

Inspectors. These Inspectors conduct their work entirely independently of the District Public Trustees dealing with the administration of the estates and funds concerned, and make their reports to the Public Trustee. The management and realization of estate assets, the conduct of the administration of estates, funds, and investments are reviewed and reported on. All active matters come before the Inspectors in the course of their visits, and their suggestions and constructive criticisms are of value to those officers dealing with the administration. During the year the papers and records relating to 11,420 estates, funds, and investments were surveyed, and 340 formal reports and reviews on the larger and more complicated estates and funds were made.

With this large volume of work the time of the Inspectors is taxed to the utmost, and during the year it has been found necessary to appoint an additional Inspector, and also to attach an assistant to each of the Inspectors handling the work in the Auckland and Wellington Districts, in order that these Inspectors might be freed from the scrutiny of matters of mere routine and have more time to devote to those of the more difficult matters demanding their attention. The reviewing staff is sufficient for present requirements, and all branches can be visited as frequently as the work requires.

162. *Internal Audit.*—Adequate internal check and safeguards are essential for the conduct of the Office business. A proper system of internal check will to a great extent obviate the necessity of a detailed audit of the subsidiary accounting records at least, and will ensure that any irregularities that might occur are detected at once. The check in operation is effective, and that all its requirements are observed is ensured by the internal audit which is in operation.

To be effective, the audit of the Office transactions must be performed by officers familiar with its business and methods and internal regulations. In addition, a comprehensive knowledge of trustee and Office accounts is essential. The Office has, therefore, its own staff of Audit Inspectors, who are experienced both in regard to the administration and the accounting sides of the work, and who are thoroughly familiar with all internal regulations and systems. The conduct of the audit is facilitated by the co-operation of the departmental checking officers and the officers of the Audit Department. During the year the audit at both the Head Office and the branches has been closely maintained. Daily checks of the cash transactions at all branches are made by responsible officers, and certificates covering the cash system, the handling of securities, the posting of ledgers, and other subsidiary registers are forwarded to the Controller and Auditor-General at regular intervals. Further, independent check of these matters is made immediately on arrival of any of the inspecting or auditing staff at a branch office, and reconciliations of cash and bank are completed. A continuous audit is maintained at the Head Office and at the four largest centres—Auckland, Wellington, Christchurch, and Dunedin—by officers of the Audit Department, and at the remaining branches this Department conducts an audit at approximately half-yearly intervals.

As regards the accounting-work generally, comprehensive inspections are made of all offices at approximately yearly intervals. The inspections ensure that the Office regulations for the conduct of the work are being observed, that uniform practices are maintained at the branches, and that full and complete accounts are promptly drawn and rendered to beneficiaries and other interested parties. The majority of these inspections are conducted by the Chief Auditor, but at several of the smaller branches the work is undertaken by the Chief Inspector or the Assistant Chief Inspector simultaneously with their conduct of a general inspection, in order to minimize travelling-expenses.

Negotiable securities and jewellery held on behalf of estates are checked at each branch at half-yearly intervals by a responsible officer. At all those branches where the accounting-work has been inspected by the Chief Inspector or Chief Auditor during the year, a further check has been made of the securities and jewellery, and the system laid down for their receipt, custody, and disposal is carefully inspected. A detailed check of all effects held is also made. The Common Fund mortgage securities, held at the branches under two keys, are checked annually by senior accounting officers, and also by the Inspectors of the Audit Department. Whenever convenient, the two checks are made simultaneously. The remaining securities for investments of the Common Fund, consisting of Government debentures, local-body debentures, fixed-deposit receipts, &c., are held at the Head Office under three keys, and have been checked by an Inspector of the Audit Department. All Common Fund securities at the branches as well as at Head Office have been found to be in complete order.

The audits and inspections and the reports received from the Audit Department show that the system devised for the custody of cash and securities has been carefully