

FURTHER REPORT

BY

THE AUDITOR-GENERAL OF THE PUBLIC ACCOUNTS

FOR THE

FINANCIAL YEAR 1869-70.

PRESENTED TO THE HOUSE OF REPRESENTATIVES UNDER THE 60TH SECTION OF "THE PUBLIC REVENUES ACT, 1867."

WELLINGTON.

—
1871.

FURTHER REPORT BY THE AUDITOR-GENERAL OF THE PUBLIC ACCOUNTS FOR THE YEAR 1869-70.

Recoveries from Provinces for Interest and Sinking Fund, page 150.

THE Treasury has adjusted the charges for "The Consolidated Loan Act, 1867," so that they now accord with the statements given in my Report on the Accounts for the year 1868-69 in nearly all essential particulars, except that the Treasury still maintains the right to recover from the Provinces in cash all the expenses of conversion, &c. The amount so recovered is £16,696 13s. 10d. The whole sum required to meet these expenses was raised under the Consolidated Loan Act, and forms part of the balance transferred to revenue, under the authority of section 7, Appropriation Act, 1870. The money thus liberated, to the extent of £16,696 13s. 10d., was at the expense of the Provinces.

Having called attention to this matter, the Auditor-General leaves it; and in order to obtain a common base, has adopted the Treasury view in all calculations and remarks made in this Report on the Consolidated Loan Accounts.

The annexed Table shows the adjustments for Interest and Sinking Fund, included in the Finance Accounts under the head "Consolidated Loan Act, 1867."

| | Capital on which Interest and Sinking Fund is recoverable, according to the Treasury Statement. | | | Undercharged in the Accounts for the year 1868-69. | | | Overcharged in the Accounts for the year 1868-69. | | | Interest and Sinking Fund due for the year 1869-70. | | | Recovered in the year 1869-70. (Page 150, printed Statement.) | | |
|-----------------------|---|-----|-----|--|-----|-----|---|-----|-----|---|-----|-----|---|-----|-----|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Auckland | 502,350 | 0 | 0 | ... | ... | ... | 2,029 | 16 | 6 | 30,141 | 0 | 0 | 28,111 | 3 | 6 |
| Taranaki (a) | 27,000 | 0 | 0 | 437 | 10 | 0 | ... | ... | ... | 1,580 | 1 | 2 | 2,017 | 11 | 2 |
| Wellington (b) | 97,600 | 0 | 0 | 1,213 | 7 | 3 | ... | ... | ... | 5,856 | 0 | 0 | 7,069 | 7 | 3 |
| Hawke's Bay | 60,000 | 0 | 0 | 1,050 | 0 | 0 | ... | ... | ... | 3,600 | 0 | 0 | 4,650 | 0 | 0 |
| Nelson | 31,900 | 0 | 0 | 971 | 2 | 9 | ... | ... | ... | (c)1,895 | 9 | 9 | 2,866 | 12 | 6 |
| Marlborough | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Canterbury | 545,965 | 7 | 8 | 5,868 | 8 | 11 | ... | ... | ... | 32,757 | 18 | 6 | 38,626 | 7 | 5 |
| Westland | 146,384 | 12 | 4 | 4,977 | 3 | 2 | ... | ... | ... | 8,783 | 1 | 6 | 13,760 | 4 | 8 |
| Otago | 443,400 | 0 | 0 | (d)5,683 | 7 | 9 | ... | ... | ... | 26,604 | 0 | 0 | 32,287 | 7 | 9 |
| Southland | 424,250 | 0 | 0 | ... | ... | ... | 155 | 11 | 3 | 25,455 | 0 | 0 | 25,299 | 8 | 9 |

(a). £2,000, part of the year only.

(b). Interest and Sinking Fund on £17,950, at 6 per cent. for half-year, £538 10s., was recoverable in addition to £5,856—a further sum of £17,950 having been raised, as on the 1st January, 1870, for the benefit of Wellington. This claim has since been adjusted—(T71-239).

(c). £15,700 for conversion, 12 months, at 6 per cent. 942 0 0
 £14,980, borrowed to redeem Provincial bonds, at 5½ per cent., 1½ months 102 19 9
 £16,200 bonds, sold at 92·266 per cent., to repay temporary loan, 10½ months, at 6 per cent. 850 10 0

£1,895 9 9

It is doubtful whether the charge for interest alone on the sum temporarily borrowed is fair to the Colony. The currency of the bonds hypothecated (£16,200) commenced from the 15th January, 1869, and Sinking Fund, as from this date, has been paid by the Colony, without any recovery having been made from the Province on account of the period during which the bonds were hypothecated. The expense on this account, computed from the 15th January, 1869, amounts to £81, and should be recovered from the Province.

(d). In the adjustment made by the Treasury, interest on £26,600 bonds, issued for the amount required under the Surplus Revenue Adjustment Act, is charged from 15th July, 1868. The arguments adduced in the joint memorandum, to prove that Southland and Canterbury should be charged from 15th April for sums similarly raised, apply equally to the case of Otago. The interest paid for the quarter was £399.

*Special Fund.—Consolidated Loan Application Act, 1869.—Discount, Commission, and Charges,
£1,039 9s., page 155.*

The whole expense of raising the authorized sum of £79,000 has been charged against the Province of Wellington. £7,000 of this loan is for the benefit of Southland, and the expenses should be divided *pro rata*.

| | | | | | |
|----------------|-----|-----|---------|-----|------------|
| Wellington, on | ... | ... | £72,000 | ... | £947 7 0 |
| Southland, on | ... | ... | 7,000 | ... | 92 2 0 |
| | | | £79,000 | | £1,039 9 0 |

Trust Fund Investment Account, page 162.

The Auditor-General, in his Report on the Accounts for 1868-69, recommended that certain adjustments should be made in this account. This recommendation has not been followed in the year under consideration; but a satisfactory adjustment is made in the accounts of the year 1870-71.

It is necessary to explain that the balance for which the Treasury is liable is, as stated, £211,061 7s., but the nominal value of the securities was—

| | | | | | | |
|--|-----|-----|-----|-----------------|----------|----------|
| New Zealand 5 per cent. Consolidated Bonds | ... | ... | ... | £65,900 | 0 | 0 |
| „ Treasury Bills | ... | ... | ... | 146,000 | 0 | 0 |
| | | | | <u>£211,900</u> | <u>0</u> | <u>0</u> |

Interest and Sinking Fund Loan Act, 1860, page 9.—Interest at 6 per cent., half-year to 1st January, 1869, £1,242.

It is necessary to explain that the half-year's interest on £95,700 amounts to £2,871. Of this interest £1,629 was discharged in the accounts for the financial year 1868–69, page 11, leaving £1,242 to be paid as shown in the accounts under consideration. The interest for the subsequent half-year appeared in the accounts of 1868–69.

In respect of the Sinking Fund, the Auditor-General, in his Report on the Accounts of the year 1868–69, directed attention to the fact that during that year nothing had been contributed to the Sinking Fund of the loan of 1860. In the year 1869–70 a contribution has been made for the last half of that year, but none has as yet been made for the half-year ended 31st December, 1868, thus leaving a liability of £957 unsatisfied. The omission should either be rectified or explained; but no explanation, however good in itself, can make the account as intelligible or as satisfactory as the entry of the correct amount in its proper place.

Loan Act, 1863, page 9.—Interest on Taranaki Debentures issued under the Taranaki Loan Act, 1863, at 7 per cent., £24 10s.

There is a further payment for interest on this loan (page 153) under “Special Fund charged on Loan, 1863, £1,508 10s.,” making the total interest paid in the year £1,533. Scattering the expenditure in this manner is objectionable. No part of the interest is properly chargeable on the Special Fund. In 1866–67 a vote was taken, and all the interest for that year was charged on the Annual Appropriations, and, as the loan is mentioned in the Schedule of the Public Debts Act, the interest on the Taranaki Debentures may be considered a charge on the Consolidated Fund. But under any view the expenditure need not be split up in the way it is in the published accounts.

Treasury Bills Act, 1869, No. 2, page 63.—Interest 1st October, 1869, to 4th February, 1870, £952 10s.

A Bill was issued to the Bank of New Zealand under the provisions of “The Treasury Bills Act, 1869,” No. 2, to bear interest from 1st October, 1869, at the rate of 4d. per hundred pounds per day, and with a currency that expired on the 1st November, 1869. This Bill was not redeemed till the 4th February, 1870, and the Bank was paid interest on the amount of the Bill, at the rate of 7 per cent. per annum for the whole time, *i.e.*, from 1st October, 1869, to 4th February, 1870. The Treasury divides the charge into two items (p. 63, £952 10s., and p. 93, £143 10s. 7d.), making together £1,096 0s. 7d.

The legal rate of interest on Treasury Bills is 4d. per diem—equivalent to about £6 1s. 8d. per cent. per annum. In this case the interest paid is 7 per cent., and therefore in excess of the legal rate. It may, however, be contended by the Treasury, that the Bills were hypothecated to the Bank as security for a loan. But it was contrary to law to obtain a loan from the Bank in this instance, as the whole amount (£60,000) allowed to be borrowed by way of loan from a Bank or on a Deficiency Bill had been already advanced by the Bank.

Special Fund, page 7.

The balances brought forward from last year do not appear in the same shape, and explanation is requisite to show that they are the same.

The balances in 1868–69 were:—

| | | | | | | |
|----------------------------------|-----|-----|-----|----------------|----------|----------|
| Consolidated Loan Act, 1867, Cr. | ... | ... | ... | £1,099,959 | 14 | 4 |
| Public Debts Act, 1867, Dr. | ... | ... | ... | 1,019,845 | 5 | 9 |
| Balance, Cr. | ... | ... | ... | <u>£80,114</u> | <u>8</u> | <u>7</u> |

This sum is brought into the year 1869–70, as:—

| | | | | | | |
|--|-----|-----|-----|----------------|----------|----------|
| Public Debts Act, 1867, being amount raised for purposes of Schedule B, but unexpended | ... | ... | ... | £60,734 | 14 | 3 |
| Consolidated Loan Act, 1867, being amount raised for conversion and other purposes, but unexpended | ... | ... | ... | 19,379 | 14 | 4 |
| Balance, Cr. | ... | ... | ... | <u>£80,114</u> | <u>8</u> | <u>7</u> |

Sinking Fund Account, page 7.

The balance has been increased by 4d. taken from Suspense Account. It was thought unnecessary to make an entry for this adjustment.

Consolidated Revenues, page 26.—Lunatic Act, 1868.

The sum of £490 19s. 3d. is credited as revenue collected within, and divisible with, the Province of Otago, namely:—

| | | | | | | |
|-----------------------------|-----|-----|-----|-------------|-----------|----------|
| For Maintenance of Lunatics | ... | ... | ... | £405 | 9 | 5 |
| Net percentage on Estates | ... | ... | ... | 81 | 9 | 10 |
| | | | | <u>£490</u> | <u>19</u> | <u>3</u> |

Of this sum the Colonial Treasurer has paid to the Province of Otago £40 8s. 8d., as the amount of its claim for maintenance of patients, and £84 18s. 4d. for miscellaneous expenses; and having thus got rid of the whole, with the exception of £5 12s. 3d., it proceeds to deal with the original sum as if still lying in the public chest as consolidated revenue, and pays over one-half to the Province, being a loss of £239 17s. 4d. to the Consolidated Revenue, and a double payment to the Province. On reference to the Act under which these transactions occur, it is found that the Lunatic Act provides that the claims for maintenance of patients in lunatic asylums are to be defrayed out of the respective estates of the patients, and the Registrar is required to discharge the claims in the following manner:—If due to any Province, then the payment is to be made to the Public Account of the Province, and if the claim is made by the General Government, then the payment is to be made into the Consolidated Fund. In the case under consideration, the claim was made by the Province of Otago, and the Registrar should have paid the maintenance direct to the Provincial Account. It is submitted that the sum of £245 9s. 7d., paid to the Province as revenue, should be recovered.

Page 32.

The amount provided for payment of Southland Debt by Vote 86, was £6,000. The Treasury has transferred from Special Fund, £7,000 to provide for this vote. As the Treasury does not use the excess of £1,000 for the Southland Debt, the effect of this is that the Consolidated Fund is benefitted to the extent of this £1,000 at the expense of the Special Fund.

Interest and Sinking Fund, page 9.—Sinking Fund at 2 per cent. on £342,800 for the Half-Year ending 15th June, 1869.—£3,428.

This is an entry to adjust last year's accounts. If we turn to folio 13 of the printed Statement for the year 1868-69, there is found an entry of £3,622 for the same Sinking Fund, and for the same period as above quoted. Those who have not time to analyze the published accounts would be entirely misled by these entries, and would fall into the mistake that there had been a double payment on the same account. If, however, we turn now to p. 28 of the account for the year under examination, the sum of £3,622 appears as a credit to the Consolidated Revenues: thus virtually cancelling the entry of the previous year. It is considered that it would have been better if the assumed error (£194) *i.e.*, the difference between £3,622 and £3,428, had been brought to credit, instead of showing the same expenditure twice.

The Auditor-General is of opinion that no error really existed. The amount of the bonds upon which Sinking Fund was due for the half-year ending 15th June, 1869, appears to have been as follows:—

| | | | |
|---------------------------------------|----------|---|---|
| Series due 15th December, 1891 | £106,300 | 0 | 0 |
| Series due 15th June, 1891 | 255,900 | 0 | 0 |
| | £362,200 | 0 | 0 |

The Sinking Fund on which, for six months, is £3,622, as shown in the accounts for the year 1868-69. If this is correct, as the information supplied to the Auditor General leads him to suppose, the adjustments in the accounts of the year 1869-70 not only introduce an error, but unnecessarily complicate the accounts.

Interest and Sinking Fund, page 61.—Sinking Fund, 2 per cent. one year to 15th March, 1870, £4,244.

The amount of bonds unconverted on which Sinking Fund was due for the year ending 15th March, 1870, appears to have been £226,400; the Sinking Fund on which would be £4,528 for one year, instead of £4,244.

Sinking Fund Consolidated Loan, 1867, on £4,346,000, on account of three months, to 15th October, 1870, £353 2s. 2d.

The total amount of bonds on which Sinking Fund was due for the quarter named, was £4,409,000; and the liability belongs to the year 1870-71.

Debtor and Creditors Act, 1862-65, page 71.

The above quoted Acts, and that of 1866, were repealed by "The Bankruptcy Act, 1867," which last Act created the office of Accountant in Bankruptcy, but makes no provision for the office or the expenses. The sum expended should be submitted with the other supplementary expenditure for a vote of the Legislature.

"Bank Commission on Money Order Remittances," appears in two places: namely, under Vote for Salaries, &c., of the General Post Office, p. 77, £480 11s. 10d.; and again, under Contingences (same page), £147 4s. 5d. Both items are for the same service, and the separation seems to be made without any definite reason.

Refunds of Revenue, page 135.

The Auditor-General, in his Report, on the Accounts of the Financial Year 1868-69, objected to the practice of charging refunds of revenue adopted by the Treasury, because it pressed unfairly on the Provinces. The case of Auckland may be cited. The course adopted is as follows:—1st. The revenue collected is divided equally between the General Government and the Province. 2nd. Revenue to the amount of £170 9s. 3d. is refunded. 3rd. The Treasury charges the whole of the refund against the Province: thus clearly making £84 4s. 7d. on the transaction, at the expense of the Province. To make an equitable adjustment the sum of £854 8s. for the year 1868-69, and £198 3s. 4d. for the year 1869-70, should be refunded to the Provinces.;

Balance Sheet of Advances, page 164.

The Imperial Government is stated to be indebted to the Colony in the sum of £215 14s. 2d. ; but in the Recapitulation of Advance Accounts, p. 170, the debt is stated to be £87 12s. 10d. The latter sum is correct. The error arises from the Treasury having inadvertently included a sum of £128 1s. 4d. due by the Commissariat on account of pensions, and shown at p. 166, in its proper place.

22nd October, 1871.

CHARLES KNIGHT,
Auditor-General.
