

for which the colony has issued securities. They are not *the proceeds* of loans paid to the Superintendent under section 26, nor are they all *moneys received* by the Government or Colonial Treasurer for the purpose of the Debenture Fund, and the result of that is that a large balance, being a deficiency of the loan-floatation charges, has to be entered on the other side of the account as an asset. The difference between the amount the Superintendent has received and the amount the Government is liable for is entered under the head of "Assets." Then we come to the Assurance Fund, which is entered as a liability, and on the other side of the account as an asset. Now, the Assurance Fund is defined by section 53, subsection (3): "The Assurance Fund shall be held and invested by the Public Trustee in manner provided in section 57 of this Act," and section 57 provides that "All moneys paid over to the Public Trustee for investment under the provisions of this Act shall be invested by him in such of the securities sanctioned by section 10 of 'The Public Trust Office Acts Amendment Act, 1891,' as will yield the highest rate of interest, and, save in so far as is otherwise provided by this Act, he shall dispose of such moneys and the interest thereon *as the Governor in Council may from time to time direct*." That fund is clearly not an asset of the Superintendent, but an asset of the Government, to be disposed of "as the Governor in Council may from time to time direct." The Suspense Account of the balance-sheet speaks for itself. "Accrued interest payable." Now, if this was a correct balance-sheet in accordance with the Act—and the Audit Office says it is not—it would be incorrect in this respect: The accrued interest entered as payable does not include a sum of £2,850, which was the accrued interest on the sundry loans from the Treasurer.

2. Where do you find those figures—the £2,850?—Accrued interest is not put down in the statement of liabilities. It is omitted. It ought to be there in order to make the account a perfect balance-sheet of its kind. It has been accidentally omitted, I presume. But the balance-sheet which the Audit Office considers to be required under section 50 of the Act does not contemplate any accrued interest. It is a balance-sheet of cash accounts. Then, as to the Profit and Loss Account: the balance there is a balance made up of accrued interest—£6,369 19s. 4d. Section 53 of the Act requires that any balance standing to the credit of the Management Account shall be paid into the Assurance Fund at the close of each financial year. That can only be understood as the balance of cash in the account, because it would be impossible to pay over accrued interest arising from a book entry. A book entry is not taken into consideration here. A book entry is of no moment when it does not come into a statutory balance-sheet into which it is not required by the Act to come. When it comes into the balance-sheet required by this Act it is illegal—it is not a cash entry. On the side of the assets we have, "Investment Account—advances on mortgage £4,156,105, less repayments £1,402,923 5s. 9d." These repayments are affected by a book entry of £1,734 5s. 2d. not received, which appears lower down under the head of assets, "Mortgage instalments receivable—overdue." The repayments, therefore, are overstated so far as the cash goes. The actual repayments and the repayments according to the books differ to the amount of £1,734 5s. 2d., and the Investment Account of moneys invested on mortgage under this Act should therefore be so-much more. "Temporary investments, Bank of New Zealand": That account is correct. "Sinking Fund investment with Public Trustee" is not an investment under the Government Advances to Settlers Act, nor is it an asset of the Superintendent. It consists of repayments under section 55 of the Government Advances to Settlers Act, and it is under the control of the Colonial Treasurer and the Governor in Council. Subsection (2) of section 55 says, "The interest earned by such sinking fund shall be payable to the Superintendent, but the capital shall be held and retained by the Public Trustee at the disposal of the Colonial Treasurer towards redemption of the debentures issued under Part II. of this Act; (3) the Colonial Treasurer may, however, from time to time direct the Public Trustee to pay over such sinking fund, or any part thereof, to the Superintendent for reinvestment on mortgages under this Act as part of the Debenture Fund, and the Public Trustee shall obey such direction." That money, therefore, in the sinking fund cannot be regarded as an asset of the Superintendent. It is entirely under the control of the Colonial Treasurer and the Governor in Council. Then we come to "Assurance Fund investment with Public Trustee, £125,724 15s. 6d." This is not an investment under the Act. I have already explained that it is not an asset of the Superintendent. "Mortgage instalments receivable—overdue": That is correct in amount. "Bills receivable": That amount is correct. The amount entered as "Interest receivable—accrued" is correct. "Loan-floatation charges, £178,466 3s.": This is really the amount of a deficiency. It is not an asset, and it should be increased, as I have already explained in my objection, by £30,000, by which it was unlawfully written down in 1902 out of the balance made up by entries of accrued interest. The Profit and Loss Account should be corrected as to accrued interest by reducing it by the £2,850 omitted. There was a balance made up in 1902 out of accrued interest carried to the credit of Profit and Loss Account of over £30,000, and £30,000 of that book entry which ought not to come into this statutory balance-sheet has been applied to writing down the loan-floatation charges. Now, I will go to the exceptions or objections in my certificate. I, first of all, remark: "The statement submitted of the receipts and expenditure for the year is correct in showing *the whole receipts and expenditure* which subsection (1) of section 50 requires the balance-sheet to show of *the Advances to Settlers Office Account* during the year." I find now that that certificate went too far—that the statement is not correct. The manner in which it is made correct is this: Under the head of "Receipts"—which should be cash receipts, of course—there is an entry of "Interest on Assurance Fund, Public Trustee, £3,214 12s. 6d." That amount was not received. The Public Trustee credited the Assurance Fund with that amount of interest, and it forms part of the Assurance Fund which the Public Trustee is to hold at the disposal of the Governor in Council. The expenditure has been balanced by overstating by £3,214 12s. 6d., the amount of the balance paid over to the "Assurance Fund investment with Public Trustee." The expenditure is entered as more by that amount—by £3,124 12s. 6d.—than it actually was. The amount credited by the Public Trustee is included in both receipts and expenditure in the statement of the Superintendent, in order, by such a book entry,