

One of the functions of the Audit Office is the appropriation audit of all payments, and the Controller and Auditor-General is specifically forbidden by section 72 of the Public Revenues Act, 1926, to dispense with such audit. As the vouchers for the payments now in question are not charged against the appropriation authorizing the payments to be made by the High Commissioner, and do not come before the Audit Office for an appropriation audit, it is not possible for Audit to fulfil the requirements of the Public Revenues Act.

In the opinion of the Audit Office the omission of cash transactions from the Public Accounts is contrary to the accepted principles of accountancy, and the section of the Finance Act, 1931 (No. 2) referred to is a serious interference with the safeguards imposed by the Public Revenues Act, 1926, on the expenditure of public moneys.

The law as it stands opens the door to abuse, as, under its provisions, public moneys could be used temporarily for private purposes without any record being entered in the Public Accounts. It is conceivable, for example, that loans could be granted, without interest, to unauthorized individuals, or that payments in London could be made to or on behalf of such individuals free of exchange, repayment being made in Wellington, without submitting any voucher to the Audit Office quoting the statutory authority for such payments, and without recording such payments in the Public Accounts, either in the Treasury books or in the statutory accounts submitted to Parliament.

The payments in question are advances made from the Public Account, very similar in their nature to the advances on behalf of other Governments, and similar in principle to advances made to the Native Trustee, Southland Electric-power Board, Rural Intermediate Credit Board, &c., under permanent appropriations, which are all recorded in the Public Accounts. From an accounting point of view there is no more justification for omitting from the Public Accounts the payments made under section 20 of the Finance Act, 1928, than there would be for omitting these other advances.

Before the amendment of the law by section 10 of the Finance Act, 1931 (No. 2), referred to, the particulars of the payments in question were shown under "Permanent Appropriations—Special Acts—Finance Act, 1928, section 20," in B.-1 [Part II], and came before Audit in the usual manner; but since the amendment the payments have been entirely omitted from the public accounts. As the section is mandatory in form, and is made retrospective to the date of passing of the Finance Act, 1928, it would appear that, if it authorizes the omission of the later entries from the Public Accounts, it also invalidates the earlier entries which have actually been made in the accounts. Some of the payments made in the earlier portion of the year 1930-31, before the Act was amended, were entered in the accounts and appear in B.-1 [Part II], at the bottom of page 61, but the later payments were not so entered. I have endeavoured to trace these later payments made during the year, and a statement is appended for the information of Parliament showing these unrecorded amounts; but it is possible that, owing to the difficulty of tracing payments the vouchers for which are not brought into account, the statement may not be complete. The only opportunity afforded the Audit Office of tracing such transactions is when the recovery is made, and, should no recovery be made, the transaction would not come under the notice of Audit.

In preparing the statement it was found that one payment of £970 was made prior to the receipt of the relative amount into the Public Account. This amount is in excess of the £500 maximum allowed by section 20 of the Finance Act, 1928, and the payment was therefore contrary to law. As the vouchers were not submitted for audit, the illegal nature of the payment was not discovered during the year.

STATEMENT OF THOSE PAYMENTS MADE BY THE HIGH COMMISSIONER IN THE YEAR 1930-31 UNDER THE AUTHORITY OF THE FINANCE ACT, 1928, SECTION 20, WHICH HAVE NOT BEEN BROUGHT INTO THE PUBLIC ACCOUNTS.

Particulars.	Amounts paid to 31st March, 1931.			Amounts recovered to 31st March, 1931.			Amount outstanding at 31st March, 1931.		
	£	s.	d.	£	s.	d.	£	s.	d.
Sundry payments made by the High Commissioner on behalf of—									
Post and Telegraph Department	11,247	11	1	10,337	5	7	910	5	6
Public Service and Teachers' Superannuation Funds	17,935	0	0	15,158	8	6	2,776	11	6
National Provident Fund	415	18	5	361	0	11	54	17	6
Government Life Insurance Department	3,234	4	6	2,773	4	3	461	0	3
State Fire Insurance Department	130	7	8	127	6	0	3	1	8
State Advances Office	1	4	4	1	4	4	..		
Public Trust Office	0	5	1	0	5	1	..		
Tourist Department's Deposit Account	2	12	6	2	12	6	..		
Greymouth Harbour Board	5	11	0	5	11	0	..		
Victoria University College	7	19	3	7	19	3	..		
Canterbury College	0	13	5	0	13	5	..		
Otago University	89	7	2	..			89	7	2
Otago Girls' Presbyterian College	1	10	8	1	10	8	..		
Christchurch Hospital Board	2	11	0	2	11	0	..		
Hawke's Bay Hospital Board	8	5	0	..			8	5	0
Otago Hospital Board	1	12	0	..			1	12	0
Kauri-gum Control Board	1	5	0	1	5	0	..		
Auckland Institute and Museum	1	4	1	1	4	1	..		
Taranaki Regiment	1	10	0	1	10	0	..		
General Assembly Library	807	13	5	627	3	4	180	10	1
Union Jacks for the Governor-General's motor-cars	0	15	0	0	15	0	..		
Funeral and other expenses paid on behalf of the estate of the late W. S. Ferguson, formerly Trade and Produce Officer on the High Commissioner's staff	132	0	7	..			132	0	7
	34,029	1	2	29,411	9	11	4,617	11	3