

SESS. II.—1891.
NEW ZEALAND.

REMARKS ON THE REPORT OF THE COMMISSIONERS ON
THE PUBLIC TRUST OFFICE.

Presented to both Houses of the General Assembly by Command of His Excellency.

As the Commissioners on the Public Trust Office have made certain strictures on the manner in which the Audit Office performs its duties in reference to that department, I feel it due both to Parliament and the public, as well as to myself and the staff of the Audit Office, to reply to such strictures.

1. *The Duties of the Audit Office.*

The duty of the Audit Office is to ascertain and to certify that all the money received by any department is (1) duly accounted for, (2) is charged to the proper account, and (3) has been paid out of the proper account to the persons entitled to receive it. The forms in which Government accounts are kept are determined by statute or by Order in Council, or, subject to them, by the head of the department. The Audit has no responsibility as to the form in which accounts are kept further than to require that they shall be in accordance with the law, and shall be such as to enable the Auditor-General to certify to their correctness. Hence the witnesses in this inquiry who have stated that the forms of the books in the Public Trust Office were settled by the Audit Office and the first Public Trustee, have been misinformed. Mr. Woodward, the first Trustee, may have consulted me; but I have no recollection of it, nor does any memorandum, so far as I know, exist on the subject. Mr. Woodward may be presumed to have been a competent accountant, having had experience in several commercial houses, and having been permanent head of the Treasury for some years. The subdivision of the cash-books and ledgers into such a number of volumes as are now in use was the work solely of the Public Trust Office itself, and in no way affected the audit of the accounts.

2. *The Charges against the Audit Office.*

The Commissioners state in their report that “the system of audit practised in relation to the business of the Public Trust Office has been in reality a delusion.” I shall deal seriatim with the grounds on which they consider themselves justified in coming to such a conclusion:—

(1.) They say that the officers of the Audit Department “were ignorant of the existence of a large number of books in use by the officers of the Public Trust, in which money entries were made each day.”

I reply, *it is distinctly untrue* that the officers of the Audit Department were ignorant of the existence of any book in the Trust Office which could have thrown any light upon, or in any way assisted in, the fulfilment of their duties, or of any book which contained an entry of a single farthing which did not appear in the books which they did audit; and not only was abundant testimony to this laid before the Commissioners, but, strange as it may

appear, the Commissioners did not, in the whole course of their examination, ask a single question with the object of showing that the books to which they refer were in any way necessary to a complete audit, or contained any information which ought to have been disclosed to it, and which the Audit did not already possess.

To make this clear I will briefly describe the books to which the Commissioners refer : (a.) *The rough cash-books* (so called by the Commissioners). It is a common practice with some men who receive money which they have to pay into a bank, to write down on a slip of paper the cash, cheques, Post-Office orders, &c., received. Mr. Moginie, the Accountant to the Trust Office, prefers to keep such memoranda in a small book, and to have it compared with the bank pass-book the next morning, after which each entry is scored out with red ink, instead of being, as might have been done, put into the fire. I conceive that no person in his senses, unless he had evidence that it was used in the scheme of account, would take such a book to be an official record. But the Commissioners had positive evidence that it was not so used, and that it was never even consulted by the book-keepers; and yet the Chairman spent hours in endeavouring to extort from the officers of the Trust Office and the Audit Office an admission that these little books were official records, and that they were the *first* records of the cash received in the office.

In my first examination before the Commissioners the Chairman held out one of these books and asked me (Qn. 4760), "Are you aware that these entries are records of cash first coming into the Public Trust Office daily?" And again, "Are not the entries made from this first book into that cash-book?" Now, this was at once the assertion of a fact, and a question—whether I was aware of it. It will hardly be believed that the Chairman had distinct evidence before him from several witnesses that what he was representing to me as a fact was in reality the direct contrary to the truth; that the book in question was *not* a rough cash-book; that no entries were ever made from it to any other cash-book; and that it was *not* the *first* official record of cash coming into the office. I should be sorry to describe in the only language it deserves such a mode of examination. Not having had any personal acquaintance with the books of the office for some years, I was extremely surprised at the book shown to me as a *cash-book*; but when, by subsequent inquiry, I ascertained the truth, and how an attempt had been made to extort from me an admission which was contrary to the truth, I felt it my duty, on next appearing before the Commissioners, to protest in strong terms against the mode of examination adopted by the Chairman.

It is sufficient to say that the entries into *the cash-book* are made in all cases from the original vouchers, which, in the case of receipts, are the counterparts of the receipts given to the payers, and in the case of payments, the blocks of the cheques issued in pursuance of vouchers passed by the Auditor-General for payment. The Accountant's memoranda are not referred to by the book-keepers at all.

Fortunately, however, the Commissioners, fearing lest their bare assertion might fail to obtain the confidence it claimed, have supported it by attaching to these reports facsimiles of eleven pages of these rough "cash-books." I should imagine the result will scarcely fulfil their anticipations. I think that any man, especially any business-man, will only wonder how any person of ordinary capacity could have made so strange a blunder as to suppose that these scrawls were any part of the official records of a public office, or could have so far presumed on the credulity of Parliament and the public as to think that they would be accepted as fair specimens of the style in which the Public Trust Office books are kept; and if they are not published with that intent, why are they published at all?

I fear the question may possibly be asked, What has all this cost, and what public purpose has been served? It seems to me that the only gainer by this curious transaction is Mr. Moginie, the modest author of these—what shall we call them—"cash sketches," or "financial sonnets;" or, looking at the red blots so artistically reproduced, "*mes larmes*, by an accountant." For one can readily imagine the amusement and gratification he must feel at finding that he has unexpectedly achieved literary fame: that his little books are introduced to the world in a costly edition with voluminous notes by distinguished critics, with a large circulation guaranteed, and all at the expense of a grateful and admiring country. All he has to complain of is that his publishers did not publish the whole of these interesting volumes.

(b.) *The Subsidiary Ledgers*.—The only other set of books which are not inspected by the Audit are what are called the subsidiary ledgers, in which entries are taken from the ordinary ledgers and arranged under different heads. Every entry into a subsidiary ledger is a literal transcript of an entry in the ordinary ledger, the entries in the general ledgers being posted under the heads of estates, the same entries being posted in the subsidiary ledgers under the heads of beneficiaries in the estates. Now, I desire to ask, whether the statement

“that there were a large number of books in use . . . in which money-entries were made each day without the knowledge of the Audit,” does not imply, and whether it was not intended to imply, that there were entries of *money transactions* of which the Audit had no knowledge? And I ask whether it is an honest or a misleading statement of the true facts as here described, and of which the Commissioners had ample evidence?

(2.) The next charge against the Audit is “the careless and perfunctory inspection made by the Audit Department of the mortgage securities held in the interest of beneficiaries.”

Before combating this statement I must know what it means. Does it mean that the inspection of the Audit should extend (1) to the legal validity of the security given by the mortgage? Then, I must wholly deny that such is any part of the duty of an auditor. The law advisers of the office, not the auditors, are responsible for the validity of the title acquired. Or (2) does it mean that the auditor is responsible for the value of the property being sufficient to bear the mortgage? Again I deny that such is the duty of the Audit. The responsibility for this is imposed by the Act on the Board and the Trustee, and the Auditor is not called on to make an independent valuation of properties, nor has he the means of doing so.

I infer, however, from what follows what the Commissioners meant by “careless and perfunctory inspection.” They say, “These securities have been certified to as correct by the Auditor-General when he and his inspecting officers, had they faithfully performed their duty, should have known that some of the mortgages had long since been foreclosed by the Public Trustee, and *ipso facto* had ceased to exist.”

And, pray, who has informed the Commissioners that the Audit officers were not aware that mortgages had been foreclosed? It is not in evidence that they were not aware of it, and if it were it would have been untrue. And the Commissioners go on to say that although some of these properties “had been bought in by the Public Trustee *as the highest bidder* for less than one-half, and even as low as one-eighth, of the money originally advanced upon them, still they have been passed year by year by the Audit Department *as representing the full amounts advanced.*”

Exactly so. They do represent *the full amounts advanced*, and so rightly appear in the account. But the Commissioners endeavoured to extort out of Mr. Webb, the Audit examiner, even by the utterly unwarrantable threat to report him to the Government, involving, as it might have done, his dismissal from the service—to extort out of him the admission that the statement in the balance-sheet was a statement of the *value of the properties under mortgage*, and, as such, was untrue. I claim it as in the highest degree creditable to the character of the Audit officer that he could be neither cajoled nor intimidated by the Commissioners to admit that which they wanted him to admit—namely, that the statement in the balance-sheet was a statement of the *value of the mortgages*, and, as such, was false, whilst they now in their own report admit that the statement of mortgages “had been passed year by year by the Audit Office *as representing the full amounts advanced.*” That is exactly what they do represent, and what Mr. Webb said they represented, although the Commissioners endeavoured to force him, by threats of penalty, to admit that they represented *actual value*.

3. *The Statement of Investments in the Balance-sheet of the Trust Office.*

The balance-sheet as it stands is that required by the Public Trust Office Act; but it may become a matter for consideration whether *prospective* or *possible* losses on investments should be shown in it. So far as I can gather from the questions put by the Commissioners, it is their opinion that these should be written off the Expenses Account—that is, off the *annual income* of the office. I am not aware that such is the custom with any commercial houses. I was under the impression that actual losses were written off the trading capital, and that prospective losses were provided for either by insurance or by setting aside a reserve fund. But the Public Trust Office, so far as it is a trading concern, is trading without capital, but upon a guarantee by the Consolidated Fund; and therefore no loss, even real, much less prospective loss, can be written off its books without the consent of Parliament. And it would have been my duty to prohibit any such dealing with the accounts.

I understand from the line of examination pursued by the Commissioners that their opinion is that, in a case in which £4,000 had been lent on mortgage on a property which the Trustee foreclosed, buying it in at the auction on a bid of £500, the sum of £3,500 ought to have been written off the investments—in other words, that the bid at the auction was to be accepted as the value of the property; and that such is commercial usage. A case came before me a few weeks ago in which a man had lent £900 on a mill. The interest not being

paid, he foreclosed, and bought the property himself at auction for £10. According to the Commissioners the value of the mill should have been stated in any true account thereafter at £10! But the Commissioners do not seem to perceive that, if the value of the land is to be taken at the bid made in the auction-room, the Trustee need only bid the amount of the mortgage, when the account as it stands would be correct even according to their own standard.

The Audit Office does not hold such absurd views as to accounts. It holds that where a mortgagee purchases, the only effect in account is that the loan is converted into purchase-money, and that instead of the £4,000 appearing as a loan it should appear as the purchase-money of a property. The mortgage is dead, but the land remains; and what the value of that land may be is wholly a matter of opinion. It correctly appears in the accounts as an investment of £4,000. As a rule, land in a colony rises in value. The instances in which it falls are exceptional; and the presumption is that in a few years all the lands held by the Trust Office will be worth more than the sums lent on them, or for which they were purchased. At all events, it is an absolutely true statement that £4,000 was expended in the purchase of land, and the only question is whether it might not more properly have appeared under a heading, "Landed property." The figures in the balance-sheet would remain unaltered.

I have made careful inquiry, and I find that there is not a single case under the heading of "Investments" in the balance-sheet in which any actual loss has occurred—that is to say, in which the property has been finally disposed of, and the title has passed out of the Trustee. There are a few cases in the course of being so dealt with, and when the transaction in each case is complete the amounts will, of course, be removed from the list of investments, and Parliament be asked to vote the loss. For it must not be forgotten—a fact which the Commissioners appear wholly to ignore—any such loss means an issue out of the Consolidated Fund, or, which is identically the same thing, the loss of so much revenue which would have come into the Consolidated Fund, and therefore can be dealt with by Parliament alone.

I think it will be admitted that the Commissioners were not justified in using the language I have quoted above.

As so much time has been occupied in the endeavour to prove the gross mismanagement of the Public Trust Office, and of the ignorance of the Audit Office in respect of the investments held by the former, I beg to submit the following table showing the real state of those investments. I have divided them into three classes: (A) loans on mortgage from moneys of the general fund of the Trust Office; (B) loans from moneys of individual estates in the Trust Office; (C) mortgages which came with estates into the office, and for the value of which the office is not responsible.

	Number of Mortgages.	Money advanced outstanding.	Number of Doubtful Mortgages.	Money advanced on Doubtful Mortgages.
A ...	20	47,372 15 6	4	5,150 0 0
B ...	122	121,654 5 6	7	*7,027 0 0
C ...	60	46,882 0 0	8	2,927 10 0
Totals	202	215,909 1 0	19	15,104 10 0

* Of this £4,600 is known to be good.

The net result of the above table shows that out of investments amounting to £168,000, for which the office is responsible, the *possible* loss does not exceed £7,577.

I think this will not be deemed an unfavourable record when it is considered that the colony has passed, during the course of the investments, from a period of great inflation of prices to one of considerable depression; and I should imagine it would compare not unfavourably with the investments made by banks or commercial companies in the colony during the same period.

4. *The Payments to the Consolidated Fund.*

The next charge made against the Audit Office is as follows: "It was also within the knowledge of the Audit Department that early in the year 1889 the Colonial Treasurer took away from the supposed profits of the Public Trust Office, as they appeared in the annual balance-sheet on the 31st December, 1888, the sum of £18,000 for the Consolidated Fund.

It is not surprising that it was “*within the knowledge* of the Audit Department,” considering that the Controller-General issued all the moneys paid by the Public Trust Office. Passing that by as a trifling indication of the slight acquaintance possessed by the Commissioners with the law governing the matters they were appointed to inquire into, I observe that the expression “the *supposed profits* of the Public Trust Office” is one conveying a false impression.

The 38th section of “The Public Trust Office Act, 1873,” states definitely that the Expenses Account shall be charged “with all salaries and other expenses incurred in the general management of the Public Trust Office,” and shall be credited “with the sums payable out of the several properties in the Public Trust Office, and with all fees and other moneys paid into the Public Trustee’s Account, but not belonging to or forming part of any such property.” The Commissioners, in another part of their report, describe this as “a most peculiar and unusual method,” which “has obtained in the Public Trust Office—*perhaps legally* ;” and show how the account should have been kept in a manner certainly *illegally*. The Expenses Account has, however, “perhaps legally,” been kept strictly in accordance with the law ; and the 40th section provides, “If the balance in the Expenses Account is more than sufficient to meet the charges thereon the Public Trustee shall from time to time, at such times as the Colonial Treasurer shall direct, pay the excess into the Consolidated Fund, and the moneys so paid in shall become a part of Her Majesty’s consolidated revenue.” The Colonial Treasurer made no demand from the founding of the office until the year 1888, when he directed the balance of the account, as kept according to the Act, to be paid to the Treasury ; and had I refused to issue the money, there is not the slightest doubt that I might have been compelled by the Supreme Court to do so. On the other hand, the same clause provides that if the balance in the Expenses Account is at any time insufficient to meet its charges the deficiency shall be advanced out of the Consolidated Fund. Such seems to me a sufficient answer to the charge made.

5. *The State of the Books.*

The Commissioners say, “The books of the office have been kept in a careless and unfinished manner, particularly the cash-books and rough cash-books.”

I desire to call attention to the fact that a very large part of the time and money expended in this inquiry was spent in the examination of officers of the Trust and Audit Departments solely on the question of the book-keeping ; that it is perfectly apparent, from the questions put by the Chairman, that his mind had been made up, and that he had come to the conclusion stated in the report from his own personal inspection of the books themselves *before the examination commenced* ; and that the major part of the questions asked were with a view to extract from the witnesses their assent to his own views. Had such occurred in any of the public departments it would have been my duty as Auditor-General to call the attention of the Government to the subject, and to suggest that some explanation was necessary before sanctioning such an extravagant and unnecessary waste of public money. I am aware that great latitude is permitted to Royal Commissions, but none the less is it my duty to call the attention of Parliament to what I think every one who reads the evidence will agree with me in regarding as an abuse of the privilege, at heavy cost to the public, and for no apparent object. Whether books are “kept in a careless and unfinished manner” requires no witness but the books themselves.

I had not for some years personally inspected the books of the Trust Office ; but I have recently gone through most of them. The “rough cash-books,” I have already shown, are nothing of the kind. A rough cash-book is generally supposed to be a book from which entries are carried into *the* cash-book ; but in the scheme of Accounts given in the Appendix to the Commission’s Report these books are omitted, showing that the Commissioners *knew* that they are not so used. Hence, to say that “*the rough cash-books*” are kept in a careless manner is not consistent with the evidence or with fact.

But I am compelled to turn to the evidence in order to expose the character of the examination pursued by the Chairman. At my first examination Mr. Larnach called my attention to the fact that the money columns in the branch or individual cash-books and ledgers were not added up and ruled off ; and I naturally expressed the opinion that it did not seem to be the work of a competent accountant. Of course I made inquiry into the system subsequently, and found that the entries in these books were totalled *daily*, and the daily total carried from the cash-books into the general cash-book, and from the general cash-book into the general or Check Ledger ; so that the summation of the whole columns

was, so far as the Audit was concerned, a matter of no importance whatever—in short, would never have been looked at. I am not saying whether the system is a good or bad one, but I do say that Mr. Larnach obtained evidence from me knowing all the while that I was speaking under the false impression that the summation of the columns were, as in most books, a necessity; in short, he was asking me questions with *one meaning*, knowing that I was answering them with *another*. Of course, I discovered the error on inquiry, and corrected it in my evidence the next day. But I am entitled to characterize such a mode of examination as—well, I will leave the reader to finish the sentence according to his sense of what is honourable or the reverse.

I have examined the cash-books and ledgers with some care, and have no hesitation in saying that they are fairly well kept. I have not come across any entry which was not completely legible, nor a figure that could possibly be mistaken for another. I have counted every correction in some of the ledgers. The result in two ledgers gave an average of one correction in every nine and a half folios of fifty-nine lines each. In some books they were somewhat more numerous. The caligraphy is not always artistic; but it is clear—wonderfully so, considering that much of it was the work of a lad at £35 a year and a house-allowance. The fact that the columns are not always added up and ruled off may be an eyesore to an accomplished bookkeeper. It was of no importance to an Audit Inspector, who checked the addition of the daily totals into the General Cash-book and Ledger and thence to the Balance-sheet.

I am not concerned to uphold the scheme of account. It is no doubt cumbrous and not as well-adapted for the office work as it might be, and the Accountant of the Office has himself suggested its alteration; but to speak of it in the terms in which the Chairman spoke throughout his examination was unjust and untrue, and the possible saving of labour in book-keeping has been very greatly exaggerated. It is often the case that men who have been brought up to certain forms of book-keeping imagine that all accounts are wrong which differ from such forms, and are incapable of realising that forms are, after all, only valuable so far as they record facts and facilitate results, and that various forms, within the limits of established principles, may attain the same ends. Frauds and bankruptcies have not been averted by books written like copperplate, and homely accounts have often satisfied the keenest audits and recorded the largest commercial success. The book-keeping in the Trust Office has been sufficient to enable me to certify that out of £1,607,806 15s. 5d. received in the office from its foundation to the 31st of December last, and £1,592,841 2s. 6d. expended in the same time, not a farthing has gone wrong or been expended otherwise than as provided by law.

6. *That no Lists or Inventories of Personal Effects coming into the Office by Intestacies were required by the Audit.*

I am free to admit that this has been overlooked. No doubt one reason may be sought in the fact that when the audit of stores, which was formerly placed in an independent office, and, when that was abolished, in the Audit Office, was finally abandoned, the duties of the Audit Office were considered to be confined wholly to matters of account. I give this as a reason, but not as an excuse, for overlooking a duty which, however, never came under my notice. At the same time I take leave to observe that it is a mistake to suppose that such lists or inventories would afford any protection against speculation. Persons dying intestate do not, as a rule, leave behind them accurate inventories of their trifling personal effects. Such goods are usually taken in charge by some relative or friend—often by the police—and finally find their way to the Trust Office, or one of its agents. If any speculation occurred it would, of course, occur *before*, not *after*, such a list were made; and if the inventory were deemed necessary as against the Trust Office itself, it may be presumed that it would be made and sent to the Audit Office *after*, not *before*, the articles were secured. Nor in any case could the Audit discover whether the list were right or wrong. Hence, whilst an official form has been omitted which should have been required, it was one the supplying of which would have put the Audit in no better position to prevent or detect wrong than it was without it. The Audit Office does at present trace the proceeds of the sales from the auctioneer's list into the Trust Office account.

7. *The Charge of buying Articles of Intestate Estates at Auctions.*

Although it is no part of my duty to defend the officers of another department, I cannot resist the opportunity of saying that an undue and most ungenerous slur has been cast on some gentlemen of the Trust Office for having purchased at auction some watches or other

trinkets sold by the office. It is true that they have broken a recognised rule of law attaching to all persons placed in a fiduciary position, but it has not been even alleged that any estate has suffered the loss of a farthing by this irregularity. The rule of law exists to prevent the temptation to commit, or the imputation of having committed, a *wrong*. The *rule* has been broken, but the *wrong*, to prevent which the rule exists, has not been done. And there is not one of his numerous friends who have known him through his long and faithful service of the Government will ever believe that Mr. Hamerton was capable of wronging any estate in his hands of a farthing. An irregularity has been committed thoughtlessly, probably, by most concerned, altogether unknowingly; but in any Court of Justice, as justice is administered in England, the punishment for such irregularity would be a mild reproof and a warning not to continue a dangerous practice. And those who cast up their eyes as if great crimes had been committed fail to perceive in what criminality consists. The very publicity with which these transactions occurred rebuts the idea of criminality. For the gentlemen concerned might have got all they wanted by asking some friend to bid at the auction, when their action would never have been known. As to the real effect of the conduct of the Trustee and his officers on the estates, the Commissioners innocently extracted from a general dealer, who used to buy at the auctions, the admission that "*it was not fair to the public to have the Trust Office officers bidding*"—in other words, that they run up the prices, and so far benefited the estate.

8. *The Character of the Examination.*

I cannot conclude this memorandum without making some remarks on the mode of examination adopted by the Chairman. Throughout the great bulk of the examination the questions asked were of a leading character—that is to say, suggestive of the answer the Chairman desired to receive. A very large part of it consisted of questions designed to extort from the witness acquiescence in opinions *the Chairman had already formed*. All the witnesses who were public servants felt that they were being examined by a counsel for a prosecution, eager to obtain a verdict, and himself both counsel and jury. This was especially the case in the evidence taken as to the character of the book-keeping. There is no question that the scheme of book-keeping in the Public Trust Office is unsatisfactory. But I will undertake to say that any competent accountant with a fair amount of organizing ability could have gone into that office and, after a few hours'—at all events, a very few days'—study of the system, could have suggested such alterations as to have effected all the improvement necessary. It could hardly have been contemplated by the Government that a Commission, sitting at the cost of many guineas a day, should have spent days—nay, weeks—in discussing minor details of book-keeping, even down to questions of whether ledgers should have canvas covers or brass tips, and what was the cost of such luxuries, or in ascertaining whether the witness agreed in opinions the questioner had himself formed.

I venture to assert that whoever has the task of remodelling the system of book-keeping in the Trust Office will not gather—even if unwise enough to wade through it—the smallest assistance from the wearisome examinations which it must have cost the country many hundreds of pounds to record and to print. In the case of the Royal Commission which sat on the great army-clothing establishment at Weedon some thirty years ago, the Commissioners simply recommended the Government to call in a first-class accounting firm who should put the books into the best form, which was done, without much talk. In this case there has been an enormous amount of most costly talk, and the thing is yet to do.

But I regret that I must call special attention to some of the incidents of this examination.

Mr. Hamerton has informed me that he was so ill during part of his examination as to be hardly responsible for his answers, and that he applied to the Commissioners to be allowed to correct part of his evidence. The request was refused.

I was Under-Secretary to the British Museum when a Royal Commission sat on that institution. My chief, the Secretary, was taken seriously ill in the course of his examination, and I well remember that his evidence was carefully suppressed until, upon his recovery, many weeks after, the Commissioners submitted it for his correction. But the noblemen and gentlemen who sat on that Commission thought it their duty to get the real opinions entertained by the witnesses, not any expressions that may have fallen from them by inadvertence or through misunderstanding.

Nor was this the only case in which necessary corrections of errors in the examinations have been refused. I have myself been made to say that Corporations did not pay for their

audits: an absurd answer given where the question was obviously misunderstood. The error was pointed out, but it stands uncorrected.

I find that the Chairman, addressing the Accountant of the Trust Office on the subject of the balance-sheet, asks him (Qn. 6496), "Is there any other term applicable to this balance-sheet than for me to say that it is a *cooked balance-sheet*?" Again, "Then, under those circumstances, do you still think the term *cooked balance-sheet* would not apply?" And when Mr. Moginie answered, "No, I do not think it would," Mr. Larnach replies, (Qn. 6502), "Well, I am sorry to differ from you. I am most strongly of opinion that it would apply, in the most forcible manner." And again, to the Sub-Accountant (Qn. 7476), "I, as Chairman of this Commission, will take the responsibility of applying the term; and I say that this and other balance-sheets preceding it were nothing more nor less than cooked balance-sheets." Such an expression, addressed to an officer in the service of the Government, holding a responsible position, and a man of well-known integrity of character, would, I take leave to say, have been, coming from any quarter, a gross impertinence; but coming from one "clothed with a little brief authority" as a Royal Commissioner, and addressed to a gentleman who was debarred by his position from making such a retort, verbal or physical, as the remark deserved, was a cowardly insult. It is only within the last two or three years that a man was found guilty by a jury in this colony, and was sent to gaol by the Chief Justice for six months, for using the very same words; and I should much like to know if the mantle of a Royal Commission entitles the wearer to violate the criminal law with impunity.

But there are other passages in this huge volume of evidence of a worse, because of a sadder, character. I call attention to the examination of witnesses (pages 124 *et seq.*), in the case of Mrs. ———. This poor lady died intestate. Her son wrote from Queensland to ask if his mother's watch might be rescued from sale and sent to him. The Public Trustee acted, all must admit, most unwisely. It appears that, from letters of the most confidential nature found with the deceased's effects, the Trustee had reason to believe that the son was illegitimate. It was not even certain that such was the case. However, the Trustee wrote to the young man to say that the watch should be sent on his proving his kinship to the deceased. Mr. Hamerton's action was harsh and even cruel. But what shall we say of the conduct of those who, for the sake of fixing a stigma on the Trustee, have not scrupled to publish the whole miserable story, and, whilst advocating the son's claim to an old watch, and expressing righteous horror at the manner in which he had been treated, have blazoned to the world the fact of his mother's frailty, and the stain on his own birth, which, even had he known it—for it is possible he may learn the truth for the first time from these papers—he would have given a thousand watches to have had concealed? The publication of this evidence in a public record will remain, if not cancelled, an indelible stain on the honour of the colony.

Again, I turn to page 186 of the evidence, and I find that the Commission had unearthed from amongst the papers a letter, sealed up and marked "Confidential." That they compelled Mr. Hamerton, who was before them, to break the seal and give it to them open. Mr. Hamerton—ill, utterly broken down by the long strain put upon him—unfortunately succumbed to pressure of a stronger will; and that letter—a letter written in the strictest confidence of private friendship from Mr. Martin to Mr. Hamerton—is actually published in the evidence. I believe that all who read that letter will agree with me in saying that every consideration of honour forbid its publication.

It may be said that a reference to these passages in the evidence was foreign to the purpose of this paper, which is a reply to the calumnies published against the Audit Office. I call attention to them because they entitle me to appeal to Parliament and the public against the judgment of men whose animus against the office whose affairs they were appointed to inquire into was so strong that they have displayed it by an unscrupulous use of the materials which came into their hands—by the production of confidential papers which every sentiment of delicacy and honour bound them to respect as such, and the publication of which could add nothing whatever to the task intrusted to them—namely, to recommend improvements in the administration of the Public Trust Office.

9. *The Recommendation that the Audit-control should be removed.*

I am very far from saying that the work of the Audit is all that could be desired: no one is so well informed as myself as to its short-comings. But its inefficiency arises from the insufficiency of its staff, and until that staff is considerably increased its work will not be done in the manner the country has a right to expect. Half the time of one man is

not sufficient for such a thorough inspection of the Trust Office as is desirable; that should have been apparent to the Commissioners, but I fail to find any recommendation in respect to it in their report.

The Commissioners recommend that the Trust Office should be removed from the control of the Audit Office. This is a matter of policy upon which I might be excused from offering an opinion. I cannot, however, refrain from submitting this view to the consideration of the public. It was about twenty-five years ago that Parliament, by the consent of all parties, determined to establish an office of Control over the public expenditure of the colony. When, shortly after, it resolved to establish a Trust Office, and subsequently an Insurance Office, and to pledge the public revenues as a guarantee for the property intrusted to those departments, it resolved to take the same security for the proper expenditure of their respective funds as it had taken for the expenditure of the public moneys, by subjecting them to the same control; and it seems to me that the whole of the taxpayers of the colony might have just cause of complaint if their money was pledged as a security for the management of two offices, in which only a limited portion of the community have any direct interest, whilst at the same time the precautions which were considered necessary to insure the proper expenditure of the public moneys were omitted in the case of those offices.

Far more necessary, indeed, might such control become if the policy recommended by the Commissioners should be adopted, and the Trust Office were to change its character from that of a safe depository of property to that of an office "carrying on a general financial business," under the conduct of "men of large commercial and financial experience." Should the dream of the Socialists be fulfilled, and Government become the sole traders for the community, many may think that such an institution might legitimately and necessarily become one department of the State; but I apprehend the public will pause before they consent to risk the public revenues in financial business, in competition with private firms, and to give men of however large commercial and financial experience an uncontrolled power to speculate with the public moneys.

The experience of the last few years has not taught us that "men of large commercial and financial experience" have protected the holders of bank-shares from ruinous losses, or encouraged us to trust the public revenues and credit to similar guidance. Whatever may have been the faults in its management, or its errors in particular cases, the broad fact remains that the Public Trust Office has grown from a very small to a very large concern, apparently through its growth in public confidence; that no case of malversation of any part of its funds has been proved; and that in its investments its losses have been very far less than that of other bodies making investments during a period of inflated prices.

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Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, nil; printing (1,500 copies), £6 5s.

Price 6d.]

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1891.

