1905.

NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF) ON PAPER B.-13 (REPORT ON ADVANCES TO SETTLERS OFFICE FOR YEAR ENDING 31ST MARCH, 1905: CORRESPONDENCE *RE* BALANCE-SHEET); TOGETHER WITH MINUTES OF EVIDENCE.

(MR. MCNAB, CHAIRMAN.)

Report brought up 6th October, 1905, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 28TH DAY OF JUNE, 1905.

Ordered, "That Standing Order No. 218 be suspended, and that a Committee, consisting of twelve members, be appointed to examine into and report upon such questions relating to the Public Accounts as they may think desirable, or that may be referred to them by the House or the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; five to form a quorum: the Committee to consist of Mr. J. Allen, Mr. E. G. Allen, Mr. Colvin, Mr. Flatman, Mr. W. Fraser, Mr. Graham, Mr. T. Mackenzie, Mr. McNab, Sir W. R. Russell, Hon. Sir J. G. Ward, Mr. Wood, and the mover."—(Rt. Hon. R. J. SEDDON.)

WEDNESDAY, THE 12TH DAY OF JULY, 1905.

Ordered, "That Paper 95B (B.-13), Report by the Superintendent of the Government Advances to Settlers Office for the year ending 31st March, 1905, be referred to the Public Accounts Committee.—(Hon. Mr. MILLS.)

REPORT.

THE Committee has carefully considered the report by the Superintendent of the Government Advances to Settlers Office for the year ending 31st March, 1905, and the report of the Audit Office on the balance-sheet under section 50 of "The Government Advances to Settlers Act, 1894" (B.-13, 1905), and has the honour to report:—

That it has examined the Controller and Auditor-General and the Superintendent of the Government Advances to Settlers Office.

That the Controller and Auditor-General objects to the form of balance-sheet submitted by the Advances to Settlers Office as not being in terms of section 50 of the Act of 1894.

That the Superintendent contends that the accounts are put forward in the best form of accountancy, and that section 50 of the Act of 1894 gives full power to the Department to submit its accounts in the form adopted so long as all the information required by the Act is contained in the accounts as stated, and that the accounts presented contain such information.

That the balance-sheet as submitted gives a clear statement of the position of the Department. There is, however, a conflict of opinion between the Controller and Auditor-General and the Superintendent of the Government Advances to Settlers Office as to whether the provisions of section 50 are mandatory and not directory.

That there exists no tribunal to which the dispute between the two officers in question can be determined so as to be binding upon them, and the only course which the Controller and Auditor-General can adopt, holding the views he does, is to certify to the balance-sheet subject to an expression of his views.

That it is of opinion that legislation should make it clear that there is given ample power to the Controller and Auditor-General to certify to the accounts of the Department submitted in any form which will best convey to Parliament the true position of the Department.

ROBERT MCNAB, Chairman.

6th October, 1905.

MINUTES OF EVIDENCE.

TUESDAY, 5TH SEPTEMBER, 1905.

J. K. WARBURTON, Controller and Auditor-General, made a statement and was examined. (No. 1.)

1. *The Chairman.*] The question is whether the balance-sheet of the Superintendent of the Government Advances to Settlers Department is in accordance with the Act?—"The Government Advances to Settlers Act, 1894," section 50, provides for the balance-sheet, which the Superintendent is to prepare and lay before Parliament. The balance-sheet authorised and required is the Superintendents' balance-sheet, and the objection taken by the Audit Office is that the balance-sheet furnished by the Superintendent is not the balance-sheet authorised and required by the Act—that is to say, the statement of assets and liabilities is not the balance-sheet of cash transactions under section 50 of the Act. Section 50 of the Government Advances to Settlers Act requires that "The Superintendent shall within sixty days after the close of each financial year as aforesaid prepare and lay before Parliament if sitting—if not, within fourteen days after the commencement of the next session—a balance-sheet showing—(1) the whole receipts and expenditure of the Advances to Settlers Office Account during such year; (2) the whole receipts and expenditure of the Management Account, also the advances from and repayments to the Consolidated Fund, and the balance outstanding due to that fund; (3) the whole receipts and expenditure of the Investment Account, showing the moneys invested under this Act; (4) the amounts in arrear in respect of principal and interest respectively; (5) such further accounts and particulars as may be prescribed by regulations under this Act." Taking subsection (1) of this section 50—"The whole receipts and expenditure of the Advances to Settlers Office Account during such year"—these are the whole receipts under section 46 of the Act, which provides that, "The Debenture Fund, and all other moneys whatsoever, belonging or payable to the Superintendent"—that is, that all the cash receipts of the office during the year "shall be paid into a bank," &c. Subsection (2) of section 50 says, "The whole receipts and expenditure of the Management Account," &c., and under section 48, subsection (1), the Management Account is specifically described, and as the balance of that account is required to go to the Assurance Fund under section 53 of the Act, the Management Account is obviously a cash account. Then subsection (3) of section 50 states, "The whole receipts and expenditure of the Investment Account," and the Investment Account is defined under section 48 subsection (2)—"An Investment Account, which shall be credited with (*a*) All moneys received from the Government or the Colonial Treasurer for the purposes of the Debenture Fund; and (*b*) all principal moneys repaid by mortgagors: And shall be charged with all moneys invested on mortgage," and all moneys temporarily invested. Section 4 of the Amendment Act of 1895 provides for the addition of the moneys temporarily invested. There is no provision for a statement of assets and liabilities, or for a profit and loss account. There are no provisions for such a balance-sheet as a financial company dividing profits would be required to render. There is no authority to include an account of accrued interest in the balance-sheet under section 50. The Superintendent's position is this: Under section 26 of the Act, "The funds of the Advances to Settlers Office to be invested by way of advances on mortgage as aforesaid consist of *the proceeds* of all Government loans raised from time to time under Part II. of this Act (hereinafter called 'the Debenture Fund')." The nominal amount of the loan—the amount for which the Government is liable is under section 35 of the Act—"The sum of money named in any debenture, scrip, or other security issued under the authority of this Act, and all interest thereon, are a charge upon and shall be paid out of the Consolidated Fund of New Zealand." It is the Consolidated Fund which is liable, and the Colonial Treasurer who has to account for the amount of the loan. There are only two accounts under this Act which, for the purposes of the balance-sheet, the Superintendent is to keep, besides the one General Account of all receipts and payments. They are both under section 48 of the Act—"(1.) The Management Account, which shall be charged with—(*a*) All interest and charges payable in respect of the loans raised by the Government for the purposes of the Debenture Fund; (*b*) one-tenth of all the moneys received in respect of interest on investment under this Act (to be transferred to an Assurance Fund, as hereinafter provided)" (see section 53); (*c*) All salaries and other expenses incurred in the general management of the Advances to Settlers Office; (*d*) all interest payable in respect of advances obtained from the Consolidated Fund under section 49 of this Act; (*e*) all other moneys payable under this Act: And shall be credited with—(*f*) all interest received in respect of investments under this Act; (*g*) all costs and fees received in respect of mortgages or otherwise; (*h*) all other moneys paid into the Advances to Settlers Office Account other than moneys belonging to the Debenture Fund, whether invested or uninvested." The Debenture Fund Account I have already described. They (the Management Account and the Investment Account) are the only two accounts which, besides the General Account of all moneys, the balance-sheet is authorised and required to comprise. The objection raised by the Audit Office is that the balance-sheet furnished by the Advances to Settlers Office of assets and liabilities is not the balance-sheet of the Superintendent under section 50 of the Act. It would be well to go through it. First of all, under the head of "Liabilities" is a 3-per-cent. loan of £1,500,000; then there is "3-per-cent. loan, redeemable 1st April, 1945, 'B,' £500,000"; then "Advances on account of loans, £210,000." These are the amounts for which the Consolidated Fund is liable—the sums

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-flotation 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 receiveable—accrued" is correct. "Loan-flotation 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-flotation 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,

to bring the account of the Assurance Fund conveniently into the statement of assets and liabilities. Now, the whole objection of the Audit Office is this: That the balance-sheet furnished by the Superintendent is not the balance-sheet authorised and required by the statute. It is such a financial statement of the position of the colony in respect of the office as the Colonial Treasurer should furnish; it is not a balance-sheet, under section 50 of the Act, of the cash transactions of the year.

3. *Mr. W. Fraser.*] Is not the evidence you have given to-day the same evidence you gave to this Committee two or three years ago?—In effect, the same.

4. On that occasion I think you were asked whether you did not require some alteration in the Act. If I remember rightly, you contended that so long as the Act remained unaltered this balance-sheet was not in accordance with the Act?—I did, and I added that if a balance-sheet showing the financial position of the colony were given, it should be one given independently of the statutory balance-sheet.

5. That is, a balance-sheet of the Department—not of the colony; is that what you meant?—I meant to say this: the only account which I should certify to should be the balance-sheet authorised and required by the Act, and that if a balance-sheet showing the financial position of the colony was supplied, it should be supplied independently or separately without my certificate, until an Act of Parliament required such a balance-sheet to be certified by me.

6. I ask you again what you mean by "the financial balance-sheet of the colony"? Do you mean the colony in relation to this Department?—Yes, the colony in relation to this Department.

7. You are of the same opinion as you were two or three years ago—that the balance-sheet then produced, and which you declined to sign, was not in accordance with the law?—Yes.

8. Do you feel it to be your duty as Auditor to insist that the accounts of this Department should be presented to the House in the form prescribed by law, and no other?—Precisely.

9. That is your contention?—That is my contention.

10. It is the only one you will certify to?—The statutory balance-sheet is the only balance-sheet that I can certify without objection.

11. How was the difficulty got over two or three years ago, and last year?—By furnishing statements which virtually complied with the Act. There is no separate statement here of investments by the Superintendent, nor does the balance-sheet show his moneys available for investment.

12. Then, if the Superintendent of the Department had prepared a balance-sheet similar to that of the last two years, which you then certified to, would you have certified to this?—Yes, I should, with the addition of the balances I have added in former years. They were not altogether satisfactory to me, but I considered they met the statutory requirements.

13. And do you know why it is that this year the practice followed last year and two years ago has been departed from?—No, I do not know why.

14. Do you hold, as an officer of the House, that you are the person, until the House directs otherwise, to say in what form the balance-sheets are to be prepared?—I do not think I have that power.

15. Do you take up that attitude?—No, I do not think I have that power. I do all I can to get the Departments of the Government to do what I think is satisfactory, but I do not think I have the power to say they shall do it. I certify to them with such objections as I think fit.

16. Do you take to yourself the power of refusing to certify to an account which is not prepared in accordance with your interpretation of the Act?—No. If it is submitted to me as an account prepared in accordance with the law, I take exception to it. I certify to it with such remarks as I think fit to make, and these remarks may extend to saying that the account is not a statutory account, and even that it cannot be audited.

17. I want to know why you have not certified to this balance-sheet: you tell me that it is not done in accordance with the Act?—I have certified to it.

18. Where—there is no certificate here?—"Report of the Audit Office on the statements submitted for its certificate. . . . certified in accordance with the provisions of the Public Revenues Act," &c.

19. Your signature is not here?—Yes, it is.

20. That is the signature at the bottom of the tag. There is no signature at the bottom of the account?—I can only sign subject to my remarks.

21. There is no certificate on the similar balance-sheet of last year?—No.

22. Was there any reason why the Department should not furnish the accounts in a similar way to what has been done for the last three years?—I do not think there are any reasons why the Department should not have furnished them. They might have been furnished in a more satisfactory compliance with section 50, but I know of no reason why section 50 of the Act, which specifies the balance-sheet, should not have been followed.

23. *Mr. J. Allen.*] I want to know why this Auditor-General's report submits this statement as correct in writing, and yet he wants to amend it now. With regard to the receipts and expenditure, I understand you to say that they are not correct?—I have taken exception to the omission of accrued interest on one side. It will be seen in these remarks, in the lower part of the large central paragraph, "except the amount accrued of interest payable in respect of the loans raised by the Government for the purpose of the Debenture Fund."

24. You told us verbally that the statement of the receipts and expenditure was not correct, and yet you have given us a written document to say it is correct: I want to know why you have altered your mind?—The statements in detail of these receipts and expenditure are examined by a clerk in the Audit Office, and on his assurance that the cash receipts were as they are stated I certified the accounts. When I came afterwards to ask him how the interest on the Assurance Fund, which there was no authority to transfer to the Advances to Settlers Office Account, had been so transferred without the Order in Council under section 57 of the Act, I found that he had been

misled, or had mistaken the entry in the Public Trustee Account of interest credited to be a sum received by the Superintendent from and paid back to the Public Trustee.

25. Was this amount actually paid to the Superintendent?—No; it was money credited to the Assurance Fund as interest by the Public Trust Office. It goes to increase the fund; and, in order that the statement of the assets and liabilities of the Superintendent may conveniently show this fund, the Superintendent makes the book entry.

26. Is this book entry on the receipts side?—Yes, and the amount paid over to the Assurance Fund is also a book entry to the amount of such interest.

27. Is that the only difference between your objections this year and your objections last year and previous years?—They are in effect the same as they were then.

28. Did you object to this sinking fund investment being included in the assets before?—I objected to them some four or five years ago—it was in 1902 when I objected to it. The sinking fund of the Public Trustee is not an investment under the Act. You have to pick out from the assets the investments under the Act.

29. How would you show it?—I think it would be the Minister's function to show the position of the Government in respect of the office.

30. Suppose you take it out of the assets, what do you do—do you show a deficit?—The Advances to Settlers Office is not authorised or required to show a statement of assets and liabilities in the balance-sheet, nor a profit and loss account.

31. Simply a cash account?—Yes.

32. Would you consider that altogether satisfactory to members of Parliament?—I must speak from the point of view of the statute.

33. I want to know from the point of view of the man who desires to understand the position?—I think if this were made correct—if the loan-flotation charges, which is rather a deficiency than an asset, were taken out, and the Profit and Loss Account were taken out—you cannot very well have a Profit and Loss Account with a deficiency of £308,000—this statement presented of assets and liabilities is a statement, it appears to me, which is to represent two inconsistent positions—the position of the Superintendent and the position of the colony in respect of the Advances to Settlers Office. If that statement of assets and liabilities were made correct, and were to be a statement of the liability of the Consolidated Fund in respect of the Advances to Settlers Office, then I would say there is no objection. It seems to me to be a very proper statement to make to show how the colony stands in respect to the Advances to Settlers Office.

34. Do you not think the law should be amended so as to provide that we can get a statement of assets and liabilities as well as a profit and loss account?—I think it might well be amended in that way; but the statement would be rather one for the Minister to furnish than for the Superintendent of the Advances to Settlers Office.

35. Why should not the Advances to Settlers Office show a profit and loss account?—I do not know.

36. From the point of view of a member of Parliament who wants to know what the position of the Department is, is simply a statement of the Cash Account sufficient to let him understand the position of the Advances to Settlers Department?—If you keep to the letter of the law—to what the Act authorises—if you render such a balance-sheet as the Act authorises and requires, it is very easy to state the position of the Government in respect to the office.

37. *Right Hon. R. J. Seddon.*] You say that you want the balance-sheet to be made out as the law prescribes: you say that this one is not as is prescribed by law?—No, it is not.

38. And you consider it to be your duty to construe and interpret the law in this instance?—Precisely.

39. And in your interpretation of the law that is why you demur?—For that reason only.

40. On the last occasion when this matter was before the Committee (I.–11B) you were asked by Mr. W. Fraser (Q. No. 93), "Then, you do not think there is any necessity for altering the statute?" and you replied, "I think not, except, perhaps, to make clearer the meaning that I take it to have. I understand that it requires a balance-sheet, and that with that balance-sheet certain statements shall be furnished." Q. 94: "Can you suggest any alteration in the statute which would enable the Department to issue a more intelligent and intelligible balance-sheet?" and your answer was, "I think not. I would not alter the statute in that respect. I would allow the Department to publish its own statements—its book-keepers' accounts—as at present, showing what it considered to be the financial position of the office, and to bring that, if necessary, into agreement with the statutory balance-sheet and statements which the Audit Office would certify—that is to say, the balance-sheet and statements of cash transactions"?—Yes, that is in effect what I have just said.

41. The next question is, "95. Do you mean that the report of the Advances to Settlers Department should contain two sets of balance-sheets—one certified to by you as being in strict conformity with the statute, and the other prepared more from an accountant's point of view?" Then you reply, "I see no objection to it. The other would be in the shape of a report. The cash transactions account would be clearly shown. A large investment of money may bring in a large income in the shape of interest perhaps only a week after the end of the year for which the account was rendered. Now, that income would belong almost entirely to the preceding year." Q. 96: "As accrued?—As accrued. It may come in the day after the close of the year." Then, there is another important question put to you: "100. Then, would it not be an advantage to alter the statute in that direction?" and you reply, "It might be considered so. It might be considered an advantage to have a real profit and loss account for a Department like the Advances to Settlers Office—to have authority to furnish an accountant's statement of the profit and loss of the Department, taking in everything that is received in the year as belonging to the year and what properly belongs to the year." Then, you are asked, "101. In view of that, you modify the statement which you made to me just now that you do not see any necessity for altering the state-

ment?" and you reply, "I still do not see any necessity." Are you of opinion to-day that there is no necessity to alter the statute?—I think, if a cash account under the statute is furnished and certified, that you can deal——

42. Does not the balance-sheet as presented more correctly show the position of the colony with respect to the Advances to Settlers Office than those directed by the Audit Office, so far as the colony is concerned?—So far as the colony is concerned, except that I should point out that it is not quite correct. It omits to state the accrued interest payable to the Treasury to date. It credits the Profit and Loss Account with the accrued interest payable by the mortgagors, but it does not debit the account with the accrued interest payable to the Treasury on the loan.

43. You say that was unnoticed?—It was overlooked, I think, then.

44. Who was responsible for it being overlooked, and whose duty was it to see to it?—I cannot answer that question. I take an account as I find it.

45. Is it not your duty to look into it? You do not take everything for granted, so far as I know?—I have certified to it as open to that objection.

46. Is not the Advances to Settlers Office Account part of the colony's accounts, and if not, who does it belong to?—It is the Superintendent's office account under the Act. He is a corporation, and he is in a sense entirely independent of the Government.

47. Is it not part of the accounts of the colony?—They are subordinate only in a sense, but they are not accounts that——

48. You have the same power over this account as you have over the others?—Yes, the same power in respect to the Superintendent's as I have in respect to Government accounts; but this is merely an accident—this omission. I am making no objection to the statement as one of the assets and liabilities of the colony. The only objection I am raising here is to the inconsistency of the statement of assets and liabilities with the statutory balance-sheet which the Act authorises and requires. Beginning with section 26 of the Act, "The funds of the Advances to Settlers Office to be invested by way of advance on mortgage as aforesaid consist of *the proceeds* of all Government loans," and everything through the Act is consistent with such proceeds. The Investment Account is to be credited with all *moneys received* from the Government. I am not objecting to the statement of assets and liabilities as such, but because it is not a compliance with what section 50 of the Act authorises and requires.

49. In other words, you say it is not a correct balance-sheet?—I do not say that, except for a fault or two. It is not a balance-sheet under section 50. Section 50 makes the accounts under the Advances to Settlers Act as simple as it is possible to conceive them. There are two accounts—the Management Account and the Investment Account. Everything in the Management Account at the close of the year goes to the Assurance Fund. This requires no book-keeping or anything of the kind.

50. What is your opinion of this paragraph in the Superintendent's reply: "The balance-sheet demanded and insisted upon by the Audit Office affords no information whatever as to the true financial position of this office, nor any information as to the results of the operations for the year, nor any indication of what the profits are, cost of management, or profits on interest, and a balance-sheet prepared on the lines required by the Audit Office would be incorrect and misleading." What is your answer to that?—I hardly know what answer to give to that, except that the balance-sheet is not required by the Audit Office, but by the Government Advances to Settlers Act. The Audit Office has nothing to do with the book-keeping, which is not necessary to the balance-sheet authorised and required by the Act.

51. The letter says that the balance-sheet sets forth all the assets and liabilities. Do you say it does not?—The Act does not require any statement of assets and liabilities. The Act does not require any profit and loss account.

52. Then, if a profit and loss account is shown, it is a surplusage, and is not required by the Act?—Yes, especially when you put into it accrued interest, which is a mere book entry.

53. Does that not give a more true account of the position, although it is a surplusage, to those who take an interest in the matter, such as a member of Parliament who wants to know the position of the Department and the funds?—Would it not be better to keep strictly to the law first—to do neither more nor less than the Act authorises and requires—to furnish and get certified the cash balance-sheet, then build upon it the other accounts, which should be obviously correct?

54. Should not the accounts of the office show the true relation as between the colony and the office?—I do not object to that, but it appears to me that the position of the colony should be accounted for by the Minister rather than by the Superintendent. However, I have no objection to any account of the position of the colony, if I am not required to certify to more than the law authorises and requires. If Parliament thinks that I ought to certify such an account, then it will alter the law so as to provide for it.

55. In your evidence you took exception to the writing-off of the £30,000, and you stated to the Committee that, in your opinion, the writing-off of that £30,000 loan-flotation charges was unlawful?—Yes.

56. Has that not been submitted to the Solicitor-General?—Yes. He speaks of a book entry, but there is no provision for a book entry.

57. The Solicitor-General says, "As regards the loan-flotation charges, the question seems to me to be a matter more of book-keeping than of law. They are, I think, chargeable to the Management Account, under subsection (1), (*a*), of section 48, and must be written off or otherwise provided for out of profits, as it cannot be suggested that the Consolidated Fund is to meet them." That is the view of the Solicitor-General?—Yes; but these, mind you, are moneys that will not be demanded until the loan matures. They are practically the difference between the proceeds of the loan and the amount to which the Consolidated Fund is liable. Now, section 53 requires that any balance in the Management Account at the close of the year shall be paid over to the Assurance Fund. That balance can only be a cash balance, and to make a balance out of accrued interest for the purpose of writing down loan charges may be legally unobjectionable as a book entry, but it is so objectionable if it comes into the statutory balance-sheet.

58. In that respect you and the Solicitor-General differ?—No. I say the importation into the statutory balance-sheet of cash transactions of these book entries of that kind is unlawful, and also such an entry as makes it appear that loan charges have been paid off from accrued interest.

59. It is essential for the balance-sheet that that £30,000 should be written off?—I do not think it is essential. First of all, there is no Profit and Loss Account provided for. Next, there is no balance to the Profit and Loss Account, for the whole balance of the Management Fund, which includes this Profit and Loss Account, has to be paid over to the Assurance Fund. Then, there is no cash balance. You can make up a balance out of accrued interest as a book entry, but no money is received. It is all book entry, and by and by the loan-flotation charges written down may have to be written up. If the balance was money received it would be payable only to the Assurance Fund.

60. As we are not experts, is there any possibility, as between you experts, of getting any one to help us in this matter—as a kind of reference?—Well, I should be very glad to help in the construction of two statements, which would satisfy everybody.

P. Heyes, Superintendent of the Government Advances to Settlers Office, made a statement and was examined. (No. 2.)

Witness: I would like to go through the Act in order to show that in every particular I have complied with its requirements. I produce a balance-sheet which is in the form required by the Act, except for the one omission that has been referred to, and I will explain that later on. It has been stated that the Act does not provide for anything but a statement of cash receipts and expenditure. Now, turning to section 47 we see it is provided that "All moneys in the Advances to Settlers Office Account, or payable into that account by any person whomsoever, and also all *moneys owing* by any mortgagor on the security of any mortgage under this Act, whether the same *be accrued due or not,* are hereby declared to be the property of the Crown, and recoverable accordingly as from debtors to the Crown." Does that mean that no account is to be kept of accrued interest? I contend that that section provides for accrued interest being accounted for. I also contend that in a balance-sheet the provisions of subsection (4) of section 50 must be complied with, and the arrears or accrued interest must be shown. The only way in which the accrued interest and arrears can be shown in a correct form based on a true system of accounts is in the form I have shown them in the balance-sheet. The balance-sheet I have presented, I say as a professional accountant, is in the orthodox form, and I contend that I have complied with all the sections of the Act. I will go through the Act and will show I have complied with all its provisions in my balance-sheet and statements. First of all, I say that section 47 refers to interest whether it is accrued due or not—it provides for an account being taken of it. Section 48 says, "In addition to such other accounts as he may think necessary, the Superintendent shall cause to be kept the following accounts." That clearly allows for expansion. It allows for further accounts being kept, and does not limit, I contend, the accounts to be kept to those enumerated in the section. I think there is ample provision for expansion of any accounts.

61. *The Chairman.*] What are the accounts enumerated?—Section 48 is divided and subdivided in the correct form of the practice of accountancy. The Management Account is precisely what is known to accountants as the Profit and Loss Account, subdivided into the subsidiary accounts Interest Account and Management Expenses Account. Subsection (1) provides for a Profit and Loss Account in the correct form of accountancy. Subsection (2) provides for the Capital Account—the principal moneys or capital. Subsection (1) is further subdivided to show the subsidiary accounts necessary to complete a Profit and Loss Account, and subsection (2) the subsidiary Capital Accounts. Section 48 reads, "In addition to such other accounts as he may think necessary, the Superintendent shall cause to be kept the following accounts, made up to the close of each financial year ending the 31st day of March, that is to say: (1.) The Management Account, which shall be charged with (*a*) all interest and charges payable in respect of the loans raised by the Government for the purposes of the Debenture Fund; (*b*) one-tenth of all moneys received in respect of interest on investments under this Act (to be transferred to an Assurance Fund, as hereinafter provided); (*c*) all salaries and other expenses incurred in the general management of the Advances to Settlers Office; (*d*) all interest payable in respect of advances obtained from the Consolidated Fund under section 49 of this Act; (*e*) all other moneys payable under this Act: And shall be credited with (*f*) all interest received in respect of investments under this Act; (*g*) all costs and fees received in respect of mortgages or otherwise; (*h*) all other moneys paid into the Advances to Settlers Office Account other than moneys belonging to the Debenture Fund, whether invested or uninvested. (2.) An Investment Account, which shall be credited with (*a*) all moneys received from the Government or the Colonial Treasurer for the purposes of the Debenture Fund; and (*b*) all principal moneys repaid by mortgagors: And shall be charged with all moneys invested on mortgage." I would like to explain this section 48 and the subdivisions of it. There is one prime division which is in accordance with the terms understood by an accountant. Subsection (1) provides for, first, the items under a Profit and Loss Account; and subsection (2), items of Capital Account or principal moneys. Then, the further subdivision of subsection (1) requires just two accounts—namely, Interest and Management Expenses. Clause (*a*) of subsection (1) is the debits to interest, (*c*) is the debits to management expenses, (*d*) and (*e*) are inoperative just now (there is no occasion for them), (*f*) is the credits to Interest Account, and (*g*) the credits to management expenses. The subdivisions of subsection (2) of section 48 form the subsidiary accounts for Capital Investment Account. These are the headings that have to be provided for. But they could not all be shown in one account. If you keep the assets and liabilities in one account it leads to confusion. The section simply gives the general headings of the accounts. There may be two or three different accounts, but they should show these statutory particulars. That is what it means. I take it that the subdivisions of Investment Account embrace the principal moneys to be shown in the accounts.

There may be two or three accounts so long as they show these statutory items. The management expenses and Interest Account should be shown separately. Further, to show that it was intended that the Interest Account should be shown separately, I would point out that section 54 deals specially with the matter. Section 54 says, "With respect to interest, all interest received from mortgagors shall be applied—(*a*) First, in satisfaction of the interest payable in respect of the loans raised under Part II. of this Act; (*b*) secondly, as to one-tenth thereof, in the establishment of the Assurance Fund mentioned in section 53 of this Act; (*c*) and the residue shall be available for the general expenses of the Advances to Settlers Office." I do not know how that is to be shown unless there is a separate Interest Account created to show it. Then, further, take the balance-sheet. Section 50 says, "The Superintendent shall within sixty days after the close of each financial year as aforesaid prepare and lay before Parliament, if sitting, if not, within fourteen days after the commencement of the next session, a *balance-sheet*, showing: (1.) The whole receipts and expenditure of the Advances to Settlers Office Account during each year" (they are contained in page 3 of my statement—that is an exactly true account of all receipts and expenditure). "(2.) The whole receipts and expenditure of the Management Account, also the advances from and repayments to the Consolidated Fund, and the balance outstanding due to that fund." Now, it is an utter impossibility to show all those things in one account. How could you show a balance of money advanced by the Consolidated Fund and show all the receipts and expenditure of that fund and management expenses in one account? It is clear that the section intends that these are simply headings under which the various items must be shown in the accounts, and that this information must be given in the balance-sheet. Further, what is a Management Account for? What is the object of a Management Account? It is surely to show the cost of management. Is a Management Account simply to be an unmeaning collection of figures, and to show nothing? I contend it would be perfectly absurd to attempt to keep such a Management Account as has been suggested. I say that the whole receipts and expenditure of the Management Account are shown by me on page 2 as provided by the section. The third account provided for I have also complied with, viz.: "3. The whole receipts and expenditure of the Investment Account, showing the moneys invested under this Act." All these are contained in the balance-sheet submitted by me. The Investment Account as provided for in subsection (2) of section 48 is also shown in my balance-sheet, and the section is fully complied with; also the temporary investments provided for in the Act of 1895. I would like to point out that the Auditor-General does not seem to distinguish between the Assurance Fund and the Assurance Fund investment. The "Assurance Fund" is a liability, as all accountants know, but an "Investment Fund" is an asset. Surely, if it is anything, it is an asset of the Advances to Settlers Office. I contend that these accounts form part of the general accounts of the colony; that they are nothing apart from the general accounts of the colony, and that they should be shown in their true relation to the general accounts of the colony. And I contend that the form in which the balance-sheet is submitted by me is the only form compatible with the true principles of accountancy, and it is based on a true system of accounts, and complies with all the requirements of the Act. To show that the Act does provide for something more than simply a statement of receipts and expenditure, the Act says—*vide* subsection (4)—that these shall form part of the balance-sheet: "The amounts in arrear in respect of principal and interest respectively." As I understand the requirements of the Audit Office, we are to show those in the form of abstract memos. That is incorrect practice, and not true account-keeping. I contend that a balance-sheet should be comprehensive; the whole of the statutory items are and ought to be comprised in one complete system of accounts. The balance-sheet presented shows every account in connection with the office, and sets forth the actual financial position of the office at that date and every detail required by the Act. It is a complete balance-sheet in the form adopted universally in the commercial world, and shows all the items in their true relation—the assets on the one side and the liabilities on the other. I contend that the Advances to Settlers Office is liable for the whole amount of the money borrowed, and not merely for the net cash received on account of loans after deducting cost of loan-flotations. The loan-flotation charges are an expense to be provided for by the office, and they are provided for, as the Solicitor-General says, by clause (*a*) of subsection (1) of section 48. They are correctly placed under the head of "assets." The loan-flotation charges must be shown in that form, as they are assets of that year against future years. A large expense like that of the cost of loan-flotation may correctly be spread over the whole term of the loans; but it is the practice of accountants to endeavour to dispose of and write off this nominal asset as soon as possible. It is an asset of this year against future years' profits, and it has been shown in the only way in which it can be correctly shown. It is, moreover, correct according to the orthodox form of accountancy. I understand that the Auditor-General maintains that these investment funds in the hands of the Public Trustee have nothing to do with the office—that they are the funds of the colony; that they do not belong to the office notwithstanding that they are held at our disposal and we are now actually drawing upon these funds every month. With regard to the Debenture Sinking Fund, which is paid over as an investment to the Public Trustee, section 55 provides—"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." It is quite clear that those funds invested belong to the Advances to Settlers Office, and that the Public Trustee must hold them available at the disposal of this office. The reason why the accounts submitted by me this year are different from those of the last three years is this: you can only rely upon a balance-sheet which has been audited, and the only person who can give an audit certificate is the Auditor-General in this case. My balance-sheet ought to have the Auditor's General's certificate. And the very position pointed out by the Auditor-General in regard to that item of accrued interest payable, which was inadvertently omitted, shows the necessity of the accounts being audited. That omission was quite inadvertent. It occurred in this way: While we had the million-and-a-half loan the interest on it was payable

each year on the 1st April. The interest payments being made at the end of March left no accrued interest payable; but recently we have been receiving short-dated loans, the interest on which was payable at different dates. I was not aware of that; I thought we were still receiving instalments of the original debenture loans as usual, and I signed the balance-sheet on the understanding that there was no accrued interest payable on these outstanding, the whole of the interest, as I understood, being payable on the 1st April. I may remark that the whole of the interest is paid by the Treasury, and we pay that Department. But since I received the Audit Office tag, which draws attention to that oversight, I find that some of these short-dated loans have an amount of accrued interest unpaid at 31st March. The balance-sheet shows about £3,000 more profits than it should do, because of the omission of this liability for the accrued interest payable; and I say this shows the importance of having the balance-sheet audited. Such things are liable to be overlooked where another Department—namely, the Treasury—is dealing with our loans and paying the interest as it becomes due, and the Audit Department has to see that all liabilities are accounted for. My desire has been to present a balance-sheet in the true form of accountancy, and which would show the true financial position of the office and the financial results of its operations. I have another very important departmental balance-sheet for which I am responsible—the State Coal-mines—which in the same way is refused an Audit certificate. I think it is a deplorable position that these balance-sheets with which I am connected should be refused an Audit certificate, and I contend that these balance-sheets have complied with all the requirements of the Acts. To show that the moneys of the Advances to Settlers Office are not confined simply to cash transactions, there are the moneys owing by the mortgagors referred to, and it is clear that these moneys cannot mean cash transactions, as the Audit Office says. As to accrued interest, which the Audit Office says cannot be brought into account, the accrued interest is capitalised, and is secured under the mortgage as the principal debt, and therefore it is as safe as the original principal sum is, and ought to be brought into account to show the true financial position of the office. The Auditor-General said before the last Committee to which this question was referred that you might have to sell and not be able to realise the accrued interest; but this is as true of the principal as it is of the interest. I contend that the interest, which is accruing day by day, becomes part of the original mortgage debt, and is as secure as the original principal; and if you cannot bring the accrued interest into the accounts you cannot bring in the principal, as the interest becomes principal capitalised. I contend that the Act does not limit us to a statement of cash transactions. The Auditor-General considers his instructions are the maximum of his duties; but no auditor can take his instructions to be the maximum of his duties. The statute requires that at least certain things must be shown, but it does not say that those things are all that shall be shown. I say the whole of the receipts and expenditure of the office account and of the Management Account are truly set out, and the Act does not say the Superintendent shall not put anything more into the balance-sheet: it does not limit the balance-sheet to those specific items. I say the fullest information should be afforded by the balance-sheet. The whole point is that the Audit Office wishes to limit the balance-sheet to the matters specified in the Act, and says those are the maximum of its duties, instead of, as I contend, the minimum. I have had large experience with big commercial companies, and I say the instructions to any auditor are to be taken as the minimum, and not as the maximum, of his duties; and no Act that could be drawn could provide for the maximum or fix an inflexible limit to an auditor's duties. Whether you take this Act or the Public Revenues Act, I say the instructions to the Audit Office are of the widest possible character, and are only limited by the Controller and Auditor-General's interpretation of his duties.

62. *Right Hon. R. J. Seddon.*] What is the difference between your statement of last year and the statement of this year, shortly put?—I have dropped out the so-called balance-sheet that the Audit Office required; that is the only difference. It is of no value for anything; it is not a balance-sheet at all; it is simply a statement that the Auditor had found the figures correct and balanced. Something more is required of a balance-sheet than the mere fact that all has been found correct.

63. Take your balance-sheet at page 2: you say there is a difference between you as to the Assurance Fund and the Assurance Fund Investment Account?—The Controller and Auditor-General does not appear to see the difference between these. This balance-sheet is exactly the same as last year, but the Audit Department did not certify to it last year. For five years they did. Suddenly we had a dispute over 10s., as to how it should appear in the balance-sheet, and then the Auditor-General said he would not certify to the balance-sheet in this form at all. Since I took charge of the accounts I decided I would not present a so-called balance-sheet, which is not in the correct form of acountancy, as it would not be a true balance-sheet. I claim that no Act that I have seen requires anything but what is in the correct and usual form of accountancy, but it is provided that accounts may be presented in such a form as the advanced functions of the Government and local authorities now require.

64. And you say that this Act requires no alteration to set this matter right between you and the Audit Department?—Yes; I say the Act is sufficient to justify the balance-sheet now submitted and for everything contained in it. It might be put in simpler and better language, but there is no law rendering this balance-sheet illegal or irregular.

65. *Mr. W. Fraser.*] With whom does it lie to say in what form the balance-sheet shall be: with you or the Audit Office?—There is no statutory regulation to provide in what form it shall be.

66. With whom does it lie to certify to its correctness?—The Audit Office.

67. If the Audit Office declines to certify to an account in a particular form, is it not your duty to supply the account in the particular form they will certify to?—No; and I decline to do it if it is not what I consider a true statement. That point has been settled by the Supreme Court. The Waimate County Council had some difficulty with the Audit Office. The Audit Office would not audit its accounts. The County Council applied for a mandamus to compel the Audit Office to audit the balance-sheet as submitted by the Council, and on the hearing judgment was given

that the Audit Office had no right to ask and could not compel the Council to amend the form of its balance-sheet; that it must give a certificate, and that if there was anything objectionable in the balance-sheet it must be stated in the certificate. And that is the usual practice of all auditors. They can take exception in their certificate to anything that they consider to be incorrect, but cannot compel any alteration in the form in which the accounts are presented.

68. It is all very well to cite that case, but it may not be on all-fours with this. If the Auditor-General takes this position, that the form of the accounts presented is contrary to the statute, and that the statute binds him to his duty, what are you to do then?—That case is on all-fours with this. He has to accept the accounts and show his objections in the certificate. The position of the Auditor-General is this: When the balance-sheet is submitted to him he must audit it and point out where—if at all—it is incorrect, and in his certificate he must show where it is incorrect in any detail. He cannot send it back and say, "You must put it in another form." There is no statutory obligation in that matter. The statute does not bind him as to form or in any way.

69. Except the refusal to sign—what then? Supposing he refuses to sign?—Under the ruling of the Supreme Court he must take the balance-sheet as presented to him and audit it, and if incorrect, say so in his certificate, and why.

70. But the Supreme Court does not guide the Auditor-General?—He is bound by the law as interpreted by the Supreme Court. It is the same thing. If he refuses to sign, then a mandamus must be applied for, that is all.

71. Whose servant is the Auditor-General? Is he a Civil servant like any other officer of the service?—No; he is an officer of Parliament.

72. And he has to inform Parliament as to the state of the accounts?—Yes.

73. Then, there is no authority to bind him except the Act. What is the objection to presenting the accounts this year as they were presented last year?—Because a true balance-sheet which showed the true position was not audited, and I object to go on year after year issuing accounts which do not show an auditor's certificate. For the last three years there has been no auditor's certificate attached to the balance-sheet, and you see the result.

74. Coming back, then, you consider that as head of your Department, you are a better judge of how the accounts should be presented than the Audit Department?—Yes, certainly.

75. *Right Hon. R. J. Seddon.*] Suppose the law were to say, in accordance with the decision of the Supreme Court, that the Audit Department was to audit the accounts as presented, but to point out any objections?—The Auditor-General has so certified taking certain exceptions this year for the first time.

76. I understood you to say that for three years the balance-sheet was not certified?—This is the first year it has been certified to in any manner since 1901, and I take it that it is because of this decision in the case of the Waimate County Council that it has been done. It is just in accordance with Mr. Justice Denniston's ruling in that case—that is, it is certified to with exceptions taken to it.

77. *The Chairman.*] Looking at your memo., the third last paragraph, you say, "The last balance-sheet presented by Mr. Warburton as Superintendent (in the form now demanded) was incorrect and misleading in many items, and such as no auditor would be justified in certifying to as correct." What balance-sheet do you refer to?—That of 1896. That shows a credit balance of £5,400 to Management Account, whereas there was, in fact, a deficiency of £15,000 on Management Account. I think it would be misleading to any one. Then, again, there are other items. In that year, as in nearly every year, there is a great deal of interest paid in advance before it is due. For instance, we send out notices of instalments and interest due a month or two before the date on which it is payable. A number of mortgagors pay immediately they receive the notice, and, according to the Audit Office method of accounts, we must take that money into revenue, although it belongs to a future year and is not ours at the time. In that balance-sheet the amount paid in advance was taken in as revenue for the current year, which is not correct, because it should have been shown as a liability until the next year, when it was due. In the meantime they were creditors of the office, and therefore I say it was incorrect and does not show a true statement of affairs. The Audit Office considers that receipts, even though not earned, are revenue to the Department.

78. *Mr. J. Allen.*] With regard to section 47, does not that only apply to moneys being declared the property of the Crown, so that they can be sued for?—Yes; but all the moneys of the Advances to Settlers Office are the property of the Crown and must be accounted for.

79. Sections 47 and 48, have they anything to do with the balance-sheet provided for under section 50?—Yes, I certainly think so. If accounts are kept, they ought to be presented and published. That is what the Act intended.

80. Section 48 provides for the accounts you keep as Superintendent?—Yes.

81. There is nothing in section 48 that says they are accounts that you have to submit to Parliament?—No, not in express terms; but section 50 does so distinctly.

82. Then, where is there in the Act the demand on you to submit a balance-sheet to Parliament—in what clause?—Section 50.

83. That is the only one that guides you?—The balance-sheet must be founded on the accounts.

84. The first subsection of section 50: are they not receipts and expenditure only?—Yes.

85. It says what are to be submitted?—Yes; but subsection (4) refers to what is not receipts and expenditure, and that those must equally form part of the balance-sheet as a concrete statement.

86. Subsections (1), (2), and (3) demand that you shall submit to Parliament the receipts and expenditure?—Yes, but it does not say they are limited to that. These subsections distinctly refer to the accounts provided for in section 48. They all go together.

87. Subsection (4) appears to modify that. Could you include any arrears in a statement of receipts and expenditure?—Well, no, unless by an abstract memo.; and therefore it is obvious that section 50 must be read as a whole. Subsection (4) forms part of the balance-sheet—it forms one whole as a concrete statement; you cannot get over that. If you eliminate subsection (4), you have the right to eliminate any of the other subsections. It is simply an item that must be shown as forming part of the balance-sheet.

88. You admit that the balance-sheet is incorrect to the extent of £2,850 accrued interest not put in?—Yes. That was a merely inadvertent omission.

89. Then, you must admit that the statement of interest is not correct?—Yes; it shows inflated results to the extent of £2,850.

90. *Hon. Sir W. R. Russell.*] Would it not be possible for the Audit Department and the Advances to Settlers Department to agree on some form of balance-sheet which would be intelligible to Parliament and yourselves?—I contend that the only balance-sheet that can show the true position is there, and that any other would not be true. It shows all the receipts and expenditure included, as provided in the Act, and what the financial position of the office is, and the financial results of the operations.

91. Do you not see that it is difficult and injurious to the public that there should be this splitting of straws between two Departments?—It is not a splitting of straws. It is a matter of the greatest importance to me. It is a question of principle and correct professional practice, which is a very important matter indeed.

92. Well, I will withdraw that. But it is inconvenient to the public if they cannot know what the true balance-sheet is with regard to form and principle?—I am pinned down to the only true and correct form, and it is quite contrary to correct practice to present it in any other form.

93. *Right Hon. R. J. Seddon.*] Is there any accountant who stands high in the profession outside that we could call in to assist us in settling this matter?—I think Messrs. Badham and Biss stand high in their profession, and there are Mr. Henry Kember and Mr. Stuart and others, who stand very high in the profession of accountants here.

SIR,— Government Advances to Settlers' Office, Wellington, 21st September, 1905.

I have the honour to request that in the report of my evidence in connection with the Government Advances to Settlers Office Accounts the following amendments may be made:—

In paragraph 6, add "or it is not a balance-sheet at all, &c.," so as to read as follows: "The balance-sheet must be founded on the accounts or it is not a balance-sheet at all, and each and all of the four subsections of section 50 refer specifically to the accounts to be kept as provided by sections 46, 47, and 48."

In paragraph 7, strike out the words "but it does not say they are limited to that and," and insert after the words "section 46" the words "that is the bank account."

In paragraph 9, insert after the word "but" in the second line, the words, "it does not say they are limited to that and."

Yours obediently,
P. HEYES,
Superintendent.

The Chairman, Public Accounts Committee, Parliament Buildings, Wellington.

Approximate Cost of Paper.—Preparation, not given; printing (1,550 copies), £2 15s.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1905.

Price 6d.]