

therefore cancelled. Although the Hawke's Bay District is a registered society, it has not as yet given notice of the establishment of Court Lord Clyde in accordance with section 30 (3). The latter body therefore does not at present enjoy the privileges of a registered branch.

## II.—PUBLIC AUDITORS. •

Application having been made by a gentleman acting as a provincial district auditor to become appointed a public auditor under section 36 of the Friendly Societies Act, it was decided by the Government to consider the feasibility of appointing all the provincial district auditors as public auditors. Although no demand has been expressed by societies themselves for such appointment, yet an examination of their annual returns reveals the fact that in a large number of cases the private audit is conducted in the most perfunctory manner. Every year several returns are forwarded to this office, the statements of which are so inextricably confused and hopelessly self-contradictory that it is a marvel how any persons assuming the title of auditor could bring themselves to sign such statements. Under these circumstances it was hoped that if competent gentlemen were appointed as public auditors, and a moderate scale of fees established, some societies might be induced to avail themselves of their services in place of the private auditors at present employed. Communications were accordingly addressed to the various provincial district auditors, inquiring as to their willingness to accept the additional appointment, and with a single exception affirmative replies were received.

Owing, however, partly, to difficulties in connection with the proposed apportionment of fees, no actual appointment has as yet been made.

In connection with this matter, the Registrar ventures to suggest that it might be advisable so to amend the Act as to enforce a Government audit in respect of the financial state of a society at the epoch of each valuation, and that such audit should include a valuation of the securities held by the society. In the absence of this it seems clear that the check imposed by an actuarial valuation must be an incomplete one, as the actuary employed, not being usually on the spot, has no means of verifying the statement of present assets, which is one of the premisses of his valuation. In many cases, where real estate forms a conspicuous portion of the assets, or even where such assets consist largely of mortgages on real estate, the value of the asset may easily be over-estimated in the statement of funds forwarded for the actuarial valuation. It would seem, therefore, that the actuarial valuation needs to be supplemented by an immediately preceding independent audit, and by a valuation in the commercial sense of the word.

## III.—VALUATIONS.

The principal event of the six months which the Registrar has to report is the exceedingly important valuation of the Otago District of the Manchester Unity of Odd Fellows, by Messrs. G Leslie and P Black, the Public Valuers. A brief summary of the results of this valuation was presented to Parliament at the close of last session, and the valuation report itself is now appended as Schedule II. hereto.

The basis of the valuation has been the sickness and mortality experience of the Manchester Unity of Odd Fellows, and a rate of interest of 4 per cent. In the opinion of the Actuary attached to this office, this basis is a safe one in the case of lodges of considerable numerical strength, earning current rates of interest on closely-invested funds, and not having on their books an undue proportion of members who are either following hazardous or unhealthy occupations, or who have in the past been subject to an excessive amount of sickness. He considers that, under such circumstances, the danger of a future sickness-experience in excess of the expectation is sufficiently guarded against—(1) by the large excess of the interest probably obtainable for many years to come over the rate assumed in the valuation; (2) by the profits accruing from such a minimum rate of secession as may with tolerable confidence be relied upon; and (3) by the *probability* that for some years to come, at any rate, the sickness experienced will be below the expectation. Precisely because the standard adopted over-estimates considerably the *most probable* liabilities, except where (a) the occupations are unduly hazardous or unhealthy, or an excessive sickness has been experienced in the past by *existing* members, or (b) the funds are carelessly invested—precisely on this ground, Mr. Frankland is of opinion that for lodges of considerable numerical strength, containing, say, upwards of 150 members, and *not* coming under either of the two above-mentioned categories—the standard is a safe one, as it provides for those heavier liabilities which, though not the *most probable*, are nevertheless not by any means very *improbable*. In the case of smaller lodges, however, if they are not legally entitled to rely on assistance from the district or the order, Mr. Frankland thinks that an addition should be made to the reserve brought out in respect of the sick allowance payable after twelve months' continuous sickness, as it is precisely in respect of such chronic sickness that smallness of numbers gives rise to the greatest divergences from the expectation, and also because the bulk of old-age invalidity, respecting which the existing data (being scantiest) are least reliable, will fall under the category of "sickness after twelve months of continuous sickness." Further, in the case of *very* small lodges, such as the Waipori, Alexandra, Lake Wakatipu, Palmerston, Band of Friendship, and Arrow (*see* Schedule II. hereto) of this district, no reserves short of altogether impracticable ones can be held to insure safety. As regards the lodges of this district, therefore, the safety or otherwise of the data used would have depended—*had a surplus been declared*—on the right of a lodge to obtain assistance from the district in the event of inability to meet its engagements. There can be no doubt that the district, consisting as it did at the date of valuation of 1,620 members, supplies the necessary basis for the operation of average. Whether the legal claim referred to actually exists, does not seem very clear. Some of the reports of Messrs. Leslie and Black to individual lodges seem to imply that it does; but in the case of the Band of Friendship Lodge, in respect of which a nominal surplus is declared, the valuers point out that on account of the smallness of the lodge (13 members) the said surplus is in no way to be taken as indicating real soundness, as the by no means very improbable contingency of even two cases of early permanent invalidity would speedily exhaust its funds. As, however, in all other cases a deficiency has resulted, the question of the safety of the standard does not practically come into prominence. In one case, that of the Hand and Heart Lodge, the oldest and largest in the district, although there is a small