

It is worthy of note that the British Government recognized this difference, and thought the matter of such importance in connection with the payment of Imperial Pensions abroad that a representative of the Ministry of Pensions was specially authorized to discuss the matter with the Australian and New Zealand Governments, with a view to the pensioners receiving the increased amount in Australian and New Zealand pounds equivalent to the value of the pension as fixed in British pounds sterling. Both the Australian and New Zealand Governments agreed to this arrangement, thus accepting the principle that exchange should be taken into account, even though no actual remittance of moneys takes place.

The following cases, representing transactions which took place before the enactment of section 55 of the Finance Act, 1932, which now gives special powers to the Minister of Finance, may be quoted as examples :—

The Te Wera farm is carried on by the Government, and the produce is exported and sold in the United Kingdom, the proceeds being received by the High Commissioner in sterling and paid into the New Zealand Public Account, London. It is clear that the Farm Account, like any New Zealand farmer's account, is entitled to be credited with the exchange on the proceeds as well as the proceeds, although such proceeds were not remitted to New Zealand but were retained in London for Treasury purposes, and that the exchange should be added to the receipts of the farm to show the true result of the undertaking. Audit represented the matter to the Treasury but no action was taken, with the result that the statement of the Farm Account does not disclose the true position, and affords no true basis for comparison with the accounts of a farm owned by a private individual.

Another case in which the failure to bring exchange into account has affected the public accounts is in connection with payments made in London for the redemption of debentures under the Land Settlement Finance Act, 1909, and for the interest on such debentures. All sums paid out of the Consolidated Fund in London on behalf of the local associations pursuant to section 13 of the above Act, together with interest thereon, are subject to an increase of 10 per cent., the ruling rate of exchange. The Treasury has not, however, in most cases entered the cost of exchange in the accounts as having been incurred by the association. There is therefore no record in the Treasury accounts of the full amount expended on behalf of the associations, which, in terms of the Act, is to constitute a debt due by the associations to the Crown, bearing interest at 5 per cent.

Another case is in connection with maintenance payments made by the Government. The maintenance moneys are collected in the Courts in New Zealand and paid by the Government in the United Kingdom or elsewhere on behalf of the litigants. Though collected in New Zealand currency the amounts have been paid in the United Kingdom in sterling, and no deduction has been made for exchange, and the Government has therefore paid out more in value than it received. It is estimated that during the year 1931-32 the amounts so paid in the United Kingdom exceeded £4,000, so that the cost to the Government of paying over these moneys on behalf of private persons exceeded £400. I may add that the Treasury has now advised that for the future these payments will be made subject to exchange.

One of the most important cases in which this question arose during the year under review was in connection with various payments in Australia made by the New Zealand Government. The particular payments in question amounted to £360,685 18s. 9d. in Australian currency, but owing to the exchange rate being favourable to New Zealand these payments were met by actual payments out of the Public Account amounting to £308,897 19s. only, the difference of £51,787 19s. 9d. representing what might be called a saving to the New Zealand Government on exchange. The bulk of these payments represented the redemption of New Zealand loans amounting to £261,900 which matured in Australia, the actual cost of such redemptions to the New Zealand Government being £224,259 6s. 7d., and the saving on exchange £37,640 13s. 5d. The Treasury submitted entries showing the amount paid for these redemptions as £261,900, and crediting as a receipt by the Consolidated Fund the £37,640 13s. 5d. saved. It appeared to the Audit Office that it was unlawful, as well as incorrect from an accountancy point of view, to debit the accounts bearing the cost of the redemptions with more than was actually paid out of the Public Account to effect such redemptions. Moreover, section 24 of the Finance Act, 1931 (No. 2), clearly set out the principle that the cost of exchange incurred, or the premiums earned, on remittances between Wellington and London, should be recovered from or credited to the several *appropriate* funds or accounts—that is, the funds or accounts for the purposes of which the remittances were made—and there seemed no valid reason for departure from this principle in the case of exchange with Australia.

After considerable discussion with the Treasury on the subject, the law was amended by section 55 of the Finance Act, 1932, which gives power to charge the cost of or credit the premium on, exchange to such accounts as the Minister of Finance directs, or, where no actual transmission of public moneys is effected, for the Minister to determine that no entry in respect of the premium on or cost of exchange shall be made, and section 24 above referred to was repealed.

Audit fears that unless a uniform method of the treatment of exchange is adopted anomalies are likely to occur in the public accounts. It is necessary to emphasize the fact that exchange costs and premiums arise not only in connection with transactions to cover which actual remittances are made, but also in connection with all payments and receipts made overseas by or on behalf of the New Zealand Government.

As section 55 gives to the Minister of Finance full and final authority to decide the matter of exchange, the Audit Office is now relieved of responsibility, except to ensure that the authority of the Minister under this section is given to cover all transactions involving exchange, and that such authority is duly carried into effect. The entries relating to the £37,640 13s. 5d. were accordingly shown under section 55 of the Finance Act, 1932, and appear in B.-1 [Pt. I], pages 15, 21, 31, and 41. The effect of such entries was to transfer to the Ordinary Revenue Account £9,161 5s. 6d. of *Loan-moneys* from the Public Works Fund (General Purposes Account), £5,181 5s. from the