

SHORTAGE OF MOTOR-SPIRIT.

(Page 8 of Report.)

This paragraph appears to convey without any discrimination a statement that a system of illicit sales, shortages, and extravagant consumption of motor-spirit exists generally in Departments controlling stores.

Extract from Engineer's report :—

The principal shortage disclosed—viz., 10½ cases "Shell" and 8 cases "Lion"—was at 1st April, 1923, when the benzine was kept in more than one shed and the control over it was not so strict as it is now. It was to check as far as possible any chance of a shortage that the benzine was since kept in one building. With more than one person issuing the stock the chances of a discrepancy would be greater than when under one-man control, as at present obtains. Unfortunately, the overseer referred to left the works over twelve months ago, and an explanation of the apparent shortage cannot be obtained from him. It is not considered, however, that the leakage was of a fraudulent nature, but has occurred through failure to enter up the books.

£27,000 PLANT AND MATERIALS.

(Page 8 of Report.)

The facts furnished by the Department are :—

The practice in this Department has been to issue timber, building-material, leather, grindery, and materials for other industries direct from the supplier to the officers in charge of the various works. The preparation of expense accounts, to record the ultimate disposal of these stores and of farm-produce, involves an increase of expenditure on unremunerative clerical and storekeeping labour, with additional store and yarding accommodation, which has not yet been undertaken by this Department. There can be no suggestion that under the present system losses occur to any extent.

Included in the amount of £27,000 is the value of plant and machinery which has not been taken on charge in the stores ledgers, but is properly treated as part of the *capital* assets fixed and belonging to the institutions.

The system of accounting in this Department has received special consideration, and an experienced officer who is a qualified accountant has been solely engaged for some time in bringing into operation a full and complete system of accounting.

IRREGULARITIES AT BEAUMONT.

(Page 8 of Report.)

No system has yet been devised which is able to afford *immediate* detection of peculations by a dishonest employee in charge of work of this nature. Great care in Store Accounts is taken in the Public Works Department, its stores system being an excellent one. The provision of extra safeguards, as are suggested in the Audit report, would cost more than the possible losses they are designed to prevent, and would never be instituted in any properly organized commercial concern.

DIFFERENCES IN PRICES OF CONTRACTS.

(Page 10 of Report.)

The reference herein is to urgent printing orders for the Railway Department at Invercargill.

The departmental papers show that the Controller and Auditor-General brought this matter under the notice of the Public Service Commissioner, who caused a full investigation to be made into the circumstances by an accountant of wide commercial experience. The conclusions arrived at by the investigating accountant as the result of his investigations show—

- (1.) That the Dunedin firm in question quoted for special competitive reasons, and their prices were well below the actual cost of production. (In this respect it may be mentioned that the renewal prices are considerably in advance of those in the original contract.)
- (2.) That the prices quoted to the Department by the firm in Invercargill were substantially fair and reasonable.
- (3.) That in the comparison made by the Controller and Auditor-General he entirely failed to appreciate the significance of extra cost where "urgency" and "volume of work" were important factors.
- (4.) That the disparity in prices was due to causes other than the influence of an alleged "ring," as suggested by the Controller and Auditor-General, is clearly evidenced by the fact that the investigating accountant reported that the firm in Dunedin was and is a leading member of the trade association in question.

The findings of the investigating accountant were made available to the Controller and Auditor-General. It is surprising, therefore, that he should have seen fit to refer to this matter, particularly in view of the fact that, by quoting percentages running into thousands when the total value of business in Invercargill is less than £200 per annum, it tends to unduly magnify the actual position.

NEGLECTANCE OF PUBLIC OFFICERS.

On page 14 of the report a paragraph is headed "Negligence of Public Officers," implying a reflection on public servants generally, and relates to surcharges. As a matter of fact, the Controller and Auditor-General issued last year eight surcharges against officers of the whole Public Service, and these are set out on page 18.

It is considered that the relatively small number of surcharges, and also of prosecutions, if anything, redound to the credit of the members of the Public Service throughout the Dominion. New Zealand has every reason to be proud of its Service. Government could not permit to pass unchallenged anything that might tend to detract from the high standard of integrity known to exist in the services.