

imposed by the General Post Office are designed to give complete control over wages paid in the several postal districts, and the experience of the Audit Office has been that the Department's internal check on wages is reliable. In the circumstances it was considered that the previously exhaustive Audit examination might safely be replaced by appropriate test checks.

This is the only instance in which the powers contained in section 72 have been invoked since my last report.

Control of Expenditure.

The following is a quotation from an English authority on public finance relative to parliamentary control of expenditure :—

“ Direct charges on the consolidated fund are authorized by statute for the specific purposes and for such length of time, definite or indefinite, as are therein laid down. When once granted they become, in effect, continuing grants to the Treasury to be obtained on its requisition and issued for the purposes for which they are provided. They do not come up for annual review or criticism, and are to that extent removed from the control of the House of Commons after the statute has been passed. On the other hand, it is at any time within the power of Parliament to repeal such a statute and to transform the charge from a permanent to an annual one. The House therefore possesses continuously the potential right to exercise its supreme control in such cases. The fact, however, of the charges not being automatically brought under review necessarily withdraws them in a measure from the notice of Parliament, and there is a disinclination consequently to make such permanent charges in any cases which could be provided for without detriment by an annual vote. Such grants as those for the Civil List are advisedly charged directly on the Consolidated Fund with the specific intention of withdrawing them from annual criticism.”

In New Zealand there is a tendency to provide for expenditure by permanent appropriation, and during the year £14,332,573, being slightly more than two-fifths of the expenditure from the Consolidated Fund, was a charge against the permanent appropriations.

Prior to the year 1932–33 pensions were paid under the permanent appropriations contained in the various Acts authorizing payment of pensions, but from 1st April, 1932, after a recommendation from the National Expenditure Commission, these pensions were included in the estimates and made subject to annual appropriation by Parliament. The recommendation of the Commission published in the interim report is as follows :—

“ We consider that a change should be made in the method of providing each year for the amount required for pensions. In Great Britain the amount required for payment of pensions is voted annually by the Legislature, and we think that the system in New Zealand should be similar. This would ensure that the growing burden of pensions expenditure is subjected to parliamentary review each year.”

Section 106 (1) (a), Social Security Act, 1938, changes this procedure, and the benefits, which are now provided for under Part II of that Act, replace pensions and will be subject to a permanent appropriation. Pensions amounting to £6,752,983 were included in the estimates for the year and appropriated by Parliament. Of this total, £5,000,000, together with the sum representing the cost of the increased benefits conferred by the Social Security Act, will come under the permanent appropriations for the year ending 31st March, 1940.

In my last report reference was made to unauthorized expenditure, the limit of which was increased under the provisions of section 17 of the Finance Act, 1937, from £250,000 to £500,000 per annum, thus increasing the amount which the Government has power to make use of without immediately charging to a parliamentary appropriation.

This tendency to depart from the strict practice previously laid down by the legislation, by reducing the restrictions on the spending-power, no doubt allows greater freedom for the Government, but even the increased amount mentioned