

MINUTES OF EVIDENCE.

FRIDAY 21ST OCTOBER, 1904.

J. K. Warburton, Controller and Auditor-General, examined.

1. *Right Hon. R. J. Seddon.*] Have you anything to add, in respect to the countersignature of these debentures, beyond what is submitted in your memorandum?—No.
2. There was a doubt in your mind as to the appointments?—Paper No. 7, addressed to the Colonial Treasurer, explains the position. “The Bank of New Zealand Act, 1903,” requires the Controller and Auditor-General to countersign the fresh debentures of the Assets Realisation Board, to take the place of the balance of the unredeemed outstanding debentures which matured on the 31st March, 1904. The Audit Office was not the auditor of the bank or of the Assets Realisation Board; and the Government Auditor of that Board had, previous to 31st March, accepted office in the administration of the bank and was no longer Auditor. In those circumstances the Audit Office had either to audit all the accounts of the Assets Board in order to ascertain the position, or to accept them as they were accepted and to inform Parliament. It seemed to me necessary to inform Parliament of the countersigning in the circumstances.
3. Do you base your contention that Mr. Macintosh had ceased to be Auditor simply on this, that he had accepted a position in the bank?—He had accepted the principal office in the administration of the bank, and the Auditor’s duty was to audit—
4. My question is this: Is it your contention that, because Mr. Macintosh had accepted office under the bank, perforce by such acceptance he had ceased to be Auditor?—I did not think he had ceased to be Auditor, except in the sense that his certificate as Auditor for the purposes of my countersignature of these debentures was unsatisfactory.
5. Though he had not ceased to be Auditor, still it was unsatisfactory because he held the dual position?—He held the position of chief administrator of the bank—General Manager.
6. Is there anything in the Bank of New Zealand Act, giving power to the Governor to appoint an Auditor, which says that one person may not hold the two positions?—There is nothing expressly to that effect, so far as I recollect. But there is no doubt whatever to my mind that the two positions are incompatible.
7. That would be a matter for the administration to be responsible for, would it not?—It was unsatisfactory to me that I could get only the certificate of an auditor who was the General Manager of the bank of which he was auditor; and in any circumstances if he had not accepted the general-managership of the bank I had no foundation for the certificate except the Auditor’s assurance. As a general rule the Audit Office is appointed to countersign debentures of the Government, whose accounts are audited by the Audit Office. I have no doubt that the fresh debentures issued and countersigned correctly represent the outstanding debentures. The difficulty was a matter of the theory or principle of a satisfactory audit.
8. I suppose the same thing applies to those Government Departments that have their own officers auditing the accounts—you have pretty well the same feeling about that? For instance, the officers of the Lands Department, the Postal Department, and the Railway Department—they all do their own auditing?—They audit only the revenue, but practically we audit that revenue too. We audit the receiver’s accounts of such revenue, but the detailed audit is done by the administration.
9. You had every confirmation that you desired, as far as it could be given by the officers of the Assets Board and the bank?—I was morally satisfied. Having Mr. Macintosh’s certificate, and the certificates of the Manager of the Assets Board and the General Manager of the bank, I thought that, with the approval of the Government, I might countersign the debentures.
10. *Mr. W. Fraser.*] There is one point I am not quite clear about, as to whether the Auditor-General considers that Mr. Macintosh had ceased to be Auditor, and therefore ceased to be entitled to give a certificate, on account of accepting the position of General Manager of the bank. I understood you to say, Mr. Warburton, that you do not think that was the actual legal effect, although you do not consider it was a right position? Was that what you meant?—I am inclined to think that legally the two positions are incompatible.
11. Yes; but would he cease to be Auditor from the fact of accepting the position of General Manager?—I think so.
12. Surely there would be some statute to say so if that was the case?—As General Manager he was administering the bank of which he was the Auditor for the Government.
13. Do you consider that the fact of Mr. Macintosh having accepted the position of General Manager of the bank in any way affected his position as Auditor to certify to the accounts of the Assets Board?—Yes; because his position as General Manager was incompatible with his position as Auditor, and in that case he was not a satisfactory auditor for the purposes of my countersignature.
14. The certificate was not a certificate so much of the bank affairs as of the Assets Board’s affairs—is that not so?—Yes.
15. Very well. How far did his taking the position of General Manager of the bank become incompatible with his holding the position of Auditor of the Assets Board?—Because the Auditor of the Assets Board is, under the Act of 1895, the Auditor of the Bank of New Zealand, and if he accepted the position of General Manager of the bank, and that acceptance took him out of the position of the bank Auditor, he was then no longer Auditor of the Assets Board. And there was this, further, that those Assets Board debentures were delivered by the Assets Board to the bank.