

## PARLIAMENTARY CONTROL OF EXPENDITURE.

In my last report attention was drawn to the fact that a large proportion of the annual expenditure was governed by "Permanent Appropriations," and was thus freed from the annual control of Parliament. It is noted that by section 6 of the Finance Act, 1929, the law has since been amended as from the 1st April, 1930, so as to bring within the annual appropriations the expenditure hitherto made without further appropriation under the Native Land Act, 1909 (section 417), the Railways Improvement Authorization Act, 1914 (section 5), the Swamp Drainage Act, 1915 (section 4), the Education Purposes Loans Act, 1919 (section 3 (2)), and the Hauraki Plains Act, 1926 (section 10 (1)). This amendment will have the effect of bringing expenditure amounting to several millions within the direct control of Parliament, and remedies the more important instances in which such control had not previously been provided. There will, however, still remain a large amount of expenditure not subject to annual appropriation, and, though it may not be considered desirable to bring the whole of such expenditure into the annual Appropriation Act, it would appear advisable in the interests of proper control, that an estimate of all expenditure to be made from the various separate accounts under permanent appropriations should be submitted to Parliament in order that the full programme of Government expenditure for the year may be brought under review instead of portion only of such expenditure. Such an estimate is at present submitted in the case of expenditure under permanent appropriations from the Ordinary Revenue Account, but not in the case of such expenditure from other accounts.

Apart from the question of obtaining effective control of expenditure, the system of providing for expenditure by permanent appropriations rather than by annual votes has serious disadvantages. The statutory provisions regulating the expenditure require to be of a very detailed nature if control is to be effective, and, as a consequence, the amount of detailed financial legislation in New Zealand is probably without parallel in any other British country. There is always the possibility that, in the course of administration of an Act, unforeseen changes in the circumstances governing expenditure, or slight variations of Government policy relating to receipts and expenditure, may involve conflict with the permanent appropriation provisions of the Act. The financial legislation is now becoming so complex that it is a matter of serious difficulty at times for Audit to ensure that statutory financial provisions are properly complied with.

The position is rightly viewed with disfavour by those responsible for drafting financial legislation and also by those whose duty it is to carry it into effect. The position should not, however, be remedied by omitting or abrogating the regulative provisions in financial statutes without providing other measures to take their place, as the result of such omission would be to weaken, if not to nullify, parliamentary control of public finance. The remedy suggested is to provide for the detailed control of expenditure of each separate account by means of the annual appropriations (which are embodied in the annual Appropriation Act and thus given statutory force) instead of by permanent detailed financial provisions in the statutes themselves. If the system followed in other parts of the Empire were adopted and the functions of each separate account were regulated in the governing Act by comparatively broad statutory provisions, the *details* of expenditure from each account being regulated by means of the annual appropriations, the necessity for detailed regulative provisions in the statutes would to a large extent be obviated, and the financial legislation would be much simplified, while at the same time the effective parliamentary control over expenditure would not be in any way impaired, but, on the contrary, would be strengthened.

## REPAYMENT OF THE PUBLIC DEBT.

The total amount of the public debt coming within the provisions of the Repayment of the Public Debt Act, 1925, as at 31st March, 1930, was £196,323,912 14s. 10d., an increase of £1,487,938 9s. 4d. over the previous year. During the year securities amounting to £1,158,471 14s. 11d. were redeemed and cancelled, making a total so redeemed under the provisions of this Act, up to the 31st March, 1930, of £5,036,035 8s. 2d. The following table gives particulars of the amounts so redeemed, and shows that an annual saving of interest amounting to £57,218 13s. 7d. has already been effected by the operation of the Act. The amount of this saving will increase year by year as the cumulative effect of the sinking fund becomes apparent. The table also shows that by purchasing securities at a discount a capital saving of £27,636 10s. 11d. has been effected.

Rate of Interest.	Nominal Value of Securities redeemed.			Total Cost of Redemptions.	Annual Saving in Interest.
	Total to 31st March, 1929.	Year 1929-30.	Total to 31st March, 1930.		
Per Cent.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
4	1,254,053 13 3	692,011 14 11	1,946,065 8 2	1,934,377 17 3	9,730 6 7
4½	880,850 0 0	4,060 0 0	884,910 0 0	869,532 5 0	8,849 2 0
5	954,000 0 0	462,400 0 0	1,416,400 0 0	1,415,846 5 0	21,246 0 0
5¼	300,500 0 0	..	300,500 0 0	300,482 10 0	5,258 15 0
5½	13,900 0 0	..	13,900 0 0	13,900 0 0	278 0 0
6	474,260 0 0	..	474,260 0 0	474,260 0 0	11,856 10 0
	3,877,563 13 3	1,158,471 14 11	5,036,035 8 2	5,008,398 17 3	57,218 13 7