

PUBLIC ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 1937.

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL.

I HAVE the honour to submit my report for the year ended 31st March, 1937, in terms of subsections (2), (3), and (4) of section 89 of the Public Revenues Act, 1926.

In connection with these reports, which the Controller and Auditor-General is required to submit to Parliament year by year, it is perhaps advisable that I should explain that it is necessary to comment only on a very small percentage of the matters affecting the Public Accounts which come under the notice of Audit during each year. It will be readily understood that in the vast majority of cases where questions regarding ordinary transactions are raised by Audit a settlement is arrived at after discussion with the Treasury or the Department concerned, and there is no occasion therefore for reference to be made to these cases in the reports to Parliament.

The full Statement of the Receipts and Payments of the Public Account is contained in two parliamentary papers—namely, (1) B.-1 [Pt. I], which shows, under main headings, the receipts and payments of the funds and accounts comprising the Public Account, and also shows details of the expenditure under the annual appropriations, Civil List, and the Unauthorized Expenditure Account, and (2) B.-1 [Pt. II], which shows certain of the receipts and payments in greater detail than they are shown in B.-1 [Pt. I], and as the last-mentioned paper for 1936-37 has already been laid before Parliament, it only remains necessary for me now to present Part II in accordance with the usual practice.

Treatment of Exchange in the Public Accounts.

Attention has been drawn from time to time to the method of treating exchange in the Public Accounts, and I have to state that the position is still unsatisfactory. A slight improvement was made during the year, exchange costs having been recovered from Post Office and Railways on overseas expenditure made from Public Works Fund votes for these two Departments. This improvement has little effect on the general position, as the greater portion of the exchange cost results from the payment of interest in London and is paid from the Consolidated Fund. No charge is made against the separate accounts for exchange on interest payments, the whole amount being borne by the Ordinary Revenue Account. It can readily be seen that this procedure has the effect of understating the expenditure of the accounts affected, and the published figures do not disclose the true position of the various undertakings. No adjustment for exchange is made in any of the departmental accounts within the Consolidated Fund, and although this does not affect the position of the Fund as a whole, the departmental accounts and balance-sheets of those Departments whose expenditure is made through the Consolidated Fund are misleading and inaccurate.

Method of showing Transfers between Accounts within the Public Account.

Since 1928 the Controller and Auditor-General has each year in his annual report to Parliament drawn attention to the method adopted by the Treasury of showing in the published accounts investments and transfers between accounts within the Public Account. The Audit Office raises no objection to these transfers, which are provided for in the Public Revenues Act, 1926, but considers that the result of showing the transactions in this manner is misleading. No payment is shown in the lending sub-account although the receipt is shown in the borrowing sub-account, with the result that the amount of the transfer remains in the balance of the lending sub-account as an investment, and appears again in the balance of the borrowing sub-account as cash, thus causing the total of the balances of the sub-accounts which make up the balance of Public Account to be inflated by the amount of the transfers.