

- Native Land Court, South Island: An examination of these accounts by an Audit Inspector disclosed defalcations by the Registrar of the Court (E. A. Welch) to the amount of £354 7s. 2d. The officer responsible was proceeded against, convicted, and sentenced to two years' imprisonment.
- State Coal Depot, Christchurch: Shortage of cash and irregularities. Three officers concerned and, after inquiry, dismissed the Service.
- Post and Telegraph Department: Deficiency in post-office cash, £78 5s. 7d. Offender sentenced to six months' imprisonment.
- Defence Department, Dunedin: Misappropriation of funds by two officers, committed for trial at the Supreme Court, August, 1915. One officer was found guilty and sentenced to one year's imprisonment; the other was acquitted.
- Police Department, Auckland: Shortages of clerk, £122 2s. 4d. Amount made good and officer dismissed.
- Lands Department, Invercargill: Shortage in respect of the sale of lithos, £3 5s. 6d. One officer dismissed, and others suitably dealt with.

5. *Surcharges in respect of Public Moneys.*—There has been a number of instances in which the Audit Office has discovered overpayments or short collections, but as these were subsequently adjusted it was unnecessary to issue any formal surcharge.

MONEYS ISSUED IN EXCESS OF APPROPRIATIONS AS A CONSEQUENCE OF THE WAR.

Owing to the exceptional conditions arising out of the war it was necessary for the Audit Office to issue moneys in excess of the statutory appropriation for the War Expenses Account and the Unauthorized Expenditure Account. This was done on the undertaking of the Government to introduce validating legislation and indemnify the Audit Office in respect of same. This undertaking has been carried out, and an Act to validate the payments has been passed by Parliament. The amount issued was as follows:—

	£	s.	d.
War Expenses Account	778,584	4	3
Unauthorized Expenditure Account	36,559	1	8

STAFF.

In consequence of the rapid growth of the work connected with the local authorities and the expansion of business in the Government Departments, I found it necessary to recommend the appointment of several new officers. Difficulties in filling vacancies and want of experience in appointees, and the loss of a number of officers through the war, caused delay in the examination of many of the accounts. A special staff for the examination and audit of the pay-lists of the Expeditionary Force has been engaged to undertake the work.

AUDIT OF STORES.

New regulations have been issued under the Public Revenues Act, 1910, placing the duty of auditing all public stores on the Controller and Auditor-General as from the 1st July last. Since 1878 the audit of stores has been a departmental responsibility. As soon as the necessary staff is provided the work will be taken in hand.

AUDIT OF LOCAL-AUTHORITY ACCOUNTS, 1914-15.

The operations of the year which elapsed since the period covered by my last report disclose the benefit that has accrued in practice from various amendments of statutes which were made by Parliament within the last three years at the instance of the Audit office. The amendments referred to have had the effect on the one hand of removing sundry unnecessary and irritating limitations to local-authority operations, and on the other hand have provided clearly-expressed conditions for enforcing observance of the law: with the result that not only has the number of statutory offences been largely reduced, but that Audit has succeeded without Court action and expense in obtaining adjustments of nearly the whole of the statutory irregularities which have been disclosed. This satisfactory condition, I would like to state, has been largely contributed to by the ungrudgingly-given and, as events have proved, sound advice of the Crown Law Officers.

In spite, however, of improved conditions, there were during the year no less than seventy-one local authorities (and in regard to some of these on more than one matter) which required and received special treatment on the part of the Audit Office, the outcome of which is shown in the tabulated statement given below. This statement does not include adjustments of illegal overdrafts, of which there were several. The cases of defalcations discovered by Audit Inspectors in local-authority accounts numbered eight, and in all of these (save one of £51) a conviction was obtained. The exception in question appears to have resulted as a consequence of the restitution by the defaulter of the sum involved, between the date of the discovery and the taking of Court proceedings.

Nature of Local Authority.	Adjustments of Illegal Transfers between Loan Accounts.	Refunds of Illegal Charges against Loans.	Recoveries of Illegal Payments.	Recoveries of Illegal Subsidies.	Defalcations.
	£	£	£	£	£
Boroughs .. 18 involved	6,541	1,149	31	..	1,160 (3)
Counties .. 19 involved	627	24	138	..	216 (2)
Domain Boards .. 6 involved	..	..	54	..	..
Education Bodies .. 6 involved	..	..	54	..	1,633 (2)
Harbour Boards .. 2 involved	..	150	109	..	..
Hospital Boards .. 8 involved	..	..	75	348	..
Road Boards .. 10 involved	1,222	952	..	..	167 (1)
Town Boards .. 4 involved	555	25	18	..	..
Total of cases .. 71	£8,945	£2,300	£479	£348	£3,176

ROBERT J. COLLINS,  
Controller and Auditor-General.

Audit Office, Wellington, 29th September, 1915.