

During the past year there were no less than thirty-six instances where the above-mentioned statutory requirements were not complied with, and in each case the local body concerned was required to take immediate measures to rectify the position.

The accounts of local authorities disclose the fact that in the past a rigid budgetary control of expenditure has not as a rule been characteristic of local bodies' finance, and at a time when the exercise of economy is essential it is not inappropriate to draw attention to the necessity for local bodies to carefully review their estimates from time to time during the currency of a year for the purpose of ensuring that their expenditure is kept strictly within the statutory limits.

*Machinery and Plant Working Accounts and Renewal Funds.*—Another breach of statutory provisions which during the past year was noted in the accounts of twenty-two local bodies was the setting-up of machinery and plant working accounts.

The desirability of maintaining these accounts is admitted, but in the present state of the law local authorities have no power to set up such accounts or to create machinery and plant-renewal funds, other than in connection with statutory trading undertakings and certain public works of municipalities.

No difficulty should be placed in the way of a local authority which wishes to conduct its finances on sound commercial lines, and the question of conferring a general statutory power on local authorities to set up such accounts and create such funds is one which should be considered.

*Stores Systems.*—Progress continues to be made in the direction of the instituting of stores systems in the accounts of local authorities.

Many local authorities, however, still fail to realize that stores and stocks represent money requiring to be accounted for in the same way as money itself, and that the absence of an adequate stores system leaves open the door to extensive misappropriation of the ratepayers' money.

It is desirable, therefore, that the keeping of stores records by the responsible officials of local authorities should be made compulsory by statute.

*Disqualifications.*—Nine members of local bodies were automatically disqualified during the past year for trading with the local body of which they were members to an extent in excess of the statutory limits.

One of the difficulties which has to be contended with in administering the law relating to local authorities' accounts is the varying statutory provisions defining the conditions which constitute disqualification of members of the different local authorities.

The inclusion in some general Act of a provision for uniform conditions constituting disqualification would be of assistance to the Audit Office and of benefit to the local authorities.

Under the existing law, members of some local bodies would be disqualified for acts which, if committed by members of other local bodies, would not cause disqualification.

*Defalcations.*—Ten instances where the funds of local authorities had been misappropriated by employees were reported during the past year by Audit Inspectors, and in each instance the defaulter was dealt with by Criminal Court action. The largest sum misappropriated by any one official in the ten cases mentioned was approximately £1,800.

*Breaches of Statute.*—The breaches of statute by local-body members and officers, which the Audit Office was required to deal with during the past year, are detailed in Schedule A below. An adjustment of the accounts or a recovery of the moneys, as the case may be, has been required in all cases, except in cases where a satisfactory explanation has been made or where the special circumstances were such that an adjustment has been waived conditionally on legislation being obtained to validate the irregularities.

A list of the cases where this conditional waiver was granted is set out in Schedule B.

#### Schedule A.

Depreciation in trading accounts, absence or inadequacy of charge..	..	..	..	10
Disqualification of local-body members on account of breaches of law	..	..	..	9
Expenditure without legal authority	..	..	..	24
Fidelity securities (absence of)	..	..	..	1
Imprest accounts without authority of law	..	..	..	6
Investments contrary to law	..	..	..	15
Local Bodies' Finance Act, 1921-22 (offences under)	..	..	..	36
Local Bodies' Loans Act, 1926 (offences under)—				
(a) Loans raised in excess of, or without statutory authority	..	..	..	8
(b) Loan-moneys illegally expended	..	..	..	37
(c) Interest on loan fixed deposit, wrongly applied	..	..	..	3
(d) Loan-moneys not in separate bank accounts	..	..	..	11
(e) Sinking funds not established or provided for	..	..	..	17
(f) Separate accounts not kept for loan allocations	..	..	..	8
(g) Sale of debentures at a discount	..	..	..	3
Moneys not banked regularly as required by law..	..	..	..	16
Mortgage, land illegally purchased subject to	..	..	..	2
Overdrafts without statutory authority	..	..	..	2
Overdrafts without consent of Minister	..	..	..	5
Payments unsupported by receipts and/or vouchers	..	..	..	39
Purchase on terms or by instalments, and interest payments thereon, contrary to law	..	..	..	5
Rates, dues, &c., not levied according to law	..	..	..	16
Reserves for depreciation, &c., not invested	..	..	..	4
Separate accounts established without statutory authority..	..	..	..	22
Separate accounts not kept as required by law	..	..	..	5