Up to November, 1883, the Land revenue cash-books were examined by several clerks successively in the Audit Office, the last being the late Mr. Halse, through whose hands no scrip passed uncancelled. In December, 1883, Mr. C. O'H. Smith was intrusted with the work; and it is somewhat singular that the first case of uncancelled scrip coming into the Audit Office should have appeared when Mr. Smith was the examiner. I need not say that no report was ever made to me on the subject, although uncancelled scrip was received and remained unnoticed for more than a year whilst he was Examiner of the Land Receiver's cash-books; nor is it surprising that a fact which escaped the notice of so vigilant an officer should have been overlooked by his less fortunate colleagues, who are now charged with a grave omission of which he established the precedent.

I have not had time to test the accuracy of the statement that the uncancelled scrip which passed the Audit Office amounted to £7,000. I presume that that amount includes the transactions of the two years during which the cash-books have not been examined. But, in any case, I may be excused for declining to accept, without examination, any statement appearing in the company of so many in which the Minister has been clearly misled by inaccurate information.

In conclusion, the Minister has thought proper to call the attention of the Committee to circumstances which imply, in his opinion, that the officers of the Audit Office have failed in the performance of their duty. Were there any truth in such allegations, I respectfully submit that I have grave cause of complaint that a Minister of the Crown, instead of proposing such measures as might prevent any such failure of duty in future, in which he would have been cordially assisted by myself and every officer in the department, should have allowed himself to be made the mouthpiece of vague aspersions, and, without inquiry, to take such steps as could not fail to depreciate the character and impair the ability of the Audit Office in the performance of the duties intrusted to it by Parliament.

I have, &c.,

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

The Chairman, Public Accounts Committee.

No. 2.

The Hon. the MINISTER OF LANDS to the CHAIRMAN, Public Accounts Committee.

Office of the Minister of Lands, Wellington, 7th August, 1893.

SIR,—

I deeply regret that I have again to refer to the statements of the Controller and Auditor-General.

My previous letter of the 4th October, 1892, was not meant to formulate charges against him, as his letter of the 23rd June last would imply. There are some points in his last letter to which, however, I must refer.

The Controller states that he understood me to say that no accounts were kept in my department. I did not make such a statement. What I did say was, that the department did not keep complete accounts at the Head Office; the fact being that separate accounts were kept at the various branch offices.

Second, I do not think it necessary to deal with the history of the audit of land accounts. The fact that the Receivers of Land Revenue were at one time officers of the Customs, seems to me of no moment, as they have been since 1883 officers of the Land Department, subject to audit by the Audit Department.

Third, the Controller complains of my statement that the alteration of moving the audit of the Land Department from the Audit Office was first suggested by him. I submit that his letter is an admission that he suggested, as an alternative to the appointment of extra clerks, that the Audit Department should be relieved from the task of auditing the land revenue accounts, and this admission is sufficient justification of my previous statement. I accepted the alternative, and relieved the Audit Department of the task. The suggestion first came from the Controller.

Fourth, the next complaint is that the information I received in reference to the audit of the land accounts came from a subordinate officer of the Audit Department without the Controller's knowledge. I have to state that it was the Controller himself who first brought Mr. O'Hara Smith to me, and said that he would explain the intricacies of the audit. I may, however, point out that so far as the conspiracy cases were concerned, the first case in Auckland had been finished, and the second case in Wellington had not been started when Mr. Smith was first introduced to me. It was not, therefore, in reference to any special case that Mr. Smith's services were to be used by the Land Department. Whilst in Auckland Mr. Smith received telegraphic instructions from the Controller that he was to be practically under the Land Department. I do not consider, therefore, that there was any impropriety in getting all the information I could from the officer practically placed at my disposal by the Controller. It was only when I had the opportunity of hearing his explanations that I came to the conclusion that the Audit Department, so far as the land revenue was concerned, had been inefficient; and the determination to take the audit of the land revenue into my own hands was taken after full investigation of how it had been conducted in the past. If I had to look to precedents, I had two in the fact that the Railway and the Customs Departments—both revenue departments—had been taken from the Audit Department, and were audited by these departments themselves.

Fifth, as to the uncancelled scrip, I would point out that clearly the charge I made against the Audit Department has not been met. It was the duty of the Audit Department to see that the scrip was marked as having been exercised, and neither the Receivers nor the Audit Department had done their duty in not having it so marked. There was a great danger of the revenue of the colony being defrauded by the second exercise of scrip.