

case of Governmental activities entirely take the place of the budgetary accounts, which are specially designed for the purpose of controlling expenditure. There is a danger that those not fully conversant with the principles of Governmental accounting may conclude that the commercial accounts presented in the form of Departmental Revenue Accounts and Balance-sheets render the budgetary or appropriation accounts unnecessary, whereas in the opinion of Audit the true position is that the commercial accounts of the various Departments should properly be regarded as supplementary to and not in substitution of the Cash Accounts and Appropriation Accounts required by statute. The following extract from a leading authority on national accounting clearly sets out the difference between commercial and State finance :—

“ Though the system of accounting for parliamentary grants necessarily possesses many of the features which are generally understood to be included in the term ‘accounting’ as applied to commercial affairs, it cannot in its wider and more important aspect be treated from the commercial point of view at all, for it is founded on constitutional principles and is dependent on State policy. The essence of commercial finance is the outlay of money with the object of securing a monetary profit. The object of State finance, under parliamentary government, is to strike a balance between receipts and expenditure, or, in practice, to aim at a small surplus in order to prevent the chance of a deficit. ‘A State that has large surpluses is as ill managed as one with large deficits.’ The profit to the State on its turnover is the measure of efficiency which the Public Service attains—‘a thing which may be metaphorically more precious to a nation than rubies and much fine gold, but which, unfortunately, cannot be priced and booked up in a ledger.’ ”

WRITING-OFF OF LOSSES.

Another important matter closely connected with the control of expenditure is that of writing-off losses. Section 3 (3) of the Public Revenues Act, 1926, enacts that no moneys or stores are to be finally written off and discharged from any of the accounts to which the Public Revenues Act applies save with the authority of Parliament, but the proviso states that this subsection shall not apply to moneys the payment of which has been remitted pursuant to any lawful authority. As a result of this proviso it is possible for very large sums to be written off without the knowledge of Parliament. For example, during the last two years the following sums, amounting in the aggregate to £7,026,284 0s. 1d., largely representing concessions made to returned soldiers, have been written off under the authority of section 22 of the Finance Act, 1927 (No. 2) :—

Losses written off in Terms of the Finance Act, 1927 (No. 2), Section 22.

Discharged Soldiers Settlement Account—	£	s.	d.	£	s.	d.
Revaluation Board reductions	1,422,315	13	7			
Accumulated revenue loss	2,402,443	17	4			
Charges and expenses of raising loans	145,000	0	0			
Total Discharged Soldiers Settlement Account				3,969,759	10	11
Land for Settlements Account (Discharged Soldiers Settlement Account)—						
Revaluation Board reductions	1,115,293	3	9			
Accumulated revenue loss	513,149	3	9			
Depreciation of land-values	175,906	8	5			
Total Land for Settlements Account (Discharged Soldiers Settlement Account)				1,804,348	15	11
Revaluation Board reductions under the Discharged Soldiers Settlement Acts made in other Accounts—						
Land for Settlements Account				808,185	0	1
Hauraki Plains Settlement Account				59,997	6	7
Native Land Settlement Account				167,432	2	10
Cheviot Estate Account				1,263	0	0
Crown lands				137,836	15	11
Scenic reserves				141	12	0
National Endowment Account				68,364	18	2
Education reserves (primary)				4,875	13	10
Education reserves (secondary)				93	10	0
Otago University Endowment Account				2,186	2	0
Wanganui River Trust				1,799	11	10
				£7,026,284	0	1

In the interest of parliamentary control I would suggest that it be made a statutory requirement that where any losses are written off pursuant to the proviso to section 3 (3) of the Public Revenues Act, 1926, otherwise than by direct parliamentary authority, a statement showing the particulars and amounts of the losses, and the authority under which they were written off, be laid before Parliament at the next ensuing session.