

CONVERSION.

The following conversion was registered :—

M.U.I.O.O.F.—North Westland District to a branch of the New Zealand Branch M.U.I.O.O.F.

ANNUAL RETURNS.

The Friendly Societies Act provides that every society and branch shall, before the 31st March in each year, send to the Registrar a general statement (called the "Annual Return") of the income and expenditure, and of the funds and effects of the society or branch for the preceding year terminating on the 31st December.

The number of these returns reaching me in time for inclusion in the tables appended hereto was greater than for any previous year, and the secretaries generally are entitled to great credit for the satisfactory performance of their statutory duties in this respect.

In some instances where the Office is experiencing difficulties in obtaining these returns prosecutions under the Act have, after repeated warnings, reluctantly been decided upon, and these cases are now in the hands of the Crown Law Officers for action against the delinquent officials.

AUDITING AND SECURITIES.

It is my duty to refer again to the unsatisfactory audit arrangements of the societies, one of the weakest points in friendly society management. The subject is brought forward this year in the belief that no matter how forcibly the results of inefficient auditing are brought home to societies by monetary losses, the measures taken by them to prevent a recurrence are, as a rule, of quite a temporary nature, and the necessity for real reform is quickly forgotten and lost sight of.

The auditing in the bulk of the societies is conducted by men whose training and occupations, however useful for general administration purposes, totally unfit them for the special work of auditing, and if we add to these the auditors who formally sign the balance-sheet—and, in a case now before me, even a blank form, leaving the secretary to fill in his own figures—it is obvious that there is some very faulty auditing in friendly societies. On the average not more than about thirty out of the six hundred odd friendly societies' annual balance-sheets are examined by auditors appointed under the Friendly Societies Act, a state of affairs that roughly indicates the scant use made of the present legal provisions for the adequate protection of their funds.

I am aware that in many societies there are members who are capable of conducting a simple audit, but it is very doubtful whether such members are always selected; and, in any case, the finances of a great number of societies are such that independent and competent auditing is absolutely necessary for the proper security of members' interests.

Apart from the general audit, I am convinced that many auditors fail to realize the nature of the certificate they sign at the foot of the statutory balance-sheet form, wherein they declare that they have "examined the securities." If, as I have seen, reputable auditors are careless in certifying to securities they have not seen, what is to be expected where the auditors are unskilled men, who would probably be unable to detect a false security or who have little or no conception of such a document? The average amateur auditor, moreover, is reluctant to call for the production of all securities, for the reason that such a demand in many cases would be regarded as officious and unnecessary, and would be strongly resented by his fellow-members.

A competent examination of securities would have prevented much loss of societies' funds in the past, and the adoption of some such system, though not as satisfactory as a complete State audit, would be a distinct improvement on present methods.

It would be an advantage to attach an auditor to the Friendly Societies Office, whose duty it would be to examine the accounts of lodges throughout the Dominion. Although one official could not audit the affairs of all societies in the same year, he would be able to exercise a check on the securities, and his appointment would constitute the basis of an independent and expert audit system.

LEGISLATION.

A Friendly Societies Amendment Act was passed last session, and came into operation on the 1st January, 1912. It dealt with a most important feature of friendly societies' finance—viz., the adequacy of contributions; and, although not going so far as many reformers wish, it is, even with its present powers, proving a valuable lever in raising the financial status of the societies.

The law now requires that all new societies and new branches of old societies must adopt an adequate scale of contribution for its members. It is at once apparent that societies which may be now operating with an inadequate rate are face to face with a difficulty when they attempt the registration of a new branch, more especially as the modern tendency towards complete uniformity in all the branches of a society will not readily countenance the incongruity of charging different scales in old and new lodges. In this wise the Act brings before the whole society, though indirectly, the unsoundness of its contribution-rate, and this is what it is effecting in practice even in the short time the measure has been in operation. No progressive society can fail to be beneficially affected by the Act, which, moreover, checks the further extension of the equal-levy system.