1929.

NEW ZEALAND.

MANDATED TERRITORY OF WESTERN SAMOA.

(EXTRACTS FROM REPORT ON FINANCES AND STAFF.)

Laid on the Table of the House of Representatives by Leave.

Wellington, N.Z., 15th January, 1929.

1. According to instructions, we left New Zealand by the "Tofua" on the 3rd November, 1928, arriving at Apia on the 16th idem, and immediately commenced our inquiries. The Administrator intimated to us his grave concern in respect of the matters referred to, and stressed his desire that our inquiries should be as complete as possible.

2. Speaking generally, our considered opinion, after investigation, is that the Public Service of Western Samoa, including the Reparation Estates, requires immediate reorganization, and that the finances are in an unsatisfactory position. In our opinion there are a number of causes contributing to this state of affairs :—

(*a*) The absence of any definite system of recruitment has necessarily led to a type of official of a lower grade than we are accustomed to in New Zealand :

(*b*) The Service has for a long period been cut off from contact with the New Zealand or any other Service, and, in common with any organization similarly isolated, has inevitably deteriorated :

(*c*) The direction of the various departmental services has fallen to a considerable extent into the hands of men without adequate departmental training and experience :

(*d*) The enervating effect of the tropics also cannot be ignored. It is clear that many officers have served in Samoa for too lengthy a period.

3. Whatever the causes may have been, we are entirely satisfied that the Samoan Service as it exists to-day is by no means creditable to New Zealand, and that urgent and drastic action is necessary to improve the position.

4. The important offices of Secretary to the Administration, Treasurer, Officer in Charge of the New Zealand Reparation Estates, and Local Internal Auditor should be filled in the meantime by men whose records and capabilities are fully known in New Zealand, even if this involves a somewhat higher cost than would otherwise be justified. In the case of the Reparation Estates, it is of course impossible to obtain the services of a suitable officer in New Zealand who possesses also a knowledge of the production and sale of island products, but we feel that in the first instance the primary requirements are a man with a knowledge of organization and management, and also a competent accountant, in order to give the Estates Service a thorough and detailed overhaul.

Staff Arrangements.

5. We make the following additional proposals :—

(*a*) That further replacements and reductions which are not of immediate urgency should take place at a later date, after these new officials have assumed duty.

(*b*) That, where practicable, positions in the Public Service in New Zealand should be found for officers whose replacement is considered necessary and whose work and conduct are regarded as satisfactory.

(*c*) That responsible officers of the Samoan Service should be recruited in future entirely from the New Zealand Service.

(*d*) That, so far as possible, officers for the various Departments of the Samoan Service should be seconded from the appropriate Department in New Zealand—*e.g.*, Treasury to Treasury, Customs to Customs.

(*e*) That, with certain limited exceptions, no official seconded from New Zealand to Samoa should remain in the Territory for a period exceeding, say, two years, thus providing for a regular system of interchange.

(*f*) That, in respect of the salaries of the New Zealand officials (once the Administration has been reorganized), the salaries should be those payable to the officers as members of the New Zealand Service. Any extra payment to compensate for the extra cost of living in the islands should be by way of a special tropical allowance (varying in the case of married and single officers), and where necessary a special allowance might be payable in the case of officers engaged on what are regarded as more important duties than those attaching to their positions in New Zealand.

(*g*) That, while it will be necessary that a number of positions should continue to be filled by persons resident in the islands, the salaries attaching to these positions should be brought into line with the usual payments for similar services in the islands.

(*h*) That the scale of salaries prescribed for the Samoan Service should be reduced more in accordance with the value of services rendered.

(*i*) That the matter of superannuation be reviewed. The present position in relation to the superannuation of officers is considered too liberal. Until 1924 special payments were made to officials by way of tropical allowance to recompense them for the extra cost and inconvenience of living in the tropics. These payments have, quite wrongly, we believe, been incorporated in salary. The effect of the alteration is to increase the superannuation allowances drawn by officials on retiring, and we suggest a return to the earlier practice. In addition, one and a half years' service is counted for each twelve months' continuous service in the islands: this applies not only to Samoa, but also to the Cook Islands. It is recommended for very careful consideration that this provision should be repealed, and service counted in the same way as is done in the New Zealand Service.

(*j*) That the rather numerous cases of concealed or undisclosed remuneration to officers of the Samoan Service should be abolished—*e.g.*, transport allowances, houses at inadequate rentals, &c.

(*k*) That furlough privileges be reviewed. The present privileges in relation to the granting of furlough are too generous. If our recommendation is given effect to, that the principal officials should be drawn from the New Zealand Service and a regular interchange made, there seems to be no reason why the furlough provision should not be restricted to non-Samoan officers who, with the approval of the Minister, remain at least six years. Officers appointed from the Territory should have no right to furlough.

(*l*) That the system of advances to officers be reviewed. Payments by way of advances in the nature of salary, allowances, fares, and otherwise which have been granted in the past to numerous officers should cease; and it should be definitely understood that no payment beyond salary due will be granted.

(*m*) That an effort be made to provide the Service with young and energetic New-Zealanders, of a personality sufficiently strong to increase the prestige of New Zealand.

(*n*) That in all cases New Zealand should be advised of any matters which have necessitated inquiries being held into the conduct of any official. The papers in all such cases should be properly recorded: the staff personal records generally were very incomplete. They should be carefully reviewed, and proper records established for all matters affecting each individual employee.

(*o*) That officials be prohibited from undertaking any outside duty. It is understood that at least one officer of the Administration acts as a correspondent for the press: this should be prohibited forthwith.

(*p*) That the present arrangement under which married women are employed should be discouraged, and in certain cases cease forthwith.

Central Office.

6. The activities of this office, embracing as it does the administrative control of all the functions of government in the islands, are many and varied. The Chief Executive Officer of the Administration, salary £900 per annum, who also acts as Deputy Administrator, for which a special payment of £100 per annum is made, has held office for the past seven and a half years.

7. The position of Secretary to the Administration is onerous and responsible; the salary attaching to the position is substantial. It may be necessary to pay a similar salary to attract a sufficiently competent official, who would be charged with any reorganization which may be decided upon, but once the financial and administrative affairs are placed on a satisfactory footing the services of a much-lower-salaried officer should suffice.

8. Our recommendation is that the present officer should be transferred, and that an officer of outstanding executive ability and capacity from the New Zealand Service should be appointed to direct such reorganization as is required. A recommendation is made under the heading of "Treasury" in respect of the Treasurer. In respect of both the transferred officials, we recommend that an endeavour be made to place them in suitable positions in the New Zealand Service.

Labour and Chinese Department.

9. The staff of this Department consists of—

(1) Commissioner of Labour, salary £605, who holds the position of Commissioner of the High Court, and also acts as Tourist Officer.
(2) Clerk, £310. (In addition, 2s. 6d. per hour for Sunday duty.)
(3) Chinese Interpreter, £360.
(4) Chinese police, four at £80 and uniforms.

10. The function of the Department is to control the Chinese and Melanesian labour throughout the islands, including the settling of any disputes or differences occurring between employers and employees. As far as could be gathered during our visit, the work of the Department is carried on with reasonable satisfaction to both parties.

11. It was apparent, however, that the staff employed was in excess of requirements. The Interpreter appeared to be the official upon whom devolved the regular routine work of the Department.

12. The Clerk's duties were of the simplest character possible, insufficient to occupy the attention of a competent official for more than a very limited portion of the day. The salary for the position, £310, is excessive.

13. The Chinese police staff did not appear to be fully occupied, and attention should be given to a reduction therein.

14. The Commissioner also acts as Tourist Officer, for which duty he receives a special payment of £50 per annum. The regular island boat is visited, and facilities are given to passengers to visit some of the places of interest. Payments have been made for the use of this official's private car to enable this work to be carried out; and special payments by way of increased salary have also been made to an official (out of Reparation Estates funds) to provide refreshment for such persons. We are definitely of opinion that both payments should cease. Visitors to Samoa, whilst they might reasonably be supplied with literature respecting the places of interest, should otherwise be left to their own resources. Private enterprise in the island could be relied upon to provide all necessary facilities.

15. The Department requires a thorough reorganization. Apart from the period connected with the arrival and departure of the Chinese labour, the work is routine, and of small quantity.

16. It is recommended—

(*a*) That the Department as such be abolished.
(*b*) That the services of the Commissioner as such cease.
(*c*) That the office be attached to one of the existing Departments—say, the Secretariat.
(*d*) That the work of the Accounts Clerk be reviewed. It should be possible to carry out the present duties performed by him without any additional assistance.
(*e*) That the staff of the Chinese police be reduced from four to two.
(*f*) That the total overhead cost to the Administration of dealing with the Chinese labour be made a *per capita* charge against the employer; at present the charge made is insufficient for this purpose.

17. It was observed from an examination of the Treasury books that the fund which had been created (by means of a *per capita* charge on labour employed) for the purpose of meeting expenditure connected with the repatriation of these labourers had been used by the Administration for purposes other than those for which it had been created. Such a state of affairs should not have been tolerated by a competent Treasurer; nor would it have been possible had an efficient and independent audit existed.

18. The position in respect of the labour contracts is a matter requiring careful review. In connection therewith, the question of extending the period of contract from three to, say, four years was under review by the Administration. If this proposal were given effect to there would be a reduction in overhead and repatriation charges.

Finance and Treasury.

19. As pointed out in the opening portion of our remarks, the financial position of the Territory is unsatisfactory. From the inception of the Civil administration the revenues have been insufficient to meet the expenditure, and the New Zealand taxpayer has been called on each year to find substantial grants in aid. These free grants amounted on the 31st March, 1928, to approximately £160,000, of which £61,000 was from the Reparation Estates. To this amount must be added grants for the current year of £20,000 (£12,000 from the Reparation Estates), and the cost of the present Military Police located in the Territory (estimated for the current year at £32,000), so that New Zealand has contributed financial assistance to the extent of £212,000 to the Mandated Territory of Samoa. A further burden carried by New Zealand is the cost of the new vessel "Maui Pomare"—approximately £54,000, of which £33,900 has been met by vote External Affairs on account of Samoa. As yet no return on this capital has been received, nor does any return appear to be likely. In addition, a large amount has been contributed indirectly through what we regard as irregular Reparation Estates activities on behalf of the Administration.

20. As a contrast to its inability to balance its Budget without assistance, a borrowing policy has been adopted, which has resulted in the growth of a public debt from nil in 1920 to approximately £160,200 at the 31st March, 1928, and £173,200 at the 30th September, 1928, thus imposing on an already overloaded Budget an annual burden of approximately £12,500 for interest and sinking-fund charges.

21. The results of this policy are to be seen in Native village water-supplies, paved roads, and other public works, but its reflection in the national wealth of the Territory is not so clear.

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.

(x) That drastic action be taken in respect of sundry debtors. Moneys due to the Treasury are outstanding too long, and too much latitude is allowed in respect of the incurrence of debts to the Treasury by officials. The number of persons indebted to the Treasury, the Reparation Estates, and the Engineering and Transport Department is astounding, often in substantial amounts and for long periods, and some to all three. The position in this respect is really discreditable. No charge is made for interest on outstanding sums, and this should be remedied by levying, say, 7 per cent. after the expiration of one month from the month of service or supply, while officials should be given a definite period within which to pay amounts due by deductions from salary.

(xi) That the present arrangements in respect of houses provided for officials should be reviewed. The amount of rental paid varies from £24 per annum to £48 per annum, and in certain cases free accommodation is provided. In addition, the heavy furniture is supplied in all cases. Some of these houses are the property of the Administration, some of the New Zealand Reparation Estates, and some of outsiders. In some cases the rentals paid by officers are less than is paid by the Administration to the owners. In other cases the rentals do not represent a fair return on the capital involved. In many cases the maintenance charges alone exceed the rental received. In other words, the officers concerned are receiving an indirect house subsidy in addition to salary. We are of opinion that the rentals should be substantially increased.

(xii) That the present form of balance-sheet for the Territory should be revised on the lines of *pro forma* draft which we handed to the Treasurer.

(xiii) That an efficient and continuous internal audit of cash, stores, and departmental property be immediately instituted. A suitably qualified officer, to be attached to the staff of the External Affairs Department, should be selected for these duties and located in Samoa. The system should as far as practicable be pre-audit.

(xiv) That the annual printed estimates be improved by the substitution of a column showing the actual expenditure against each head of expenditure for the year immediately preceding, instead of the present column showing the estimated expenditure for the same year.

(xv) That, with a view to ensuring a balanced Budget, increased revenue should be sought as well as a reduction of expenditure. The following fields offer reasonable scope for further revenue, and should be made use of to such extent as is necessary to bring about a balanced Budget, after all possible economies have been effected.

Lands and Survey and Public Works.

28. The activities of both these Departments show considerable curtailment, and further readjustments are in hand. The controlling officer, Mr. Watson, who held the dual position of Chief Surveyor and Engineer in Charge, has been appointed Resident Commissioner at Savaii. It is proposed, however, that he retain the position of Chief Surveyor. Inquiries are being made in New Zealand for an officer to take charge of Public Works.

29. The retention of either as separate Departments is a matter for consideration, and meantime it appears to us that it would be a feasible and economic proposition to amalgamate both Departments with the Secretariat, with a view to the reduction of overhead expenses.

30. The Public Works loan programme is practically completed, so that maintenance and replacement works are all that are involved. For this a highly paid engineer is not warranted ; a competent overseer should suffice. Should it be necessary, special bridge and other designs for replacement works can be done in New Zealand.

31. The trading activities undertaken (such as the manufacturing of furniture, &c., on private orders) by the Public Works workshops should be discontinued, even if the Administration is not successful in leasing same. The organization should be reduced to sufficient only to cope with legitimate Government work.

32. The position of Chief Clerk, Public Works, £500, is overpaid, and a reduction is warranted.

33. We suggest that an interchange should be made between the Chief Draughtsman (a qualified surveyor) and an official of the New Zealand Lands and Survey Department.

34. Other features which came under our notice and call for adjustment are :—

(*a*) Government stores (including such commodities as benzine) are sold to officials at too low a price, and on unsatisfactory terms as to payment. The privilege of officers being allowed to purchase stores should be abolished.

(*b*) If the proposal to absorb the office in the Secretariat is approved, the stores should be placed under the Engineering and Transport Department.

(*c*) The present basis of expenditure on maintenance works should cease, and be remodelled in accordance with our recommendations under the heading of "Finance and Treasury."

(*d*) The financial side of the office is on a weak and unsatisfactory basis ; no proper internal check or audit is in operation.

(*e*) The payment of mileage fees to the Chief Clerk for the use of his private car should not be permitted ; Government cars are available, and should be used.

(*f*) Proper safeguards in respect of the handling of cash between the office and the bank should be instituted.

(*g*) Time-books are not in all cases properly completed and certified.

(*h*) A better internal check on the payment of wages is essential.
(*i*) No proper reconciliation is made in respect of stores between stocktakings and ledgers.
(*j*) The value of stock in hand at the 31st March last was approximately £19,000, and at the 30th September this had been reduced to approximately £13,350. Control requires to be exercised over this Department's purchases by the Secretariat and the Treasury to ensure that finance is not unnecessarily tied up in goods which are not likely to be put into consumption within a reasonable time of purchase.

Customs, Taxes, and Marine.

35. The organization and control of this Department proved to be on a more reasonable basis than in the majority of other Departments, due largely, we believe, to the fact that the system was instituted by trained officers of the New Zealand Customs Department. The methods prescribed in New Zealand are in operation. The Collector is fully seized of his responsibilities in relation to the important work under his charge, and appears to be a competent officer.

36. The question of revision of duties, taxes, &c., is dealt with under the heading of "Finance and Treasury."

37. The following matters, however, in our opinion, call for attention:—

(*a*) S.s. "Lady Roberts": The condition of this ship leaves much to be desired. Clean mattresses and pillows (both with washable covers) and storm-pans should be provided, while a cheap system of curtains would enable some degree of privacy and decency to be obtained.

(*b*) S.s. "Lady Roberts" victualling-rates: The present rates paid to the European complement appear high, being about 100 per cent. in excess of the present daily *per capita* cost for victualling the Government steamer "Tutanekai."

(*c*) Native launch staff: There is room for retrenchment under this heading, and it was understood the matter is being gone into.

(*d*) Deposit Account: This is controlled by a special bank account, and the average credit at the end of each month is approximately £300. The Samoan Treasury should get the use of this floating cash by transferring the surplus to a special Deposits Ledger Account within the Samoan Public Account.

Medical Department—Public Health.

38. Very substantial reductions are already being made in respect to the administrative cost of this Department. Full credit for the work that has been done must be given to the present Administrator, and also to the Medical Superintendent, who has co-operated fully in the matter of reductions. If difficulty continues in the payment of Native taxes, the question of further reduction in the services to the Natives should be reviewed.

39. One of the weakest features in connection with the administration of the Health Department appears to us to be the purchase of stores. It seems to us that a better arrangement would be for all stores purchases to be made through the departmental organizations in New Zealand.

40. The fees generally for attendance, operations, &c., could reasonably be increased so as to give an adequate return for the services rendered. Recommendations for increase of fees have been made under an appropriate heading.

41. The present arrangement under which moneys are handled, particularly by the dispenser, seems to us to require revision; and this matter should receive the immediate attention of both Treasury and the Audit.

42. The present statistics should be widened to embrace a return of "costs" based on lines adopted for hospital administration in New Zealand.

43. It should be noted that the schedule adopted for the training in Fiji of Native medical practitioners is too generous. It will shortly provide for more Native medical practitioners than the Territory can absorb, but the Administration appears to be committed to the expenditure for an indefinite period.

Post Office.

44. The Post Office, which is organized on lines similar to those obtaining in New Zealand, appears to us to be reasonably well managed, the principal officers of the staff, composed of officials from the New Zealand Service, being fully alive as to the necessity for maintaining an efficient service.

45. Some comment was made just prior to our leaving that improved facilities might be granted, without any increased cost, in the matter of earlier delivery of mails, and also in respect of the receipt and transmission of wireless messages through the Post and Telegraph Department. The matter appeared to us to merit reasonable consideration, which no doubt would be given if representations were made in the proper quarter in Samoa.

46. The accounts generally follow, as far as possible, the practice laid down by the Post and Telegraph Department in New Zealand. There is, however, in this, as in other Departments, no efficient system of independent audit—a matter which is referred to more fully under the appropriate heading.

47. It came under notice that Savings-bank deposits were handed over to the local Treasury, apparently without proper authority, and in any case without payment of proper interest for the use of the money. As interest is payable on Savings-bank money on the same basis as in New Zealand, it is quite improper that the Post Office Savings-bank funds should be utilized by the Treasury to meet revenue charges. The budgeted revenue of the Treasury provides under the Post Office section for interest on Post Office Savings-bank investments only, and under expenditure for interest to depositors.

48. The rate charged for commission on money-orders is low, and advantage is taken by the commercial community for remittance of large amounts. A recommendation for an increase is made.

Wireless Station.

49. The operation of the station is in control of New Zealand trained officials.

50. Recent reductions have been made by means of dispensing with the services of an engineer—salary, £515, and free quarters.

51. The work, though related to the Post Office, is, as organized, entirely separate and distinct. The location of the present high-power station at a considerable distance from Apia, and which is reached by indifferent means of access, necessarily affects the present high cost of maintenance.

52. It is recommended that the proposal to abandon the present site and to erect a low-power station adjacent to the town be given immediate attention. The work should then form part of the postal organization; lower maintenance cost would accrue, and the reduction in staff would be material.

53. The system of accounting requires immediate consideration. We were advised that there has been no audit or other check in the financial transactions of the station, the responsibility for which was avoided by the officials one would have expected to be primarily concerned in the matter. This audit should be undertaken at the earliest opportunity.

54. Pending amalgamation of the station with the Post Office, the collections for transmissions should be made either through the Post Office or the Treasury, and not by the officer in charge of the station.

Police Department.

55. As is almost inevitable in similar circumstances, there is a certain amount of friction and lack of co-ordination between the Military Police and the Civil Police, but in view of the proposed merging of the two services probably no action is called for.

56. We recommend that the Native Police Force should be reduced immediately from the present staff of twenty-six to ten.

57. The Police Department maintains a messenger service round the Island of Upolu, on which nine messengers are employed. The object is to deliver Government messages to Natives and Government officials, and apparently the only method of achieving this is to dispatch messengers on a walking-tour of the island, a journey occupying some days. We suggest immediate inquiries as to the necessity for this messenger force, with a view to dispensing with it altogether or drastically reducing the number of messengers required.

58. We consider that the motor and taxi license fees should be revised with a view to an increase.

59. We consider that all forms of license and other money forms, in this as in other Departments, should be properly recorded and numbered.

60. The banking in this Department we regard as particularly loose, and suggest this for the early attention of the new Treasurer.

Military Police.

61. The expenditure in connection with the Military Police is charged to New Zealand in accordance with section 7 of the Finance Act, 1928. We feel that in many cases expenditure has been incurred which should have had prior approval from New Zealand, and that in general too heavy a burden has been placed upon this item: *e.g.*, all medical attention for members of the Force has been charged as for individual visits, with the result that the total has been practically sufficient to pay the cost of a medical officer for the Force alone. The amount charged for transport also is in our opinion out of all reason, and should be reconsidered at once.

62. A Ford car has now been purchased for the use of the Military Police without previous approval from New Zealand. We think it should have been possible to provide for the transport of the police from the transport pool.

63. We think also that where members of the Samoa Military Police are performing ordinary police functions in the arrest of criminals and misdemeanants the special expenses of such arrests should be charged to the Samoan Treasury, and not to the New Zealand item.

64. We recommend that, as soon as may be, such Military Police as may be retained should be allotted definite functions in the Administration, in addition to police duties.

Justice Department.

65. The administrative work of this Department appears, with minor exceptions, to be well done, again due, we think, to the employment of a trained officer from New Zealand.

66. We consider, however, that the Court fees should be increased to such an extent as to cover the actual cost of the services performed, which is far from the case at present.

67. The fees for mileage specified by the rules are not being charged.

68. The statutes in use by the Department are not annotated, and we suggest this for immediate attention.

69. The Law Trust Account is not regularly checked. This should be attended to without delay.

70. The Court fees are paid by way of stamps, and we suggest a reversion to the practice of paying in cash.

Education Department.

71. A considerable reduction in the expenditure under this head has already been made, and we regard this as satisfactory as far as it goes.

72. We suggest, for consideration as a policy matter, however, the desirability, if the Mau movement and non-payment of taxes continue, of temporarily closing all schools other than the "white" school at Ifi Ifi.

73. The Ifi Ifi Infant School is open only during morning hours, the reason given being that small children cannot stand a longer period of instruction. We think, in the circumstances, some additional employment should be found for the infant-mistress.

74. In any case, we suggest that children of non-tax-paying parents should not be admitted to the schools without payment of an adequate fee.

75. We suggest also that, as a matter of policy, careful consideration should be given to the aim of the education system in Western Samoa, especially where education is continued beyond, say, Standard IV. There is clearly no room in the Territory for "white-collar" employment.

76. We consider that the fees for the Ifi Ifi School should be increased to pay as nearly as possible the cost of the school.

77. In the residential schools nothing whatever is charged for the board of the pupils, and in so far as the schools are not self-supporting we suggest the advisability of charging a sufficient fee to pay the cost.

78. We consider the transport and travelling expenses of the Department, £460 per annum, unduly high. We note that the Superintendent of Schools has a car placed entirely at his disposal, and a driver. We suggest he draw a car as required from the transport pool, and that the services of the boy who acts as driver be dispensed with.

79. We suggest that the item "Expenses of Native teachers in New Zealand" should be deleted while the present difficulties exist.

80. We recommend that no expenses be incurred at present on entertainment.

81. We recommend that, if possible, arrangements be made with the Education Department in New Zealand for an inspection of the Samoan schools only once in every three years.

82. We recommend that the question of the rents payable by the teachers for their residences should be investigated in common with those payable by other public servants.

83. We consider that expenditure on a *School Journal* is not justified in the present circumstances.

84. The audit of the books of the Education Department is ineffective, and this, together with the method of accounting for stock, is recommended for the immediate attention of the new auditor.

85. Banking takes place twice a month, which is insufficient.

Native Department.

86. While this is undoubtedly a highly important branch of the Administration's activities, we do not feel that as at present organized it is an efficient instrument, or that it is conducted with a due regard for economy.

87. The head of the Department, Mr. Lewis, was formerly a missionary; and, while we appreciate the fact that probably from this source only has it been possible in the past to obtain the services of a man of high character with a sufficiently complete knowledge of the Native language, we are convinced that recruiting from this source is not entirely satisfactory, and it would be advisable, whenever this can be done, for the Secretary of Native Affairs to be recruited from the New Zealand Service, in the same manner as other public officials. This would necessitate the selection of a suitable man to act as understudy for a lengthy period with a view to appointment in the future.

88. We feel that in the Native Department at least a complete knowledge of the Samoan language should be required of all European officials, and that the acquisition of such a knowledge should be insisted upon in the case of the present officers after a reasonable term. Some financial incentive—say, up to £20 per annum—might be provided to encourage a knowledge of the language among other officials also.

89. The most striking characteristic of the Department is the extraordinary large number of Native officials, whole and part-time, who are employed. The number of such officials provided for on the estimates exceeded three hundred, and their remuneration, though in many cases individually small, in total amounted to some £10,000 a year. The principal opening for criticism lies, we think, with the part-time village and district officials. In the present state of affairs it is perhaps not too much to say that, with few exceptions, these village and district officials are practically useless, and in many cases it would seem that salary is being paid to Native officials who, though quite able to perform certain duties, are neglecting to do so. The Administrator's recent recommendation for the appointment of white district officers will no doubt provide the opportunity for a drastic reduction of these Samoan officials, and we recommend that at the earliest possible date the whole question be carefully reviewed. In particular we recommend that whenever a Native official capable of performing his functions is failing to do so his salary should stop automatically.

90. We consider the system of accounting in the Native Department to be far too cumbrous for the purpose, and recommend this for the early attention of the new Treasurer.

91. The Native Department has in the past collected a considerable sum annually on account of rents due to Natives, and has so far charged no commission. We understand that this is now being remedied.

92. In a considerable number of cases Natives make use of the Native Department for the purpose of depositing money. It is explained to us that the Samoans, owing to their ignorance of the position, frequently do not care to deposit their funds in the Savings-bank, and, having greater confidence in the Native Department, they make use of that Department for this purpose. As a result small sums of money are brought to the Native Department, and the cumbrous procedure of issuing a receipt and passing the money through the Native Department's books is made use of prior to depositing the sum in the Post Office Savings-bank; and of course the same procedure is adopted when the Native wishes

to withdraw his funds. It is no doubt advisable to encourage the confidence of the Natives in the Native Department, and if it is considered necessary to continue this procedure we suggest, to avoid unnecessary and unduly expensive book-keeping, that a branch of the Post Office Savings-bank be opened in the Native Department's offices at Mulinu'u.

93. We consider that the fees for proceedings before the Land and Titles Commission should be increased in each case to a sum sufficiently high to pay the actual cost of the proceedings. We are told that, speaking generally, the fees received at present are not sufficiently high to cover the cost of preparation of plans alone, and one official's estimate of the minimum cost of a typical case not involving any difficulty, taking into account the long delays that appear to be inevitable, is £10. This is, of course, far in excess of the maximum fee chargeable.

94. The printing and stationery account of the Native Department, which (including the *Savali*, or Native *Gazette*) amounts to approximately £1,000 annually, is far too high, and we recommend it for immediate reduction.

95. The Native Department have recently taken over certain of the officers of the Agricultural Department, now closed, and as the form of departmental organization had not been finally settled we do not feel in a position to comment on this aspect.

96. The full amount of Native fines (75 per cent of which is now retained for village funds) should be paid to Treasury, so as to ensure better control in the case of villages where taxes are not being paid, and refunds should be made by special vouchers payable through the Treasury.

97. A similar rearrangement should be made in the case of dog-taxes.

98. A receipt should be taken from the Pulenuus for all tax receipt-books issued.

99. A preliminary debit statement of taxes due should be prepared for the collection of taxes, and a monthly summary of the position should be forwarded to Apia.

100. The financial arrangements for the supply of water to Native villages are most unsatisfactory. In many cases the water has been put in without any arrangement as to payment, and it will, of course, now be exceedingly difficult to come to terms. Where arrangements have been made they seem, in our opinion, to be inadequate to pay the full cost, which should be made to include cost of maintenance, depreciation, sinking-fund charges, &c. We recommend that the whole subject should be carefully considered by the new Treasurer.

101. The Administration offices in Savaii are regarded as a branch of the Native Department, and consequently our remarks on the organization at Fagamalo may appropriately be made here :—

(*a*) The Post Office Savings-bank books in Savaii are held not by the depositors, but by the office ; and deposit-slips, again, are filled in not by the depositors, but by the office. If it is necessary, as is apparently the case, for the books to be held in the office, they should be placed under lock and key in the charge of a responsible officer, and not held by the counter clerk ; and in no case should deposit and withdrawal slips be filled in by the counter clerk alone. Where a Native is unable to fill in his own form, the form should be filled in by two officers, one of whom should be a responsible officer.

(*b*) The audit of the books at Fagamalo is insufficient, and we recommend this for the early attention of the new auditor.

(*c*) A more businesslike organization of the office is required.

(*d*) Cases appear to have occurred in Savaii of the payment of salaries to village officials who have not paid their taxes. This, of course, should cease.

(*e*) A proper system of stores accounting, &c., in this Department, as elsewhere, should be put in force immediately.

Public Trust Office and Offical Assignee.

102. This office is a unit of the Treasury ; and the loss on the year's working amounted to £221. The office presented an untidy appearance, and the books of accounts were kept in a slovenly and untidy manner. The accounts of estates under administration appeared to be dealt with in a haphazard manner, and statements of accounts submitted for the information of beneficiaries without proper examination by some independent official.

103. As there was no proper system of audit, the necessity for some internal check was very apparent. It is considered that as a preliminary step all payments should be certified by some independent official, and countersigned by an official such as the Treasurer.

104. Generally the work of this office was regarded as unsatisfactory.

105. It came under our notice that an advance of £5,000 has been made to the Administration for general purposes. There seemed to us to be no authority for making such advances—which provides another typical example of the haphazard way in which finances generally have been regarded in the past.

106. The duties of Official Assignee are carried out conjointly with those of Public Trustee. The remarks generally in respect of the Public Trust Office apply equally to this section.

Audit of Accounts.

107. In our opinion the audit of the accounts of the Administration and also of the Reparation Estates is ineffective. An Audit officer from New Zealand annually visits the Territory, but the time allocated for the work does not permit of a complete investigation being made. There exists a system of internal check under the control of the Treasurer, but the work of this official is of little value, embracing as it does a verification of cash only, and in many Departments even this has not been done. Some Departments have not been audited by the Local or Inspecting Auditor.

108. We have recommended under "Finance and Treasury" that a qualified accountant independent of the Administration be appointed to the position of Local Auditor.

Stores.

109. No proper organization exists for the purchase of stores, the general practice followed being for stores requisitions to be forwarded to a Stores Purchase Officer attached to the Treasury. We investigated the procedure adopted, and consider it incomplete. Purchases are made without a proper appreciation of prices, and without careful investigation as to the necessity for purchase.

110. During the past year the purchases totalled £19,735. Of this amount, £4,810 represents the purchases in New Zealand, £8,275 from Australia, and £3,727 in England.

111. With a direct steamer service to New Zealand there seems to be no adequate reason why considerably larger purchases should not be made from the Dominion.

112. The present practice by which purchases are made from agents in Australia and New Zealand should cease, and the purchases, as far as practicable, made through the Department of External Affairs, New Zealand.

113. As an instance of the loose methods adopted, no record is kept of the general stocks of furniture under the control of the billeting officer for use in furnishing the residences of officials.

Apia Park.

114. This is a public amusement and recreation ground belonging to the New Zealand Reparation Estates, which receives nothing in return by way of rent or interest. The Administration controls the park, and the maintenance costs last year were £888, and mowing-machines cost £312—a total of £1,200; whereas revenue receipts were £233. The Treasury was required to find the difference.

115. The principal activities conducted are horse-racing, golf, and tennis. The benefit to the Natives is negligible.

116. A revision of the charges for the use of the property is called for, and a drastic reduction in the present burden on taxation.

Casino and Cottage.

117. This property, valued at some £14,800, belongs to the New Zealand Reparation Estates, and is leased to the Samoan Administration at a rental of £216 per annum. It is utilized by the Administration as a boardinghouse for the public and Government officials, and for last year the loss on operation was £1,040. If provision for depreciation and maintenance were included the total loss would have been £1,580.

118. During our stay there were only a very limited number of Government officials on the register, and in our opinion there is no sufficient reason for continuing the service as a Government concern.

119. The property should, if possible, be disposed of, and if this proves impracticable it should be closed. A much less costly scheme could be devised to meet the requirements of New Zealand or other officials visiting Apia.

120. The "Sundry debtors" include one senior official of the Administration who has owed a considerable sum for a very long period. The payment of this amount should be insisted upon. A separate bank account is not warranted; all financial transactions should be through the Treasury.

Malololelei Rest-house.

121. This property, valued at some £3,000, belongs to the New Zealand Reparation Estates, and is a losing proposition. In addition to returning no interest on the capital, the loss on working last years was £1,223.

122. Recently the place has been leased by the Administration under an arrangement by which the lessee obtains the use of 130 acres and a large residential building and is actually paid £300 a year for the privilege. On his part he is bound to take paying guests at what would appear to be quite a reasonable tariff.

123. The view is apparently held by the Administration that the place should be retained, on account of its elevation and cooler temperature, as a health-recruiting resort for officials. The Chief Medical Officer, however, advised us that he does not concur in its necessity for this purpose.

124. It was clear to us that demands for better roading access will be made on the Administration by the lessee, but in view of the terms of the lease such, in our opinion, should not be entertained.

125. We regard the maintenance of this concern as unnecessary. It is unfortunate that the lease has been entered into, but there does not seem to be any possibility of cancelling the arrangement.

Mortgages on Reparation Estates Property.

126. The Peace Treaty provides that all property of former German nationals and companies which became the property of the New Zealand Government by virtue of the Treaty should be held by New Zealand free of encumbrance. As an act of grace, however, various mortgages have been recognized by the New Zealand Government, and these are being paid off on a schedule covering a term of years. It does not appear to us, however, that the correct steps have been taken to regularize the position, and the necessary action for validation should receive consideration.

New Zealand Flag.

127. We note the marked absence throughout the Territory of the New Zealand flag, which is shown, so far as we are aware, only on the "Maui Pomare" during her periodical calls and on the "Lady Roberts." We think that the showing of the flag has some bearing on the question of prestige, and we recommend that steps be taken to show the New Zealand Ensign regularly at appropriate places.

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 individua 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.

142. Copra-production on the main plantations for the past three years was :—

	Mulifanua. Tons.	Vaitele. Tons.	Vailele. Tons.
1925–26	1,566	549½	521
1926–27	1,342	497	537
1927–28	1,271¾	411¾	412

The first two showed a profit in Production Account for the year, and the third showed a loss.

143. A system of bonuses to plantation managers and overseers is in operation. The bonus is calculated on what are considered the net profits. In the case of copra it is calculated at 1 per cent., and on cocoa or rubber at 10 per cent. The evils of this system are quite apparent in—

(1) The absence of any depreciation charge for the wasting in the decreasing life of the trees ;
(2) The absence of any rental charge for the use of the land ;
(3) The tendency to neglect necessary and legitimate maintenance work ;
(4) The possibility of charging maintenance costs to capital.

144. The intention of the bonus system was doubtless to encourage a maximum production at a minimum cost, but (apart from the special omissions referred to above) the results obtained indicate that the object sought is not being equitably obtained. For example, the bonus paid last year to the manager of a cocoa and rubber plantation amounted to no less than £228. The total overall cost of the rubber produced (which represented three-fourths of the Production Account) and landed in Apia was 9·64d. per pound, which if sold at the then market rate would have realized a loss. A considerable profit, however, resulted, due entirely to the Central Estates Office having entered into a profitable forward sales contract earlier in the year.

145. The bonus system as at present operating should be cancelled in the meantime, and the matter held over until a complete reorganization has taken place.

146. On plantations devoted solely to rubber-production the financial results to date are distressing. Included in these results is a reflection of the world-wide depression in rubber prices. On the Solaua Plantation (with 1,025 acres under cultivation), which stands at a capital value in the balance-sheet of £42,915, the Rubber-production Account for the year showed a loss of £2,708, and this amount would be materially increased by the addition of depreciation and interest charges. Rubber operations on this property were, we were informed, abandoned for the time being.

147. In the case of the Aleisa Plantation, which was recently purchased for £5,000 by the Reparation Estates, and on which further capital expenditure amounting to £5,115 has since been incurred, an annual loss, based on current market prices, seems probable. The average production cost of rubber from this plantation landed in Apia for the period April to September, 1928, was 10·1d. per pound, which represented about 2d. per pound in excess of the market rate. This result is in striking contrast to the Board's view at the time of purchase that the cost would be recouped in two years.

148. The first item in the capital expenditure referred to above reads, "Repairs and extending Manager's bungalow, £956." Another item is, "Rough-weeding and cleaning up land, £370." The latter, we think, should have been more correctly charged to Working Account.

149. With the fluctuation of results that has already occurred and the changes in the management and control of the Estates since taken over by New Zealand, it is not considered by us advisable at this stage to come to any conclusion in respect of the book values of the Estates, and we recommend that this question remain open until further experience has been gained under new management.

150. A serious aspect of the financial administration of the Estates is the extent to which they have become interlocked with the financial operations of the Mandated Territory. Numerous assets on charge to the Reparation Estates are in the hands of the Samoan Administration, and operations which have no real connection with the Estates are being conducted and financed out of Estate funds. The reflection of this irregular state of affairs is found in the necessity for a large bank overdraft in the Estate accounts, which at the 31st March last stood at £39,431, the interest charge being at 6 per cent. Apart from the question of legal or constitutional authority, the intermingling of Reparation Estates assets with those of the Administration is wrong in principle, and the procedure adopted has in effect amounted to a free loan or subsidy to the Administration of New Zealand funds which is not reflected in the Administration accounts.

151. The Engineering and Transport Department of the Samoan Administration Services is a typical case in point. The functions of this Department embrace—(*a*) The provision of motor transport and motor-repair shop for the Estates and the Administration ; (*b*) the manufacture and sale of ice and the provision of cool storage ; (*c*) the development and sale of electricity.

152. These undertakings are in no sense a direct responsibility or proper function to be assumed by the Reparation Estates.

153. The Department is under separate control, responsible to the Administration, but the finance both for working and for capital is drawn by requisition on the Reparation Estates. For the year ended 31st March last the loss on working was £357, and the capital value of assets employed was some £15,000. In addition, fresh development works in the nature of a hydro-electric installation were in course of construction, which at the 31st March had cost to date £12,991. The final cost of this latter development will probably be in the vicinity of £18,000. The use of Reparation Estate funds for this purpose was approved by Cabinet, but apart from the question of validity the use of such funds for so obvious a function of the Administration appears wrong in principle. It is another instance of a loan not reflected in the accounts of the Administration.

154. We have grave doubts as to whether the expenditure of some £18,000 upon the institution of a hydro-electric scheme was justified from the financial point of view. The opinion has been expressed by a competent observer that the existing electric-light plants would have been entirely

sufficient to meet the requirements if each consumer had been obliged to instal a meter so that waste could be eliminated. Whether this is the case or not, we feel that the overhead and running costs of the new hydro-electric scheme are not likely to be fully recouped.

155. In the Engineering and Transport Department alone there is some £30,000 to £35,000 of capital which should strictly be taken over by the Samoan Treasury from the Reparation Estates, and this would mean an increase in the public debt of the Territory.

156. Another instance of the utilization of the Estate assets is in respect of properties in the custody and use of the Samoan Administration for educational purposes. The capital value of these represents some £5,000, and no rental whatever is paid to the Estates.

157. A further case is the Apia Park and buildings, representing capital of some £1,900, for which the Estates receive no return by way of rent or interest at all.

158. Another case is the Malololelei Rest-house property, which represents capital of approximately £3,000. This the Samoan Administration controls, and no return on capital is received by the Estates. Further instances could be quoted.

159. Appended to this report is a schedule of Reparation Estate properties on charge to the Mandated Territory, and in those cases which are on a similar basis to the Engineering and Transport Department capital adjustments should be arranged.

160. Attention is directed to Reparation Estates properties leased to private individuals. The book value of these is £142,780. The net rental return for the year ended 31st March last was £1,540, or approximately 1 per cent. of the book value. Either the value is much too high or the rental too low—possibly both.

161. Whilst no definite evidence was available to us of the financial results accruing to the lessees, our inquiries led us to the conclusion that the tenants were reaping the benefits of low rentals and that the capitalized amount of present returns would be no indication of values.

162. The total book value of unimproved lands owned by the Estates and unoccupied is approximately £46,500.

163. The following operations, which, apart from the question of validity, are in our opinion wrong in principle, have been entered into by the Estates: (*a*) Purchase of Native copra on consignment; (*b*) purchase of Native-grown bananas.

164. The former is now at a standstill, and in our opinion the practice should definitely cease.

165. The latter was part of the general banana-production scheme, for which trade the new vessel "Maui Pomare" caters. Portions of the Reparation Estates are also being used for banana-production, but this fact hardly offers a legitimate reason for the Estates carrying on the general trading in bananas. The trading in bananas appears to us to be an Administration and not an Estates function. As at present organized, any losses in these ventures would be borne by the Estates, whereas the charge (if any) should be against the Administration. Further comment in respect of the banana-cultivation is made in paragraph 173 *et seq.* This matter, coupled with the running of the steamer, is one which requires overhaul and placing on a more satisfactory basis.

166. It was ascertained that a number of areas within the Vailele Plantation had been leased to Natives at very trifling rentals, which, apart from the direct effect on the financial returns, has caused dislocation in the efficient working of the estate. Efforts should be made to adjust this as early as possible. This plantation is now on the down grade owing to the advanced age of the trees.

167. The Tuanaimato Plantation is a mixed plantation comprising rubber, cocoa, and copra. It was noticed that the drying of cocoa-beans was being undertaken for private planters. No adequate system of internal check over these operations was in existence, and this should be remedied, or the practice abolished.

168. It was understood that Customs duty is levied on all imports for the New Zealand Reparation Estates: *e.g.*, in the case of the hydro-electric works, which, as already pointed out, are being financed out of Reparation Estate funds, it was discovered that Customs duties had been levied on all plant and materials imported for the works. The effect of this has been not only to inflate Customs revenue, but to overcapitalize the cost of the works.

169. In so far as the Estates, as in the above example, have been functioning as part of the Administration, Customs duty should not have been charged. This is another instance of the impropriety of intermingling Estates and Administration activities.

170. At the 31st March the Bad Debts Reserve stood in the accounts at £1,571. An examination of the various "sundry debtors" accounts reveals probable losses in three accounts alone which will absorb 50 per cent. of the reserve. Attention should be given at the end of the current year to strengthening this reserve before otherwise approving allocations from the Profit and Loss Appropriation Account.

171. The item "Observatory" is shown in the Estates assets list at £5,273. This property is being used neither by the Samoan Administration nor by the Reparation Estates. It is now under the control of the New Zealand Scientific and Industrial Research Department. Its running-costs are borne by the New Zealand Government, with a small contribution from the Imperial Government. In addition, certain contributions, principally in equipment, are received from the Carnegie Institute. An adjustment should be made in respect of the capital value of the property, which should reflect in the accounts of the Department having possession and custody of the assets.

Engineering and Transport Department.

172. Apart from the necessity of separating the finances of this Department from those of the Reparation Estates, already dealt with, we desire to direct attention to the following matters:—

(*a*) There is, in our opinion, no necessity for a separate bank account, and payments should be made by Treasury on the same basis as other departmental expenditure.

(*b*) Too much authority is delegated to the clerk; and, whilst some allowance can be made for outside matters requiring the attention of the Engineer in Charge, a readjustment should now be arranged.

(*c*) The functions of the Department having now been reduced to those of operation and maintenance, a general reduction of the employees, both inside and outside, should be made.

(*d*) The question of whether any of the transport plant, which consists of twelve cars and twenty lorries, is now permanently surplus should be closely investigated with a view to disposal.

(*e*) A system of proper costs on a mileage basis should be instituted for all vehicles.

(*f*) In keeping with the loose methods in other Departments in respect of "sundry debtors" accounts, we discovered a considerable sum outstanding in this Department. The office control and handling of these accounts is by no means satisfactory, and similar steps as recommended for other Departments should be taken.

(*g*) This Department makes its own arrangements for stores purchases. The position here should be uniform with other Departments, and stores required should be requisitioned for to the Treasury.

(*h*) The position in respect of custody and control of petty cash was not entirely satisfactory, and requires attention.

(*i*) The loss on working for the past year was £357. The capital value of assets at the 31st March was approximately £28,000; so that, after considering depreciation, interest, &c., it is clearly evident that the financial reorganization of this Department is a matter for urgent attention.

Bananas.

173. It seems clear that, although it has not been possible until recently for Samoa and Niue together to ship sufficient bananas to provide a full cargo for the m.v. "Maui Pomare," the position will be totally different in the immediate future. There are considerable areas of bananas in Samoa now coming to bearing, and the position will be that more bananas will be available for shipment than can be carried on the vessel. This will necessitate an allocation of space between Niue and Samoa.

174. It should be noted that all bananas ripening between the present five-weekly calls of the vessel are wasted, and that a reduction in the time between calls would enable a considerably greater quantity to be shipped. Careful consideration should be given to the possibility of eliminating the Norfolk Island run of the "Maui Pomare" at the earliest possible date, with a view to instituting a regular four-weekly schedule between Niue, Samoa, and New Zealand, and, if necessary, reducing the number of calls in New Zealand.

175. A regular itinerary should increase the prospects of obtaining a larger cargo from New Zealand to Samoa, the quantity at present obtained being small.

176. Considerable difficulty will no doubt be experienced in Samoa in fairly allocating the exportable quantity of bananas.

177. We feel it necessary to call attention to the purchase in England at a considerable cost of steel barges for use in connection with the banana industry, for which it seems probable they are entirely unsuitable.

Branding of Copra.

178. We note that, as distinct from first-grade copra, the inferior grade of copra produced by the New Zealand Reparation Estates has been allocated the distinguishing symbol "N.Z." We suggest that some other mark be found for this purpose. The use of "N.Z." to indicate an inferior product might, we feel, have some effect on the reputation of New Zealand goods generally in London.

Guaranteeing Overdrafts.

179. The Reparation Estates Board, with the authority of the Minister, has guaranteed the overdrafts at the bank of various planters. Apart from the question of validity, this does not appear to be a proper function of the Reparation Estates Board, and, in any case, the approval of the New Zealand Treasury was given in one case only and for a period of twelve months, whereas the guarantee has apparently been given without this limitation.

General Recommendations.

180. As the result of our investigations we make the following general recommendations:—

(1) The abolition of the Board of Control.

(2) The appointment of a suitable General Manager from New Zealand.

(3) The appointment of a competent Accountant.

(4) The institution of an efficient system of internal check and an independent audit.

(5) If subsequently found desirable, the appointment (probably for a time only) of a suitable Inspector with a sound knowledge of cattle.

(6) The Administration to take over Estates assets which it is at present using for general Administration purposes.

(7) Capital for (6) to be provided by way of loan from New Zealand, or the assets handed over at a definite interest or rental basis.

(8) Loan-moneys to be paid over to Reparation Estates, and bank overdraft reduced accordingly.

(9) The maximum authority for bank overdraft to be similarly reduced.
(10) A Budget system of finance to be introduced for the Reparation Estates.
(11) The General Manager to be responsible, through the Administrator, to the Hon. the Minister of External Affairs.
(12) An Advisory Committee to the Hon. the Minister of External Affairs to be established in Wellington.
(13) Capital expenditure up to £100 to be at the discretion of the General Manager; amounts in excess to be referred to the Hon. the Minister of External Affairs.
(14) Stocktaking requires to be placed on an improved basis, and an independent internal check of managers' tallies, including cattle, should be arranged. Stock-lists should also be properly certified by officers responsible.
(15) Office and overhead expenses to be reviewed with a view to reduction. Store expenses in Apia appear to be an unnecessary duplication of similar plantation expenses.
(16) All salaries, allowances, and conditions of employment of staff to be reviewed; salary scales and allowances to be approved in New Zealand.
(17) Plantation Production Accounts to be remodelled so as to include charges for depreciation of trees and use of land, special reserve for replanting to be created as early as possible.
(18) House rentals to be revised; staffs other than officers and employees engaged on plantations to pay reasonable rentals, assessed at reasonable percentage of capital values.
(19) "Sundry debtors" accounts to be overhauled. Amounts due by Government officers should be paid immediately. In cases where this is impossible, reasonable monthly deductions from salaries should be arranged. Interest on overdue accounts to be charged at 7 per cent.
(20) Monthly returns and reports to be furnished to the Hon. the Minister of External Affairs through the Administrator.
(21) Quarterly financial statements to be furnished to New Zealand showing results to date in relation to Budget estimates and to previous year's figures.
(22) No losses, bad debts, &c., to be written off without authority from the Hon. the Minister of External Affairs; all such approvals to be given after New Zealand Treasury and Audit concurrence.
(23) No reduction of capital values to be made without similar authority.
(24) No assets to be sold without the authority of the Hon. the Minister of External Affairs.
(25) Terms of proposed leases to be similarly authorized.
(26) Task operations and rates for labour on plantations to be reviewed; tasks appear lower than in the case of private planters.
(27) A better internal check should be arranged in respect of wages and incidental expenditure on plantations.
(28) Stores purchasing and procedure in connection therewith to be overhauled.
(29) Profits to be paid to New Zealand Public Account, and grants from same to Samoa to be provided for on New Zealand estimates.
(30) Practice of using funds of Estates for financing purchasing of cars or any other privileges for officials to cease.
(31) Any free gifts of lands or other assets to Natives or otherwise already made to be ratified by New Zealand Parliament by inclusion in "written off" Schedule in the Appropriation Act.
(32) Yard and store, Apia: The question of introducing task rates into the copra and cocoa stores should be considered.
(33) Amounts due by Apia Park Trustees: Included in the "sundry debtors" accounts as at the 31st March last appear the following: (*a*) Apia Park Trustees, £851 15s. 6d.; (*b*) Apia Park Trustees (loan), £2,500. These sums apparently represent capital moneys belonging to the Reparation Estates expended on the Apia Park recreation-ground. As pointed out elsewhere, the Estates receive no return from the park. This money should be refunded by the Treasury out of revenue at the earliest possible date. Meantime the funds represent part of the Estates bank overdraft, costing 6 per cent. for interest.
(34) Loans on mortgage: Estates moneys lent on mortgage were outstanding on the 31st March, 1928, to the extent of £2,662. It is doubtful if authority exists for lending these funds in this manner, and steps should be taken to obtain repayment as soon as possible.
(35) Advances to private planters: In our opinion the time is opportune to call up amounts outstanding under this heading, and where payment is not promptly made interest should be added at 7 per cent.
(36) Amounts owing by Samoan Treasury: At the 31st March last an item of £8,400 was included in "sundry debtors" accounts as due from the Samoan Treasury. From the point of view of keeping Treasury accounts as accurately as possible, every effort should be made by both the Estates Office and the Treasury to keep this item down to the lowest possible sum.

We gratefully acknowledge the assistance readily granted to us by His Excellency, by the members of the staff, and indeed by all from whom we requested information.

P. Verschaffelt.
A. D. Park.
C. A. Berendsen.

NEW ZEALAND REPARATION ESTATES.

List of Assets as at 31st March, 1928.

	£ s. d.	£ s. d.
Plantation properties worked by New Zealand Reparation Estates		456,510 0 4
Cash on plantations		389 9 0
New cultivations and improvements—		
Vaipapa—		
Land—Cost of cultivation to date, not including original value of bush land	9,959 12 3	
Buildings—Cost to date	1,634 1 4	
Roads—Cost to date	296 14 1	
Fences—Cost to date	170 6 2	
		12,060 13 10
Movable assets	540 6 8	
Cash	5 1 8	
		545 8 4
Banana and coconut cultivations—		
Franz Plantation	376 0 4	
Mulifanua	106 17 5	
Solaua	2,288 18 2	
Tuanaimato	1,813 16 5	
Vailele	0 16 0	
		4,586 8 4
Cocoa and coconut cultivations—		
Franz	277 16 1	
Tuanaimato	380 10 9	
		658 6 10
Cotton cultivations—		
Wireless paddock—Interplanted coconuts	194 4 6	
Mulifanua—Olo	109 18 5	
		304 2 11
New railway at Mulifanua		3,236 6 8
Pineapple Estate—Tuvao Prison Farm—		
Land	2,760 7 0	
Buildings	1,510 6 8	
Roads	50 0 0	
Water-supply	128 6 8	
		4,449 0 4
Solaua Plantation—		
Opening-expenses—Balance		187 1 2
Rent paid in advance		308 0 0
Land and buildings		54,547 10 0
Furniture, &c., on charge to Administration		1,324 18 1
Furniture, &c., leased		53 0 6
Land and buildings		3,524 0 0
Observatory		5,272 19 3
Plantations properties leased		142,780 0 1
Slipway, tools, and material		110 19 7
Workshop leased—Plant		246 15 0
Unimproved freehold lands		45,953 10 0
Unimproved leasehold lands		687 10 0
R. Coe property purchase		150 0 0
Business properties—Land		16,931 13 4
Business properties—Buildings		13,184 9 6
Alcazar Buildings		4,135 4 2
Furniture and fittings		245 11 0
Dairy plant		70 0 0
Tow-boat engine		24 0 0
Yard plant		152 12 0
Motor-boat "Tuakolo"	325 0 0	
Motor-boat "Mulifanua"	550 0 0	
Steam-launch	1 0 0	
Equipment Account—Motor-boats	102 16 6	
		978 16 6
Lighter		240 0 0
Weighbridge		388 8 9
Office furniture		136 6 6
Engineering and Transport Department		9,720 5 3
Hydro-electric scheme		12,991 12 1
Motootua Ice-works—Property Account		3,000 0 0
Saleufi Ice-works		1,200 0 0
Saleufi Ice-works—Suspense Account		1,062 2 7
Produce in hand and afloat		22,565 13 5
Tokelau tax—Copra expenses		139 11 8
Cotton-consignment expenses		7 1 6
Native copra scheme—		
Consignment No. 1	655 7 9	
Consignment No. 2	581 13 1	
In Apia	686 14 11	
		1,923 15 9
Copra sheds and plant	138 11 11	
Sacks in Savaii	78 19 4	
		217 11 3
Banana scheme—		
Boxes and material	1,255 1 1	
Barges, part-payment	3,637 10 0	
		4,892 11 1
Preliminary expenses	100 0 0	
Dried Bananas Experiment Account	20 0 0	
		120 0 0
Carried forward		32,213 6 7

NEW ZEALAND REPARATION ESTATES—*continued.*

LIST OF ASSETS AS AT 31ST MARCH, 1928—*continued.*

	£ s. d.	£ s. d.
Brought forward	..	32,213 6 7
Banana scheme—*continued.*		
Stores in Apia	4,100 0 0	
Printing and stationery	176 5 8	
Motor-boat stores	10 8 6	
Rations in yard	6 16 0	
		4,293 10 2
Mortgages—		
I. H. Carruthers	400 0 0	
James Johnston	1,000 0 0	
Samoa Times	1,050 0 0	
A. Walter	212 13 6	
		2,662 13 6
German Currency Account	..	52 19 9
Sundry debtors	..	24,451 18 2
Administration Subsidy Account	..	12,000 0 0
Treasury Current Account	..	8,400 11 5
		£884,074 19 7

NEW ZEALAND REPARATION ESTATES.

LIST OF PROPERTIES ON CHARGE TO ADMINISTRATION, ETC.

—	Rentals per Annum.	Values.	Remarks.
Tuvao Prison Farm—		£	
Pineapple Estate	Free	4,450	Book value.
Magia Coconut Estate	£60		
V.O. 3. Building removed to Apia Park	..	100	
V.O. 16. ,, ,,	..	600	
7. Rented to R. D. Croudace, Public Trust Office	£57	1,150	
24. Half-interest in land transferred for interest in water catchment area	..	160	Half-value of land.
26. Rented to Administration (Mr. McCarthy)	£48	4,590	Portion let to Joergenson at £78 per annum.
41. Occupied by Education Department	Free	300	
89. Top floor rented to Administration	£30	2,150	
Ground floor leased to Sydall	£72		
Aleipata—Rented to Mr. O'Connor (Administration)	£48	490	
Fagamalo—Rented to Administration	£20	400	
Apia—			
Casino (including furniture)—Rented to Administration	£200	14,400	
Casino Cottage—Rented to Administration	£16	400	
P.W.D. Office—Rented to Administration	£20	500	
Matafele Store—Portion of land and buildings exchanged with Tattersall's beach site	..	..	Not stated.
Timber-racks—Rented to Public Works Department	£80	1,200	Plus £352, extension of yard.
V.O. 71. Vaipouli—Education Department	Free	1,395	Plus £545; total, £1,940.
74. ,, ,,	,,	70	Value of lease.
75. ,, ,,	,,	425	,,
112. Numea—Education Department	,,	339	,,
Avao—Education Department	,,	10	
V.O. 22. Nusshaer—Exchanged for Raphael's property at beach front	,,	..	Not stated.
Falealili—Portion of land occupied by Education Department	,,	..	,,
Vailima Estates—Avele School (Education Department pay interest on mortgage)	,,	1,800	
V.O. 8. Racecourse, Apia Park	,,	1,200	Plus buildings, £700.
13. Papauta—Education Department	,,	270	
113. Leanoaa, used by L.M.S. Mission School	,,	18	
280. Aleipata—15 acres used as hospital-site (paddock); balance, 52 acres, gift to Samoans	,,	300	
J. Johnston, Papauta—Education Department	,,	140	
Coolie Lines, Savalalo—Portion occupied by Public Works Department and Transport Department coolies at 10s. per room	..	..	Not stated.
Observatory property, occupied by New Zealand Scientific and Industrial Research Department	Free	5,273	

Alcazar Buildings—Engineering and Transport Department: Assets at 31st March, 1928, £9,720; Working Account—loss, £357.

Building on V.O. 3 occupied by Mr. Miedecke (rent charged to Engineering and Transport Department): Value of house, £2,500. Mr. Miedecke occupies rent-free.

Hydro-electric scheme: Capital cost at 31st March, 1928, £12,999; scheme when complete will cost approximately £18,000.

Motootua Ice-works: Value, £3,000.

Saleufi Ice-works: Value, £2,262.

Malololelei—Leased to Captain Allen; subsidy payable by Administration: Capital value (approximately), £3,000; premium of £300 per annum paid to Mr. Allen by Samoan Treasury.

Approximate Cost of Paper.—Preparation, not given; printing (650 copies), £19 17s. 6d.

By Authority: W. A. G. SKINNER, Government Printer, Wellington.—1929.

Price 9d.