

performed by them, and that the sum of these bonuses had been donated to the members and applied in payment of the amount required by Audit Office to be refunded by them. The Audit Office questioned the Board's bona fides in this transaction, and subsequently recovered to the Board's fund the amount originally claimed from the members.

A similar case in which it is reported that members of a Board, who were required to refund amounts illegally paid to them, have since obtained payments from the Board in order to make such amounts good is now under investigation.

Defalcations.—In the past year the Audit Office dealt with twelve cases of misappropriation of funds by local-body officials, particulars of which were in every instance placed in the hands of the police. The defaulters were dealt with by Criminal Court action, excepting in one case, where the defaulter had absconded from New Zealand; and in this latter connection the local body concerned has lodged security for the issue of an extradition warrant in the event of the defaulter being subsequently found.

The largest sum misappropriated by any one official in the twelve cases mentioned above was £1,460 19s. 2d.

Whilst dealing with the matter of defalcations, it is opportune to draw attention to the fact that several classes of local authorities are not required by law to take security from their officials for the faithful execution of their duties. The failure of some local authorities to require those officers dealing with moneys to enter into fidelity bonds has resulted in considerable loss to the ratepayers, and the Audit Office recommends that steps be taken at the earliest opportunity to bring all local bodies into line in this matter, and that it be made compulsory for all persons dealing with local bodies' funds to give sufficient security for the faithful execution of their duties.

Disqualifications.—Eleven members of local authorities automatically forfeited their seats during the year on account of being concerned or interested in contracts with the local authorities of which they were members to an extent in excess of the statutory limits. In one instance a Councillor, after being informed by the Audit Office of the fact that, owing to his being interested in a contract with the Council, he was disqualified from further acting as a Councillor, notified that with the object of giving the Audit Office an opportunity of testing its ruling in Court, he had voted on a matter before the Council after receiving notice from Audit of his disqualification, and had therefore acted as a Councillor when in the opinion of the Audit Office he was disqualified. As a principle of considerable importance to the Audit Office was involved, Court proceedings were immediately instituted, and on the case being heard before a Magistrate the Councillor was held to be disqualified; and for taking part in a discussion on a matter before the Council in which he was interested and for acting in the capacity of a Councillor after being disqualified he was fined a total of £25, with costs £12 19s.

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