

*Department of Health.*

The first accounts published by this Department for the year ended 31st March, 1921, were unaudited, and comprised a General Revenue Account and Balance-sheet.

There was no complete system of book-keeping, and the accounts for that and the following year were produced under great difficulties and did not accurately represent the result of the Department's operations.

An improved system of accounts was installed during the financial year ended 31st March, 1922, and for the following year audited accounts for each of the Department's institutions, together with General Revenue Account and Balance-sheet, were published.

For the succeeding years, farm working accounts have been produced for each farm run in conjunction with the different institutions, and tabular institutional income and expenditure accounts have been published.

Improvements in the methods of dealing with the accounts were gradually made with a view to providing fuller and more accurate information as to the cost of different undertakings of the Department.

The accounts are now sufficiently advanced to enable comparisons to be made between costs at the various similar institutions, although I am not aware if full use has been made of the information available.

There are many factors which tend to make comparisons of cost of treatment in hospitals difficult, but there are certain lines on which some degree of comparison may be made; for instance, the average cost of provisions per bed in different St. Helens Hospitals for the last year under review varied from £54 3s. at Dunedin to £77 at Wanganui.

*State Balance-sheet.*

A purpose which has been steadily kept in view from the date of the inception of commercial departmental accounting has been realized, and to accomplish this result a great amount of work was necessary in the Treasury. The whole of the public debt had to be accounted for, and, while the loan liability of each special account was known, there was still left a large amount of debt which did not definitely belong to any particular Department or account. The greatest portion of this represented loans raised and paid into the Public Works Fund, General Purposes Account, and expended on behalf of numerous other Departments.

The Treasury made an allocation of these loans outstanding, apportioning a share to each Department holding assets created from the Public Works Fund. In view of the great difficulties the Treasury had to contend with, this allocation, although of an arbitrary nature in some cases, may be considered fair and reasonable.

It was also necessary to balance the total cash receipts and payments of the Public Account with the cash statements of the Departments. This in itself required very considerable care, as all Public Account cash is not recorded under the names of the separate Departments, but appears under numerous headings, each affecting many, or all, Departments.

A great deal of work was also entailed in clearing up inter-departmental and inter-account items in order that the assets or liabilities should not be overstated through debts of one account to another being included twice as assets and liabilities in the amalgamated balance-sheet. As each account has dealings with practically all the others, and some of them are rather involved, it will be readily understood that this thinning-out by offsetting debits and credits required much care and attention.

There were, in addition, some assets and liabilities which belong to no particular account, but every precaution was taken to see that these were not omitted.

In order that the full amount of the public debt outstanding should be shown, it was found necessary to raise nominal assets for the amount of loans outstanding in respect of which no tangible asset now exists. A footnote to this effect is appended to the balance-sheet.

The balance-sheet was produced by amalgamating the audited departmental balance-sheets, with the addition of the general assets and liabilities previously mentioned.

It is, I understand, intended by the Treasury, in the near future, to open a central set of books in which will be recorded all general assets and liabilities, and appropriate accounts for all subsidiary departmental accounts will be shown.

In concluding my comments on the departmental accounts I would specially draw attention to the fact that the preparation of accounts on commercial lines is of itself of little benefit if the figures from year to year are not carefully studied, analysed, and compared. The building-up of the system has entailed considerable expense to the Government, and the system can only be maintained at an annual outlay. It is therefore incumbent on Departments to study the results with a view to economy in administration, and so derive the fullest benefit from the expenditure.

## AUDIT OF GOVERNMENT PROPERTY AND STORES.

The audit of Government stores does not merely comprise the checking of the receipt of the stores and of the amount of cash paid for them. The mere checking of the purchase, receipt, and payment for Government stores is quite straightforward and simple. It is in the subsequent application of the stores to the purposes for which they have been purchased that the difficulties of audit are experienced.

The systematic audit of Government stores was not introduced in New Zealand till the year 1920, and at the outset considerable difficulties were experienced in introducing proper accounting methods into Departments.