

The annexed account shows the result of these operations, which does not differ much from the result arrived at by the Audit Office, as will be seen by the following comparison:—

	£	s.	d.
Treasury Account, Nelson <i>Dr.</i>	1,246	17	9
Audit Office Account <i>Dr.</i>	1,243	2	1
Difference	£3	15	8
For Nelson there was converted of Loan of 1858	12,300	0	0
For Nelson there was converted of Loan of 1864	2,600	0	0
	£14,900	0	0
For which new bonds were issued amounting to... ..	15,700	0	0

A sum of £14,800 had to be raised to pay off residue of Loan of 1858.

This money was raised by hypothecation of bonds in London, which were ultimately sold at an average rate of 92.266 per cent.

The nearest sum in bonds that would represent this is £16,200, net proceeds of which is £14,947 1s. 10d., leaving a deficiency (payable by Nelson) of £32 18s. 2d.

	£	s.	d.
<i>Cr.</i> Nelson			
Net proceeds of Bonds	14,947	1	10
Interest charged	754	2	0
	£15,701	3	10
<i>Dr.</i> Nelson.	£	s.	d.
Interest on £15,700, at 6½, from 15th July, 1868, to 30th June, 1869, 23-24ths of year	902	15	0
Amount paid for Redemption of Bonds, (1st July, 1868)	14,980	0	0
Interest at 5½ per cent. from 1st July, 1868, to 15th August, 1869, (being average date of bonds,) 1 year 45 days	£925	9	6
Less period beyond 30th June... ..	101	11	6
	823	18	0
Proportion of Charges	241	8	7
	16,948	1	7
Due by Province	£1,246	17	9

The cases of Taranaki and Hawke's Bay are precisely similar, as is also that of Canterbury, so far as concerns the making of an advance by the General Government for the Province, and obtaining repayment for the same. As the principle adopted by the Audit Office in computing the sums respectively chargeable to these Provinces differs essentially from that which is followed in these accounts, the following statement is submitted as showing the mode in which the Treasury has arrived at results that are still believed to be correct. It should be added that the principle is the same as that which was adopted in the accounts to which the Auditor-General objects, but the results are not quite the same, because the General Government is now charged with £160,000 out of £400,000 as its proportion of the temporary loan, instead of being charged with £60,000 out of £300,000 as had been previously done. It is admitted that the last-named way of stating the account was not correct.

N.B.—The case of Canterbury is stated because, while all the circumstances are identical, the sums involved are larger, and therefore the divisions of them are more distinct.

Statement.

The General Government undertook (in October, 1867) to pay for the Province of Canterbury the sum of £190,000 to the Bank of New Zealand in London on the 20th March, 1868.

To do this, *inter alia*, the Agent of the General Government borrowed £150,000 on the 9th March, 1868, and £300,000 on the 19th and 20th of the same month, on the security of debentures created for this purpose and hypothecated. These loans were repayable, £100,000 at three months and £350,000 at four months from the dates of borrowing. With the money so raised, the Agent for the General Government paid the £190,000 for Canterbury.

The cost of obtaining this temporary loan (in interest, brokerage, &c.) was £6,764 1s., which is now rateably distributed thus:—

General Government, on	£160,000	proportion	£2,705	12	5
Taranaki	20,000	"	338	4	0
Hawke's Bay	30,000	"	507	6	1
Canterbury	190,000	"	3,212	18	6
	£400,000		£6,764	1	0

In order to repay the sum of £190,000, which Canterbury then owed to the General Government, the Agent sold bonds of the unissued portion of the Provincial Loan of Canterbury to the extent of £266,600. These bonds (or, rather, new bonds of the Consolidated Loan to the same amount) were sold on 5th May, 1868, at 97 per cent., the bonds bearing interest from 15th April.