

SESSION II.
1912.
NEW ZEALAND.

PUBLIC SERVICE OF NEW ZEALAND

(REPORT OF COMMISSION APPOINTED TO INQUIRE AND REPORT UPON THE
UNCLASSIFIED DEPARTMENTS OF THE).

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION.

ISLINGTON, Governor.

To all to whom these presents shall come, and to William Duffus Hunt, Esquire, of Invercargill; James Macintosh, Esquire, of Wellington; Peter Barr, Esquire, of Dunedin; and Thomas Finlayson, Esquire, of Auckland: Greeting.

WHEREAS it is expedient that inquiry shall be made into the working of the various unclassified Departments of the Public Service with a view to simplifying procedure, preventing duplication, and generally adopting such methods as will increase the efficiency of the Service, ensure the due recognition of merit, and quicken the despatch of business: And whereas it has been urged that there is need in the public interest for more co-operation between Departments in their business relations, and better facilities given and received in order to remove unnecessary formality and delay, having regard to the fact that they are all engaged in State business:

Now, therefore, I, John Poynder Dickson-Poynder, Baron Islington, the Governor of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby constitute and appoint you, the said

WILLIAM DUFFUS HUNT,
JAMES MACINTOSH,
PETER BARR, and
THOMAS FINLAYSON,

to be a Commission to inquire and report as to the following matters in the case of each unclassified Department of the Public Service:—

1. Whether its system of working is on the simplest and most effective lines, and, if not, in what respects, with special reference to—

- (a.) Book-keeping;
- (b.) Accounting;
- (c.) Correspondence;
- (d.) The custody of securities and records;
- (e.) The receipt and expenditure of money;
- (f.) Discipline.

2. Whether by unnecessary routine work, overlapping, circumlocution, or otherwise, business is hampered or delayed.
3. Whether in its business relations and dealings with other Departments full co-operation exists, and all reasonable facilities are given and received without avoidable formality or delay.
4. Whether the staff is adequate to the work of the Department.
5. How best to secure promotion by merit—whether by the adoption of periodical departmental efficiency, or promotion tests, or otherwise.
6. Generally (but without dealing with individual cases) whether the salaries paid to the members of the staff are such as to give them fair pay for their work, and the State fair work for their pay.

And generally—

7. As to the classification (but without referring to individual cases), whether the system of classifying the whole of the staff is calculated to promote zeal and give full play to ability.
8. Whether classification should apply only to officers in receipt of salaries under two hundred pounds per annum, leaving subsequent promotion to be based on merit and efficiency.
9. And whether the salaries now paid to our public servants are such as to attract to the Public Service and to retain in it the best ability in the country.

And with the like advice and consent I do further appoint you, the said

WILLIAM DUFFUS HUNT,

to be Chairman of the said Commission.

And for the better enabling you, the said Commission, to carry these presents into effect, you are hereby authorized and empowered to make and conduct any inquiry under these presents at the cities of Auckland, Wellington, Christchurch, and Dunedin, and at such times as you deem expedient, with power to adjourn from time to time and from place to place as you think fit, and to call before you and examine, on oath or otherwise, as may be allowed by law, such person or persons as you think capable of affording information in the premises; and you are also empowered to call for and examine all such books or records as you deem likely to afford you the fullest information on the subject-matter of the inquiry hereby directed to be made, and to inquire of and concerning the premises by all lawful means whatsoever.

And, using all diligence, you are required to report to me, under your hands and seals, not later than the twenty-fifth day of June, one thousand nine hundred and twelve, your opinion as to the aforesaid matters.

And it is hereby declared that these presents shall continue in full force and virtue although the inquiry is not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency the Right Honourable John Poynder Dickson-Poynder, Baron Islington, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this twenty-third day of May, in the year of our Lord one thousand nine hundred and twelve.

THOMAS MACKENZIE,
Prime Minister.

Approved in Council.

LEOD. E. JOHNSON,
Acting Clerk of the Executive Council.

MY LORD,—

Public Service Commission, 31st May, 1912.

I have the honour to inform Your Excellency that the Commission to inquire into the unclassified Departments of the Public Service met this morning, and I have to advise Your Excellency that one of its members—viz., Mr. Thomas Finlayson, of Auckland—has intimated that he will be unable to attend the Commission.

The Commission proposes, with Your Excellency's approval, to continue its investigations with the three members who are present.

I have, &c.,

W. D. HUNT,
Chairman.

His Excellency the Governor, Wellington.

PUBLIC SERVICE COMMISSION: EMPOWERING THREE COMMISSIONERS TO CONDUCT
INQUIRY AND REPORT.

ISLINGTON, Governor.

WHEREAS by a Warrant issued under my hand and the Public Seal of the Dominion on the twenty-third day of May, one thousand nine hundred and twelve, William Duffus Hunt, Esquire, James Macintosh, Esquire, Peter Barr, Esquire, and Thomas Finlayson, Esquire, were appointed a Commission for the purpose of inquiring into and reporting on the efficient working of the unclassified Departments of the Public Service: And whereas Thomas Finlayson, Esquire, has resigned his position as member of the said Commission, and his resignation has been accepted: And whereas it is not deemed expedient to appoint another member in the place of the said Thomas Finlayson:

Now, therefore, I, John Poynder Dickson-Poynder, Baron Islington, the Governor of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby authorize and empower you, the said

WILLIAM DUFFUS HUNT,
JAMES MACINTOSH, and
PETER BARR,

to inquire and report as directed by the said Commission.

And with the like advice and consent, and in further pursuance of the said powers and authorities, I do hereby confirm the said Commission, except as altered by these presents.

Given under the hand of His Excellency the Right Honourable John Poynder Dickson-Poynder, Baron Islington, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this seventh day of June, in the year of our Lord one thousand nine hundred and twelve.

THOS. MACKENZIE,
Prime Minister.

Approved in Council.

J. F. ANDREWS,
Clerk of the Executive Council.

MY LORD,—

Public Service Commission, 17th June, 1912.

I have the honour to inform Your Excellency that the Commission appointed to inquire into the unclassified Departments of the Public Service finds that it will be unable to complete its work by the date directed.

I have therefore to respectfully ask whether Your Excellency can kindly extend the period by one month, until the 25th July proximo.

I have, &c.,

W. D. HUNT,
Chairman.

His Excellency the Governor, Wellington.

PUBLIC SERVICE COMMISSION : EXTENDING PERIOD WITHIN WHICH COMMISSIONERS SHALL REPORT.

ISLINGTON, Governor.

To all to whom these presents shall come, and to William Duffus Hunt, Esquire, James Macintosh, Esquire, and Peter Barr, Esquire.

WHEREAS by Warrants dated the twenty-third day of May, one thousand nine hundred and twelve, and the seventh day of June, one thousand nine hundred and twelve, William Duffus Hunt, James Macintosh, and Peter Barr were appointed to be a Commission, under the Commissions of Inquiry Act, 1908, for the purposes set out in the said Warrants: And whereas by the said Warrants you were required to report to me under your hands and seals your opinion as to the aforesaid matters not later than the twenty-fifth day of June, one thousand nine hundred and twelve: And whereas it is expedient that the said period should be extended as hereinafter provided:

Now, therefore, I, John Poynder Dickson-Poynder, Baron Islington, the Governor of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you shall report to me as by the said Commission provided to the twenty-fifth day of July, one thousand nine hundred and twelve.

And in further pursuance of the powers vested in me by the said Act, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Right Honourable John Poynder Dickson-Poynder, Baron Islington, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this twenty-fourth day of June, in the year of our Lord one thousand nine hundred and twelve.

THOS. MACKENZIE,
Prime Minister.

Approved in Council.

J. F. ANDREWS,
Clerk of the Executive Council.

MY LORD,—

Public Service Commission, 5th July, 1912.

I have the honour to inform Your Excellency that the Commission appointed to inquire into the unclassified Departments of the Public Service expects to finish its first sittings in Wellington on Monday next, the 8th instant.

The Commission has decided that in order to obtain all the information necessary to complete its report it will require to have short sittings in each of the towns of Dunedin, Christchurch, and Auckland. To carry out this work thoroughly will probably occupy the Commission until Monday, the 29th instant, by which date it should arrive back in Wellington. After that the preparation of the report will be taken in hand, and will probably take until about the middle of August, by which date the Commission hopes to finish its labours and present its report. To carry out this programme, however, will require an extension of time, as the time that has been granted the Commission expires on the 25th instant. I have therefore to respectfully ask whether Your Excellency can kindly extend the period by one month, until the 26th August proximo.

I have much pleasure in informing Your Excellency that the Commission has received every possible assistance from the officers of all grades in the various Departments of the Public Service, and that all information and assistance that it has required has been furnished promptly and fully.

I have, &c.,

W. D. HUNT,
Chairman.

His Excellency the Governor, Wellington.

PUBLIC SERVICE COMMISSION: FURTHER EXTENDING PERIOD WITHIN WHICH
COMMISSIONERS SHALL REPORT.

ISLINGTON, Governor.

To all to whom these presents shall come, and to William Duffus Hunt, Esquire, James Macintosh, Esquire, and Peter Barr, Esquire.

WHEREAS by Warrants dated the twenty-third day of May, one thousand nine hundred and twelve, and the seventh day of June, one thousand nine hundred and twelve, William Duffus Hunt, James Macintosh, and Peter Barr were appointed to be a Commission, under the Commissions of Inquiry Act, 1908, for the purposes set out in the said Warrants: And whereas by a Warrant dated the twenty-fourth day of June, one thousand nine hundred and twelve, the said period was extended, and you were required to report to me not later than the twenty-fifth day of July, one thousand nine hundred and twelve: And whereas it is expedient that the said period should be extended as hereinafter provided:

Now, therefore, I, John Poynder Dickson-Poynder, Baron Islington, the Governor of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you shall report to me as by the said Commission provided to the twenty-sixth day of August, one thousand nine hundred and twelve.

And in further pursuance of the powers vested in me by the said Act, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Right Honourable John Poynder Dickson-Poynder, Baron Islington, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this sixteenth day of July, in the year of our Lord one thousand nine hundred and twelve.

H. D. BELL,
Minister of Internal Affairs.

Approved in Executive Council.

J. F. ANDREWS,
Clerk of the Executive Council.

REPORT.

To His Excellency the Right Honourable John Poynder Dickson-Poynder,
Baron Islington, Governor and Commander-in-Chief in and over His
Majesty's Dominion of New Zealand and its dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

The Commission intrusted to us by Your Excellency directed us to report and inquire into the matters stated in the Warrant under which we were appointed, a copy of which appears at the commencement hereof.

We commenced our duties at Wellington on Friday, the 31st May, 1912. Mr. Thomas Finlayson, who was appointed a member of the Commission, intimated that he would be unable to take up his duties. We communicated the fact of his retirement to Your Excellency, and asked for permission to continue the work as a Commission of three. This request was agreed to by you.

PART I.—PRELIMINARY.

SCOPE OF ORDER OF REFERENCE.

Our next step was to decide exactly what was the scope of our order of reference. It did not seem clear to us at first whether the Defence Department and the Police Department came within it. At our request the Under-Secretary of the Department of Internal Affairs sent the following letter to the Solicitor-General asking his opinion thereon :—

The Chairman of the Public Service Commission inquires whether his order of reference, a copy of which is attached, covers the Defence Department and the Police Department. It is assumed that in any case it covers the clerical branches in both Departments.

Will you kindly advise.

J. HISLOP, Under-Secretary.

and he replied as follows :—

In reply to the above memorandum, I am of opinion that the expression “each unclassified Department of the Public Service” includes every Department of the Public Service which is not classified by statute. The only two Departments that are classified by statute are the Government Railways Department and the Post and Telegraph Department. Every other Department is included in the order of reference.

JOHN W. SALMOND, Solicitor-General.

Some days later the question was raised as to whether the method of carrying out the public works of the Dominion by co-operative labour or otherwise came within the scope of our inquiry, and the following memorandum was transmitted to the Solicitor-General asking his opinion :—

The Chairman of the Public Service Commission inquires whether the method of carrying out the public works of the Dominion (by co-operative labour or otherwise) comes within the scope of the order of reference.

Will you kindly advise.

J. HISLOP, Under-Secretary.

The Solicitor-General advised as follows :—

I am of opinion that the method of carrying out the public works of the Dominion by co-operative labour or otherwise does not come within the scope of the Public Service Commission. The Commission is appointed to inquire into the internal organization of the Public Service. The conduct of public works by the Government is no more within the scope of the inquiry than is the management by the Government of any other branch of administration—for example, the method of raising public loans or of dealing with Crown lands. The proper subject of inquiry is the Public Service itself, not the various functions of the Government which are carried out by means of the Public Service. In particular, co-operative labourers are not members of the staff of any public Department.

JOHN W. SALMOND, Solicitor-General.

CONTINUATION OF WORK.

We continued our work in Wellington from the 31st May until the evening of Monday, the 8th July. We then discontinued for a few days, and commenced again in Dunedin on the morning of Tuesday, the 16th idem. From there we proceeded to Christchurch on the morning of Saturday, the 20th. We left Christchurch on the evening of Tuesday, the 23rd, and went straight through to Auckland. We finished our work in Auckland on Saturday, the 27th July, and left for Wellington by the Main Trunk express on the evening of Sunday, the 28th, reaching Wellington on the afternoon of Monday, the 29th, and continued our work here from then until the present time.

METHODS EMPLOYED.

The methods we employed in conducting our inquiry were as follows: We received a very large number of applications from officers of the Public Service to give evidence in response to a circular which we sent out, and which will be referred to later. These applications came from all grades of the Service, and were so numerous that it was quite impossible for us to deal with them all; but in choosing those to be called as witnesses we selected representatives from every class and grade in the Service, and in cases where there was a large number of applications from one class or grade, we arranged with the applicants to appoint representatives or deputations to state their views. In other cases we arranged with those who wished to appear to state their views in writing. We obtained formal evidence from all or nearly all the heads of Departments, and in addition had one or more personal interviews with each as occasion arose. We also inspected the head offices of all the various Departments in Wellington, and a number of branch offices at the three centres of Auckland, Christchurch, and Dunedin. During these inspections we examined books, correspondence, and various documents, and had conversations with a large number of the officers of the Service. In many cases after these inspections we called officers whom we had met during the course of our examinations and whom we thought likely to be able to give valuable information, and obtained evidence from them. The more important offices we inspected together, but for inspections of many of the other Departments we divided our forces and each took a particular portion; some of the smaller offices were divided between us, each member taking a certain number. By this means we were able to get over the work much more rapidly than we otherwise could have done. Taken altogether, we held consultations with twenty-four heads of Departments in Wellington before beginning to take evidence.

We made official inspections of the following Departments: Wellington, 30; Dunedin, 5; Christchurch, 6; Auckland, 4: total, 45.

We examined witnesses as follows: Wellington, 87, representing 257 officers; Dunedin, 13, representing 28 officers; Christchurch, 17, representing 83 officers; Auckland, 16, representing 50 officers: total, 133, representing 418 officers.

Included in the witnesses examined were representatives of the New Zealand Civil Service Association in Wellington and Christchurch, claiming to represent about 2,500 members. Over forty written statements were put in as evidence in addition to the above. Two hundred and thirty requests to give evidence were received from different parts of the Dominion, a large number being joint requests signed by several officers. Some of these were of a personal nature, and were not dealt with. Many of the letters were from parts of the Dominion some distance from the four centres, and many of them dealt with similar subjects. In every case which we considered of importance to the inquiry the contents were noted and taken as evidence. No evidence, or source of evidence, of value was ignored.

In addition to the foregoing the different members of the Commission had conversations with a large number of the officers of the Service during the course of their inspections of the various offices, books, documents, &c., already mentioned.

EVIDENCE.

From information that we had received from members of the Service at and prior to the commencement of our inquiry, it became evident that the only way to obtain a great deal of valuable information was to treat the evidence as confidential. If we did not do this we found that we would only get such evidence as those giving it deemed expedient, whereas if we decided that the evidence would be treated as confidential we stood a much better chance of getting at the true position of matters. It was clearly absolutely necessary that we should get at the true state of affairs, and be able to draw fully on the minds and opinions of the officers of the Service, if our report was to be of any value. We therefore sent out to all the officers of the Service the following circular letter, to which we have already referred, and it was in response to this letter that, as we have previously indicated, a large amount of the evidence was tendered :—

Public Service Commission, Wellington, 31st May, 1912.

Circular Letter to Under-Secretaries, Heads of Departments, and Officers and Members of the Unclassified Departments of the Public Service.

GENTLEMEN,—

I have the honour to inform you that the Public Service Commission, consisting of Messrs. James Macintosh, Peter Barr, Thomas Finlayson, and myself, appointed by His Excellency the Governor to inquire into the Public Service as per order of reference attached, has commenced its sittings in Old Parliament Buildings, Wellington, and if there is any matter you desire brought under notice, either personally or by letter, the Commission will be glad to hear from you.

For your information, the Commission has decided to, and wishes all officers and members of the Service to clearly understand that it will, deal with all evidence as strictly confidential, and all those officers who are engaged on the work of the Commission will be sworn to secrecy. Officers and members of the Public Service may, under these circumstances, rest assured that any evidence given by them to the Commission will not in any way act prejudicially to their interests.

It will be readily understood that it may be quite impossible to summon every officer or member of the different Departments who may wish to give evidence, but cases will be dealt with on their merits; and in the event of several applications being received from the officers and members of any one Department, the Commission could then select a representative case or cases on which to have evidence taken. It is the desire of the Commission to afford every class or grade of the Public Service the opportunity of volunteering evidence.

The Commission will also be prepared to take evidence at sittings to be held in Auckland, Christchurch, and Dunedin, the dates of which will be made public in due course.

I desire to further point out that any request from officers or members in the Service outside the four centres will be duly considered, and the Commission may summon such officers or members to give evidence at the nearest centre.

All communications to be addressed to the Chairman, Public Service Commission, Old Parliament Buildings, Wellington.

I have, &c.,

WILLIAM DUFFUS HUNT,
Chairman of Commission

We also obtained from each officer engaged on the work of the Commission a declaration of secrecy. Some days after it was intimated to us that in deciding not to make the evidence public we were going beyond our powers, and that if we published the report without the evidence we could be called upon to produce it, and would have to do so. We felt that if this was the case we had no longer any right to continue to take evidence under a pledge of secrecy, and therefore decided to obtain a legal opinion upon our position. We consulted Mr. C. P. Skerrett, K.C., of Wellington, and obtained from him the following opinion :—

Re Public Service Commission: I am asked to advise whether the Commissioners acting under His Excellency the Governor's Commission of the 23rd May, 1912, known as the Public Service Commission, are justified in taking evidence from officers in the Public Service under a pledge of secrecy, and in giving effect to such pledge.

The question arises under the following circumstances: The Commissioners have come to the conclusion that it will be practically impossible to induce any officers in the Public Service to give evidence relating to the matters within the scope of the inquiry unless such officers can be assured that their evidence and opinions will not be published, but will be treated as confidential. The Commissioners are satisfied that, unless they are able to treat the evidence or portions of the evidence of public officers as confidential, a great deal of evidence and information of considerable value in enabling them to report upon the questions submitted to them will be excluded.

I am of opinion that the duty imposed upon the Commissioners by His Excellency's Commission and by the Commissions of Inquiry Act is only to report their conclusions and recommendations upon the questions submitted to them, and that they are not bound to either keep or preserve the evidence given before them. Hitherto the general usage has been for Commissioners under a Royal Commission to attach the transcript of the evidence given before them to their report, and this usage is no doubt in general a proper one, adding as it does to the value of their report, and ought not lightly to be departed from. But, as I have said, there is no obligation to keep or preserve or to attach to their report the evidence given before them. The question whether they should follow the usage is one for the Commissioners' discretion, and should be determined by regard to the considerations whether any injustice is likely to be inflicted upon any individual by a departure from the usage, and whether adherence to the usage will exclude from the consideration of the Commissioners a mass of evidence of great informative value necessary for the complete and exhaustive determination of the important questions submitted to them, and so outweigh the obvious advantage of supporting the conclusions of the report by a transcript of the evidence. If the Commissioners, considering the matter by the light of these tests, arrive at the conclusion that it is reasonably necessary that witnesses should have the protection under consideration, then in my opinion the Commissioners have power to take all or any part of the evidence for their own information only, and need not admit the whole of the evidence to their report.

I point out that the duty of the Commissioners is to report; they are not obliged to return the evidence. They may take the evidence orally without shorthand or other notes. Each Commissioner may take and rely on his own notes of evidence. If the evidence is taken by a shorthand-writer for the convenience of the whole Commission in considering their report, it does not, in my opinion, make the transcript of the evidence a public document or require the Commissioners to attach the evidence to their report. I may add that, as far as I have been able to discover, the evidence taken by the Public Service Commissioners under the Commission of 1880 (see Vol. II, Appendices, H.—2) does not appear to have been attached to the Commissioners' report, and certainly was not printed as part of the report.

I advise therefore that the Commissioners are not bound to preserve the whole of the evidence given before them, or such part of such evidence as they may think proper to treat as confidential; but whether they think the circumstances justify a departure from the general usage is one entirely for their discretion.

I may add that an inquiry into personal grievances appears to me not to come within the scope of the inquiry, and in this I understand the Commissioners' opinion agrees with my own; and I am clear that witnesses should be informed that no evidence relating to a charge against or in any way reflecting on the conduct or efficiency of a public officer will be received under a pledge that such evidence is confidential.

Wellington, 11th June, 1912.

C. P. SKERRETT.

After obtaining this opinion we gave careful consideration to the question whether we should adhere to our original decision not to publish any of the evidence, or whether we should publish such portions as the witnesses did not object to having published, leaving out only those portions which they wished to be treated as confidential. After a great deal of thought we decided not to publish any of the evidence, and we did this because our report is based (a) upon the evidence that has been given to us in confidence and which we cannot publish; (b) upon the evidence that witnesses do not object to having published; and (c) very largely upon the results of the examinations which we have made of the various Government offices, books, correspondence, and documents, and the numerous conversations that the different members of our Commission have had in the course of these inspections with a large number of officers conducting the different branches of the work of the various Departments. It appeared to us that it would be misleading to publish a comparatively small proportion of the evidence upon which our report is founded, and, as we could not publish everything, it would be much better to publish nothing.

ASSISTANCE FROM OFFICERS.

We are very pleased to be able to say that during the course of our investigations we have received the very fullest assistance not only from the heads of the various Departments of the Public Service, but also from all the other officers with whom we have come in contact. Any returns and information that we have asked for have been supplied promptly, and almost all the officers who have appeared before us to give evidence, or with whom we have had conversations, appear to us to have discussed matters as fully and frankly as we could have wished. In fact, we think we can go so far as to say that our inquiry has been welcomed by the Service, and that there has been no attempt to withhold infor-

mation of any kind from us. We may say here, too, that we have been greatly struck with the high type, both as regards character and ability, of many of the departmental heads and those holding responsible positions in the Service with whom we have come in contact.

MAGNITUDE OF TASK.

It may not be out of place to here make some reference to the magnitude of the task upon which we have been engaged. The order of reference sets forth the matters that we were to look into, but, condensed, this means that we were to examine the whole organization and office and working methods of the unclassified Departments of the Public Service, including all the Departments except the Post Office and Railways, which are the only two Departments that are classified by statute. The total number of officials employed in the Departments that we have had to investigate is 7,115. With an inquiry so large as this it has been impossible for us, in the time at our disposal, to inquire closely into all the details of the Service, and we have therefore confined our investigations to the general principles upon which the business of the country is conducted, and have only gone so far into details as was necessary to make ourselves familiar with general working-methods. Excepting, as we have said, the Post Office and Railways, our inquiry covers the whole of the organization that deals with the business of the Dominion. We have tried to look at the whole matter from a business point of view, bearing in mind certain differences which must always exist between private businesses and the business of a country. Records of all kinds have to be kept for much longer periods in a Government Service than in any outside business, and they have therefore to be all very carefully filed away so that they can be easily referred to, no matter how far back it may be necessary to inquire. Sometimes in a Government Service it is necessary to look into records dating back to the beginning of the country. Then, many things have to be kept in much more detail than would be required from an ordinary business point of view, because of the extensive returns that are continually being asked for by members of Parliament on all sorts of unexpected points. Many of these returns require an enormous amount of work to prepare, and are of little or no value when finished; and we feel sure that if members of Parliament knew the enormous amount of labour involved in preparing some of these returns they would think twice before putting the Service to the labour, and the country to the expense, of making them up. In this connection it might not be out of place to remark that we think a permanent Parliamentary Committee should be set up to which all motions for returns by Parliament should be referred for report. In this way we think some reasonable restraint would be placed on the practice of calling for returns which, as we have indicated, often cause a great amount of work and expense to prepare and print.

FINDINGS OUTLINED.

We found many things which we consider we can say definitely are defects in the system, and in these cases we have tried to recommend definite remedies. We have also found many other points that we consider weak spots in the organization or working methods, but into which we have not had the time to inquire closely enough to speak decidedly. In these cases we are stating our views as far as we have been able to form them, and are indicating the steps that we think are necessary to make fuller inquiries into them in order to arrive at the true position.

As we have already indicated, the scope of our inquiry covers (a) the whole organization of the Public Service, and (b) its office and working methods; and it will be both more convenient and more effective to consider the report under these headings than to deal with it under the various headings set out in the order of reference. The organization can be divided into (1) the organization of the whole Service, and (2) the organization of its different Departments and branches. The office and working methods can be similarly divided into (1) as regards the whole Service, and (2) the different Departments and branches.

PART II.—ORGANIZATION OF THE WHOLE SERVICE.

As it is.

DEPARTMENTS.

Taking the organization first, the following is a list of the sixteen main Departments into which the Public Service is divided, with the various minor Departments grouped under each, and the number of officers employed in each Department:—

Class.	Number of Officers.
I. Legislative Departments—	
Legislative Council and House of Representatives...	41
Audit Office	59
II. Minister of Finance—	
Treasury	65
Friendly Societies Office	16
National Provident Fund	2
Land and Income Tax... ..	126
Public Trust Office	161
Government Life Insurance	142
New Zealand State-guaranteed Advances—	
Advances to Settlers Branch	53
Advances to Workers Branch	11
Advances to Local Authorities	1
III. Post and Telegraph Department	These do not come within the scope of our inquiry.
IV. Working Railways Department	
V. Public Buildings, Domains, and Maintenance of Road Boards—	
Public Buildings	17
Government Domains	17
VI. Native Department—	
Native Department	9
Native Land Court	43
Maori Lands Administration	16
Maori Councils	1
Native Land Purchase Expenses	1
VII. Justice Department—	
Department of Justice	7
Crown Law Office	10
Patent Office	6
Supreme Court	29
Bankruptcy	9
Magistrates' and Wardens' Courts	189
Prisons	162
Cook Islands Administration	5
Police Department	839
Stamps Department	37
Land and Deeds Registry	84
VIII. Mines Department—	
Mines Department	24
Geological Survey	9
State Coal-mines	32
IX. Department of Internal Affairs—	
Clerk of the Executive Council	1
Office of the Minister of Internal Affairs	19
Ministers' Secretaries	14
Messengers and Office-keepers	62
Registrar-General	31
Electoral	79

Class.	Number of Officers.
IX. Department of Internal Affairs— <i>continued</i> .	
High Commissioner	34
Museum	7
Advertising	6
Dominion Laboratory	14
Bacteriological Laboratory	4
Public Service Superannuation and Classification...	4
Printing and Stationery—	
Permanent	285
Temporary	168
Mental Hospitals	589
Hospitals and Charitable Aid	109
State Fire Insurance	51
X. Defence Department—	
Defence Department	243
Royal New Zealand Artillery	259
Stores and Magazines	47
XI. Customs, Marine and Harbours, and Inspection of Machinery—	
Inspection of Machinery and Surveys of Ships ...	37
Customs Offices and Services	230
Marine and Harbours	158
XII. Department of Labour—	
Department of Labour... ..	89
XIII. Lands and Survey Department—	
Department of Lands and Survey	427
Valuation Department	81
New Zealand State Forests	16
Scenery Preservation	2
Lands for Settlement	2
XIV. Department of Agriculture, Commerce, and Tourists—	
Agriculture and Commerce	392
Tourists	129
XV. Education Department—	
Education Department (Head Office)	427
Elementary Education	2
Manual and Technical Instruction	3
Native Schools	213
Infant Life Protection	14
Special Schools	28
Home for Backward Children	27
Industrial Schools	120
Junior Cadets	14
XVI. Department of Public Works—	
Department of Public Works	455
Total	7,115

Of these sixteen main Departments our inquiry deals with fourteen, employing a staff numbering 7,115. Nos. III and IV, being the Post and Telegraph and Working Railways Departments respectively, are what are known as the classified Departments, and do not come within the scope of our inquiry. The grouping of the minor Departments under the main Departments is in some cases more nominal than real, the heads of the main Departments having in many instances very little, if any, control over the heads of the minor Departments.

CONTROL OF ORGANIZATION.

At the head of the whole organization stands the Cabinet of the day, each Minister having charge of one or more Departments. The general lines upon which the whole organization works are laid down by numerous Acts and regulations, the most important of these, as it deals with the finance of the whole organization, being the Public Revenues Act, 1910, together with the Treasury Regulations made thereunder. This Act, amongst other things, defines the relations of the Treasury and Audit Departments to the whole organization. Except for the control exercised by the Treasury and Audit Departments under this Act, the only thing holding the whole business together is the Cabinet of the day; but as each Department is under a separate Minister, there is very often little unity of control. Apart from the very moderate amount of control exercised under the Public Revenues Act by the Treasury and Audit Departments, every main Department, and many of the minor Departments, are separate concerns, each one running on its own account entirely independently of the others. There is a great tendency for each Department to magnify and glorify itself. The Secretary for each of the main Departments desires to make his Department an important one, because it means a more important position for himself. He is assisted in this way by all the officers of his Department, for raising the status of the Secretary means raising the status of all the principal officers under him. The head of every minor Department wishes to magnify his office and make it appear as important as possible, in order that he may break free from the leading-strings of the Secretary of the Department under which he is grouped, and become a Secretary on his own account; and he too is assisted in doing this by all the principal officers under him, because if they can increase the importance of the head of their Department their own importance also increases. Each Minister, too, likes to magnify the importance of the Departments under him, as it raises his own status and importance in the eyes of the country. This is only human nature; but in business life the tendency to magnify one's position is held in check by the unceasing demands of the profit and loss account, and the only way a man in business can magnify his office is by swelling the balance to the credit of this account. To do this in the face of the competition usually met with in business life, the strictest economy and efficiency have to be observed. With the exception of a few trading Departments, the Government officers are not in the same position; they have no profit and loss account to face at the end of the year, and nothing to hold them in check except the head of the whole organization.

DEPARTMENTS WORKING AS SEPARATE CONCERNS.

Every main Department, and even every minor Department, tries to run its affairs as a distinct and separate concern, instead of each being a branch of one large business. When a cadet gets into any one Department he usually remains there; and, while transfers do take place, they are not general. It is more difficult to make transfers between two different Government Departments than it is between two entirely separate businesses. If an officer wishes to transfer from one Government Department to another he has not only to obtain the consent of the head of the Department to which he wishes to move, but also the consent of the head of the Department which he wishes to leave. If he is a smart officer the head of the Department in which he is employed withholds, in many cases, consent to the transfer, and thus blocks a man of ability from obtaining promotion; and the difficulty that a smart officer has in obtaining consent to a transfer makes transfers very infrequent. Many of the heads of Departments think that consent is given only when a man is an inferior worker, and they therefore look with suspicion on all who are permitted to transfer from other Departments, and consequently they do not try to obtain them. The result is that good men often find themselves fixtured, without opportunity, in some small Department that is not only not progressing, but which may possibly be going back. They find, in fact, that their promotion is blocked

because of their ability; while other Departments where the work is rapidly increasing find a great difficulty in getting suitable men. In many Departments, too, there is a tendency to keep the officers, especially a number of the younger men, tied year after year at the one class of work, instead of adopting the usual business practice of putting them through as many different classes of work as possible, so that they may become capable all-round men, fit to take up almost any class of work that offers. The result of keeping young men on one class of work is that they do not get the all-round training that they should, and which should be easily obtainable in a large concern like the Public Service.

HISTORY OF SERVICE.

Appointments to the Public Service are now governed by the Public Service Classification and Superannuation Act, 1908, and its amendments, and the Civil Service Act, 1908, and its amendments; but the following is the history of the methods of appointment: The first Act to govern these was the Civil Service Act, 1866. This provided that cadets were to be appointed after passing certain examinations. It also gave power to the Government of the day to make special appointments of people outside the Service for any vacancy that occurred. After some unimportant amendments in 1871 and 1878, an Act known as the Civil Service Reform Act was passed in 1886. This provided for entry into the Civil Service by competitive examination, and practically put a stop to all outside appointments. An amendment to this Act was passed, however, a year later, in 1887, which gave the Government of the day power to appoint persons for any temporary service without any restriction as to removal, or time for which they were to be employed, and also to reappoint retired Civil Servants seeking re-employment. This Act of 1886, with its amendment of 1887, practically ruled appointments to the Service for many years. In 1900 an Act called the Civil Service Examination Act was passed which set forth examinations that cadets entering the Service had to pass, and, amongst other things, made it a condition that no officer entering as a cadet could get beyond £200 a year until he had passed the Senior Civil Service or other equivalent examination. During the "nineties" and the first five years or so of the present century a very large number of appointments were made under the clauses of the 1887 Act dealing with temporary employment. Numerous positions, many of them being responsible ones, were filled by these temporary hands. The temporary hands, however, received their periodical increments of pay in the same way as those officers who joined as cadets, with this difference—that the temporary hands could be paid any salary that their work was considered to be worth, although they had passed no examinations whatever; whereas those officers who had entered as cadets and who had passed the Junior Civil Service Examination, but not the Senior Civil Service Examination or its equivalent, could not get beyond £200 a year.

This state of affairs continued until 1907, when the Public Service Classification and Superannuation Act was passed. Under this Act all those officers who had been employed as temporary hands, but who had remained on permanently, were made permanent members of the Public Service, provided that they had been employed continuously for not less than five years; and it was also provided that all those who had been employed for less than five years would become permanent members of the Public Service when they had completed five years' service. The position, therefore, under this Act was that all those officers who had been put on originally as temporary hands, and who had come in, as the officers of the Service call it, by the "back door," were put in the way of becoming permanent officers of the Service on exactly the same footing as those officers who came in after passing the Junior Civil Service Examination, or, as the officers of the Service call it, by the "front door." Those, however, who were appointed as temporary hands had this advantage over those who came in by examination—they could rise to any position without passing any examination, whereas those who came in by passing the Junior Civil Service Examination could only get positions exceeding £200 a year after passing an

examination equal to the Senior Civil Service. This anomaly was perpetuated in the Consolidated Statutes of 1908 dealing with the Public Service Classification and Superannuation and the Civil Service. The passing of this 1907 Act converted 334 temporary clerks alone into permanent officers, and gave a further 293 temporary clerks the right to become permanent as soon as they completed their five years' service, or a total of 637; and as the total number of clerical officers in the whole Service at the time was under 2,000, practically one-third of them entered as temporary clerks.

This system of filling positions from outside and putting the outsiders so appointed on a better footing than the members of the Service appointed by examination is looked upon, and we think rightly so, as a great grievance by the regular members of the staff who have entered as cadets by the ordinary examination methods. The legislation of the "nineties" created several entirely new Departments, and necessitated a large increase in the staff of the Public Service, and it is possible that to a certain extent it was necessary to appoint some outsiders to fill positions and cope with the large increase of work. At the same time we are satisfied that the number of appointments made went far beyond the bounds of necessity. It has, we think, become almost a recognized axiom in all large business concerns that if a loyal, contented, and efficient staff is to be maintained or built up (and this is a necessity if successful results are to be obtained) it can only be done by making all appointments, except those of juniors or cadets, from within. In almost all large business concerns the practice is to make all appointments from juniors, and whenever a vacancy occurs higher than that of junior to promote one of the staff in a lower position to fill it, and this means a series of promotions from the lowest ranks. Where this method is adopted it is found to promote loyalty, efficiency, and general interest in the work by the staff in a marked degree. Nothing destroys the ardour and loyalty of a staff so much as an outsider being brought in and put over their heads, and this is now so generally recognized that many large business concerns make it a fixed rule, from which they will not depart—to make all promotions from within the service. In a large organization like the Public Service it should be quite possible to meet all demands for extensions by promotions from within, and we feel quite satisfied that if this method had been adopted during the years that we have referred to it would have resulted in a vast improvement in the efficiency of the staff, and there would not be the discontent that undoubtedly prevails in the Service to-day. During the last six years or so comparatively few of these outside appointments have been made, and there seems to have been an honest attempt to fill all vacancies above that of cadet from within the Service, and to keep the staff up to its necessary strength by appointments from the Junior Civil Service list. The anomaly, however, between those who joined as temporary clerks and those who joined as a result of passing the Junior Civil Service Examination, making it necessary for the latter to pass the Senior Civil Service Examination before they can obtain more than £200 a year, still exists, and the Public Service Classification and Superannuation Act, 1908, gives the Government of the day power to make appointments under what are known as the "expert" clauses, and also continues the power to appoint temporary clerks. So long as these powers exist they are capable of being abused, and after the experience of the "nineties" and the earlier years of the present century, the officers of the Service are suspicious, and perhaps naturally so, that these powers sooner or later may again be abused.

PROMOTIONS AND SALARIES.

There is no uniform system throughout the Service of making promotions and increases in salaries. The rule is for heads of Departments to make annual recommendations to the Ministers in charge of their particular Departments with regard to increases in pay to members of the staff. Some departmental heads go carefully into these recommendations, and obtain reports upon the members of the staff from the responsible heads under them, both at the Head Office and the various centres throughout the Dominion. In other cases depart-

mental heads make these recommendations without consulting the responsible officers under them. The requirements of finance often make it necessary for Ministers or Cabinet to cut down these recommendations, and if any one is put down by his departmental head for a special increase on account of his ability, these special increases are often the first to be reduced to bring the total within the limit of available finance, and the result is that the good, bad, and indifferent officers in any particular Department get advances at much the same rate. There are considerable differences in pay, however, between different Departments. One Department may be under a generous head or a generous Minister, who looks at the increases from the point of view of the staff; another Department may be under an economical head or an economical Minister, who looks at it from the point of view of the taxpayer, and the result is that the officers of the latter Department will not get as large increases as those of the former, and this, continued year after year for several years, will make a considerable difference between the pay of officers in one Department and those doing similar work in another. These anomalies create a considerable amount of dissatisfaction. Merit does not count as it should. The passing of the Senior Civil Service Examination is necessary for those who have come in as cadets if they wish to get more than £200 a year, but, except for this, the passing of examinations, either departmental or outside examinations, such as Solicitors' and Accountancy Examinations, do not carry weight and bring the promotion that might reasonably be expected. The result is that many of the more able young fellows, finding their advancement slow, get out of the Service at the first opportunity, and it is quite a common occurrence to find young men in the Service studying for law, accountancy, or other examinations, not with the object of getting on in the Service, but with the object of obtaining degrees that will enable them to get out of it.

SALARIES.

As already indicated, there is no uniformity in the salaries paid throughout the Service for similar classes of work, and this want of uniformity causes considerable dissatisfaction amongst the officers of the staff, for, after all, salary is in most cases largely a matter of comparison, and if one man sees others doing work of a similar nature to, and in many cases of much less responsible character than, the work that he is doing, and receiving more pay than he is getting, he naturally becomes dissatisfied. Going through the Service, it is found in many cases that the salary paid has no relationship to the work being done. When increases in pay are going, they are usually doled out at so-much a head all round, but when the heads of Departments allot the work to be done in the lower grades of the Service it is generally given to those who have the capacity to do it, regardless of the pay received; and it is often found that a man receiving a small salary is doing work of a responsible nature, and others in the same Department receiving a much higher salary are doing an inferior class of work. The higher salary is the result of long service and not merit. The man doing the responsible work at a low salary is doing it because he has the ability to do it, and he is getting the lower salary on account of short service. This is the cause of much dissatisfaction. We could hardly say that the salaries as a whole are either too high or too low, but they badly need adjusting; and the men should be paid for the work they do, and not for the time they have been in the service.

During the last few years many of the Departments have been finding a difficulty in obtaining the necessary number of cadets, and it seems necessary that an increase in the salaries payable to those entering the Service should be made. At the same time lads, in taking up a career, are not guided so much by the salaries paid at the outset as by the prospects of the career itself, and if merit were more recognized, promotions kept entirely for those within the Service, and the ultimate prizes of the Services increased, young fellows of ability would join the Service and remain in it much more readily than they do now.

We are strongly of opinion that the salaries paid to the heads of Departments and those holding highly responsible positions throughout the Service are not adequate. To increase the salaries of these responsible heads 25 per cent. or 30 per cent. would not amount to a great deal, and it would be of incalculable benefit to the Service as a whole; for the positions of heads of Departments are the prize positions of the Service that all the young ambitious men are aiming to ultimately attain, and if they are made worth having it will have the effect of retaining in the Service many young officers of ability. When, however, the young men see that the road to promotion is very slow and that the prizes at the end, when compared with salaries paid outside the Service to men holding no more responsible positions, are very small, they come to the conclusion that they are not worth working for. The general effect of the non-recognition of merit, the slow promotion, the distrust caused by outsiders having in the past been brought in and put over the heads of those in the Service, and the comparatively small salaries paid for the prize positions, is to cause the young officers who feel that they have the ability for better things to try and get out and better themselves elsewhere. It is not to the benefit of any service that such a state of affairs should exist.

It may be argued that, notwithstanding the present inadequate salaries, there are many good men now heads of Departments and in other responsible positions in the Service, and that if this is the case now, why should it not be so in the future, and why should there be any necessity to increase the salaries for the leading positions? Our reply to this is that when the men now holding the responsible positions in the Service were young men there were not the same outside opportunities for young men of ability as exist to-day. Men do not change their occupations readily except in their early working-life, and thus the present leaders in the Service have not had the chances open to them that are open to the young men of ability to-day. To get the leading positions filled in the future by men of capacity equal to some of those filling them to-day we are satisfied that higher salaries will have to be paid. The effect would then be not only to maintain a high standard for the occupants of these positions, but it would also result in keeping the better class of young men in the Service, as they would see prizes ahead of them worth trying for.

Briefly the position, in our opinion, is as follows: The heads of the main Departments are inadequately paid. The pay of the subsidiary officers is not, in many cases, in accordance with the value of the work done. We believe that an adjustment of these anomalies would result in a saving to the country of a very considerable sum yearly; and not only so, but greater efficiency would follow, more contentment would be engendered, a spirit of *esprit de corps* would be awakened, the whole Service would become more alive and alert because more hopeful, and the result generally beneficial to the Service and the public alike.

CLASSIFICATION.

The Public Service Classification and Superannuation Act, 1908, provides machinery for the classification of all the present unclassified Departments, and in accordance with this Act a Classification Board was set up, and an attempt made to classify the Service. The Act provided for officers of the Service appealing against their classification, and the result was that no less than 1,760 appeals were lodged, and all those who appealed have the right to be heard before the Board before the classification can be gone on with. Even if the Board decided to hear this enormous number of appeals, if any appeal were upheld it might affect the classified position of other officers of the Service, and then those so affected would have the right to appeal, so that the whole business might go on interminably. In the meantime, however, we understand the matter has been dropped.

During our investigation we came across very few officers who had a good word to say for the classification scheme as it now exists. We made inquiries,

and took evidence as to the working of the classification schemes now in existence in the Railways and Post and Telegraph Departments, but found the general opinion as to the way in which they work out in practice strongly against them. The evidence went to show that the general effect of both these classification schemes was promotion by seniority rather than promotion by merit, although the Post Office scheme, as the result of twenty years' working, seems to run fairly smoothly. Officers, however, who have directed and worked under both unhesitatingly declare against any classification, except on the basis of merit, beyond a minimum or living-wage. It is promotion by merit and not by seniority that is demanded (and we think rightly so) not only by the vast majority of the younger members of the Service whose opinions we obtained, but also by heads of Departments and those in responsible positions, who look upon it as the only means of maintaining a high standard of efficiency in the Service.

PART III.—ORGANIZATION OF THE WHOLE SERVICE.

As we think it should be.

The foregoing sets out briefly the organization of the Service as it at present exists, and we will now endeavour to set out the changes that we consider necessary to be made in the organization in order to produce the best results. The object to be aimed at in a Service which is conducting the business of the country is just the same as that to be aimed at in a service that is conducting any other business—thorough efficiency combined with economy. To secure this it is necessary to have first an efficient head controlling the whole Service, and under this head an efficient and contented staff, proud of the service to which they belong, and intent on rising in it. Without these two things thorough efficiency cannot be obtained, and without efficiency it is hopeless to think of economy.

Taking the head first: it is to our mind essential that there should be one controlling head for the whole business of the country, to hold the whole Service together, and make it work as one well-oiled and efficient machine. Without this it is the tendency of each of the Departments to drift off on its own account regardless of the others, and with its chief object to magnify the work of the Department for the glorification of the principal officers who are running it. In the past, the only head of the Service has been the Cabinet of the day. We are quite satisfied that a Cabinet is not, and never can be, an efficient controlling business head. The work which the controlling head of the Public Service has to do is to attend to (a) the business policy, (b) the general organization and working methods, and (c) the staff, engagements, promotions, transfers, and the general handling of officers. A Cabinet which is in touch with Parliament, and through Parliament with the people, can settle the broad policy lines upon which the people of the country demand that the business of the country is to be conducted, and they are undoubtedly the best body in sight to conduct this part of the business; but while they can settle the policy, they are not fitted to attend to the detail of the general organization and working methods of the staff, engagements, promotions, transfers, and handling of the officers generally. This is the work of experts trained in the business of the country, and in business methods generally, and this work cannot be attended to efficiently by Ministers, who, in most cases, have not had the necessary previous training for the administrative work which is entailed. Moreover, even if they had, their time is so fully occupied considering policy matters, carrying them through Parliament, and keeping in touch with Parliament and the electors generally, that they could not possibly attend to the details of the business of the country properly. At the present time heads of Departments have to refer all sorts of minor details to the Ministers in charge of their particular Departments. This not only wastes the time and hampers the operations of the Department itself, but it takes up the time of Ministers attending to a mass of detail which, in many cases, they can know very little about, and which would be done very much better if they were relieved of them altogether, and the responsibility

thrown on to some one else. We think we can safely say that very few managers of large businesses, even when they have had their lives' training in the business, would attempt to cope with the mass of detail with which a Minister in charge of a Department, who has not had any lengthy training with that particular Department, attempts to deal. Ministers should be free of all this detail, and have time to consider the broad policy lines on which the business of the country is to be conducted, leaving the general management and the carrying-out of the policy in other hands.

MANAGEMENT.

This is the most important matter of all. If an efficient head with the necessary powers is obtained, it will in time put the whole machine in perfect working-order. Without an efficient head, if the Service could be put in perfect order to-morrow, it would gradually drift into disorder again. Unless the question of the management is first put right, other efforts will have little result.

We think that a Board of Management should be set up which would be the managing head of the whole Government Service. We would suggest that this Board should be composed of three men, one of whom, and he the ablest man that could be obtained therein, should be drawn from the Service. This position on the Board should be the prize position in the whole Public Service, and carry a higher salary than any other, with the possible exception of that of the General Manager of Railways. The two other members of the Board should be chosen from outside, and they should be men of wide business experience who have had training in large organizations, and accustomed to the handling of a large staff. One of these two should be Chairman of the Board. This Board would therefore have as its members two men of thorough business training, chosen for their organizing ability, and one from the Public Service who would know its requirements and be thoroughly familiar with all its details, and who would possess a good working knowledge of the personnel of its officers. The members of the Board should give their whole time to their work, and have no other duties.

Whatever system of control may be adopted, whether by Cabinet, Board, or individual, the personal element is a factor that cannot be absolutely eliminated, but we believe that a Board of three, with the conditions of office which we advise, would be as far removed from such influences as is possible to any human organization. One of the great difficulties of the present condition of affairs, according to the testimony of responsible officers, is that influence is constantly being brought to bear through members of Parliament in connection with appointments, removals, and promotions, and any Minister or Cabinet must find it difficult to resist such influence. The appointment of a Board such as that proposed, to which all applicants and objectors would as a matter of course be referred, would at once relieve members of Parliament, Ministers, and heads of Departments from most harassing importunities and provide an unbiassed tribunal.

The Minister for any particular Department would, under Cabinet, be responsible for the policy of that Department, but the work of carrying out that policy should be left in the hands of the Board of Management. The Board of Management should, we think, be under Cabinet, and not responsible to Parliament only, and its actions should be subject to review by Cabinet. A single Minister should not be able to interfere in any way with the actions of the Board, but should have to carry Cabinet with him. We have given the question of whether we should recommend the setting-up of an independent Board responsible to Parliament only, or whether we should recommend, as we have done, a Board subject to Cabinet, a very great deal of consideration, and we have come to the conclusion that a Board subject to Cabinet would be the most workable organization. The other method would be setting up a dual control, and business experience almost invariably shows that a dual control, no matter what the ability of both the parties to it, is fatal.

To compare the organization we have proposed with a business organization, Cabinet would be in the position of a board of directors, each director taking special care of a particular section of the work. The Board of Management would be in the same position as the general manager of a business, and the departmental heads would be in the same position as the branch and department managers in business, with the exception that they would come into more personal contact with the Ministers than business branch and department managers generally do with their directors. It may be argued that there is a vast difference between conducting the affairs of the Dominion and the affairs of a business, and no doubt this is, to a certain extent, true. But, at the same time, there are so many points of resemblance that they may be called "first cousins," and the present tendency, not only of this Dominion but of other countries as well, to extend their activities more and more to fields which only a generation ago were looked upon as the preserves of private enterprise, is bringing the relationship between business affairs and the affairs of a country continually closer and closer. The fact that Public Service conditions the world over are not meeting Public Service requirements is clearly evidenced by the number of Commissions that have been set up in different countries during recent years to deal with the subject. When the Dominion finds that its old organization is not dealing efficiently with its business activities, it is surely wise to look around the field that it is invading and learn a lesson from the organizations that have been most successful in carrying on activities similar to those which the country has taken up. In the competitive race of business, in which only the fittest can survive, the organization that has not only survived but is now becoming almost universal in extensive business is that of the concern whose policy is controlled by a board of directors. That policy is carried out by a general manager, often with one or more assistant general managers, working through numerous branch and department heads. An organization that has beaten all others in the active and keen competition of business has surely something to recommend it and is worthy of consideration, and if it cannot under present political conditions be adopted in its entirety, the best thing to do is to come as near to it as possible.

Our only fear in this matter is that the subjection to Cabinet may not entirely remove the suspicion of political interference. Our hope is that it will, and we want to make it perfectly clear that it is in this hope and belief that we make the suggestion. There are two dangers: on the one hand, a Board free from all control by Cabinet may become too autocratic, and may even drift into position antagonistic to, or at least not in sympathy with, the Government of the day; on the other hand, Cabinet may desire and decide to do certain things which in the opinion of the members of the Board, or a majority of them, would savour of interference with management. We think these dangers can be met by having the position of each clearly defined. It should be provided that in all matters relating to the control and management of the Service—we mean appointments, salaries, promotions, suspensions, dismissals, and indeed everything affecting officers—the Board shall have absolute and undisputed power, whilst on the other hand Cabinet, of course, should lay down the policy and direct the work to be done. Cabinet would have the right of veto, but every occasion on which such right is exercised should be reported to Parliament, with a full explanation, at its first sitting thereafter. If the relative positions of Cabinet and the Board to the Service are thus clearly and unmistakably set forth, no cause of friction should arise, and everything should make for harmony and efficiency.

Having set up the Board of Management, we next come to consider the methods which it should adopt in its work. Amongst its first duties it should (a) block all "back doors" of entrance to the Public Service, (b) arrange that all promotions should be made from within the Service, and (c) arrange for free transfer of officers between the Departments.

APPOINTMENTS.

Taking the entrance to the Service first: the permanent appointments to the Service are at present ruled by Part I of the Civil Service Act, 1908, by the Civil Service Amendment Act, 1908, and also by section 5 of the Public Service Classification and Superannuation Amendment Act, 1911. In order to make the matter quite clear we quote these, as follows:—

Extract from Civil Service Act, 1908.

PART I.—APPOINTMENTS.

4. (1.) Every person appointed to the Civil Service of New Zealand shall only enter such Service as a cadet after competitive examination as provided in section six hereof, and after being proved to be physically fit for the Service.

(2.) The Controller and Auditor-General shall not pass any voucher for the payment of salary to any person to be appointed as aforesaid who is not appointed in the manner provided by this section and by section six hereof.

(3.) This section does not apply to—

(a.)

(b.) Persons who were employed as extra clerks in the Public Service on the seventeenth day of August, one thousand eight hundred and eighty-six (being the date of the coming into operation of the Civil Service Reform Act, 1886); or

(c.) Persons appointed under the Defence Act, 1908, or the Police Force Act, 1908; or

(d.) Officers of prisons, or warders of lunatic asylums; or

(e.) Persons appointed as messengers; or

(f.) Persons seeking re-employment in the Civil Service after having held permanent offices therein and left the same either voluntarily or otherwise through no fault of their own; or

(g.) Persons who by reason of five years' service are deemed to be officers permanently appointed pursuant to the Public Service Classification and Superannuation Act, 1908.

(4.)

5. (1.) No person shall be appointed permanently as a messenger unless he has passed an examination equivalent to that of the Fourth Standard of education provided under the Education Act, 1908:

Provided that in the case of persons who have been formerly employed in the service of New Zealand, or of His Majesty elsewhere, or who have been injured or disabled in New Zealand, such an examination need not be insisted on.

(2.) No person shall be appointed permanently under the Defence Act, 1908, or the Police Force Act, 1908, or as an officer of prisons, unless he has passed a like examination.

6. (1.) Except as provided by this Act, all appointments to the Civil Service shall be by competitive examination, which shall be held periodically in the chief centres of population, and from the most successful competitors in the order of their merit shall be selected candidates to fill all vacant cadetships in the Civil Service.

(2.) The competitive examinations aforesaid shall include such subjects as the Governor in Council from time to time appoints, and where any two or more candidates stand in equal order of merit, and there are not sufficient vacancies for all of them to receive appointments, the selection of the candidates to be appointed shall be determined by lot, to be conducted under the direction of the Minister of Internal Affairs.

7. (1.) Every Civil servant appointed on or after the seventeenth day of August, one thousand eight hundred and eighty-six (being the date of the coming into operation of the Civil Service Reform Act, 1886), shall be deemed a three-monthly servant, and removable at any time after three months' notice.

(2.) This section does not apply to warders of lunatic asylums or prison officers, who shall be deemed to be monthly servants and shall not be required to undergo any competitive examination prescribed under this Act; but in other respects this Act shall apply to such warders and officers.

8. The appointment of a bailiff of a Magistrate's Court or constable to the office of Clerk to a Magistrate's Court, to exercise the duties of such Clerk in addition to his other duties, shall not be deemed to be an appointment to the Civil Service within the meaning of this Act.

9. (1.) No cadet appointed on or after the date last aforesaid shall receive more than two hundred pounds per annum unless he has passed such examination as is prescribed by regulations to be made under this Act by the Governor in Council.

(2.) Such examination may be different for different Departments of the Public Service, and in the case of each Department the subjects of examination may have reference to the special work of the Department.

(3.) No cadet appointed on or after the thirteenth day of October, one thousand nine hundred (being the date of the coming into operation of the Civil Service Examination Act, 1900), shall receive more than two hundred pounds per annum until he has passed the Senior Civil Service Examination, or until he has served in the Civil Service for a period of five years, and has passed the examination referred to in subsection one hereof.

(4.) An examination, as to the whole thereof or any one or more subjects thereof, conducted by any university or other examining body may, if the regulations so authorize, be accepted in lieu of the examination under this section.

(5.) Nothing in this section shall affect any salary for any period prior to the date last aforesaid, or apply to any cadet who has passed the Senior Civil Service Examination.

10. Nothing in this Part of this Act shall apply to the working-railway staff of the Government Railways.

11. (1.) The Governor may from time to time, by Order in Council gazetted, except from the operation of this part of this Act, or particular provisions thereof only, the whole or any branch or section of the Post and Telegraph Department of the Civil Service.

(2.) Any such Order in Council may from time to time be amended or revoked in part or in whole.

(3.) For the purposes of this section, but for no other purpose, and in the case only of officers to whom sections eleven and twelve of the Civil Service Reform Act, 1886 (as set out in the Second Schedule hereto), would otherwise apply, those sections shall be deemed to be included in this Part of this Act.

The Civil Service Amendment Act, 1908.

1. This Act may be cited as the Civil Service Amendment Act, 1908, and shall be read together with and deemed part of the Civil Service Act, 1908 (hereinafter referred to as the "principal Act").

2. Nothing in section four of the principal Act shall apply to—

(a.) The appointment of any person possessing expert knowledge within the meaning of this Act to any office in which such knowledge is required; or

(b.) The appointment of any person as an artisan, workman, or manual labourer, whether skilled or unskilled; or

(c.) The appointment of any person to an office which has been exempted from the operation of the said section by an Order in Council made in accordance with the provisions hereinafter contained.

3. The term "expert knowledge" as used in this Act means expert knowledge of any profession, trade, business, industry, or calling, or of any science or art, but does not include a knowledge of the profession or business of a clerk.

4. When any person is appointed under the authority of section two of this Act as a person possessing expert knowledge, the Minister having charge of the particular Department in which the appointment is made shall lay before Parliament, within ten days after the appointment if Parliament is then sitting, and, if not, then within ten days after the commencement of the next ensuing session, a notice of the appointment, stating the name of the person so appointed, the office to which he has been appointed, and his qualification for the office.

5. (1.) If the Governor is of opinion that any office is of such a nature that it ought in the public interest to be exempted from the operation of section four of the principal Act, he may, by Order in Council gazetted, exempt that office therefrom accordingly.

(2.) Every such Order in Council shall be laid before Parliament within ten days after the making thereof if Parliament is then sitting; and, if not, then within ten days after the commencement of the next ensuing session.

(3.) If within two months after any such Order in Council has been laid before Parliament a resolution disapproving of the same is passed by either House of Parliament, the Order in Council shall thereupon cease to be in force, and any appointment theretofore made under the authority thereof shall become and be deemed to have been from the making thereof a temporary appointment only.

(4.) Any Order in Council made under this section may be at any time revoked, but the revocation thereof shall not affect any appointment theretofore made under the authority thereof.

6. No person appointed under the authority of section two of this Act shall be qualified by reason of that appointment to be subsequently appointed to any other office.

7. Section four of the principal Act is hereby amended by repealing subsection four and paragraph (a) of subsection three.

Extract from the Public Service Classification and Superannuation Amendment Act, 1911.

5. Notwithstanding anything to the contrary in section four of the Civil Service Act, 1908, and subject to regulations to be made by the Governor in Council in that behalf, any person who has been employed in any branch of the Government Service other than the Civil Service for a continuous period of not less than ten years may be transferred therefrom to a similar position in the Civil Service as a permanent officer thereof.

(NOTE.—Paragraph (a) of subsection (3) of section 4 and subsection (4) of section 4 of the Civil Service Act, 1908, have been omitted, as they were repealed by the Amendment Act of 1908.)

Persons appointed temporarily to the Public Service are engaged under section 16 of the Public Service Classification and Superannuation Act, 1908, which we quote as follows:—

16. (1.) No person who is temporarily appointed to the Public Service after the coming into operation of this Act, or who is now employed in the Public Service pursuant to a temporary appointment made on or after the date last aforesaid, and is disqualified for permanent appoint-

ment to the same position, shall be continuously employed in such Service for more than six months at any one time, or shall be temporarily reappointed to such Service within six months after ceasing to be employed therein.

(2.) The Governor may by Order in Council, in any case in which he considers that the public interest so requires, authorize the temporary employment of any person or any class of persons for a longer period than is permitted by the preceding subsection.

This matter of appointments wants the very closest watching, for it is a very sore point right throughout the whole Service. As we have already stated, from our business experience we are of opinion that there is nothing that we know of that will break up the spirit of a staff so soon as to bring in an outsider and put him over their heads. If the staff feel that nothing of this kind will ever be done, and that all promotions are to be free from within, it promotes a loyalty and enthusiasm for the Service, and an *esprit de corps* the value of which it is impossible to overestimate; and in order to obtain this it is worth risking a great deal of inconvenience in other directions.

Taking the permanent appointments first: the "expert" clauses should be very sparingly used, and no one should be appointed unless it is impossible to train him in the Service itself; and it should be made a fixed rule that experts appointed for any particular class of work, for which it is found impossible to train men within the Service, should be employed for that particular work only, and should not be eligible for transfer to the ordinary work of the Public Service; and if they do not prove qualified for the particular work for which they are engaged, or if there is not sufficient work of that nature to keep them employed, then they should leave the Service. Shorthand-writers and typists should all be trained in the Service. This is done in many large business establishments, and should be easily done in a large Service like the Government Service. The shorthand-writers and typists would then be eligible for promotion to any position; and ability to do work of this kind is valuable in any position in the Government Service. There are at the present time 539 officers in the Service who entered under the "expert" clauses of the various Acts, and of these 51 came in as shorthand-writers and typists.

Paragraph (f) of subsection (3) of section 4 of the Civil Service Act, 1908, should be altered so as to prevent any one who leaves the Service voluntarily from re-entering it as a permanent official. Any one leaving the Service of his own free will only does so to better himself, and when once he has left in this way he should be looked upon as a mere outsider and should not have the opportunity of coming in again over the heads of those who have remained loyal to the Service.

Section 5 of the Public Service Classification and Superannuation Amendment Act, 1911, should be altered so as to prevent persons employed in any other branch of the Government Service from joining the Civil Service unless they have passed the Junior Civil Service Examination before the age of twenty-one in the same way as cadets, or if they have failed to do that, then they should in addition to their ten years' service have passed an examination at least equal to the Senior Civil Service Examination, such as, say, an examination in accountancy.

Section 16 of the Public Service Classification and Superannuation Act, 1908, should be amended by striking out subsection (2). This will prevent any temporary clerk from being employed again until he has been away from the Government Service for another six months. Without this alteration temporary clerks can be kept on practically indefinitely.

It may appear that our recommendations are somewhat drastic in the way of protecting the members of the Service from outside intrusion, but our business experience in dealing with staffs convinces us that in no other way is it possible to obtain the efficient and enthusiastic staff that should exist in a Service like the Public Service of the Dominion.

TRANSFERS.

The next thing to do is to arrange for free transfers between the Departments. The Public Service should be treated as a whole and not as a number of separate watertight compartments, and officers of the Service should feel that they are officers of the Public Service as a whole, and not officers of special Departments only. If this were done officers of ability would feel that they had the whole Service as a scope

for their energies. When transfers are being considered great consideration should be given to the desire of any head of a Department to obtain an officer from another Department, provided it is supported by the wish of that particular officer to make the change. Under these circumstances very little consideration should be given to the head of the Department who is losing the particular officer, for if, as is the case at present, the transfer is blocked by the head of the Department who will lose the officer refusing his sanction it will often result, as it does now, in the Public Service losing the officer altogether. A head of a Department will practically never refuse to sanction the transfer of one of his officers to another Department if the officer to be transferred is of moderate or inferior ability. It is only when he happens to be an able and efficient officer that the transfer is refused. This means, as we have said before, that an officer's promotion is being blocked on account of his ability, which should not be permitted under any circumstances. The guiding principle must be that the best man is to be promoted to the best position, regardless of the inconvenience of filling the position he is leaving.

VALUATION OF POSITIONS.

Having blocked all "back-doors" of entrance, arranged for promotion within the Service and free transfers between the Departments, the next duty of the Board of Management would be to see that all officers were getting properly paid for their work, and that the State was getting proper service for its pay. To do this a proper plan of valuing all the various positions in the Public Service would have to be carried out. This would be a work of considerable magnitude, and would require a great deal of care and thought. To start with, we think the Service should be divided into four divisions, viz.,—

Division I would consist of the clerical, surveying, and engineering staff; and, in fact, of all those officers now in these positions, and those who would in future, under the plan that we propose, join as cadets and be trained for their various positions within the Service.

Division II would be the "expert" division. The officers would be appointed under the "expert" clauses of the Civil Service Act, and should, as we have explained, be only appointed for particular work, remaining in that particular work; and the division should not include any class of officer who can be trained within the Service.

Division III would be the administrative division. This would be a small division, and would merely consist of heads of Departments and any others whose work and position the Board considered sufficiently responsible to put in this division. All the officers in this division would be officers who had been promoted from the ranks of Division I, excepting only those administrative appointments requiring special expert or technical knowledge, the officers for which would be drawn from Divisions II or IV.

Division IV would be a general division, and would include all officers of the Public Service not included in any of the other three divisions—police, prisons, and mental hospital warders, a large proportion of the Government printing staff, messengers, a portion of the Defence Department, and others of a like nature.

A careful and systematic valuation of the positions in every Department would then have to be made and shown under the separate divisions. We would suggest that the best method of doing this would be to appoint a permanent committee, say, of three in each Department. This committee would consist of the head of the Department and two other officers of the Department chosen by the Board. Each Committee would then proceed to divide the various positions in their various Departments into Divisions I, II, and IV, and put a value against each. Division III, being the administrative division, would be left for the sole consideration of the Board of Management. In fixing the values of the different positions in their respective Departments, the various committees should shut their eyes entirely to the salary being drawn by the officers at present doing the work. In some cases this would be found to be too high, and in other cases too low, but they would just

value the positions at what they honestly considered the work was worth. The Board of management when it received these valuations of positions from all the Departments would then compare them and go into the whole thing exhaustively with the various committees, endeavouring to make a uniform valuation throughout the Service. The object should be to give fair pay for every position, and see that similar work done in different Departments is paid at a similar rate.

Having arrived at a fair value for all positions, these positions should then be put into classes, according to the value put on them. A minimum and a maximum pay should be put down for each class. In almost every case a man who has been a few years in a particular position does the work better than the man who just takes it up, and is worth a little more, and the maximum and minimum payments in each class will provide for this. We would suggest the following classes in connection with Divisions I, II, and III. As to Division IV, it would include special classes of employees, many of which are not common to all the Departments, and would require a special classification or valuation of positions of each Department, except in the case of men such as messengers, who are common to all Departments. Many of the officers who would come into Division IV are now working under fixed schedule rates of pay, such as the police, the Printing Department, &c.

Classes for Divisions I, II, and III.

Class	Minimum.	Maximum.	Annual Increments.
1	70	130	4 of £15
2	140	180	4 of £10
3	190	220	3 of £10
4	230	270	4 of £10
5	280	320	4 of £10
6	330	370	4 of £10
7	380	460	4 of £20
8	480	600	4 of £30
9	620	800	{ 4 of £40 1 of £20

10 Special classification of any positions over £800 per annum.

Each particular position would then be set in a class. For instance, a position, say, in Class 4 would mean that the man entering it would start at a salary of £230 and go on by four annual increments of £10 each to a salary of £270, providing he remains in that class, and he would there wait until he got into a higher class. If it was thought that in any particular work a man improved in it by length of service more than the difference between the maximum of one class and the minimum of the next class, two classes could be put against it. For instance, if 4 and 5 were written against any one position, it would mean that the man starting in it would get £230, and if he continued in that position long enough he would go up by nine annual increments of £10 each to £320; but we think that probably most positions would be met by one class.

PROMOTIONS.

Promotions from one class to another should be entirely by merit. Merit alone must be the only consideration. Length of service must not be taken into account. The point is not whether a senior man is capable of performing the duties of the office satisfactorily, but whether a junior officer can perform them better. No influence, political or otherwise, no social considerations, nothing but efficiency, should be allowed to affect the selection and promotion of officers from one class to another. They should be judged on their work alone. Any attempts to use influence or pressure of any kind in connection with promotions should be not listened to, and treated as serious offences. Any person who attempted to use any outside influence to cause the promotion of any officer in the Service to any vacant position in a higher class than the one he is in would be attempting to take, for the benefit of that particular officer, a position that, judged by the standard of merit alone, should properly belong to another. His action would be just as much

an attempt at stealing from the officer whose merit had earned the position as if he put his hand into his pocket and stole his money, and should be treated accordingly.

The Board of Management would have to keep as closely informed as possible as to the abilities and general qualities of all the officers in the Service. To do this, periodical reports should be made by all officers in authority on the work, general character, and ability of those immediately under them. These reports should be sent in to the Board of Management through the head of the particular Department, who would make any additional comments on the report that he thought desirable. The younger officers should be encouraged to go in for examinations, such as the Senior Civil Service Examination, law examinations, accountancy examinations, and also such departmental examinations as are considered advisable. They should also be encouraged to become efficient in shorthand-writing and type-writing, as these accomplishments are always of use to any officer. Promotions should not be decided by examination results alone, for there are many very efficient officers who are not successful in passing examinations. It is not so much book-learning that young men need as a stiffening of the backbone, the introduction of a little grit into the system, which will cause them to act promptly, be loyal to the Service, and “do the thing.” Initiative, common-sense, and tact are amongst the finest qualities that any officer can have, and examinations do not decide these. It is the men of initiative who get the prizes in life, and it is the men of initiative—or, in other words, the men who do the right thing without being told—who should be promoted, and who should get the leading positions in the Service. In considering promotions, therefore, the passing of examinations should be weighed, but only along with the officer’s other qualifications—in fact, his whole make-up should be considered, his working-ability, general character, and examination passes obtained. If examination passes alone are considered, it has a tendency to cause young fellows to neglect their regular work in order to obtain the necessary time for study. This is a complaint in the Service at the present time. Some young fellows are studying for examinations in order, as we have said, to get out of the Service, and while doing this are giving as little of their time as they can to their proper work, so that they can give as much time as possible to study.

We think that if a system of this kind were adopted it would encourage the younger officers to study and make themselves thoroughly well informed and efficient, and, as they would be judged by the work that they were doing as well as by the examinations they had passed, they would have to take a thorough interest in this and prove themselves thoroughly efficient in it in order to get on, for without working-efficiency examination passes would be of no avail.

We think that the bar to positions carrying a salary beyond £200 a year unless officers pass the Senior Civil Service Examination, or its equivalent, should be removed. The only compulsory examination should be the Junior Civil Service Examination on entering, and after that future promotion should be decided in the manner that we have already indicated. Cadets on joining the Service should go into Class I, for which we have put down a minimum salary of £70 per annum, and a maximum of £130, with four annual increments of £15 each. The present salary for a cadet on joining is £40, but he is also allowed £25 per annum as a lodging-allowance if he is living away from home. As we have already indicated, the Service is finding some difficulty at the present time in getting the requisite number of cadets, and we think that the minimum salary should be fixed at £70 a year, and the lodging-allowance struck out. If a cadet is living at home he has, in very many cases, to contribute towards the support of his home, and the cost of his keep in his own home is in any case not less than £25 a year. We think, therefore, that a salary should be fixed at the commencement of £70 a year, regardless of whether a cadet is living at or away from home.

Cadets join the service at various ages, chiefly between, say, sixteen and twenty. The average cadet joining at from eighteen to twenty will, we think, become an efficient officer more quickly than the average cadet joining between sixteen and eighteen, and we think, therefore, that some difference should be made in the pay. We would suggest that cadets on joining between the ages of eighteen and nineteen should be classed as having had six months’ service, and over the age of nineteen

s having had twelve months' service. This would mean that the former would get their first advances more quickly than those joining between sixteen and eighteen, and cadets over nineteen would start immediately at £85 a year.

After a cadet joined he would rise by annual increments to £130 a year, and he would remain at that until he was selected on account of his working ability to take a position in Class II, when he would be promoted to that class to start with a minimum wage of £140, from which he would rise by the annual increments that we have stated to the maximum, where he would again have to wait until he was promoted to a position in the next class, and so on right throughout the Service.

It would not necessarily follow, however, that an officer would have to wait in any particular class until he had worked from the minimum to the maximum. If an officer showed special ability he should be able to rise rapidly, in the same way as an officer of special ability in any outside business concern. A cadet after being a few years in Class 1, if he showed the necessary qualifications, should be promoted to Class 2, and, after a short period in that class, if he showed marked ability, he could pass on to Class 3, and so on throughout the Service; and if he showed the necessary all-round capacity he would thus be able to obtain a position of responsibility at a comparatively early age.

Obviously, all men are not alike. If men of ability do not get on rapidly they will in many cases leave the Service altogether; and whether they leave the Service or whether they remain in it in subordinate positions, the refusal of the State to put them into positions for which their abilities have qualified them is an economic loss to the State. The Civil Service Commission appointed to inquire into the Service of Canada, in 1908, made the following remark in the course of their report: "When a young man of great efficiency, who gives indication of force of character, appears, it is surely to the advantage of the country that it should get the full benefit of his capacity as soon as possible. The secure this he should have swift promotion, instead of having obstacles thrown in his course by narrow official regulations and limitations."

In addition to young fellows of ability, there will be a certain proportion of young men who, either through want of capacity or because the work in the Government service is not congenial to them, will not be a success. This is found to be the case in every large business concern, and the business method of dealing with cases of this kind is to pass them out of the service as soon as it is found that they are unsuitable for it. Some such method should be adopted in the Public Service, and we think, therefore, that a maximum age should be fixed for all officers in Class 1. We would suggest twenty-five years of age. If an officer did not show sufficient merit to be selected from Class 1 to go into Class 2 before he reached the age of twenty-five years, he should be required to leave the Service. It is better for the State and better for the individual that this should be so. Many young fellows start their work in life in a line that is not suited to them. If they remain in it they will be failures for life, but if they pass out of it early in life they will probably get into something else which will suit them, and perhaps be successful. It is no hardship for a young fellow of not over twenty-five years of age to have to go and look for other work; but if an inefficient man is allowed to remain in the Service until he gets on towards middle age, and perhaps has a wife and family to support, it is difficult to know what to do with him. It is a hardship to those who are dependent upon him to turn him out, and if he remains he is merely a passenger—a burden to the Service and a confirmed failure in life. In addition to this bar at twenty-five years of age, in order that cadets who are not likely to become suitable officers should be passed out of the Service as quickly as possible, and so have the number of those who would pass out at twenty-five reduced to the smallest possible dimensions, we think that the first three years of service should be considered years of probation. At any time during these three years a cadet should be required to leave the Service if he seemed unlikely to prove suitable. Those who qualified for selection to promotions in Class 2 would pass on automatically from the minimum of £140 a year to the maximum of £180 by four annual increments of £10 each. If they do not qualify for Class 3 before reaching the maximum of Class 2 they would remain there until they did qualify. It would be quite possible for a man not to show sufficient ability to rise beyond Class 2, and he would therefore remain at £180 a year for the rest of his life, or for as long as he

remained in the Service. This may be looked upon as a small salary ; but still it is more than the average tradesman earns, and if an officer does not show sufficient ability to take up work of a higher grade than that put into Class 2, then he is not doing any more responsible work, and probably not nearly as responsible work, as an average tradesman, and is not worthy of more pay.

Then, when we come to the higher positions in the Service, we think there should be again an age-limit. We do not think that a man, no matter what his ability may be, should be put into the position of head of a Department late in life. The retiring-age has been fixed, and we think rightly fixed, at sixty-five. If a man is put in as head of a Department at sixty-two or sixty-three years of age, as some are, he has only a very short period of service ahead of him, and while he may see a lot of work to be done to put his Department on proper lines, in nine cases out of ten, no matter what his ability may be, he will not take the trouble to reorganize things with such a short period of service ahead of him ; whereas, if a man had a long period of service ahead, if he were a good man he would not mind what trouble he went to, and would adopt plans for the betterment of his Department, when he saw that he would have an opportunity of remaining in control to carry them out. We think that fifty-five should be fixed as a limit of age for a man taking the position of head of a Department, and it would be far better if he got the position when ten years younger. If he did not get such a position before reaching the age of fifty-five, then he would have to do without it. When the position of head of a Department becomes vacant, no one over fifty-five years of age should be eligible for it. This would mean that a man on getting the responsibility of head of a Department would feel that he had at least ten years' active service ahead of him, and we feel quite satisfied that under these circumstances he would be much more likely to give the State the best service of which he was capable than he would if he knew he was to hold his position for only a comparatively short period. Besides this, the energies of even the most capable men, as a rule, begin to wane after sixty, and the State should not wait until a man's best years have gone by before making use of his talents in the higher positions of the Service.

ADJUSTMENT OF POSITIONS.

After the positions were all valued and put into their respective classes there would be found a large number of officers in the Service drawing salaries in excess of the maximum allotted to their positions. It would also be found that a great many of the younger officers were drawing salaries much less than the value allotted to the work they were doing. It would take time to adjust these anomalies. It would be a distinct hardship to reduce the salaries of those who were getting more than their work was worth, and worse still to dispense with their services altogether. They would have to remain in the positions, drawing the salaries they have been getting, but no further increments would be granted, until they either qualified for a higher class carrying a higher salary or finally left the Service. In the event of their promotion or retirement, their successors would come in at the salaries fixed for the position. It would no doubt take some years to adjust matters, but it would only be a question of time when no officer would be receiving more pay than the maximum allotted to his position, except possibly in the case of a revaluation of a position—a matter with which we shall deal later.

With regard to younger officers who are doing responsible work at low salaries, and who, it may be found, are getting less than the minimum salaries allotted to their positions, we think a certain time, say, twelve months, should be allowed to make adjustments. If by the end of twelve months it is found that no officer in the Service drawing a salary more nearly approximating the value fixed for the work being done than the officer doing it is available, then the officer doing the work should get the position and start at the minimum salary attached to it.

The valuation and classification of positions, when once finished, should not be looked upon as done with for ever. Conditions are always changing, and the values of positions change with changing conditions. As time goes on it will be found that the importance of some positions will decrease while that of others will increase, and the Board of Management, in conjunction with the departmental committees, will have to be continually reviewing the value of the positions and altering them to

suit the altered circumstances. If the value of a position is lowered, the salary of the officer in it should not be lowered with it, but he should continue to draw the same salary without annual increments until he is either promoted to a more important position or leaves the Service. On the other hand, if the value of a position is increased, the Board could, as at the outset, take, say, twelve months to adjust matters, and if another man is not put into the position before that time, then the officer in that position should be raised to the minimum salary fixed in the new class into which the position is put.

APPEALS.

All officers in the Service should have the right to appeal direct to the Board of Management by letter, stating fully the grounds of their appeal, should they think that their positions are wrongly valued or that they are ill treated in any way. The Board would give these appeals their consideration, and their decision would in all cases be final, and it should not be necessary for the Board to summon those appealing to appear before them or to get any other evidence. We are very strongly of opinion that an outside Appeal Board that can override the management is a decided mistake. Positions like the following often arise: A vacancy may occur in the Service, and the management may have the right of promotion by merit. The management may look down the list of officers next in the order of seniority and think that No. 15, say, is far and away the best man available for the position, and that he should get it. But they know that if they give him the position Nos. 1 to 14 can all appeal against it; and if they do, the management has to appear before the Board in the position of defendant and prove its case. Most men do not care to put up with this annoyance and trouble, and, unless No. 1 is a "rank duffer," will give him the position regardless of results to the Service. The result in most cases where Appeal Boards exist is that, although in theory the system is promotion by merit, in practice it is promotion by seniority, and the introduction of promotion by seniority instead of promotion by merit is the introduction into the Service of a dry rot that will ultimately destroy its working efficiency. If there is no Appeal Board it is possible that an occasional injustice may be done; but it is far better to risk this than to do a permanent injustice to the Service as a whole and all the men of energy and ability in it.

The characteristics of the Service should be entry by competitive examination, probation before final admission, security of tenure during good behaviour after admission, promotion by merit, and pensions on retirement.

FEMALE OFFICERS.

Another matter that will require a very great deal of consideration in the valuation of positions is the question of the female officer. There are a number of these in the Service as shorthand-writers and typists, and also as clerks. It would not do, we think, to rank them equally with male officers in the matter of salaries. It is doubtless true that some women would excel many men in capacity for work, but, taking them on the average, while they are often good, steady workers, they cannot stand the strain of a rush or pressure of work in the same way that men can, and we think, therefore, that female officers should be paid at a reduced rate. They could be given a male officer's pay less a certain percentage. Then, again, female officers, as a rule, do not readily take responsibility in the same way that men do; but this would, of course, be met when promotions were being made. It would probably be found that they would not rise so high in the Service as the male officers. Except, perhaps, in exceptional cases, the bulk of them would remain permanently in the lower classes of the Service. The matter, however, is one for consideration by the Board of Management, and for adjustment from time to time, as experience proves their capacity for the work to be done in the Service as compared with the capacity of the male officers.

AMALGAMATION OF DEPARTMENTS.

Three years ago there were in existence thirty-seven different Departments under as many different heads. In the interests of economy and efficiency it was thought desirable to reduce the number of Departments and the number of heads, and with this object in view an amalgamation of many of them was brought about,

reducing the total number to sixteen. As we have already indicated, however, this amalgamation was, in many cases, more nominal than real, and while certain Departments were grouped under one heading they really continued separate existences. With the Service organized on its present lines it is no doubt desirable to have the number of heads reduced, so that Cabinet and Ministers will not have so many with whom to deal. A Board of Management such as we have suggested being set up, it appears to us that it would promote efficiency if the present amalgamations were reconsidered, even if that meant increasing the number of Departments. Only such Departments as have so much in common that one departmental head can efficiently control them should be amalgamated. For instance, the Lands and Deeds Registry Department is under the Commissioner of Stamps. The Commissioner of Stamps has his own Department to control, which, although a small one when looked at from the point of view of the number of its staff, is a very important one, requiring special knowledge and great care and tact in working. We think the Commissioner of Stamps has plenty to do to look after his own Department without dealing with the Lands and Deeds Registry, which has little or nothing in common with the Stamps Department, and would be much better under the entire direction of the Registrar-General of Lands and Deeds, who has an expert knowledge of the work of his own Department, and naturally, therefore, knows far more about it than the Commissioner of Stamps possibly can be expected to know.

Then, the Mines Department is under the Under-Secretary for Public Works. There is nothing in common between these two Departments, and the Under-Secretary for Public Works, having already a very large Department to control, has plenty to do without troubling about the Mines Department. The latter, we think, should be under a separate head.

Again, the Tourist Department is put under the Secretary for Agriculture. There is nothing whatever in common between these two Departments, and we think the Tourist Department should be taken away from the Agriculture Department, and either made a separate Department or possibly be put under the Railways, with which it has more in common. We think it might be better to make it a separate Department and hand over to it the Immigration work now conducted by the Lands Department, as there is much more in common between Tourists and Immigration than between Lands and Immigration.

As we have already said, there are other Departments which are grouped under certain headings but which still continue to work as distinct Departments. Examples of this are—the Police, and Stamps (the latter including Lands and Deeds Registry), which are grouped under the Justice Department; the Printing Office, Mental Hospitals, Hospitals and Charitable Aid, and State Fire, which are grouped under the Internal Affairs; the Valuation Department, which is grouped under the Lands and Survey Department. None of these Departments works under the direction of the head of the Department under which it is grouped, but all work out a separate existence of their own, and the grouping is really only nominal. We think it is quite right that they should continue to work separately, with the exception perhaps of State Fire, which it seems to us would be better conducted as a Branch of the Government Life Insurance Department. The latter has a complete organization and offices throughout the Dominion, and from the information we have received it appears to us that the State Fire Insurance Department could be more economically and efficiently run if it were made a branch of the Government Life Insurance Department. While not making a definite recommendation upon this point, we think that it is a matter that should be looked into.

If the Board that we have suggested is set up, there should be no difficulty in working separately all the Departments that we have named. This would mean a considerable increase in the number of Departments, and the Board would require to give this close consideration when arriving at the valuation of positions which we have recommended. In considering the value of these positions the Board should take into account the size and importance of the Department to which the position belongs. The position of head of a small Department is not worth the same salary as that of a large one, and neither should the Accountant, Chief Clerk, nor other responsible officers in the small Departments receive the same salaries as those in the large ones. Each position would need to be considered on its merits, and, in doing

this, the size and importance of the Department must be taken into account. We do not mean to suggest that size is everything, because the work of a large Department might be chiefly of a mechanical nature, whereas that of a small one might be of a technical and important character. Everything in connection with the position must be taken into account, the size and the importance of the Department to which it belongs included.

Before leaving the organization of the Service as a whole, there are a few matters connected with it that we think call for a little more inquiry.

TRAVELLING-ALLOWANCES.

There is a considerable feeling throughout the whole Service that the present travelling-allowances are not adequate to meet the expenditure that officers have to incur when travelling on the business of the Dominion. This is not confined to any one Department, but is a widespread feeling right throughout the Service.

The present travelling-allowances are governed by section 14 of the Public Service Classification and Superannuation Act, 1908, and the Civil Service Regulations. Section 14 of the Act reads as follows :—

(1.) Travelling-allowances may be paid to officers at the rates prescribed by regulations, but such rates shall not exceed—

(a.) In the case of officers whose salaries are not less than five hundred pounds, twenty shillings a day;

(b.) In the case of officers whose salaries are less than five hundred pounds, but not less than three hundred pounds, fifteen shillings a day;

(c.) In the case of all other officers, twelve shillings and sixpence a day.

(2.) Such allowances shall be in addition to the actual cost of horse-hire, and of railway, steamer, coach, cab, and other fares.

(3.) No travelling-allowance shall be paid to any officer except for the periods during which he is absent from his headquarters in the discharge of his duties. The headquarters of any officer shall be determined for this purpose by the Minister in charge of the Department to which such officer belongs.

(4.) The limit of travelling-allowances prescribed by this section shall not apply to private secretaries or to Ministers of the Crown.

The present travelling-allowances are fixed by the Civil Service Regulations^s as under :—

6. (1.) All salaried officers shall receive travelling-allowance for personal expenses at the following rates :—

(a.) Officers drawing salaries not exceeding £400 per annum, 10s.;

(b.) Officers drawing salaries exceeding £400 and not exceeding £600 per annum, 12s. 6d.;

(c.) Officers drawing salaries exceeding £600 per annum, 15s.

Provided that while at sea the allowance shall be—

For the first day, 5s.

For subsequent days, 2s. 6d.

(2.) Such allowances shall include meals and portorage.

7. Travelling-allowances shall be paid only where an officer is necessarily absent from his headquarters at night, but for all journeys where an officer is not obliged to be absent at night actual expenses will be paid to an amount in no case exceeding the full day's rate above authorized for personal expenses, on production of a statement giving details of the nature of the charges, with dates, places, and to whom paid.

8. The two preceding regulations shall not apply to cases in which a temporary higher rate shall be specially sanctioned by the Minister, nor shall anything in these regulations preclude Ministers from specially authorizing temporary special rates or amounts for travelling, to meet special cases, as hitherto.

9. Cost of transport by land or sea will be paid by the Government, or, when paid by the officer travelling, the same will be recouped to him on production of vouchers; but no vouchers of such expenses will be required for sums of less than 5s., and vouchers for railway fares will not be required if the railway travelled upon and the extent of the journey is stated.

The Act, it will be seen, fixes the maximum that can be allowed, but the allowances under the regulations are less than this maximum.

The travelling-allowances paid to Audit Inspectors of the Audit Department are on a different scale. They seem to be allowed 10s. a day for travelling-expenses for every day in the year whether they travel or not, and, as some of these officers who are stationed in the larger towns travel very little, this allowance is more than is required for travelling, and really amounts to an addition to salary; and from the information we received it appears to be recognized as such, and is taken into account

when fixing the salaries. This appears to us to be an unsatisfactory arrangement, and it would be much better for the Inspectors to have their travelling-allowances put on a proper basis and quite detached from their salary. Their position on the Superannuation Fund depends upon the amount of their salary—not on the amount of their travelling-allowances—and it would be much more satisfactory on this account, as well as on others, that the Inspectors should be paid the salary to which they are justly entitled quite apart from the travelling-allowances, and that they should also be paid when they are actually travelling a proper sum to cover their travelling-expenses, and receive nothing for travelling when they are not away from their headquarters.

We were unable to go closely enough into this matter of travelling-allowances to make a definite recommendation, but the feeling of dissatisfaction is widespread, and we think that the whole subject should be carefully looked into.

OVERTIME.

There is no regular system of dealing with the question of overtime for office hands throughout the Service, and there is a good deal of feeling on this point. We think definite regulations dealing with the whole Service require to be framed, so that whatever is done should be uniform throughout the Service.

ATTENDANCE.

This is another matter regarding which there appears to be no uniformity throughout the Service. Some Departments keep attendance-books, which have to be signed regularly as officers come and go, while others keep no record of attendance. We think a uniform system requires to be installed throughout the Service.

LEAVE OF ABSENCE.

This is another subject about which there appears to be no uniformity, and a regular system should be established.

OFFICE ACCOMMODATION.

In many cases this is all that can be desired, but in other cases more room is urgently needed. In many cases too, the work of a large Department or branch is scattered through a number of comparatively small rooms with a few clerks in each. If the work could be concentrated into large rooms, it would add greatly to efficiency, and to the comfort and health of the staff, the ventilation in many of the small rooms being very defective.

DISCIPLINE.

An improvement is required in this connection, and the regulations should be more strictly enforced. Section 34 of the Civil Service Regulations requiring officers to be acquainted with the regulations has become a dead-letter. All officers on joining the Service should be required to study them carefully, and their attention should be drawn particularly to Regulation 19, which reads as follows: "No information out of the strict course of official duty shall be given, directly or indirectly, by any officer, without the express direction or permission of a responsible Minister." We understand that many officers have not been sufficiently impressed with the importance of this rule.

We would call attention to the necessity of revising and reprinting the book of Civil Service Regulations in order to bring them up to date. As at present printed, the majority of the rules stand as they did nearly forty years ago, while others have been added to and altered by numerous Orders in Council from time to time. For instance, the rules governing travelling-allowances are amended by no less than eleven Orders in Council. We are also of opinion that it would be advisable to incorporate in the new set of rules and regulations a copy of the conditions governing entrance to the Service.

FURTHER INQUIRY.

We have now dealt with the organization of the whole Service as it is, and as we think it should be, and will now proceed to deal with matters to which we con.

sider it necessary to refer in connection with the organization of the different Departments and branches. After that we will consider the accounts, correspondence, and general office-working methods. As already indicated, the time at our disposal was not sufficient to allow us to delve deeply into details and in all cases submit recommendations for definite adjustment—this fuller inquiry must be left for the future; but it may not be out of place to state here the methods which we think should be adopted by the proposed Board of Management that we have suggested in inquiring into these matters and coming to definite decisions as to the best remedies to be adopted. We have not only found it quite impossible to go deeply into all the matters which we think require consideration, but we have seen enough to feel quite confident that in a huge business like the Government Service it would be quite impossible for even a permanent Board of Management such as we have suggested to personally find the necessary time to inquire closely into all the various details of accounts, office methods, and management generally. They will have to adopt some other means of dealing with these matters and arriving at definite conclusions. We think that when the Board of Management decides that any particular subject requires investigation they should appoint from the Service an officer for the purpose, who should be selected for his special ability and experience of the matter to be inquired into. From what we have seen of the officers of the Service we are quite satisfied that the management would have no difficulty in selecting suitable officers to conduct inquiries into any matters in connection with the Service. Having decided upon an officer to make the investigation, he should be freed from other duties and “turned loose” in the Department or Departments in connection with which the inquiry is to be made, and given power to examine any officers, books, documents, or other matters to which he may desire access, and after he has made himself thoroughly acquainted with his subject he should then report to the Board of Management, stating the conclusions at which he has arrived. When the Board of Management receive this report they should go into it thoroughly and then cross-examine the reporting officer, criticizing his findings in every possible way. If the officer can satisfactorily meet all the arguments of the Board of Management in regard to his report, then it should be submitted for the criticism of the head of the Department or other officers interested in the subject-matter of the inquiry. If the reporting officer is able to meet all the criticisms of these officers, then the suggestions in his report should be considered worthy of being carried out. In some of the more important investigations two or more officers might be put on to do the work.

CONTINUED ADJUSTMENTS NECESSARY.

There are many matters to which we will make reference in this report that could well be made the subjects of inquiries in the manner we have suggested, and in a large service like the Public Service other matters will be continually presenting themselves which will require investigation. Conditions are continually changing not only in the Public Service, but in all businesses, and it is necessary to be continually making adjustments to meet the changing conditions. A system or organization which might be considered perfectly adapted to meet the conditions of to-day might be quite inadequate for dealing with the conditions of ten years hence, and portions of it might require readjusting to meet the conditions prevailing even twelve months hence. One has only to look back twenty years to realize the vast additions which have been made to the work of the Public Service in that time, and also the inauguration of work of an entirely different nature which has been undertaken. If all these changes have taken place during the last twenty years, who is to forecast the expansion which may take place during the next twenty years? No organization will meet the requirements of the Service which is not equipped to deal with changing conditions from time to time as they arise.

SUGGESTIONS FROM SERVICE.

Another matter to which reference here might not be out of place is a scheme of obtaining suggestions as to improving the working methods of the Service from officers. We think it would be a great advantage if there were a system for the interchange of ideas between officers in the Service, more particularly between the

junior members of the Service and those of the higher grades. During the course of our investigation we have obtained evidence from, and had interviews with, quite a large number of the junior officers of the Service, and on several occasions have been struck with the grasp and generally intelligent ideas displayed by a number of them, when discussing the conditions of the Service. We think that all officers, including the juniors, should be encouraged to give their attention and consideration to any matters that may occur to them as likely to benefit the Service; and they should be permitted to communicate their ideas direct by letter to the Board of Management. The Board of Management could then consider these suggestions, many of which, of course, would have to be rejected as unworkable; but we are satisfied that there would be found among them a certain number worthy of consideration and adoption. Any suggestion of this nature that was adopted should count as a mark in favour of the officer making it, and should carry its due weight when promotions were being considered. A method such as this would enable the Board of Management to draw upon the brains of the whole Service instead of only on those of the few senior officers with whom they come into personal contact. Further, this system would encourage a very large number of officers to give the conditions of the Service their earnest thought and consideration, with the idea of making suggestions for its improvement.

PART IV.—DEPARTMENTAL ORGANIZATION.

The remarks that we have made in dealing with the general organization apply to all the Departments. In addition to these we wish to deal with points in connection with particular Departments that refer to them alone; and when considering these, the statements that we have made about the whole organization must be borne in mind as applying to the Department in question, the special remarks that we will now make being merely an addition. A number of Departments we will not make special reference to, but we do not wish it to be inferred from this that there is nothing material to be said about them, but merely that we have nothing to add to our general remarks dealing with the whole Service.

PUBLIC TRUST OFFICE.

This is a Department that has been growing very rapidly, and the staff has had to be increased largely to keep pace with the work. To show the extent of this, we submit the following table:—

Statistics for Public Trustee's Report to 31st March, 1912.

Year.	Office.			Business.			Funds.		
	Number on Staff.	Number of Branches.	Number of Agencies.	Number of Receipts.	Number of Payments.	Number of Estates.	Value of Estates.	Number of Wills deposited each Year.	Capital Funds.
1907 ..	82	8	32	20,009	31,660	4,276	£ 4,969,100	557	£ 2,127,700
1908 ..	98	8	33	20,963	37,309	4,776	5,531,658	616	2,507,661
1909 ..	103	8	33	23,414	43,359	5,019	6,399,567	718	2,850,111
1910 ..	112	9	35	25,823	49,613	5,564	7,358,947	844	3,414,168
1911 ..	138	10	35	30,401	54,789	6,112	8,112,342	993	4,287,195
1912 ..	160	11	34	41,159	62,280	6,694	9,493,959	1,024	5,070,305

Owing to the difficulty in obtaining transfers of officers from one Department to another, the Public Trust Office has had to train quite an abnormal number of cadets, and its staff is now the youngest in the whole Service, the average age of the whole 160 officers on the staff being only 26½ years, and the average salary £146, compared with an average age of 31 and an average salary of £162 for the whole Service. Young men on the staff are doing very responsible work at salaries which, while perhaps satisfactory when looked upon from the point of view of the age of the officer receiving them, are in many cases small when compared with the salaries

paid for work of a similar value performed in other Departments of the Public Service. The business of this Department seems likely to continue to grow, and the staff will have to be correspondingly increased. In a case of this kind the Department should be able to draw on the officers of the whole of the Public Service, and by this means every Department would take its fair share in the training of cadets. In a large service like the Government Service there should be little difficulty in providing a sufficient number of officers for any new Department or for any Department (like the Public Trust Office) which is growing rapidly, without compelling the new Department or the rapidly growing Department to train all its own cadets.

Owing to the large increase in the business of the Department, we think that the time has arrived when increased power should be given to the various District Managers, so that they may be able to deal with many matters without continuous reference to the Head Office in Wellington, which causes not only extra work for both Branch Office and Head Office, but also a great deal of delay. We think that, to start with, the District Managers at Auckland, Christchurch, and Dunedin should be given the positions and powers of Deputy Public Trustees, and if this proved a success, as we think it would, these powers could be extended to the District Managers of the smaller offices.

While this Department is doing very fine work, and has, to our mind, a great sphere of usefulness ahead of it, its weak spot at present is, we think, the manner in which it realizes estates that come into its hands. When once the estates that it handles are realized and the Department has the cash in hand to invest its methods are admirable; but we think there is room for improvement in the manner in which it converts the assets of the estates that it handles into cash. If District Managers are given the increased powers that we have suggested, it will, we think, result in an improvement of the methods adopted for the disposal of property; but we think that, in addition to this, now that the Department has such a large amount of property on its hands, much of which is constantly in process of realization, it would be a good thing to appoint an officer whose duty it would be to constantly travel round the Dominion conferring with the local officers with regard to the realization of the properties that come into their hands. This officer might be called an Inspector of Realization, or some other appropriate title; but his whole duty would be to consider the best methods for the realization of the assets, and he would become an expert in this branch of the business. By continually moving about the Dominion and conferring with various officers, he would acquire a knowledge and experience that would be of immense value to the Department in the realization of property. As we have stated, we consider all the other methods of the Department admirable; but we are also satisfied that at the present time the Department does not realize the estates that fall into its hands to quite the same advantage as private trustees. We think the suggestion we have made would effect a great improvement in this direction, and would greatly add to the value of the Department with very little increase in its cost.

There is a point in connection with the finance of the Department which requires consideration. At the present time it is not allowed to borrow any money, or work on overdraft even of a temporary nature, and, as it has continuous calls, it has to keep a large sum of money lying at its credit. This sum, we are informed, amounts on an average to about £100,000, and is practically money lying idle, and to the extent of the interest lost is a loss to the Department, because it pays interest on the funds which it has in hand from the moment it receives the money, but only receives interest when the money becomes invested. We think that if power were given to the Department to enable it to borrow, say, not exceeding £50,000 or £60,000 at any one time temporarily, from any of the other Government Departments that might have funds, this power would enable it to run its business with a very much smaller cash balance, and would prevent it from losing a large amount of interest on funds lying idle. If the Department had this power we do not think it would have to avail itself of it very often, and when it did it would only be for short periods. Having the power would enable it to carry on its business with safety on a very much smaller cash balance than it can do at present, and this, as we have already indicated, would mean a very considerable increase in the interest earned by the Department.

LAND AND INCOME TAX.

The impression that we gained of this Department during the short time that we could devote to it was that it was very well organized, well run, and well managed. The only direction in which it appeared, from the evidence and information that we were able to obtain, that improvement could be made was in the direction of having a more efficient outside inspection. At the present time the outside-inspection staff does not appear to be large enough to cope with all the inspections of income-tax payers' books that appear to be desirable in order to see that every one in the Dominion pays the amount of taxation for which he is legally liable. We understand, however, from the information obtained, that this is to a certain extent recognized by the Department, and that it is proposed to appoint a few more Inspectors. As it is found, however, that men who have had a good many years' training in the work of the Department make much more efficient Inspectors than outsiders, additional Inspectors will only be put on as trained men become available to take up the work. It is anticipated that the additional cost of these extra outside Inspectors will be made up a good many times over by the increased amount of taxation collected. The Department should be assisted to strengthen its staff in the direction indicated.

JUSTICE.

The only point calling for mention in connection with this Department is the question of the appointment of Magistrates. There are now thirty-one of these in the Dominion. It has been the custom for some years past to appoint as Magistrates only members of the legal profession who are, or have been, in private practice. It appears to us from what we could learn during the course of our inquiry that the salaries now paid to Magistrates are not sufficient to attract to the Service the abler class of lawyer, except in a few cases, where a lawyer is to a certain extent financially independent, and desires to obtain the position on account of the status attached to it.

It is a matter of complaint amongst the Clerks of the Magistrates' Courts that the position of Magistrate is not open to them; and it appears to us that, provided these Clerks pass the necessary legal examinations to qualify as lawyers, men could be selected from amongst them who would make capable and efficient Magistrates. If this were done it would add greatly to the spirit of the whole staff of the Justice Department. It would encourage the officers to study for the law and pass their Solicitors' Examinations, with the idea of working up through the position of Clerk of Court to the post of Magistrate. We think, if this were done, it would soon be found possible to fill all the positions of Clerks of Court with men who have already passed their Solicitors' Examinations.

Another course to adopt would be to increase the salaries paid to Magistrates, and thus give the Department a wider selection from amongst practising solicitors. If this were done it would result in a stronger and abler type of men, on the average, being placed in the position. But if it is not desired to make any increase in salaries, then we think it would certainly be desirable to adopt our first suggestion, for we are of opinion that it would not only place in the position of Magistrate as good a class of man as the Department can obtain for the position under present conditions, but there would also be the added advantage of improving the spirit of the whole of the Service.

STAMPS DEPARTMENT AND LANDS AND DEEDS REGISTRY.

We are taking these two branches together, as they are at present under one head—viz., the Commissioner of Stamps. As we have already indicated, we think this arrangement is working unsatisfactorily, and the two Departments should be separated, the Lands and Deeds Registry being put under the charge of the Registrar-General of Lands and Deeds. This would leave the Commissioner of Stamps to run the Stamps Department alone. The work of the Stamps Department is most important, and it is a large revenue-earning Department. Amongst other things, it has to deal with death and gift duties, and these require most careful watching and attention, and considerable expert legal knowledge on the part of the officers of the Department. A little want of knowledge or care in dealing with these duties

might result in a very large loss in revenue to the country. It is a class of taxation which, rightly or wrongly, most people in the country think they are quite justified in evading, and that lends itself to the possibility of evasion more perhaps than any other. It requires, therefore, a particularly active, intelligent, and alert class of officer to work the Department efficiently. Both the Stamps Department and the Lands and Deeds Registry Department will continue to grow in size and importance as time goes on and the Dominion develops.

The head of the Lands and Deeds Registry Department must be a qualified barrister and solicitor, and the District Land Registrars in charge of the eleven districts into which the Dominion is divided must also have the same qualifications. Their work has to be done most carefully and accurately, for under the Land Transfer Act, which they administer, the Crown is responsible for errors in titles, and a little carelessness might be the cause of considerable loss. Many of the younger members of the staff are qualifying as barristers and solicitors, and the higher positions in the Department should be reserved for these men.

Under the heading of "Lands and Survey Department," we will refer later to the friction which exists between this Department and the Survey Department in connection with the control of the Land Transfer Draughtsmen, who number altogether about forty, scattered throughout the various offices of the Dominion. This requires investigation, and, if possible, the cause of the friction should be removed.

We wish particularly to draw attention to the accommodation provided for this Department in Auckland. More business passes through the Lands Transfer Department in Auckland than is dealt with in any other office in the Dominion, and the office accommodation is totally inadequate to the requirements of the work. The staff, the public transacting business with the office, together with important plans and other documents, are crowded in a space much too small for the requirements of the business, with the result that valuable plans and documents are practically being destroyed through want of proper places to store them. As far as accommodation is concerned, the Auckland branch of this Department is working under greater difficulties than any other office in the Public Service with which we came in contact. It would be impossible for any stranger entering the office to say, from amongst the people there, who are the staff and who are the public, and to whom the plans and documents lying about belonged. This is entirely caused by the inadequate accommodation, and we in no way reflect upon the officer in charge, who is doing the best possible under very trying conditions.

STATE COAL-MINES.

As in the case of other Departments, time did not permit of our making a close investigation of this Department, but we saw enough, and obtained sufficient information, to convince us that it was not altogether satisfactory, and that the assets shown in the balance-sheet, owing to two of the mines proving unprofitable, are not worth the amounts set against them. Unless the new mine, which is now being opened up, turns out to be a good one, it is certain that the Dominion is going to make a loss through this Department, but to what extent we are not in a position to say. We think that the Department wants looking into.

MENTAL HOSPITALS.

We received evidence from the mental hospital warders—and this was borne out by the management of the Department—to the effect that the position of the warders under the Superannuation Fund is unsatisfactory, both for the warders themselves and for the Department. Officers throughout the Service can retire and obtain their retiring-allowances as soon as they have completed forty years' service, and they must retire when they are sixty-five years of age. The warders in mental hospitals join the service much later in life than the average cadet, and their forty years' service is therefore completed at a much later age than is the case with those joining as cadets. The nature of their work, also, is such that they cannot carry it out efficiently so late in life. Unlike officers in many of the other Departments, whose services are at their greatest value when they have the ripe experience of later life, a warder between sixty and sixty-five years of age is not

nearly as efficient as one under fifty. It seems desirable, therefore, that some arrangement should be made which would enable warders in mental hospitals to retire at an earlier age than sixty-five.

CUSTOMS.

Apart from the general defects that are common to all the Departments (which we have gone into fully in dealing with the general organization), we think that the only matter which requires special mention in connection with the Customs Department is the office accommodation provided for the landing-waiters at many of the ports. This is altogether insufficient, and it is very difficult for the landing-waiters to do efficient work with the accommodation provided; particularly did we find this the case in Christchurch. The Customs revenue depends to a large extent upon the manner in which the landing-waiters carry out their duties, and we think that the question of providing them with better accommodation should be gone into as soon as possible.

DEFENCE.

On its present basis, this Department is an entirely new organization—in fact, it is only just now getting into complete working-order. It has met with the difficulties and troubles which are almost inseparable from the starting and putting in order of any new organization. The people of the Dominion were quite unaccustomed to anything in the nature of compulsory military service, and the difficulty of overcoming the prejudice on the part of many against the system had to be faced, in addition to the many other difficulties that must be faced in starting a new organization, particularly one of this nature. We found at the outset of our inquiry that there was a considerable amount of friction between the Treasury and Audit Departments and the control of the Defence Department. There seemed to be an impression in the former Departments that the Defence authorities were extravagant in their methods, and that a considerable amount of the work that they thought necessary was looked upon as a needless expense. As friction of this nature is undesirable in any Service, we looked into the matter as closely as the time at our disposal would permit, and came to the conclusion that, while there may have been some items of unnecessary expense, all the main items of expenditure were necessary in the interests of efficient training. Further, those who are in charge of the Department are working with an eye to efficiency combined with strict economy, and are unsparing of themselves in their efforts to make the whole defence scheme a success, any little waste that may have taken place being not more than might be expected at the commencement of a new scheme.

There are two things which we think should be put right in order to do away with the present friction. The first is, that proper regulations should be drawn up and agreed to for the working of the Defence Department as regards finance. At the present time they are not working under any regulations in this respect, and the result is that neither the Defence, the Treasury, nor the Audit Department knows exactly where it is. The Defence Department does not know what it can expend and what it cannot expend without first getting Ministerial or other sanction, and the Audit and the Treasury do not know exactly what they should pass or what they should not. If they were all working under regulations, all these misunderstandings would be obviated.

The other cause of the trouble, to our mind, is that the clerical branch of the Defence Department has not been working in harmony with the military side, which controls it, and, after careful consideration, we have come to the conclusion that the fault lies with the clerical side. We received no evidence on this point at all from the military side. The whole of the information obtained in this connection was the result of questioning the clerical side, and it is from information thus obtained that we condemn them. The responsible officers on the clerical side apparently wish to magnify their office in order to make the head of the clerical side have complete control of the finance and expenditure. This would mean setting up two heads, which, to our mind, almost invariably results in endless trouble and friction, which is fatal to efficiency. Instead of working in harmony with the head of the Defence Department, an officer in the Department appears to have been sending misleading information as to the nature of certain expenditure to the Treasury and Audit Departments, and inviting these Departments to object to the expenditure.

This has caused the Treasury and Audit to hold up vouchers which we think they would not have held up had they been informed of the true position, or had they not been supplied with the misleading information to which we have referred.

We feel satisfied from what we have seen that the whole trouble would be over come if proper regulations were drawn up, and if the control of the clerical side of the Department would work frankly and loyally with the head. The military head is the only man to deal with the actual training and military side of the Department, which is the real work of the Department, and what it is there for, and we consider that the Dominion has been most fortunate in its first head of the Department.

We consider that proper control of the finance can easily be maintained by the Treasury and Audit Departments working under properly drawn-up Finance Regulations, together with the supervision of the Minister, Cabinet, and the Board of Management which we have suggested to control the whole of the Public Service. We think that clerical officers taking advantage of the absence of regulations to send misleading statements to the Treasury and Audit Department without the knowledge of their chief is a matter which should not be tolerated.

LANDS AND SURVEY.

This is one of the largest Departments of the Service. It employs a permanent office and survey staff of 445. This is not including men who are temporarily employed in the field or contract surveyors. The average salary paid to the permanent staff is £194 per man per annum. The Department is organized and generally administered as follows :—

Under the Land Act, 1908, the Dominion is divided into ten land districts, each of which is in charge of a separate Commissioner of Crown Lands and Land Board. In each district there is a principal land office (and sometimes local offices) controlled by the Commissioner of Crown Lands and Chief Surveyor, and such officer is responsible for the proper administration of Crown lands and public reserves in his district. In Wellington there is also the Head Office, which controls the various district offices. The executive head of the Department is the Under-Secretary for Lands, who reports direct to the Minister. He is assisted by an Assistant Under-Secretary for Lands, who deals generally with land administration, and the Surveyor-General, who deals with technical matters.

There are several distinct branches of work in the Department, though two contain most of the staff—viz., Lands, and Survey. Each office has three senior officers in charge of the respective branches : (1) the Chief Clerk, who deals with all land and clerical work, and controls the clerks ; (2) the Chief Draughtsman, who is in charge of draughting and survey matters, and controls the staff of Draughtsmen ; and (3) the Receiver of Land Revenue, who receives land revenue and moneys, and deals with same as directed by law, having a special staff of officers to assist him. Outside of the office is the field staff, which consists of (a) Surveyors, each in charge of a party, who carry out the necessary surveys whether of Crown or Native land ; (b) Crown Lands Rangers, who periodically inspect the Crown lands leaseholds, and forests, and report to the Commissioners of Crown Lands.

In addition to these ten district officers, there are also special works carried out by the Department—namely, the Land Drainage Branch, in charge of the Land Drainage Engineer and his special staff of departmental assistants and general labourers, and the Afforestation Branch, which controls five nurseries and twelve plantations. For each Island there is a Superintending Nurseryman, who resides at the principal nursery, and under him are a number of assistant nurserymen and foresters, and the labourers necessary to carry on the tree-planting operations. At Waiotapu, in the North Island, and at Hanmer, in the South Island, there are prison camps established, and the prisoners therein assist the Afforestation Branch in carrying out tree-planting work. A warder of the Prisons Department is in charge of each camp, and works in co-operation with a forester of the Department.

It will be seen that the staff is divided into three branches :—

- (a.) The clerical staff, which divides off into the Receiver of Land Revenue Department and the Chief Clerk's Department ;
- (b.) The draughting staff ; and
- (c.) The survey or technical staff.

Of late years it has become the practice to reserve all the prize positions—that is, the positions of Under-Secretary and Surveyor-General at the Head Office, and Commissioner of Crown Lands and Chief Surveyor and Chief Draughtsman at each of the centres—for the survey or technical staff, and this is the cause of great dissatisfaction amongst the clerical and draughting staffs. Years ago it was the practice for the Under-Secretary to be a clerical man, and for the Surveyor-General to be a survey or technical man. At all the district centres there were a Commissioner of Crown Lands and a Chief Surveyor—two separate officers. The Commissioner of Crown Lands was drawn from the clerical or draughting side, and the Chief Surveyor from the survey or technical staff. Having these two heads was found to cause a considerable amount of friction, and in order to avoid this, and also upon the grounds of economy, it was decided a good many years ago (and we think rightly so) to amalgamate the offices, and since then it has become the practice to appoint only Surveyors to the position of Commissioner of Crown Lands and Chief Surveyor, and the position of Under-Secretary (which is the head of the whole Department) has also become a Surveyor's position, and the Surveyor-General must, of course, come from the survey side also. The usual practice is to bring a Surveyor in from the field to take the position of Chief Draughtsman at one of the district offices. This position is looked upon as a sort of training-ground for the position of Commissioner of Crown Lands and Chief Surveyor.

We have had a very great deal of evidence upon the question as to whether these prize positions should all be kept for the survey staff. A great deal of the evidence was of a very contradictory nature, and while it is difficult for us to form a definite judgment as to what is the best course to adopt, we are inclined to think that the present system of appointing only Surveyors with outside experience to these positions is the best in the interests of the Department. At the same time it is necessary to face the fact that giving all the prize positions to one branch of the Service is causing great dissatisfaction and unrest in the other two branches, and it is not to the advantage of the Service or the Department that this state of dissatisfaction and unrest should be allowed to continue. These two branches of the Service are becoming unpopular, and it is becoming increasingly difficult to get men to fill positions in them. Men in any service consider the question of the prizes that they can eventually obtain, as well as the pay that they are getting at the moment; and if there are prize positions open for them to work for, they will often be satisfied with a lower scale of pay in the meantime than they would be if they had no such prizes ahead of them. It seems evident to us that unless some plan is adopted which will enable the members of the clerical and draughting staffs to have chances with others throughout the Government Service to obtain higher positions, they will have to be compensated by increased rates of pay, in order to make the Service attractive enough to obtain the necessary staff. This object might be attained if the plans which we have suggested for the freer interchange of officers between Departments were adopted. This would enable officers in the clerical and draughting branches of the Lands and Survey Department, if they showed special ability, to obtain transfers to other positions where they would be able to rise higher in the Service. The position in regard to the draughting staff seems to be more acute than in the clerical staff, for a member of the draughting staff cannot even obtain the position of Chief Draughtsman, and from the evidence we have obtained it seems to be becoming increasingly difficult each year to procure efficient draughtsmen. It seems quite evident that in order to carry on the draughting side of the work of the Department efficiently it will be necessary either to increase the pay of the draughting staff or to increase the possibilities of their service at an early date. We have not arrived at a definite conclusion as to what should be done. We merely indicate how matters appear to us, and think that the whole question should be gone into very fully and carefully, and a definite course decided upon.

In considering the question, not only the present position but the probable future of the Department must be taken into consideration. It is only a question of time when the work of surveying the Government and Native lands will be greatly reduced, and while some of the district offices, especially the Auckland Office, are very busy with this class of work just now, it is work that does not last for ever, and as the available lands become dealt with there will be less and less of it to do,

There are also surveys in connection with the estates purchased under the Lands for Settlements Act to be dealt with, but the amount of work to be done in this direction depends upon the policy of the Government of the day. The clerical side of the Department has a lot of work to do at present in connection with the collection of rents from the numerous Crown tenants throughout the Dominion, and apportioning these rents to their various accounts. If the Government of the day were to adopt a policy of giving these Crown tenants the right to acquire the freehold, and if this right were largely availed of, it would result in a very large reduction in the amount of clerical work required in dealing with the collection of rents and apportioning of same. It is quite within the bounds of possibility, therefore, that the Lands Department, unlike some of the other Government Departments that have a natural tendency to grow, will, as years go by, have a tendency to become smaller and smaller.

As we have already indicated, the Under-Secretary is now the nominal head of the Department, but the relationship between the Surveyor-General and Under-Secretary does not seem to be clearly enough defined, because there appears to have been, during recent years, a certain amount of friction between the officers occupying these positions. This is a matter that should be looked into, and the position of the Surveyor-General should be so clearly defined that there would be no room for friction.

Another point that requires consideration is the relation of the Lands and Survey Department to that of the District Registrar of Lands and Deeds. In the district offices in the Dominion there are a certain number of Draughtsmen who do work for the District Registrar of Lands and Deeds, and receive a number of instructions from him. They form, however, a portion of the staff of the Lands and Survey Department, and are nominally under the Commissioner of Crown Lands and Chief Surveyor of the District, who gives them a certain number of instructions, and who is responsible for the accuracy of the survey portion of their work. The salaries of these Draughtsmen are paid by the Lands and Survey Department, but the amount paid is then charged to the Department of the Registrar of Lands and Deeds. The Registrars of Lands and Deeds throughout the Dominion claim that these Draughtsmen should be directly under them and form a portion of their staff, and that the present arrangement of getting the bulk of their directions from them (the Registrars) and a certain proportion of their directions from the Commissioner of Crown Lands and Chief Surveyor leads to a lot of friction and unnecessary delay and trouble. The Survey Department claims that the existing arrangement is the best, and that any friction that arises is the fault of the Registrars of Lands and Deeds. The Draughtsmen themselves claim that the present arrangement is most unsatisfactory, as they are working for two masters and get instructions from both, some of which are at times conflicting. All that we can say on the matter is that friction and dissatisfaction amongst the various officers interested exists, and that it is not to the advantage of the Service that it should continue to exist. The whole question requires to be looked into carefully and put on a satisfactory footing.

The question of making new roads for opening up blocks of country was brought up frequently during our investigations of the Lands and Survey Department and also of the Public Works Department. Formerly the making of these new roads was dealt with by the Lands and Survey Department, but about three years ago they were handed over to the Public Works Department. The information obtained during our investigations of the Lands and Survey Department was all to the effect that the present arrangement was not working in a satisfactory manner. The Survey Department argues that they have the cutting-up of all the Government lands and lands purchased under the Land for Settlements Act. They lay off the roads, get the settlers on to the land, and have to deal with it in the way of collecting rents afterwards, and they consider that the construction of these roads is work that should fall to them, as their Department is the one that is dealing with the settlers all the time. They know the settlers' requirements and can do the work that the settlers require much better than a Department like the Public Works which is not in touch with them. They argue that when a certain amount is voted for a certain road they can make it spin out over all the worst places in such a way as to give the settlers the access they require, and that future improvement of the roads can be

made from time to time as funds become available. In many cases in districts just being opened up the new settlers themselves were employed to make the roads. The officers of the Public Works Department, on the other hand, argue that the roads can be much better constructed by them. This is a matter calling for expert inquiry, and one regarding which we must remain satisfied with merely stating the conflicting opinions for consideration.

We find that it has been the practice of the Lands and Survey Department to attend to the purchasing of certain Native lands. The Native Department also purchases Native lands, and from what we could learn the carrying-out of this work by different Departments quite out of touch with each other has not been altogether satisfactory. The Lands and Survey Department admit this, and think it would be much better if the whole of the Native-land purchases were made by one Department; and from all the information that we have obtained it seems better that this work should be done by the Native Department, and the position of Land Purchase Officer in the Lands and Survey Department abolished.

AGRICULTURE AND COMMERCE.

This is a very large Department employing altogether a staff of 392, drawing on an average within a fraction of £300 per man per annum. A very large proportion of the staff are experts of various kinds, and this accounts for the high average salary paid, which is considerably higher than that of any of the other large Departments. If properly conducted it is a Department with great possibilities for good in an agricultural community like New Zealand. The present organization consists of a Secretary at the Head Office in Wellington, with a sufficient staff under him to do the clerical work. Under the Secretary are the following Divisions:—

The Live-stock and Meat Division, under the Divisional Director, who is located in Wellington, and who has an office staff of his own. This division deals with the following matters: The Stock Act; the Dairy Industry Act (in so far as it refers to dairies other than those supplying factories, and to the health of live-stock on any dairy farm); the Slaughtering and Inspection Act; the Products Export Act (in so far as it refers to poultry and meat); live-stock generally; Veterinary Laboratory (with farm attached); health and disease of live-stock (including those on dairy farms supplying factories); quarantine of imported live-stock; sterilizing manure; meat-inspection; slaughter-houses; dairy farms other than those supplying factories; live-stock brands (except clerical work); poultry generally; instruction regarding poultry; bacteriological and pathological examination of veterinary specimens for departmental officers or the public.

The Fields and Experimental Farms Division, which is also under a Divisional Director, who is located in Wellington, and who has a separate office staff. This division deals with the following matters: The Rabbit Nuisance Act; the Noxious Weeds Act; the Products Export Act (in so far as it refers to hemp); the Orchard and Garden Diseases Act (in so far as it relates to fields and pastures); field crops (including New Zealand hemp); grain-grading; pastures; ensilage; rabbits; noxious weeds; injurious birds; control of sale of fertilizers; hemp-grading; hemp-mill instruction; experimental farms; field and pastures experiments on other lands.

The Orchards, Gardens, and Apiaries Division is also under a Divisional Director located in Wellington, and has a separate office staff. This division deals with the following matters: The Orchard and Gardens Diseases Act (excepting in so far as it relates to fields and pastures); the Apiaries Act; the Products Export Act (in so far as it relates to fruit, honey, or hops); fruit and vegetables generally; plantations generally; instruction in orchard, vineyard, garden, and plantation work; inspection of orchards, vineyards, gardens, and nurseries; fruit and vegetables preserving; wine generally; instruction in wine-making; bees generally; instruction in bee-keeping; inspection of apiaries; experiments with fruit-trees, &c. (not on experimental farms).

The Dairy-produce Division, which, like the other divisions, is under a Divisional Director, who is located in Wellington, and who has a separate office staff. This division deals with the following matters: The Dairy Industry Act (in so far as it relates to the health of live-stock); the Margarine Act; milk and dairy-produce generally; inspection of dairy farms supplying factories (live-stock on such farms to be inspected for disease by Live-stock and Meat Division); instruction in milk-production; instruction in and inspection at dairy factories; dairy-produce grading; cow-testing associations.

In addition to these duties each division supervises the commercial aspect of the industries coming within its ken.

There are branch offices in Auckland, Wanganui, Napier, Wellington, Christchurch, Dunedin, and Invercargill. In each of these local offices is situated a District Agent, having under him what is supposed to be a sufficient number of clerks to deal with the clerical work of that district. These District Agents all receive their instructions direct from the Secretary. Connected with each district office are representatives of the four divisions into which the Department is divided. The Live-stock and Meat Division has in most districts a Veterinary Supervisor, a certain number of Stock Inspectors, and a certain number of Meat Inspectors. Where there is a Veterinary Supervisor he is in charge over that district of all the officers connected with his particular division, and where there is no Veterinary Supervisor there is a Head Stock Inspector who is in charge of the officers of his division in that district. The district head of the division corresponds direct with the head of the division in Wellington. The Fields and Experimental Farms Division is represented in each district by a number of Rabbit and Noxious Weeds Inspectors. Each of these Inspectors has a small portion of the main district to look after; but each one communicates direct with the head of his division in Wellington, and no one Inspector has any authority over another. In addition to these Inspectors there is in each district a Fields Supervisor who is supposed to tour round the district and inspect the work of the Rabbit and Noxious Weeds Inspectors, and report on this to the head of his division in Wellington. He has no authority over any of the Inspectors however, and cannot give them any instructions, and if he sees anything wrong he has merely to report it to Wellington. His position is a most uncomfortable one, and he is generally looked upon by the Inspectors on whose work he is supposed to pass judgment as a spy. There are also two Field Instructors for the Dominion, who have charge of the very large number of experiments in the growing of cereals, fodder plants, and grasses which are carried out by the Department in co-operation with settlers. The Orchards, Gardens, and Apiaries Division is represented in the different districts by an Orchard Instructor, Fruit Inspector, or Apiary Inspector, and sometimes one of each; but each of these men works entirely on his own account, and communicates direct with the head of his division in Wellington. The Dairy-produce Division is represented in the districts where required by Dairy Instructors and Dairy-produce Graders; but each of these men works direct with the head of his division in Wellington. There is an officer called an Inspector of Offices, with his headquarters in Wellington; but he is supposed to go round all the offices of the Department in the various centres, and also on to the experimental farms, or wherever any accounts in connection with the Department are kept, and examine these accounts and report to the Secretary. He has, however, no authority to put anything right if he sees it wrong, or to give instructions of any kind. He has merely to report to Wellington, and the necessary instructions are given from there.

Each of these separate officers in the various districts is supposed to get whatever clerical assistance he wants from the District Agent or his staff, but in practice the whole arrangement appears to work out in a very unsatisfactory manner. In each district there is a large staff without any local head, and while they are supposed to work together they do not do so, and there is friction and complaint all round. The outside men complain that they get no assistance from the District Agents' staffs and have to do their own clerical work. The District Agent complains that he has no authority to do anything for, or to give any information to, the public if they make inquiry, where the matter of the inquiry relates to the work of any of the other officers in the district. We are quite satisfied that the whole arrangement

is not working for the good of the Department. We did not meet a single officer who had anything but complaint to make of the system. The control in Wellington is too far removed, and even when instructions come from there they come from five different officers—that is, the four Directors of Divisions, who each communicates direct with his own division, and the Secretary's office, which communicates with the District Agents; and the result is that control is not only too far removed, but there is no unity about it. The Stock Inspectors in the various districts have very large areas to cover, and have sometimes to travel from 150 to 200 miles to attend to some unimportant matter which could be equally well attended to by the Noxious Weeds or Rabbit Inspector on the spot if the two divisions were working together; but none of the divisions appears to have any power or inclination to do anything for the others. The whole Department requires to be rearranged. It was a difficult matter, in the short time that we had available, to go closely enough into matters to recommend a definite system of organization, but we would suggest something on the following lines:—

The control of the whole Department should be under some man who has had practical outside experience of the working of the different divisions, and who is also a good organizer. Clerical knowledge alone is of little use for this position; a man must have had outside experience as well. The Live-stock and Meat Division should be enlarged by absorbing all the Rabbit and Noxious Weeds Inspectors, who could then be made to do a certain amount of the less important details that are now attended to by the Stock Inspectors, thus saving the Stock Inspectors from a lot of the useless running about that is now done. The Rabbit Inspectors could, in fact, be Assistant Stock Inspectors as well. This would mean that the Director of the Live-stock and Meat Division would have under his control the whole of the outside inspection staff, except the experts working for the Dairy, Experimental Farms, and Orchards Divisions.

The office of District Agent should be abolished, and in its place a man should be appointed who would have charge of the whole district. He should be a man chosen for his qualities for organizing and controlling men, and he should work directly under the Director of the Live-stock and Meat Division, who would act under the instructions of the Secretary. He would control, in addition to the district clerical staff, all the Stock, Rabbit, and Noxious Weeds Inspectors, also the Veterinarians and Meat Inspectors in his particular district, and they would all correspond with him, and he would be the only one in the district connected with that division who would correspond with Wellington. The Director of the Live-stock and Meat Division might be a trained Veterinarian or he might not. It seems to us that it would not be necessary for him to be the former. His chief qualifications should be organizing and general ability for directing and carrying out work and controlling men, and a general all-round knowledge of the work of the Department. If a Veterinarian had these qualifications there would be nothing to prevent his taking the position; but if a Veterinarian were not available with the necessary qualifications, then the position should be held by a man who had them, and the same thing would apply to the men in charge of the various districts.

The Fields and Experimental Farms Division with the work of Rabbit and Noxious Weeds taken off it would be cut down very much. The Director of this division would merely have to attend to the work of experimental farms and the various other duties that we have already set forth as belonging to his division. A man to hold this position ought to be a thoroughly trained agricultural scientist, and if a man of this kind were obtained we do not see why he should not absorb the Orchards, Gardens, and Apiaries Division as well as his other duties.

The Dairy-produce Department could remain as at present.

We think that if an arrangement on something like the foregoing lines were adopted it would result in greatly increased efficiency and, ultimately, in a considerable saving to the Department. If the Stock Inspectors and Rabbit and Noxious Weeds Inspectors were working together as one force, we think there could be a considerable reduction in numbers, and certainly a very large reduction in travelling-expenses.

If an Act were passed making rabbit-netting a legal fence, so that any one putting up a rabbit-proof fence could claim half of the cost from his neighbour, it

would, we feel certain, in time enable a great reduction to be made in the number of Inspectors now employed in dealing with the rabbit nuisance. At the present time rabbit-netting is not a legal fence unless the man erecting it can prove that his neighbour is receiving a benefit from it; and even where it is certain that this can be proved a man does not care to start a lawsuit with a neighbour, and will put up with trouble and inconvenience rather than do so. Even under present conditions a very large mileage of rabbit-proof fencing has been erected during recent years in rabbit-infested districts, and if rabbit-netting were made a legal fence it would result in an enormous increase in the mileage erected, and as properties were netted in Rabbit Inspectors would become less and less required.

We think, too, that a saving could be effected in the cost of the Veterinary service—and not only a saving in cost, but an increase in the efficiency of the service—if, instead of having quite so many paid Veterinarians, merely enough were employed to act as Supervising Veterinarians, and a scheme were adopted for subsidizing veterinary surgeons to take up practice in the various country districts throughout the Dominion. Veterinary surgeons could be appointed to various country centres at a subsidy to start with of, say, £150 a year, gradually reducing it to, say, £100 a year, and they could make as much more in addition to this as they could obtain by private practice. In return for the subsidy they would have to do such work as the Government required under the directions of the Supervising Veterinarians, and would have to charge fees not exceeding a fixed maximum scale of charges to the public for the work they did in their private practice.

If the foregoing arrangements were carried out, it would mean that the Agricultural Department would have as its head a thoroughly practical man who would be Under-Secretary. His chief officer would be the Director of Live-stock and Meat Division, who would control much the largest staff, and also all those in charge of the various districts. It might be better, in order to give him more authority, to call him Assistant Secretary, which would mean that in addition to his own special branch he would have control of the whole Agriculture Department during the absence of the Secretary. This would then just leave as the Divisional Directors the Fields and Experimental Farms Division (assuming that it absorbed the Orchards, Gardens, and Apiaries Division), and also the Dairy-produce Division.

We do not say that this is the best organization possible, but from what we have seen we have no hesitation in saying that the present organization is quite unsuitable to the requirements of the Department, and the whole matter should be gone into thoroughly without delay.

Another point that we think worth consideration in connection with this Department is the question of obtaining qualified officers to keep up the large staff of experts required. The Veterinarians, Meat Inspectors, Stock Inspectors, Fields Instructors, Rabbit and Noxious Weeds Inspectors, Orchard Instructors, Dairy-produce Graders, Dairy Instructors, &c., are all men requiring more or less expert knowledge. They form a large body of men, the number employed at the present time being no less than 274. Quite a number of fresh men have to be taken on every year to keep up the staff. Now, that the Department has several experimental farms in going order, we think it worth consideration whether it would not be advisable to start a school at one of these farms to train young fellows for these positions. Men receiving a training such as a school of this kind would give them, and afterwards acquiring practical knowledge in the work of the Department, would prove more valuable and efficient officers than many of the untrained men whom the Department has now to employ can ever hope to be. Besides this, young fellows trained in this way should be able to pass the Junior Civil Service Examination and thus become qualified for any position in the Service. If this could be carried out it would reduce to very small dimensions the number that would require to be appointed as experts.

The Tourist Division is at present attached to this Department. It employs a staff of 129 in addition to the 392 that were mentioned as being attached to the Agriculture and Commerce Department. As we have already indicated, we cannot see that the Tourist Division has any relationship to the Agriculture Department, and we think that it should be detached from it.

PUBLIC WORKS.

This is another of the large Government Departments. It has a permanent staff of 455 members divided into two main divisions Technical and Clerical. The former comprises the officers engaged upon railway and general construction works, Road Engineers, and the recently created Electrical Branch. There is also the Architectural Branch, consisting of fifteen officers at the Head Office, and a few located in the principal district offices. The Clerical Division comprises those engaged in keeping accounts, conducting correspondence, maintaining records, and carrying out details in connection with the acquisition of land required for public purposes. This latter includes the taking of land under the Public Works Act for local bodies as well as for the Government. The Department's most, important function in recent years has been the construction of railways to facilitate settlement in the more remote parts of the Dominion. At the present time railway-construction is in progress at seventeen different points. The construction of roads and bridges has occupied the attention of the Department since the taking-over of the Roads Department in 1908. The development of electrical energy from water-power is in progress on a large scale at Lake Coleridge, and other schemes of a similar nature for other parts of the Dominion are in contemplation. The erection of public buildings has always been one of the Department's functions, and its officers attend to repairs, alterations, and maintenance of the buildings after they are erected. A scheme for the irrigation of about 25,000 acres of land in Central Otago is under way, and similar schemes, both on a larger and smaller scale, have been investigated. The Department examines all proposals for the installation of tramways, electrical and otherwise, before they are authorized by Order in Council in accordance with the law, and also examines the tramways themselves on completion, and all the rolling-stock thereon, and certifies to the same being safe and fit for traffic. It also supervises all electric light and power undertakings. The Department prepares and lets contracts (generally with a three-years' currency) for the supply of stores (iron-mongery, oils, explosives, &c.) required by all Government Departments, except the Railways, and also arranges for cartage work, cleaning, and scavenging as required.

The head of the whole Department is the Under-Secretary for Public Works. The staff, both technical and clerical, is chiefly trained in the Department itself, most of the officers entering as cadets in either one branch or the other, although, as in the other Government Departments, a certain number have in the past entered by other doors than through the Civil Service list. The system of training its own Engineers seems to work fairly well, although we got evidence from the engineering side of the Department that it would be better to recruit the staff of Engineers from the students who had passed through the School of Engineering at Canterbury College. The evidence we refer to was to the effect that the Department would be likely to obtain in this way men better suited for Engineers, because it would be hardly likely that a man would be able to qualify himself through the College unless he were adapted for engineering. The engineering examinations at Canterbury College are very stiff, and unless a man had natural qualifications and energy for study he would not get through them at all. By selecting Engineers from these students it was thought that a more capable set of men would be obtained than would be possible by merely getting Junior Civil Service cadets and training them in the Department. This is a point upon which we do not care to give a definite opinion, but it is a matter worth further inquiry.

Besides the Head Office in Wellington, there are district offices at each of the following places: Auckland, Tauranga, Gisborne, Napier, Stratford, Wellington, Blenheim, Nelson, Westport, Greymouth, Christchurch, Dunedin, and Invercargill. Each of these offices is in charge of an Engineer called the District or Resident Engineer. The Engineer-in-Chief is located at the Head Office in Wellington.

The weak spots in the organization, to our mind, are—

- (a.) The continual referring of small details to the Minister of Public Works, and to Cabinet;
- (b.) The necessity for constantly referring small matters from the district offices to the Head Office; and
- (c.) The want of touch between the Engineer-in-Chief and his subordinate Engineers.

Taking these weak spots in the order in which we have mentioned them—

(a.) The continual referring of small details to the Minister of Public Works and to Cabinet: All sorts of minor details have to be referred by the Under-Secretary to the Minister, and often by the latter to Cabinet. For instance, although the various works and the expenditure in connection with same have been authorized by Parliament under the appropriations for the year, the Under-Secretary has no power to authorize the expenditure of any money at all until he has got the approval of the Minister, and it has become the practice to limit the Minister's approval to £250, and anything beyond that cannot be authorized without the approval of Cabinet. This causes endless delays, especially when, as is often the case, Ministers are all over the country, and it is almost impossible to get a Cabinet meeting. Hampers of papers have to be continually sent all round the country to catch Ministers. It would save an immense amount of delay and the time of the Under-Secretary and other officers of the Department, and also the time of the Minister of Public Works and other members of the Ministry, if, after the appropriations have been passed by Parliament, and Cabinet has authorized any particular work to be gone on with, the expenditure was left to the Under-Secretary, at all events up to a reasonable amount, and he could make a schedule from time to time of the amounts he had authorized and send this on to the Minister and Cabinet, so that they might know what is being done.

(b.) The necessity for constantly referring small matters from the district offices to the Head Office: Here again more responsibility should, we think, be thrown on to the District and Resident Engineers in charge of the various district offices, and they should not have to refer to Head Office so many matters as they now do. As an example of this, the Department, amongst its other duties, attends to the maintenance of public buildings, which are continually needing repair. If additions, say, to the extent of £100 have to be made to a building in Auckland, the procedure is for the Building Inspector of the district to report on them to the District Engineer at Auckland, and furnish an estimate of the cost. That is referred to the Head Office in Wellington, and authority requested for expenditure of the amount. When the Head Office replies approving of the work and authorizing the expenditure, the Auckland Office then has to draw up plans and specifications of the work in duplicate and send these to the Head Office in Wellington for approval. When the plans and specifications are approved they are returned to the Auckland Office, which is authorized to call for tenders for the work. After the Auckland Office has received the tenders they are referred to the Tenders Board in Wellington, which opens them and submits them to the Head Office in Wellington, which then instructs the Auckland Office to accept one, and the contract is then signed and the work can be proceeded with. Procedure of this kind causes a great deal of delay and takes up a lot of time in both the district office and the Head Office. If the District Engineer is fit for his position he is fit to deal with matters of this kind, after once getting authority from the Head Office, without having to refer them back so many times. If he is not fit to deal with matters of this kind upon getting the first authority, then it seems to us that he is not fit for his position at all.

(c.) The want of touch between the Engineer-in-Chief and his subordinate Engineers: This, to our mind, is a very weak spot in connection with the carrying-out of the works on which the Public Works Department is engaged. The present procedure is that the District Engineer, and in fact all Engineers, correspond direct with the Under-Secretary on engineering matters as well as on other matters. The Under-Secretary, the Assistant Under-Secretary, or Chief Clerk, as the case may be, refers such matters as he thinks fit to the Engineer-in-Chief and gets his opinion, and then he drafts the reply himself and sends it to the District Engineer without further reference to the Engineer-in-Chief, who not only does not sign any letters, but never sees them after they are written, unless he specially asks for the file to see what has taken place. The course that a letter on an engineering subject takes at the present time is as follows: An Engineer may write for engineering advice on any matter to the Head Office, and under present office instructions this has to be addressed to the Under-Secretary. The letter when received at the Head Office is opened by the Record Clerk and recorded, referred to the Chief Clerk, then to the Assistant Under-Secretary, who, if the matter is important, refers it to the

Under-Secretary, and it may then go to the Engineer-in-Chief for his opinion to be noted on the letter. After this is done it is returned to the Under-Secretary, who refers it to the Correspondence Clerk to draft a letter, which after being drafted is sent either to the Under-Secretary or Assistant Under-Secretary for signature. Then the letter is posted to the officer asking for the information. Every Engineer with whom we came in contact condemned the practice, which they said not only caused endless delay, but resulted in many of the instructions they received in technical matters being inadequate, as they were drafted by clerical men who had no particular knowledge of the matter in hand. They all wish to correspond with the Engineer-in-Chief and get his replies direct on technical matters. We received this evidence not only from various Engineers, but it was supported by clerical evidence from the district offices; and it certainly seems to us that, from a business point of view, the Engineer-in-Chief, who is or should be responsible for the manner in which engineering matters are carried out, is the right man to give the instructions to the subordinate Engineers. It is quite right that the Under-Secretary should be the business head of the Department and should give his instructions to the Engineer-in-Chief as to what should be done, but having issued these instructions it should be left with the Engineer-in-Chief to pass them on in the proper manner to the subordinate Engineers. We understand that the present system has been in force only for something under eighteen months, but the sooner the practice of allowing the Engineer-in-Chief to instruct his subordinates is reverted to the better it will be for the efficiency of the Department. Not only does the present system mean delays, but it has created a feeling of soreness throughout the whole engineering staff of the Department, which must affect the efficiency of the Department's work.

During the course of our inquiry a great many opinions were submitted to us on the question of whether it is better for the Public Works Department to carry out the construction of railways, or whether these railways could be more efficiently and economically built by the Working Railways Department itself. Opinions are very contradictory on this point, but the weight of the evidence that we obtained certainly seemed to show that the railways are better constructed by the Public Works Department, as at present, always provided that the Public Works Engineers consult the Railway Engineers about the construction of new lines in order to meet their requirements as far as possible. It appears to us absolutely necessary that these consultations should take place, because when the railways are finished they have to be handed over to the Working Railways Department to operate, and any future work that has to be done in connection with them must be undertaken by the Railway Engineers. As the country has to pay for the work done by both the Public Works Engineers and the Railway Engineers, it is obviously more economical to have them in agreement before the works are started than to have the Railway Engineers making more or less expensive alterations after the lines have been handed over to them.

The question of whether the roads to be constructed in the opening-up of new blocks of country should be made by the Survey Department or by the Public Works Department has already been dealt with by us under the heading of "Lands and Survey Department," and it is not therefore necessary to refer to the matter here.

OTHER DEPARTMENTS.

We do not think that any of the other Departments in the Service require special mention. They all have, to a greater or lesser extent, the defects that are common to the whole Service (which have been gone into very fully when dealing with the whole organization); but except the Departments that we have mentioned individually we do not think that any need special reference.

PART V.—THE PUBLIC ACCOUNTS.

Before dealing with the questions of bookkeeping and accounting we think it advisable, and indeed necessary, even at the risk of trenching upon ground which may not be considered strictly within the terms of our Commission, to make some comments on the manner in which the Public Accounts of the Dominion are framed and published annually.

“The Public Accounts of the Government of New Zealand,” as presented to both Houses of the General Assembly by command of Your Excellency, comprise a series of statements known as “B.-1,” which are ultimately bound up together with various other accounts and form that portion of Volume II of the “Appendix to the Journals of the House of Representatives” described as “B-Finance.” Our remarks as to these accounts are based upon a somewhat careful examination of the statements published for the year 1910-11, the complete accounts, and the Budget for the year ended 31st March, 1912, not being available at the time of our investigation, or when drafting this report. We are, however, dealing with the form and not with the figures of the statements. In the Appendix for the year 1910-11 the B accounts cover some 629 pages, and it may be well that we should describe briefly what these contain.

B.-1 is the important section described as “the Public Accounts,” and for the year in question comprised 130 pages containing seventy-nine statements of accounts. These are divided under the following titles, although the divisions named are not strictly adhered to, viz.: General Balance-sheet; Consolidated Fund; Public Works Fund; Other Accounts; Sinking Funds; Public Debt.

The General Balance-sheet (pages 5 to 11) is better described by the sub-title “Summary of Transactions,” and comprises four statements showing—

Pages 6-7: “Cash Accounts,” being the opening and closing balances of some thirty funds and accounts, with the totals of the Dr. and Cr. transactions for the year. These are balanced by a similar table dealing with the respective bank accounts (numbering sixteen).

Page 8: (1) A Summary of the Balances of Cash Accounts on 31st March, 1911 (already shown in the last columns of the two statements (1)); (2) the Interest and Sinking Fund Remittance Account.

Pages 9-10: “Accounts relating to the Public Debt” (being a similar summary of balances and total transactions).

Page 11: A Summary of the Balances on 31st March, 1911; dividing into columns (a) Cash, (b) Advances, (c) Investments, the balances already shown in statements 1 and 2.

The Consolidated Fund Accounts comprise—

Pages 14-15: Receipts and Expenditure on Revenue Account, giving in more detail the transactions summarized on page 6. The receipts include (1) Ordinary, (2) Territorial, and (3) National Endowment revenue, (4) Debentures renewed, and (5) Recoveries of previous expenditure. The expenditure includes (1) Permanent appropriations, (2) Annual appropriations, (3) Transfer to Public Works, and (4) Debentures renewed.

Pages 16-19: Receipts and expenditure on various accounts, such as State Forests and State Coal-mines, which are *not* subsidiary to the former or part of the Ordinary Revenue.

Page 20: “Revenue of the Consolidated Fund” repeats the figures of the ordinary and territorial revenue already given on page 14, except that details are given of the “registration and other fees” (£100,026), a little more detail regarding marine and territorial revenue, and national-endowment revenue (£55,861) being left out.

Pages 21-30: “Detail Statements” of (1) the Miscellaneous Ordinary, and (2) Territorial Revenue, included in former summaries.

Pages 31-77: “Statements of the Disbursements of the Consolidated Fund” give details of the expenditure under different heads, viz.: Civil List; Interest and Sinking Fund (under numerous Acts); under Special Acts (numbering about forty); under Annual Appropriations (in which the net issues are compared with the votes), Votes for Miscellaneous Services (part of the Appropriations) in detail.

Pages 77-121: Statements of Receipts and Expenditure on various accounts, of which the totals are given on previous pages. These statements include, on pages 92-99, the Public Works Fund, divided into—Receipts and Expenditure; Net Issues compared with the Votes; Unauthorized Expenditure; Advances Outstanding.

Pages 124-126: Sinking Fund Accounts.

Pages 127-130: Table of the Public Debt.

Following B.-1 are various statements up to B.-22, which are published either (1) by command of Your Excellency, (2) pursuant to various Acts of Parliament, or (3) to an order of the House of Representatives. These we need not describe in detail, but note the following points, viz.,—

B.-2: "The Appropriation Account," pursuant to section 81, Public Revenues Act, 1910. The whole of these accounts appear in exactly the same form in B.-1.

B.-3: "Civil List," pursuant to section 65, New Zealand Constitution Act.

B.-4: "Unauthorized Expenditure," pursuant to section 54, Public Revenues Act, 1910.

B.-5: "Abstract of the Revenue and Expenditure of the Public Account" (thirty pages), pursuant to section 80, Public Revenues Act, 1910. The whole of these accounts appear in exactly the same form in B.-1.

B.-6: The "Budget." This contains the Financial Statement by the Minister of Finance, which in the year under notice covered thirty-five pages. This is followed by ten tables covering fifty-two pages. Of these Table I (thirty pages) appears in B.-1 and B.-5, and Table 3 in B.-1. The remaining tables, returns, and memoranda appear only in connection with the Budget (B.-6).

B.-7 and B.-7A show the Appropriations chargeable on the Consolidated Fund and the Public Works Fund respectively.

In addition to the B statements there are various departmental accounts outside of the Public Account (sections 86 to 92, Public Revenues Act), to which we shall refer again.

It must be evident from the foregoing brief summary of the Public Accounts that it has not been possible, in the time at our disposal, to obtain a complete grasp of all the details, but we have noted several outstanding features, and arrived at conclusions which we think it well to submit.

We have referred to the fact that the various accounts are published under the authority of numerous Acts and authorities, involving more detail and repetition in different forms than would be deemed necessary in general business accounts. At the same time it is abundantly clear that the published accounts are much more voluminous, and as a natural consequence much more confusing, than need be the case, even under the conditions associated with their publication. The confusion, and indeed the practical impossibility for the ordinary man, whether in or out of Parliament, of thoroughly grasping and understanding the accounts arises from the following causes:—

- (1.) The repetition in identical form of the same tables in different statements. We have shown, for instance, that tables B.-2, 3, 4, and 5 are all to be found also in B.-1. Apart from the confusion arising, the unnecessary cost of printing 1,500 or 2,000 copies of each of these statements must be considerable.
- (2.) The repetition in various forms and tables, with varying degrees of detail, of the same information.
- (3.) The fact that in many tables receipts and expenditure on account of loan-moneys and revenue are shown together.
- (4.) The numerous transfers from one account to another.
- (5.) The fact that, in order to arrive at the exact position or get the full history of any account, it is often necessary to turn to several different tables, such as the Receipts, the Expenditure, the Loans, the Conversions, and possibly others.
- (6.) The further fact that it is frequently only after a prolonged search that the various accounts dealing with the same matter can be made to correspond, and that in some cases they cannot be reconciled without obtaining information that the published figures do not disclose.

Probably the most important and outstanding feature of the accounts, in common, as far as we are aware, with those of most other countries, is that, numerous as they are, they can be divided into two classes only—(1) the "balance-sheets,"

or summaries of transactions, with subsidiary statements in detail of receipts and expenditure, and (2) the tables of balances at the close of the year dealing (a) with the public debt, and (b) with the cash and bank accounts. This means that the whole of them may be described as simply cash accounts.

The term "balance-sheet" as used throughout the accounts is entirely misleading, and at variance with the commonly accepted meaning of the words in business or by mercantile accountants. These statements merely show the balances of various cash and bank accounts at the beginning of the year with the total receipts and payments and the resulting balances at the close. They are summaries of cash transactions, and throw no more light upon the position of the Dominion than similar statements of cash transactions would throw upon the position of a bank or other financial or trading concern. The difference between a "balance-sheet" as understood in the Government accounts and in those of ordinary mercantile concerns gave rise in 1905-6 to prolonged correspondence between the then Controller and Auditor-General and the Inspecting Accountant to the State Coal-mines Department, and a dispute that necessitated a reference to the Public Accounts Committee with the hearing of voluminous evidence.

The term "advances" as used in the statements of balances is also misleading to the ordinary reader, as it represents cash in the hands of imprestees and unexpended, and the title should be altered to make this clear.

Section 48 of the Public Revenues Act requires that moneys received to the credit of any service from the sale of stores, or from charges made for extraneous works or services, and credit made to a service for the purpose of adjusting expenditure between Departments, shall be "appropriated to such service in addition to the vote for the same." Accordingly, in the accounts the method adopted is to deduct these credits from the expenditure, and the balance is shown as *net* expenditure. For the year 1910-11 these credits totalled £743,000, of which probably a considerable amount would be more correctly shown under revenue. The figures appear too large to be the result of services within the wording of the clause.

In the Statement of the Public Debt on 31st March, 1911, we find included with the deductions from the total amount outstanding, in addition to the sinking funds, which are a proper deduction, investments in securities on account of Consols and Reserve Fund, and the Bank of New Zealand shares held by the Government. It appears to us that these investments should appear in a statement of assets, equivalent to the assets side of a mercantile balance-sheet.

As further illustrating the difficulty of interpreting the accounts we may mention one or two instances of real or apparent discrepancies, necessitating inquiry at the hands of officials:—

(1.) In B.-17, issued by the Valuation of Lands Department, the excess of expenditure, or "net cost of the Department," for the year is shown as £885 19s. 9d. In B.-1, taking the revenue (page 20) from the expenditure (page 58), the excess is shown as £831 3s. 6d.—a discrepancy of £54 16s. 3d. The explanation is that in B.-17 fees due but not paid at the balance date are taken into account, while the Treasury accounts only recognize cash. There is also a difference of 10s. in the "recoveries" shown in the two accounts.

(2.) Maori Lands Settlement Act: In B.-1, page 6 (Cash Account), and page 106 (Maori Lands Settlement Account), the Dr. and Cr. transactions for this account are given as £50,700 on both sides, whereas on page 9 (Accounts relating to the Public Debt) the figures are £49,550 on both sides. Inquiry as to the reason for the discrepancy (£1,150) elicited the information that there was more money to that extent in the Cash Account than was required to meet the debentures presented under this Act, and it was disposed of by transfer to the Railways Improvement Account. None of the accounts, however, discloses any evidence of a transfer, and the most careful search would fail to solve the matter, more especially as there is no possible connection between Maori Lands Settlement and Railways Improvement.

(3.) Naval Defence Act, 1909: In B.-1, on page 9, the transactions under this heading show a balance of £823,750, which agrees with the figures in the Statement of the Public Debt on page 130. On page 18, however, the Naval Defence Act Account shows £1,120,250 "received in respect of loan," without any payment or deduction on the other side. In order to account for the difference of £296,500 it is necessary

to turn to page 109, Conversion Account, where we find that Naval Defence debentures to that amount are converted into 3½-per-cent. inscribed stock. There is no indication of this operation in the account on page 18, which should be a complete statement of the account.

(4.) Consols Act, 1908: The several accounts dealing with Consols are most confusing. The Cash Accounts on B.-1, page 7, give the balances and totals of transactions in the New Zealand Consols Account and the Consols Investment Account, while page 118 is a "Statement of Receipts and Expenditure of the New Zealand Consols Account." The balances of the two former accounts agree with the latter, but the transactions for the year differ by £126,055, not included in the "Statement."

Then, B.-16, issued by the Registrar (in compliance with section 7 of the New Zealand Consols Act), purports to be a return of the total moneys received into and paid out of the Consols Account, and of investments made, during the year. This does not agree, except in some of the figures, with either of the accounts in B.-1, possibly because the latter does not contain any statement of receipts and payments on the Investment Account. We are informed also that renewals or reinvestments to the extent of £33,100 are not included in B.-16, while they are in B.-1.

A discrepancy impossible of solution appears between the Statement of the Public Debt on B.-1, page 128, where the balance of Consols outstanding at 31st March, 1911, is shown as £462,166, and B.-10, which is a "Return of all Public Securities" (pursuant to section 101, Public Revenues Act). Turning to the latter to find where the Consols moneys are invested, we find under the heading of "Securities belonging to the Treasury" certain sums marked with a star, which a footnote interprets as "Held on account of New Zealand Consols." These on being totalled fall short of the required sum by some £170,000, and the explanation given verbally is that the stars were put against the wrong amounts.

(5.) The Ordinary Revenue Account (B.-1, pages 14 and 15) includes under both receipts and expenditure debentures matured and renewed amounting to £25,843. As these appear on both sides they do not affect the balance, but if the debentures were paid off instead of being renewed they would reduce the credit balance. It appears to us that they are out of place in the Consolidated Fund (a revenue account), and should be found in the accounts relating to the public debt. This comment would apply even if the moneys were raised to assist or in anticipation of revenue, as by Treasury bills, but the titles of the Acts, "Defence and Other Purposes," and "Dairy Industry," show that they were raised for specific purposes.

(6.) The title of B.-21, "Abstract of Liabilities on 31st March," does not convey the real meaning. It is issued in compliance with section 42, Public Revenues Act, and we understand it to represent the unexpended balances of appropriations, which have lapsed (under section 41), and may be included in the appropriations for the following year. These "liabilities" have no connection with the public debt, nor are they fixed, but contingent upon a fresh appropriation by Parliament. A title such as "unexpended appropriations" would be less misleading than the word "liabilities."

We have mentioned that many of the B returns are prepared under orders of the House, and recognize that this necessitates the publication of accounts and returns that are often valuable, and give information not supplied in the regular statements. At the same time some light is thrown on the value or otherwise of some of these when we find reports such as the following in the Appendix for the year under notice. The return itself occupied one line, and the head of the Department attached a copy of a report "on a similar return supplied for last year, which applies to this return also," as follows: "I should like to point out that although the return is strictly in accordance with the wording of the order of the House, yet I do not think the result warrants the labour entailed in the preparation. . . . It has cost the Department a considerable sum to take out this return, and I have grudged the time spent on it when other work is in arrears."

We have now sufficiently illustrated our contention that the accounts are unnecessarily voluminous, complicated, and confusing, and proceed to offer some further comments and suggestions.

We are not prepared, without spending a much longer time on the accounts than is now possible, to enter into details to any extent, nor do we claim the right to make dogmatic assertions as to the weaknesses of a system which is the result

of the growth of years of experience. We fully recognize that the framers and compilers of the accounts are hedged about by Acts of Parliament, which necessitate certain forms, as well as by the essential differences between the public business of a country and the private business of a company or individual. At the same time we submit with all confidence the impressions made upon us by the accounts as we find them, and the conclusions we have formed as to what is required by way of improvement or substitution. It is clear to us—

- (1.) That there is no reason why, even with the present system, the accounts should not be very much reduced in volume.
- (2.) That the order in which the various accounts appear, the fact that the connection between one account and another is seldom indicated, the numerous transfers, and especially the discrepancies between statements that deal with the same transactions, render them exceedingly confusing, not only to the ordinary reader, but even to members of Parliament and of the Service, who have to refer to them for information.
- (3.) The very important fact that, voluminous as they are, the accounts are simply records of cash transactions and statements of balances in different forms, that give a very incomplete and misleading impression of the progress or position at any given date of the finances of the Dominion.

It is not a little surprising to find that the form of accounts now in use has been so practically from the foundation of the colony, and we have not infrequently in our investigations, when asking for explanations of, or reasons for, certain methods of returns, been met with the answer, "Well, it has always been so." That is scarcely a sufficient reason, and has long been abandoned under the pressure of competition in business.

It is very interesting to find that in 1888 the late Mr. James Edward FitzGerald, with the assistance of Mr. P. Webb, prepared an analysis of the total revenue and expenditure of the colony from 1832 to 1888. This compilation (B.-12 of 1888), upon which he says "much time and labour have been bestowed," could with infinitely less trouble—because the later records are complete—be brought up to date, and would form an excellent basis as the starting-point for a new system of book-keeping and accounts, should that be decided upon at any time. Although headed "Balance-sheets of the Colony," it admirably fulfils its declared object—viz., "to present in the simplest form an account of the moneys actually received and expended in each year," showing the excess of receipts or payments. No statement could be more clear and simple. The form of account adopted by Mr. FitzGerald was that of the quarterly account of the Exchequer in England.

All that has been required in the accounts of the Governments of most countries in the past has been to record the collection of revenues and taxes, and the manner of its expenditure; or, in other words, a cash account, together with a separate statement of indebtedness. As far back as 1888, however, Mr. FitzGerald pointed out that "Public Accounts are of necessity more or less complicated, and are not readily understood except by those who have made them a study. This arises partly from the necessity of showing the expenditure as balanced not only with the receipts, but also with the authority under which the expenditure is made—that is, with the votes of Parliament." He says, further, that "The Public Accounts have been rendered additionally obscure by the frequent occurrence of advances and transfers from one account to another." If these remarks were true in 1888 they must be much more so to-day, when, in addition to the difficulties mentioned, we have those arising from the vastly extended functions of Government. The keeping of the accounts still in the same form has resulted in their being "not readily understood" even "by those who have made them a study."

The fact that the Government of this Dominion has entered upon a number of trading and business ventures in the interests of its people has necessitated that the accounts of these particular Departments (to which we shall refer later) should be so kept as to show the profit or loss made each year, and the position at each yearly balance date. That an effort was made to keep even these accounts in the "straight-jacket" of cash records is made evident by the fact that more than once the

difference between responsible officers as to the forms of account have been referred to the Public Accounts Committee. The Appendix for 1905, Volume V (I.-11B), records very voluminous evidence on the whole question of the form of balance-sheet issued by the Superintendent of the Advances to Settlers Office, which the Controller and Auditor-General contended was not the balance-sheet "required by the Act." The evidence led Sir W. R. Russell to ask, "Would it not be possible for the Audit Department and the Advances to Settlers Department to agree on some form of balance-sheet which would be intelligent to Parliament and themselves?" The Committee decided that "The balance-sheet as submitted gives a clear statement of the position of the Department," but that "there exists no tribunal to which the dispute between the two officers in question can be determined," and that legislation was required. The Superintendent contended that his was "the only balance-sheet that can show the true position, and that any other would not be true." The result has been that the accounts of that Department and others have been framed on the lines required by the Superintendent, and agree with commercial accountancy practice.

We are strongly of opinion, however, that the time has now arrived when not only the accounts of the trading Departments, which are kept "outside the Public Account" (see Part X of the Public Revenues Act), but the revenue and expenditure accounts of the Consolidated and Public Works Funds, constituting "the Public Account," should be put upon such a system as regards book-keeping as would result in the "General Balance-sheet" of the Dominion (B.-1) presenting a real balance-sheet, and disclosing the actual position of the country's finances. The late Mr. FitzGerald desired to arrive at something of this sort, as shown by the report of 1888 to which we have referred. After explaining the origin and history of the Consolidated and Public Works Funds, he states that he has deliberately avoided the debatable question of "what should be regarded as ordinary expenditure, and what such as might be legitimately charged against loans," adding that part of the moneys raised to supplement revenue by means of Treasury bills had since been funded and added to the permanent debt. The difficulty of separating these prevented Mr. FitzGerald from doing more than we have explained.

The question of preparing "a balance-sheet showing the position of the colony" was mentioned more than once during the evidence given before the Public Accounts Committee in 1905 and previous years. The Controller and Auditor-General (Mr. Warburton) is reported as having said that if such a balance-sheet were supplied "it should be supplied independently or separately without my certificate, until an Act of Parliament required such a balance-sheet to be certified by me." His quite proper contention was that he was only required to see that the published accounts were in accordance with the requirements of the law. We recognize that no material alteration of system can be made without amending or fresh legislation, but that aspect of the matter does not concern us, our object being to suggest for consideration desirable alterations, leaving to others the question of what legislation may be necessary to give effect to such recommendations.

We venture therefore to assert that, while there are undoubted difficulties and considerable labour involved in any alteration of the present system, these difficulties will not be lessened, but greatly increased, by further delay in facing the question. We think, further, that even if the system we suggest be not in use in any other country, New Zealand should not be deterred simply for that reason from making an advance in the matter of Governmental accounts. The fact that the accounts of this and other countries are so arranged as to be beyond the grasp of ordinary intelligence, at least without prolonged study, is sufficiently notorious, and did not require our investigation to demonstrate. There appears to us, always allowing for the special and peculiar requirements which differentiate Government business from all others, to be no adequate reasons why the accounts should not be made to conform in the main with general usage, and certainly with the recognized principles of accountancy. The first of these, without which no business of any magnitude would in these days conduct its accounts, is that known as "double entry."

This brings us to the recommendation which we venture to submit—viz., that, using as a foundation (1) an analysis of the receipts and expenditure on the lines completed by the late Mr. FitzGerald up to 1888 brought up to date, and (2) the

latest published B papers, a Balance-sheet of the Dominion as at 31st March next should be constructed. This would allow time for the necessary preparatory work, which would involve the detachment of officers from other duties for the purpose, and the Balance-sheet when completed would be used as the basis of the opening entries required for the new accounts.

This Balance-sheet should show on one side the liabilities of the Dominion as now set forth in the Statement of the Public Debt, together with such of the "liabilities" at present shown in B.-21 as are actual, leaving for a subsidiary statement such as are merely contingent. The "assets" side of the sheet should be divided into at least three parts, viz.: (1) The balances of those accounts of expenditure which represent actual or realizable values, such as investments, Bank of New Zealand shares, estates, Departmental Buildings and properties, with the capital invested in the Railways, Insurance, Advances, and other business Departments; (2) those accounts for which no such values can be given and that may be termed "book assets," such as Maori war, various works, and other not directly remunerative loan expenditure; and (3) the balances of unexpended loan-moneys and revenue in the Public Account. Items on both sides of this sheet would require to be supported by subsidiary statements giving details which could not be set out therein, and to which references could be made, "(as per details on folio —)."

No "Profit and Loss Account" is, of course, possible in accounts which deal only with the receipt and expenditure of loan-moneys and revenue, but the Balance-sheet would be further supported by Statements of Receipts and Payments, say, on account (1) of loans, (2) of the Consolidated Fund, (3) of the Public Works Fund, and (4) any others necessary, on much the same form as now appearing in B.-1. The balances of these accounts would agree with the balances shown on the assets side of the Balance-sheet, and so would present a complete and connected record of the position of the Dominion at the balance date.

In addition to these Statements of Receipts and Payments, there would also be continued as at present the publication of separate balance-sheets for each of the business or trading Departments, the totals only of the liabilities and assets each appearing in the General Balance-sheet.

The adoption of the foregoing scheme of accounts would mean that, however voluminous the statements might become owing to the expansion of existing, or addition of new, Departments, they would all concentrate upon, and be clearly referred to in "General Balance-sheet of the Dominion." In this principal sheet the position could be clearly seen and compared with previous years, and any one interested in, and desiring fuller details regarding, particular items of revenue or expenditure, or the balance-sheets of various Departments, could readily turn to these for such. It would also mean that instead of the brief certificate "Audited and found correct," which he now attaches to the statements he audits, the Controller and Auditor-General would be able to certify, as the law requires the Auditor of the accounts of a public company to certify, that the balance-sheet is properly drawn up, not only in conformity with the requirements of the law, but "so as to exhibit a true and correct view of the Dominion's (or Department's) affairs."

The only difficulty, as distinguished from mere work, involved in giving effect to this proposition would be in the compilation of the first balance-sheet. As already indicated, the expenditure out of borrowed money and revenue cannot now be shown separately, and therefore the assets of the Dominion could not be accurately divided on that basis. We believe, however, that the records would be found to indicate approximately the expenditure on unremunerative, or what we have termed "book," assets, regarding which the cost, and not values, is all that is required; and that as regards the assets of value, where the actual expenditure thereon could not be ascertained with certainty the Valuation and Public Works Departments could advise the Treasury as to the present values and the account opened upon that basis. We desire in this to clearly distinguish between the assets of trading Departments, which should be taken in at actual values—with depreciation written off subsequently as required out of profits—and the assets resulting from the expenditure of the public funds, which should be taken in at the amounts actually expended thereon. When all of this has been done, it would doubtless be found that the assets do not balance

with the liabilities to bondholders and the unexpended revenue, but the difference could be treated as an asset and defined as "miscellaneous expenditure" in order to establish a balance. The difficulty here referred to, having once been got over, would not recur in the future, as the system would work smoothly, both receipts and expenditure being properly allocated as the transactions occur.

So far as we can judge, the accounts of all Departments except two should be incorporated in this Balance-sheet, these two being the Life Insurance and the Public Trust Offices. In the case of the former, the only liability is to the policy-holders, and of the latter to the various estates and trusts, and in neither case is any addition to the public debt of the Dominion involved. Inasmuch, however, as the country has a contingent liability as guarantor to both capital institutions, we would show at the foot of the Balance-sheet a memo. of "contingent liabilities," without any figures, such as in connection with the Government Life Insurance Department, the Public Trust Office, and the Bank of New Zealand, leaving the separate balance-sheets of these institutions to disclose the extent of such contingencies. In the case of the Public Trust Office the properties or any other investments of the accumulated profits are the property of the Dominion, but that fact is sufficiently obvious, and the values are shown in the balance-sheet of the office.

It may be argued that as far as the administrative Departments are concerned the form of accounts advocated is unnecessary and superfluous, and that the system of recording revenue and expenditure and the amount of the public debt meets all requirements. We have, however, shown that that system (which may be correctly described as a glorified Cash Account) has become cumbersome and complicated, and that the form we suggest would show (1) exactly what has been done with the borrowed moneys and the revenue from the beginning of the Dominion's history, (2) the position of each of the trading or business Departments, and (3) the profit or loss made by each to date and annually; and we venture to say that this cannot be done under the present system. We believe that it would prove of the greatest value and interest, and save an enormous amount of the discussion that now centres round the accounts as published.

In the event, however, of it being deemed inadvisable or unnecessary to make the complete change in system which we think so desirable, we most strongly urge that modifications of the present system should be instituted so as to remove the anomalies to which we have already referred. These are mainly as follows:—

- (1.) That the number of accounts published separately and also included in B.-1 should be largely reduced, thereby saving trouble and expense. We are, of course, aware that these statements are published under the provisions of various Acts, but, so far as we can discover, the law does not require that they shall be published separately, and would be amply complied with by their inclusion in the one volume only. In any case, laws can be altered to meet requirements.
- (2.) That in B.-6 (the Budget), and other statements where it is thought desirable to refer to accounts already set up and published, the object can be as well attained by a reference to these accounts as by publishing them in full several times.
- (3.) That all subsidiary tables should be clearly referred to by numbers in the principal accounts.
- (4.) That loan transactions should not appear in revenue accounts (see B.-1, pages 14-15), but be shown in separate statements.
- (5.) That *all* transfers from one account to another should be shown and stated so that they can be readily traced, which would be assisted by their being italicized.
- (6.) That the conversion operations should be shown in the loan accounts affected thereby; and
- (7.) That care should be taken that every account published should harmonize with the figures shown in the principal statements, and, in order to bring this about, that all statements should be subject to audit before publication. At present some various statements, in order to comply with clauses in different Acts, are compiled by the Departments, but are never submitted to the Treasury nor to Audit, and naturally discrepancies result.

If the foregoing suggestions are acted upon, they would go a long way towards making the statements clearer and more understandable.

We venture further, as laymen, to suggest that, either by addition to the Public Revenues Act, or preferably by a separate enactment, the various provisions of the law relating to accounts and their publication could be consolidated, instead of scattered as at present, through various Acts.

As already mentioned, there are a number of *accounts outside of the Public Accounts*, and to these we must now make brief reference. In most of the trading Departments profit and loss accounts are kept and balance-sheets prepared, which comply, in the main, with recognized principles.

The revenue accounts and balance-sheets of the *Life Insurance Department*, and its *Accident Branch*, are very full and clear, and published in the proper form, as usual with other similar institutions. They therefore call for no criticism or further comment. The same may be said as regards the *State Fire Insurance Office*.

The *Public Trust Office* accounts (B.-9), as published in pursuance of section 39 of the Public Trust Office Act, 1908, consist of a "Balance-sheet," Statement of Assets and Liabilities, Profit and Loss Account, and three subsidiary statements. The criticism already offered as to the "balance-sheet" in B.-1 applies also to the first of these statements. It is only a balance-sheet in the sense of being a statement of balances, and is in reality a summary of the totals of book entries and consequent balances. It differs from the "General Balance-sheet" in B.-1, pages 6-7, in that it is not merely a "summary of transactions" in cash accounts, but of the entries made in both cash-books and journals throughout the year. In this respect it appears to be on exactly the same lines as the "balance-sheet" issued by the Post Office. This form of account is the result of an endeavour Departments are compelled to make to carry out the provisions of Acts which (see Public Trust Office Act, 1908, section 39) require balance-sheets to set forth "the total receipts and expenditure." The statement as published, however, is not confined to this, as is shown by the inclusion in it of "General Investment," "Special Investments," "Suspense," and "Reserve" Accounts. It may be thought desirable and interesting to publish the information in such form, but the title "balance-sheet" should be reserved for the "Statement of Assets and Liabilities," which is a balance-sheet in proper form.

The "Profit and Loss Account" bears the sub-title "Summary of Revenue and Expenditure." Obviously both cannot be correct. On examination it appears to show a small loss for the year, until we find that it is debited with "profits invested," and transfers to "Assurance and Reserve Fund," and "Investment Fluctuation Account." The investment of profits should not be charged to Profit and Loss, and the transfers to Reserves should be made after the balance of profit, or the surplus revenue for the year, has been brought down. The result of the debits to Profit and Loss is the creation of an account, "Profits invested," which appears as a liability and is in reality a capitalization of profits, with which quite correctly a Capital Account could be opened. The history of the "Profits invested" Account is that it was opened in March, 1910, being brought into the books by journal entry as a liability against the asset represented by freehold premises and furniture. Previous to this these properties, when purchased, had been charged to Profit and Loss, and so disappeared entirely from the books and accounts. This was clearly wrong, and the matter was adjusted in 1910 as described. Now, a similar entry is made annually transferring from Profit and Loss to "Profits invested" an amount equal to the addition to properties during the year. The difference between the two sides now existing has been occasioned by writing down the properties for depreciation.

The items "valuation fees," and "fees, rates, and premiums," which appear on both sides of the Profit and Loss Account, represent amounts collected on behalf of, and paid over to, the Valuation, Insurance, and other Departments, and have no connection with Profit and Loss. The balances, if any, in these accounts should appear in the balance-sheet as liabilities.

The Public Trust Office Act (section 40, subsection (3)) provides for the retention of one-fourth of the profits as an "Assurance and Reserve Fund," and empowers the Minister of Finance to direct the Public Trustee to pay the remaining three-fourths into the Consolidated Fund. In accordance therewith sums have been paid over amounting in 1889 to £18,000, and in 1905 to £20,000. Presumably the anxiety of

the Public Trustee to retain his funds led to the charging of capital expenditure against profits. This is not surprising when we find that, satisfactory as the results of the business have been, the reserve funds, and profits invested and uninvested amounted, at 31st March, 1911, to rather under 3 per cent. of the liabilities to sundry estates and funds. As pointed out elsewhere, the investment of trust-moneys in a "Common Fund," for any loss on which the State is liable, represents a very real possibility of loss, and this should be adequately provided against. It is not possible to separate the liability to loss on trust investments from that on those of the Office itself, and it is highly desirable that the reserves should be strengthened as much as possible so as to interpose between the State and its contingent liability a fund that makes it practicably secure. Until this is accomplished we are of opinion that no further transfers to the Consolidated Fund should be entertained.

We advise, therefore, as to these accounts—

- (1.) That the present balance-sheet should be abolished, or at least given a title that describes it correctly.
- (2.) That a balance-sheet should be substituted for the present Statement of Assets and Liabilities.
- (3.) That the amount to credit of "Profits invested" should be transferred to a Capital Account, together with transfers of such further sums from the Profit and Loss balance as may be deemed advisable until a capital adequate to the business has been built up. There is no necessary connection between the "Profits invested" and the property accounts.
- (4.) That the Profit and Loss Account be divided into either "Revenue and Expenditure" and "Profit and Loss," or "Profit and Loss" and "Profit and Loss Appropriation" Accounts: in either case the first to show the profit for the year free from balances and after charging necessary depreciation, and the second the appropriation of such profits to various reserves and the balances carried forward.

In connection with this Department a very important point has been raised. The liabilities to sundry estates and funds as shown in the balance-sheet at 31st March, 1911, amounted to over £4,000,000, since increased to nearly £5,000,000. The investments on account of these various trusts form the "Common Fund," and are included in the assets. These investments, and corresponding liabilities, result only from the realization of estates in the hands of the Public Trustee. In other words, no entries are made in the books or accounts of the Office until an asset is realized or a claim against an estate or trust is paid; and it has been contended that as soon as an estate or fund is placed in the hands of the Trustee both assets and liabilities should be brought into the books and there dealt with on a system of double entry, which would greatly reduce the probability of either being overlooked in the course of realization or distribution. We are in very strong sympathy with any suggestion in the direction of complete double-entry accounts, but in this case have concluded, after careful consideration, that the system in force at present is, as regards the point raised, quite sufficient for the purpose. To introduce into the books and accounts the assets and liabilities shown on the schedules of estates when received by the Office would very largely swell the figures shown in the annual statements of account. The value of the estates in the hands of the Trustee is about double the amount of the figures realized and incorporated in the accounts. But a much more serious result would be the enormous addition to the work of book-keeping, not only through the increase in accounts handled, but because of the innumerable alterations and adjusting entries that would be required. It is practically never the case either that assets realize the exact value placed upon them in the estate schedules, or that the claims of all creditors are settled for the exact amounts originally shown, and if the proposed alteration in system were made, every variation in either of these would require an adjusting entry. At present "Assets and Claims" Registers are kept in which all assets of, and all claims against, estates are entered as soon as the schedules are received. These books are subsidiary to the main books of account, but the account of no estate is closed until it has been seen that every asset or claim entered in such books has been either realized, settled, or disposed of in some way. The matter is one of great importance,

as the fact that the State Office guarantees estates in its hands against loss differentiates its accounts from those of outside trustee companies or individuals; but we are assured that throughout its history so far no claim has ever arisen through the overlooking of an asset, and only a few that were comparatively trifling on account of the omission of a liability. That some errors have occurred is not surprising when the enormous volume of work handled, under pressure, by a frequently inadequate staff, is considered. In view, therefore, of past experience, and the evidence put before us, we are satisfied that what is required is not a change of system involving enormous work, but a continuance of the careful and effective work of check necessary to the present system, which has been carried on up to the present with great credit to the accounting staff of the Office, and the importance of which is fully realized.

The accounts published in connection with the *State-guaranteed Advances Office* are not at all easy to follow. They consist of (1) the Loan Account in B.-1, pages 116 and 117, and (2) the accounts attached to the Annual Report of the Superintendent (B.-13), in accordance with the Government Advances to Settlers Act, 1908, section 64. The difficulties in attempting to follow the accounts are many, and we shall not do more than mention a few points as illustrations. The B.-13 accounts, in order to comply with the requirements of the Act, are an attempt to supply "full and true accounts" (1) "of all moneys received and expended," (2) "of all assets and liabilities," and (3) "of all profits and losses" (see sections 61 and 64). We have here the confusion between "receipts and expenditure" and "profit and loss" which is usually found in the various Acts dealing with accounts. The result is that Statements (1) of Liabilities and Assets, (2) of Profit and Loss, (3) of Interest, (4) of Management Expenses, and (5) of Receipts and Expenditure are given in connection with each of the three branches—viz., Advances to Settlers, Advances to Workers, and Advances to Local Authorities—with three additional statements in connection with the Land for Settlements Branch and the Native Land Settlement Branch, or eighteen statements in all. The difficulty, however, is rendered absolutely confusing when we find that each of these branches makes temporary advances to the others, and the transfers and repayments of these advances enter into all of the accounts.

Glancing at the accounts for the year under review (1910-11), we find that the Loan Account in B.-1 shows as paid over by the Treasury to the Advances to Settlers Office £1,251,135, and to the Advances to Workers Office £41,265. The Statements of Receipts and Expenditure in B.-13 show the receipts on account of loan as £1,351,135 and £141,265 respectively, or £100,000 more in each case. The explanation given by the Office is that in each case the £100,000 has been borrowed and received directly from the Post Office; but a careful search has failed to find anything in the accounts to disclose that fact, which might have been done by the simple expedient of showing the amounts separately in the Statement of Receipts. We are advised that all moneys borrowed by the Department are now raised through the Treasury.

The Statements of Receipts and Expenditure are, in our opinion, quite superfluous, if proper Profit and Loss Accounts and balance-sheets are published, but if they must be made up they should be what they profess to be. In that of the Advances to Settlers Branch under notice, loan and revenue moneys are entered on both sides without the slightest regard to order, and although the statements begin and end with cash balances, the intervening figures contain numerous items which are the result of journal entries, such as, under "Receipts," three different Suspense Accounts, each of five figures, and under "Expenditure" the same three Suspense Accounts, but not the same figures, and a "Profit and Loss Account—Losses on realization of securities." These items are neither receipts nor expenditure, but the Office has adopted the same expedient as other Departments of crowding into this statement the figures of all the accounts of whatever nature kept in the books. A very simple alteration would greatly assist in the disentangling of this mass of figures—viz., to place together in an inner column (1) all those which represent ordinary revenue and expenses, (2) those on account of loans, (3) temporary advances or repayments, and (4) transfers to reserves or similar accounts, and extending the totals of each. This done on both sides would render the account at least intelligible. If it is still thought that the publication of a statement showing

“the whole cash receipts and expenditure during the year” (Government Advances to Settlers Act, 1908, section 64 (e)) is of any value—and, as far as we are aware, it is not so considered in any other financial institution—it should be freed from the loan and transfer figures which now render it so unwieldy and meaningless.

The Profit and Loss Account of the *Advances to Local Authorities Branch* presents the curious anomaly of a considerable debit from interest and a credit of some £1,200 from management expenses. The explanation is that Interest Account for the year showed a loss, and Expenses Account is credited with commission and shows a profit. If the entry to credit of Profit and Loss were stated as “Commissions in excess of expenses,” the meaning would be clear, and puzzled inquiry would be saved.

As regards the *Land for Settlements Branch* and the *Native Land Settlement Branch*, the accounts appearing in B.-1 (pages 94-95 and 102-107) and in B.-13 present such a series of transfers backwards and forwards as to be quite beyond comprehension without considerable explanation by the officers handling them. The reason for this is (again under the provisions of the Act) that the loan-moneys raised for the purposes of these branches are simply passed through the accounts of the Advances Office. To illustrate: In the year 1910-11 the Office, at the instigation of the Treasury, raised £181,600 by way of loan from the Post Office, which it immediately paid out again to the Public Account (or Treasury) to credit of the Native Land Settlement Account. The Office has nothing to do with the spending or administration of this money, which is the business of the Native Department. In the same way a loan of £33,000 was received for the Land for Settlements Branch and immediately paid over to credit of the Land for Settlements Account, the spending of which, with the administration, is in the hands of the Lands Department. These two proceedings are strictly in accordance with the provisions of the New Zealand State-guaranteed Advances Act, 1909, sections 94 and 89 respectively. In the same way sinking fund on these loans payable to the Public Trustee for investment is first received from the Treasury and then paid to the Trustee, and interest-payments passed through in similar fashion. The result of all this, when added to the transfers of temporary advances already mentioned, is not only a considerable amount of work in bookkeeping and in communications between the different offices interested, but the publication of accounts by the Superintendent which cannot possibly be understood by the ordinary reader. The Land for Settlements Account in B.-1 (pages 102-107) shows fully the receipts and expenditure for the year, and the publication in B.-13 of some of the loan transactions which are included in B.-1 is most confusing. In connection with this Department there appears a statement, without any heading, which does not profess to balance, showing “Capital liabilities transferred from the Treasury, 31st March, 1910, £5,874,938,” against which there only appears the sinking fund and its accretions in the hands of the Public Trustee. We notice that similar information is given in a clearer form in the report for 1911-12; but the point to note is that while the Department is charged with a heavy liability there is no corresponding asset, nor have we found in any of the B, or finance, accounts a statement of the total expenditure in the purchase of estates, which should represent the asset upon which these borrowed moneys have been expended. This would form part of the “Balance-sheet of the Dominion,” which we advocate.

The Annual Report of the Land Purchase Inspector (C.-5) contains an unaudited statement of the Land for Settlements Account, which shows the purchase-money at a figure approximating to the above liability. This is repeated in the Year-book for 1911 (page 596); but both are, of course, apart from the Public Accounts. It is noteworthy that while the Act provides a complicated method of raising the loans, there appears to be no provision for their repayment, at least by the Advances Department.

We have not been able to find any reason why these transactions should pass through the Advances Office, and officers agree that it results in nothing but increased work, and consequently confusion and liability to error. We decidedly advise that these branches of this Office be abolished, and the transactions conducted direct between the Treasury, the Lands or Native Departments that administer the Acts, and the Public Trustee.

Public Debt Sinking Fund Branch: This branch has been established under the Public Debt Extinction Act, 1910 (section 25), and the first accounts are published in B.-13 for 1911-12. It is a peculiar feature of the system that the Advances Office, under the direction of a Board, is called upon to invest the sinking fund of the Public Debt, while the Public Trustee invests the sinking funds of the Advances Office.

Another point worth noting is that when loans are floated by or on behalf of the Office at a discount the account is charged with the full amount of the liability, and the discount is added to the flotation charges, and written off against Profit and Loss in one or two years in arbitrary amounts, instead of being spread over the term of the loan, as is usual in mercantile accounts. Probably, however, this is quite justifiable in Government accounts, where profits have not to be distributed annually.

We desire now to make it clear that in the foregoing criticism we do not wish to cast any doubt upon the accuracy of the figures, or in any way to reflect upon the certificate of the Controller and Auditor-General. His duty is to see that the accounts conform to the requirements of the law, and, as was said by one of the witnesses, "legislation on the matter has been built up piecemeal, and requires consolidating." We would add that it also requires to be brought into conformity with the universally recognized principles governing accounts, which, however they may be varied in application, should apply to Governmental as well as all other books and financial statements.

The Commissioners of the Public Debt Sinking Funds, in compliance with the New Zealand Loans Act, 1908, section 51, publish in B.-8 an account of their transactions, comprising (1) Receipts and Disbursements of the Commissioners, (2) a statement of the funds in their hands, and (3) a statement of the debentures of each loan. In B.-1, pages 124-126, there also appears an account of Receipts and Disbursements of Sinking Funds, with statements of the securities held, and the total amount accrued. The funds in the hands of the Commissioners at 31st March, 1911, amounted to £165,913 (see B.-8), and the total sinking funds as per statement in B.-1 to £1,240,733. Turning to B.-9, the statement published by the Public Trust Office, we find the liability to "Sinking funds (Government and local bodies)" shown as £1,711,060. The explanations of these differences are as follows:—

- (1.) The Commissioners of Public Debts Sinking Funds administer only the sinking funds of the Canterbury Loan Ordinance, 1862, and of certain Harbour Boards and local bodies.
- (2.) The Public Trustee administers the great bulk of the sinking funds of the Government, and also of a large number of local bodies.
- (3.) The Board constituted under the Public Debt Extinction Act directs the State-guaranteed Advances Department in the administration of the sinking fund created for that purpose. It consists of the Commissioners and the Superintendent, as a distinct body.
- (4.) The High Commissioner's Office in London holds and administers the sinking fund of the New Zealand Loan Act, 1863.

The result of this distribution of sinking funds is partly seen in the difficulty of interpreting the accounts. But if it be necessary that the funds should be held in different hands as explained, there seems no reason why the facts of the case should not be clearly stated in the Public Accounts. It is impossible to ascertain the position from the accounts, and we have only done so after making inquiries in the different offices, and this has taken some time, as the officers of each Department are only conversant with their own accounts. B.-10 is a statement of the "Public Securities held in the Dominion and in England as on 31st March," and doubtless includes the investments on behalf of these various sinking funds, but we suggest that in order to make the position clear a statement should be published showing the

total of all the funds themselves, and by whom held. This as at 31st March, 1911, would be in some such form as the following :—

On Account of	Amount.	Held by
	£ s. d.	
Canterbury Loan Ordinance, 1862 ..	21,640 0 0	Commissioners, Public Debt Sinking Fund.
New Zealand Loan Act, 1863 ..	226,802 4 9	High Commissioner, London.
Local Bodies' Loans Act, 1908 ..	799,600 12 0	Public Trust Office.
War and defence loans ..	192,690 12 7	"
State-guaranteed Advances Office ..	513,752 7 8	"
	1,754,485 17 0	
To this will now be added the Public Debt Extinction Fund, the first contribution being	144,885 0 0	State-guaranteed Advances Office, under Board.
Total	£1,899,370 17 0	

So far as we can ascertain, this shows the whole of the public sinking funds, and the offices in which they were then held. The bulk of this information is given in B.-18 and B.-18A, but not in such form as to show by whom the funds are held and administered. These returns are not annual, but only supplied at the instance of a member of the House.

In addition to the sinking funds administered as above on behalf of the Government, both the Commissioners and the Public Trust Office receive and invest large sums on behalf of the sinking funds of local bodies throughout the Dominion. It would be an advantage if the Public Trust Office, in its statement of liabilities, showed the totals held on behalf of the Government and local bodies separately instead of in one amount. The total of the former would then agree with the figures shown by the Treasury and the Advances Office in the B statements.

Another feature worth noting is that the sinking funds of the Canterbury Loan Ordinance, 1862 (£21,640), which matures in 1915 and 1916, now exceed the amount of the debt (£15,200). There is no apparent reason for continuing to swell this amount, more particularly as the New Zealand Loans Act, 1908, section 53, subsection (9), gives the Commissioners power to realize the surplus, and on realization to pay it into the Public Account. This power must include that of discontinuing the annual additions, although it may not be possible to disturb the investments of the fund. This is the only one of the funds to be found *both* in B.-1 and B.-8, as the other funds held by the Commissioners, although on account of "public debts," are not on account of the public debt of the Dominion. This also applies to the funds in the hands of the Public Trustee, and the distinction not being made in the accounts leads to confusion.

As regards the sinking funds of the Local Bodies' Loans Act, and the war and defence loans, provision was made in the Public Debt Extinction Act, 1910 (section 12), that further payments out of the Consolidated Fund into these should cease, the interests on the funds then in and to remain in the hands of the Public Trustee to be paid in future into the Consolidated Fund, as against the annual payment to the Superintendent for public debt extinction.

In the case of the sinking funds of the State-guaranteed Advances Offices, the 1909 Act empowers the Public Trustee, who receives the money from the Superintendent, to pay it back to him, to be invested on mortgages, which mortgages are to be held by the Trustee as security for the principal. The payments for each branch are to equal 1 per cent. of the capital liabilities, but the payments shown in the accounts for 1910-11 exceed this except in the case of the Local Authorities Branch (see B.-13). The method of investment is doubtless responsible for the statement in the Year-book (1911, page 699) that "another class of sinking fund may more correctly be termed an 'internal reserve fund,' because the accumulations are immediately turned into capital, although kept apart in the accounts. These are funds belonging to the State-guaranteed Advances Office." This seems to us to point to a misconception of the position, for although invested by the office for whose

loans the funds are created, they still remain sinking funds applicable to only the one purpose, and consequently not the property of the office nor "an internal reserve."

We have referred to this matter at some length, and of course without comment on the policy involved, partly in the hope of making a somewhat complicated system clear, but also in order to show the necessity for simplification, even although legislation should be required for the purpose. We desire also to say that the legislation is so scattered through various Acts and amending Acts that we may have overlooked, or failed to grasp, the exact effect of certain measures, but we submit that there is ample evidence in what we have written to show that the sinking funds of the Dominion should as soon as possible be consolidated under one control, and the accounts into system.

State Coal-mines: A Statement of Receipts and Expenditure on this account appears in B.-1, pages 16-17, and on page 78 a statement of the net issues compared with the amount voted. Both are condensed statements, and the full accounts of the Department are printed with the report of the General Manager in accordance with section 118 of the Coal-mines Act, 1908, and are known as C.-3B, forming one of the series of C papers dealing with Crown lands and mines. The balances and figures of the B accounts differ from those of the Statement of Receipts and Expenditure attached to the report, (1) because the "advances in the hands of officers" do not enter into the latter, and (2) because the receipts from sales of timber and stores and refunds shown in the latter are not in B.-1. The accounts, we have no doubt, could be reconciled without difficulty, and we confine our attention to C.-3B.

Here we find (1) a balance-sheet, (2) a General Profit and Loss Account, (3) Working Accounts and Profit and Loss Accounts of each of the collieries (Point Elizabeth and Seddonville), of the briquette plant, and of each of the four trading depots, followed by a General Statement of Receipts and Expenditure. These accounts are well arranged in every respect, and we cannot suggest any improvement. The balance-sheets and Profit and Loss Accounts are in accordance with usual mercantile custom, and the Statement of Receipts and Expenditure is as it should be, free from transfer and journal entries. This is strictly in accordance with section 118 of the Coal-mines Act, which is so worded that an accountant has no difficulty in complying with its requirements.

Section 122 of the Coal-mines Act provides for the establishment out of profits of a sinking fund in respect of the debenture loan, and "subject thereto" for the establishment of "a depreciation fund." Depreciation should not be subject to the provision of a sinking fund, and has, quite properly, not been so treated. It has throughout been charged to Profit and Loss, the effect on each division of the assets being clearly shown in the balance-sheet. An all-round depreciation of 5 per cent., however, on mines, buildings, plant, and machinery appears to us to be totally inadequate, and is certainly unscientific. Further, if full and proper depreciation is not divided out of profits, the "Debenture Sinking Fund" and "Reserve Fund" (together £23,426 at 31st March, 1911) are of no value. As regards the sinking fund (£13,200), no provision is made in the Act for its investment, and the Controller and Auditor-General has found it necessary to add "a tag" to his certificate to the effect that "the sinking fund has not been established by being set apart from the moneys of the State Coal-mines Account." The fact is that the "sinking fund" is merely a book reserve, and if it were treated as a sinking fund the cash balance would have to be reduced accordingly. The Controller also comments on the Reserve Fund, saying that "there is no authority of law for its establishment." The criticism is no doubt correct, but there is ample need for the establishment of a reserve in view of what we have pointed out regarding depreciation. The pleasure of finding a set of clear and well-arranged accounts is more than discounted when the figures disclose a position such as that found here.

To bring our analysis and description of the Public Accounts as printed to a close, we now restate our main conclusions, adding two suggestions not before made.

We are of opinion (1) that it is urgently required that the Public Accounts should show a complete Balance-sheet, disclosing correctly the actual position of the affairs of the Dominion at the balance date, together with a General Profit and Loss Account as regards the trading or business Departments, and a General Statement of the Revenue and Expenditure of the administrative or revenue collecting

and spending Departments. These principal statements should be supported by as many subsidiary or departmental accounts as may be necessary, always providing that the connection is clearly stated, and that all are in agreement.

(2.) We think further that the subsidiary accounts should show not only the profit or loss resulting from the operations of each trading Department, but also the cost of conducting each of the administrative Departments, with, in the case of the receiving branches of the Service, the percentage of that cost to the revenue collected, as is done in the Customs return, B.-13. This information would be of the utmost value for purposes of noting progress, and of comparison with similar Departments elsewhere. We are, of course, aware that an increased actual, or percentage, cost may, under certain circumstances—in, say, the Tax Department—mean an increased efficiency, and that cost may be unduly cut down, but the information should none the less be available.

(3.) We have already referred to the necessity for a balance-sheet of Land for Settlements Branch showing the capital liabilities and the total cost of the estates purchased out of such capital. We are further of the opinion that this sheet should be supported by subsidiary statements showing separately for each estate the amount of the original purchase, with the cost of cutting up, roading, plans, and other expenses with which it has been loaded, which would form its proportion of the total debt of the branch. These statements should also include a Profit and Loss Account for each estate, showing the rentals and other income, against interest on the loaded cost at the rate payable by the branch on its debt.

A large number of returns and tables, containing much of the information required in the foregoing suggestions are scattered through the bulky volumes of parliamentary papers forming the Appendix, and in the Year-book, which would be more readily available, and more useful, if gathered together in the Finance section.

PART VI.—DEPARTMENTAL BOOK-KEEPING AND ACCOUNTING.

The order of reference places the system of book-keeping and accounting in the first place as of primary importance, and for that reason we have felt justified in dealing at length with the form in which the annual accounts are published, realizing that not only are these accounts governed by various legal enactments, but that the systems of book-keeping and accounting have developed along lines directly or indirectly suggested by the same Acts of Parliament, and, to again quote the late Mr. FitzGerald, are thereby rendered “of necessity more or less complicated.” The Public Accounts are therefore the final result and outcome of the system of book-keeping, and if we have succeeded in showing the necessity for any alteration in the system or form of any such accounts, and if the suggestions made should be acted upon, it follows that the system of books and accounting will be altered to correspond. It is therefore not necessary to enter very fully into details under these headings, and we do not propose to deal with each Department separately, but only as required for the purposes of illustration, confining ourselves as far as possible to the question of special points that attracted our attention, or as to which particularly strong evidence was offered.

As already explained, not only in Wellington but in each of the other centres we made a point of inspecting the offices of different Departments, and spent a good deal of time in examining the various forms of book-keeping and accounts. As was to be expected, we found very considerable differences not only in the carefulness and evident correctness with which the work of the various accountants and book-keepers is carried out, but also in the form of these books. In some cases the regulations of the Treasury are carried out to the letter and in others only partially, while we came across several cases in which local officers keep additional books to those required, for their own information, and in order to enable them the better to carry out their duties.

One of the first things to which our attention was drawn, and that repeatedly, in different places and different Departments, is the complaints that are received regarding the delay in the settlement of claims made for services rendered to the Government. Doubtless, owing to the very voluminous nature of the accounts and their great variety, these complaints were more frequent in connection with the

accounts of the Public Works Department, and to a lesser degree of the Agriculture Department, than of others. We are quite satisfied from the evidence offered that there is frequently quite unnecessary delay in claimants getting their money for services rendered. In the case of the Public Works Department, for instance, stores may be supplied by a trader in one of the centres and forwarded to several places in the country. The contractor renders one account for the whole of these, and to save trouble and expense in checking he consigns the stores to each place. It is not possible to tally the goods until they are received at their destinations. The account has to be sent out in sections to each of the places to be checked, which causes considerable delay, especially if errors have been made. When the total account has been thus checked it is entered through the books of the district office and forwarded to the Head Office in Wellington, where it is entered in their books and then forwarded to the Treasury, where it is again entered before a cheque is sent out for payment. In the case of claims which are not covered by the ordinary authorities, such as the removal expenses of officers, there appears to be frequently unnecessary delay, and we were informed of cases where such accounts have not been settled for months, and officers have been out of pocket for considerable periods. It is fair to say that frequently claimants are themselves to blame for not sending in their accounts promptly, although circulars have been forwarded intimating that unless accounts are rendered within a reasonable time they cannot be paid. Making all allowance, however, for this, and for other difficulties connected with the Service—viz., dealing with widely scattered districts—it is quite evident that a good deal of the routine which results in such general complaints could and should be avoided.

The delay referred to in the last paragraph is, as stated, largely the result of the duplication of accounts that are kept, not only by the Departments, but by the Treasury. In the books of the Treasury details of revenue are not shown, the totals only of the different votes and items being dealt with. On the expenditure side, however, full details are kept, and separate ledger accounts for each of the items under different votes, except for the Post and Telegraph and Railway Departments. The reason assigned for this is that detailed items of revenue and the individual sources from which it has been received are not likely to be questioned later, as in the case of payments. An exception is made in the matter of miscellaneous and territorial revenue, as to both of which pretty full details are shown. As to expenditure, we found as an instance of the details that are shown, that under one vote of the Lands and Survey Department there were 328 items, for each of which a separate ledger account was kept, and that in both the books of the Treasury and Lands Departments. Many of these would also be kept in the books of the district offices. Votes are not divided into items in the Appropriation Act, nor taken cognizance of in the control of expenditure, so that it does not appear necessary for these details to be entered by the Treasury, except in the cases of permanent appropriations and special grants.

The delays mentioned and the duplication of accounts naturally lead to a consideration of the relations existing between the Treasury and the various Departments as regards accounts, and after hearing many officers on the subject and looking carefully into the working of the present system we have concluded that it is quite unnecessary for both the Treasury and the Departments to keep ledger accounts for every item of a vote, and for each to show the full details. The matter has evidently been discussed frequently, and the question that it has been found difficult to settle is whether the details of accounts should be kept by the Treasury or by the Departments. We have arrived at the conclusion that, speaking generally, the Treasury should not concern itself with details, but should require that these should be kept in the departmental books. It is at any rate abundantly evident that there is unnecessary book-keeping either in the Departments or in the Treasury, and it appears to be clear that the proper place for the details to be shown is in the books of the office handling the expenditure. Complaints are frequent as to the difficulty in obtaining from the Treasury accurate information as regards the expenditure on any particular matter. With the thousands of accounts going through their hands it is not unnatural that the officers of the Treasury, who do not understand the branch of the administration to which the expenditure belongs, should make

frequent mistakes in entering them to the different items. We found that the book-keepers in several Departments declared it to be absolutely necessary that they should keep the details, whether they are kept in the Treasury books or not. The conclusion seems therefore to be inevitable that in many cases the details kept by the Treasury are not only superfluous but unreliable, and that if kept by the Departments they are not only less liable to error but are in the place where they are likely to be of most use. In the Public Works Department in particular it frequently requires a large amount of local knowledge to post the amounts to the right section of the various accounts, and an officer in the Treasury engaged in posting up expenditure of Customs, Railways, Education, Public Works, and so on, is hardly likely to have the necessary knowledge of the different Departments to enable him to do so properly. It should be quite sufficient if the Treasury kept the totals of expenditure under each vote, and left the details, and the apportioning of the expenditure between the various items of the vote, to the Departments interested.

As regards unnecessary routine work, we came across a number of instances of what appears to us to be quite unnecessary and unduly detailed returns that are sent from district offices to Wellington. Take, as an instance, the Lands Department. The Receivers of Land Revenue in the district offices keep their books on a system of double entry. They forward their accounts direct to the Treasury, with copies of the cash-book in detail. This appears to us to be superfluous, and that a summary of the cash-book would be sufficient. If this were accompanied by the bank vouchers and a declaration it should be conclusive. On the expenditure or payment side of the office, which is distinct from that of the Receiver, vouchers for all payments are forwarded to the Treasury, where the full details of the expenditure for each day are recorded. District Accountants appear to agree that there is no necessity for the keeping of these full details in the Treasury. Not only is the work doubled, but it is asserted that inquiries for information come from the Treasury as frequently as if the details were not supplied.

In the Public Trust Office, where the books kept by the district offices are in good form, a statement of receipts is posted to Wellington daily, together with a form showing the lodgments and giving the same details as are already entered in the statement. A copy of the cash-book receipts, and another of the cash-book payments, are also forwarded to Wellington daily, and finally a copy of the cash-book showing all receipts is forwarded to Wellington monthly. There is certainly duplication here.

The system of making payments by cheques, which are forwarded to countersigning officers, is necessarily cumbrous, involving as it does not only trouble and loss of time to the payee, but a very considerable amount of work for the postal or other officials. The system at present is that after the voucher has gone through the usual channels, already described, leading up to payment, a cheque is written out for the amounts and posted to the payee. The voucher is then sent to the Postmaster or other countersigning officer, who only hands over the cheque on receiving the receipt of the payee at the foot of the voucher, and being satisfied that it is being paid to the right person. As compared with the usual commercial custom of sending cheques direct to payees at a distance and making them payable to order, this is clearly a very roundabout method. We think that it would be a very decided improvement if cheques payable to order were substituted for the present Treasury cheques, and a very great deal of trouble and annoyance would be saved to all parties. The payments made in this way by business houses in the Dominion must in the aggregate amount to many times the payments made by Government Departments, and the system is found to work with perfect safety. In accordance with business practice the cheques could be returned to the Treasury by the bank when paid, duly indorsed, and in this form they are, for audit purposes, just as truly receipts for money as those now obtained by the Treasury in its present cumbrous system. These cheques are always accepted as such evidence by commercial auditors.

A small matter which would none the less result in the saving of a great deal of time and work would be the replacing of the present system of issuing receipts in triplicate, involving the writing-out in full of three receipts, if the system generally used of making carbon copies were adopted. This would only mean writing in the block once.

We found that there is no regular system of one Department charging another for services rendered to it by that Department. In some cases such services are charged and duly paid for; in others no charge at all is made: and in still others charges are made for only a portion of the services rendered. The case of the Printing Office is a good illustration. We may say that in that Department the accounts are admirably kept, and balance-sheets and Profit and Loss Accounts compiled in proper form, but for some reason they are not printed and published with the Public Accounts. The value of the accounts, if published, however, would be largely discounted by the fact that the Department does not receive payment for a large percentage of the work which it does for other Departments. Every Department is charged for the work done for it and for the stationery supplied, but only certain Departments pay or pass credits for the goods or services. The Railways, Government Insurance, Public Trust, and one or two others pay for the whole of their work, but there is a long list of large Departments which do not do this. For the year ended 31st March, 1912, the value of the work done for offices for which payment will be made was £60,626, and for offices for which no payment will be made £53,813. The balance-sheet as at that date showed as an asset £27,370 against sundry debtors, but this includes the sum of £15,122 standing against the Consolidated Fund. In order to show the profit of the Department all work done goes through the books, but the large amount that is not paid for is transferred to the debit of the Consolidated Fund. The point we wish to make, however, is that there should be a uniform system. It is not a mere matter, however, of uniformity, for it is clear that if Departments were asked to pay for services rendered and goods supplied it would tend towards economy. In some offices economy is studied, but in others it appears that officials order more stationery and more expensive articles than are needed. From inquiries made we infer that if all Departments were charged for what they got from the Printing Office they would be more particular in regard to what they ordered, and the result would be a very large saving. There are, of course, services rendered by some Departments to others, such as by the Police, for which it would be difficult to fix payments, except by arbitrary decisions, but it is quite clear that the correct profit earned by the trading Departments, or the actual cost of the administrative Departments, cannot be shown in the accounts unless the services are valued and paid for. In several cases such charges are now made, but there is an entire want of system in the matter. We feel confident that a properly thought-out system could be devised for making inter-departmental charges, and if this were established it would not only materially assist in arriving at the true cost of the various Departments, but would tend to considerable economy.

In connection with the Printing Office we may mention that the practice seems to have crept in of giving receipts indiscriminately on bill-heads, voucher forms, or slips of paper. This should be stopped, and numbered receipt-books used exclusively, with blocks for audit.

A suggestion has been made to the effect that the service of the Post Office might with advantage be more generally used than it is, as the medium of receiving and paying moneys for the general Service. At present the Post Office practically makes all payments and collects all moneys for the State-guaranteed Advances Office, and also does similar service to an extent for the Public Trust Office, Insurance Department, and others. During the year 1911 the total amount received by the Department was just under 30½ millions, of which £4,338,000 was on account of other Departments. It has been contended that the extension of the work of the Post Office in this direction would not be attended by any difficulty, and it was proposed some time since that all Crown lands revenue should be received through this channel. It is strongly represented, however, by those responsible for the conduct of the Lands Department that it would be disastrous to abolish the present Receivers of Land Revenue, who require to be possessed of special information in order to answer inquiries, deal with various tenants, &c., in a way that would not be possible for Post Office officials.

It is necessary that the Commissioner of Crown Lands and the Land Board in each district should be able to prepare a balance-sheet for the section under their control, and this would be rendered extremely difficult if the Post Office collected the rents, and the accounts were kept in Wellington, as would, of course, be the

necessary result of such a system. It would involve an enormous number of additional references between the district offices and the Head Office, and although the present system is undoubtedly expensive we very much question whether it could be interfered with to advantage. There are no less than 26,000 Crown tenants whose inquiries and grievances must all be dealt with locally, and the information in regard to the position of these tenants would be lost locally if the Receivers of Land Revenue were abolished. The Post Office officials doing the collecting work would have no means of allocating the moneys to the different accounts, and it is necessary that the Receivers of Land Revenue, as well as the various District Land Boards, should have access to the books of the local offices containing full details. At the same time, the Post Office has been proved to be a remarkably effective instrument for the collection of various revenues, and it is well worth consideration as to whether this could not be extended to the advantage of some of the Departments.

The accounts of the Defence Department are well kept, and we only refer to them now in order to again draw attention to the necessity for a clear definition of the respective duties, responsibilities, and powers of the Director of Accounts and the Accountant. This appears to us to be urgently required. The Accountant may have doubts regarding accounts which come before him, but can only pass on his question to the Director of Accounts. The Director of Accounts is nominally Financial Adviser to the Commandant, but he again is only a director to the extent that he can pass on a question if he approves of it to his superior, where his duty ends.

The accounts of the Public Trust Office have been already referred to. The double-entry system is not complete, or, at least, not on the ordinary recognized lines. Entries are posted into the ledgers direct from the vouchers, no journals being used. For the purpose of checking the ledgers a system of dockets exists, which dockets are written up from the statements of receipts. The system is very cumbrous, but if carried out carefully, as it appears to be, the check will be efficient. All the dockets belonging to each of the accounts are added together and used to check the ledger balances at the end of the year. The system seems to us to be rather cumbersome, and might well be simplified. Everything that goes through to the Head Office demands quite a staff of checkers. For instance, when a District Manager sends forward a discharge he gives the amount of the purchase-money, which, together with the adjustment of the rates and insurances, has to be checked, and the particulars entered on the individual file. The clerk who prepares the statement has to initial it. It is then taken to an officer known as the Examiner, who goes through it, submits it to the Solicitor, who adds his initials, and finally it goes to the Public Trustee, and has to be entered in a book entitled "List of Estates."

We are inclined, without dogmatizing on the subject, to think that once the accounts of an estate are brought into the books of the office they should be dealt with by a complete double-entry system that would not involve such an amount of checking as is necessary under the present system. The system which we have briefly described is no doubt, to a great extent, responsible for the very great amount of overtime which is worked in connection with the Public Trust Office, and if it were simplified this might be largely cut down. It is worth noting in this regard that, at the Head Office alone, the Department has paid for overtime during twelve months no less than £368, which is equal to about sixteen men working for about two and a half hours every night all the year round, and we are informed that it only represents about two-thirds of the overtime that was actually worked. Evidence is not wanting that this has been damaging to the health of the staff, and it certainly cannot be conducive to efficient work.

Where moneys do not come directly into the hands of the Cashier in Wellington, provisional receipts are issued by the Post Office or the Local Agent, with a notice to the effect that if not followed by the official receipt from the Head Office within ten days (which serves as a check upon the Receiver) inquiries are to be made. Over fifty thousand of these official or duplicate receipts are issued annually from the Head Office. In practice they are only a check on the local Receiver, as payees pay very little attention to them.

We have now only referred to a few of the numberless matters of more or less importance which have come under our notice in which there appears to be dupli-

cation of work and unnecessary routine, and may sum it up by saying that we think there is urgent need for the institution of a system that will be uniform throughout the Service, both as regards book-keeping, accounts, and returns. The Treasury should undoubtedly be the head of this section of the public business, and should be qualified, after an exhaustive inquiry into the requirements of the various Departments, to lay down a system of standardized books and returns for use throughout the Service, and of seeing that these are adhered to and carried out.

As to the question of entering up the same details of accounts two or three times over, we do not feel disposed, without further inquiry than time will permit us to give, to say that all detailed accounts should be kept in the Treasury, or that all should be kept in the Departments. We are, however, quite clear in this: that there is no necessity for keeping the same details in both places, and would advise generally that the detailed accounts should be kept in the place where they will be of most service—which is, as a rule, at the local or district offices—and that in such cases as the Public Works Department such details as are necessary should also be kept in the books of the Head Office in Wellington, but that in the books of the Treasury there should only be recorded the totals of receipts and expenditure under the different votes.

This would apply to all Departments where it is necessary to refer frequently in the course of business to detailed accounts. In the case of some Departments practically the only accounts required are records of payments made for services rendered and of salaries, which could be met by the simple books already laid down by the regulations of the Treasury. Of course, the details in these cases would require to be entered in the Treasury books.

With these exceptions, it is our opinion that the Treasury books should be equivalent to the central or private ledger of a business firm, and that the books of the various Departments should in reality form subsidiary ledgers, all details that are not absolutely required to enable the Treasury to compile the general balance-sheet, Profit and Loss, and Revenue and Expenditure Accounts being kept by the different Departments. This, of course, presupposes that the head of the Treasury and his principal officers are, in addition to being men having a good deal of experience in the Service, qualified accountants. An arrangement such as this would certainly lead to a simplification of accounts throughout the Service. The Treasury should be able to instruct the Departments as to how their subsidiary books should be kept, modifying or altering them from time to time as the changing conditions of business might require.

We have referred elsewhere to the necessity for a controlling head, not only to bring about a unification of the Service, but to see to its continuous and harmonious working, and in no Department would the value of this be more felt than in that of book-keeping and accounting. We therefore suggest the appointment of an officer to be known by some such title as Controller or Director of Accounts, who might very well be one of the three members of the Board which it is suggested should be set up. If that were done this member would concentrate his energies upon this section of the duties of the Board. He would, of course, require to be a man with an intimate knowledge of accounts and their working, and he would be strengthened in his conclusions and decisions by being able to confer, if he so desired, with the other members of the Board. He would also be referred to by the Treasury or by the accounting officers throughout the Departments responsible for keeping the departmental books as to any points of difficulty that might arise from time to time. Officers who desired to make suggestions as to improved methods for the simplification or cutting-down of work would be able to have these suggestions brought before the Director for consideration.

We have not the slightest doubt that some such controlling and unifying head is one of the most urgent reforms required in connection with the working and recording of the Public Accounts; and whether the office should be filled by a member of the Public Service Board or by the Secretary to the Treasury is not a matter of first importance so long as some such appointment is made.

It is also a matter worth consideration whether there should not be appointed under the Director two Inspectors—say, one for each Island—whose duties would be similar to those of an inspector of a bank, in that they would travel right throughout the Dominion for the purpose of seeing that the Treasury Regulations were system-

atically and regularly carried out. They should also have power to give definite directions for alterations or improvement wherever they deemed them necessary, and it would be their duty to report generally on offices and officers.

In connection with the accountant and book-keeping staff throughout the Service, we are strongly of opinion that officers who display sufficient ambition and interest in their work to study for and pass the examinations conducted by the University on behalf of the society established under the New Zealand Society of Accountants Act, 1908, should not only receive encouragement from departmental heads, but be definitely rewarded. This might be done by granting one year's advance in position, which would also recoup some of the expense incurred in tuition and books, and the degrees which are obtained should be entered opposite the names of officers in the Official List. The same encouragement should, of course, be given in other branches of the Service where special or expert knowledge on the part of officers is of value to the Department.

PUBLIC REVENUES ACT.

Another matter which fairly comes under the heading of accounts and book-keeping is that of the annual statement which is required of the Treasury by section 84 of the Public Revenues Act, 1910, which reads, "The Treasury shall, as soon as practicable after the end of every financial year, prepare and send to the Audit Office a full and particular account in detail of the revenue and expenditure of the Public Account during that year." In the Audit Office, Treasury, and Departments we have heard nothing but complaints as to the enormous demand that this is making upon the staffs, and the opinion freely expressed that when completed it will be of no value whatever. The return is on the lines of the Canadian system, and, having seen the volumes which are issued by the Government of that Dominion, we have no hesitation in saying that the cost of their production must be altogether beyond any benefits that can result. The return as now being prepared gives the names of individuals to whom payments are made, as is done in Canada; but this, as will be seen, is not required by the section in the Act, and is being done because it was promised to Parliament by the Government in response to repeated requests.

We received evidence on the subject from responsible officers of the Audit, Treasury, Railways, and Postal Departments, and in each case reference was made to the tremendous amount of labour in connection with the statement. In both Treasury and Audit it was stated that if the preparation of this return is to be continued it will necessitate increasing the staff, and in each office clerks were told off from their ordinary duties to devote their time to this, with the result that the ordinary work was being seriously interfered with.

It is quite evident that in this case "as soon as practicable after the end of the financial year" will mean after the close of the session of Parliament, and that the return cannot be presented until the succeeding session, when any value or interest that it might have will have completely vanished. In the Railway Department alone it was estimated that to render the return to Parliament promptly would require the employment of some six or seven clerks, at a cost of about £1,200 a year.

If, however, it is still the wish of Parliament that some such return should be prepared, we would suggest for consideration a proposal made by the Controller and Auditor-General, that forms should be prepared to be filled up from the vouchers as they are received by the Treasury, and sent to the Government Printer from time to time, in order that at the close of the financial year it could be quickly completed and ready for presentation at the beginning of the session. This would not, of course, give the total payments made to each individual, but the separate payments as made from time to time. The Controller and Auditor-General anticipates that the report required from him under subsection (2) of the above section would be quite brief, from which it may be seen that there is no likelihood of there being any discrepancies between it and the books of the Treasury, or other faults such as are suggested in the clause, to be found by the Audit Department.

IMPREST ACCOUNTS.

The system of advancing money to imprestees under the provisions of the Public Revenues Act and Treasury Regulations is open to several objections. The most

important of these is that it involves large sums of money, amounting in the aggregate at times to about half a million, lying idle in a large number of accounts, and consequently considerable loss of interest. This has arisen, we presume, because of the clause in the Act (40) prohibiting the Government from borrowing by way of overdraft. These imprest accounts are also open to the risk of manipulation by imprestees, who are not required to render vouchers to the Treasury until some interval has elapsed. Instances of the conversion of imprest moneys to the personal use of the imprestee have occurred, though we believe they have been very rare. This is one of the matters in which use might well be made of the Post Office, and we believe that the substitution of credit notes payable to imprest officers at the Post Office would be an improvement on the present system. These credit notes might be made payable by the Treasury Cashier, Wellington, or at other offices if found more convenient in individual cases; but the Post Office, which has always funds available, should be the ordinary channel. The Department has the widespread organization throughout the Dominion which is required for such a service. The accounts between the General Post Office and the Treasury would be simply a matter of adjustment, and the present accounts necessarily prepared and forwarded by numerous imprestees would be at an end. (The Treasury Regulations would, of course, lay down the conditions under which the credit notes would be issued.)

Imprest officers in different parts of the Dominion have pointed out to us that if more amounts were paid out by imprest than at present, a considerable sum in discounts would be saved, as well as delay avoided, but it appears to us that such discounts should be secured by an elimination of the delays to which we have referred already. Other criticisms have been that the present system of having two methods of payment involves a certain risk of double payments being made without being traced, and that imprest payments are not confined to wages, expenses, and services which require prompt cash as stipulated by the Act. That this is so is shown by the fact that in one district office we found that more than two-thirds of the monthly payments are made through imprest, and that large payments have been made through the same channel in order to bring them within the financial year. The system of credit notes should, of course, only be used for immediate requirements.

PART VII.—CONTROL AND AUDIT OF ACCOUNTS.

The Audit Department, under the Controller and Auditor-General, consists of some forty-five officers in Wellington, thirteen Inspectors throughout the Dominion, and one officer in London. The duties of the office are rendered especially responsible in that they are final, and their fulfilment must, to an exceptional extent, be a matter of trust and honour.

CONTROL.

The Department is divided into two sections of Control and Audit, the former employing the time of three officers under the immediate personal supervision of the Controller. No public moneys can be issued from the Bank of New Zealand except under requisition from the Treasury signed by the Minister and countersigned by the Controller, whose duty it is to see that they are authorized either by Governor's warrant or by vote or appropriation of Parliament. He has further to see that the amount authorized is not in excess of the balance to credit of the fund, vote, or account charged, or if a vote should be exhausted that it is charged to "Unauthorized Expenditure." Ledgers are kept and balanced daily showing the unexpended balances in each vote. This control applies not only to the Public Account, including the account of imprestees, but to those of the Post Office, Insurance Department, Public Trust Office, and State-guaranteed Advances Office.

It is the duty of the Controller in connection with the arrangements of the Treasury for the issue of debentures for loans raised in the Dominion to satisfy himself that the issue is in accordance with the authorizing Act and Order in Council, and in agreement with the "narration of issue," and that the moneys have been paid into the Public Account to credit of the specified

fund or account, before countersigning debentures or scrip. We need not detail further the duties of the Controller in connection with the issue, renewal, redemption, or conversion of debenture loans, or the creation and issue of inscribed stock.

AUDIT.

The powers and duties of the Controller and Auditor-General as to the audit of revenue and expenditure are set forth in the Public Revenues Act, 1910, Parts II and IX. The method adopted as regards revenue is, briefly, that the Audit Office receives daily from the Bank of New Zealand, Wellington, a summary of the operations on, and balances of, all the various Government accounts. Receivers of public moneys throughout the Dominion send weekly statements to the Treasury, from which a Revenue Account is compiled and sent to the Audit Office accompanied by the various Receivers' accounts. These accounts are all examined and the allocations of revenue checked. Separate staffs are intrusted with the duties of auditing the revenue of the Railways and Customs Departments, and land, gold, and stamp revenues are each the care of individual officers.

In the audit of expenditure both the pre-audit and post-audit systems, to which we shall refer again later, are in operation. *Pre-audit* is applied to payments on the Civil List, interest, civil and military pensions, subsidies to local authorities, purchase of estates, salaries (including Railway Head Office), permanent charges, and all expenditure out of separate accounts. *Post-audit* is applied to all payments out of departmental appropriations, Imprest Accounts, Old-age Pensions, Post and Telegraph expenditure, and Railway wages and salaries outside of Head Office.

As regards the trading Departments, the accounts of the State-guaranteed Advances, Government Life Insurance, State Fire Office, and Superannuation Fund are *pre-audited*, while those of the Public Trust Office, the imprest moneys of the Life Insurance, and administration expenses of the Fire Insurance Offices are *post-audited*.

Vouchers for *pre-audit* are forwarded to the Audit Office by the several Departments, and on being found correct are sent on to the Treasury to be entered on requisitions for payment. Vouchers for *post-audit* are forwarded to the Audit Office by the Treasury daily with a schedule thereof. These are distributed amongst the officers known as Examiners, and after examination are returned to the Treasury for filing or further action as may be necessary.

The only account-books kept in the Audit Department are such as are necessary for the purpose of checking and examining the Public Accounts, such as records of all contracts entered into, checking computations of compensation, pensions, and superannuation under various Acts. Salaries are checked by a system of cards, with a card for every officer in the Service.

In addition to the audit of the accounts of the various Departments, the Audit Office is responsible for checking all mortgages, deeds, and debenture securities of the State-guaranteed Advances Office, and is joint custodian of the securities of the Public Trust Office. No public security of any kind can be withdrawn except in the presence of an Audit Officer.

The work devolving upon the Audit Inspectors is very heavy, including not only the assistance of the Head Office in connection with over fifteen hundred Government office accounts, but also the audit of the accounts of about seventeen hundred local authorities, such as municipalities, counties, Road Boards, Harbour Boards, Fire Boards, and Education Boards.

The carrying-out of all this very responsible and heavy volume of work appears to us to be done with as great care and completeness as is possible with the staff at the disposal of the Controller and Auditor-General, and the Controller himself has a grip of the whole of the Public Accounts which, so far as our observation goes, is not possessed by any other Government officer. At the same time, from information and complaints received in various directions, as to infrequent inspections and incomplete work, we are satisfied that the staff of the Department should be strengthened and enlarged. In one district office

we found that there had been no audit (and the transactions in the accounts are very heavy) for two years, and in others the periods between visits from Audit officers are much too long. Copies of cash-books, vouchers, and bank certificates sent to Wellington cannot, in our opinion, take the place of a personal inspection of the local offices. Offices which should receive more frequent attention in this matter are those of the Magistrates' Courts and the Receivers of Land Revenue. We also advise that when an officer resigns, his accounts and books should always be audited before being handed over to his successor.

Another point that has come under our notice is that the audit or checking of revenue received does not appear to be carried far enough. The duty of the Inspectors seems to stop at certifying that certain amounts are shown as outstanding at the balance date, without taking steps to certify the uncollected arrears. In the great majority of cases of fraud, an attempt is made to cover up the default by representing collected amounts as outstanding. We know this to be the case with the accounts of business houses and local bodies, and have no doubt that it is the same with Government Departments. We recommend that some steps should be taken to verify the uncollected arrears of revenue, by instructions to Inspectors to take such steps as they deem necessary in this direction. In cases where rents or similar revenues are brought forward as outstanding for more than one year, the Inspector should be authorized to send out demands himself to the debtors. It might be asking too much of the Department that this should be done in connection with the accounts of local bodies, which are now audited by the Inspectors as required by law, but instances are within our own knowledge where money would have been saved in the past had this been done. Nor is an audit complete unless some such steps are taken when circumstances seem to require them.

The audit of the accounts of the Government Printing Office is not complete, consisting only of the checking of a weekly account of the sales of stationery and seeing that the moneys received are banked. The salaries are pre-audited, and the ordinary wages post-audited. Notwithstanding the very heavy stock kept in this office, we found an excellent system of stock-books in use, and the accuracy with which these records are kept throughout the year is shown by the results of the stocktaking, which is done annually. There should be no difficulty, therefore, in making the audit of the books and accounts complete.

Stamps: The Audit Office conducts a complete check of the printing, custody, and issue of adhesive stamps, including the receipt and issue of the paper used in connection therewith, and the destruction of spoiled stamps.

The work of the Audit Office is considerably increased by the duty cast upon it of auditing the Detailed Statement of Expenditure required by section 84 of the Public Revenues Act, 1910, to which we have already referred. We found that no less than seven officers were set apart for this work, which means the checking of every item of expenditure which goes to make up a voucher under the many heads entered by the Treasury, for the purpose of ascertaining the whole payments made to each claimant in the year. Examiners have been taken off their ordinary duties for this purpose, and certain important work is thereby being thrown into arrears. This doubtless to some extent accounts for the evidences of overpressure of work referred to above.

Stores: The Public Revenues Act, 1910, section 2, provides for the making of regulations in connection with the purchase, custody, and issue of public stores and the rendering of accounts and audit of such accounts. No such regulations, however, have been framed, and consequently there is no audit of stores. The stores of the Public Works Department are inspected throughout the Dominion by the Head Storekeeper, Wellington, and the stores of the Defence Department are inspected and stock taken by the Defence Storekeeper. In none of the Departments, however, has there been an independent audit of stores for very many years. This is a matter that urgently requires attention, as, under the present system, or no system, there is room for serious leakages without detection.

In the same connection we note that there is no attempt made anywhere throughout the Service to take stock of, or trace, the very large quantity of furniture, stationery, and office requisites that is in use in Government Buildings and offices. They have not been inspected or checked for many years, and we have not seen any departmental records of such property. Its proper care is a matter left entirely to heads of Departments, and typewriters, desks, printed books, or other articles of value are received and entered in the property return without any further check. It is quite conceivable that articles may disappear without attracting any attention. The duty of checking returns of furnishings should be laid either upon the Audit Department or officers appointed for the purpose, and be done annually.

Pre-audit and Post-audit.—From the description already given, it will be seen that at present neither one system of audit nor the other is complete. The history of the matter is given very fully in the evidence (I.—11) taken by the Public Accounts Committee in 1910, in connection with the Public Revenues Bill. We need not therefore deal with it at length. The present practice is governed by the Treasury Regulations. Clause 70 defines the class of vouchers which must be audited before payment, but the procedure as there defined has not been strictly followed. Rather conflicting evidence was given before that Committee, and also before us, on the respective merits of the two systems, but after careful consideration of the matter we have no hesitation in declaring ourselves in favour to a *post-audit*. The only contention in favour of pre-audit is that it prevents a good many mistakes which would not be prevented under post-audit. The fact that “there is no chance of trouble cropping up after payment under pre-audit” led one Audit officer to state that he “had no hesitation in saying that he believed in the pre-audit system,” but the reason is not convincing. When a voucher has been passed before payment, it may be altered to a larger sum and go through undetected, or the cheque may be paid to a wrong person. The remedy lies in careful checking of claims (or vouchers) when received by the Departments, and also by the Treasury. It should be the business of administration and not of audit to decide whether an account should or should not be paid, and the pre-audit system seems to take away some at least of that responsibility. Not only so, but it also seems to tend rather towards less effective and close scrutiny of accounts when vouchers have already been audited and passed before payment. Mr. Warburton (ex Controller and Auditor-General), commenting on this aspect of the matter, said, “The powerful motive of self-defence is wanting,” and defined pre-audit as “an audit of the proposal to pay.” We are quite at one with him in his contentions. We are not aware of any business outside of the Government Service where pre-audit is in force, and, indeed, the term itself seems to us a misnomer. Audit should follow and not precede the payment or action to be checked or reviewed.

PART VIII.—CORRESPONDENCE AND RECORDS.

We made a fairly full inspection of the systems of recording, filing, and carrying on correspondence generally in the various Head Offices of the different Departments in Wellington, and also a number of the branch offices situated in Dunedin, Christchurch, and Auckland. Generally speaking, the system of filing away the correspondence is one of filing under subjects, but this is about the only thing common to the methods adopted by the various Departments and branches. There is no uniformity about the various systems. Each Department (and in many cases the separate branches of the same Department) has a system of its own, with methods of filing, recording, indexing, and general treatment differing from those adopted in other Departments. A clerk accustomed to the handling and filing of correspondence in one Department would, for some little time, be quite lost on going into another Department until he learned the new system; and even the Record Clerk in one branch office would find on being transferred to another branch of the same Department that the system of recording, &c., was entirely new to him, and he would have to learn it afresh. In one

Department in Wellington (the Department of Agriculture) we found in existence five separate recording and correspondence systems, one for each of the four main divisions into which the Department is divided, and the fifth for the Secretary's office; and each of these five systems was worked on entirely different lines from the others. The Record Clerk in one division knew little or nothing of the method adopted in another division, and would be quite lost for a while if he had to take it up. When a letter reaches the Head Office of the Department and requires to be attended to by one of the divisions, the process gone through is to acknowledge the letter from the Secretary's office, stating that it is being passed to a certain division for attention. It is then recorded on their files and sent on to the division which has to attend to it, together with a copy of the acknowledgment that has already been sent out. This process takes a day or so, and when the letter arrives at the division which has to attend to it the whole round of recording, filing, and replying is done over again. This Department would be much better if it had one recording and corresponding branch for the whole Department. It would mean economy, prevent delays, and give increased efficiency all round.

What is required is a uniform standardized system of recording, filing, and dealing with correspondence that should be adopted throughout the whole Government Service. We think a thoroughly qualified officer should be selected (and we may say that we have met in the Service men well fitted for the work), and he should be turned loose amongst the various recording and corresponding systems carried out by the Public Service throughout the Dominion, and after he has gone into them thoroughly he should devise a proper standard system for the whole Service. Such a system would require slight modifications for special Departments, but in the main it could be a standard system, so that if a Record Clerk were transferred from one Department to another he would understand the system of his new Department at once. We are sure that if this were done it would not only simplify the whole method of dealing with correspondence throughout the Service, and reduce largely the work of attending to it, but it would also enable the Board of Management to keep some check on the size of the different staffs employed on this work in the various Departments and branches. We may add that the system adopted by the Defence Department is well carried out, and appeared to us to have some admirable features.

CUSTODY OF RECORDS.

This is a matter that requires immediate attention, especially in connection with the main Government Buildings, where the bulk of the records are kept, and which are built entirely of wood. The more important records are, of course, stored in strong-rooms. There are two kinds of strong-rooms in the Buildings, those built in the early days when the Buildings were first constructed, which have walls 2 ft. thick, and those which have been built within the last ten years, having walls approximately 3 ft. thick. The evidence we obtained from those who should be qualified to know was almost unanimously to the effect that the old strong-rooms would be quite unfit to resist a fire, and some of the expert evidence which we received also condemned the new strong-rooms, inasmuch as they would be quite unable to withstand the intense heat that would be set up by the burning of such a large block of wooden buildings. These two classes of strong-rooms contain all the most important records of the Dominion, as well as all the securities of the State-guaranteed Advances Department, and it would be a serious national loss if they were destroyed. It seems to us that they should be stored in strong-rooms about which there is no possible doubt, and no risk whatever should be incurred of their destruction. In addition to the records stored in the strong-rooms, there are, stored merely in wooden cupboards, a large number of records which are not of such great value, but the loss of which would involve very serious inconvenience; and these must inevitably be burnt if the Buildings took fire.

We must say that, as far as we could see, every possible care is being taken to preserve the Buildings from fire. A patrol is kept inside and outside of the Buildings day and night continuously. There is special provision also for water-supply, hoses are ready for use in different parts of the Buildings, buckets of water are kept always full, at convenient distances apart, in various corridors throughout the Buildings, chemical fire-extinguishers are placed at different points, the May-Oatway system of fire-alarm is installed, and direct telephonic communication exists between the Buildings and the Fire Brigade Station. Immediately the rooms are vacated by the officials in the evening, all doors are thrown open, so that any light in the rooms may be seen by the night-watchmen on their rounds. The only measures that could be adopted, according to the information that we have obtained, to further reduce the risk of fire are in connection with the heating of the Buildings. This at present is done by means of ordinary grates with coal fires in the various rooms. There is a big risk of fire from faulty chimneys, and it would be very much safer if the Buildings were heated by hot water. This, according to an estimate that was furnished to us, could be done for between £1,300 and £1,350, and we were advised that the annual saving of fuel which would be effected if a hot-water system were installed would pay the interest on the cost and establish a sinking fund that would, in a comparatively short time, wipe out the cost of the hot-water system.

Notwithstanding all the care that is exercised, the evidence went to show that there is great risk of fire. Here we may remark that the rule prohibiting smoking in the Buildings is not rigidly enforced as it should be. If a fire started in any part of the Buildings, with a gale of wind blowing, the whole question would be decided in the first five minutes. If a fire once obtained a hold in such a large, old, wooden structure, with a gale of wind to fan it, no fire brigades or water-supplies could check it. The whole building and its contents would be destroyed within a very short time, and the heat set up by such a large mass of wooden material would be so intense that nothing but the best strong-rooms would resist it.

In addition to the main Government Buildings, the fireproof accommodation for records in many of the other Government offices is insufficient. Records in the Public Service have to be kept for such a long period that the fireproof accommodation required for their protection has to be constantly increased. We think it is a question for consideration whether the plan which we understand is adopted in some other countries, of going through all records after they have become ten years old and destroying everything except the most important, should not be adopted in this country. The whole question of providing the necessary fireproof accommodation for the public records throughout the Dominion should, we think, be looked into at once by experts, and the necessary steps taken for their proper protection without a day's delay longer than is absolutely necessary. If this is not done the result may be to the lasting regret of the Government and people of the Dominion.

CONCLUSION.

As a necessary preliminary to the carrying-out of the programme that we have outlined, certain legislation will be required to provide the necessary machinery. Probably it may be found better to consolidate and amend the numerous Acts dealing with the Public Service and the various branches of it. We have considered that this is outside the scope of our labours, and that it is our duty to merely point out what we think should be done. At the same time it may not be out of place to indicate shortly the lines that, in our judgment, legislation on the subject should follow. What is wanted is a condition of things which will tend to develop and bring out the best qualities that the officers of the Service possess, and at the same time avoid the deadly results of routine, red-tape, and slavish adherence to precedent. The hard-and-fast rules and regulations for everything, which notoriously obtain in most Government offices,

go far to kill initiative and all power of forming fresh ideas and exercising independent judgment. It is, of course, necessary that there should be rules and regulations. These are required in any large service, but they should be as elastic as possible. The rules that govern the Service are laid down in numerous Acts and regulations. The rules that are laid down in Acts are hard-and-fast, and can only be changed with great difficulty, therefore fresh legislation should be on broad lines and as simple as possible, leaving details as much as possible to be dealt with by regulations to be drawn up by the Board of Management. In starting on fresh lines such as we have suggested, initial mistakes are bound to be made, but these can be set right by regulations that are capable of being quickly altered. In incapable hands regulations can be made as irksome as Acts of Parliament, but under capable and alert management they can, and should be, altered quickly to cope with the unceasing demands of ever-changing conditions. Rules laid down by Act of Parliament never can do this. The alterations, too, often arrive after the mischief is done.

It may have been expected that we should put down figures in black and white showing what economies might be effected in the Service if the recommendations that we have made are adopted, but we think it will be conceded that the time that we had at our disposal was altogether insufficient to attempt anything of this nature. We have confined our attention to dealing with the broad principles that we thought it would be necessary to adopt in order to obtain an efficient service. It can be laid down as an axiom that true efficiency always means economy, and without true efficiency there can be no economy. An increase in the efficiency of the service rendered to the people of the Dominion is just as much an economy as a decrease in the cost of that service. True efficiency will produce both the economy of decreased cost and the economy of better service. It is hard to give an estimate of what this would mean, but we are satisfied that the results, if the recommendations that we have made are adopted, will be very great.

To give a business illustration of how it would result: The profits in an ordinary business concern can be divided into two portions—(a) the capital interest—that is, the interest that the capital in the business would produce if invested in ordinary loans; and (b) the profits in excess of capital interest, which are the true trading profits. It is the latter for which people are in business. They do not go into business to get capital interest—this can be obtained by lending the money invested in the business in any of the various forms of loan investments that are available. It is difficult to say just how the gross profits of an average business in this country, after deducting capital interest, would compare with the gross expenses. They will, of course, vary enormously according to the nature of the business and the skill of the management, but we think we will not be very far out if we say that out of every £100 of gross earnings in excess of capital interest not less than £80 will go in expenses, and £20 will remain as net trading profits. Now, imagine such a business, and a man taking charge of it who, by reorganization and good management, produces such increased efficiency that he is able to reduce that £80 of expenditure to £75 (which does not seem a very large reduction), and to increase that £100 of earnings to £105 (which does not seem a very large increase), yet that comparatively small decrease in expenses and increase in earnings mean an addition of 50 per cent. to the net trading profits. Applying this argument to the finances of this Dominion: We are obtaining and spending roughly, on an average, a revenue of £11,000,000 a year. Imagine, now, an increased efficiency that would merely mean a reduction of 1 per cent. in expenses and an addition of 1 per cent. in the efficiency of the Service rendered: these comparatively small improvements would amount to £220,000 a year. This does not seem much on a revenue of £11,000,000, but accumulating at 4 per cent. it would amount to a sum that would wipe out the present national debt of the Dominion in seventy-one years—a long time in the life of an individual, but a very short time in the life of a country. This is what can be done by a decrease

of 1 per cent. in expenses and an increase of 1 per cent. in efficiency of the service rendered, and we think it will be agreed that it is no mere trifle. We are satisfied that if the plans we have laid down are adopted, not only will this 1 per cent. each way be obtained, but the actual result will be many times more.

To Mr. J. Hislop, the Under-Secretary for Internal Affairs, to Mr. J. W. Kinniburgh, our own secretary, and those associated with him, we desire to express our obligations for the ready and able assistance rendered to us in our work. At all times and under all circumstances they one and all were most helpful and attentive.

Given under our hands and seals, at Wellington, this twenty-fourth day of August, one thousand nine hundred and twelve.

W. D. HUNT.

JAMES MACINTOSH.

PETER BARR.