

It will be seen that the additions to the debt during the year amounted to £16,752,379 2s., and this sum, with the exception of £110,115 3½ per cent. stock issued to the vendors as the purchase-price of properties acquired by the Government, was borrowed from the Reserve Bank and from the various Government and semi-Government accounts.

The reductions amounted to £2,983,448 18s. 3d., of which £1,756,617 11s. 7d. was redeemed from the Public Debt Repayment Account. As mentioned previously, all the latter sum, with the exception of £16,520, was 3 per cent. debt, and the rates of interest on the debt redeemed from other sources—viz., £1,226,831 6s. 8d.—varied from 3 per cent. to 5 per cent.

The following statement shows the rates of interest on the new borrowings and on the debt which has been redeemed :—

<i>Redemptions.</i>				<i>New Borrowings.</i>			
		£	s. d.			£	s. d.
3 per cent.	..	2,222,546	8 6	1¼ per cent.	..	4,310,000	0 0
3½ per cent.	..	577,410	5 1	2 per cent.	..	400,000	0 0
3¾ per cent.	..	114,074	4 8	2½ per cent.	..	40,000	0 0
4 per cent.	..	21,398	0 0	3 per cent.	..	7,504,664	2 0
4½ per cent.	..	16,520	0 0	3½ per cent.	..	647,715	0 0
5 per cent.	..	31,500	0 0	4 per cent.	..	3,850,000	0 0
		£2,983,448	18 3			£16,752,379	2 0

The greater portion of new debt was raised on the security of Treasury bills.

Until 1st November, 1938, the interest payable by the Treasury to the Reserve Bank on Treasury bills was 1¼ per cent., but on that date the rate was increased to 2 per cent., and further increased to 4 per cent. on 22nd November. The rate of interest chargeable by the Reserve Bank should be the main determining factor in fixing the rate payable on the loan transactions between the various separate accounts of the Government, but no corresponding increases were made in the rate charged on transactions of this nature which took place after November.

As a result of this course being followed anomalies have arisen, inasmuch as advances have been made at lower rates than those which the lending accounts have had to pay for their borrowings.

Early in March, 1939, at the time when Ordinary Revenue Account was paying 4 per cent. to the Reserve Bank on moneys borrowed on the security of Treasury bills for revenue purposes, advances of £100,000 each were made from that account to the Main Highways and Housing Accounts at 2 per cent. These advances were outstanding at the close of the year and have since been repaid from moneys borrowed from the Reserve Bank at 4 per cent. The Public Account Cash Balance Investment Account, which is comprised of cash balances of all the accounts in the Public Account, in March, 1939, invested £1,000,000 in State Advances Corporation Stock at 3¼ per cent. maturing on 1st June, 1944. Each of these transactions amounts in effect to the granting of a subsidy from the lending account to the borrowing one, which is nowhere disclosed in the Public Accounts.

Other transactions calling for comment were loans at 3 per cent. made to two local authorities in March, 1939, by the Housing Account at a time when the account was required to pay 4 per cent. for all new money raised from the Reserve Bank.

Section 72, Public Revenues Act, 1926.

The above section reads as follows :—

“The Controller and Auditor-General may, with the consent of the Minister, dispense with the detailed audit of any accounts, but not with any appropriation audit of such accounts. The consent of the Minister shall be given only in those cases in which he considers that there are circumstances which render a detailed audit under this Act unnecessary: Provided that a list of such cases shall be comprised and published in the Controller and Auditor-General's report in each year.”

During the year the Audit Office, acting with the consent of the Honourable the Minister of Finance, dispensed with a detailed audit of wages paid to temporary employees of the Post and Telegraph Department. The precautionary checks