

difference of opinion by deciding that the said debentures and expenditure ought to be charged on the Consolidated Fund, and that the said debentures bearing on their face a statement that they are so charged are in accordance with law, and may lawfully be countersigned and issued accordingly.

Given under the hand of His Excellency the Governor, at the Government House,
at Wellington, this twenty-second day of August, one thousand nine hundred
and one.

R. J. SEDDON.

In Executive Council.

ALEX. WILLIS, Clerk of the Council.

No. 28.

The Audit Office.

FURTHER Warrant of His Excellency the Governor deciding that certain debentures under "The Aid to Public Works and Land Settlement Act, 1900," are charged in accordance with law, and may be lawfully countersigned and issued, is attached.

I again submit the debentures for countersignature. They are urgently required.
24th August, 1901.

JAS. B. HEYWOOD.

No. 29.

The Hon. the Colonial Treasurer.

Audit Office, 26th August, 1901.

Audit Office Objections to 4-per-cent. Debentures for £255,000, issued under "The Aid to Public Works and Land Settlement Act, 1900," on 4th June, 1901, and repayable on 1st April, 1904.

THE Governor having determined, under section 9 of "The Public Revenues Acts Amendment Act, 1900," the question respecting the interest to be paid to the purchasers of these debentures, by deciding that interest at the rate of 4 per cent. per annum shall be payable from the 1st April, 1901, the Controller and Auditor-General has now countersigned them, and will in ordinary course lay before Parliament, in accordance with the provisions of the Public Revenues Act, a copy of the correspondence on the subject.

The recollection of the Audit Office does not bear out the statement that "the draft prospectus was submitted to the Audit Office, and was not objected to." The draft was shown to the Audit Office in an unofficial way; but the Controller and Auditor-General, not only then but on several other occasions, pointed out in the same way that the terms of the prospectus as to interest went beyond the statutory limit as to its rate. And the official inquiry of the 11th April was addressed to the Minister because the Audit Office had not then been informed that any notice had been taken of such unofficial objection, and the Controller and Auditor-General therefore desires to have the question raised by the Audit Office recorded, and to make clear his own position as a witness to the opening of the tenders.

But, as to the objection itself, the debentures have been purchased at the price of £100 for every £100 named in them, and they are to yield, as interest to the purchaser on the purchase-money, the *amount* that the *rate* of 4 per cent. per annum would so yield if the purchase-money had been paid for three whole years. The question thus is simply whether the debentures which so yield that *amount of interest* do not yield a *higher rate of interest* than 4 per cent. per annum to the purchaser whose purchase-money is paid for a period of less than three whole years—whether, in short, the *amount* of interest at the full rate of 4 per cent. per annum will not be greater for a period of three whole years than for a shorter period.

It is not to the point to refer to any loan such as that of 1879, or that of 1899, where the loan is issued to bear interest at a rate lower than the rate to which the purchaser is limited by the Loan Act, and the concessions are not calculated to result in a sale at a price that could yield to the purchaser more interest than such limit would allow. There may have been one case, or even more than one, of the limit having been exceeded. But the Audit Office does not know that what has been done in the present case is in strict accordance with established usage and practice either in New Zealand, or in other countries limited like New Zealand by statute as to the rate of interest, and cannot but object to any such limit or degree of concession as may be beyond the limit of the statute.

If the sale of the present debentures at the price equal to the nominal value had been a sale at that price of debentures bearing interest at the rate of $3\frac{1}{2}$ or even $3\frac{3}{4}$ per cent. per