

REPORT OF THE AUDIT COMMITTEE

ON THE FINANCE ACCOUNTS OF THE COLONY.

THE first step taken by the Audit Committee appointed for this year was to peruse the report of their predecessors. They expected to find there a guide to direct their own investigations; and they also recognised the importance of endeavouring to constitute the enquiries of these Audit Committees into a *continuing work*: in other words, to secure a result from past labours, by ascertaining whether the recommendations of the previous Report had been protermitted, or been carried out into actual practice.

It was obvious, on the perusal of the Report in question, that the enquiry of the preceding Audit Committee, referring as it did to the accounts of two years' standing, necessarily involved it in the examination of a voluminous mass of minute details, from the intricacies of which, nothing but the patient and accurate investigation which distinguishes that Report, could have elicited any definite result. The present Committee, however, whose examination is only supposed to embrace a period of twelve months, were thereby in a measure relieved from such pressure, and recollecting that the accounts submitted to them had already been subjected to the minute scrutiny of the Auditor of Public Accounts, they deemed it to be their duty, not so much to audit the accounts (in the strict and detailed sense of the term) as to test whether they had been properly audited and set forth. Whilst, therefore, as will be seen on reference to Appendix Number I., they have not failed to examine carefully a number of details and vouchers, the Committee have further found leisure to review the construction and general character of the accounts submitted to them, *as a whole*.

In common with the previous Audit Committee, this Committee also "found the accounts on first inspection rather obscure;" and although they are ready to admit, in the words of the former Report, that a "further investigation removed much of the apparent complexity," yet they are at the same time bound to remark that the construction and arrangement of the accounts is so complicated, that the publication of them can afford but little information to the ordinary public, and that the accounts themselves can scarcely be comprehended by any but professional accountants: this Committee entirely concur in the opinion expressed by the former Committee, viz., "that every endeavour should be made to present the accounts of the Colony in a shape perfectly intelligible to the public."

The Committee has bestowed a good deal of pains in endeavouring to trace the causes of this complication. A main defect consists apparently in what may be termed the interlacing of accounts and overlapping of periods. For instance, the accounts ostensibly submitted to examination are the accounts for the financial year 1859-60 (commencing 1st July, 1859, and ending 30th June, 1860); and yet there is partially submitted for examination an additional three months, ending 30th September, 1860; whilst there is, on the other hand, a quarterly period, commencing on 1st July, 1859, and ending 30th September, 1859, which, although apparently submitted, is yet practically withdrawn from their audit, inasmuch as that particular quarter has actually been reported on already by their predecessors. Three months' accounts of each year are thus allowed to fall in some measure between two stools. The Committee are of opinion that the preferable course would be to leave undivided to each successive Committee the responsibility of auditing distinct financial periods.

The statements of the Receipts and Expenditure of the Ordinary Revenue for the financial year ended 30th June, 1860 (pp. 4 and 5 of the published accounts) were pointed out by the Auditor of Public Accounts as the accounts to be audited. Now these statements themselves are definite, contain no overlapping financial periods, and are sufficiently clear and intelligible; but in testing and comparing these statements with the "General Account Current of Transactions from 1st October, 1859, to 31st October, 1860," (pp. 2 and 3), and also with "the Balance Sheet of the General Government of New Zealand on the 30th September, 1860" (pp. 26 and 27), it is obvious that the several accounts interlace, that they do not refer to the same periods, and are not therefore in all particulars mutually supporting statements, as, it is submitted, they should be.

The Committee lay great stress on this point; and the Audit Act of 1858, in the 8th clause, lays down very explicit directions to the same effect, viz., "that the receipts and disbursements of different financial periods shall be distinctly separated from each other," (a direction attended to in pp. 4 and 5, but not in other of the published accounts); and they regard this as an axiom, viz., that unless accounts are absolutely and peremptorily arrested within given periods, no effectual audit can take place. The Committee have accordingly attempted to introduce improvements in these particulars, and so to arrange the published statements, as to constitute them mutually supporting, and render them more intelligible to the general public. A comparison of the finance accounts, (as presented this Session to the House of Representatives,) with Appendix (No. II.,) will shew the result of their labours in this particular. The Committee are aware that the statements, as thus rearranged, are susceptible of further improvement; but they entertain the belief that they have indicated the direction of improvement, and they very respectfully invite the attention of the Colonial Treasurer to the subject.

If it be insisted however that the accounts presented to the Committee for examination, are not to be limited to the 30th June, 1860; but, are to be taken to extend to three months beyond, viz., to the 30th September, 1860, it is still obvious, that under this the most favorable aspect of the case, the researches of the Audit Committee are restricted to accounts nearly twelve months old, and are therefore far in arrear of the financial transactions of the Colony existing at the date of Audit; thus appertaining rather to the history of the past, than affecting the actual condition of the present. It cannot