

21. You do not expect any difficulty in regard to the interest accumulating?—No; I expect the Treasury will ask for it and get it.

22. In the meantime the Treasury will have to find the interest?—Yes; $3\frac{1}{2}$ per cent. on the debentures.

23. Have you received any intimation from the Controller and Auditor-General not to pay this money to the Treasury?—None officially. There is nothing on the file to show it. I have heard that he objects to its being paid, but his objection has not come to me yet.

24. Supposing you received an official notice from the Controller and Auditor-General not to pay the money, would you still pay it over?—Yes. I cannot find any authority by which I should be justified in holding the money. It certainly belongs to the Treasury.

25. Would the Audit Office be able to prevent you paying it over?—I do not know what would be the procedure. In March last I announced that I would pay the money over with the concurrence of the Audit Office. Of course, the Auditor-General may stick the matter up, but I do not see any objection to it. The money simply belongs to the Government. The Auditor-General is independent of me, and he may see objections from his point of view and refuse to pass it, but I do not see any objection.

26. He has to countersign the cheque?—I cannot speak positively about that. The Accountant arranges that. If the Auditor objects there would be other proceedings.

27. Would not that be an interference with the administration of the Public Trust Office?—No; the Auditor-General has control of our payments, and can object to any of them.

28. Then, if such a contingency arose it would mean a Governor's warrant?—Yes. If the Auditor-General objected we could not pay the money without a Governor's warrant.

29. You are a barrister and solicitor?—Yes.

30. And you are satisfied that what you are doing is well within the law?—I have no doubt of it. I contend the law is so clear that no lawyer can have any doubt about it. All works on trusts and equity set the law out so clearly that there can be no doubt about it.

31. Have you not a barrister in the office and a solicitor outside whom you could consult?—Yes; but I did not consult them in this case. The principle is so clear that I took the responsibility on myself if any difficulty arose. If I had any doubt I should certainly have consulted the office solicitor and the solicitor who conducts our cases outside, but I had no doubt.

32. *Mr. W. Fraser.*] You quoted some authorities just now as to the payment of accumulations on deposits: are you quite sure those authorities might not be quoted in the direction that the payment of the interest should be made at the end of the term?—No. It can be paid as it accrues—all accumulations can be paid as they accrue. In this case the holders of the debentures are to get $3\frac{1}{2}$ per cent. on them, and the Treasury could not get the accumulations to meet this if the interest was only paid at the end of the term. The trustee is only concerned with the amount which has been deposited.

33. Could the authorities be construed to mean that the accumulations should be paid after the end of the trust?—No. It is not the duty of a trustee to pile up funds. It is his duty to pay interest to the *cestui que trust* at reasonable times.

34. You said if the Auditor-General objected to the payment of this interest to the Treasury the only mode to get over the difficulty would be to have a fresh Governor's warrant?—Yes.

35. Would it not be a more effective way to alter the Act so that the money might be paid over by you?—No doubt a few words in the Act would clear up the difficulty between the departments.

36. You said just now you paid one sum to the Treasury?—Yes.

37. Did the Auditor-General countersign the cheque?—I could not say.

38. Has the money been paid?—Yes; so far as we are concerned.

39. Do you not know what becomes of the cheque after it leaves your office?—No.

40. Would you not know if the Auditor-General objected?—Yes; if we got notice from the Auditor-General that he objected. Otherwise I should assume there was no objection.

41. That is with regard to the £8,000 odd which you paid?—Yes.

42. Are you perfectly satisfied that there is ample power to pay these moneys as they accrue?—No doubt whatever. There is no doubt at all. If I had any doubt I would not have paid it; that is a certainty. I am quite satisfied about that.

43. *Captain Russell.*] What is the position of the £500,000?—That is another difficulty. Strictly by the law I should lock it up in the safe, but I did not do so. The Act says nothing about the investment of the £500,000. The Act simply said that the money was to be paid to the Public Trustee, and applied by him to the redemption of the debentures. If I had invested it in the ordinary way in outside securities, it would have thrown our accounts into confusion, and we should have been put to a considerable amount of expense; but fortunately I was afforded this opportunity of investing in Government securities at the time. The Government pay the interest and get it back, so that really they get a loan without having to pay interest. It does not matter to them whether they pay 3 per cent. or 4 per cent., or whatever the interest may be, because they get it back.

44. What is the value of the debentures?—They are short-dated debentures—about four years' debentures—so that when they fall in we shall be able to invest the money in mortgages which we could not have done without considerable expense if we had invested in such securities when the money was deposited.

45. Are the debentures at par or above par or below par?—I do not know.

46. I was only wondering whether these debentures might be below par, and whether you had intimation to that effect, and whether the rate of interest might not be lower?—I cannot say.

47. How are the 3-per-cents? Are they above or below par?—Below.

Rt. Hon. R. J. Seddon: But these debentures are not in the market, and we have to give par for them.