

FURTHER REPORT BY THE AUDITOR-GENERAL

It is necessary to explain that the balance for which the Treasury is liable is, as stated, £211,061 7s., but the nominal value of the securities was—

New Zealand 5 per cent. Consolidated Bonds	...	...	£65,900	0	0
„ Treasury Bills	...	...	146,000	0	0
			<u>£211,900</u>	<u>0</u>	<u>0</u>

Interest and Sinking Fund Loan Act, 1860, page 9.—Interest at 6 per cent., half-year to 1st January, 1869, £1,242.

It is necessary to explain that the half-year's interest on £95,700 amounts to £2,871. Of this interest £1,629 was discharged in the accounts for the financial year 1868–69, page 11, leaving £1,242 to be paid as shown in the accounts under consideration. The interest for the subsequent half-year appeared in the accounts of 1868–69.

In respect of the Sinking Fund, the Auditor-General, in his Report on the Accounts of the year 1868–69, directed attention to the fact that during that year nothing had been contributed to the Sinking Fund of the loan of 1860. In the year 1869–70 a contribution has been made for the last half of that year, but none has as yet been made for the half-year ended 31st December, 1868, thus leaving a liability of £957 unsatisfied. The omission should either be rectified or explained; but no explanation, however good in itself, can make the account as intelligible or as satisfactory as the entry of the correct amount in its proper place.

Loan Act, 1863, page 9.—Interest on Taranaki Debentures issued under the Taranaki Loan Act, 1863, at 7 per cent., £24 10s.

There is a further payment for interest on this loan (page 153) under “Special Fund charged on Loan, 1863, £1,508 10s.,” making the total interest paid in the year £1,533. Scattering the expenditure in this manner is objectionable. No part of the interest is properly chargeable on the Special Fund. In 1866–67 a vote was taken, and all the interest for that year was charged on the Annual Appropriations, and, as the loan is mentioned in the Schedule of the Public Debts Act, the interest on the Taranaki Debentures may be considered a charge on the Consolidated Fund. But under any view the expenditure need not be split up in the way it is in the published accounts.

Treasury Bills Act, 1869, No. 2, page 63.—Interest 1st October, 1869, to 4th February, 1870, £952 10s.

A Bill was issued to the Bank of New Zealand under the provisions of “The Treasury Bills Act, 1869,” No. 2, to bear interest from 1st October, 1869, at the rate of 4d. per hundred pounds per day, and with a currency that expired on the 1st November, 1869. This Bill was not redeemed till the 4th February, 1870, and the Bank was paid interest on the amount of the Bill, at the rate of 7 per cent. per annum for the whole time, *i.e.*, from 1st October, 1869, to 4th February, 1870. The Treasury divides the charge into two items (p. 63, £952 10s., and p. 93, £143 10s. 7d.), making together £1,096 0s. 7d.

The legal rate of interest on Treasury Bills is 4d. per diem—equivalent to about £6 1s. 8d. per cent. per annum. In this case the interest paid is 7 per cent., and therefore in excess of the legal rate. It may, however, be contended by the Treasury, that the Bills were hypothecated to the Bank as security for a loan. But it was contrary to law to obtain a loan from the Bank in this instance, as the whole amount (£60,000) allowed to be borrowed by way of loan from a Bank or on a Deficiency Bill had been already advanced by the Bank.

Special Fund, page 7.

The balances brought forward from last year do not appear in the same shape, and explanation is requisite to show that they are the same.

The balances in 1868–69 were:—

Consolidated Loan Act, 1867, Cr.	...	...	£1,099,959	14	4
Public Debts Act, 1867, Dr.	...	...	1,019,845	5	9
Balance, Cr.	...	...	<u>£80,114</u>	<u>8</u>	<u>7</u>

This sum is brought into the year 1869–70, as:—

Public Debts Act, 1867, being amount raised for purposes of Schedule B, but unexpended	...	...	£60,734	14	3
Consolidated Loan Act, 1867, being amount raised for conversion and other purposes, but unexpended	...	...	19,379	14	4
Balance, Cr.	...	...	<u>£80,114</u>	<u>8</u>	<u>7</u>

Sinking Fund Account, page 7.

The balance has been increased by 4d. taken from Suspense Account. It was thought unnecessary to make an entry for this adjustment.

Consolidated Revenues, page 26.—Lunatic Act, 1868.

The sum of £490 19s. 3d. is credited as revenue collected within, and divisible with, the Province of Otago, namely:—

For Maintenance of Lunatics	...	...	£405	9	5
Net percentage on Estates	...	...	81	9	10
			<u>£490</u>	<u>19</u>	<u>3</u>