

paid, he foreclosed, and bought the property himself at auction for £10. According to the Commissioners the value of the mill should have been stated in any true account thereafter at £10! But the Commissioners do not seem to perceive that, if the value of the land is to be taken at the bid made in the auction-room, the Trustee need only bid the amount of the mortgage, when the account as it stands would be correct even according to their own standard.

The Audit Office does not hold such absurd views as to accounts. It holds that where a mortgagee purchases, the only effect in account is that the loan is converted into purchase-money, and that instead of the £4,000 appearing as a loan it should appear as the purchase-money of a property. The mortgage is dead, but the land remains; and what the value of that land may be is wholly a matter of opinion. It correctly appears in the accounts as an investment of £4,000. As a rule, land in a colony rises in value. The instances in which it falls are exceptional; and the presumption is that in a few years all the lands held by the Trust Office will be worth more than the sums lent on them, or for which they were purchased. At all events, it is an absolutely true statement that £4,000 was expended in the purchase of land, and the only question is whether it might not more properly have appeared under a heading, "Landed property." The figures in the balance-sheet would remain unaltered.

I have made careful inquiry, and I find that there is not a single case under the heading of "Investments" in the balance-sheet in which any actual loss has occurred—that is to say, in which the property has been finally disposed of, and the title has passed out of the Trustee. There are a few cases in the course of being so dealt with, and when the transaction in each case is complete the amounts will, of course, be removed from the list of investments, and Parliament be asked to vote the loss. For it must not be forgotten—a fact which the Commissioners appear wholly to ignore—any such loss means an issue out of the Consolidated Fund, or, which is identically the same thing, the loss of so much revenue which would have come into the Consolidated Fund, and therefore can be dealt with by Parliament alone.

I think it will be admitted that the Commissioners were not justified in using the language I have quoted above.

As so much time has been occupied in the endeavour to prove the gross mismanagement of the Public Trust Office, and of the ignorance of the Audit Office in respect of the investments held by the former, I beg to submit the following table showing the real state of those investments. I have divided them into three classes: (A) loans on mortgage from moneys of the general fund of the Trust Office; (B) loans from moneys of individual estates in the Trust Office; (C) mortgages which came with estates into the office, and for the value of which the office is not responsible.

|        | Number of Mortgages. | Money advanced outstanding. | Number of Doubtful Mortgages. | Money advanced on Doubtful Mortgages. |
|--------|----------------------|-----------------------------|-------------------------------|---------------------------------------|
| A ...  | 20                   | 47,372 15 6                 | 4                             | 5,150 0 0                             |
| B ...  | 122                  | 121,654 5 6                 | 7                             | *7,027 0 0                            |
| C ...  | 60                   | 46,882 0 0                  | 8                             | 2,927 10 0                            |
| Totals | 202                  | 215,909 1 0                 | 19                            | 15,104 10 0                           |

\* Of this £4,600 is known to be good.

The net result of the above table shows that out of investments amounting to £168,000, for which the office is responsible, the *possible* loss does not exceed £7,577.

I think this will not be deemed an unfavourable record when it is considered that the colony has passed, during the course of the investments, from a period of great inflation of prices to one of considerable depression; and I should imagine it would compare not unfavourably with the investments made by banks or commercial companies in the colony during the same period.

#### 4. The Payments to the Consolidated Fund.

The next charge made against the Audit Office is as follows: "It was also within the knowledge of the Audit Department that early in the year 1889 the Colonial Treasurer took away from the supposed profits of the Public Trust Office, as they appeared in the annual balance-sheet on the 31st December, 1888, the sum of £18,000 for the Consolidated Fund.