

### MOTOR MILEAGE ALLOWANCE TO OFFICERS FOR USE OF OWN CARS.

128. Several cases came under our notice where officials own private cars and use same on official business under an allowance arrangement when at the same time Government-owned cars are standing idle in the garage. This practice should be abolished.

129. Another matter to which attention is drawn is the purchase of second-hand motor-cars by the Administration from officials. This practice, which might easily lead to abuse, should not be countenanced.

### NEW ZEALAND REPARATION ESTATES.

130. These Estates, comprising an area of approximately 100,000 acres, represent mainly former German-owned properties in Samoa which the New Zealand Government took over as part of its share of war reparations due by Germany. The outstanding features in connection with these Estates are :—

- (a) The very small return in respect of the capital at which the Estates stand in the accounts ;
- (b) The manner in which the assets have been used in connection with affairs relating to the Administration ;
- (c) The ineffectiveness of the management and control generally ;
- (d) The absence of an efficient audit of the financial transactions.

131. A detailed schedule of the assets as shown by the balance-sheet for the period ended 31st March last is attached, the total value being given as £884,074. The net profits (although we do not agree that they are true net profits) for the past four years, as shown in the accounts, are : 1925, £22,816 ; 1926, £19,559 ; 1927, £13,320 ; 1928, £14,108.

132. In 1924 the accumulated losses in the Profit and Loss Appropriation Account were £135,531, which as the result of profits in 1925 and 1926 were reduced to £101,652. The latter amount was written off during 1926–27 against accumulated profits in a General Reserve Account, which at the 31st March last stood at £34,470.

133. The financial operations of these Estates show a very marked variation, firstly in the accumulation of considerable profits, and secondly in the subsequent dissipation of such accumulation in annual losses.

134. The relatively small profits for the past four years in proportion to the total capital indicates a very poor investment when looked at from the point of view of the New Zealand taxpayer. In 1922 a grant of £25,000, and since 1926 yearly free grants of £12,000 (appropriated from profits), have been handed over to the Samoan Treasury. The small balance remaining has been retained in the Estates and credited to a General Reserve Account, and no contribution has been made toward war costs or redemption of war debt. In this connection it is to be noted that, excluding repatriation costs, war pensions, also medical and hospital treatment of the troops after return to New Zealand, the total cost borne by New Zealand of the military occupation of Samoa was approximately £560,000, which carries an annual charge of not less than £28,000.

135. At present the control of the Estates is vested in a Board consisting of (1) The Administrator of Western Samoa ; (2) the Secretary to the Administration ; (3) Mr. N. H. Macdonald, surveyor, who is employed by the Estates.

136. The management by the Board as such is ineffective. The absence of competent individual management and control over the production and general management of the plantations is a further outstanding weakness.

137. The Officer in Charge of the Reparation Estates Office appears to have been a competent book-keeper but without managerial qualification. He himself advised us that he performed none of the functions of a manager as such, and, indeed, in our opinion, the Estates have been run very largely without any effective management. The methods adopted were loose, affording many opportunities for fraud and peculation. The system of inspection as a check on the operations of the managers was quite ineffective. A qualified accountant should be appointed, and a proper system of internal check and also an independent audit instituted. The audit as carried out by the Audit Inspector from the Audit Office, New Zealand, is ineffective.

138. The amount of technical knowledge required for the management of plantations under central control from Apia does not appear to us to be very large, and the principal qualities required are those of organization and discipline. At the same time, it was plain that some at least of the officers in charge of plantations had had no experience whatever of producing the article grown by the plantations, and in other cases the overseers appeared to us to be of so poor a type that their employment could scarcely be justified.

139. It seemed the general opinion, confirmed to a certain extent as the result of our inquiries, that the present book values of the plantations are too high. This fact, coupled with the large area of unimproved land, is advanced by the management as the reason for the small percentage return on the capital.

140. An examination of the accounts revealed the fact that no specific annual provision is being made to build funds to provide for replanting of the plantations. As these assets are clearly “wasting,” proper provision should have been made out of revenue, either by way of writing off or replacement by way of replanting. Whether any reserve was created in the German days is not known, as the controlling accounts for the plantations were kept in Germany. If it were done, then such funds may either have remained in the business in Samoa or been otherwise invested in Germany.

141. The absence of this provision indicates, firstly, that the profits taken credit for have been inflated, and, secondly, that overcapitalization of assets has probably already taken place in such replanting as has been carried out.