

# MEMORANDUM

BY

## THE OFFICERS OF THE TREASURY

ON THE

### FURTHER REPORT OF THE AUDITOR-GENERAL.

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

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WELLINGTON.

—  
1871.



## 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.

*Treasury Bills Act, 1869, page 8.*

Interest, 1st October, 1869, to 4th February, 1870.

This Bill was issued in October, with the intention of redeeming it out of the proceeds of a re-issue of Bills to a similar amount. It was, however, deemed advisable to issue the whole sum authorized by the Act, in Sydney, whither the Colonial Treasurer proceeded as soon as practicable. The Bills were all taken up in Sydney in January, 1870, and the first instalment of the proceeds reached Wellington near the end of that month; but only to the amount of a little over £15,000. Other remittances followed, and the Bill in question was taken up on the 4th of February.

As respects the interest, the Treasury does not say that the Bill was hypothecated to the Bank, but that it was sold, and if it had been paid off at its due date, the interest would have been paid at the rate of 4d. per cent. per diem, as stated by the Auditor-General. The Bill, however, was held over by the Bank for the convenience of the Government: and it is therefore submitted that the Bank might fairly claim the right to charge interest on the amount at the rate at which it makes advances to the Government. The reason for dividing the interest into two parts in the account was, that the Bill bore interest until paid off, which interest at 4d. per cent. per diem amounted to £952 10s., while the additional interest, or £143 10s. 7d. (the difference between 4d. per cent. per diem and seven per cent. per annum) was left to be authorized by a vote of Parliament. The only point that may be questionable is, whether the Bank could claim more than the interest which the Bill expressed during its legal currency. The difference for the thirty-one days is £35 0s. 8d.

*Consolidated Revenue, page 26.—Lunatics Act, 1868.*

The history of the transaction referred to by the Auditor-General is exceedingly complicated, owing to the manner in which the accounts had been kept by the late Registrar of the Supreme Court. Sums of money were paid over by him at various times between January and April, 1870, but owing to the confused state of the accounts, and the absence of necessary information, the money could not be brought to charge until the last-named month. It is undeniable that the Registrar ought to have paid the amount due to the Province for maintenance, but as he had not done so, the Treasury paid it as soon as the amount was ascertained, and having no means of paying it out of Trust Fund (the money not having been credited, as stated above) the claim was paid at the end of March, out of Consolidated Fund, as a "Permanent Charge" under "The Lunatics Act, 1868," and to recoup this expenditure, the money was also credited (in April) to the Consolidated Fund. It is now seen that this credit ought to have been made to General Revenue, but the form of the payment having been overlooked, the amount was treated in the ordinary way, as revenue arising within the Province of Otago. This requires that the half of the amount paid to the Province (or £200 4s. 4d.) should be recovered: thus in effect treating the payment as a refund of revenue.

The amount of £84 18s. 4d. is in a different position. This really consists of three sums, as follows:—

25th March, 1870. A. Johnston. Amount of commission deducted from his estate, now refunded by order of Supreme Court	£	s.	d.
13th May, 1870. G. E. Barton. Amount of costs in estate of John H. McLean	14	16	10
10th June, 1870. B. C. Haggitt. Amount of costs, inquiries into lunatic estates	66	16	6
	3	5	0
	£84	18	4

The second of these sums (£66 16s. 6d.) has been recovered from the estate for which it was paid, and will be found credited to the Public Account in December, 1870.

The sum of £14 16s. 10d. was paid by direction of the Hon. the Colonial Treasurer, as a refund of a deduction which the Court had decided ought not to have been made by the late Registrar, but no corresponding amount of receipt has been traced.

The remaining sum of £3 5s. was paid for professional services in inquiring into the transactions of the late Registrar. It is submitted that both of these sums must remain as charges against the Colony.

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It is stated that the Treasury has not used the £1,000 provided out of Special Fund for the payment of Southland Debts, and that the Consolidated Fund is benefitted to that extent at the expense of the Special Fund. The Auditor-General is in error in this statement. The Treasury applied £9,028 5s. 4d. in payment of Southland Debts (see p. 29 of Public Accounts), and though the sum of £7,000 was transferred to Revenue (see p. 32 of Public Account) to meet these debts the Treasury was only authorized to expend £6,000, and the balance of £3,028 5s. 4d. was accordingly submitted for a supplementary vote (see Estimates of 1870-71, Vote 82). It will be seen that no benefit accrued to the Consolidated Fund by this transaction, but that, on the contrary, that fund was under advance to the Province of Southland in the sum of £2,028 5s. 4d., which sum has since been recovered out of moneys provided under Schedule 2 of the Defence Loan Act.

*Interest and Sinking Fund, page 9.*

Sinking Fund at 2 per cent on £342,800, £3,428.

In relation to this charge, the Auditor-General refers to an entry (at page 13 of the accounts of 1868-69) of £3,624, for the same Sinking Fund, and for the same period, and he states that these entries are calculated to lead to the impression that there had been a double payment. The Auditor appears to consider that the entries have been made simply with the view to correct an assumed error of £194, but that no error really existed. A review of the transactions on which the entries referred to were made will show that there was a double payment (although the first was recovered before the second was made), and that the Treasury had no alternative but to follow, as they did, the entries made by the Crown Agents. On the 15th June, 1869, the Crown Agents paid to the Trustees of the Sinking Fund of the loan of 1863, the sum of £3,622 as the contribution due by the Colony on that

date. The sum so paid was duly brought to charge by the Trustees of the Sinking Fund, in their accounts on the same date; and the payment was duly embodied in the Treasury Accounts of the year 1868-69. On the 25th September, 1869, the Crown Agents debited themselves with a sum of £3,622, received from the Trustees of the Sinking Fund, as a sum paid to them in error on the 15th June, 1869, the Trustees believing, as stated in their account of this transaction, that the amount due on that date "had been invested in the Colony." This transaction was incorporated in the Treasury Accounts in January, 1870. In the accounts of the Crown Agents for July, 1870, entries are made, explanatory of a sum of £15,190, part of the Sinking Fund released by the Trustees, and retained in their hands pending instructions as to whether certain Sinking Fund, supposed to have been invested in the Colony, had been so invested, but which they, on being informed that no such investments had taken place, applied in payment of the Sinking Funds, which had thus fallen into arrear. Among the sums so paid was the Sinking Fund due on the 15th June, 1869, which, as above stated, had actually been paid to them by the Crown Agents on the due date, but which they, the Trustees, had refunded on the 25th September following. The sum originally due, £3,622, had, however, been commuted in the meantime to £3,428, by the conversion of £19,400 of the loan in respect of which it was due. It will be seen from this explanation that the entries made were absolutely indispensable, and were faithful records of the transactions which occurred.

*Interest and Sinking Fund, page 61.*

Sinking Fund at 2 per cent., one year to 15th March, 1870.

The Auditor-General states that the amount of bonds unconverted, on which Sinking Fund was due for the year ended 15th March, 1870, was £226,400. This is an error. A reference to the account of the 4th conversion, or to statement No. 5, accompanying the Crown Agents' letter of the 14th July, 1870, will show that of the £226,400 bonds outstanding at the close of the 3rd conversion, £14,200 had been converted prior to the 15th April, 1870, and that the Crown Agents, in adjusting the Sinking Funds, payable in respect of debentures outstanding on the 30th June, 1870, had made a deduction of £142 for each half-year, in respect of the £14,200 bonds converted. The amount due as stated by the Treasury is correct.

*Sinking Fund Consolidated Loan, 1867, on £4,346,000 for Three Months to 15th October, 1870.*

The total amount of bonds on which Sinking Fund was payable for the quarter ending 15th October, 1870, was £4,410,500, not £4,409,000, as stated in the report. The figures quoted by the Treasury represent the amount on which Sinking Fund was due for the previous quarter, and they appear to have been copied from the preceding line without examination. The sum charged is only a payment on account, and is in fact simply a charge made under section 6 of the Public Revenues Act, in order to exhaust the balance left in the hands of the Crown Agents at the close of the financial year. It is, as the Auditor states, a liability of the year 1870-71.

*Debtors and Creditors Acts, 1862-65.*

As pointed out by the Auditor-General, the salary of the Accountant in Bankruptcy for the year 1869-70 has been paid without appropriation. The amount will be submitted to Parliament for a supplementary vote.

*Bank Commission on Money Order Remittances.*

These charges appear in two places, owing to a misapprehension of their nature by the entering clerk. The error was discovered before the preparation of the published account was entered upon, but as a supplementary vote had in the meantime been taken for the excess on the one vote, and the balance of the other had been carried to Reserve Account, it was not then possible to correct it.

*Refunds of Revenue.—Page 35.*

In the remarks of the Treasury Officers on the Auditor-General's Report on the Accounts of 1868-69, it was admitted that the practice with regard to refunds of revenue operated unfavourably for the Provinces, but the practice was defended on the ground of its being in strict accordance with the law. It was, at the same time, explained that a modification of the practice had been introduced on the 1st January, 1870, so as to obviate the injustice to which the Provinces were subjected under the system previously in force. Under the amended practice all refunds were charged in equal proportions on the Colony and on the Provinces. It will be for the Hon. the Colonial Treasurer to determine whether an adjustment of the charges prior to 1st January, 1870, should be made, and the question will be submitted in a specific form for his consideration.

J. WOODWARD,  
Assistant Treasurer.

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

Treasury, 12th October, 1871.

