

No. 7.

The Audit Office.

I do not consider that interest is part of the purchase-money referred to in the section you quote.
28th November, 1900.

JAS. B. HEYWOOD.

No. 8.

The Treasury.

THE Audit Office is unable to take the meaning of the words of section 8 to be in accordance with the Treasury view of the matter.

Let x represent the nominal amount of the shares, and y the amount of accrued dividends. Then, as the price at which repurchase is authorised is equal to $x + y$, "all the moneys received for the said repurchase" include $x + y$.

29th November, 1900.

J. K. WARBURTON,
Controller and Auditor-General.

No. 9.

The Audit Office.

I do not think your equation correctly illustrates the position. The transaction was simple: £500,000 was borrowed, and interest at the rate of $3\frac{1}{2}$ per cent. per annum has been paid by the bank half-yearly to the Treasury, and has been credited in reduction of the interest payable upon the stock issued by the Treasury as a loan to the bank. The bank lately determined to get rid of its obligation to the Treasury, and gave notice of its intention to repurchase £500,000 of preferred shares lodged as security for the £500,000 of $3\frac{1}{2}$ -per-cent. inscribed stock. The complete repurchase-money (£500,000) was duly paid over to the Public Trustee, and the interest named herein—representing the accrued interest to date of repurchase—is payable to the Public Account, and should be dealt with in the same way it would have been dealt with had the whole half-year's dividend accrued instead of only 118 days.

3rd December, 1900.

JAS. B. HEYWOOD.

No. 10.

The Treasury.

THE use made of the letters was not by way of an equation, but only that section 8 of the Act might be read with them in place of the items as they are described in the section. The repurchase is to be at a price equal to one item *plus* the other. The Audit Office considers only what the section expressly provides.

5th December, 1900.

J. K. WARBURTON,
Controller and Auditor-General.

No. 11.

The Audit Office.

I THINK your view of the application of the section would be quite correct if only a part of the shares was being repurchased; but, as the bank has repurchased the whole of them for the full nominal amount (£500,000), and the section provides that the purchase-money is to be paid to the Public Trustee to enable him to meet the securities for £500,000 at maturity, it is manifest that if he receives from the bank more than £500,000 he will have more than sufficient to meet the securities, and the surplus would consequently be payable by him into the Public Account.

It is true that the Act makes no express provision for this. It also makes no express provision for the disposal of the accumulation of interest on sums received by the Public Trustee from the bank as purchase-money. In the present case these accumulations will be on £500,000 through a long series of years, and it seems to me to be only giving effect to the intention of the Act if the Public Trustee pays these accumulations to the Public Account to enable the interest on the securities to be paid. The same consideration applies to the £5,657 10s. 6d., and if that sum were paid over to the Public Trustee he would receive it for the Government, and would properly repay it into the Public Account. In these circumstances the payment to him is a mere formality that may reasonably be dispensed with.

6th December, 1900.

JAS. B. HEYWOOD.

No. 12.

The Treasury.

THE express requirement of the Act is that the moneys received for the repurchase of the shares shall be paid to the Public Trustee. The administration of the money lies not with the Treasury, but only with the Public Trustee. The Audit Office cannot in such case regard the payment to him of any part of the repurchase-moneys as a mere formality that may reasonably be dispensed with; and it is submitted that the Treasury, even if its statement of what the Public Trustee must do were correct, would not be justified in withholding from him any of such moneys.

Whether the Public Trustee may, from time to time, before the maturity of the debentures which he is to redeem with the repurchase-moneys, consider the trust-moneys more than sufficient for the purpose, and whether he should then feel himself justified in paying to the Public Account any part of such moneys, or the income derived from the investment of them, are questions for him to decide—questions which the Audit Office ventures to suggest that he will decide with a due consideration not only of the representations of the Treasury, but also of any probability that the short-dated debentures held by him, as an investment of the moneys, may not remain such investment, and of the contingencies of the future.

8th December, 1900.

J. K. WARBURTON,
Controller and Auditor-General.