

# MEMORANDA

BY

## THE ASSISTANT TREASURER AND THE ACCOUNTANT TO THE TREASURY

ON THE

## REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS

ON

THE FINANCIAL STATEMENT OF THE COLONIAL TREASURER

FOR THE YEAR 1866-7.

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PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF  
HIS EXCELLENCY.

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WELLINGTON :

—  
1868.



## MEMORANDA ON THE REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS.

### MEMORANDUM by ASSISTANT TREASURER.

1. In reference to the remarks of the Auditor-General upon the commission paid to the contractor for the issue of Treasury Bills, and especially with respect to a particular sum of £1,000, charged as an expense of the first issue of Bills to the amount of £100,000, the following explanation is submitted:—

Under the provisions of "The Treasury Bills Regulation Act, 1866," there appeared no other way to get Treasury Bills into circulation but through a contractor, nor any way of selling to the public at par (as required by the Act) Bills bearing only six and one-twelfth per cent. interest. A contract was therefore entered into with Mr. T. Russell, who undertook to get the Bills taken by the Bank of New Zealand, on condition that a commission of one per cent. should be paid nominally to him, but really to the Bank for which he was acting. This contract was for the authorized issue of £150,000, the Treasury reserving the right to call on the Bank to take such amounts from time to time as might be required for the exigencies of the public service. The £100,000 spoken of is thus an integral part of the whole transaction, and for it there were issued to Mr. Russell Treasury Bills to the same amount, the proceeds of which were paid into the Public Account. The Bank Account at that time was overdrawn to the extent of £95,311 16s. 1d., and the Colonial Treasurer desired to pay this off out of proceeds of portion of loan then in course of realization. At that time also there were Debentures amounting to £111,600, payable in London on the 30th of June, and the Colonial Treasurer obtained a draft for £100,000 on account of this payment, drawing that amount out of Public Account. As, however, he expected that the Crown Agents would have funds enough in their hands to meet the payment for the Debentures, he granted to the Bank an order on the Crown Agents for a sum equal to that of the draft he had purchased, the amount of which order the Bank applied in extinction of the overdraft. The one per cent. paid for the draft was in lieu of the commission due to the contractor, and for this reason it was subsequently charged as an expense incurred in the raising of money by Treasury Bills, the cost to the Colony being the same, whether charged as commission on Treasury Bills or premium on Bill of Exchange.

2. In his remarks under the head of "War Loan of £3,000,000," the Auditor states that "in accordance with a proposal made by the Superintendent of Auckland, the Bank charged £1,000 for effecting the sale of £100,000 Debentures issued to secure moneys to be advanced to the Province of Auckland." No such charge is found in the Public Accounts; the only commission paid by the Government was the sum of £250 to the Crown Agents.

3. The Draft of £100,000, referred to as a sum received under the Three-Million Loan, was a sum raised by Bills payable drawn against proceeds of the Loan. The amount of these Bills has since been paid by the Crown Agents. There is no "fictitious increase" of the Cash Balance, the sum in question having been actually credited in the Bank Pass-Book, as shown above. The Colony undoubtedly incurred a liability, inasmuch as it anticipated the receipt of money to be raised by the issue of Debentures to the amount of the Bills.

J. WOODWARD,  
Assistant-Treasurer.

### MEMORANDUM by ACCOUNTANT TO TREASURY.

1. The Auditor observes, with regard to the Surplus Revenue Account, that "the annual statement of the Treasury states the over-issue at £325,776 12s. 1d., and includes in this amount certain moneys due for Interest and Sinking Fund on the Half-Million Loan, amounting to £18,899 9s. 9d." It will be seen, on turning to the statement referred to (page 89), that the items which constitute the debit of £325,776 12s. 1d. comprise a sum of £18,899 9s. 9d.; of this sum £16,208 10s. 6d. is for Interest and Sinking Fund on the Three-Million Loan, and £2,680 19s. 3d. for Interest and Sinking Fund on the Half-Million Loan.

2. Both these sums have since been transferred; the first named to an account to be kept open till the 30th June, 1870, in terms of "The Loan Allocation Repeal Act, 1867," and the last to the separate account of the Provinces concerned; this liability has since been discharged. It may be added, in reference to the Auditor's observations on this subject, that the sums due for Interest and Sinking Fund, included in the balance of the Surplus Revenue Account, were rejected from the calculation on which the Surplus Revenue Adjustment Act was based, with a view to the transfer above referred to.

3. The balance of £306,887 2s. 4d., at debit of the Surplus Revenue Account, after deducting therefrom the items mentioned in the preceding paragraph, has been adjusted by crediting that Account

## MEMORANDA ON REPORT OF AUDITOR.

with the balance of the Reserved Fund, and by transferring the remaining balance to the Revenue Account, thus:—

<i>Surplus Revenue Account—</i>		£	s.	d.	£	s.	d.	£	s.	d.
Balance at debit as above	...	...	...	...	...	...	...	306,887	2	4
<i>Credit—</i>										
Balance of Reserved Fund Account	...	...	...	...	30,999	17	6			
Transferred to Revenue Account—										
As Supplementary Expenditure										
authorized by “Appropriation										
Act, 1867”	...	...	183,688	9	6					
Balance	...	...	92,198	15	4					
								275,887	4	10
								306,887	2	4

This operation, while closing the Surplus Revenue Account, results in a debit to the Revenue of £275,887 4s. 10d., for which, as the Auditor has pointed out, no provision had been made by the Legislature. The reconstruction of the Public Accounts, necessitated by the passing of the Public Revenues Act, has enabled the Treasury to apply in reduction of this debit the unexpended balances of votes of 1866-7, the balances of Interest and Sinking Fund charged on the Revenue, but (so far as Accounts had reached the Colony) not actually paid, and other sums as shown in the following statement. On the other hand, the deficiency has been increased by sums which, from accounts subsequently received, are shown to have been actually paid before the coming into operation of the Public Revenues Act, thus:—

<i>Revenue Account in adjustment—</i>		£	s.	d.
<i>Cr.</i>				
By unexpended Balances of Appropriations of year 1866-7	...	114,274	11	3
By Balance of Sums charged for Interest and Sinking Fund to 30th June, but of the payment of which no accounts have reached the Colony	...	88,460	4	1
By Reserved Fund, Native Schools Act	...	3,200	19	3
By Native Circuit Courts Act Account	...	307	12	8
By Lighthouse Dues Account, Balance of Receipts	...	6,398	0	11
By Debtor and Creditors Acts	...	2,549	7	3
By Incidental Receipts by London Agents	...	367	17	3
		£215,558	12	8
<i>Dr.</i>				
To Supplementary Expenditure of 1866-7, covered by “Appropriation Act, 1867”	...	193,938	0	0
To Supplementary Expenditure of 1866-7, not provided for	...	136	1	2
To balance of Surplus Revenue Account transferred hereto	...	92,198	15	4
To Disbursements of the year 1866-7, of which accounts have since been received	...	34,476	5	1
		£320,749	1	7
Balance at debit of the Revenue Account at the time of the Public Revenues Act coming into operation, and yet to be dealt with by Parliament...	...	105,190	8	11

4. Attached are two statements, showing respectively the financial position of the Colony at the close of the financial year 1866-7, and at the commencement of the year 1867-8. The first, marked A. is a statement of the Assets and Liabilities of the Colony (apart from its funded debt) on the 9th July, 1867, to which date the Accounts had been made up before the Public Revenues Act was passed. The “Liabilities” are the several sums which should at that date have been in the Colonial Chest. The “Assets” comprise what may be termed the “Book Debts” of the Colony, cash in the hands of its officers, cash *in transitu*, and cash in the Bank.

5. It has already been stated that the system established by the Public Revenues Act necessitated an entire reconstruction of the Accounts. The object of this reconstruction was so to adjust the several Accounts that they might present themselves in a form suited to the operation of the Act. Many of the Accounts have accordingly been entirely closed, and the whole of the outstanding balances have been commuted into the terms established by the Public Revenues Act, represented on the one side by the “Consolidated,” “Special,” “Land,” and “Trust Funds,” and on the other by the “Balances in hand” and the “Advances unaccounted for.”

6. The statement B. shows the result of this operation, the details of which will be given in the Annual Statement of the Public Accounts, now in preparation. It will be observed that the liabilities on account of the Consolidated Fund, amounting to £125,462 12s. 4d., are represented on the opposite side by assets amounting only to £20,273 3s. 5d., the balance, £105,190 8s. 11d., being the deficit on the Revenue Account yet to be provided for, as shown by statement in paragraph 3.

C. T. BATKIN,  
Accountant to Treasury.

Treasury, 19th September, 1868.

5 B.—No. 1c.

STATEMENT showing the ASSETS and LIABILITIES of the COLONY on the 9th July, 1867, exclusive of its Funded Debt.

(a) This sum includes the original Debt of the Province of Southland.

It may be observed that the terms **Assets and Liabilities** used in this and the following Statement apply only to the recorded **Assets and Liabilities**, or in other words the **Balances Dr. and Cr. shown in the Public Accounts.**

C. T. BATKIN,  
Accountant to Treasury.

