

REPORT

OF

THE AUDITOR-GENERAL

OF

THE PUBLIC ACCOUNTS, 1870-71.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY UNDER THE 60TH
SECTION OF "THE PUBLIC REVENUES ACT, 1867."

WELLINGTON.

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1872.

REPORT OF THE AUDITOR-GENERAL ON THE PUBLIC ACCOUNTS, 1870-71,

RECEIVED IN THE AUDIT OFFICE ON 29TH JULY, 1872.

1. It was shown in the Auditor-General's Report on the Colonial Treasurer's Statement for the financial year 1869-70 that an overdraft on the Bank of New Zealand of £60,000 had been brought to the credit of the Consolidated Fund as a receipt in aid, without the indebtedness to the Bank being shown as a liability of the Colony.

2. During the financial year 1870-71 the overdraft appears in the form of a Deficiency Bill for the same amount; but still the same objectionable practice has been followed of shutting out from the Treasury Account the liability of the Colony.

3. The officers of the Treasury in their reply admit that the revenues of the year were supplemented by the amount of the overdraft; but they do not understand why the indebtedness to the Bank should be shown; to show that, would increase, they state, unnecessarily, the total liabilities.

4. The fact is, that in all other cases the Public Accounts are constructed so as to show the liabilities of the Colony. The cash realized on the disposal of the Treasury Bills is brought to credit of the Revenues, and a corresponding sum is entered on the opposite side of the account under Treasury Bills, in order to show the indebtedness of the Colony on account of such Bills outstanding. The rule is plain, and it would be best that the Treasury should admit the oversight, rather than leave a distrust on the public mind as to whether the Treasury or the Auditor misunderstood the principle which ought to guide an accountant in the matter. What could be thought of a merchant whose balance sheet omitted his indebtedness to bills payable issued in discharge of merchandise received?

5. In addition to the above sum of £60,000, it is found that a similar but still more objectionable course has been followed in the year's Accounts under examination, by which the Consolidated Fund has been increased £20,295 6s. 6d., and the Special Fund by the sum of £46,000.

6. The transactions as they appear in the Accounts are as follows:—The sum of £66,295 6s. 6d., purporting to be a transfer from the Special Fund, is brought to the credit of the Consolidated Fund, but no corresponding sum is written off the Special Fund Account; £46,000 out of the above sum of £66,295 6s. 6d. is next written off the Consolidated Fund Account, as part repayment to the Special Fund. As no issue has been shown out of the Special Fund, this transfer of £46,000 is a clear gain to that fund, while the Consolidated Fund makes a gain of the difference between £66,295 6s. 6d. and the sum of £46,000. These operations, together with the Deficiency Bill, leave no less a sum than £126,295 6s. 6d. to be written off the account of the financial year 1870-71.

7. The same objection applies to the balance of £31,195 9s. 8d. brought over from the Statement of the previous year to the credit of the New Zealand Loan of 1860. On reference to the Statement of the previous year, it will be seen that the correct balance on the 30th June, 1870, is £21,204 3s. 6d.

8. Again, on the opposite side of the same sheet, an entry of £9,991 6s. 2d. appears as Sinking Fund released. This sum was released in the month of March, 1869 [see *Gazette*, 1869, p. 338], and proper entries of the transaction were made in the Statement for the financial year 1869-70, where at p. 173 the same entry appears in precisely the same terms.

9. On comparison of the Annual Statement with the monthly accounts, as rendered for examination and audit, great discrepancies are found to exist in the Sinking Fund transactions. The monthly accounts are the basis on which the Annual Statement is constructed, and they are accepted as complete and formal records of the year's transactions.

10. In the Account of the "Loan 1856" there is a discrepancy of £3,954 8s. 9d.; in the account of the "Loan 1860" there is a discrepancy of £3,036 9s. 2d.; and in the account of the "Loan 1863" there is a difference of £10,531 6s. 3d.

11. The Treasury had given no notice to the Audit of its having introduced in the Annual Statement transactions which are not in the monthly accounts, and much valuable time is lost in useless attempts to reconcile the two sets of accounts.

12. The Treasury no doubt follows the proper course in making the Annual Statement as complete as possible, and it is better to introduce these additional particulars in the Annual Statement, instead of leaving them over for the next year's accounts. But the Audit ought not to be left without either explanation or supplementary accounts by which to reconcile the monthly accounts with the Annual Statement. The delay in rendering the Annual Statement for Audit, which usually extends to nearly twelve months after the period fixed by law, gives the Treasury frequent opportunities of incorporating in the Annual Statement any outstanding accounts that may come in between the termination of a financial year and the subsequent twelve months of delay.

13. It will be seen on comparing the balance sheet, pp. vi. and vii., with that of the preceding year, that the sum of £58,036 8s. 2d. was brought from the Consolidated Fund of the financial year 1869-70, and placed in the Reserve Account of 1870-71; but that no such transfer has been made out of the Consolidated Fund of the financial year 1870-71 to meet the liabilities of that year, which came

in course of payment in the year 1871–72 following. This is not owing to there being no outstanding liabilities of the year 1870–71 to be discharged in 1871–72, but to the fact that they have been made a direct charge on the Consolidated Fund of the year 1871–72, thus relieving the revenue of the year 1870–71 of a charge of about £40,337.

14. In other words, the Treasury has reserved the appropriations but not the revenues of the year to which the liabilities belong, and has paid the arrears out of the next year's revenues. Although this is a departure from the practice of the previous year, it is not clear but that it may be reconciled with the provisions of "The Revenues Act, 1870."

15. The Colonial Treasurer, in his place in the House, explained that the object of "The Revenues Act, 1870," is to afford the means of comparing the expenditure with the amount voted by the General Assembly; and this means is supplied in a clear and comprehensive statement at pp. 98, 99, 100, and 101, where the total amount reserved is shown to be £40,337 0s. 10d.

16. The alteration in the mode of treating the arrears has the advantage of not disturbing the total of accounts which come in course of payment in the year by entries charging votes with moneys not actually expended at the time, and in some instances not spent at all, as will be seen on reference to page 10, where no less a sum than £17,184 0s. 7d. is shown as returned to Revenue out of a sum of £58,036 8s. 2d, reserved out of the Consolidated Fund of the year 1869–70.

17. The over-expenditure on account of New Zealand Settlements Act of £2,352 14s. 3d., and of Consolidated Loan Act of £19,063 17s., shows that either the Controller issued more money from the Public Account than was then to the credit of these Acts—thus trenching on moneys not available—or the Treasury, having obtained moneys from the Controller for the purposes of the Defence Loan, (the only credit balance,) diverted it to uses other than those stated in the requisition.

18. Bonds belonging to the Consolidated Loan have been paid off in London to the amount of £182,000. These the Treasury continues to show as part of the liabilities of the Colony under the head of "Public Debt," as if a part of the Sinking Fund was invested in these New Zealand Bonds, and the Government could, if it thought proper, dispose of them for other securities. But such is not the case. The bonds are absolutely redeemed—they cannot be issued again, and when cancelled may be said no longer to be in existence. The Auditor, in a late Memorandum, pointed out that the bonds drawn by lottery and paid off could not be issued again, and ought to be cancelled and returned to the Colony. As there seems no useful object gained by showing these redeemed bonds as liabilities, they should be written off both the "Public Debt" and the "Debenture" Accounts.

19. The "Debenture" and "Public Debt" Accounts are treated as always balancing each other, although they are not at all times of the same amount. For instance, on the termination of the year 1870–71, the Agents in London held in their hands bonds to the amount of £139,500, duly signed by the Commissioners and ready for issue. These bonds were complete in every respect as instruments for raising money, but they are not shown in the Public Accounts. It is considered that the Agents should be charged with the amount, so as to make them public Accountants, answerable for the securities in their custody.

20. On the other hand, £14,600 has been shown in the Accounts as debentures issued during the year 1870–71; whereas, as a matter of fact, they were not issued until the financial year 1871–72, and bear date January, 1872.

21. The "Public Debt" Account includes scrip or "undertakings" issued by the Colonial Treasurer as follows:—

No. 1. Dated 30th September, 1869, and issued 26th October, 1869, £1,000.

No. 2. Dated 30th September, 1869, and issued 1st November, 1869, £1,000.

These bear interest at the rate of 6 per cent. per annum. The authority for raising the sum of £2,000 is section 19 of "The Appropriation Act, 1869." It is not understood why these scrip are not exchanged for regular bonds.

22. Sinking Fund on series due 15th July, 1914, of the Loan of 1863, for the half-year ended 15th July, 1870, does not appear to be charged in the Public Accounts.

23. The same remark applies to series due 15th March, 1891, for the half-year ended 15th September, 1870.

21st August, 1872.

CHARLES KNIGHT,
Auditor-General.