

'matters were managed with no conception of what is necessary to secure the department from fraud.'" This was one of the few instances of candid acknowledgment by Mr. FitzGerald of a serious neglect on the part of his department.

The balance-sheet is still of the form designed by Mr. FitzGerald. Of this form of balance-sheet I wrote in my report: "The old form of balance-sheet, showing the totals of receipts and of the payments in each general account, still remains for removal as one of the few last vestiges of the past." And I propose to have a balance-sheet of a more intelligible form to show the business of the present year. Bad, however, as is the form of the balance-sheet, the balance of the Expenses Account, or, as it ought to be called, the Profit and Loss Account, is shown incorrectly, as the result of the exclusion of the credit for interest accrued but not received at the close of the year. The amount of profit is consequently understated. But this being the old arrangement, the Audit, of course, raises no objection.

These Audit "queries" were left to my Accountant to answer, as they generally related to matters which had been previously adjusted and pointed out by himself, or only to such small clerical errors as are, within reasonable limits, only to be expected in the accounts kept by a comparatively small staff of clerks of a large volume of such transactions as take place in the Public Trust Office. And I left my Chief Clerk to return these "queries" and to sign the documents. Mr. FitzGerald, however, found in this common practice of all large establishments some ground of objection:—

"I CANNOT receive replies to queries sent by the Audit which are not signed by the officer to whom they are addressed.

"JAMES EDWARD FITZGERALD,

"28th November, 1893."

"Controller and Auditor-General.

"The Controller and Auditor-General.

"I HAVE now signed the various sheets of queries attached. I observe that, in one case of these papers, your own signature has been affixed by means of a stamp. I have no objection to raise, but I think the use of a stamp would be unsatisfactory for signatures to more important documents.

"J. K. WARBURTON,

"1st December, 1893."

"Public Trustee.

"THE use of a stamp was ruled by the Court of Exchequer, three Judges declining even to hear counsel on the other side, to be good at law. I can refer you to the case if you desire it. I have forgotten it for the moment.

"4th December, 1893."

"J. E. F'G.

"To be *good at law* would not prove the use of the stamp to be satisfactory, and the three Judges who gave the ruling to which you allude might consistently agree with me that the use would be unsatisfactory. I attach an extract from a memorandum addressed by your office on the 13th September, 1887, to the late Public Trustee, but of which I was not aware on the 1st December, when I expressed the same views:—

'The approval for payment of claims on the Public Trust Office has, for some time past, been signified by a stamped fac-simile of the signature of the Public Trustee, or, in his absence from the seat of Government, by the stamped initials of the Chief Clerk. The practice in both cases manifests a weakening of the responsibility under which such payments should be made.

'The use of a fac-simile stamp for the authorisation of payments has been altogether interdicted in other departments of the public service; and it is considered that the expenditure of the Public Trust Office should not be less strictly guarded than that of other branches of the public service.'

"That the signatures might have been *good at law* would not have been regarded by myself as a defence of the practice to which the Audit objected, and to which I should still object, as unsatisfactory.

"6th December, 1893."

"J. K. WARBURTON.

"THE Government ordered that stamps should not be used by officers *authorised to certify to accounts*, and the rule was carried out. I am not likely to alter a practice I have used advisedly, for I should think, about twenty years.

"12th December, 1893."

"J. E. F'G.

It may here be desirable that Mr. FitzGerald's objection to the "entries in the balance-sheet under review" should be taken in numerical sequence; and in commenting on them I only wish it to be clearly understood that I have not opposed, and would not in the smallest degree discourage, the strictest audit; and this was my opinion when on the 23rd April, 1892, I expressed myself in a memorandum to Mr. FitzGerald as follows: "I have always regarded a severe audit carried out in a proper spirit as of valuable assistance to me; and the clerks have ceased to express their surprise at my tolerance of every fault of the Audit, from their knowledge, no doubt, of my feeling that it would be a greater misfortune for the Audit Officer to be under the slightest restraint. To this is due a forbearance which may have seemed a confession of defencelessness."

The objection No. 1 is hardly worth consideration. The fact was that Treasury bills were redeemed, and the amount paid by new bills for the same amount. Whether this transaction should be regarded as a sale and cash transaction or a transfer is of very little moment; and the only remark which suggests itself to my mind as appropriate to the objection is that a large number of such transactions have in the past been treated by the Audit as cash transactions. The objection, however, affords an argument in favour of the adoption of the Public Trust Office and Post Office methods of debit and credit without distinction.