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NEW ZEALAND.

THE PUBLIC REVENUES ACT, 1910.

STATEMENT OF CASE OF DIFFERENCE OF OPINION BETWEEN THE CONTROLLER AND AUDITOR-GENERAL AND THE PUBLIC TRUSTEE, TOGETHER WITH THE DECISION OF THE HON. THE ATTORNEY-GENERAL THEREON, IN REGARD TO THE INTERPRETATION OF STATUTE.

Laid on the Table of the House of Representatives pursuant to Section 18 (2) of the Public Revenues Act, 1910.

The CONTROLLER AND AUDITOR-GENERAL to the HON. THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR,—

The Audit Office, Wellington, N.Z., 6th July, 1926.

I have the honour to forward the attached statement regarding a difference of opinion between the Public Trustee and the Controller and Auditor-General, together with the decision of the Hon. the Attorney-General thereon, for presentation to Parliament in terms of section 18 (2) of the Public Revenues Act, 1910.

I have, &c.,

G. F. C. CAMPBELL, Controller and Auditor-General.

The Hon. the Speaker, House of Representatives, Wellington.

STATEMENT OF CASE OF DIFFERENCE OF OPINION BETWEEN THE CONTROLLER AND AUDITOR-GENERAL AND THE PUBLIC TRUSTEE IN REGARD TO THE INTERPRETATION OF STATUTE.

In the course of the Audit examination of the transactions of the Public Trust Office it was ascertained that an advance by way of mortgage had been granted by the Investment Board in excess of the proportion of the security as provided in section 34 (c) of the Public Trust Office Act, 1908, which reads as follows:—

"Unless expressly prohibited, the Public Trustee may invest all capital moneys . . . (c) In advances by way of mortgage on the security of any real estate held in fee-simple in New Zealand, and free from incumbrances, to an amount not exceeding three-fifths of the estimated value of such estate, according to a valuation approved by the Board."

The facts are that in the year 1920 a loan on mortgage of £1,300 was granted by the Board aforesaid, the value of the security having then been certified to by the Valuer-General at £2,593. The amount so loaned came correctly within the provisions of section 34 (c) above referred to.

The loan fell due for repayment on the 24th August, 1925, but the security during the currency of the loan had changed hands. At maturity the old mortgage was released, and a new mortgage to the extent of £1,300 was executed in the name of the new owner.

Prior to the granting of the new mortgage, however, a fresh valuation had been obtained from the Valuer-General. This valuation amounted to £2,123, disclosing a reduction of £470 as compared with the valuation upon which the original loan was granted. Notwithstanding the reduction in value of the security the Board granted a new loan of £1,300 instead of £1,273, the latter amount being the full three-fifths proportion of the new value.

The Audit Office questioned the legality of the action of the Investment Board, on the grounds that the amount of the new mortgage, £1,300, was in excess of the statutory proportion (three-fifths) of the value of the security.

The Public Trustee, however, disagreed with the Audit Office, and the matter was then referred to the Solicitor-General, who upheld the Audit view of the matter. The Public Trustee, on the 14th June, 1926, again expressed his disagreement, on the grounds that the Investment Board was not