

where it has been adopted, in order to prevent unauthorised dealing with the public moneys and estates by the political Government of the day, quite as much as to detect embezzlement on the part of subordinate officers. This universally recognised purpose of an audit has been ignored in the change under consideration.

I feel it my duty also to place upon record that this change was effected without any inquiry whatever as to the cause of the arrears into which the audit of the land revenue had fallen, or as to the efficiency or otherwise of the system on which it had been previously conducted, or as to what steps might be taken to provide against such failure in future.

Whatever information the Minister may have received on these matters were, I have reason to believe, conveyed to him by a subordinate officer of my department without my knowledge: information which has been not unsuccessful in greatly improving his own position in the public service. Whether such a mode of conducting an inquiry into the efficiency of a public department is consistent with the ordinary courtesy which has been considered to be due to the permanent heads of the public service, especially to that office which I have had the honour to fill for twenty-five years, I respectfully submit to the consideration of Parliament.

I was asked before the Committee how it was that an officer of the Audit Office had inspected the accounts of the Receiver of Land Revenue at Wellington, and had reported that the deficiency in the cash amounted to only a few shillings. In justice to that gentleman, it is right that I should say that his inspection, which occupied only a short time, extended only to the accounts of two or three recent land-sales, and that his report was only intended to be an *ad interim* report pending further inquiry, which, however, was never made, as the accounts were placed in other hands.

I desire finally to place on record that, whatever deficiencies may be found on due inquiry to be chargeable against the Audit Office will be found to have been caused by an insufficiency of the staff provided, and that, although the Audit Office is considered to exercise its powers and duties specially on behalf of Parliament, it has no channel of communication with Parliament except through another department: the Minister of which, by whomsoever the office was held, has never made any inquiry into, or taken any interest in, the work required to be done or the staff necessary to do it effectually. My experience has led me to the conclusion that the efficiency of the Audit Office would be best secured by its being brought into closer relation with Parliament through a standing Committee. I shall deem it a favour if you will submit this letter to the Public Accounts Committee, and I respectfully request that it may be laid before Parliament.

I have, &c.,

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

The Chairman of the Public Accounts Committee.

The Hon. J. McKENZIE to the CHAIRMAN, Public Accounts Committee.

SIR,—

Wellington, 4th October, 1892.

In reply to the letter of the Controller and Auditor-General to the Public Accounts Committee, I have to submit the following facts for your consideration:—

In the first place I may say that I never made a statement to the effect that there were no accounts kept in my department, knowing, as I did, that it was in auditing the books of the department kept in the district offices that the frauds were first discovered. The Receivers of Revenue are responsible to the heads of their departments, as well as to the Colonial Treasurer, for the accuracy of their accounts; and the Controller and Auditor-General, by forwarding the report and balance-sheets of his Inspectors regularly to the heads of the various departments direct, is an acknowledgment by him of the responsibility of the Receivers to the heads of their respective departments.

For the information of the Controller and Auditor-General I would state that every District Land Office in the colony keeps a set of books, consisting of cash-books, auction sale-book, deferred payment, perpetual lease, cash land, pastoral run, and local bodies' loans ledgers. It would thus be seen that the Land Department, at least, does keep accounts, although the Controller and Auditor-General does not appear to be aware of the fact, and that his statement that no accounts were kept in the department is altogether contrary to fact.

The Receivers of Land Revenue are not, and never have been, deemed to be independent of the Commissioners, in proof of which I would point out that when the late Receiver of Land Revenue at Auckland was charged with fraud and irregularities in his accounts, the Audit Inspector demanded the immediate suspension of the Receiver at the hands of the Commissioner. This request was complied with, and the facts duly reported to the Controller and Auditor-General, who took no objection to the course adopted by his officer. The Receiver at Wellington was also suspended by the local Commissioner for irregularities in his accounts, thus clearly proving that Receivers of Land Revenue are not independent of the Commissioners as alleged.

The withdrawal of the audit of the land revenue from the Audit Office cannot in this colony be construed into a reversal of policy, for successive Governments have at various times deemed it advisable to withdraw from the control of the Audit Department the audit of the revenue of the Post Office, Railways, and Customs Departments, notwithstanding the fact that the Post Office and Railway Departments cannot be deemed to be Revenue Departments proper within the meaning of the Auditor and Controller-General's letter; and the evidence brought before the Public Accounts Committee showed that in England the Customs Department audited its own accounts; and it is by no means uncommon in New Zealand for defaulters to be prosecuted by their own department for embezzlement, &c., without any reference to the Audit Department.

The Public Accounts Committee appears to be the best judge of the value of the evidence which induced it to recommend to Parliament an alteration in the system of auditing land-revenue