

State Advances debt loans to the amount of £207,500 have been renewed by the issue to the holders of fresh securities of an equal amount, leaving the amount of State Advances debt securities outstanding unchanged.

Statutory authority to make advances on behalf of other Governments was passed last session. Such advances had previously been made without statutory authority. Advances were made to the amount of £98,923, of which £48,396 was recovered, leaving an amount of £50,527 outstanding on 31st March, 1922.

The authority contained in section 4 of the Finance Act, 1919, has for the first time been used to recoup to the Ordinary Revenue Account the sinking-fund charges paid by that account in respect of loans raised for the purposes of the various separate accounts. As the revenues of the separate accounts are in some cases insufficient to cover these interest and sinking fund charges, the effect of claiming from those accounts the full amount of interest and sinking fund is to recover portion of these charges out of loan-moneys. Such a state of things is undesirable, particularly as regards the sinking-fund charges.

The present practice by Departments of crediting various receipts to their votes has not proved satisfactory. Should there be any excess in the amount of credits actually realized over the amount estimated and submitted with the estimates to Parliament, this excess becomes available for expenditure in addition to the actual amount voted. Representations have been made to the Treasury with a view of improving the system, so that a more complete parliamentary control of expenditure may be ensured.

When auditing the Receivers' Accounts for Wellington during the year it was found in some cases that the system of internal check in operation was not quite satisfactory, and the Audit examination resulted in a more efficient check being adopted as well as the detection of several small defalcations.

The Treasury statement has been examined and found correct.

There are no discrepancies between the statement and books of the Treasury.

The various accounts as under, dealing with the operations of the Public Account for the period under review, have been duly audited, certified to, and presented to Parliament as required by the Public Revenues Act, 1910 :—

Abstract of the Public Account.

Civil List Account.

Appropriation Account.

Unauthorized Expenditure Account.

#### AUDIT OF DEPARTMENTAL BALANCE-SHEETS.

Owing to the lateness of the receipt of departmental balance-sheets last year it was impossible to arrange for their complete audit, but it is hoped this year to make a more thorough examination. It is pointed out that it will take two or three years to bring all balance-sheets into line and to have the valuation of the very varied class of assets completed. The valuation of roads and bridges; post-offices, telegraph-lines; material and instruments; railways; scenic forests; plantations, &c., presents difficulties which will take time to overcome. Difficulties also exist in arriving at the approximate amounts of revenue of a Department for which the cash is received by another Department. For instance, there is difficulty in allotting the revenue earned by the Stamp Department and the Postal Department in respect of stamps sold.

It is difficult also for Audit to check the dissection of capital and revenue expenditure in some Departments, for the reason that the schedules held by the Department contain very brief particulars of the services rendered, while the appropriations made by Parliament contain items covering both capital and revenue expenditure. This could be overcome if in the Appropriations capital and revenue expenditure were shown separately.

In cases where Departments control subsidiary branches the accounts of each branch should be shown separately to enable a proper analysis of the various departmental operations to be made.

Those Departments which are non-revenue-producing have not kept a double-entry system of accounts, and they compile their Income and Expenditure Account from the net-expenditure book, and some difficulty exists when examining the balance-sheets in determining whether all sundry creditors and debtors have been brought to charge.

By co-operation between the various Departments and Audit these troubles can all be overcome. A decided improvement is noticed in those Departments whose accounts have been examined this year.

#### AUDIT OF RECEIPTS AND EXPENDITURE OF GOVERNMENT DEPARTMENTS.

I find that a great deal of work is performed in checking details of receipts and expenditure in connection with some of the Government Departments when these details have already been subjected to a departmental audit. I am at present making inquiries with a view, if possible, of altering the system in cases where there is a complete and reliable local audit within the Department itself. In this investigation I am greatly indebted to the Public Service Commissioner for the assistance of his staff.

The postal-draft system of payment of sums up to £5, instituted by the Treasury with the object of ensuring prompt payment to tradesmen and others, has operated successfully in the Auckland and Wellington districts, claims to the number of 23,000 having been passed within the latter district during the year.

Attention is directed to the large number of Audit queries rendered necessary by irregularities in claims for travelling-expenses by Government officers. The idea seems to prevail with some