

carried on in London by the Stock Agents, and it sometimes happens that they inscribe stock without advising us at the time the charges are entered, or do not inscribe sufficient stock to meet the expenses incurred on the conversion operations, or that inscribed stock held by the Agents has not been sold in time to meet the charges; hence an overdraft in our account, which does not, however, exist in their books.

The last remarks of the Controller relate to the inclusion in the expenditure under Class VIII., Public Works Fund, of the sums paid in respect of grants to technical schools, which were not covered by the appropriations of Parliament. These sums were charged in the accounts in the months of June and July, 1898, and you may remember that in November last, when I drew attention to the proposed new clauses in the Technical Education Bill, contained in the Supplementary Order Paper, I distinctly stated that £1,500 had been paid to the Wellington Technical School and £911 to the Dunedin Technical Classes Association. These sums were, of course, charged against the vote of £25,000 which had been provided on the estimates, but which was subsequently struck out. On the 16th December last the Audit Office reported to the Treasury that these two sums were not provided for, and requested that they might be transferred to "Unauthorised." Their request was referred to the Education Department on the 20th idem for necessary action, and it was only on the 10th May last that the Treasury became aware that the Audit requirement had not been attended to, and that the Audit Office had taken the opportunity of affixing a "tag" on the subject to the Public Accounts. The omission to carry out the wish of the Audit Office was certainly unknown to me, and it is not unreasonable for me to state that the Treasury officials should have been afforded a further opportunity to see that the request of the Audit Office, made so far back as the month of December last, was duly complied with. If this had been done the payments mentioned would have been charged to "Unauthorised," and there would have been no necessity for a "tag" in respect thereto.

#### THE ONE-MILLION LOAN OF LAST YEAR.

Towards the end of last year it became evident that the authorities to issue a fresh loan would require to be exercised, and the Loan Agents were accordingly instructed to watch the market with the view of making a public issue of the loan at the first favourable opportunity. The unsettled state of affairs in the East and at other points rendered the prospects somewhat unfavourable, and at the commencement of 1899 several of the colonial Governments came into the market for loans, while it was known that Victoria and the Cape were both watching for a suitable opportunity to issue loans of considerable amount. At this time, also, there was a strong determination shown on the part of the money-lenders not to have any dealings with colonial loans without they were underwritten by the market at 1 per cent. The old syndicate system had resulted, it was asserted, in loss, and so the investors were determined to make a sure profit by underwriting. My Government were, and are, very averse to this underwriting commission. The Bank of England, the leading brokers, and financial agents were approached on the subject, but there seemed a consensus of opinion that the proposed loan must be issued at a ridiculously low figure or else the underwriting commission must be paid to insure a higher quotation.

After very careful consideration and considerable negotiation it was decided to issue one million at a minimum of 96. The Bank of England undertook the flotation, as they had heretofore done, and the issue was fixed for the 9th February, 1899, on the following terms: namely, 5 per cent. upon allotment, 45 per cent. on the 20th February, 25 per cent. on the 25th April, and 25 per cent. on the 23rd June; six months' interest being payable on 1st April, 1899. The Agent-General thought it wise upon this occasion, as with former loans, to issue with the Bank prospectus a statement giving very clear information concerning the finances and resources of the colony. This statement was very widely circulated throughout the United Kingdom, and had the effect of bringing in a large number of tenders direct from *bonâ fide* investors. The issue of the loan was attended with great success, the amount being covered to the extent of