

One of the Audit Department officers, in his evidence, as disclosed in the questions and answers numbered 2225 to 2245, admitted that the audit consisted practically in merely checking the cash receipt-book; that no record had ever been kept of the amount of money the Public Trust Office ought to receive per annum in the shape of interest upon mortgages, rents, &c.; that he had no means of checking such amount at present; and, further, that he did not know that it was the duty of the Audit Department to refer to or make inquiry as to arrears of interest or otherwise.

The Auditor-General himself admitted, in answer to question numbered 5439, that "it would not be one of the ordinary functions of the Audit Office to inquire into the realisation of assets."

Such a limited conception of the duty devolving upon an Audit Department implies a complete ignorance on the part of the Auditor-General of one of the most important functions intrusted to him, and enables any person accustomed to business to understand why the Audit Department has for years been so ineffective and unpractical.

THE CHARGES AGAINST THE AUDIT OFFICE.

The Auditor-General states that it is distinctly untrue that the officers of the Audit Department were ignorant of the existence of any book *which could have thrown light upon or in any way assisted in the fulfilment of their duties*. The evidence teems with illustrations of the fact that the Auditor-General and his officers were alike ignorant as to the existence of many books actually in use for purposes of money entries in the Public Trust Office. With the Auditor-General's conviction that an audit should only consist of an examination of the actual receipts and expenditure, it is not a matter of surprise that he should be absolutely indifferent about any books of account outside of the cash-book. He is evidently unaware that no professional accountant of any standing would for a moment undertake the audit of the accounts of a business unless he had placed before him every book in use in connection with that business, and had mastered their contents. The Auditor-General is, however, in the happy position of being a law unto himself. It is a matter of supreme indifference to him what the whole professional world of auditors consider to be absolutely necessary conditions for a complete and satisfactory audit. The Commissioners may, however, be pardoned if, in the consideration of the facts respecting the ignorance of the Audit Department as to the books in use in the Public Trust Office, they have preferred to rely upon the judgment and experience of professional auditors of great knowledge rather than upon the *ipse dixit* of a gentleman of no commercial or business training, and whose sole qualifications for the high office of Auditor-General was his supposed literary and oratorical ability, an academical acquaintance with mathematics, and the more important fact that his appointment would remove a troublesome opponent from the political arena.

The Auditor-General denies that it is any part of the duty of an auditor to inspect "the legal validity of the security given by the mortgage." The Auditor-General does not know his duty. If an auditor is unable to comprehend, when he makes an inspection of securities, whether they be good and valid bonds, conveyances, mortgages, or aught else, he is unfit for his post. The confession by the Auditor-General that the Audit Department is unable to do this is a proof of its incompetency for the work intrusted to it by Parliament and the country. The special pleading by the Auditor-General respecting the foreclosures of the Public Trust Office is not only childish but beneath contempt. What reasoning, however specious, can justify any man, charged with the grave responsibility of examining securities held by the State on behalf of a number of its widows and orphans, passing year after year as a good and valid security for thousands of pounds an old mortgage-deed, when the property named in the deed had years before been sold by public auction by order of the Registrar of the Supreme Court, and the deed had become so much waste-paper? What a lurid light such a fact throws upon the inspection of securities by the Audit Department! Were the Commissioners not more than justified, in the face of such facts, in stating that such a kind of inspection was "careless and perfunctory"?

THE STATEMENT OF INVESTMENTS IN THE BALANCE-SHEET OF THE TRUST OFFICE.

The Auditor-General thinks "it may become a matter for consideration whether prospective or possible losses on investments should be shown" in the balance-sheet. He gathers that it is the opinion of the Commissioners that such losses should be charged against the annual income of the office. He states that he is not aware that such is the custom with large commercial houses. He is also under the impression that commercial houses write their