

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.

SIR,—

Audit Office, 4th September, 1894.

In my memorandum of the 1st August, I stated that the Audit Inspector counted the cash in the Public Trust Office of the 31st December last.

In his memorandum of the 11th August, the Public Trustee states that, "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."

The differences between the Audit Office and the Public Trust Office have hitherto been confined to differences of opinion as to the mode of dealing with or stating facts; but the charge now made is a direct imputation on the personal integrity and honour of the Audit Inspector, which leaves me but one course to pursue—namely, to withdraw the Audit officers altogether from the Public Trust Office until the charge is withdrawn and apologized for, or until it has been established by evidence on oath before a competent and independent tribunal.

As the facts are personally unknown, either to myself or to the Public Trustee, the charge must have been made on the authority of one of the officials in the Trust Office, and it is the veracity of that person or of the Audit Inspector which is in question.

As regards the Audit Inspector, Mr. Webb, it is only due to him that I should say that he has been in the public service since the year 1869; that he has been twenty years in the Audit Office, and has been engaged in the audit of the Trust Office and Insurance Office accounts for seven years; that I have known him during all those years, both in public and private life, and have had every opportunity of forming the opinion I have of his character as a man of unquestionable integrity and honour.

I need hardly say that if this charge has been unjustly made it involves the conclusion that no man's character would be safe within the precincts of the Public Trust Office.

I have, &c.,

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

The Hon. the Colonial Treasurer.

The Hon. Mr. WARD.

Public Trust Office, Wellington, 17th September, 1894.

I do not find fault with the disposition which the letter from Mr. FitzGerald affords of his reluctance to condemn the Audit officer who has rendered the services which have been accepted in connection with the Public Trust Office. Mr. FitzGerald himself would not be uncompromised by the fault of his officer, and it is but due to that officer that he should be allowed the benefit as well perhaps of every speculative as of every moral doubt, which might not be impossible to every reasonable mind, of the fact that the cash in the Public Trust Office was not counted by the Audit official on the last day of December, 1893, that business was transacted and the cash balanced at the office, or at any time afterwards up to midnight of the 31st December, which fell on a Sunday.

But, while I find no fault with this consideration for his officer, I protest against Mr. FitzGerald's assumptions, direct and indirect, which are conveyed in the statement that, "*As the facts are personally unknown to the Public Trustee, the charge must have been made on the authority of one of the officials in the Trust Office, and it is the veracity of that person or of the Audit Inspector which is in question.*" This statement implies that I have been speaking without a personal observation of my own, and that I would rely, as completely as Mr. FitzGerald himself, on the reports of one subordinate official. The care, however, which I took to remind the Trust Office clerks of the duty which the Audit officer ought, and was expected, to have performed of counting the cash; the directions which I gave in the matter; my personal visits to the Chief Clerk, to the Acting-Accountant, and to the Cashier; and especially my frequent personal visits, which, from the moment when business closed for the day until the cash had been balanced by the Cashier and deposited in the safe by the Accountant, I made to the counter where the cash was kept during business hours, and is counted and checked daily by the Cashier and Accountant after the close of business—all these personal precautions, clearly recollected by myself and confirmed by Trust Office officials, warrant me in claiming a personal knowledge alone sufficient to establish the fact that the cash was not counted.

It was morally impossible, as Mr. FitzGerald himself must allow, that the cash could be counted by an Audit official without the knowledge of one at least of the Public Trust Office officials. Now, I have the acknowledgment in writing from every official of the Public Trust Office who was or should have been on duty at any time from the 29th to 31st December, 1893, both days inclusive, that such official is prepared to make a statutory declaration that the cash was not to the knowledge or in the belief of that official counted by an Audit official. My Chief Clerk acknowledges himself ready to swear that, on the last day of business in 1893, the Public Trustee "more than once remarked that that was the day the Audit officer would count the cash"; that, "after the close of business" on the same day, I directed him to see that the Audit were given a last opportunity to count the cash; that, accordingly, he "was on the look-out during the whole of the day, and especially during the time between 5 p.m. and the time I left, at 6 p.m., for the Audit officials; that the Audit officials failed to put in an appearance"; and that he informed me late in the evening of the same day that "the Audit had not counted the cash."

My Accountant, Mr. Ronaldson, who was, during the last week of December, 1893, acting as my Accountant, is ready to swear that the cash of the Public Trust Office in charge of the Cashier of this office was "not examined, counted, or checked in any way by any person on behalf of the Auditor-General," and that his reasons for making such declaration are:—

1. "That from my seat in the Public Trust Office I have an uninterrupted view of the Cashier's cash-drawer, and could plainly see any one counting or examining the cash, and, on the day in question, I did not see any official from the Audit Office so counting or examining the cash."

2. "That it is part of my duty to count and check the cash in charge of the Cashier at the close of each day's business, and when so counting the cash on the said 29th December, 1893, I remarked to the Cashier that 'the Audit should be here to count the cash this evening to enable them to certify to the correctness of the balance-sheet;' and the Cashier then stated, 'the Audit had not counted the cash that day, or for a long time.'"

The Cashier of the Public Trust Office, Mr. Kendall, had charge of the cash during the week which closed on the 31st of December and the week after, and Mr. Kendall will declare that to the best of his "knowledge and belief the said cash was not counted by an officer of the Audit Department on that date"—the last day of December on which any cash transactions took place, or the office was open for the transaction of business, or the cash-box was opened; and "that the key of the cash-box was in my possession from the 29th December, 1893, to the 3rd January, 1894, so that no one but myself could have access to the said cash."

Mr. Fair, a clerk employed in the Public Trust Office during the last week of 1893 and the first week of 1894, will declare that towards the close of business on the last day on which business was transacted in 1893, "When about putting away the papers on which I was employed, Mr. Ronaldson, the Acting-Accountant, remarked that he wished the Audit officer would turn up and count the cash, as that was the last day for balancing the year's accounts; that I left the office about 5.20 o'clock p.m. on that day, and did not see anybody counting the cash except the Cashier (Mr. Kendall) and the Acting-Accountant (Mr. Ronaldson)."

Mr. Matheson, another clerk employed in the Public Trust Office during the last week of 1893 and the first week of 1894, will declare, "I well remember the 29th day of December, 1893. That at the close of the said day I observed the checking of the cash in the Cashier's hands by the Accountant of the office; that I did not see any officer of the Audit Department attending at that time nor subsequently; that my place in the office at said time being within 3ft. of the Cashier's position, I had every opportunity of noticing whether anything unusual was taking place; that I remember the Accountant remarking to me at the close of business for the said day that he wondered why the Audit officer had not checked the cash in the same manner as the Audit officer had done at the close of the year 1892, when I was holding the position of Cashier myself."

The foregoing evidence must render the conclusion that the cash was counted at the close of business in 1893 a moral impossibility.

Then, as to the speculative impossibility. The counting of the cash by an Audit official before it was locked up in the cash-box and the cash-box put away in the safe must, if the unanimous and solemn declaration of the Trust Office officials is worthy of any credence whatever, be supposed to have been effected unknown to and unobserved by the Cashier, the Accountant, or any other clerk employed in this office; or to have been effected under circumstances which would have left them unconscious, or with no memory, of the act; and to have been, at the same time, counted unknown to, or remembered by, myself or my Chief Clerk, notwithstanding our recollection of the expected visit from the Audit official to count the cash, and of the care which we took personally to ascertain whether the Audit official had performed that duty.

The counting of the cash by an Audit official after the cash was locked up in the cash-box and the cash-box put away in the safe would, if from Trust Office officials any truth can come, necessarily imply that the Audit official had obtained possession of the key of the cash-box and the key of the safe without the Trust Office officials, who had charge of those keys, having known, or having been conscious, or having any memory, that such possession had been obtained.

I will not be so ridiculous as to suppose the existence of any desire on the part of the Audit officials to effect, unknown to a Trust Office official, the counting which is asserted to have taken place, for such a desire would imply a motive hardly possible to suspect; and thus, on the whole, the possibilities, both moral and speculative, completely preclude any reasonable supposition that the cash could have been counted by the Audit at the close of the year 1893.

I know nothing more of the character of the Audit official than he has exhibited in the performance of the services in which he has been engaged in the Public Trust Office. These services, and his conduct in the performance of them, are my only recourse for any confirmation by my own experience of his character as a man of unquestionable integrity and honour; but, whether Mr. FitzGerald's estimate of what becomes a man may be acceptable or not, his assertion of the opinion which he had formed as to the general character of this Audit official in public and private life can hardly affect the question whether that official's statement that he counted the cash is true. If the statement is simply a fiction which cannot be ascribed to some hallucination, Mr. Fitz-

Gerald's opinion of the official's character—every opportunity of forming that opinion notwithstanding—would appear to have been ill-judged. The only opinion which, as hardly affecting the question at issue, it occurs to me to offer is that, on the most favourable consideration of all the circumstances, the Audit official, in neglecting to properly test his assumptions, and Mr. FitzGerald in making them the foundation of unjust insinuations, have been equally wanting in the circumspection which the accusations of an auditor should display.

There cannot, I repeat, be a shadow of doubt that the cash was not counted as Mr. FitzGerald has alleged. No fact can be established more clearly and completely; and, this being the case, there can be no unjust charge but that which is implied by the assertion that the cash was counted; and no conclusion involved but that no man's character is safe within the precincts of the Public Trust Office from an Audit official capable of such an assertion, and from an Auditor-General who could attack, in the manner of Mr. FitzGerald, the administration of the office.

If any apology is due, it is from Mr. FitzGerald to myself, and, for his sake, I should be sincerely relieved if such an apology could blot out all memory of what has happened, and insure to the Public Trust Office the conduct, in a proper spirit, of an efficient audit.

J. K. WARBURTON,
Public Trustee.

SIR,—

Clyde Cliff, 3rd October, 1894.

I have read with care Mr. Warburton's statement as to counting the cash in the Public Trust Office at the close of last year's account.

I am unable to admit that the evidence relied on is of such a nature as to outweigh the distinct assertion of a man of known and long-tried integrity.

In the first place, evidence that a certain event did *not* take place, even if entirely free from bias or suspicion, is not of the same value as direct evidence that such event *did* take place; nor can it, under any circumstances, be of greater weight than that the witnesses do not recollect the event in question having occurred.

Again, it is a remarkable feature in the evidence that so many of the Public Trust Office officials should have displayed such unusual anxiety as to whether the Audit Inspector would count the cash as usual, or would omit to do so for the first time after many years; and it is still more remarkable that there should remain such distinct recollection of trifles, occurring nine months ago, as to an event as to which there could have been no expectation at the time that any question would ever arise.

I may add that there is abundant evidence, both in the unpublished correspondence and in the printed memoranda of the Public Trustee, to show that a strong feeling of hostility has been entertained towards the Audit Inspector, which must be taken into account in estimating the value of any evidence by the former affecting the latter.

The case is one in which I feel it to be my duty, as Auditor of the public accounts on behalf of Parliament, and following the precedents approved by Parliament on a former occasion, to report the matter to the House of Representatives, and to await such instructions as the honourable House may think fit to give.

I have, &c.,

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

The Hon. the Colonial Treasurer.

The Hon. Mr. WARD.

Public Trust Office, Wellington, 5th October, 1894.

To-day I received from you Mr. FitzGerald's letter of the 3rd instant. All his charges against the Public Trust Office now appear to be regarded by him as subordinate to this one question of veracity, or whether, as I have implied, the statement which I have demonstrated to be untrue was or was not due to hallucination. I shall, I feel, be excused from following him in his estimate of the value and character of the evidence on the point in dispute. His reflections on this subject carry their own condemnation. But it may be profitable, as an illustration in exposure of the idleness of his assumption that a distinct recollection is remarkable of what he describes to be trifles, and as an illustration also of the extremity which neglect of duty had reached in the audit of the Public Trust Office, to call to mind the proverbial truth that it is the last straw that breaks the camel's back, and to observe that, though a recollection of the circumstances of any one of the thousands of preceding straws might be remarkable, the imposition of the *last straw* would be attended by circumstances too momentous to be forgotten. The memory of them would be as distinct as the memory of the last straw itself.

It may be thought extraordinary that Mr. FitzGerald should still refuse to acknowledge to be beyond "a shadow of doubt" the fact that the cash was not counted by his official. Mr. FitzGerald, however, has, by a too-implicit reliance on that official as incapable of inveracity, himself become responsible for the truth of the charges which are the consequence of that reliance, and which have been made so rashly and so ungenerously.

And, with regard to hostility: The only hostility displayed between the Audit Office and the Public Trust Office was, until quite recently, that very natural hostility of Mr. FitzGerald himself to the Public Trust Office administration which, following the report of the Royal Commission of 1891, so condemnatory of the conduct of the Audit, was authorised by the Act removing his control. But that the perusal by the Public Trust Office officials of the reports of Mr. FitzGerald, in which he makes their conduct the object of gross and inexcusable insinuations, should have excited their indignation, all our manly impulses would lead us to expect. This indignation, however, has not operated to impede the audit, except so far as might thus operate the precautions thought necessary by Public Trust officials for the safety of their character from Audit officials who could report that the cash was counted as Mr. FitzGerald has so incautiously alleged.

J. K. WARBURTON,
Public Trustee.

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