

1894.

NEW ZEALAND.

ACCOUNTS OF THE PUBLIC TRUST OFFICE

(FURTHER PAPERS IN RELATION TO).

Laid before the General Assembly in pursuance of Section 42 of "The Public Trust Office Act, 1872," as amended by "The Public Revenues Act, 1882," Section 15.

MEMORANDUM for the Hon. the COLONIAL TREASURER.

BUT that I have been unable owing to severe illness to attend to any business, I should at once have replied to the memorandum by the Public Trustee on my report on the balance-sheet of his office for the past year, and have pointed out some of the serious misstatements contained in that document.

But I desire first to place clearly before the public the exact issue of the difference between the Public Trust Office and that which I have the honour to fill.

For nearly thirty years it has been the established policy of this colony that no public money shall be expended except under a certificate of the Controller-General that such expenditure had been authorised by Parliament; and this provision extends even to the Governor, who is forbidden to issue his warrant without such certificate. When Parliament resolved to establish such offices as the Insurance Office and the Public Trust Office, in which moneys belonging to private persons were placed in trust with the Government for certain purposes, it determined that such moneys should be deemed to be "public money," in other words, that the same security against their misappropriation should be applied to moneys placed in trust with the Government as to those payable to it by law.

Now, it is not my concern to criticize or defend this policy. But I think I am entitled to call attention to the fact that, whilst these relations have subsisted ever since the year 1867 between the Controller-General and the numerous public accountants without dispute or trouble of any kind, one officer alone insists on being relieved from a control to which all other public servants, from the Governor downwards, are subject. This being so, it seems fair to assume that the present difficulty arises from some personal peculiarity on the part of the solitary complainant, because the Controller fails to display the same admiration for the present system of the Trust Office accounts as that entertained by its author.

I reported that the balance-sheet as presented for audit was not a correct statement of the transactions of the Public Trust Office for the past year. The Public Trustee has replied to each of the objections which I took. I will show in one or two instances out of several that the explanations he offers are not consistent with the facts, as I understand them. I may, however, first point out that the Public Trustee does not deny that the accounts of the office are such as to require frequent corrections. "A list of more than 320 errors in a year," he says, "can only be regarded as a very flattering testimony to the general accuracy and efficiency with which the books and accounts are kept." I am not surprised that he should discredit the statement that accounts come before me daily in which errors from year's end to year's end are almost unknown; yet I am happy to say, for the credit of the colony, that such is the case.

To come to the replies which have been made to particular objections made by me.

I stated, with regard to one estate, "In one case, where the money of a client was invested in mortgages at a high rate of interest, the mortgages were arbitrarily transferred to investments of the 'Common Fund,' and the client was informed that he would in future receive the statutory interest of 5 per cent. paid by the common fund. The result was that he immediately withdrew his whole estate from the office, and had it transferred to him in England."

To that, the Public Trustee now replies: "The estate in question has not been withdrawn; none of the mortgages in which the funds of the estate were invested have been transferred from the estate. All that happened was that uninvested money belonging to the estate, and in my hands after the Act of 1891 was passed, fell, as was required by the provisions of that Act, into the common fund, to thus yield the rate of 5 per cent. The client, in some hasty conclusion, and adversely to his own pecuniary interests" [receiving 5 instead of 7 per cent.] "proposed to do as Mr. FitzGerald now represents him to have done, but was eventually anxious that his fund should remain." "I do not want," he said, "any more remitted, so long as you are allowed to pay 5 per cent."

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 seven-teen 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

the cashier's book is made up of cash in the till and of stamps in charge of other clerks for the purpose of duty and postage, just as the balance due from a post-office cashier is made up of the cash in his own hands, and the stamps, postal notes, &c., in the hands of other postal officials. In the Post Office, forms have been printed for the acknowledgment to the cashier of the amounts represented by stamps, &c., in the hands of the other officials. For the Public Trust Office no such form has yet been printed, and the Accountant employs, in the meantime, the intelligible expedient of I.O.U.'s.—one for £50 and the other for £5. If an Audit official had checked the cashier's book he would have ascertained this, and Mr. FitzGerald might have been saved from the indiscretion of his present insinuations. The Audit official is aware that the I.O.U.'s for stamps are, as they obviously would be, continuously in the till, and he may consequently have so cleared up his doubts and tranquilised his conscience as to really believe that his knowledge of the existence of those I.O.U.'s would not only be readily accepted by Mr. FitzGerald; but would be acknowledged generally as indisputable evidence of a counting which is "simply a fiction." There is the additional evidence that the balance was not checked, in the absence from the book of the initials of the Audit officer—of the initials as affixed after every former counting; and in the more significant fact that no mention of any irregularity so serious as that which he would now insinuate to have existed should have been made in his report on the balance-sheet—a report in which nothing would obviously have been omitted that might have contributed to make good his attacks on my administration.

Now, let us suppose the case of the cash having been counted, or not having been counted. If it was counted, the explanation of the I.O.U.'s for stamps in the custody of another official would have been known, as probably the explanation was actually known. Careless, indolent, and neglectful as the Audit officials are, they could not have helped asking for the explanation, if it had not been given without asking. If, therefore, the cash was counted, the Audit must have known that the I.O.U.'s represented the stamps. With this knowledge, and putting aside idle questions of honour and fair-play, was the Auditor and Controller-General expected by the public to draw the attention of the colony to such a matter by insinuating, in the words of Mr. FitzGerald, that "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 if, on the other hand, the cash was not counted—and that it was not counted must be known, if not to Mr. FitzGerald, to the Audit officials who render him the services which he requires in connection with the Public Trust Office—the most favourable conclusion can only be that Mr. FitzGerald was under what he himself might call "a pure hallucination on the part of the writer."

The counting of the cash and of the stamps in the head office of the Public Trust Office, and the checking of the certificates for the amounts which are due from other offices, and which form, with the cash and stamps, the balance for which the department is accountable, is of the first importance to an efficient audit, though Mr. FitzGerald would imply that the matter is of no moment. I gave, however, the failure to count the cash and check the balance as but a striking example of the general indolence, neglect, and inefficiency for which, in the conduct of the Audit of the Public Trust Office accounts, the administration is notorious of the department of Mr. FitzGerald. Long before I became Public Trustee the audit of the Trust Office had become a scandal. I found, soon after I took up the appointment, that Public Trust Office ledgers had been passed as correct which contained hundreds of errors, and had not been balanced for years; and it was but a few weeks ago that I had to record as "scandalous beyond expression" the neglect of the Audit to check the distribution of the rents received from Native reserves during the last eighteen months. But I will not tire you with the miserable details.

Having expressed myself on political economy, so far only as to defend the legislation by which the control of Mr. FitzGerald was removed from the Public Trust Office, and an efficient administration thus rendered possible, and said on the subject of banking little more than to offer my own opinion that our laws ought not to render the services of a bank necessary to our public accounts, Mr. FitzGerald has, of course, very little to notice in my views on these subjects. By the expression of his regret at not expecting to see my "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," he probably affects to ridicule the proposition that in the pecuniary business of the Government we could advantageously dispense with the services of a bank. The puzzle to him that banks should often have been employed for the remittances which were necessary to the transaction of the business of the Post Office, when I was in charge of the accounts of that department, will disappear if he can reflect how small would have been the hope of a reformation, certain to be opposed by Mr. FitzGerald, encouraged by the Treasury officials of the day, by the banks, and by all those persons whom the mere declarations convince of persons in authority. Being at that time an obscure official, I had quite enough to do to protect the Post Office from the paralysing imposition of the Audit arrangements and control to which the Post Office might otherwise have been subjected. It can only, however, have been of late years that he has despaired of the realisation of what he calls my "dream." In 1880, he went on a mission to the Australian Colonies, and his report, from which I propose to quote in this memorandum, is printed as Paper A.—4, 1881, in the Appendix to the Journals of the House of Representatives. In that report, he recommends the adoption in New Zealand of a system of payment by cash over the counter at the Treasury, and that, throughout the colony, the responsible officers of the Government should be authorised to draw cheques on the Treasury in payment of the claims against the Government. And he states, page 35, "Of the payment at the counter in the Treasury in coin, instead of by cheque on the bank, not much need to be said. Except for petty expenses, it is in use nowhere but in South Australia. Whether it might not be adopted with advantage in the payment of the large staff employed in the Government buildings in Wellington may be worthy of consideration, though whether the counting out of so much coin would be less trouble than writing so many cheques may be doubted. The saving to the

bank would, of course, be very appreciable." I might with more reason retort that "the only thing which puzzles me is that," after making his recommendation, the practice should afterwards have so long been and still remain, to employ "the contemptible and old-fashioned machinery of the bank." Mr. FitzGerald could not have been so patient and persistent in perfecting and rendering practicable his really excellent suggestion, as he is in his attacks of my administration of the Public Trust Office under the legislation of 1891.

Twenty years ago I was present when the packing was taking place in the post-office of San Francisco, California, of mail-boxes with the gold coin which it was then, and is probably now, the practice of the State Departments to post in remittance to Washington, New York, and other cities, of the surplus balances of their cash. Large remittances were made in the same manner by private persons and firms; and the coin thus conveyed in the boxes by each mail often amounted to a million sterling and more. To my inquiry why the remittances were not made through the agency of one of Mr. FitzGerald's indispensable banks, I received the Postmaster's answer that, "In this country we don't trust the banks with all that money"; and he explained that those who had arranged this matter had taken the chances of robbery into account, with the result of the risk of loss by the employment of the banks having been estimated to be unquestionably larger than the risk of loss by the stoppage and plundering of the mail. "And," added the Postmaster, "they are right, I guess, in this calculation of risk." I have given, in my former memorandum, an indication of the enormous loss which New Zealand has suffered through Mr. FitzGerald's administration of his department under the present system of audit and control, by his unreasonable persistence in impracticable methods, and in rejecting every proposal not his own to abandon either the principle of pre-audit and control or the principle that there should be a direct remittance to the Treasury of all public money received and a direct remittance from the Treasury of all money to be paid. I speak of his rejection of every proposal not his own, because in his report of 1881 he himself proposes to abandon everything—pre-audit and control and banks. Well, I believe that if it were possible to prepare a reliable account showing what, in these colonies, may have been the profit and loss to the people from the employment for both public and private purposes of the services of our banks, such an account would not only be very interesting and profitable, but would show the balance to be, even in New Zealand, largely on the side of loss.

Now, to go regularly through Mr. FitzGerald's memorandum: He states that, "When Parliament resolved to establish such offices as the Insurance Office and the Public Trust Office, in which moneys belonging to private persons were placed in trust with the Government for certain purposes, it determined that such moneys should be deemed to be 'public money,' in other words, that the same security against their misappropriation should be applied to moneys placed in trust with the Government as to those payable to it by law." The conduct, however, of Public Trust Office matters under the control of Mr. FitzGerald, in his administration of the department on which Parliament relied for the "security against misappropriation," was such as to lead the late Royal Commission to declare that "The system of Government audit practised in relation to the business of the Public Trust Office has been in reality a delusion." I myself am, as I may repeat, convinced that this control largely contributed to bring the Trust Office into disrepute, and to render expedient the legislation necessary to the removal of that control. And I have related how Mr. FitzGerald, when I called his attention specially to an example of the general carelessness and neglect, through which—the Audit responsible—the accounts failed to include a large amount of stamped paper, himself confessed "These matters seem to have been managed with no conception of what is necessary to secure the department from fraud." In attributing my objection to the principle of his control and pre-audit and to the administration of his department to my "personal peculiarity" he makes a charge which I conceive to be a reflection on the public service generally, whose members must have been shocked even by the little that I have disclosed of the character of his attacks upon me, and by the story of their preparation. But if I really have such "personal peculiarity," if I am in fact the "solitary complainant," what did Mr. FitzGerald mean by stating, in his report of 1881, page 36: "So far it may be said that, on the one hand, the complaints against a pre-audit have been greatly exaggerated, and, on the other, that if the pre-audit were abandoned, and the system of cheques on the Treasury adopted, *provided the Audit were armed with sufficient power to enforce immediate attention to its calls for correction in the vouchers*, the control over the details of the expenditure would be little if at all weakened."

It is true that, "For nearly thirty years it has been the established policy of this colony that no public money shall be expended except under a certificate of the Controller-General that such expenditure has been authorised by Parliament; and this provision extends even to the Governor, who is forbidden to issue his warrants without such certificate." But that policy and provision have been found to be incompatible with the principal requirements of the public service. To the preservation, indeed, of the theory, is due the large additional amount of work which is entailed by the clumsy expedient of the imprest system of subverting the theory. And what does Mr. FitzGerald, in his report of 1881, himself say? ". . . The imprest system in New Zealand violates the principle of a pre-audit of payments." ". . . "The vital objection to this system, however," the system which Mr. FitzGerald was recommending, of cheques on the Treasury, "is that the Audit Office would no longer have the power, which it possesses under the present system, of refusing to issue money at all where the payment is contrary to law. What then has been the real effect of the pre-audit in maintaining this control? I think it must be admitted *that in no instance has any payment, proposed to be made by the Government, been prevented*. If, therefore, the whole matter is, after all, to be determined by the Government of the day, of what use, it may well be asked, is the machinery by which a control, based on a pre-audit of payments, is supposed to be maintained? Or, at all events, *is the pre-audit of such importance, and the control such a reality, that its preservation, in its present form, should be allowed to stand in the way of any simpler and more expeditious mode of paying the creditors of the Government than that at present in force.*"

That report, from which I should like to quote all Mr. FitzGerald's "General remarks," in pages 33 to 36, and from which I should not dispute that the path of the Audit into its present fallen condition may be paved with good intentions, makes conclusively evident the facts that fourteen years ago there had been "*complaints against a pre-audit*," which Mr. FitzGerald protests were "*extravagant*"; that the principle of the pre-audit was even then not "*a reality*," and was standing "*in the way*" of improvement; and that he was, to the best of his ability and at great expense to the colony, trying to find or suggest the way to a "*simpler and more expeditious mode of paying*," which would meet with the approval of the public. How then can he, with any decent propriety, suggest that I am the "solitary complainant" for nearly thirty years, and explain that my objections to the principle of his control and pre-audit must arise from a "personal peculiarity." The pre-audit and control being what Mr. FitzGerald might now call "simply a fiction or hallucination," through the operation of the system of making payments out of Imprest advances, it occurred to him to suggest in his report of 1881 that in the amount of these advances a large restriction might be effected by "delaying the payment of wages for a fortnight after their due date." "Where the recipient of wages," he added, "is quite certain of his money, and is paid at equal periods of time, it would not be felt as a grievance that his wages were a fortnight in arrear"! Here was a suggestion that, in order to make a *reality* what was an impracticable theory, "*in which*," as he said in 1881, "*New Zealand stands alone*," the natural subordination of accounts as auxiliary to business should be reversed into the subordination of business to the accounts. Concluding that the complaint must be treated in one way or another, and procrustean in his resources, he was quite prepared, if unable to find a bed to properly accommodate the patient, to make the patient accommodate a bed. I have quoted Mr. FitzGerald from his own report of 1881 for the purpose, not of any arguments which have convinced myself, but of satisfying that very large number of persons to whom authority is more satisfactory than demonstration. At the same time I will acknowledge that though his proposal that cheques might be drawn for payment by the Treasury, is not sufficiently comprehensive, I in 1881 regarded that proposal as I regard it now—to be deserving of the "favourable consideration" which Mr. FitzGerald expected.

Mr. FitzGerald conveys a false impression by his statement: "Accounts come before me daily in which errors from year's end to year's end are almost unknown; yet I am happy to say, for the credit of the colony, that such is the case." That was the case with the balance-sheets which were prepared in the Public Trust Office, and certified by him as without one error, before it became expedient to remove his control. Those balance-sheets, however, afforded no conception of the confusion, irregularity, and error which really existed. A mere glance which my late Accountant gave me showed that there were errors innumerable in that immaculate time. And, such was Mr. FitzGerald's own realisation of the unsatisfactory state of the accounts and shortcomings of the Audit, that, notwithstanding "accounts coming before him daily," and balance-sheets "to the credit of the colony" certified from "year's end to year's end" by himself as without error, he could not but, after all, allow to be really wanting what was "necessary to secure the department from fraud." Mr. FitzGerald falls too often into the error of accepting the accounts which exhibit to himself no errors in their preparation as evidence of a correct or satisfactory state of things. Men of experience in commercial matters, and especially in the preparation of commercial accounts, regard a balance-sheet as itself affording them nothing but the satisfaction of pointing out how it may consist with what they themselves may have ascertained otherwise to be the actual condition, conduct, and prospects of the relative business. The accounts which come before him, and which are rather statements than accounts, might not exhibit many errors, because the actual errors in the accounts have not been shown in these statements, just as the old Public Trust Office balance-sheet exhibited nothing wrong. But such is his general inaccuracy, and the character of his charges against the Trust Office, that I am unable but to discredit even this assertion. When his control existed in the Public Trust Office, and the accounts of the office were kept in the manner approved by himself, there were in the accounts, as is evident from the most cursory glance at the vouchers and books, thousands of errors; and, efficiently as the accounts of the Public Trust Office are now kept, I cannot but regard the failure to discover more than one error a day as a sign of Audit incompetence. The clerks who keep the accounts of the Public Trust Office are as competent for their work as any in the colony, but they are, I believe, incapable of keeping any such accounts as those of the Public Trust Office free from more than one error a day.

In our Post Office the system of accounts is the same as that of the United Kingdom, and that system is now acknowledged by high European authority to be one of the best of modern times. These accounts are more accurate and reliable than any of the departmental accounts which are furnished according to methods which have Mr. FitzGerald's approval. Yet, though the Post Office accounts are kept by men who, in industry, intelligence, and ability, and in earnest effort to maintain the efficiency of the public service, are a credit to the colony, and would do honour to any country, there are at least from fifty to a hundred errors a day in those accounts. And in 1881 there were errors in the accounts which now from "year's end to year's end" Mr. FitzGerald would have us believe to be without error; for, in his report of that year, he says: "If the process of paying claims on the Government is to be reconsidered, the *value of a prior audit* of the vouchers must necessarily come in question. It has been abundantly proved that where the vouchers are sent in by the departments *correctly filled up* no delay occurs in the Audit or Treasury in making the payment. But in cases where the voucher is *wrongly charged*, or is *incorrect or incomplete* in other respects, and has to be returned to the department *for correction*, delay necessarily arises, and the claimant has just cause of complaint that he is kept out of his money, not through any fault of his own, but because conditions of which he has no knowledge have not been fulfilled. *If a payment is due, it is no satisfaction to the claimant to be told that it cannot be paid at once because a difference of opinion exists amongst the officers of Government as to how the payment is to be charged.*" Here was Mr. FitzGerald expressing, as plainly as language could convey, a

recognition that in accounts, as in every other human performance, there must be allowance for errors; and what I have said on the subject of the injustice, expense, and stupidity of suspending the payment of an account during the discussion of some mere departmental formality respecting it, is that, in the Public Trust Office, the difference of opinion can now be settled after the payment; that the business of the public may, consequently, proceed, and that, this being the case, the public will regard our discussions as interesting only to men of leisure, or to the antiquary.

Mr. FitzGerald makes an implied admission that he was in error in reporting a certain trust to have been removed, and in other allegations as to that trust; but, such is the fatality of Audit research, that another examination of the papers has only afforded him a garbled set of facts in the case, and led him to expect a triumph by asking, with obvious satisfaction, how they can be reconciled with my statement. I will answer; but first let me observe that he has by a parenthetical remark—("receiving 5, instead of 7 per cent.")—created the false impression that he has correctly exhibited the difference to a trust between the income of the capital funds under that deplorable method of investment which had his approval, and the income under the provisions of the Act of 1891 for a common rate of interest. He knows that the common rate of 5 per cent. is allowed free of all charges of the Public Trust Office, and on the total amount of the funds in an estate not exceeding £3,000, and that this rate is allowed continuously, and paid punctually; and he is aware that, under the old arrangement which had, and still has, his special approval, for the special investment of the capital funds of estates, and which resulted in such special dissatisfaction and confusion, the whole amount of these capital funds could not be completely invested on mortgage, or continuously so invested; that a commission was charged for that investment; that there was a further annual commission charged for the collection of the interest on the loan; and that the beneficiaries of the estate could not receive the balance which would come to them of that interest until the interest had been paid by the borrowers. He knows that under the new system the integrity of the capital funds is guaranteed by the colony; that under the old system any loss of capital would fall on the relative estate; that, singularly enough, a portion of the capital funds was lost of this, the only trust in which Mr. FitzGerald hoped to find a plausible ground for his assertions; and that this loss of capital was restored to the trust after the passing of the Act of 1891. What excuse can there be for such a misrepresentation as Mr. FitzGerald has effected by his parenthetical ("receiving 5 instead of 7 per cent."): No person makes a will or creates a trust without being—as I cannot, I think, too often repeat—principally concerned as to the security of the capital funds; and the larger the amount of the capital funds the greater must be the concern for security and the less for the rate of interest. If any one should be careful not to misrepresent to the detriment of the Public Trust Office the benefit which an estate placed in that office derives by the legislation of 1891, it should be the Controller and Auditor-General of the colony. An officer in that position, no matter what may be his personal feelings, should be careful to allow no remarks to escape him which might expose the legislation respecting the Public Trust Office to disparaging misconception.

And now, with regard not only to "the facts" which, in respect to this client, would appear to have been communicated to Mr. FitzGerald, but to other facts on which he is ominously silent, and which stare out from the only source of the facts—the papers disclosing them. The unfortunate client has, through pecuniary pressure or distress, been unable during the last two or three years to avoid a recourse to the capital funds of his trust,—the recourse which Mr. FitzGerald misrepresents to be in fulfilment of an original intention to remove the trust on account of the change in the principle of making investments. The risk of following Mr. FitzGerald too far in a reckless exposure of the private affairs of the client, prevents me from giving the instructive details of his misfortunes. It may, however, be sufficient to state by way of example, that he was indiscreet enough to take shares in a Loan and Mercantile Company. He had probably studied the balance-sheets, accounts, and reports which had—from "year's end to year's end"—been submitted to the directors; balance-sheets, accounts, and reports which, affording no suspicion of wrong, and exhibiting no errors of compilation—no errors in the accounts—satisfied him as, for these reasons, they would doubtless have satisfied Mr. FitzGerald; balance-sheets, accounts, and reports, such as could not be issued by the worst commercial engines of extortion, but for the innocence or simplicity of the very large number of intelligent men on whom such documents impose. It is not unlikely that the unfortunate client, at every recourse to the capital fund of his trust, would be saddened by some regret that the capital which he had ventured in such speculation had not been safely placed in the Public Trust Office, to yield, under the guarantee of the colony, what Mr. FitzGerald has misrepresented to be that miserable "5 instead of 7 per cent."

Mr. FitzGerald's mere denial that he has exercised any tyranny over the Public Trust Office, or that he has interfered with the arrangements for keeping the accounts or for the administration, cannot be regarded as "simply a fiction" by any one who has read what has already been published respecting these matters. It is the natural misfortune of oppressors to deny their oppression. If they were better capable of realising what amounts to oppression there would be less of it. The "hallucination" too, in respect to oppression, is too commonly attributed by the oppressors to the unfortunate victims; and Mr. FitzGerald has so long exercised his control undeterred by any possibility of being brought to reason by a subjection to such a control, that he has probably long been unable to form any conception of what ordinary official mortals can endure, or ought to be expected to endure. Whatever doubt, however, might exist that a tyranny over the officials of the Public Trust Office had been exercised, and had been found insupportable, as the effect of Mr. FitzGerald's administration and control, will be immediately dissipated by a reference to the three Public Trust Office officials who have last occupied the position of accountant. I desire my balance-sheets to accord with the books, and therefore to include the errors which are in the books when they are closed, and which are not discovered and adjusted until afterwards. Of the accuracy of the balance-sheets of the late Public Trustee, which were approved and certified as correct by Mr.

FitzGerald, I have, I think, already said enough. I, however, do not find fault so much with the Audit system, as with the administration. The best audit system in the world must be unsatisfactory without a proper and an efficient application; and a misapplied or an inefficient administration of a Department of Audit must be aggravated beyond endurance when the department is clothed with the arbitrary power of control. If the late Public Trustee had not been given to understand so persistently by Mr. FitzGerald that he was "Controller as well as Auditor," and Mr. FitzGerald had restricted himself to promptly and properly auditing the accounts, and reporting what was, after communicating with the Public Trustee and receiving his explanations, found to be worth reporting, there would, perhaps, have been no reason to complain of interference. The Audit officials, however, appear to have been too closely occupied in preparing, for Mr. FitzGerald, surprise after surprise for the Public Trustee and the Public Trust Office officials; and I have, during the three years of my administration, given no caution to my clerks more frequently, than that the Audit would probably desire material for the purpose of these surprises. A general Audit administration, of the character of the audit of the Public Trust office, would, I verily believe, soon destroy the public service.

It has not been without difficulty that I have succeeded in allaying a feeling of indignation which the perusal of Mr. FitzGerald's memorandum has excited among the officials of the Public Trust Office,—a feeling such as might have been expected to arise if their case had been that of a body of men learning that another man, with whom they were in communion, and whose position was entitled to their respect, had, in misrepresenting their conduct, betrayed his moral obligations. But though "I am not saying that such has been the case," and though it may be of no great moment to the public, perhaps, that an individual should suffer in his private character by the performance of a valuable public service, I yet think it may be reasonably expected that the Controller and Auditor-General of the colony should be responsible for the exercise of some little care that his reports may merit, of the attention to which his position alone would entitle them, more than the papers deserve, in which Mr. FitzGerald would condemn my administration of the Public Trust Office under that Act of 1891 by which his control was removed.

J. K. WARBURTON,
Public Trustee.

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