

REPORTS

BY THE

AUDITOR OF PUBLIC ACCOUNTS

ON THE

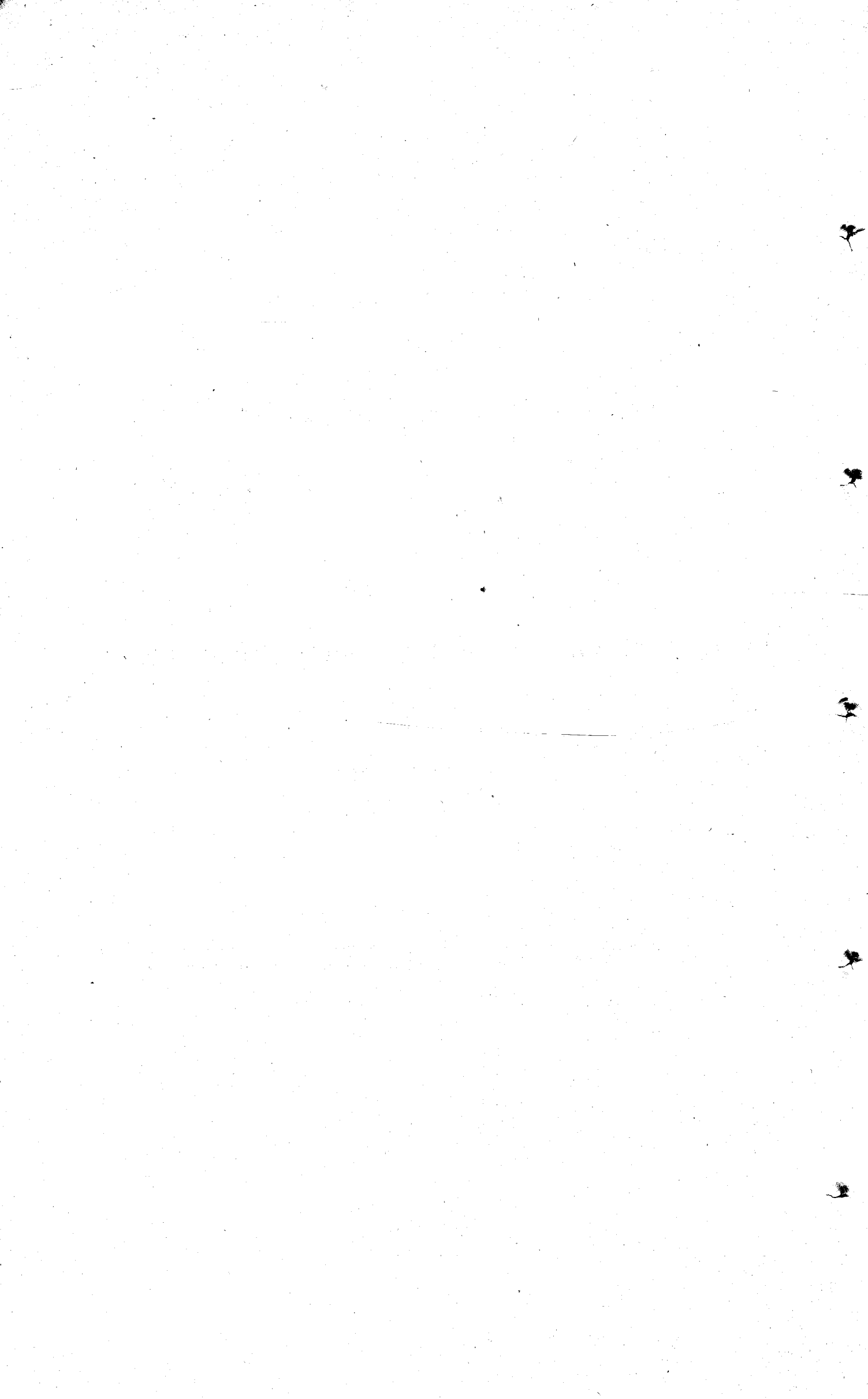
FINANCE ACCOUNTS OF THE COLONIAL TREASURER,

FOR THE YEAR 1867-8.

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

WELLINGTON.

1869.



THE AUDITOR'S REPORTS ON THE COLONIAL TREASURER'S FINANCE ACCOUNTS OF THE YEAR 1867-8.

FIRST REPORT.

THE Auditor would observe that the Adjustment Account should introduce no new matter, and should deal only with entries in previous years' accounts. If this view had been followed, the Treasury would not have included, as it has done in the present Statement, the sum of £367 17s. 3d., shown at page 4 as "Revenues received during the year 1866-7, but only now brought to account." This receipt properly belonged to the Consolidated Fund Account, Part II.

The Auditor would not have considered this of sufficient importance to bring under the notice of the Legislature, with a view to the account being amended, had not the highly objectionable course been taken by the Treasury of bringing again to revenue a large sum of money which had been finally discharged from the Finance Accounts of the year 1866-7. This will be seen at page 2, where the Colonial Treasurer, to meet outstanding liabilities, transfers again to revenue the sum of £88,460 4s. 1d., being moneys which he had finally parted with, and which he had shown in the Finance Accounts of the year 1866-7 as paid out of the revenues of that year on account of Interest and Sinking Fund on various New Zealand Loans. These moneys are thus made to do double service in the Revenue Accounts;—first, of paying Interest and Sinking Fund in the year 1866-7, and afterwards, in the year 1867-8, of meeting a corresponding portion of the supplementary and other expenses of the Colonial Government. Of course the Treasury has adjusted its balances by corresponding transfers from temporary or book accounts, and at the same time it retains in suspense accounts corresponding sums standing to the credit of the Colony, so as to enable it to show again in future accounts the same Interest and Sinking Fund as final charges against the revenues. For it must be understood that under this objectionable manipulation of the Revenue Accounts, the Interest and Sinking Fund represented by the sum of £88,460 4s. 1d. will appear again in the Revenue Accounts as final charges against the Consolidated Fund of subsequent years. For instance, in Part II., page 41, of the Finance Accounts under examination, the Colonial Treasurer has charged against the Consolidated Fund the sum of £4,500, being interest for the half-year ending 30th June, 1867, on the New Zealand Loan of £150,000 (1860), although the same interest for the like period is borne as a final charge on the revenues of the previous year (1866-7). Thus the same liability appears twice against the revenues of the Colony, and it will be so with the remainder of the sum of £88,460 4s. 1d.

The Auditor is of opinion that the provisions of the 49th clause of the Public Revenues Act, under which these transfers were made, are not retrospective. That the Colonial Treasurer having, for a period prior to the passing of the Public Revenues Act, dealt finally with this sum of £88,460 4s. 1d., by charging it against the revenues of 1866-7, was debarred from recouping the moneys and using them in account for other purposes.

The Auditor is further of opinion that, even admitting the 49th clause of the Public Revenues Act to be retrospective in its operation, the course taken by the Treasury is objectionable, as in that case the moneys ought to have been treated as surplus revenues of the year 1866-7 payable to Provinces.

The Auditor submits that the Adjustment Account is wholly unnecessary, and that all the transfers could have been more readily shown in the Finance Account, Part II. If, however, the Adjustment Account be retained, it is necessary to amend it by striking out from the revenue side the sum of £88,460 4s. 1d., and placing it again among the suspense and other book accounts.

CHARLES KNIGHT,
Auditor.

18th August, 1869.

REPORTS BY THE

SECOND REPORT.

THE following statement of the Consolidated Fund Account for the year 1867-8 excludes the transfers of revenue to which the Auditor objects in his First Report, and brings the whole of the revenue transactions of the year into one statement,—divided, however, into two Parts, to show its relation to Colonial Treasurer's Adjustment and Consolidated Revenue Accounts (Parts I. and II. of printed Statements).

It will be seen that, after gathering up the receipts and disbursements, there remains a cash balance to the credit of the Consolidated Fund at the Bank of New Zealand of £46,979 15s. 11., besides a sum of £83,619 18s. 4d. issued as advances to be accounted for.

In reference to the advances to be accounted for, large sums have been issued from each of the four funds belonging to the "Public Account" of the Colony. These advances altogether amount to the sum of £380,513 1s. 5d., as shown in the table below, leaving a cash balance in the "Public Account" at the Bank of New Zealand of £127,802 7s. 6d. to the credit of the several funds, as also shown in the following table:—

SUMS to the Credit of the Four Funds of the "Public Account."

	£	s.	d.
Consolidated Fund	130,599	14	3
Special Fund	299,944	18	2
Land Fund	40,124	0	1
Public Trust Fund	37,646	16	5
	<u>508,315</u>	<u>8</u>	<u>11</u>

Of the above sums there remain in the "Public Account" at the Bank of New Zealand the following cash balances, viz. :—

	£	s.	d.
Consolidated Fund	46,979	15	11
Special Fund	7,183	14	11
Land Fund	36,856	13	2
Public Trust Fund	36,782	3	6
	<u>127,802</u>	<u>7</u>	<u>6</u>

The remainder having been issued as advances for various services out of the following Funds, viz. :—

	£	s.	d.
Consolidated Fund	83,619	18	4
Special Fund	292,761	3	3
Land Fund	3,267	6	11
Public Trust Fund	864	12	11
	<u>380,513</u>	<u>1</u>	<u>5</u>

£508,315 8 11

It will be understood that the advances have been made without reference to the question whether they will be finally charged on the fund out of which they were issued. The Auditor explained, in previous years' Reports, that the Colonial Treasurer used the public moneys in his charge as though they belonged to a common fund, available at all times for the general use of the Treasury. If the above Statement were reconstructed, so as to show the particulars as "Dr." and "Cr." balances, it would form a balance sheet of the cash transactions of the Colony for the year 1867-8, thus:—

	CR.			DR.		
	£	s.	d.	£	s.	d.
Consolidated Fund	130,599	14	3	...	...	...
Special Funds	299,944	18	2	...	...	...
Land Fund	40,124	0	1	...	...	...
Public Trust Fund	37,646	16	5	...	...	...
"Public Account" at Bank	...	...	...	127,802	7	6
Advances	...	...	...	380,513	1	5
	<u>508,315</u>	<u>8</u>	<u>11</u>	<u>508,315</u>	<u>8</u>	<u>11</u>

The remaining balances shown in the Colonial Treasurer's Account, pp. 36 and 37, are "cross" entries. It would add somewhat to the clearness of the Treasurer's Balance Sheet if the "cross" entries were placed below the "line."

In further explanation of the Finance Accounts, there are appended an Abstract of the Three Million Loan Account, and a Statement showing Appropriation and Expenditure under the Three Million Loan. The total appropriations by law on account of the loan would appear to be £4,001,118 4s. 2d., and the total expenditure, so far as it had been brought to account on the 30th June, 1868, is £2,869,909 19s. 8d.

23rd August, 1869.

CHARLES KNIGHT,
Auditor.

CONSOLIDATED FUND ACCOUNT, 1867-8.
Part I. of Colonial Treasurer's Finance Accounts.

Receipts on account of Consolidated Fund, as per Treasurer's printed Statement	£	s.	d.	£	s.	d.	Disbursements, as per Colonial Treasurer's printed Statement	£	s.	d.
...	215,558	12	8				...	320,749	1	7
Deduct receipts finally discharged in previous year's Account	88,460	4	1							
				127,098	8	7				
Balance carried down to Part II.				193,650	13	0				
				<u>320,749</u>	<u>1</u>	<u>7</u>		<u>320,749</u>	<u>1</u>	<u>7</u>

AUDITOR OF PUBLIC ACCOUNTS.

5 B.—No. 2A.

Part II. of Colonial Treasurer's Finance Accounts.

	£	s.	d.		£	s.	d.
Receipts on account of Consolidated Fund. (See details, page 93, printed Statement)	980,707		2 7	Disbursements in excess of Receipts brought down from Part I. ...	193,650		13 0
Treasury Bills, being proceeds of Bills outstanding on 30th June, 1867 ...	125,000		0 0	Disbursements on General Services, as shown in printed Statement ...	442,225		11 2
Balance of Bank of Issue Account on 30th June, 1867 ...	462	12	0	Deduct Interest on Loans charged on the Revenues of previous year ...	77,291		4 10
Sinking Fund Account ...	0	0	4		364,934		6 4
Treasury Bills issued during 1867-8 ...	125,462		12 4	Disbursements on Provincial Services, as shown in printed Statement ...	183,176		1 6
Transferred from Land Fund, Auckland, in aid of expenditure in that Province ...	100,000		0 0	Paid to Provinces for Provincial appropriation, as shown in printed Statement ...	260,683		12 5
	1,874		12 7	Treasury Bills redeemed ...			808,794 0 3
				Cash at credit of Consolidated Fund in "Public Account" at Bank of New Zealand ...			75,000 0 0
				Advances outstanding on 30th June, 1868 ...	46,979		15 11
					83,619		18 4
	1,208,044		7 6		1,208,044		7 6

£3,000,000 LOAN, 1863.

RECEIPTS.			DISBURSEMENTS.					
	£	s. d.		£	s. d.	£	s. d.	
Balance unexpended on 30th June, 1867	508,154	1 4	Suppression of Rebellion	61,511	11 11			
Debentures issued during the year 1867-8—			Introduction of Settlers, Surveys, &c. ...	12,872	10 11			
" Loan Act, 1863" ...	650,000	0 0	Telegraphs ...	8,523	4 4			
" The Debentures Act Amendment Act, 1865" ...	25,836	11 0	Taranaki Reinstatement... Charges on negotiation of Loan ...	2,703	15 0			
	675,896	11 0		3,580	2 0	89,191	4 2	
Less Debentures redeemed ...	633,601	11 0	Amount standing on 30th June, 1867, at debit of Imperial Government, being balance of £500,000 Debentures paid by the Colony, now made a charge on this Loan ...			282,635	0 11	
Premium on Debentures issued ...	21,406	12 6	Balance unexpended, 30th June, 1868 ...			200,049	8 9	
Recovery for sale of stores ...	20	0 0				571,875	13 10	
	21,426	12 6						
	571,875	13 10						

* Debentures in circulation on 30th June, 1868, £3,048,532 15s. 11d., being a liability exceeding the sum of £3,000,000 sterling authorized to be raised under "The New Zealand Loan Act, 1863."

STATEMENT showing the APPROPRIATIONS and EXPENDITURE of the £3,000,000 LOAN, 1863.

Appropriations.

APPROPRIATIONS.	" Loan Appropriation Act, 1863." (a.)		" Loan Expenditure Indemnity Act, 1866."		" Loan Appropriation Act, 1866."		TOTAL.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Apportioned to Provinces—								
Introduction of Settlers ...	300,000	0 0					1,200,000	0 0
Incident to location of Settlers ...	900,000	0 0						
Colonial Charge—								
Suppression of Rebellion ...	1,000,000	0 0	399,282	5 4			1,399,282	5 4
Imperial Government ...			500,000	0 0			500,000	0 0
Introduction of Settlers ...	50,857	17 2	27,037	17 9				
Incident to location of Settlers ...	147,331	4 3	133,229	1 0	170,000	0 0	543,153	17 2
Compensation ...	3,162	6 10	11,535	10 2				
Electric Telegraph ...	34,371	4 0	28,306	3 8			102,988	15 4
Lighthouses ...	29,196	16 5	11,114	11 3				
Reinstatement of Taranaki ...	137,363	6 11	19,431	7 2			156,794	14 1
Charges incident to negotiation of Loan ...			12,195	8 4			12,195	8 4
Advances to be accounted for ...	(b.)		79,466	6 10			79,466	6 10
Government Domains ...			7,236	17 1			7,236	17 1
TOTALS ...	2,602,282	15 7	1,228,835	8 7	170,000	0 0	4,001,118	4 2

(a.) The whole £3,000,000 was appropriated by "The Loan Appropriation Act, 1863," but except the £300,000 and the £900,000, the appropriations were limited to the amounts spent before the 1st April, 1865; the sums so spent have been assumed as the appropriations for this table.—*Vide Gazette*, 1865, page 200.

(b.) Advances to be accounted for. This sum was outstanding in the hands of Accounting Officers on the 30th June, 1866, and the Colonial Treasurer was indemnified for expenditure of the same when it should be accounted for. Up to 30th June, 1868, about £55,000 had been accounted for, and the expenditure is in this table included under the several heads of Service. The balance, about £24,000, is now (1868-9) in course of being written off.

REPORTS BY THE

Expenditure.

SERVICE.	To 30th June, 1867. (See Report of Auditor-General on Accounts of 1866-7.)			Charged in Financial Year 1867-8.			TOTAL.			Excess over Appropriation.			Less than Appropriation.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Introduction and location of Settlers charged on Provinces by "The Loan Allocation Act, 1865"	244,256	13	8	...	...	...	244,256	13	8	...	...	...	955,743	6	4
Suppression of Rebellion ...	1,334,274	1	9	61,511	11	11	1,395,785	13	8	...	...	...	3,496	11	8
Paid to Imperial Government	217,364	19	1	282,635	0	11	500,000	0	0	...	...	...	...	...	...
Introduction of Settlers; Surveys, Compensation, Public Works, &c., incident to location of Settlers	159,632	14	11	12,872	10	11	172,505	5	10	...	...	...	370,648	11	4
Electric Telegraphs and Construction of Lighthouses	107,831	16	6	8,523	4	4	116,355	0	10	13,366	5	6	...	...	...
Reinstatement of Taranaki ...	151,950	3	6	2,703	15	0	154,653	18	6	...	...	...	2,140	15	7
Discount and Charges on negotiation of Loan	275,469	17	5	3,580	2	0	279,049	19	5	266,854	11	1	...	...	...
Advances to be accounted for Government Domains ...	7,303	7	9	...	...	...	7,303	7	9	66	10	8	79,466	6	10
TOTALS ...	2,498,083	14	7	371,826	5	1	2,869,909	19	8	280,287	7	3	1,411,495	11	9

(c.) Total expenditure to 30th June, 1868 £2,869,909 19 8
 Deduct credits not shown here: Premium on Debentures, £21,406 12s. 6d.; and Stores sold, £20.—(See printed Finance Account, 1867-8, page 37) 21,426 12 6
£2,848,483 7 2

FINAL REPORT.

"Drs. and Crs." Account 1862-5, £2,305 6s. 8d. (page 49 printed Statement).

THE Auditor objects to the receipts of this fund, amounting to £2,549 7s. 3d., being carried to the credit of Revenue (see page 2 of the printed Statement) to meet outstanding liabilities of the year 1866-7, while the expenses on account of the "Drs. and Crs." Account are charged provincially against the Consolidated Fund of the year 1867-8.

Land Fund Account, Province of Marlborough—Several Payments on account of Interest and Sinking Fund on Loan of Half-Million.

The Treasurer, in his adjustment of the liabilities on account of the Half-Million Loan, has omitted in the calculation the revenue arising from the South-West Gold Fields. These revenues are payable into the Land Fund, and are deemed to be receipts arising from the disposal of the waste lands of the Crown; and, in any apportionment of a fixed charge between Provinces, the New Provinces Act requires the amount of land receipts to be taken into the calculation. It thus appears that, taking the South-West Gold Fields Revenue and the Duty on Gold, the revenues of the Province of Marlborough, for the three years ending the 30th June, 1868, have been charged about £954 in excess of the sum chargeable under the New Provinces Act. The exact amount of the overcharge cannot be stated, from the absence of proper accounts of the Gold Fields revenue collected in the Province of Nelson. On the 27th May, 1868, the Auditor called the attention of the Colonial Treasurer to the absence of any account of the South-West Gold Fields, and that none of the receipts had been passed through the Public Accounts of the Colony. It is submitted that the overcharge should be refunded to the Province of Marlborough.

It is to be observed that the Surplus Revenues Act, and the 7th clause of "The Land Revenue Appropriation Act, 1858," are repealed by "The Public Revenues Act, 1867," thereby rendering clause 15 of the New Provinces Act inoperative, so that for the year 1867-8 there is no authorized data on which to determine the apportionment of the public debts between the Provinces.

Imprest Crown Agent, £61,760.

It appears from the Colonial Secretary's letter of the 13th December, 1867, that the Crown Agent was directed to pay the Bank of New Zealand in London £61,760 to replace a similar sum advanced by the Bank for the redemption of Debentures payable on 31st December, 1867, at Auckland and in the neighbouring Colonies. The temporary loan from the Bank of New Zealand, together with the repayment, have not been shown in the Public Accounts. It is considered that the moneys obtained from the Bank in temporary aid of the revenue were not legally available for public purposes; but whether so or not, it was clearly the duty of the Treasury to show the transaction in the Public Accounts.

Land Fund, Province of Canterbury—Interest and Sinking Fund on Half-Million Loan, £2,200.

The Colonial Treasurer has charged the Province of Canterbury (including the County of Westland) the sum of £4,440, being the annual contribution of the Province on account of Interest and Sinking Fund on the Half-Million Loan. This charge has been made by monthly deductions of one-twelfth of the annual sum out of moneys payable to the Province on account of the Consolidated Fund. But, in addition to these twelfths, there was paid out of the Land Fund by the Receiver of Land Fund of the Province of Canterbury the sum of £2,220 on account of the half-year ending 31st December, 1867, thus making a double recovery out of moneys payable into the Provincial chest.

Land Fund, Province of Otago—Interest and Sinking Fund, £1,890.

An overcharge of £1,890 has been made on the Land Fund of the Province of Otago. The twelfths for the whole year have been deducted out of the Consolidated Fund, in addition to the sum of £1,890 recovered from the Receiver of Land Revenue.

Trust Fund Investment Account—Amount invested, £130,000.

The Colonial Treasurer has discharged from the Trust Fund the sum of £130,000 as being invested—£100,000 in Treasury Bills, and £30,000 placed to the credit of the Trustee in London. There is no reference to the Order in Council under which the investment was made, nor any statement on the voucher to show that the Comptroller is cognizant of the transactions; nor can the Auditor gather from the accounts whether the Treasury Bills are in the hands of the Comptroller or of the Colonial Treasurer. If in the charge of the Comptroller, there is no receipt or other acknowledgment to prove his liability. Thus Trust Fund moneys to a large amount are written off the Public Accounts as being no longer a liability of the Colonial Treasurer, while no statement or voucher is rendered to show what has become of the Treasury Bills which represent the moneys taken from the Trust Fund in aid of the Public Revenue. The Colony is thus under a double liability. It is responsible to the parties whose moneys are in trust, and it runs the risk of the misadventure of the Treasury Bills. In respect of the remaining £30,000, it has been transferred to the credit of "The Public Debts Act, 1867," and forms part of the sum of £190,000 (page 100, printed Statement).

31st August, 1869.

CHARLES KNIGHT,
Auditor.

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