

By a reference to my report for last year (B.—1, Pt. II, page xii) it will be seen that there has been an increase of £57,791 0s. 1d. in the amount of securities redeemed, and of £12,548 11s. 1d. in the annual saving in interest. This exemplifies the cumulative effect of the scheme both as regards capital reductions and saving of interest.

The following statement shows the amount of the debt (including both Treasury debt and State Advances debt) excluded from the provisions of the Repayment of the Public Debt Act, 1925, as at the 31st March, 1928.

Accounts.	Amounts outstanding 31st March, 1928.			
Debt for which special sinking funds are provided—	£	s.	d.	£ s. d.
Electric Supply Account	7,133,909	16	7	
Nauru and Ocean Islands Account	522,120	0	0	
Samoan Loan Suspense Account	132,000	0	0	
State Coal-mines Account	227,601	0	7	
Westport Harbour Account	700,100	0	0	
State Advances Account—	£	s.	d.	
Treasury debt	18,496,165	9	3	
State Advances debt	12,585,801	5	9	
	<hr/> 31,081,966 15 0			
Total debt with separate sinking funds ..				39,797,697 12 2
Debt funded with Imperial Government—	£	s.	d.	
Land for Settlements Account	35,361	4	8	
Naval Defence Act Account	669,756	17	7	
Public Works Fund—General Purposes Account ..	178,791	14	0	
War Expenses Account	24,655,332	11	10	
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Total funded debt				25,539,242 8 1
Total debt not subject to the Repayment of the Public Debt Act, 1925				<hr/> £65,336,940 0 3 <hr/>

Summary as at 31st March, 1928.

Total public debt coming within the provisions of the Repayment of the Public Debt Act, 1925	£	s.	d.
Debt Act, 1925	186,059,311	18	7
Debt excluded as above	65,336,940	0	3
	<hr/> £251,396,251 18 10 <hr/>		

The State Advances debt amounting to £31,081,966 15s., is subject to a sinking fund only to the extent to which profits are received in the various branches. During the year the Advances to Settlers Branch contributed £27,790 11s. 9d. in respect of a debt of £19,342,780 3s. 5d., but no contributions to sinking fund were made by the Advances to Workers or Advances to Local Authorities Branches.

RURAL ADVANCES LOANS.

Some difficulty has been experienced in deciding, for the purposes of Audit, the exact status of loans raised under the Rural Advances Act, 1926. Subsection (1) of section 8 of the Act states that the loans shall not be secured on the public revenues of New Zealand, while subsection (2) of the same section provides that the principal and interest shall be payable, in the first place, from the Consolidated Fund, and shall be recoverable from the Rural Advances Branch of the State Advances Account. In view of the latter provision and of the fact that the loans were actually raised by a Government Department, it was decided that they must for the purposes of Audit be viewed as Government loans, and they have accordingly been audited in the same manner as ordinary Government loans raised by the Treasury and charged on the public revenues. The question naturally arises as to whether some provision should not be made for the repayment of these loans as none of the existing sinking-fund schemes are being made applicable to these loans. At present the loans are not included as part of the public debt nor of the State Advances debt as shown in the Debt Statement (see p. 27, B.—1, Pt. III). A separate statement is appended to the Statement of the Public Debt giving particulars of these loans (p. 59, B.—1, Pt. III).

It was found that, as the Rural Advances Act is not an authorizing Act within the meaning of the New Zealand Loans Act, 1908, no authority of law existed for the payment of the charges and expenses of raising the loans. It was determined, therefore, to charge such expenses against the State Advances Account as "unauthorized expenditure" until such time as the requisite statutory authority could be obtained. Certain of the expenses, however, amounting to £600, paid out of the New Zealand Public Account, London, were not covered by the authority to charge to "Unauthorized," and as a result this expenditure has not yet been brought to charge in the Public Account. The amount was refunded to the Public Account by the State Advances Office before the 31st March, and is held in "Deposits, Miscellaneous," pending final settlement of the matter.