

MEMORANDUM

BY

THE OFFICERS OF THE TREASURY

ON THE

REPORT OF THE AUDITOR-GENERAL.

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

WELLINGTON.

—
1872.

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

With reference to the £60,000 remarked on by the Auditor-General in paragraphs 1-4, it is admitted that as that amount was represented by a Deficiency Bill (instead of being an overdraft as in the former year), it would have been more correct to include it in the Public Debt Account, and this course will be followed in future. It is to be observed, however, that this will make no difference in the Cash Account. The repayment of the former overdraft is shown on page xvi., and again in the tabulated form on page 96; while the cash received for the Deficiency Bill is brought to charge on page 15, and stated to be "In renewal of overdraft." The Cash Account is thus complete within itself, and does not require, nor admit of (as a merchant's account would) the entry under "Bills Payable" to balance it. Perhaps the most strictly correct mode of dealing with such an item would have been to state the balance of Consolidated Fund (page vi.) thus:—

	£	s.	d.	£	s.	d.
Consolidated Fund	29,278	18	7			
Do., Proceeds of Deficiency Bill ...	60,000	0	0			
				89,278	18	7

In paragraph 3 the Auditor-General remarks, that the officers of the Treasury state that to show the indebtedness to the Bank would increase unnecessarily the total liabilities. The officers of the Treasury cannot find that they made the statement referred to, and they certainly never intended to convey a meaning so manifestly absurd.

With regard to the sums of £20,295 6s. 6d. and £46,000, to which the Auditor refers in paragraphs 5 and 6, it is admitted that the record of the transaction is incomplete, the reason being that while the accounts of the Crown Agents showing the receipt of this sum into the Consolidated Fund had been received in the Colony before closing the Accounts of the year 1870-71, the Accounts of the Bank of New Zealand, showing the sum as raised on account of and advanced out of the Special Fund, had *not* been received.

The Treasury Accounts record the exact facts so far as it had information; and had it been in possession of complete accounts, and thus been enabled to record the transaction in full, it would have made the two entries following, viz.:—

	£	s.	d.
<i>Cr. Temporary Loan Act Account—</i>			
Amount received from Bank of New Zealand	66,295	6	6
<i>Dr. Temporary Loan Act Account—</i>			
Amount advanced to the Consolidated Fund	66,295	6	6

It will be seen that while these two entries would have absolutely completed the record of the transaction, they would have had no effect whatever on either of the Accounts to which the Auditor-General refers: the Consolidated Fund would have continued to show, as was the fact, that it had received a temporary advance of £66,295 6s. 6d. from the Special Fund in London, and that it had repaid to that fund £46,000 of the sum so advanced.

The Auditor-General proceeds to state that this operation, together with that of the Deficiency Bill of £60,000, leave "no less a sum" than £126,295 6s. 6d. to be written off the Accounts of the year 1870-71.

The Treasury dissents altogether from this opinion. It is true that the Consolidated Fund was liable on the 30th June for the repayment of the two sums of £60,000 raised by a Deficiency Bill, and £20,295 6s. 6d. advanced from the Special Fund; but the only sum to be written off the Accounts was the sum which the Treasury did write off—namely, the £46,000 which it had repaid; the balance of the sum received into the Consolidated Fund remained there on the 30th June, 1871, and it is so shown in the Accounts.

The Treasury admits the error to which the Auditor refers in paragraphs 8 and 9, as to the Sinking Fund Account of the Loan of 1860, pages lxiv. and lxv.

The error consists in having brought forward the total instead of the balance on the one side, and in having inserted on the other an entry of the previous year corresponding in amount with the difference. It is an error purely clerical, confined to the printed copy, and does not in any way affect the position of the Account, which is properly stated in the balance sheet, on page viii.

With regard to the observations made in paragraphs 9, 10, 11, 12, as to differences between the Monthly Accounts rendered to audit and the Annual Account under review, the Treasury desires to observe that to characterize these differences as "great discrepancies existing in the Sinking Fund transactions" is to create a false impression. The Auditor-General has not pointed out any discrepancy in the Sinking Fund Accounts, except the clerical error of £9,991 6s. 2d. on both sides of the Sinking Fund Account of the Loan of 1860, already referred to. The differences between the Monthly and the Annual Accounts being no more than this—that while the Sinking Fund Accounts, made up to the 30th June, 1871, are incorporated in the Annual Statement, those Accounts had not at the time been entered in the account for the month of June, 1871, rendered to audit. The Sinking Fund Accounts are not transactions of the Treasury, but are simply rescripts of the account of the Trustees of the several funds incorporated from year to year in the Treasury Books, and the Audit Officers were advised of the intention of the Treasury to add these transactions to the account for the last month of the year 1870-71, as had been done on former occasions.

The Auditor-General, in paragraph 17, states that the over-expenditure on account of the New Zealand Settlements Act and the Consolidated Loan Act shows that either the Controller issued more money from the Public Account than was then to the credit of those Acts, or that the Treasury, having obtained moneys from the Controller for the purposes of the Defence Loan, diverted it to other uses.

With regard to the first of these accounts (the New Zealand Settlements Act), the expenditure in excess of the sum issued by the Controller was no doubt made out of other balances of Special Fund in the Public Account. But while, in the case referred to, that course, though customary, was improper, no such impropriety can be urged with reference to the over-expenditure of the Consolidated Loan Account. The money was required to take up the Manawatu (Wellington) Loan Debentures maturing in Sydney on the 30th June, 1871. It was issued by the Controller in the month of May previous, on its being shown to that officer that the Agents for the Conversion of the Loans, then in England, had been instructed on the 5th October previous to raise the required amount by sales of Consolidated Loan Bonds, and thus to bring this loan within the Consolidation scheme, as authorized by "The Public Debts Act, 1867."

The money was drawn out of the general balance of the Special Fund in the Public Account; and though the charge converted the otherwise credit balance of the Consolidated Loan Act into a debit balance of £19,063 17s. in the Accounts of the Colony, as made up to the 30th June, 1871, a part of the money had been restored to the Defence Loan Account, in London, prior to that date, and the balance was received by the Crown Agents on the following day, the 1st July.

It is submitted that the bonds for £132,000, referred to by the Auditor-General in paragraph 18, do still remain a part of the public debt. By the terms of the loan, the sinking fund is used to withdraw bonds from circulation, and, for safety, the Government has directed that bonds so withdrawn shall be cancelled, to prevent their being again issued; but the obligation to pay both interest and sinking fund on those bonds remains unaltered, and thus it seems correct to show the whole amount of the bonds issued as the debt of the Colony, while showing on the other side the money that has been paid for them as an asset, under the designation of "Sinking Fund Accrued." The bonds are as really held by the Sinking Fund Commissioners as similar bonds are held by them which they have purchased as investments of the Sinking Funds of the Loans of 1856 and 1863.

The Auditor-General is in error in assuming (paragraph 19) that the Debentures Account and the Public Debt Account are treated as always balancing each other. These accounts have hitherto balanced each other, because the creation of the debentures (credited to Debentures Account) has always been followed by their issue (debited to the Public Debt Account). In the case of the £139,500 debentures referred to by the Auditor-General, no information as to the existence of these debentures was given in the accounts of the Crown Agents. The Treasury records no doubt contained evidence of the fact, but, as the Auditor-General is aware, the transactions of Foreign Agents appearing in the Treasury Books are based upon the accounts, and not upon the correspondence of those Agents. Had the accounts of the Crown Agents shown that they held these debentures, entries as suggested by the Auditor-General would thereupon have been made. At this date, however, the omission, howsoever arising, is altogether unimportant, since the unissued remainder of the bonds in question were actually cancelled on the 20th June, 1871, by a Board convened for the purpose, and have long since been returned to the Treasury.

The £14,600 referred to in paragraph 20 had been received from the Sinking Fund Commissioners on an undertaking that debentures should be issued when the precise terms were agreed on, and thus that money became a part of the debt of the Colony. When the terms were arranged, debentures for the amount were issued under the Defence Loan, and it was therefore convenient to treat the whole transaction as if it had been an operation under that Loan at the dates at which the money was received.

The sinking fund was not paid for the two half-years referred to in paragraphs 22, 23, because, through the consolidation of the Loan, the Sinking Fund Commissioners had so much more than was sufficient in their hands that they released £3,836 in respect of the series due 15th July, 1914, and £1,512 in respect of the series due 15th March, 1891 (see page 14).

It is therefore evident that there could be no object in their receiving additional amounts, as they would only have had so much the more to repay.

J. WOODWARD,
Assistant Treasurer.
C. T. BATKIN,
Paymaster-General.

Treasury, 20th September, 1872.