

[1916.]

4. *Departmental Prosecutions*.—During the period under review there were six prosecutions under the Public Revenues Act and its amendments for defalcations of public moneys, accompanied in some cases by forgery, convictions being obtained in each instance. Appended is the list of offenders and the items in respect of which the charges were brought:—

	£	s.	d.
Captain Henderson (Defence Department) ... ..	154	7	4
F. A. Strack (Public Health Department) ... ..	40	0	0
Miss Moon (Tourist Department) ... ..	128	9	1
C. H. Rule (Public Works Department) ... ..	85	7	6
E. Blair (Mines Department) ... ..	7	0	0
Captain Hawkins (Defence Department) ... ..	101	7	3

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

#### AUDIT OF DETAILS.

Owing to the additional work cast upon the Audit, consequent upon the war conditions, and the inadequate staff to deal with it—twenty-one of the officers having enlisted and twelve being detached for audit of Defence accounts—it was found necessary to obtain the consent of the Minister to dispense with the detailed audit of accounts under section 68 of the Public Revenues Act, 1910. This dispensation does not, however, apply to war-expenses vouchers, which are pre-audited, a method which has amply justified its application.

#### WAR EXPENDITURE.

Complete audit and check of all claims in connection with the war expenditure is carefully carried out. The individual accounts of all soldiers are examined and all credits and debits checked. There are about 83,000 accounts, subdivided into 170 ledgers, to be dealt with. Each soldier is paid, roughly speaking, twice monthly, and some 50,000 allotments are made to dependants, relatives, friends, savings-bank accounts, &c. Thus there are some 250,000 entries to be checked monthly into these accounts. As the Forces are scattered over England, France, Egypt, Greece, and Mesopotamia, and are paid by the various command Paymasters, and as in addition to such debits, hospital stoppages, promotions and reductions in ranks, and debits for small comforts supplied to men in hospital and charged against their pay have all to be checked, the immense amount of work involved will be readily understood.

There is pre-audit of claims for fitting-up, hire, and reconditioning of transports, purchase of clothing and supplies, travelling-expenses, canteen supplies, forage, &c., and of imprests, checking acquittances, daily orders, allotment orders, &c. In addition to this, extra work has been involved by the establishment of Military Service Boards, the National Efficiency Board, and by the scheme for financial assistance to soldiers.

#### STORES AUDIT.

The matter of inspection of stores and audit of Store Accounts is still in abeyance. The recognized necessity for an efficient staff to undertake the duty, and the practical impossibility of creating and obtaining such a staff during the stress of war and liability for military services, were the grounds of my suggestion of 1915 that as the performance of the duties had not been in operation during the thirty-seven years preceding it might well be held over for the period of the war.

#### AUDIT OF DEPARTMENTAL VOUCHERS.

I feel that I should fall short of the full discharge of my duty in relation to this report if I did not call attention to a laxity in relation to sundry departmental vouchers. I refer to the failure of certifying and approving officers to realize the undoubted fact that the primary responsibility for the accuracy of vouchers is imposed upon them by law, and that no matter what obligations may devolve upon other officers with regard to these vouchers at later stages of their passage, no exoneration can reasonably be expected or justly granted for initial laxity or inaccuracy. I find, indeed, that not only have the essential particulars not always been verified by various departmental officers, but that the officers concerned have sometimes been quite unaware of where, or when, or whether services were rendered or goods supplied, and yet to the accuracy of the claims therefor have duly pledged their names. Admittedly the Audit Office has grave responsibilities also, but to look to Audit (a *post* factor) to counteract the neglect of those whose everyday duty it is to maintain sound administrative conditions in their Departments is opposed to every conception of business common-sense and equity, and to require a service which is no part of Audit functions. I may further add that no system of accountancy, however skilfully devised, can secure immunity from fraud unless the duty of ensuring that the fundamental factors of the accounts are duly supervised and accurate is consistently and conscientiously performed by the officers appointed for that purpose.