

The amount of loans paid off, £5,396,421, was met as follows :—

Public debt loans—	£	£
From cash in Ordinary Revenue Account	3,159,960	
From cash in Electric Supply Account	500,000	
From cash in Cold Storage Advances Account	38,000	
From cash in Discharged Soldiers Settlement Account	45,210	
From cash in Land for Settlements Account	250,100	
From cash in War Expenses Account	1,033,945	
	5,027,215	
From Ordinary Revenue Account (for reduction of debt funded with Imperial Government)	141,171	
From moneys raised in 1921–22 for redemptions in 1922 23	157,870	
Redeemed out of premiums on loans raised for redemptions	300	
Discount on securities redeemed below par	12,865	
		5,339,421
State Advances loans—		
From State Advances Sinking Fund		57,000
		<u>£5,396,421</u>

In addition to the transactions above stated, public-debt loans amounting to £6,589,706 were renewed during the year by the issue of new securities of an equal amount, loans amounting to £3,069,780 were paid off out of the proceeds of issue of securities of an equal amount, and securities to the amount of £3,078,060 were issued in conversion or replacement of securities of an equal nominal value. State Advances loans amounting to £750,000 were renewed by the issue of new securities of an equal amount.

SINKING FUNDS.

During the year war and other advances from the Imperial Government to the amount of £27,532,163 17s. 10d. were funded under the authority of section 8 of the Finance Act, 1922, on the basis of an annual payment of £6 per centum of the amount funded. Interest is fixed by the agreement at the rate of £4 19s. 5·88d. per cent. per annum. The annual charge in respect of the loans so funded works out at £1,651,930, and this annual payment, it is estimated, will redeem the debt in about thirty-six years.

With regard to the balance of the public debt, a proposal has been made for the consideration of the Government that the debt should be funded (excepting certain of the loans which have their own separate sinking funds, such as the State Advances loans) on the same principle as that which has been followed in the case of the Imperial Government Advances mentioned above, but based on a very much lower rate of annual payment from the Consolidated Fund, and that some of our loan securities should be repurchased annually and cancelled. The present system of investing sinking funds in mortgages of real property of the Dominion or in local-body debentures is unsatisfactory, owing to the difficulty of realizing the investments except at considerable loss, and also owing to the fact that no immediate relief to the Consolidated Fund is obtained as a result of the annual contributions made by it. The general effect of the present system is that, notwithstanding large annual contributions towards sinking fund by the Consolidated Fund, our national debt gradually increases, necessitating still larger annual payments for interest and sinking fund. The amended proposal would ensure a continuous annual reduction of debt to compensate for the increase, and at a reduced annual charge on the Consolidated Fund.

During the year the separate sinking fund for State Coal-mines loans has, as a result of Audit action, been placed on a satisfactory basis by the opening of a separate Sinking Fund Account. The sinking fund moneys were hitherto allowed to remain in the State Coal-mines Account, and could be used for the general purposes of that account.

(3.) AUDIT OF GOVERNMENT STORES AND PROPERTY.

In my last report I drew the attention of Parliament to the importance of this branch of the Audit duties and the necessity for strengthening the inspectional staff. Since then Inspectors have been appointed at Christchurch and Auckland, and arrangements have been made for the appointment of another at Dunedin. I am pleased to say that, although a great deal remains to be done before it can be said that the main principles governing the control and disposal of Government stores and property are generally understood and carried out, yet a considerable advance has been made in some Departments of the Service.

In another part of this report there appears in schedule form a list of the various items representing losses requiring to be written off by Parliament. The Treasury Regulations contain very full and clear instructions as to the manner in which shortages of stores or supplies, losses and debts irrecoverable shall be provisionally written off by Audit for Departmental convenience and finally written off when sanctioned by Parliament. The investigation by Audit of all items included in departmental applications to write off is not made merely for the purpose of giving the Departments concerned a clearance, but is a responsibility placed on the Audit Office for safeguarding the interests of the public. It does not appear to be generally recognized that the functions of Audit are performed on behalf of Parliament, and not on behalf of any Department, and that the Audit investigation in no way relieves the Departments of their responsibility.

Besides ascertaining that all moneys possible have been collected from debtors, it is incumbent on Audit to see that losses of stores or cash have not resulted from the carelessness or neglect of an official or from want of system. It may be mentioned that a better observance of the instructions