

DEPARTMENTAL ACCOUNTS AND BALANCE-SHEETS.

All Departments submitted income and expenditure or revenue accounts and balance-sheets for the year 1928-29, and these have been duly examined by the Audit Office.

There were only twelve accounts for the year 1928-29 which were not completed in time to be presented to Parliament last session, which is a very decided improvement on the position in former years.

In my report to Parliament in 1928 I referred to the practice adopted in England of carrying forward the result of each year's trading when preparing the accounts and balance-sheets of the trading or commercial services of the Government. This matter was reported to the Treasury, which, while appreciating the fact that in certain cases a statement of the total profit or loss to date might be of interest, considered that continuity of accounts is necessary only in respect of such services where the accounts are on a separate cash basis, are wholly commercial, and, as such, are expected to pay their way.

I am of the opinion that the English practice should be extended to cover the cases of all trading or semi-trading concerns, as in some cases the showing of the accumulated financial results may have a decisive effect in determining the future policy regarding such services.

In accounts such as those of the Crown lands, Scenery-preservation, and the State Forest there is a lack of uniformity in the basis adopted for the valuation of Crown lands, where the cost price is not available. The cause of this, no doubt, is the different uses to which the land is put on account of the varying activities of the Departments concerned. The matter of rectifying this lack of uniformity is at present receiving consideration.

Great difficulties were experienced in the early stages of the preparation of the annual departmental balance-sheets, but year by year improvements have been brought about both in the system and also in the accuracy of detail. Owing to the constant improvements and alterations during the process of perfecting the system, it necessarily follows that comparison of one year's results with those of another has not been possible, except in a few instances where a system has been uniformly continued. It may be said, however, that the system as now established in most departments is sufficiently reliable to enable valuable data to be obtained from time to time by comparing the results of one year with those of another. I have given in the succeeding paragraph a few instances where this has been done, and there are many other similar cases which could be cited. I have said sufficient, however, to indicate that the time has arrived when the departmental balance-sheets, by enabling analyses and comparisons to be made from year to year, will promote that economical administration which it may be said is their ultimate object and purpose.

The Audit Office is fully aware that the present satisfactory condition of departmental balance-sheets is principally due to the efficiency of the accounting staffs of the Departments. The magnitude of the work in some departments, especially in its initial stages, can only be appreciated by those who have been closely associated with the preparation and examination of these accounts.

Space does not permit me to submit a full and comprehensive criticism of the balance-sheets of the various Departments of State in this report, but I have taken the accounts of three Departments—Post and Telegraph, Prisons, and Education—as being representative of other Departments, and offer the following comments thereon.

Post and Telegraph Department Balance-sheet.

A notable example of the beneficial results of the production of commercial accounts is that of the Post and Telegraph Department.

Prior to the financial year ended the 31st March, 1921, the accounts submitted were in the form of a summary of the cash transactions of the Department, giving no reliable information as to the profit or loss resulting from the Department's activities. Although the expenditure of loan-moneys to date of balance was known, the value of the assets created as a result of that expenditure could in no way be accurately ascertained, and the subdivision of expenditure and the allocation of assets to the various branches of the Department could not be satisfactorily made.

The first commercial accounts published, therefore, were based, in the case of many items, on estimates only, and arbitrary apportionments of expenditure and classification of assets had to be made, while flat rates of depreciation were then the rule.

From that year onwards there has been a steady progress recorded, although, as would be expected in a concern of such magnitude, improvement could only be gradual.

The classification and valuation of assets which were among the earliest works undertaken enabled more correct rates of depreciation and also other correct charges to be made to the various profit and loss accounts.

A greatly improved classification of expenditure has enabled a more accurate apportionment of charges between capital and revenue to be made, although, with such problems as reconstruction and renewals, the Department is not yet satisfied but is making strenuous efforts to further improve the position. These are matters in which difficulties are experienced in other countries as well as in New Zealand.

The subdivision of the profit and loss accounts under the various branches is now on a sound basis, and gives the authorities a knowledge of the profitableness or otherwise of any branch. In this respect a study of the comparative results of the activities of the Telegraph and Tolls branches is not uninteresting, viz. :—

Year ended 31st March,	Telegraph Loss.			Tolls Profit.		
	£	s.	d.	£	s.	d.
1926	119,191	4	3	79,169	4	6
1927	100,931	17	7	83,642	0	10
1928	130,807	12	10	97,387	6	3
1929	128,823	18	1	124,946	6	4