

to be made. Apart from the possibility of loss through non-recovery, a certain loss of interest to the Consolidated Fund is involved by reason of the amounts being advanced from the Public Account. It appears to the Audit Office that the position could be met satisfactorily by a more general adoption of the rule, which is now in many cases insisted on, that an amount shall be paid into the Public Account in advance sufficient to cover the proposed payment, and that no legislation is necessary. I have therefore suggested this method, which accords with the view of the Crown Law Office, to the Treasury for consideration. Meanwhile, as it is undesirable to delay the passing of the vouchers, I have agreed to the continuance of the system of passing such transactions through Deposits Account until the matter can be finally settled, although such procedure is not authorized by law.

PURCHASE OF LAND FOR RAILWAY EMPLOYEES' DWELLINGS.

Government Railways Amendment Act, 1927.—In connection with the Railway Department's workshops reorganization scheme the Railway Board, in order to meet the wishes of certain employees for whom houses were to be built, decided to allow them to select their own sections from private owners instead of purchasing railway sections. In order to save the members expense these sections were transferred from the owners direct to them, and the Department, which found the money for the purpose, protected its interests by lodging caveats against the titles. Section 15 of the Government Railways Amendment Act, 1927, however, empowered the Department to expend moneys on the erection of houses for its members only, and no statutory authority existed for the payment of money from the Working Railways Account for the purchase of land for such purpose. The Audit Office raised the question of parliamentary authority, but agreed to pass the vouchers for payment in respect of sections purchased on receiving an undertaking that validating legislation would be introduced during this session.

STATE ADVANCES LOANS.

State Advances Act, 1913.—Sections 18 and 19 of this Act provide that loan-moneys raised thereunder for the purposes of the Advances to Settlers, Advances to Workers, and Advances to Local Authorities Branches shall, "as and when raised," be paid into the State Advances Account. Section 20 of the same Act provides that the costs and expenses incurred in raising the aforesaid moneys shall from time to time be charged to and paid out of the State Advances Account without further appropriation than this Act.

It has for a considerable time past been the practice to retain such moneys within the Public Account, and, after paying charges and expenses therefrom, to invest the balance or hold in cash in the Public Account until such time as they were required by the State Advances Account.

The attention of the Treasury was drawn to the matter, and on a reference being made to the Crown Law Office for an opinion it was held that the procedure which had been followed was contrary to law, and that it was illegal to hold these moneys in the Public Account. In consideration, however, of the fact that the custom of holding such moneys in the Public Account was a long-standing one, I agreed to the Treasury request to allow the practice to continue pending the introduction of suitable amending legislation.

STATE COAL-MINES SINKING FUND.

Coal-mines Act, 1925.—Section 185 of the Coal-mines Act, 1925, made provision for a sinking fund in respect of State coal-mines loans by an annual payment equal to 2 per cent. of the total loan capital outstanding. By an amendment contained in section 6 of the Coal-mines Amendment Act, 1927, the law was altered in such a manner that the sinking fund became payable only on loans raised under the 1925 Act (though certain of the State Coal-mines loans were not raised thereunder), and was also made payable on the total amount at any time so raised, whether this amount was still outstanding or not.

When the voucher for the payment of the sinking-fund contribution for the year 1927-28 was submitted to Audit it was found that no effect had been given to the amendment, and the attention of the Department was drawn to the matter. It was then explained that the amendment did not carry out the intention of the Department, which was that the sinking fund should be payable on the amount of all State coal-mines loans at any time raised, including the amount of any such loans paid off out of the sinking fund, but excluding loans otherwise paid off. The intention was, in fact, to apply the annuity method in a modified form to the redemption of such loans.

In view of these circumstances the Audit Office did not insist on the present law being carried out, and passed the entries on the old basis on the understanding that a suitable amendment of the Act would be introduced during this session.

SUBSIDIES TO LOCAL AUTHORITIES FOR RELIEF OF UNEMPLOYMENT.

Imprest Supply Act, 1927 (No. 2).—Section 4 of this Act gives authority to the Minister of Finance to pay to local authorities such amounts as he thinks fit by way of subsidy on the amount expended by the local authority as wages in respect of works in relief of unemployment. The aggregate amount payable under the section was £150,000.

It appears from the vouchers and departmental files submitted to Audit that in some cases subsidies were paid to local authorities before the authority of the Minister of Finance to grant such subsidies had been obtained, and therefore the payment of such subsidies was, strictly speaking, not made in accordance with the requirements of the law. In all cases which have come under the notice of the Audit Office the authority of the Minister of Finance has subsequently been obtained, but an extremely embarrassing position would be brought about if the Minister desired to withhold his approval in such cases.