

office, or the estates or business therein; the charges made by the said office for business done by it or its officers or agents thereof; the means adopted to avoid inconvenience or delay in winding up, dealing with, or managing estates or property placed in or managed by the said office, or in satisfying the claims of beneficiaries, creditors, or persons entitled thereto or interested therein.

Your Commissioners are of opinion that the powers of the Public Trustee, or of the management of the Public Trust Office, should be of an extensive character in order to facilitate the conduct of its business. The management should be made absolutely free from any control by the Auditor-General's Department, which hitherto has only served to cause delay in the transaction of business, without having been of the slightest use for the purposes of audit. The management of the Public Trust Office, both in the interests of the Colony and of its clients, should have the same extended and trusted authority as the head of a large mercantile and financial institution, with full and unrestricted powers to transact business with promptitude and readiness; and, in the opinion of your Commissioners, unless the Public Trust Office be placed on such footing, its business can never be carried on with advantage or satisfaction to any interests concerned.

As to the liabilities of the Public Trustee, his officers and agents, they seem to your Commissioners to be entirely regulated by the capacity of the officers engaged in the conduct of the business of the Public Trust Office; and, so far as the system of management has obtained up to the present time, your Commissioners offer no opinion on the probability of liability having been incurred under it, either by the Public Trustee or by the Colony. The evidence accompanying this Report will be a guide in arriving at a conclusion.

But, as to the mode of keeping, rendering, and auditing the accounts of the Public Trust Office, your Commissioners have something more definite to say. They were very much surprised when they discovered, during the course of their investigation, that the system of Government audit practised in relation to the business of the Public Trust Office has been in reality a delusion. In proof of this they would refer to the evidence—not only to that adduced by the Auditor-General, but also to the testimony given by his several officers who were examined before your Commissioners. This evidence discloses the fact of the Audit Department having been ignorant of the existence of a large number of books in use by the officers of the Public Trustee, in which money entries were made each day; the want of knowledge by the Audit Department of its responsibility in connection with realty and personalty effects that continually and under the view of the daily audit came into possession of the Public Trustee; the absence in the Public Trust Office of any complete inventories of personalty effects belonging to deceased men and women; the careless and perfunctory inspection made by the Audit Department of the mortgage securities held in the interests of beneficiaries; that many of the said securities have been allowed by the Public Trustee to appear year after year in the annual balance-sheet as representing securities worth twenty shillings in the pound. These securities have been certified to as correct by the Auditor-General, when he and his inspecting officers, had they faithfully performed their duty, should have known that some of the mortgages had long since been foreclosed by the Public Trustee, and *ipso facto* had ceased to exist; that the securities had been exposed for sale by auction, and had been bought in by the Public Trustee, as the highest bidder, for less than one-half, and even as low as one-eighth, of the money originally advanced upon them, and still they have been passed year after year by the Audit Department, as representing the full amounts advanced, for the purposes of the annual balance-sheet presented by the Public Trustee for the information of the Government and the Parliament of the country. In addition to this misrepresentation of facts, a large amount of interest due upon many of those mortgage securities has for several years been in arrear, and has never been brought to account in the ledgers of the Public Trust Office. Yet the Audit Department has been, as it was supposed, discharging its duty without discovering these facts. It was also within the knowledge of the Audit Department that early in the year 1889 the Colonial Treasurer took away from the supposed profits of the Public Trust Office, as they appeared in the annual balance-sheet on the 31st December, 1888, the sum of £18,000 for the Consolidated Fund. It also appears that at that time, and prior to the transfer of the £18,000, it was known to the Public Trustee that the profits of the Public Trust Office had been improperly swollen by an amount of nearly £3,500, made up of accrued interest on the credit balances of a number of estates, such interest having been transferred from the credit of the said estates to the credit of the Expenses Account, which is practically the Profit and Loss Account of the Public Trust Office. When transfers of supposed profits like these took place, the Auditor-General, the Colonial