

## MEMORANDUM BY THE OFFICERS OF THE TREASURY ON THE FURTHER REPORT OF THE AUDITOR-GENERAL.

REPLY to observations made by the Auditor-General in his Further Report of 22nd September, 1871, on the Public Accounts of the year 1869-70.

### *Recoveries from Provinces on account of Interest and Sinking Fund.*

THE adjustments made by the Treasury are in accordance with the statements accompanying the reply of the Treasury Officers to the Auditor's Report of last year.

The remark of the Auditor-General that the sum of £16,696 13s. 10d. transferred to revenue, was liberated at the expense of the Provinces, may perhaps convey the impression that an unjust charge had been made upon the Provinces. The Provinces have, however, been charged only with the precise sums due by each; but the Treasury recovered the amount in present cash, instead of adding it to the capitalized debt of the Provinces concerned, as suggested by the Auditor-General.

### *Notes on the Table, showing the Interest and Sinking Fund charged to the Provinces on account of "The Consolidated Loan Act, 1867."*

*Note C.*—The Auditor suggests that, as the bonds hypothecated in order to raise *inter alia* the sum of £16,200, applied to the redemption of Nelson Debentures, bore date for Sinking Fund from the 15th January, 1869, that a charge of £81, being 1 per cent. from that date to 15th August, should have been made. The sum referred to could fairly enough be claimed; but the account being now closed, it is submitted that it is not desirable to reopen it in order to recover from the Province the amount referred to.

*Note D.*—The Treasury cannot concur in the opinion expressed by the Auditor-General, that the arguments used by the Treasury Officers in their memorandum of last year as to the interest chargeable to Canterbury and Southland, apply equally to the case of Otago, with respect to the sum of £26,600, raised to liquidate the debt of that Province under the Surplus Revenue Adjustment Act. In the case of both Canterbury and Southland, the Treasury was obliged to raise a sum of money on a certain date to pay off liabilities of those Provinces at another and long subsequent date. The liabilities in question were debts to outside creditors, and could not be paid off till some time after the money was raised. The Treasury argued that, as it was compelled to raise the money at the date it did, and as it could not pay off the debts at an earlier date than it did, the Provinces were chargeable with interest from the date when the money was raised, notwithstanding it was not applied until some time afterwards. But in the case of Otago, the Treasury raised a sum of money to pay off a debt due to the New Zealand Government. As this debt was bearing interest at 6 per cent., and as the Government had the power of making the payment as soon as the money was raised, the Treasury maintains that the Province is only chargeable with interest on the sum raised from the date at which it was applied.

### *Special Fund, "Consolidated Loan Application Act, 1869."*

Discount, Commission, and Charges, £1039 9s.

The Auditor-General's division of these expenses is correct, and a proportion of the expenses should have been placed under the head of "Province of Southland." No part of the amount, however, has yet been recovered, and the settlement to be made will be made in terms of the Auditor-General's suggestion.

### *Trust Fund Investment Account.*

The Auditor-General states that his Report on the Accounts of 1868-69 contained a recommendation that adjustments should be made in this account, but that that recommendation had not been followed in the year 1869-70, though a satisfactory adjustment was made in the accounts of 1870-71. With reference to this observation, the Treasury Officers desire to remark that the Report in which the recommendations referred to were made, was not received till after the 20th August, 1870. As the accounts of the year 1869-70 were closed on the 30th June previous, it was impossible to make the adjustments in the accounts of that year.

### *Interest and Sinking Fund Loan Act, 1860, page 9.*

Interest at 6 per cent., half year to 1st January, 1869, £1,242.

The Auditor-General calls attention to an apparent omission to pay over to the Commissioners the Sinking Fund due under the loan of 1860, for the half-year ended 31st December, 1868, and states that there is an outstanding liability on this account of £957. A satisfactory explanation of the apparent omission will be found in the *New Zealand Gazette* of 1869, p. 338, where the Commissioners of the Public Debts Sinking Funds under an award, dated 15th March, 1869, declared that in consequence of the conversion of £54,500 of this loan, the Sinking Fund then in hand amounted to £9,991 6s. 2d. in excess of the sum required to pay off the debentures then standing, and that that sum should accordingly be released, and paid over to the Consolidated Fund. The sum so released was duly credited in the accounts of 1868-69, and it may be added that all Sinking Fund due on the loan of 1860, up to the 30th June last, has been duly paid to the Commissioners.