

accounts, and of the efficiency or otherwise of the system on which it has been previously conducted; and I would point out that the alteration was first suggested by the Controller and Auditor-General himself.

The Controller and Auditor-General's statement that the information was imparted to me by a subordinate officer of his department without the Controller and Auditor-General's knowledge is almost incredible, and altogether untrue, and one requiring prompt and immediate refutation at my hands. The charge must be taken as referring to Mr. C. O'H. Smith, and the facts are as follows: On the 11th April, 1892, the Controller and Auditor-General informed Mr. Smith by telegram as follows: "If the Minister wishes it you must apply to him for instructions, as your salary, &c., is now being paid by him and not by the Audit;" and, immediately on Mr. Smith's arrival in Wellington, the Controller and Auditor-General brought him to my office and personally introduced him to me in order that he might explain to me the intricacies of the matter then under investigation by him, and supply me with the information which the Controller now wrongfully alleges to have been given without his knowledge.

The so-called interim report to which the Controller and Auditor-General refers, was sufficiently far-reaching to establish in his opinion the honesty of the Receiver and the accuracy of his accounts, notwithstanding the repeated assertions of Mr. Smith to the contrary. The Controller and Auditor-General also unsuccessfully endeavoured to impress upon Mr. Smith the accuracy of his own views, although the fact that the Receiver had previously been reduced in salary for irregularities of a somewhat similar kind was not unknown to him.

The result of Mr. Smith's audit disclosed the fact that, during the period covered by the so-called interim report, there existed undiscovered deficiencies amounting to nearly £500 in excess of the 8s. 8d. disclosed by the interim report; and over £400 of this money has since been recovered.

I venture to assert that that non-discovery of the deficiency of nearly £500 above referred to was not due to the insufficiency of the staff; and the same may be said of a deficiency of £2,000 in the accounts of the Gisborne Harbour Board, and of £500 in the accounts of the Gisborne Borough; nor does it explain the fact that about seven thousand pounds' worth of scrip was examined and passed as correct and left in the books of the office clean and undefaced, and consequently capable of again being exercised in the purchase of Government land, or, why, after two examinations, the scrip irregularities in Wellington remained undiscovered.

I have, &c.,

JOHN MCKENZIE.

The Chairman, Public Accounts Committee, House of Representatives.

[For reports of Public Accounts Committee not printed in Appendix *vide* Journals.]

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