

As a result of the preparation of the profit and loss accounts, it is now possible for the Department to conduct its business on sound commercial lines.

Improved methods of stock accounting in this Department have also resulted in economy and efficiency, as witness the reduction in the value of stores in stock in later years as compared with previous years:—

						£	s.	d.
31st March, 1925	..	..	..	..	..	904,693	17	11
31st March, 1926	..	..	..	..	..	796,770	13	5
31st March, 1927	..	..	..	..	..	741,398	15	7
31st March, 1928	..	..	..	..	..	663,749	11	7
31st March, 1929	..	..	..	..	..	465,411	17	11

*Prisons Department Balance-sheet.*

In 1921 the Prisons Department prepared a general income and expenditure account and balance-sheet. There were, however, no income and expenditure or working accounts produced showing the result of the various activities of the Department.

In 1922 the following three accounts were prepared: (1) Prisons and Institutions Account; (2) Quarry Trading Account; (3) Farm Trading Account. In 1923, three farm trading accounts were prepared; three quarry trading accounts; four working and profit and loss accounts at Auckland; one trading account at Wi Tako; one trading account at Waikune; and one general prisons and institutions income and expenditure account.

In 1924 full separate institutional accounts and a trading or revenue account of each separate activity of the Department were prepared, and have been continued to date.

In recent years every attention has been given to co-ordinating the accounts and the internal workings thereof, until to-day it can be confidently claimed that the published accounts give a fair and comprehensive illustration of the many activities of the Department.

The Department's early accounts were prepared at the end of each year from Head Office records, and certain annual returns submitted by each institution. This system could only result in approximately correct results at best.

In later years the accounting at the institutions has been revised and improved, and much more information along standard lines is now sent to Head Office monthly. This has enabled an effective internal check to be imposed, and the present accounts are considerably more accurate than those of previous years.

The Department's commercial operations are not comparable with similar activities of private concerns, on account of the unavoidable difficulty in estimating labour costs. The labour is usually unskilled and has to be employed in any case, whether or not any return is derived by the State. The valuation of prison labour for accounting purposes has always been difficult, and, although entire satisfaction in this direction appears to be impossible of attainment, the results may be considered to be as fair as possible. All prisoners are classified according to their ability to perform certain tasks and their labour is charged at different rates from 8s. to 2s. 6d. per day.

While it is not suggested that the ultimate financial result should be the deciding factor in determining what work offenders should be engaged upon, nevertheless better accounting has enabled the Department to divert labour from certain costly ventures where the loss to the State was altogether out of proportion to any benefit derived by the prisoners.

I would point out, however, that the mere fact that a profit or loss has occurred should not be the sole factor in determining the continuance of an activity of a Department such as this. It must be remembered that to the Prisons Department, farming and other industries were primarily undertaken as a means to the rehabilitation of criminals in society, and not with the sole idea of reducing the cost of the institutions.

*Education Department.*

The balance-sheet of this Department, in common with those of several other Departments, presents difficulties which are peculiar to itself, and which require particular and unusual treatment. One of these difficulties is in connection with capital expenditure, which, though not representing a loss, leaves the Department with no corresponding tangible asset on which a monetary value can be placed. Under this heading are classified items such as grants to Education Boards and other bodies for the purchase of sites, buildings, equipment, &c., for the purpose of education in its various grades and branches, such as kindergarten, elementary, secondary, higher, technical, training of teachers, and education of the blind.

Such expenditure undoubtedly results in the creation of an asset for the benefit of the country, but, strictly speaking, it is not an asset of the Department, although included in the accounts under the heading of "National Development Account." The amount thus accumulated at the 31st March, 1929, is £6,824,658.

Another matter in which no parallel can be found in non-government concerns and which requires particular treatment if the accounts are to be compiled on commercial lines, is the estimating of the value of work performed by wards of the State in connection with the various activities of the Department.

Apart from the fact that numbers of the inmates of the Department's institutions are feeble-minded or sub-normal, they are not voluntarily working for their living, and the profitable employment of their services from a monetary point of view is not the prime object of the Department. It was found that the cost of supervision at least equalled the value of the services rendered.

As the rate of maintenance fees charged and collected is not governed by the cost to the State, no purpose would be served by apportioning these fees to the various institutions, and this is not done.