

GOVERNMENT CONTRACTS FOR SUPPLIES.

The difficulties which Departments have to face when entering into contracts for Government supplies are such as to warrant a very much closer Audit supervision than has been possible with the present staff at the disposal of the Audit Office. Departments are not blameless, however, in this matter, as they have in most cases failed to comply with the Treasury Regulations which require that all contracts shall be sent to Treasury and Audit for notation.

I regret to have to report that in some instances, where these contracts have been asked for by Audit, it has been found that they contain conditions which have proved disadvantageous to the Crown's interests, and that there has been lax observance of proper conditions. It is worthy of comment that in every such case the errors or omissions detected have been such as to occasion loss to the Crown and not to the contractor, which no doubt is accounted for by the fact that the interests of the contractor have been watched with greater care than were those of the Crown. In one instance a loss of some £150 was occasioned through the careless design of the article which was required to be manufactured, entailing fresh specifications and the writing-off of the articles manufactured. In another case refunds of Customs dues had been improperly granted to a contractor, even though the terms of the contract were quite clear, occasioning a substantial loss with each shipment of material. A contract for supply of coal was let in such a way as to result in an unnecessary expenditure by the State of upwards of £200. In another case, as a result of a loosely drawn agreement to lease, the Crown stood to suffer a very considerable loss. Fortunately this latter was noticed by Audit before loss occurred, and the matter was rectified. I might mention other cases, but the above will serve to show the necessity for the careful examination of all Government contracts entered into.

Great differences have been ascertained to exist in prices paid for similar service under different contracts. For instance, a scrutiny of several contracts for a like service obtaining in the chief centres of the Dominion disclosed the fact that the Auckland, Wanganui, Wellington, Christchurch, and Invercargill firms' prices for a certain item exceeded that of a Dunedin firm for the same item by 920 per cent., 1000 per cent., 740 per cent., 800 per cent., and 1070 per cent. respectively. Another item shows a difference of 840 per cent., 970 per cent., 640 per cent., 1300 per cent., and 1200 per cent. respectively in excess of Dunedin. These are only two out of roughly a hundred items, and they may be considered a fair sample of the others. The explanation afforded to Audit in this instance is that, with the exception of the Dunedin firm, the prices are controlled by a ring operating in each centre. If this is a fair sample of the method of fixing prices to the public with regard to other services, it is not difficult to account for a considerable factor in the increased cost of living.

LONDON AUDIT.

In addition to his ordinary duties, the Audit Officer in London has been required to make a continuous audit of the accounts of the New Zealand Pavilion at Wembley. His report on the closing of the accounts in regard to the 1924 Exhibition shows that the position is satisfactory, and that only a few minor matters, such as the disposal of certain sums received in respect of various sales of goods, require to be completed.

In the interests of economy this Audit Officer has, during the year, investigated many questions regarding the method of purchasing materials for New Zealand, shipping and insurance charges, &c., and also acted in conjunction with an officer of the Defence Department in negotiations with the War Office regarding the charges against the Dominion for transport of troops, &c., during the war. These negotiations resulted in the substantial reduction of approximately £145,000 in the charges.

LOSSES ON SOLDIER SETTLEMENTS.

It will be noticed that in the list of losses to be written off from the Public Account which is appended to this report a very considerable sum is represented by loss on settlement of discharged soldiers. It is recognized that some loss was inevitable from the first, but Audit investigation has disclosed the fact that a considerable portion of the losses might have been avoided if greater care and precaution had been observed in the local administration, and if advantage had been taken of the expert machinery of the Valuation Department when assessing values for the purchase of properties or as a basis on which to make advances. To lend money to a soldier under conditions which render it impossible that he could succeed is doing him rather an injury than a benefit, as it deprives him of the opportunity of obtaining money for other more effective purposes. As a special instance of an advance made without due consideration and in the face of the advice of the Valuer, I may cite the case of a loan granted to a soldier to enable him to purchase a farm in a suburban area at £320 per acre, including improvements, and an additional sum was advanced to enable him to buy stock. The result was inevitable from the first. The final loss on this transaction has not yet come to hand, but when ascertained it will require to be written off by Parliament. The losses in connection with soldier settlement, exclusive of reductions made by the Revaluation Board, of which Audit has been advised up to the present date amount to approximately £131,000.

REPATRIATION.

The transfer of the management of the above account to the State Advances Office took place as from the 6th November last, in accordance with the provisions of section 25, Finance Act, 1924.

A careful investigation of the accounts disclosed that losses totalling £37,778 have so far been ascertained; the borrowers having been unable to meet their commitments, £12,441 of this will require to be written off this year, the balance has already been written off.

THE HOUSING BRANCH OF THE STATE ADVANCES OFFICE.

The business conducted by the Housing Department was taken over by the State Advances Office in accordance with the provisions of section 9 of the State Advances Amendment Act, 1922. At the date of transfer the Revenue Account of the Housing Department was in debit to the extent of