

MEMORANDUM

BY

THE PAYMASTER-GENERAL AND THE
ASSISTANT-TREASURER

ON THE

REPORT OF THE AUDITOR-GENERAL.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF
HIS EXCELLENCY.

WELLINGTON.

—
1870.

MEMORANDUM ON THE REPORT OF THE AUDITOR-GENERAL.

MEMORANDUM for the Hon. the COLONIAL TREASURER.

(Synopsis of Auditor's Report and Treasury Answer.)

REPORT.

- Page 1. Account of June, 1868, omitted in published Statement.
- „ 3. A sum of £20,000 should have been transferred from Consolidated Fund, not from Loan of 1863.
- „ 5-8. Charges under Distillation Act and Customs Regulation Act objected to.
- „ 8. Provincial refunds objected to.
- „ 9½. A charge for Sinking Fund shown to have been made twice.
- „ 10-11, 17-24. Objections to mode of charging Provinces with transactions under the Consolidated Loan Act.
- „ 12. That an amount of £1,305 10s. should be repaid to Trust Fund from Consolidated Fund.
- „ 14. The Treasury accounts of the Consolidated Loan are confused,—a simpler account prepared, but with the same result.

10th September, 1870.

ANSWER.

- Page 1. Reasons for omission; results not affected by it.
- „ 2. Statement showing why the course adopted was unavoidable.
- „ 4-6. Showing that the Public Revenues Act has superseded those Acts, and directs the course that has been adopted.
- „ 6. Defence of course taken.
- „ 8. Causes of such double charge, and reference to subsequent adjustment.
- „ 9-32. Statement of principles of adjustment adopted by Treasury, and their reasons. Revised accounts for consideration of the Hon. the Colonial Treasurer, and reference to Auditor-General.
- „ 33. Reasons for believing that the charges objected to are correct, and that only £35 10s. should be refunded.
- „ 34. (P.S.) Shows that the Treasury could not present its accounts in any other form than that in which they are presented.

J. WOODWARD,

MEMORANDUM on the REPORT of the AUDITOR-GENERAL on the STATEMENT of the PUBLIC ACCOUNTS for the Financial Year ended the 30th June, 1869.

It would, perhaps, have made this statement more complete, if the moieties of revenue credited, and the charges and interest debited, on account of the month of June, 1868 (and of which particulars were published at page 97 of the Account of 1867-68), had been brought forward; but as these credits and charges had no other effect than to reduce the sum of £17,128 0s. 9d. at debit of the Provinces on 30th June, 1869, for the period ended 31st May previous, to a debit of £5,598 13s. 3d. on the 31st July, it was considered unnecessary to go back further than to the debit balance last named.

The introduction of the items for June of the year preceding would, moreover, have necessitated an additional column for that month in the statement published at pages 86 and 87 of the Account of 1868-69, and would have required that the column now showing the total credits and charges to the 31st May, should, in order to agree with the statement on the following page, show the totals from the 1st June, 1868, to the 31st May, 1869; while the totals in the last column would be those for the period from the 1st July, 1868, to the 30th June, 1869, in order to be comparable with the figures shown in the statement of receipts and disbursements on the page preceding.

The sum of £20,000 here referred to is part of a sum of £55,117 6s. 4d. recovered from the Province of Southland, and transferred to the Consolidated Fund for expenditure under "The Appropriation Act, 1868."

The sum recovered comprises £43,598 18s. 9d. due to the New Zealand Government by the Province of Southland, for advances made in 1864-5 out of the balance at credit of the Loan of 1863 and other balances now constituting the Special Fund, and £11,518 7s. 7d., the amount of interest payable thereon.

Under "The Public Debts Act, 1867," Schedule B, provision was made for the payment of this debt and interest to the New Zealand Government out of moneys to be raised under "The Consolidated Loan Act, 1867," and on those moneys being raised, the amount of the principal debt as above stated (£43,598 18s. 9d.) was credited to the Advance Account of the Province of Southland as a recovery of the sums advanced out of the Loan of 1863, and other balances comprised in the Special Fund, while the interest (£11,518 7s. 7d.) was credited to the Consolidated Fund, all interest received on public moneys belonging of right to the Revenue.

In appropriating, therefore, the sum of £55,117 6s. 4d. "to be repaid by Southland" to the services specified in section 5 of "The Appropriation Act, 1868," the Legislature was, in effect, appropriating £43,598 18s. 9d. out of the Special Fund, and £11,518 7s. 7d. out of the Consolidated Fund; but as Parliament appeared to have voted these sums as though they had both been in the same, *i.e.*, the Consolidated Fund, it became necessary to bring them together, and the first step to effect this was to charge upon those accounts in the Special Fund, from which the advances had been made, the sums refunded by Southland to each. In this manner the sum of £20,000 became a charge upon the Loan of 1863, and it is submitted that the entry is a perfectly correct one.

The transfer of this sum from the Consolidated Loan Act Account, as suggested by the Auditor, could only be effected by a corresponding charge upon that Account. The purposes to which moneys credited to that Account are to be applied, are, however, defined by the Act itself, and their application to any other purpose is especially prohibited.

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The money is first raised under "The Consolidated Loan Act, 1867," it is then applied, by authority of the Public Debts Act, to payment of the debt of Southland to the New Zealand Government, and it thus fulfils the condition which the Act imposes as to its application.

The advance so repaid falls into the Special Fund, from whence it was originally issued, and is transferred thence to the Consolidated Fund, to be applied to the purposes specified in section 5 of "The Appropriation Act, 1868."

It is submitted that the directions as to the disposal of rewards given in these Acts, are superseded by "The Public Revenues Act, 1867." That Act explicitly enjoins (sec. 9) that "All moneys which shall come into the possession of any Receiver payable to the Public Account shall be paid day by day by such Receiver into the Bank." It is, therefore, simply impossible that rewards, &c., under those Acts can be deducted from amounts recovered, as such rewards are seldom paid even within the month in which the penalties are inflicted or the seizures made.

As respects the hardship that is alleged to have arisen in the cases referred to by the Auditor-General, the Treasury is aware that such things occur occasionally, and also that they are unavoidable. The Public Revenues Act provides a mode of calculating the proportion of revenue due to each Province, which is a ready and intelligible one, though rather rough. The terms of the Act in this particular are clear and distinct. It enacts that the Colonial Treasurer shall, every month (sec. 44), "credit each Province with one-half of the total sums which shall have arisen within such Province," and "shall debit such Province with the total of the sums which he shall, during such month, have expended within such Province on account of the several services of the General Government specified in the Schedule E to this Act," (in which Schedule "Customs" is included,) and "all services which may be borne on the annual Estimates under the head of Provincial Charges," under which heading will be found "Rewards for Suppression of Illicit Distillation," in the year 1868-9. As the Treasury has nothing to do with the justice or policy of the Act, but simply to obey its directions, it is submitted that no other course could have been taken than that which has been.

In the peculiar case of the "Ringleader," which was "taken for the revenue service," it might have been better if the appraised value (£250) had been paid in to the Public Account, in which case Auckland would have received its moiety, but would have had to pay the £250, as the vessel is used exclusively for the Customs' service of that Province. The result, therefore, would have been precisely the same as it is at present. The direction in this case, however, was entirely the business of the Customs Department, not of the Treasury.

The Report states that the sum of £3,099 8s. 7d. has more or less unfairly been charged against the Provinces as refunds of revenue, and it shows by an illustration that while the Provinces are credited with a moiety only of the revenue received, they are charged with the whole of the revenue refunded.

The statement, however, cannot be held to apply to more than £1,708 16s. 1d. of the sum quoted, the remaining £1,390 12s. 6d. being the moieties only of sums amounting to £2,781 5s. 1d., the other moieties of which have been charged upon the general revenue. (See page 39 of Accounts.)

With reference, then, to the sum of £1,708 6s. 1d., to which alone, or rather to one moiety of which, the remarks of the Auditor-General can apply, it is urged (as in page 5, *ante*) that the charge is in strict accordance with the law. It was the practice of the Treasury, during the year 1867-8 (the first year of the Public Revenues Act being in operation), to deduct from each month's revenue the amount of refunds made during the same period, leaving the net revenue for partition with the Provinces; but during the year following (1868-9), the practice was altered, the Comptroller having pointed out that the deduction of these refunds from revenue was contrary to law, and that no agreement could subsist between the accounts of that officer and those of the Treasury, so long as these deductions from revenue were continued. Upon these grounds the alteration of practice above referred to was made, the gross revenue being divided with the Provinces, and the refunds charged as expenditure. The system operated somewhat unfairly on the Provinces, and it was always regarded with disfavour by the Treasury on that account. There appeared, however, to be no alternative, and, as the sums involved were not large, the practice was continued till the 1st January, 1870, when the system was amended by charging one moiety of all Provincial refunds to the Colony and the other to the Provinces.

The double charge referred to was adjusted in the Accounts of 1869-70. The error arose through the amount being paid by the Crown Agents out of a sum received from the Bank of New Zealand. The payment so made was charged on the revenue, and credited to the Bank. The Bank, some time after, presented a claim for the amount, and when paid, the sum was again charged on the revenue instead of being debited to the Bank.

The charge upon the revenue for Sinking Fund paid is made on the accounts of expenditure by the Paymaster-General, but the credits to the Sinking Fund Accounts of the Trustees are not made till statements of accounts are received from the Trustees. It was stated in a foot-note to the Balance Sheet, published at page 640 of the *New Zealand Gazette*, 1869, that no accounts had been received from the Trustees for the period subsequent to 31st December, 1867. Complete accounts have since come to hand, and have been embodied in the accounts of the year 1869-70.

This statement, which is objected to by the Auditor-General, has never been regarded by the Treasury as a complete and final settlement of accounts with the Provinces. The accounts were made up from time to time, on the best information the Treasury possessed, with the intention of revising them as opportunity should offer, when all necessary particulars had been received. This has already been done in respect of the Province of Auckland, and revised accounts for the other Provinces are submitted herewith for the consideration of the Hon. the Colonial Treasurer, in order that a final adjustment may be arrived at. These accounts differ materially from the Audit Office Statements; but the reasons and steps by which the results are arrived at are now submitted with the accounts, so that the principle of each adjustment may be clearly seen.

The cases of the several Provinces present very distinctive features, but they may be classified as follows:—

1. *Auckland and Wellington*.—For these Provinces “conversion” only was effected.
2. *Nelson*.—For this Province certain bonds were converted, and a sum raised to pay off a portion of a Provincial loan.
3. *Taranaki and Hawke's Bay*.—For these Provinces bonds were issued for unraised Provincial loans, and out of proceeds the General Government had to repay itself for advances made for these Provinces before the bonds were sold.
4. *Canterbury* (including *Westland*).—For this Province certain bonds were converted, other bonds were issued for unraised portion of Provincial loan, and advance made and repayment obtained, as in the cases of Taranaki and Hawke's Bay.
5. *Otago*.—For this Province, bonds of Provincial loans were converted, and a sum raised to meet payments that had been made by the General Government on account of the Province, under “The Surplus Revenue Adjustment Act, 1867.”
6. *Southland*.—For this Province a large sum was raised to pay debts that were bearing interest, and a (comparatively) small sum for payments under the Surplus Revenue Adjustment Act.

It will thus be seen that there are six distinct classes of cases to be dealt with, while the accounts are still further complicated by the “conversions” having taken place at three separate dates.

There is one remark that applies to almost every case, and therefore had better be made here. The amounts of bonds for which interest and sinking fund are chargeable to each Province, as shown in the Audit Office Statements, differ from those shown by the Treasury, because the Audit Office has taken the amounts shown by the Crown Agents as “amount for conversion,” while the Treasury has taken the amount of bonds which the Crown Agents show to have been actually issued. The “amount for conversion” is simply the value of the Provincial bonds computed at the rates at which they were taken in exchange for new bonds, supposing the whole of the conversion to have been effected in one operation, and is therefore an “uneven” sum, including shillings in some cases. As all the new bonds, however, were for even sums of £100 each, the Crown Agents had to pay or receive fractional parts of £100 in nearly every instance, and as there were nearly 1,300 transactions in which these differences had to be separately adjusted, it is evident that the “amount for conversion” cannot represent the amount of the bonds issued. To ascertain the latter amount was a work of considerable labour, but it has been accomplished, and the result is believed to be accurate, and to show the actual amount of bonds issued for each Province, excepting that in analyzing one transaction in which Auckland and Canterbury bonds were included, it appeared desirable to divide one new bond between those Provinces, charging one moiety (or £50) to each. With this exception the amounts of bonds, as shown in the Treasury Statements, are all in even sums of £100 each.

The several accounts are now subjoined:—

Auckland.

STATEMENT of INTEREST and SINKING FUND due and payable by the Province of Auckland, for the Years 1867-8 and 1868-9.

	£	s.	d.
Interest on Provincial Loan of 1863, £500,000, from 1st October, 1867, to 31st March, 1868	15,000	0	0
Sinking Fund, £500,000, for year ending 30th June, 1868	10,000	0	0
Interest on £457,500, from 1st April to 15th April, 1868	1,143	15	0
Interest and Sinking Fund, £498,250, from 16th April, 1868, to 15th January, 1869	22,421	5	0
Interest on unconverted portion of Provincial Loan:—			
£42,500, from 1st April, 1868, to 15th January, 1869	2,018	15	0
£38,750, from 15th January, 1869, to 30th June, 1869	1,065	12	6
Interest and Sinking Fund, £502,350, from 16th January, 1869, to 30th June, 1869	13,814	12	6
	<u>£65,464</u>	<u>0</u>	<u>0</u>

This Account for Auckland differs from the amended Statement furnished to the Province by £3 9s. This arises in the computation of the Interest and Sinking Fund on £502,350 for the period from the 15th of April to the 30th of June, which is here taken as two and a half months, while in the Account it was taken as seventy-six days. This makes a difference equal to one twenty-fourth (1-24th) part of a day, the interest, &c., for which amounts to £3 9s.

As compared with the Audit Office Statement, the difference is only £1 6s.; but this seeming agreement is only accidental, as the following analysis will show:—

In the Audit Office Statement, the Sinking Fund of 2 per cent. on the Provincial Loan of £500,000 is only charged to the 15th of April, 1868, while the Treasury has charged for the complete year ending on 30th June, 1868. Reference to page 41 of the printed Accounts will show that the Treasury paid the amount for the whole year, namely, £10,000. This sum was paid to the Sinking Fund Commissioners, who eventually released the whole of the Sinking Fund on this Loan, and paid the money, with accumulations of Interest, to the Province. It is evident, therefore, that in making up the account the whole sum of £10,000 must be charged.

On the other hand, the Audit Office Statement charges the Province with Sinking Fund on the unconverted portion of the Provincial Loan, which the Treasury does not charge, because the Province paid all that was due for that year to the Commissioners.

In further elucidation of the difference in these Accounts, it is observed that there is an error in computation in the Audit Office Statement, in the amount charged as Sinking Fund on Provincial Loan, from 1st July, 1867, to 1st April, 1868. This is charged as £8,333 6s. 8d., instead of £7,500.

Again, £37 10s. is charged as Sinking Fund on £3,750 (part of Provincial Loan), from 1st April

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to 1st October, 1868, half of which has to be deducted as belonging to the year 1868-9; and, for the same reason, £775 has to be deducted from £3,875 charged as "Sinking Fund" (evidently, by a clerical error, for "Interest and Sinking Fund,") on £38,750, from 1st April, 1868, to 30th June, 1869.

As, however, for reasons already given, the amount charged as Sinking Fund on the Provincial Loan for the year 1867-8 is less than it should be, the whole sum of £8,333 6s. 8d., the balance of £37 10s., or £18 15s., the balance of Sinking Fund remaining in the sum of £3,710 (that is £3,875—£775) which is £193 15s., and a sum of £381 5s., charged as Sinking Fund on £457,500 from April 1st to 15th, 1868, are all taken, in the following statement of results, as forming portions of the £10,000 which has to be charged.

Result of necessary alterations in Audit Office Statement is as follows:—

Amounts charged in excess in Audit Office Statement, as compared with the Account now submitted—

Difference between £22,440 7s. 6d., charged as Interest, &c., on £498,675, from 15th April, 1868, to 15th January, 1869, and £22,421 5s., being Interest, &c., on £498,250 for same period ...	£	s.	d.
Difference between £14,075 19s. 4d., charged as Interest, &c., on £502,762, from 15th January to 30th June, 1869, and £13,814 12s. 6d., being Interest, &c., on £502,350 for same period ...	19	2	6
Amounts charged as Sinking Fund on Provincial Loan for 1868-9:—	261	6	10
£18 15 0			
775 0 0			
	793	15	0
	£1,074	4	4

Amounts short charged in Audit Office Statement, being difference between amount of Sinking Fund for 1867-8 and amounts charged as under—

Sinking Fund for year ...	£10,000	0	0
Amount charged ...	£8,333	6	8
	18	15	0
	193	15	0
	381	5	0
	8,927	1	8
Difference ...	1,072	18	4
Balance of adjustments ...	£1	6	0

Comparison with account herewith—

Amount charged by Audit Office...	£	s.	d.
Less Interest on Loan of 1856 ...	75,102	9	0
	9,637	3	0
	65,465	6	0
Amount of Account annexed ...	65,464	0	0
Difference as above ...	£1	6	0

Wellington.

<i>Dr.</i>	£	s.	d.
Interest on £97,600 from 15th July, 1868, to 30th June, 1869, 23-24ths of year, at 6 per cent....	5,612	0	0
<i>Cr.</i>			
By amount charged ...	4,393	12	9
	£1,213	7	3

This amount does not seem to require remark. It makes the amount due by the Province slightly less than that which is shown by the Audit Office. The results are as follow:—

Audit Office Statement, Wellington <i>Dr.</i> ...	£	s.	d.
Treasury " " ...	1,221	17	3
	1,213	7	3
Difference ...	£8	10	0

Nelson.

The case of Nelson is a peculiar one, as no provision was made for it under Schedule B of "The Public Debts Act, 1867." The General Government was not aware that it would have to retire the Nelson Bonds due on 30th June, 1868, until that day had nearly arrived. Before the Agent in London could be communicated with, he had sold all the bonds that were authorized by the Schedule referred to above, and, therefore, to meet this liability (and another of which the Government was then aware for the Province of Wellington, but which does not come into the Accounts now under review), and also to replace the amount expended as charges incident to the raising of the loan, a further issue of bonds was made to the extent of £100,000, which were hypothecated for an advance of £80,000 for twelve months at 5½ per cent. interest, payable quarterly in advance, with power to sell during such twelve months at the discretion of the Government. The bonds were eventually sold under this power, but the price had so far declined that the average rate realized was only about 92¼ per cent. (£92,266.)

The annexed account shows the result of these operations, which does not differ much from the result arrived at by the Audit Office, as will be seen by the following comparison:—

	£	s.	d.
Treasury Account, Nelson <i>Dr.</i>	1,246	17	9
Audit Office Account <i>Dr.</i>	1,243	2	1
Difference	£3	15	8

For Nelson there was converted of Loan of 1858	12,300	0	0
For Nelson there was converted of Loan of 1864	2,600	0	0

	£14,900	0	0
For which new bonds were issued amounting to... ..	15,700	0	0

A sum of £14,800 had to be raised to pay off residue of Loan of 1858.

This money was raised by hypothecation of bonds in London, which were ultimately sold at an average rate of 92.266 per cent.

The nearest sum in bonds that would represent this is £16,200, net proceeds of which is £14,947 1s. 10d., leaving a deficiency (payable by Nelson) of £32 18s. 2d.

<i>Cr.</i> Nelson	£	s.	d.
Net proceeds of Bonds	14,947	1	10
Interest charged	754	2	0
	£15,701	3	10

<i>Dr.</i> Nelson.	£	s.	d.
Interest on £15,700, at 6½, from 15th July, 1868, to 30th June, 1869, 23-24ths of year	902	15	0
Amount paid for Redemption of Bonds, (1st July, 1868)	14,980	0	0
Interest at 5½ per cent. from 1st July, 1868, to 15th August, 1869, (being average date of bonds,) 1 year 45 days	£925	9	6
Less period beyond 30th June... ..	101	11	6
	823	18	0
Proportion of Charges	241	8	7
	16,948	1	7
Due by Province	£1,246	17	9

The cases of Taranaki and Hawke's Bay are precisely similar, as is also that of Canterbury, so far as concerns the making of an advance by the General Government for the Province, and obtaining repayment for the same. As the principle adopted by the Audit Office in computing the sums respectively chargeable to these Provinces differs essentially from that which is followed in these accounts, the following statement is submitted as showing the mode in which the Treasury has arrived at results that are still believed to be correct. It should be added that the principle is the same as that which was adopted in the accounts to which the Auditor-General objects, but the results are not quite the same, because the General Government is now charged with £160,000 out of £400,000 as its proportion of the temporary loan, instead of being charged with £60,000 out of £300,000 as had been previously done. It is admitted that the last-named way of stating the account was not correct.

N.B.—The case of Canterbury is stated because, while all the circumstances are identical, the sums involved are larger, and therefore the divisions of them are more distinct.

Statement.

The General Government undertook (in October, 1867) to pay for the Province of Canterbury the sum of £190,000 to the Bank of New Zealand in London on the 20th March, 1868.

To do this, *inter alia*, the Agent of the General Government borrowed £150,000 on the 9th March, 1868, and £300,000 on the 19th and 20th of the same month, on the security of debentures created for this purpose and hypothecated. These loans were repayable, £100,000 at three months and £350,000 at four months from the dates of borrowing. With the money so raised, the Agent for the General Government paid the £190,000 for Canterbury.

The cost of obtaining this temporary loan (in interest, brokerage, &c.) was £6,764 1s., which is now rateably distributed thus:—

General Government, on	£160,000	proportion	£2,705	12	5
Taranaki	20,000	"	338	4	0
Hawke's Bay	30,000	"	507	6	1
Canterbury	190,000	"	3,212	18	6
	£400,000		£6,764	1	0

In order to repay the sum of £190,000, which Canterbury then owed to the General Government, the Agent sold bonds of the unissued portion of the Provincial Loan of Canterbury to the extent of £266,600. These bonds (or, rather, new bonds of the Consolidated Loan to the same amount) were sold on 5th May, 1868, at 97 per cent., the bonds bearing interest from 15th April.

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The proceeds of these bonds amounted to £258,602, which was received as under:—

May 5	...	10 per cent. on amount	...	£26,660
June 1	...	25	" "	66,650
June 15	...	25	" "	66,650
July 1	...	25	" "	66,650
July 15	...	12	" "	31,992
				<hr/>
				97
				£258,602

It thus appears that the General Government was in funds to repay itself for its advance on account of Canterbury when the temporary loans were due. Hence it follows that Canterbury has to pay its proportion of the interest and charges on the temporary loan, and to pay interest and sinking fund on £266,600 from 15th April, 1868.

The revised accounts for the Provinces of Taranaki and Hawke's Bay are here submitted. The differences between those accounts and the accounts of the Audit Office are as follow:—

Taranaki.

<i>Dr.</i>				£	s.	d.
As per amount herewith, per Audit Office Statement	...	...	...	246	3	8
Amount undercharged in Interest Account	...	£437	10 0			
Overcharged in Capital Account	...	...	391 16 11			
				<hr/>		
Amount due by Province	...	...	...	45	13	1
				<hr/>		
Difference	...	...	...	£200	10	7

Hawke's Bay.

<i>Dr.</i>				£	s.	d.
As per amount herewith, per Audit Office Statement	...	...	...	503	2	5
Amount undercharged in Interest Account	...	£1,050	0 0			
Overcharged in Capital Account	...	...	847 13 6			
				<hr/>		
Amount due by Province	...	...	...	202	6	6
				<hr/>		
Difference	...	...	...	£299	15	11

Taranaki.

<i>Cr.</i>				£	s.	d.
Proceeds of Bonds	...	...	...	24,250	0	0
Interest charged to Province	...	...	...	1,375	0	0
				<hr/>		
				£25,625	0	0

<i>Dr.</i>				£	s.	d.
Interest, &c., on Temporary Loan	...	...	£338 4 0			
Paid to Province...	...	...	23,613 12 8			
Proportion of General Charges	...	...	106 17 0			
Interest on £25,000, from 15th April, 1868, to 30th June, 1869, $1\frac{1}{4}$ year, at 6 per cent.	...	...	1,812 10 0			
				<hr/>		
				25,871	3	8
				<hr/>		
Due by Province	...	...	...	£246	3	8

Hawke's Bay.

<i>Cr.</i>				£	s.	d.
Proceeds of Bonds	...	...	...	58,200	0	0
Interest charged to Province	...	...	...	3,300	0	0
				<hr/>		
				£61,500	0	0

<i>Dr.</i>				£	s.	d.
Interest, &c., on Temporary Loan	...	...	£507 6 1			
Proportion of General Charges	...	...	256 8 10			
Paid to Province	...	...	56,889 7 6			
Interest on £60,000 from 15th April, 1868, to 30th June, 1869, $1\frac{1}{4}$ year, at 6 per cent.	...	...	4,350 0 0			
				<hr/>		
				62,003	2	5
				<hr/>		
Due by Province	...	...	...	£503	2	5

Before going into the accounts of the other Provinces for which large amounts of bonds were "converted," it is here submitted that the Treasury was authorized to recover the costs of conversion and of raising further loans by the 2nd section of "The Consolidated Loan Provincial Charges Act, 1868." The terms of that Act are, that "the amount of all the charges and discount paid in the raising of such sums, and in the conversion, redemption, or payment of such loans and debts, shall be made a charge against the revenues of such Province, within the meaning of the 44th clause of "The Public Reserves Act, 1867." This is believed to be an appropriation, and that the charges made under it are therefore in conformity with the law.

Canterbury.

The account now annexed does not seem to require explanation. The first item it will be seen is the amount of bonds of the Consolidated Loan issued for the unissued portion of the Provincial Loan, and the other three items are the amounts of bonds issued in exchange for bonds of the Province, at the dates of the first, second, and third "conversions." The difference between the result and that arrived at by the Audit Office is as follows:—

Dr. as per Treasury Statement annexed	...	...	£10,396	10	4
Dr. as per Audit Office Account, Interest	...	£10,893	14	2	
" " Capital Account	...	2,223	12	6	
Due by Province	...	...	8,670	1	8
Difference	...	...	£1,726	8	8
<i>Dr. Canterbury and Westland—</i>					
To Cash paid for or to Province	...	...	£252,111	6	2
To Interest &c.,—					
On £266,600 from 15th April, 1868, to 30th June, 1869, $1\frac{1}{4}$ year at 6 per cent.	...	£19,328	10	0	
On £348,350 from 15th April, 1868, to 30th June, 1869, $1\frac{1}{4}$ year, at 6 per cent.	...	25,255	7	6	
On £29,800 from 15th July, 1868, to 30th June, 1869, $\frac{3}{4}$ year, 6 per cent.	...	1,713	10	0	
On £37,600 from 15th January to 30th June, 1869, $\frac{1}{2}$ year, at 6 per cent.	...	1,309	0	0	
			47,606	7	6
To proportion of Charges on Temporary Loan	...	...	3,212	18	6
" " General Charges	...	...	2,959	3	7
			£305,889	15	9
<i>Cr.</i>					
Proceeds of Bonds	...	£258,602	0	0	
Interest charged	...	36,891	5	5	
			295,493	5	5
Due by Canterbury and Westland	...		£10,396	10	4

The Auditor has omitted in his rescript of the Treasury Account a charge for Interest and Sinking Fund, at 6 per cent. on £266,600, for the period from 1st August, 1868, to 30th June, 1869,—£14,663.

Otago.

The amended account annexed will, it is believed, be sufficiently explanatory as to the mode in which it has been made up. The differences between it and the Audit Office Statement are, that the latter charges the Province with bonds amounting to £444,637 15s. and the Treasury charges £443,409 only. The Audit Office also makes the Province to owe £6,148 16s. 3d. on Interest Account, while the Treasury makes the debit balance of the whole account to be £5,646 17s. 7d. This balance is arrived at thus:—

Otago Dr. to Balance of Interest Account	...	...	£5,633	7	9
Otago Cr. by Balance of Capital Account	...	...	36	10	2
			£5,646	17	7

The difference in the mode of ascertaining the amount of bonds chargeable to any Province has been already explained (page 12, *ante*); but it may be added here that Otago has paid £1,617 15s. for "Fractions of £100 paid to Convertors" (*vide* printed Account, page 97), which must operate as a reduction of its former debt.

The sum of £25,140 8s. 10d. was paid for Otago, under the provisions of "The Surplus Revenues Adjustment Act, 1867," in four equal portions, on the 30th of September and 31st December, 1867, and the 31st of March and 30th of June, 1868.

Considering this as repaid when the full amount of the bonds sold to raise it was realized, viz., the 15th of July, 1868, the state of this part of the account will be as follows:—

Amount paid in four quarterly instalments (as above)	...	£25,140	8	10
Interest on £6,285 2s. 3d., from 30th September, 1867, to 15th July, 1868—288 days, at 6 per cent.	...	297	11	0
Interest on £6,285 2s. 3d., from 31st December, 1867, to 15th July, 1868—196 days, at 6 per cent.	...	202	9	10
Interest on £6,285 2s. 2d., from 31st March to 15th July, 1868—106 days, at 6 per cent.	...	109	10	3
Interest on £6,285 2s. 2d., from 30th June to 15th July, 1868—15 days, at 6 per cent.	...	15	9	11
Total amount required on 15th July, 1868	...	£25,765	9	10

The nearest sum in bonds to this is £26,600, the net proceeds of which, at 97 per cent., is £25,802.

MEMORANDUM ON THE REPORT

The account will stand as follows on 30th June, 1869:—

<i>Dr.</i>		£	s.	d.
Amount for Surplus Revenue Adjustment Act (as above)	...	25,765	9	10
Interest, &c., on £26,600, at 6 per cent., from 15th July, 1868— 11½ months	...	1,529	10	0
Interest, &c., on £27,500 and £371,000, being amount of first and part of second conversion from 15th April, 1868—1 year 2½ months, at 6 per cent.	...	27,441	5	0
Interest, &c., on £27,500, being part of second conversion from 15th July, 1868—11½ months, at 6 per cent.	...	1,581	5	0
Interest, &c., on £10,800, being amount of third conversion, from 15th January, 1869—5½ months, at 6 per cent.	...	297	0	0
		<hr/> £56,614 9 10		
<i>Cr.</i>		£	s.	d.
Net proceeds of £26,600, at 97 per cent.	...	25,802	0	0
Interest charged in account	...	25,165	12	3
		<hr/> 50,967 12 3		
Amount due by Province	...	£5,646	17	7
Amount of Bonds charged to Province	...	<div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">{</div> <div> 26,600 0 0 371,000 0 0 35,000 0 0 10,800 0 0 </div> </div> <hr/> £443,400 0 0		

Southland.

In stating the account of this Province, the value of the bonds sold to raise the sum required for its debts was taken at £96 4s. 3½d. per cent., that being the amount realized by the Colony after making allowance for loss in interest. It is now admitted that as the Province is charged with interest from the date of the bonds (the payment of which interest for periods before the money was received reduces the net proceeds from £97 per cent. to £96 4s. 3½d.), it is equitable that the Province should have credit for the full amount that was realized. This has now been done, and the account further amended by charging interest on the advances from the dates on which they were respectively made, to the 15th of July, 1868, on which day the amount for which the bonds were sold, was fully paid up.

The double payment of interest which this involves for a portion of the time was carefully considered by the Treasury, and the opinion of the Attorney-General taken upon the point. That advice was to the effect that any person or body corporate, for whom an agent raises money, is bound by and liable to all the incidents of the operation; and if those incidents involve that the money has to be raised before it can be applied, the double interest that may thus be incurred must be borne by the borrower.

In all other respects, the account as now made up speaks for itself. The results, as compared with the Audit Office Statement, are that the Province is charged with bonds to the amount of £424,250, instead of £424,050 6s. 10d. as given by the Audit Office; but on the other hand, the Province is credited with a balance of £195 15s. 2d. instead of £161 11s. 1d. The present account, therefore, differs very slightly from that furnished by the Audit Office, but, as compared with the interim accounts furnished by the Treasury, it reduces the amount of the principal of the debt chargeable against the Province by the sum of £4,450.

Statement of the transactions in respect of this Province:—

1st. The sum of £5,611 17s. 9d. was paid for Southland under the provisions of "The Surplus Revenue Adjustment Act, 1867," in four equal portions, on the 30th September and 31st December, 1867, and the 31st of March and 30th June, 1868.

Considering this as repaid when the full amount of the bonds was realized, viz., 15th July, 1868, the state of this part of the account will be as follows:—

	£	s.	d.
Amount paid in four quarterly instalments (as above)	5,611	17	9
Interest on £1,402 19s. 5d. from 30th September, 1867, to 15th July, 1868—288 days, at 6 per cent.	66	8	5
Interest on £1,402 19s. 5d. from 31st December, 1867, to 15th July, 1868—196 days, at 6 per cent.	46	13	1
Interest on £1,402 19s. 5d. from 31st March, 1868, to 15th July, 1868—106 days, at 6 per cent.	24	8	11
Interest on £1,402 19s. 6d. from 30th June, 1868, to 15th July, 1868—15 days, at 6 per cent.	3	9	2
Total amount required on 15th July, 1868	£5,752	17	4

The nearest sum to this in bonds (including the moiety of a bond) is £5,950, the net proceeds of which, at 97 per cent., is £5,771 10s.

2nd. To pay the certified debts of the Province of Southland, with interest thereon, there required to be raised the sum of

£386,639	18	9
The proportion of cost of raising the loan was	1,814	7 6

Total amount raised on 15th July, 1868 £388,451 6 3

The nearest sum to this in bonds is £400,500, the net proceeds of which, at 97 per cent., is £388,485.

3rd. The interest on these sums was directed to be capitalized by "The Consolidated Loan Provincial charges Act, 1868," on the 31st December, 1860.

The interest on £406,450 from 15th April, 1868 (the date of the Bonds), to 31st December, 1868, at 6 per cent. ...	£	s.	d.
	17,274	2	6

The nearest sum to this in bonds (including the moiety of a bond), is £17,800, the net proceeds of which is £17,266.

The amount, therefore, will stand as follows, on the 30th of June, 1869:—

<i>Cr.</i>				£	s.	d.
Southland, net proceeds of	£5,950	...	...	5,771	10	0
"	£400,500	...	...	388,485	0	0
"	£17,800	...	...	17,800	0	0
Interest charged on account		...	...	12,883	1	3
Total <i>Cr.</i>				£424,405	11	3
<i>Dr.</i>				£	s.	d.
To amount payable under "The Surplus Revenue Adjustment Act, 1867," with interest thereon		5,752	17	4		
To amount payable for certified debts, interest thereon, and proportion of costs of raising loan	388,451	6	3			
Interest, &c., payable on £406,450 from 15th April to 31st December, 1868, at 6 per cent.	17,274	2	6			
Interest, &c., payable on £424,250 from 1st January to 30th June, 1869, at 6 per cent.	12,727	10	0			
Total debits				424,205	16	1
Balance due to the Province				£199	15	2
Of which there is to the credit of Capital Account				£44	3	11
Interest Account				155	11	3
				£199	15	2
Amounts of Bonds charged to Province				£5,950	0	0
				400,500	0	0
				17,800	0	0
				£424,250	0	0

The mode of charging and crediting the Trust Fund Investment Account to which the Auditor-General objects (pages 12 and 13) was decided on by the (then) Colonial Treasurer. After due consideration, he came to the conclusion that it was sufficient that the Trust Fund should be represented by Colonial Securities, taking these at their nominal value—or in other words, that the Colony should own itself indebted to that fund in a given sum. By this process the Trust Fund is used to take up portions of the Loans of the Colony; and however large that fund may become, the borrowing powers given to the Government by the Assembly can never extend beyond the authorized amount.

As the Trust Fund is at present constituted, it is not likely to be required to be paid in cash to any large amount at any one time; and if it were, and the securities did not realize their nominal amount, the fund would still be secure, because the Consolidated Revenue of the Colony is bound to make up any deficiency (*vide* "The Post Office Savings Banks Acts, 1867 and 1869.") It is therefore submitted that all that should be repaid to the Trust Fund in respect of these transactions is only the £35 10s. which was paid as brokerage and other charges.

It is submitted that this Memorandum be referred for the concurrence of the Auditor-General prior to making the proposed adjustment.

J. WOODWARD, Assistant Treasurer.

C. T. BATKIN, Paymaster-General and Accountant.

Treasury, 9th September, 1870.

P.S.—With regard to the Consolidated Loan and Public Debts Act Accounts, the Auditor remarks that the Treasury Statement is in some respects complicated.

The Treasury is prepared to adduce specific and it is believed satisfactory reasons for the manner in which each item of these Accounts has been dealt with. It may however be sufficient to say that the Treasury occupies an infinitely more difficult position in respect to these Accounts than does the Auditor. It is compelled to record its transactions from day to day as they occur, and to justify those transaction step by step, to the Comptroller on the one hand, and the Auditor on the other. The information on which it is required to act is often very imperfect, and this was notably the case in respect to the transactions under the Consolidated Loan Act and the Public Debts Act. The account which the Treasury is obliged to prepare is not such an account as will show in a compendious form the transactions of the year, but one which shall detail the actual operations recorded in its books, and which shall be referable to accounts previously rendered to the Comptroller, to the Auditor, and to the Public.

C. T. BATKIN,
Paymaster-General and Accountant.

