

In addition to the transactions shown above, public-debt loans to the amount of £1,283,980 were converted and replaced, £6,180,065 were renewed, and £7,068,920 were redeemed, in each case by the issue of new securities of an equal face value. Loans of the State Advances debt amounting to £217,900 were renewed, and £872,160 were redeemed, by the issue of an equal amount of new securities.

Treasury bills to the amount of £2,250,000 were issued against revenue, and were paid off during the year.

#### SINKING FUNDS.

In my report on the accounts for 1922-23 I mentioned that a proposal had been made to the Government for a more satisfactory provision for the repayment of the public debt. A Bill embodying those proposals has now been circulated, and it is confidently expected that if this Bill becomes law a distinct advance will be made towards the reduction of the public debt. The Bill makes provision for the repayment of part of the public debt every year by purchase of Government securities in the open market, or by the redemption of securities falling due, but it does not cover any of the loans raised for the State Advances Office, as that office has itself the power to make provision for a sinking fund for the repayment of its loans.

It is, however, a question for consideration as to whether there is not a necessity for providing an improved system of sinking fund in connection with the State Advances debt. The present provision for the redemption of this debt is contained in the State Advances Amendment Act, 1922, which provides that any profits arising from the several branches of the State Advances Office shall, after the establishment of a reserve, be paid into the Advances Office Sinking Fund. Two outstanding weaknesses exist in this method of providing for the redemption of the debt: (1) The Advances Office Sinking Fund is invested by the departmental Board in mortgages, &c., and serious difficulty would probably arise should it become necessary to realize a large amount of the investments at any time; (2) in the case of the Local Authorities Branch no profits have been made since its inception under the Act of 1909, while in the case of the Advances to Workers Branch the profits so far have been insufficient to establish the reserve required by law, and it appears unlikely under existing conditions that sufficient profits will be received in either of these branches to enable the establishment of a sinking fund for the repayment of the loans out of revenue.

From an ordinary business point of view the proper remedy would be to raise the rate for future advances made by these branches, as it is apparent that the rates hitherto charged have been insufficient to allow an adequate margin for sinking fund. The only alternative appears to be a contribution from the Consolidated Fund, which would involve an extra burden on the taxpayer for the benefit of those obtaining advances at less than cost, and this could not be considered sound finance.

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

The arrangement referred to in last year's report by which Audit agreed to accept, under specific safeguards, the internal departmental audit of certain Departments, subject to the receipt of periodic certificates from recognized responsible officers, has worked satisfactorily, and has led to a considerable reduction of the Audit staff in those Departments, and has removed duplication of work without relaxing Audit supervision and control.

Progress has been made in overtaking the arrears of work of auditing departmental accounts throughout the Dominion, notwithstanding setbacks which have resulted from resignations of several Audit officers and the absence of others on prolonged sick-leave. The aim of the Audit Office is to concentrate on the early completion of the remaining arrears of work with a view of having everything brought up to date and so maintained. It has, however, become apparent that the present staff will require strengthening.

From the improved manner in which departmental vouchers for expenditure are prepared it is apparent that the officers concerned are more conversant with the requirements of the Public Revenues Act than formerly, and possess a better knowledge generally regarding matters which are comprised in the public accounts.

There is still evidence that in some instances insufficient check is applied to items of expenditure. Certifying officers are not, at the time of certifying, justified in appending their certificate without a more careful scrutiny as to the correctness of the items certified to. In the case of vouchers for refunds of travelling-expenses it has come to notice that laxity has prevailed on the part of some of the officers when travelling on the public service in regard to the method of obtaining receipts for transport. Instead of themselves preparing the receipt-form for signature by the payee, they have been content to obtain his signature to a blank form, and the amount paid has been subsequently filled in by themselves, sometimes incorrectly. This practice has in some cases resulted in the perpetration of fraud.

The list of misappropriations and losses of public moneys included in this report shows that the number of prosecutions undertaken by Audit during the past year is approximately the same as was recorded in last year's report.

There were many claims of a special nature which came before the Audit Office in the course of the year, which, after close investigation, showed that full consideration of the surrounding facts had not been given by the Departments concerned before making recommendation to the Minister, with the result that vouchers submitted were for sums far in excess of amounts properly payable. I may cite one instance in which an arbitration award of £6,344 in settlement of claims arising out of the termination of a lease was challenged by Audit as being grossly excessive in view of the land-values and other features concerned. The outcome was that finally a settlement was effected for a sum of £3,500, and there is little doubt that, had greater care been exercised by the local officers who first dealt with the matter, even that sum could have been proved to be very excessive.

There are also evidences of want of appreciation of the interests of the Crown and of the taxpayer on the part of some Departments when making recommendations to Ministers, and, in consequence, losses to the State frequently occur, and it is too late to remedy them when they come