

but the property has been sold, and the mortgage discharged. (6.) The mortgage is for £2,567 13s. 8d. The estate is being sold in parcels. The value of the mortgage should be reduced by the amount of the sales. (7.) Mortgage for £400. Fifty pounds' worth of the property has been sold. The security is now for only £350. (8.) Mortgage for £150. The property has been sold on deferred payment. The value of the security is only £100.

"There are mortgages in the office, amounting to £19,746 16s., which are not included in the investments. They consist of moneys lent by deceased persons whose estates have come into the Public Trustee's hands. Attention has been called to this in past years; but they are still omitted from the statement of investments, apparently without sufficient reason. Eight mortgages are included in the investments for which there are no deeds in the office, and for which receipts from solicitors or others in whose possession they are have not been submitted to the Audit.

"I feel it my duty to call attention to the fact that the system of book-keeping adopted in the Trust Office under the present management throws a considerable amount of additional labour on the Audit Examiner as well as on the staff of the Trust Office itself, arising from the fact that loose unnumbered sheets of 'statements of lodgments' are substituted for the ordinary cash-book in use in commercial institutions; and, notwithstanding that the labour of preparing such 'statements' is imposed on the staff of the Post Office, there has been no saving in the work in or in the cost of the Trust Office itself. The increase in the value of properties coming into the Trust Office has been much less in 1892 than in some former years, whilst the staff employed in the office is larger, and the cost is not less than in former years.

"Another objectionable feature in the accounts is that the totals of the transactions as shown in the balance-sheet are not to be found in the ledgers, but must be arrived at only after study of the accounts. This was not formerly the case.

"JAMES EDWARD FITZGERALD,

"Controller and Auditor-General.

"24th February, 1893."

"Minute on above Report.

"QUARTERLY totals of transactions appear in ledger summaries. The system of accounts now entails on the Public Trust Office Examiner and officials only a fraction of the labour of old methods. The saving of work and expense in accounting is too obvious for discussion: it is incredible that such is not Audit experience. The cash-book is perfect. The term 'loose unnumbered sheets' is one of misapprehension, and misleading. Numbering is idle. The Post Office is employed instead of the bank, and renders more valuable service, with half the work formerly imposed on the bank. Properties under administration are more numerous and worth more. The services performed are of greater value. The business is larger and more efficiently conducted. Mortgages for loans by deceased persons are not, and should not appear as, Trust Office investments. Deeds are accounted for. A few in course of transmission must always be outstanding. Mortgages realised, or realising, form adjustments made by Accountant before the 31st March, 1893; but in the statement to the 31st December the investments are correctly subject to adjustment for the items except (6). Mr. FitzGerald, the Audit responsible, wrote to me about a year ago, respecting faults of the late management: 'These matters seem to have been managed with no conception of what is necessary to secure the department from fraud.'

"J. K. WARBURTON, Public Trustee."

The return which relates to the Public Trust Office, and appears in the 9th objection of Mr. FitzGerald's report, he parades with all the deliberate triumph of one whose conclusions are demonstration. I stated that "The *system of accounts* now entails only a fraction of the labour of old methods, and that the saving of work and expense *in accounting* is too obvious for discussion"; and Mr. FitzGerald gives the total expenditure for all purposes, including official administration expenses, including even the administration of the West Coast Settlement Reserves, and of the Unclaimed Lands Act, &c., as indicating the work and expense *in accounting*, and trusts, no doubt, that his mere authority will be sufficient to insure the acceptance of a ratio between the total amount of the general office expenses for all purposes of management, and the total amount of the investments and balance of cash in hand, as showing what has been comparatively the annual *expense of accounting*. I can now no longer say of the saving which, *in the work and expense of accounting*, is regarded by Trust Office officials as too obvious for discussion, that "it is incredible that such is not Audit experience."

Let me, by taking for an example the one large estate of the West Coast Settlement Reserves, illustrate his fallacy. Those reserves have temporarily required an increase of upwards of £1,000 a year in the expenditure necessary to enable me to carry out the administration of that territory, and to secure the present splendid results; but, though the property is of enormous value, and will eventually more than repay the office expenditure on the administration, the property has obviously no *capital in investments*; and it is only not ridiculous because it is serious, that an official in the position of Auditor-General of the colony should so far presume upon our confidence as to suppose that we could accept the ratio which the amount of the expenditure in the general office administration of this great property bears to the amount of the capital funds in the Public Trust Office, as conveying the slightest indication of the *expense of accounting*. If, for another example, to make the matter more clear, I had been authorised to administer all the Native lands of the colony on similar conditions to those which are authorised by "The West Coast Settlement Reserves Act, 1892," and I had gone, in one year, to an office general expenditure of £100,000 for the purpose of an administration necessary to the settlement on these lands of tens of thousands of colonists, the commission on whose rents, &c., would soon repay that expenditure, I should have probably failed to secure the direct addition of one penny to the capital funds in the Public Trust Office. And yet Mr. FitzGerald, triumphant in a parade of this expenditure, would make it the foundation of a grave charge against me of applying that large sum of money to the *expense of accounting*.