

No. 9.

The Treasury.

Audit Office, Tuesday, 19th October, 1897.

WITH reference to the Treasury memorandum of Saturday, the 16th instant, which I received yesterday, and from which I understand it to be the desire of the Treasury to know more particularly than can be gathered from my report on the quarterly accounts of the colony the nature of the fruitless requisition on the Mines Department, I beg to attach a copy of my letter of the 1st instant [No. 1], representing the position of the Hon. the Minister of Mines.

The requisition, as will be seen by a perusal of that letter, was made long before the close of last financial year, and I am in doubt whether it would have been right or proper in the Audit Office to send of its own motion a report of the matter to the Treasury, with a view of affording the Treasury an opportunity of seeing whether it was not possible for the Treasury to obtain what has been refused to the Audit Office. The Minister of Mines, in a letter of the 16th instant, has replied that he would rather, under all the circumstances, that I should carry out my intention; and it would thus seem that I am not to look for any such undertaking to comply with the requisition as would justify me in withdrawing from my report the reference to the matter.

But whether the failure of the Mines Department to comply with the requisition, and the consequent inability of the Audit Office to satisfactorily verify the receipts brought to charge in the cash-books, &c., which are the foundation of the certified accounts of the Receiver-General, should or should not concern the Treasury, it appears to me that, though a misconception exists as to the object and scope of the auditing for which the law provides, the reference that my duty requires me to make to the failure of the Mines Department should not imply any inaccuracy in the quarterly summary or compilation itself which the Treasury presents of the certified accounts.

The Audit Office certificate, so far as it directly applies to that summary, may, I think, be regarded as restricted to the correctness of the compilation; and I have, consistently with this view, so altered my report as to make the failure of the Mines Department affect the cash-books of the Receivers in respect of the doubt for which the Treasury disclaims responsibility, and not the Treasury compilation from those cash-books.

The law requires that the accounts shall be audited. The accounts cannot be said to be audited which are not examined in the foundation, no less than in the superstructure, and the Treasury would be under a misconception in understanding my report to be applicable only to the examination of the Treasury compilation. If the Receivers do not account to the Treasury for what they actually receive and ought to account, the very foundation of the Treasury compilation is at fault, though the accuracy of the compilation itself may be unquestionable. The Audit Office, in certifying the account which the Receiver-General prepares day by day from the cash-books and abstracts of the several Receivers, obviously cannot previously verify the correctness of the receipts of revenue entered in those cash-books and abstracts.

The verification takes place in due course, and the Audit Office, in certifying, without taking any exception to each account prepared by the Receiver-General, does so on the assumption that the ultimate examination will disclose nothing wrong; and this practice, though justifiable as long as there may be no serious obstacle or interruption to the verification, is, when the contrary is the case, not justifiable.

Now, the course which the Audit Office desires and thinks it expedient to follow in order to satisfactorily verify the entries of gold-revenue receipts in the cash-books, and for the purpose of which the requisition has been made upon the Department of Mines, cannot be followed because the department has failed to comply with the requisition. It does not, consequently, appear to me that I should be justified in certifying that the accounts have, in a complete application of the term "audited," been examined and found correct, unless in doing so I refer to the failure of the Mines Department. The certificate would otherwise, in my judgment, be misleading.

But as, if there is a fault anywhere, the Treasury may not be culpable, I have gone as far as I think that I justifiably can go in so modifying the reference as to preclude it from operating to compromise the Treasury compilation. The report which I made on the 15th instant, that "The foregoing accounts have been examined and found correct, except as regards the 'Customs,' 'Railways,' and 'Territorial Revenue' receipts, which are not now examined by the Audit Office, and except as regards the receipts of gold revenue, which the Audit Office is unable to satisfactorily verify through the failure of the Mines Department to comply with a requisition for a certified statement of the amounts collectible as such revenue," is now modified accordingly, and stands thus: "The foregoing accounts have been examined and found correct, except as regards the 'Customs,' 'Railways,' and 'Territorial Revenue' receipts, which are not now examined by the Audit Office; but, as regards the receipts of gold revenue, the Audit Office is unable to satisfactorily verify them through the failure of the Mines Department to comply with a requisition for a certified statement of the amounts collectible as such revenue."

The attached memorandum of yesterday [No. 8] in which Mr. Gavin reviews the position, and explains what would appear to be the meaning and scope of the several Audit certificates appended to the Revenue Account, will, I think, be interesting to the Treasury, and can hardly fail to be regarded by the Government as a valuable contribution in the direction of insuring a clearer comprehension of the provisions of the Public Revenues Act for auditing the public accounts.

J. K. WARBURTON,
Controller and Auditor-General.