

be shown. Ours was that we were only entitled to show the £20, because 10s. had been refunded—two items of 5s. each. That was a statement of the balances. The same thing applies to any other account which you like to take—Production Fees, Valuation Fees, &c. We refund during the year a certain small sum. We pointed out that, as we had done in the previous five years, we were entitled to show the balances only. I acted entirely upon the advice of my accountant, who still declares that his system is correct.

50. In other words, Mr. McGowan, that means that in the Management Account you were showing the net receipts—in the Consent Fees, for instance?—Yes, I think that would be correct, because we had received £20 10s. and refunded 10s. We showed the £20.

51. In one of the ledger accounts of your Department, upon the credit side would appear the £20 10s., and upon the debit side there would be the refund of 10s., and the balance appearing to the Management Account would appear as £20?—Yes.

52. From the Management Account you transfer the balances to your statement of accounts?—The statement of receipts and expenditure shows £20 10s. on the one side and 10s. on the other. The Management Account shows £20. If you take the Production Fees, or the Valuation Fees, the refunds are shown on the one side and the receipts on the other—that is, in the Cash Account; in the other accounts it is the net amount only that is set down.

53. That system is the one that has been carried out previous to this year, and has not been taken exception to by the Audit Office?—No exception was taken. We simply followed our own rules as to account-keeping, which had been passed for five years previously.

54. That was the only point in dispute between the Audit Office and your Department?—At the beginning; afterwards they rejected the whole accounts.

55. On what grounds?—Because they were not in accordance with the statute. Then, in order to meet them, we constructed balance-sheets to meet the requirements of the statute.

56. Has there been any alteration of the statute as between the year for which these accounts are made up and the six years previously?—None whatever. We work under the Act of 1894, and it was these attempts to meet the Audit Office, first by an unsigned sheet, then by a signed sheet which has been altered and amended, that we arrived at a solution of the difficulty to a certain extent. We printed the statutory balance-sheets as required and passed by Mr. Warburton, showing our view of the case, with his note that he was unable to pass them, having passed others.

57. Is it usual for the Audit Department to set out the system of accounts that they have done in this case?—I do not think so. I never heard of it before. We have not altered our system of book-keeping.

58. Will compliance with the request of the Audit Department upon the question of the receipt of £20 10s. and the expenditure of 10s. in the ordinary ledger account necessitate an alteration in your system of book-keeping?—We did not alter our books, but we constructed our balance-sheets on these lines. In these balance-sheets constructed at the request of the Audit Office we show, as the statute says, the whole receipts.

59. You have not altered your books?—No.

60. So that you have got a balance-sheet from the Department different upon that point, at all events, from what actually exists in the books?—We have got two—one to satisfy the Audit, and our own.

61. *Mr. W. Fraser.*] You, of course, are acquainted with the Act?—Yes.

62. What does the Act say in regard to this word, the “whole” receipts and expenditure?—That is the term used, “whole” receipts and expenditure.

63. Therefore the Auditor-General, in asking you to put in the whole receipts and expenditure, was only complying with the law?—That is so, and the Solicitor-General agreed.

64. What is your opinion with regard to the law as laid down in the statute; is it a business-like, common-sense way of keeping or presenting the accounts?—I am compelled to say, “No.”

65. That is the only inference I can come to from what you say?—The accounts constructed in exact terms of the statute are not intelligible.

66. Then, do you suggest that the statute should be altered, so that the balance-sheets might be presented in a more business-like form; is that what you mean?—I do not think there is any necessity for amending the statute. Let us go on as we have been going.

67. Do you not know that the Auditor-General is bound by the law?—Why has he not been bound before?

68. He may have overlooked that point before. He has got to comply with the law?—We met him by constructing our balance-sheets in exact accordance with the statute. I said in one of my memoranda that I wanted to do anything I could to meet him. Having altered our balance-sheets, I said, “Will you now certify my figures as correct in the other form?” That he first of all promised to do, but afterwards declined.

69. What reason did he give for declining?—There was no reason given at all. He said that he found himself unable to certify my figures as correct in the other form. These are his words: “The Audit Office, having certified the statutory accounts submitted as those required by section 50 of the Government Advances to Settlers’ Act, appears to be precluded from certifying any other accounts.” I never asked him why he was precluded.

70. The reason he gave was that he deemed he was precluded by the statute?—He did not say so.

71. Surely “precluded” means precluded by the statute?—But the statute, in section 48—

72. I am not saying that he is precluded, but that is the reason he gives in his memorandum?—He says that he is precluded. Possibly he means precluded by the statute, but I would ask you