	38 3 5	.. ..
Advances to stranded New-Zealanders .. ..	Irrecoverable .. ..	.. ..	21 9 2
Fishing licenses .. ..	Complimentary issues .. ..	.. ..	437 0 6
Fishing licenses short paid .. ..	Irrecoverable .. ..	.. ..	3 0 0
Identification expenses, deceased seaman .. ..	Irrecoverable .. ..	.. ..	9 3 2
<i>Island Territories</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	742 4 1	.. ..
Value of stores .. ..	Stolen .. ..	26 18 1	.. ..
<i>Justice and Prisons</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	137 10 1	.. ..
Value of stores .. ..	Stolen .. ..	3 19 3	.. ..
Value of live-stock .. ..	Died .. ..	2,448 19 7	.. ..
Sealing-fee stamp .. ..	Irrecoverable .. ..	.. ..	0 10 0
Value of farm labour .. ..	Debtor unfinancial .. ..	.. ..	3 2 6
<i>Labour</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	5 14 8	.. ..
Advances for passage-money .. ..	Debtors deceased and untraceable .. ..	.. ..	127 7 10
Cost of air travel priorities not used .. ..	Nugatory expenditure .. ..	.. ..	11 10 0
Penalties for breaches of awards .. ..	Debtors deceased and unfinancial .. ..	.. ..	31 0 0
Repairs to motor-vehicles damaged in accidents .. ..	Nugatory expenditure .. ..	.. ..	33 18 9
Sale of publications .. ..	Lost in transit .. ..	.. ..	0 17 6
<i>Land and Income Tax</i>			
Income-tax .. ..	Debtors deceased, untraceable, and unfinancial .. ..	.. ..	12,553 11 0
<i>Land and Survey</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	472 14 11	.. ..
Value of stores .. ..	Stolen .. ..	21 11 3	.. ..
Value of stores .. ..	Destroyed by fire .. ..	169 6 9	.. ..
Value of live-stock .. ..	Died .. ..	32,435 9 7	.. ..
Value of stores .. ..	Loss on sale .. ..	47 1 9	.. ..
Advances, land development .. ..	Loss on realization .. ..	.. ..	1,475 19 5
Advances, small farms .. ..	Loss on realization .. ..	.. ..	803 0 2
Interest, deferred-payment licenses .. ..	Debtors unfinancial .. ..	.. ..	14 8 6
Miscellaneous .. ..	Irrecoverable .. ..	.. ..	14 6 4
Rates, land drainage .. ..	Remitted by the Minister .. ..	.. ..	1,928 14 2
Rent .. ..	Debtors unfinancial .. ..	.. ..	1,317 7 0
Survey liens .. ..	Part payment accepted in full satisfaction .. ..	.. ..	20 13 1
<i>Legislative</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	92 13 1	.. ..
<i>Marine</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	58 5 6	.. ..
Value of live-stock .. ..	Died .. ..	23 17 11	.. ..
Value of stores .. ..	Loss on sale .. ..	1,924 6 5	.. ..
Foreshore rentals .. ..	Claim abandoned .. ..	.. ..	2 0 0
Inspection fees .. ..	Debtors unfinancial .. ..	.. ..	3 18 6
Repatriation expenses .. ..	Claim abandoned .. ..	.. ..	78 13 6
Money lost from pay-envelope .. ..	Irrecoverable .. ..	.. ..	15 1 5
<i>Marketing</i>			
Money lost from pay-envelope .. ..	Nugatory expenditure .. ..	.. ..	10 0 0
Sale of Ashburton egg-floor .. ..	Loss on realization .. ..	.. ..	168 5 2
Sale of produce .. ..	Debtor unfinancial .. ..	.. ..	59 7 6

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
		£ s. d.	£ s. d.
<i>Mental Hospitals</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	3,351 5 9	..
Value of stores .. ..	Stolen .. ..	41 11 10	..
Value of stores .. ..	Destroyed by fire .. ..	127 7 8	..
Value of live-stock .. ..	Died .. ..	1,495 2 3	..
<i>Mines</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	1,755 1 3	..
Value of stores .. ..	Destroyed by fire .. ..	647 16 8	..
Value of live-stock .. ..	Died .. ..	111 0 0	..
Value of stores .. ..	Loss on sale .. ..	7 0 4	..
Exchange .. ..	Irrecoverable .. ..	..	0 7 8
Rent .. ..	Irrecoverable .. ..	..	58 9 0
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	..	29 3 7
Rescue-station levy .. ..	Irrecoverable .. ..	..	5 12 11
Sales of coal .. ..	Debtors untraceable .. ..	..	16 10 8
<i>Ministry of Supply</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	4,723 6 9	..
Value of stores .. ..	Stolen .. ..	11 10 11	..
Value of stores .. ..	Gratuitous issue .. ..	1 0 0	..
Value of stores .. ..	Loss on sale .. ..	48 12 10	..
Compensation paid on account of faulty tinplate supplied	Nugatory expenditure .. ..	..	236 11 0
Reconditioning bandsaws .. ..	Nugatory expenditure .. ..	..	7 0 11
Sale of wire .. ..	Irrecoverable .. ..	..	4 4 3
<i>National Broadcasting</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	48 0 6	..
Value of stores .. ..	Stolen .. ..	9 19 6	..
Radio advertising .. ..	Debtors untraceable .. ..	..	0 10 0
<i>National Provident and Friendly Societies</i>			
Value of stores .. ..	Stolen .. ..	6 0 0	..
<i>National Service</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	1,062 3 11	..
Value of stores .. ..	Stolen .. ..	5 14 7	..
Value of stores .. ..	Destroyed by fire .. ..	1,772 3 2	..
Value of stores .. ..	Loss on sale .. ..	44 9 3	..
Advances to workers, fares, &c.	Debtors unfinancial and untraceable .. ..	..	65 5 6
Compensation for loss of personal effects	Nugatory expenditure .. ..	..	4 5 0
Cost of attendance at Civil Defence School	Irrecoverable .. ..	..	1 19 0
Fines for absenteeism .. ..	Debtors untraceable .. ..	..	43 2 6
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	..	12 7 3
<i>Native</i>			
Value of stores .. ..	Lost, &c. .. ..	187 19 9	..
Value of live-stock .. ..	Died .. ..	13,570 7 9	..
Value of stores .. ..	Gratuitous issue .. ..	154 5 0	..
Unallocated expenditure .. ..	Irrecoverable .. ..	..	8,998 9 5
Unpaid interest .. ..	Irrecoverable .. ..	..	3,845 5 10
Unsubsidized labour advances .. ..	Irrecoverable .. ..	..	616 10 8
Value of improvements lost by erosion of land	Irrecoverable .. ..	..	136 0 0



STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Native Trustee</i>		£ s. d.	£ s. d.
Distribution of estates .. ..	Amount uplifted by person unknown	..	10 6 7
Survey costs paid on behalf of beneficiary	Irrecoverable .. ..	..	6 3 2
<i>Post and Telegraph</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	1,602 14 8	..
Value of stores .. ..	Stolen .. ..	333 17 3	..
Value of stores .. ..	Destroyed by fire .. ..	1,069 13 4	..
Value of motor-vehicles .. ..	Unserviceable .. ..	99 18 10	..
Fraudulent manipulation of public call boxes and stamp-vending machines	Irrecoverable .. ..	..	29 11 4
Repairs to motor-vehicles and private property	Nugatory expenditure .. ..	..	1,127 14 4
Toll accounts and telephone services	Debtors unfinancial and untraceable	..	156 12 8
<i>Printing and Stationery</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	532 13 10	..
<i>Public Trust</i>			
Value of stores .. ..	Loss on sale .. ..	13 11 11	..
Advances on mortgages .. ..	Loss on realization .. ..	..	4,333 10 1
<i>Public Works</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	7,429 7 5	..
Value of stores .. ..	Stolen .. ..	819 16 4	..
Value of stores .. ..	Destroyed by fire .. ..	1,050 0 11	..
Value of live-stock .. ..	Died .. ..	10 0 0	..
Value of stores .. ..	Loss on sale .. ..	5,352 19 8	..
Advances to workmen .. ..	Debtors untraceable .. ..	..	6 12 6
Camp and overtime allowance overpaid	Irrecoverable .. ..	..	317 3 8
Hire of plant .. ..	Part payment accepted in full satisfaction	..	78 11 3
Irrigation charges, &c. .. ..	Remitted by the Minister .. ..	..	286 18 6
Miscellaneous short payments .. ..	Irrecoverable .. ..	..	4 9 6
Rents .. ..	Irrecoverable .. ..	..	13 5 1
Repairs to motor-vehicles damaged in accidents	Nugatory expenditure .. ..	..	211 9 5
Sale of electric energy .. ..	Remitted by the Minister .. ..	..	771 9 2
Sale of material, proceeds stolen .. ..	Irrecoverable .. ..	..	23 1 0
Sale of stores .. ..	Debtors unfinancial .. ..	..	718 19 4
Sick-pay overpaid .. ..	Irrecoverable .. ..	..	64 2 3
Tailings account .. ..	Company in liquidation .. ..	..	5 8 8
<i>Railways</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	3,545 11 10	..
Value of stores .. ..	Stolen .. ..	309 13 3	..
Value of stores .. ..	Destroyed by fire .. ..	251 14 7	..
Cash stolen by burglars .. ..	Irrecoverable .. ..	..	138 7 1
Demurrage charges .. ..	Irrecoverable .. ..	..	7,978 8 10
Freight charges .. ..	Irrecoverable .. ..	..	39 13 8
Rent .. ..	Irrecoverable .. ..	..	480 14 10
<i>Rehabilitation</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	20 18 2	..
Value of stores .. ..	Stolen .. ..	12 17 7	..
Value of tools advanced to trainee	Debtor unfinancial .. ..	..	0 13 0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.	Reason for writing off.	Value of Stores.	Cash.
<i>Scientific and Industrial Research</i>		£   s.   d.	£   s.   d.
Value of stores .. ..	Lost, broken, &c. .. ..	1   0   11	..   ..   ..
Sale of bulletins .. ..	Irrecoverable .. ..	..   ..   ..	2   8   3
<i>Social Security Fund</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	32   12   10	..   ..   ..
Benefits, pensions, and allowances overpaid .. ..	Debtors unfinancial and untraceable .. ..	..   ..   ..	1,079   13   10
Misappropriation of public moneys .. ..	Irrecoverable .. ..	..   ..   ..	1,089   6   6
Salary overpaid .. ..	Officer left the Service .. ..	..   ..   ..	0   14   2
<i>Stamp Duties</i>			
Interest on death duty .. ..	Deceased killed in action. Part payment accepted in full satisfaction .. ..	..   ..   ..	16   13   5
<i>State Forest Service</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	697   12   0	..   ..   ..
Value of stores .. ..	Destroyed by fire .. ..	14   13   11	..   ..   ..
Value of live-stock .. ..	Died .. ..	67   10   0	..   ..   ..
Value of trees .. ..	Destroyed .. ..	3,449   10   4	..   ..   ..
Hire of ambulance .. ..	Debtor unfinancial .. ..	..   ..   ..	1   10   0
Penalties for trespass .. ..	Debtor unfinancial .. ..	..   ..   ..	139   1   2
Sale of charcoal .. ..	Debtor on active service .. ..	..   ..   ..	0   7   10
Wages between date of dismissal and reinstatement by Man-power Committee .. ..	Nugatory expenditure .. ..	..   ..   ..	19   7   6
<i>Tourist and Publicity</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	6   15   2	..   ..   ..
Compensation for damage to private property .. ..	Nugatory expenditure .. ..	..   ..   ..	6   15   0
Rent .. ..	Irrecoverable .. ..	..   ..   ..	125   0   0
Wages overpaid .. ..	Irrecoverable .. ..	..   ..   ..	1   6   6
X-ray fees .. ..	Irrecoverable .. ..	..   ..   ..	31   10   0
<i>Transport</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	0   6   0	..   ..   ..
Repairs to motor-vehicles damaged in accidents .. ..	Nugatory expenditure .. ..	..   ..   ..	219   0   5
<i>Treasury (including War Assets Realization Board)</i>			
Value of stores .. ..	Lost, broken, &c. .. ..	41   7   5	..   ..   ..
Value of stores .. ..	Stolen .. ..	217   15   6	..   ..   ..
Value of stores .. ..	Destroyed by fire .. ..	778   10   0	..   ..   ..
Advances, flood relief .. ..	Part payment accepted in full satisfaction .. ..	..   ..   ..	213   5   2
Advances, Hawke's Bay Earthquake Relief .. ..	Part payment accepted in full satisfaction .. ..	..   ..   ..	383   10   10
Advances, land settlement .. ..	Deficiency on winding up .. ..	..   ..   ..	274   7   3
Advances to returned servicemen .. ..	Loss on realization .. ..	..   ..   ..	482   9   7
Allowance off sale price for defective parts .. ..	Irrecoverable .. ..	..   ..   ..	300   0   0
Exchange, &c. .. ..	Irrecoverable .. ..	..   ..   ..	4   7   1
Expenses incurred by purchasers through incorrect loading and non-delivery of goods .. ..	Nugatory expenditure .. ..	..   ..   ..	21   13   0
Repairs to motor-vehicles damaged in accidents .. ..	Nugatory expenditure .. ..	..   ..   ..	13   12   6
Sale of goods .. ..	Unable to collect .. ..	..   ..   ..	15   6   0

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.			Reason for writing off.		Value of Stores.		Cash.	
<i>War Expenses Account</i>								
Air—					£	s. d.	£	s. d.
Value of stores	..	..	Lost, broken, &c.	..	110,345	19 11	..	..
Value of stores	..	..	Deficient	..	51,868	14 6	..	..
Value of stores	..	..	Stolen	..	2,384	12 10	..	..
Value of stores	..	..	Destroyed by fire	..	3,868	14 9	..	..
Value of fuel	..	..	Evaporated	..	71,557	8 7	..	..
Compensation for loss of personal effects			Nugatory expenditure	..	..	..	18	1 0
Money lost by theft	..	..	Irrecoverable	..	..	..	36	14 6
Money lost in Tauranga Harbour	..	..	Irrecoverable	..	..	..	130	7 4
Pay and allowances overpaid	..	..	Irrecoverable	..	..	..	224	14 7
Penalty on rates	..	..	Irrecoverable	..	..	..	8	1 11
Rations supplied to officers' mess	..	..	Irrecoverable	..	..	..	117	6 8
Repairs to motor-vehicles damaged in accidents	..	..	Nugatory expenditure	..	..	..	30	3 3
Value of containers returned to supplier	..	..	Company in liquidation	..	..	..	157	0 10
Warrants and cheques cashed by unauthorized persons	..	..	Irrecoverable	..	..	..	74	7 1
Army—								
N.Z. Units and Depots—								
Value of stores	..	..	Lost, broken, &c.	..	195,033	3 11	..	..
Value of stores	..	..	Deficient	..	41,720	18 10	..	..
Value of stores	..	..	Stolen	..	2,406	18 1	..	..
Value of stores	..	..	Destroyed by fire	..	295,382	18 8	..	..
Value of stores	..	..	Gratuitous issues	..	313	15 4	..	..
Value of motor-vehicles	..	..	Unservicable	..	3,135	9 0	..	..
Compensation for loss of personal effects			Nugatory expenditure	..	..	..	38	18 0
Harvesting labour	..	..	Irrecoverable	..	..	..	21	19 11
Money lost in Italy	..	..	Irrecoverable	..	..	..	625	0 0
Pay and allowances overpaid	..	..	Irrecoverable	..	..	..	439	4 4
Warrants and cheques cashed by unauthorized persons	..	..	Irrecoverable	..	..	..	99	13 0
3rd Division—								
Value of stores	..	..	Lost, broken, &c.	..	37,440	7 2	..	..
Value of stores	..	..	Deficient	..	12	0 0	..	..
Value of stores	..	..	Stolen	..	357	13 1	..	..
Value of stores	..	..	Destroyed by fire	..	1,264	5 11	..	..
Navy—								
Value of stores	..	..	Lost, broken, &c.	..	21,935	2 4	..	..
Value of stores	..	..	Stolen	..	252	18 2	..	..
Value of stores	..	..	Loss on issue	..	2,530	5 8	..	..
Pay and allowances overpaid	..	..	Irrecoverable	..	..	..	20	16 0
Repairs to vehicles damaged in accidents	..	..	Nugatory expenditure	..	..	..	77	10 9
Sale of S.s. "Wairua"	..	..	Loss on realization	..	..	..	24,000	0 0
Agriculture: Services Vegetable Projects—								
Value of tractors, tools, implements, &c.	..	..	Loss on sale	..	10,159	15 11	..	..
Value of buildings and other improvements	..	..	Loss on sale	..	28,854	19 4	..	..
Defence Services Provision Office—								
Value of stores	..	..	Lost, broken, &c.	..	158	0 2	..	..
Value of stores	..	..	Stolen	..	45	4 11	..	..

STATEMENT OF SUMS IRRECOVERABLE BY THE CROWN, AND VALUES OF STORES, ETC.—*continued*

Department and Particulars.			Reason for writing off.			Value of Stores.		Cash.	
<i>War Expenses Account—contd.</i>									
Munitions—						£	s. d.	£	s. d.
Value of stores	..	..	Lost, broken, &c.	..	..	103	5 0	..	..
Value of stores	..	..	Stolen	..	..	122	9 0	..	..
Public Works—									
Value of stores	..	..	Lost, broken, &c.	..	..	350	6 6	..	..
Value of stores	..	..	Stolen	..	..	55	12 8	..	..
Value of stores	..	..	Destroyed by fire	..	..	43	17 0	..	..
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