

head of "Assets," that proportion of the interest payable by the mortgagors which is not paid, but which belongs to the period up to which the accounts are rendered. Now, in this account there is a large sum—I think it is upwards of £30,000—brought in as an asset for accrued or unpaid interest.

88. *Mr. Guinness.*] Interest not collected?—Not collected, but accrued interest not due. I think the amount is stated somewhere in the account. At any rate, it is over £30,000. Now, in this year's balance-sheet there is a transfer (see page 9, under the head of "Liabilities"). You will notice this entry, "Profit and Loss Account, £76,172 11s. 7d., less amount written off loan-flotation charges, £30,000." Well, the writing-off of that £30,000 was a writing-off which would be impossible but for the accrued interest which was not received. That is an indication of what may happen if you do not keep strictly to the statutory requirements. As a book-keeper's Profit and Loss Account, I raise no objection whatever to its form; but if you use what is not actual cash, you should do so by express authority. I have pointed out in my certificate to the statutory balance-sheet that there was cash to the amount of £36,350 and bills receivable of £990, and that the amount was applicable to the balance of Investment Account, £33,296, and of Suspense Account, £4,044. There was nothing to meet the £30,000 except the accrued interest which was not received.

89. *Hon. Sir J. G. Ward.*] Then, do I understand you to say that to conform strictly to the statutes as they are now framed does not admit of that being done—it would be an improper thing to have them altered?—I do not say that. I am keeping to the law as it is. I say that there is no objection to the book-keeper's account, as an accountant's statement of the financial position of the office; but it is not the statutory balance-sheet.

90. Do you consider that the statute law which we have now enables the Department to present an intelligible balance-sheet to the public?—Yes. But the book-keeper's account would not be certified by the Audit Office. The Audit Office must, I think, keep strictly to the statutory balance-sheet and the statutory statements, and not certify to accounts which may be fair accounts, but which do not agree with the statutory balance-sheet except by adjustments necessary to bring the cash into agreement with the books.

91. With regard to this question of the accrued interest of £30,000: do you suggest that it is an improper thing for the Department to do?—I do not say it is an improper thing to do. I say that the cash is not there for the transfer.

92. *Mr. W. Fraser.*] I want to clear up the point involved in the last question but one asked by Sir Joseph Ward. Do you consider, Mr. Warburton, that a balance-sheet prepared in strict conformity with the statute would be an intelligent and intelligible one?—As I understand the statute, it would be an intelligible one.

93. Then, you do not think there is any necessity for altering the statute?—I think not, except, perhaps, to make clearer the meaning that I take it to have. I understand that it requires a balance-sheet, and that with that balance-sheet certain statements shall be furnished.

94. Can you suggest any alteration in the statute which would enable the Department to issue a more intelligent and intelligible balance-sheet?—I think not. I would not alter the statute in that respect. I would allow the Department to publish its own statements—its book-keepers' accounts—as at present, showing what it considered to be the financial position of the office, and to bring that, if necessary, into agreement with the statutory balance-sheet and statements which the Audit Office would certify—that is to say, the balance-sheet and statements of cash transactions.

95. Do you mean that the report of the Advances to Settlers Department should contain two sets of balance-sheets—one certified to by you as being in strict conformity with the statute, and the other prepared more from an accountant's point of view?—I see no objection to it. The other would be in the shape of a report. The cash transactions account would be clearly shown. A large investment of money may bring in a large income in the shape of interest perhaps only a week after the end of the year for which the account was rendered. Now, that income would belong almost entirely to the preceding year.

96. As accrued?—As accrued. It may come in the day after the close of the year.

97. But by the form of balance-sheet required by the statute that should not be so shown?—No, because it is not a cash receipt.

98. Would there be any harm in altering the statute so as to enable the balance-sheet that it has been the practice to issue during the last six years to be the one balance-sheet signed by you?—I do not think there would be any harm in that.

99. Would that not obviate the necessity of having two sets of balance-sheets in the report?—I think it would.

100. Then, would it not be an advantage to alter the statute in that direction?—It might be considered so. It might be considered an advantage to have a real Profit and Loss Account for a Department like the Advances to Settlers Office—to have authority to furnish an accountant's statement of the profit and loss of the Department, taking in everything that is received in the year as belonging to the year and what properly belongs to the year.

101. In view of that, you modify the statement which you made to me just now that you do not see any necessity for altering the statute?—I still do not see any necessity.

102. *Mr. J. Allen.*] Which is the £30,000 of interest which you were referring to: is it shown on page 9?—I think it is shown on page 10, in the Statement of Interest Account for the year ending the 31st March, 1902. You will see this item there: "Interest receivable—accrued at the 31st March, 1902, £25,176 14s. 1d."

103. But that is not £30,000?—Then, there is another item just above that one: "Interest receivable—overdue, £7,207 13s. 5d." That money was not received. I said the amount was over £30,000: by adding those two amounts together you will get the exact total.

104. What does "accrued" mean?—Take a sum of interest of, say, £1,000 which is payable a month after the 31st March. Much of that interest has accrued at the 31st March.