

October, 1906.—Peter Heyes, Esq., Wellington.—DEAR SIR,—In accordance with your request, I have examined the balance-sheet and accounts attached to the report of the State Coal-mines for the year ended 31st March, 1906, with a view to expressing an opinion as to the objection raised by the Controller and Auditor-General in his note attached thereto. I have no hesitation in saying, without professing to give a *legal* opinion on the subject, that, in my judgment as an accountant, the balance-sheet and accounts do fully comply with the provisions of the Act, and also with the generally accepted requirements of accountancy. The requirements of section 108, as regards moneys received and expended, Profit and Loss Account, and balance-sheet, are clearly fulfilled, and in just such form as I would have adopted under the circumstances. It seems to me that any attempt to comply with the Controller's contention that there should be two balance-sheets would only result in a division liability under loan between the mines, which would be purely arbitrary and certainly unsatisfactory, as the loans were not raised in separate amounts for the two mines. They might have been so allocated, but there would have been no advantage, and evident disadvantages, in so doing, and the method adopted would commend itself to any business proprietary owning two or more mining properties. The assets are separated in the balance-sheet, and the results of working are shown in the respective Profit and Loss Accounts 'with respect to each mine,' and I do not think that anything more than this can reasonably be required.—Yours faithfully, PETER BARR, F.I.A.N.Z." Mr. Barr is an authority on such matters. When the matter was before the Coal-mines Committee previously I got the opinion of Mr. W. J. Napier, who is a solicitor as well as an old practising accountant. From my own knowledge I know that he is an expert accountant, and has had large experience in legal matters and in dealing with Acts. I should like to read that opinion: "Memo. for P. Heyes, Esq., Commissioner of Taxes, Wellington.—DEAR SIR,—I have perused carefully the accounts prepared by you in connection with the State Coal-mines contained in the report for the year ending 31st March, 1905. I have also perused 'The State Coal-mines Act, 1901,' and 'The State Coal-mines Amendment Act, 1902,' with regard to the accounts to be kept. I am of opinion that the manner in which you have prepared the accounts fully carries out the provisions of the statutes in that behalf; and, moreover, the results of the operations of the mines are clearly and succinctly shown by the accounts. Any one conversant with book-keeping according to the principles of commercial accountancy can see at a glance by your accounts exactly how the mines stand. I may say that for many years I have advocated that all the accounts of State Departments should be kept according to the principles of commercial accountancy, and I rejoice to see that you have introduced those principles in dealing with accounts in the public service. Your allocation of the general expenditure, such as cost of management, &c., is made upon a correct basis, and completely carries out the intention of the Acts. I may say that I have had considerable experience in accounts both prior to my entering the legal profession and since. I have studied accountancy under the late Mr. John Waymouth, who had an Australasian reputation as an accountant.—Yours faithfully, W. J. NAPIER." I should like to call evidence—first, Mr. A. S. Biss, who is a Fellow of the New Zealand Association of Accountants and Auditors, and a member of the firm of Badham and Biss, public accountants and auditors, of Wellington. From my knowledge I think they do a large portion of the auditing and accountancy for companies and others in Wellington.

*The Chairman:* On page 10 of these papers I notice two letters—one sent by Mr. Warburton and the other by yourself. Do these letters contain the only point in dispute—is it just the question of whether there should be two balance-sheets or one?

*Witness:* Yes, whether there should be one balance-sheet or two, or, rather, whether the balance-sheet submitted complies with the Act. That is the point—whether the balance-sheet I have submitted complies with section 108 of the Act. The Controller and Auditor-General says, " . . . There should accordingly be submitted the two balance-sheets, one for the Point Elizabeth Mine and one for the Seddonville Mine. The balance-sheet submitted, being one balance-sheet for the two mines, does not comply with the statutory requirement, and cannot be audited or certificated as doing so." As to that I said, " . . . In accordance with subsection (d) of section 108, the balance-sheet has been submitted to the Audit Office for audit, but the Controller and Auditor-General objects to certify on a question as to the form, which cannot be overcome. There is no alternative, therefore, but that the balance-sheet as submitted be presented to Parliament." Also, "The balance-sheet fully complies with all the requirements of 'The State Coal-mines Act, 1905,' section 108, with respect to each coal-mine."

A. S. Biss examined. (No. 2.)

1. *Mr. Heyes.*] Are you conversant with the matter of this dispute between the Controller and Auditor-General and the Inspecting Accountant of the State Coal-mines Department?—Yes.

2. You are a public accountant, of Wellington?—Yes.

3. You are an accountant of large experience, dealing with the accounts of manufacturing concerns and trading concerns?—Yes.

4. You have seen the tag which was placed by the Controller and Auditor-General on the State Coal-mines balance-sheet, in which he says, "There should accordingly be submitted two balance-sheets, one for the Point Elizabeth Mine and one for the Seddonville Mine. The balance-sheet submitted, being one balance-sheet for the two mines, does not comply with the statutory requirement"?—Yes.

5. You have seen section 108 of the Act?—Yes.

6. And you have read what I said in my statement: "The balance-sheet fully complies with all the requirements of 'The State Coal-mines Act, 1905,' section 108, with respect to each coal-mine"?—Yes.