

22. The non-payment of Native taxes arising out of the Mau movement has caused additional complications, and has meant raising loan funds to meet further revenue deficiencies in the Treasury. As an indication of the lack of Treasury control, it should be noted that the deficit for the year was due not so much to a shortage of the estimated revenue as to an increase over the estimated expenditure.

23. Notwithstanding the regular annual assistance from New Zealand, the expenditure of the Territory, as set out in the following table, has exceeded its revenue in four of the last five years :—

Year.				Revenue, including Subsidy from New Zealand Government.	Expenditure, Ordinary (excluding Loan Account).
				£ s. d.	£ s. d.
1923-24	..	..	..	133,917 2 7	143,010 3 7
1924-25	..	..	..	130,914 7 8	135,523 17 4
1925-26	..	..	..	150,038 13 1	145,687 17 4
1926-27	..	..	..	133,812 18 9	141,710 4 6
1927-28	..	..	..	126,038 10 1	143,421 18 2

This table clearly indicates that, contrary to all accepted practice, loan or capital moneys have been utilized to meet current expenditure.

24. From the result of our investigations it was clear that insufficient attention has been paid to the control over expenditure, and generally the economic result of many activities entered into has received little if any consideration. Recourse has even been had to the temporary borrowing from Public Trust and Post Office Savings-bank moneys and other funds without proper authority, and in addition the funds of the New Zealand Reparation Estates have been made use of.

25. The unsatisfactory overlap that has developed between the finances of the Treasury and those of the New Zealand Reparation Estates will be dealt with under that portion of our report dealing with the latter. These estates, in our opinion, represent an investment of New Zealand Treasury funds, being portion of New Zealand's share of war reparations due from Germany. While there appears to have been governmental approval that the profits of these estates should be wholly or partly used for the benefit of Samoa, the legal position in regard thereto is not clear. In any case, we are of opinion that the manner in which the assets of the estates have been used is wrong in principle, and it is now not possible to ascertain exactly the amount of financial assistance that has been rendered by the estates to the Treasury.

26. A general overhaul, reorganization, and adjustment of the financial side of the Territory is an urgent necessity. It is to be noted, however, that a marked reduction of expenditure has already been effected.

27. With the appointment of a new Treasurer the following reforms are recommended :—

(a) That the Budget be balanced at the earliest practicable date, without assistance from the New Zealand Treasury or the Reparation Estates.

(b) That estimates of revenue and expenditure be submitted to New Zealand in March each year for approval.

(c) That control over expenditure be placed on an improved basis, and regulated on the following lines :—

(i) Departments to requisition at the beginning of each quarter for authority for recurring items (personal emoluments) provided on estimates.

(ii) Special requisitions to be submitted for all items under the heading of " Other Charges," and approval received before commitments are made or contracts entered into.

(iii) No commitments to be made or expenditure incurred for items not provided for on estimates or in excess of items provided until the authority of the Administrator is first obtained, and, in case of amounts exceeding £100, the authority of the Minister.

(iv) That each Department balance its expenditure monthly with Treasury books.

(v) That each Department furnish to Treasury quarterly returns of expenditure under each item, showing the under- or over-expenditure in relation to the proportion of each item provided on the estimates for the respective portion of the year; explanations to be furnished regarding all items overexpended.

(vi) That quarterly statements be furnished by the Administrator to the Minister of External Affairs showing the position of both revenue and expenditure in relation to the estimates and in comparison with the previous year.

(vii) That commitments against " Unauthorized " should not be approved in excess of the amount provided on the estimates under the heading of " Miscellaneous Items Unforeseen " without the prior consent of the Minister of External Affairs.

(viii) That the purchase of Government stores be reorganized.

(ix) That no losses or deficiencies of stores or departmental property, and no amounts due from sundry debtors or otherwise, should be written off without the prior consent of the local Treasury and Internal Auditor and the Minister of External Affairs; each case must be represented in detail by the Department concerned, and a schedule of all amounts approved should be embodied with each year's published accounts.