

1893.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE.

(REPORT ON FURTHER CORRESPONDENCE BETWEEN THE CONTROLLER AND AUDITOR-GENERAL AND THE HON. THE MINISTER OF LANDS RELATING TO THE AUDITING OF ACCOUNTS OF THE LANDS AND SURVEY DEPARTMENT.)

[In Continuation of I.-7D, 1892.]

Brought up 15th August, 1893, and ordered to be printed.

REPORT.

THE Public Accounts Committee has the honour to present to this honourable House further correspondence (in continuation of I.-7D, 1892) from the Controller and Auditor-General and the Hon. the Minister of Lands in reference to the removal of the Lands and Survey Department accounts from the control of the Audit Department.

15th August, 1893.

J. M. SHERA,
Chairman.

CORRESPONDENCE.

No. 1.

THE CONTROLLER AND AUDITOR-GENERAL to the CHAIRMAN, Public Accounts Committee.

SIR,—

Audit Office, 22nd June, 1893.

As the Hon. the Minister of Lands has stated, in his letter to you of the 4th October, 1892, that several of the statements in my letter of the 3rd October were contrary to fact, it is due to the Committee and to myself that I should reply to such a charge. I regret that, not having seen the Minister's letter until some weeks after it was written, and Parliament having been prorogued, I have been unable to do so at an earlier period.

I respectfully ask permission to reply to these charges in order.

1. That I misrepresented the Minister to have said that no accounts were kept in his department.

I said in my letter of the 3rd October that "I understood him," in his evidence before the Committee, to assign that as one reason for transferring the audit of the land revenue to his own department. I did understand him to say so. But, by "accounts kept in the department," I meant, of course, as would generally be understood, *accounts kept at the Head Office*—accounts of the department as a whole. And no such accounts ever were kept in the Land Department. As to accounts kept by the Receivers of Land Revenue, of which the Minister is so good as to inform me, considering that they have always been audited, as are the accounts of all Receivers of public money, it may be presumed that I have been perfectly acquainted with them. My statement, therefore, that "no accounts were kept in the department," instead of being, as the Minister says, "contrary to fact," was strictly true.

2. In opposition to a statement in my letter, the Minister says that the Receivers of Land Revenue "are not and never have been deemed to be independent of the Commissioners of Crown Lands." Perhaps, as I have taken a part, during nearly forty years, as a member of the General Assembly, as the Superintendent of a Province, and as Auditor-General, in dealing with the Crown lands, I may be allowed to correct the Minister's information on the subject. At first, the lands in the Auckland district alone were administered by the Government: those in other parts of the colony were in the hands of the New Zealand and other companies. Shortly after the Constitution Act came into force the lands were handed over to the provinces, by whom Commissioners of Crown Lands were appointed and paid. Receivers of Land Revenue were first appointed by the Governor,

under "The Land Revenue Appropriation Act, 1858," the Commissioners being still officers of the Provincial Governments. It was not till 1869 that the appointment of Commissioners was removed from the Provincial Superintendents and vested in the Governor. Nor is a word to be found in the above, or any other Act, by which Receivers have been made more dependant on the Commissioners than they were when the two were officers of different Governments. On the contrary, the Receivers were made by the Act of 1858 not only independent of, but in one respect the superior officers of the Commissioners; for it provides that no Crown grant shall issue until the Receiver has certified that the land has been disposed of according to law—thus revising the Commissioners' action—and that the money has been paid; and the same provision is repeated in the Crown Grants Act of 1883. Indeed, so entirely was the Receiver of Land Revenue independent of the Land Office, that for many years the office of Receiver of Land Revenue was combined with that of Receiver of Customs.

3. The Minister states that the "alteration" of removing the audit to the Land Department "was first suggested by the Controller and Auditor-General himself." The only words to which such a statement can apply are those used by me in a letter explaining the cause of arrears of the work in the Audit: "Under the circumstances, I am compelled to ask for the appointment of a competent clerk to assist in the work" (the audit of the land revenue) "or, as an alternative, that I may be relieved altogether of the task of auditing the land revenue accounts." Whether the above words, urging that without additional assistance the accounts could not be audited in the Audit Office, can be truthfully interpreted into a suggestion to remove the audit into the Land Office, and to take a clerk away out of the Audit Office to do the work, I respectfully leave it to the Committee to determine.

4. The Minister says: "The Controller and Auditor-General's statement that the information was imparted to me by a subordinate officer of his department, without the Controller and Auditor-General's knowledge, is almost incredible and altogether untrue." Adding that I "brought Mr. Smith to his office, and personally introduced him in order that he might explain the intricacies of the matter then under investigation by him." I will not violate the courtesies of official correspondence by saying that what the Minister has written is untrue; but I may be permitted to show that he is strangely mistaken. It is perfectly true that I introduced Mr. Smith to the Minister "*to explain the intricacies of the matter then under investigation by him*"; that is to say, the trial for conspiracy to defraud the Crown of land revenue; but the information which I said had been conveyed to the Minister without my knowledge was, as is obvious by reference to my letters of the 3rd October, information "*as to the cause of the arrears into which the audit of the land revenue had fallen, or as to the efficiency or otherwise of the system on which it had been conducted, or as to what steps might be taken to provide against such failure in future.*"

That information on these subjects was conveyed to the Minister by my subordinate officers without my knowledge or consent is beyond dispute, and is evidenced not only by the action taken by the Minister but by every line of the Minister's letter under reply. And I must again respectfully assert that I was entitled, not only as a matter of official courtesy, but in common fairness towards the gentlemen in my department, to be taken into council—to be informed of the reasons, and to be made acquainted with the *information* upon which the decision was arrived at, to make so great a change in a department over which I had presided for twenty-six years. And I feel bound to place on record my strong conviction, that such a violation of the recognised relations which subsist in the English and all Colonial Governments between the Ministers of the Crown and the permanent heads of departments, especially in the case of such an office as that which I have the honour to fill, would, were it to become general, result in destroying not only all discipline, but every feeling of honour and loyalty in the public service of the country.

It is painful to me to be compelled to call attention to the fact that, in the paragraph of the Minister's letter commencing with the words, "*The so-called interim report,*" the Minister has stated to the Committee that I had expressed certain opinions to a subordinate officer of my department, and has made that statement without inquiring from myself whether I ever held such opinions, or whether the information conveyed to him by that gentleman was true or not. It is sufficient for me to state to the Committee that the information conveyed to the Minister is entirely untrue; although it may have arisen from a distortion of the truth that I have ever discountenanced and checked violent and positive assertions as to the dishonesty of a public servant until such evidence was before me as to substantiate the charge.

But I must be permitted to say that if private information as to the opinions of the head of a department are to be conveyed to a Minister of the Crown by a subordinate officer, and to be rewarded by exceptional advance in salary, the public Service of this colony will become one into which any person having any sense of honour or honesty will scorn to enter.

The only other charge to which it is necessary for me to reply is that upwards of £7,000 worth of land-scrip has passed through the Audit Office uncanceled, and capable of being again used in the purchase of Crown lands. I may explain that the scrip in question is attached as a voucher to the cash-book of the Receiver, which is sent up monthly to the Treasury, and by it to the Audit Office. After audit the cash-books are bound up in volumes and kept in the Treasury, the vouchers being firmly pasted into the cash-books. It is not the duty of the Audit Office to cancel the scrip. That should have been done by the Receiver of Land Revenue at the time he received it in lieu of cash.

From an inspection of the numerous volumes of cash-books of the Receivers of Land Revenue from and after the year 1880, I find that it was the uniform practice of the Receiver to cancel the land scrip by writing across it in red ink the word "Cancelled," or "Exercised," with the name of the Receiver. This was the case so long as the land revenues were collected by the Collector of Customs. But in the year 1883, a separate Receiver of Land Revenue was appointed at Auckland, and then, for the first time, scrip was sent up uncanceled. It is not unworthy of remark that this defect should have been coincident with the transfer of the Receivership from the Customs to the Land Department. I find the first uncanceled scrip was exercised in February, 1884.

Up to November, 1883, the Land revenue cash-books were examined by several clerks successively in the Audit Office, the last being the late Mr. Halse, through whose hands no scrip passed uncanceled. In December, 1883, Mr. C. O'H. Smith was intrusted with the work; and it is somewhat singular that the first case of uncanceled scrip coming into the Audit Office should have appeared when Mr. Smith was the examiner. I need not say that no report was ever made to me on the subject, although uncanceled scrip was received and remained unnoticed for more than a year whilst he was Examiner of the Land Receiver's cash-books; nor is it surprising that a fact which escaped the notice of so vigilant an officer should have been overlooked by his less fortunate colleagues, who are now charged with a grave omission of which he established the precedent.

I have not had time to test the accuracy of the statement that the uncanceled scrip which passed the Audit Office amounted to £7,000. I presume that that amount includes the transactions of the two years during which the cash-books have not been examined. But, in any case, I may be excused for declining to accept, without examination, any statement appearing in the company of so many in which the Minister has been clearly misled by inaccurate information.

In conclusion, the Minister has thought proper to call the attention of the Committee to circumstances which imply, in his opinion, that the officers of the Audit Office have failed in the performance of their duty. Were there any truth in such allegations, I respectfully submit that I have grave cause of complaint that a Minister of the Crown, instead of proposing such measures as might prevent any such failure of duty in future, in which he would have been cordially assisted by myself and every officer in the department, should have allowed himself to be made the mouthpiece of vague aspersions, and, without inquiry, to take such steps as could not fail to depreciate the character and impair the ability of the Audit Office in the performance of the duties intrusted to it by Parliament.

I have, &c.,

JAMES EDWARD FITZGERALD,

The Chairman, Public Accounts Committee.

Controller and Auditor-General.

No. 2.

The Hon. the MINISTER OF LANDS to the CHAIRMAN, Public Accounts Committee.

SIR,—

Office of the Minister of Lands, Wellington, 7th August, 1893.

I deeply regret that I have again to refer to the statements of the Controller and Auditor-General.

My previous letter of the 4th October, 1892, was not meant to formulate charges against him, as his letter of the 23rd June last would imply. There are some points in his last letter to which, however, I must refer.

The Controller states that he understood me to say that no accounts were kept in my department. I did not make such a statement. What I did say was, that the department did not keep complete accounts at the Head Office; the fact being that separate accounts were kept at the various branch offices.

Second, I do not think it necessary to deal with the history of the audit of land accounts. The fact that the Receivers of Land Revenue were at one time officers of the Customs, seems to me of no moment, as they have been since 1883 officers of the Land Department, subject to audit by the Audit Department.

Third, the Controller complains of my statement that the alteration of moving the audit of the Land Department from the Audit Office was first suggested by him. I submit that his letter is an admission that he suggested, as an alternative to the appointment of extra clerks, that the Audit Department should be relieved from the task of auditing the land revenue accounts, and this admission is sufficient justification of my previous statement. I accepted the alternative, and relieved the Audit Department of the task. The suggestion first came from the Controller.

Fourth, the next complaint is that the information I received in reference to the audit of the land accounts came from a subordinate officer of the Audit Department without the Controller's knowledge. I have to state that it was the Controller himself who first brought Mr. O'Hara Smith to me, and said that he would explain the intricacies of the audit. I may, however, point out that so far as the conspiracy cases were concerned, the first case in Auckland had been finished, and the second case in Wellington had not been started when Mr. Smith was first introduced to me. It was not, therefore, in reference to any special case that Mr. Smith's services were to be used by the Land Department. Whilst in Auckland Mr. Smith received telegraphic instructions from the Controller that he was to be practically under the Land Department. I do not consider, therefore, that there was any impropriety in getting all the information I could from the officer practically placed at my disposal by the Controller. It was only when I had the opportunity of hearing his explanations that I came to the conclusion that the Audit Department, so far as the land revenue was concerned, had been inefficient; and the determination to take the audit of the land revenue into my own hands was taken after full investigation of how it had been conducted in the past. If I had to look to precedents, I had two in the fact that the Railway and the Customs Departments—both revenue departments—had been taken from the Audit Department, and were audited by these departments themselves.

Fifth, as to the uncanceled scrip, I would point out that clearly the charge I made against the Audit Department has not been met. It was the duty of the Audit Department to see that the scrip was marked as having been exercised, and neither the Receivers nor the Audit Department had done their duty in not having it so marked. There was a great danger of the revenue of the colony being defrauded by the second exercise of scrip.

Sixth, I may state for the Committee's information that, since Mr. Smith's appointment to my department, an entirely new system of cash-books and ledgers has been adopted, and the accounts of the department have been placed on a more uniform and satisfactory footing; and I feel sure that the defects of the system in the past will be removed. In saying this I may point out that considerable leakages have been found out in the mode of collecting revenue, and it has been discovered that no less a sum than £994 15s. 8d. has been lost though previous lax and inefficient audit.

I do not think it necessary to make any further comments on the Controller's letter, or on the history of the audit of the Lands Department. All I ask is that the facts I have stated should be kept in mind by the Committee in reading the Controller's letter in exculpation of himself and his department.

I have, &c.,

JOHN MCKENZIE,
Minister of Lands.

The Chairman, Public Accounts Committee.

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