

The moneys paid by Nelson include a deficiency of the preceding year of £225. Deduct this, and we have £16,339 0s. 9d. reimbursed by Provinces; the remainder, £4,300 19s. 3d., was treated in the following manner:—Auckland was debited in the Surplus Revenue Account with £1,546 4s. 3d.; Wellington, in the same Account, with £1,134 15s.; and Hawke's Bay with £1,620 in her "Separate" Account. The first two items have thus gone to increase the over-payment to Provinces, while in fact they were outstanding liabilities, and should now, on redistribution of the Surplus Revenues, be charged to the respective Provinces in their "Separate" Accounts. If not so charged, the Provinces of the Middle Island may complain that, while they have duly discharged out of their Land Fund the whole of the Interest and Sinking Fund on their respective portions of the Half-Million Loan, the Provinces of Auckland and Wellington have escaped payment, because, their Land Funds being inadequate to meet the charge, they were debited with their proportions of Interest and Sinking Fund in the Surplus Revenues Account; where, by the operations of "The Surplus Revenues Adjustment Act, 1867," these debts, together with those arising from over-issues of Surplus Revenues, are swept away, and the Surplus Revenues Account absolutely closed on the 30th June, 1867.

War Loan.
£3,000,000.

The Crown Agents in London were instructed on the 15th March, 1866, to deliver £100,000 New Zealand 6½ per cent. Bonds to the Bank of New Zealand, as a collateral security for advances to be made by the Bank to the Provincial Government of Auckland for the service of the Waikato Settlements. These Bonds were subsequently placed in the market by the Bank, and sold for £92,448 5s.

For effecting this sale the Bank charged £1,000, in accordance with an agreement proposed by Mr. Whitaker, the Superintendent of Auckland, on the 7th March, 1866, by which the Bank was to receive 1 per cent. commission on all sales of Securities effected by them. If the sale had been negotiated by the Crown Agents, the commission would have been only £250; but although the Crown Agents did not negotiate the sale, they nevertheless took full commission for having transferred the Bonds to the Bank, so that the Colony has paid commission twice on the disposal of the same set of Debentures.

A similar charge of full commission was made by the Crown Agents on delivery of £500,000 of Bonds to the Imperial Treasury, as collateral security for the debt that might be found due to the Home Government. It is considered that a charge of £1,250 for signing and handing over the Debentures is unreasonable. The negotiation and sale of Debentures may involve much care and judgment, but the mere transfer of them to the Imperial Treasury as security, or to a Bank for negotiation and sale, is a very different transaction, for which no charge should have been made by the Crown Agents. The Crown Agents have been informed of the opinion of the Auditor, but they have not been instructed to repay the sum objected to.

The Colonial Treasurer shows a receipt under the War Loan of £100,000 as the proceeds of his draft on the Crown Agents in London in favour of the Bank of New Zealand. It is found that on the same day the Bank of New Zealand issued its draft on London in favour of the Crown Agents. As the two drafts were contemporaneous they virtually cancelled each other; and it is found that the Crown Agents in London exchanged one draft for the other. For this transaction the Bank has been paid £1,000, as appears on Voucher No. 1,612 of the Colonial Treasurer's Account. The voucher states that the £1,000 is the amount paid for exchange on draft on London in favour of Crown Agents, dated 10th April, 1867.

In the month of September following, the Treasury proposed that this sum of £1,000 should be treated as a payment on account of Treasury Bills. The transaction, under this new arrangement, may be explained as follows:—Dropping out of view altogether the exchange of drafts on London, it appears that on the 10th of April, 1867—the day on which the drafts were exchanged—Treasury Bills for £100,000 were issued to the Bank of New Zealand, and on the same day a corresponding sum was placed by the Bank to the credit of the Colonial Treasurer's Advance Account. It is also found that on the same day the Colonial Treasurer entered into a contract with Mr. Thomas Russell, of Auckland, for the disposal of £150,000 Treasury Bills,—that is, of all the Bills that the Treasurer was authorised to issue,—with an undertaking to pay him one per cent. commission for all Bills put in circulation. On the same day as the contract was signed the £100,000 Treasury Bills were issued to the Bank. As this transaction occurred on the day the contractor entered upon his engagement, it cannot be supposed that he was put to any trouble or expense, or that he did any service which an officer of the Government could not have done as readily as he did. He appears, therefore, to have waived his claim for commission, while the Bank charged a corresponding sum as the exchange for its draft on London. This sum the Treasury now proposes to charge in the Public Accounts as a payment for commission on the issue of Treasury Bills.

It is necessary to explain that "The Treasury Bills Regulation Act, 1866," does not give expressly to the Treasurer power to issue bills, but to "prepare" and "make" them. Probably this omission in the Act was an oversight. It gives to the Treasurer, however, permissive authority to contract with any person for exchanging Treasury Bills for ready money, and under this provision the contract was entered into. It is not understood why the Treasury went to the expense of £1,000 to avoid a technical difficulty, or how the Bank can be entitled to such a sum for an interchange of draft.

On the 3rd July, 1867, another set of bills for £25,000 was disposed of to the Bank. In this case the Bank has formally claimed the commission as due to the Bank, and has given its receipt for the amount. In the previous case, as the accounts stand at present, the transaction is unsupported either by the receipt of the Bank or by that of the contractor.

The draft of the Colonial Treasurer for £100,000, which is inserted among the receipts of the Three-Million Loan Account, the Auditor has excluded from Abstract III., and has struck out a corresponding sum from the balance at page 79 (printed Statement). Unless this is done, or the liability for the concurrent draft of the Bank is shown, the public balance is fictitiously increased by £100,000.

ABSTRACT IV.

Reserve Fund.

The particulars of the moneys reserved are as follows:—

	£	s.	d.
Main Line Steam Subsidy	17,050	0	0
Native Schools	3,200	19	3
Manual of New Zealand Botany	300	0	0
Native Purposes	13,649	17	6
	£34,200	16	9

ABSTRACT V.

Surplus Revenue Account.

It has already been explained that the Comptroller is of opinion that no provision has been made by the Legislature to charge any portion of the over-issue against the Ordinary Revenues.