

The facts, as I am informed, are that the client had £3,700 in the Trust Office in 1891; on the 12th February, 1892, he protested against the new arrangement, and asked that the £1,200 not on mortgage should be returned to him, which was done. On the 19th May, 1892, he wrote the letter of which Mr. Warburton quotes an extract. On the 5th May, and again on the 19th May, 1893, he withdrew £1,000, and subsequently £500. Thus, the whole of the capital has now been withdrawn from the Trust Office, except £70; and the other mortgages, in which those moneys were invested, have been transferred to the common fund. I am unable to reconcile Mr. Warburton's statement with these facts.

The statement on which the Public Trustee places such emphasis, that the effect of the control "was to exercise over the Public Trustee officials a tyranny which soon became unsupportable," is a pure hallucination on the part of the writer. As Controller, the Audit Office had simply the duty and power to see that each payment was authorised by Parliament—a duty which had been exercised without any complaint or trouble for many years, and is still exercised in respect of the Insurance Office and all other public accountants. It is simply a fiction to say that the Controller-General ever interfered with or was in any way responsible for the administration of the Trust Office, except as to the extent I now state. As Auditor, his duty was to see that the accounts of the office accurately stated its transactions, and the amounts of the estates held in trust, which the balance-sheets of the late Trustee, in my opinion, did, and which those of the present Trustee do not.

Objection No. 3 (4): The Public Trustee says "the error was, as usual, adjusted by a cross-entry." This implies that it was so adjusted *before the balance-sheet was submitted for audit*. That was not so. It is now adjusted, but the error remains in the balance-sheet.

Again, the Public Trustee says:

"Two audit officials have been in the Audit Office daily without having during the last seventeen months once counted the cash." Such is the statement of Mr. Warburton, which he characterizes as "inexcusable neglect."

The statement is not true, and Mr. Warburton must have been misinformed. The Audit Inspector counted the cash on the 31st December; but, had he failed to do so, there would have been no "inexcusable neglect," because the word "cash" in the balance-sheet does not mean "cash" as the word is ordinarily used—*i.e.*, money in the bank or in the till in coin—but includes debts due to the Trust Office: *i.e.*, from the receiving-agents, £441 17s. 3d.; from the Post Office, £3,457 17s. 9d.; from the accountant (represented by an IOU), £50; and another IOU included in the sum of £368 12s. 5d. If a part of the "cash," which is supposed to guarantee the accuracy of the whole account, consists of sums the correctness of which is only attested by certificates, there is no reason why the cashier's certificates should not be accepted as well as another, and counting the coin dispensed with. The counting in the present case disclosed the extremely questionable practice that a part of the public money was represented by promissory-notes of the officials in the office—in other words, that the public money might be used for private purposes. I am not saying that such has been the case, but it is clear that the practice admits of its being done.

It will hardly be expected that I should take any notice of Mr Warburton's views on political economy and the principles of banking. I can only express my regret that I can hardly expect to live long enough to see his dream realised, that, by a certain method of stating the Post Office accounts, the whole work of the bank can be more profitably done by the Post Office, including, as I understand him, the transmission of money to other parts of the world. The only thing which puzzles me is that, all the years during which he was Accountant to the Post Office, it was the practice, as it is still the practice, to transmit money when necessary to and from country post-offices and chief post-offices by the contemptible and old-fashioned machinery of bank drafts, instead of by the new and scientific method of Post Office accounts.

1st August, 1894.

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

MEMORANDUM for the Hon. the COLONIAL TREASURER.

The Hon. Mr. WARD,—

Public Trust Office, Wellington, 11st August, 1894.

I much regret that Mr. FitzGerald should not have allowed this subject of the Public Trust Office accounts to drop, to the extent, at least, of avoiding insinuations as unbecoming to his position as they are unjustifiable, or of restricting himself to remarks on which I might not be expected to comment. I may now express myself the more freely, because Mr. FitzGerald, in abandoning the attack on my administration of the office, has, without even the pretence of a respectable investigation, so misrepresented a very proper and prudent departmental arrangement by my Accountant as to make this arrangement appear occasion for a suspicion that the conduct of the officials may have been such as to render them unfit to remain in the public service. And I observe that, consulting his experience as little as a proper discretion, and too impatient as it might seem to be affected by any probability of a complete exoneration, he has gone so far as to have his memorandum printed, in order, I presume, that it may be laid before the General Assembly.

I will take first his last allegation, that the cash was counted by the Audit on the 31st December last, because this allegation is conspicuously of the character of all the attacks which he has made against my administration. Of the fact that the cash was *not, on the 31st December last, counted by the Audit officials*, the evidence is too conclusive to leave a shadow of doubt. At the close of business on that day, and after the balance had been checked by the Trust Office officials, a conversation on the deplorable shortcomings which distinguish the conduct of the Audit officials and the administration of the department, arose in the Public Trust Office, out of the neglect of that department to count the cash and check the balance on one day in the year, and especially on the day which closed the period for which the balance-sheet would be rendered. The balance of