105. It is not payable then, is it?—No, it is not payable, but the proportion of it up to the 31st March has accrued.

106. Is that what this interest shown in this statement is?—Yes.

107. It is a calculation of what would have been due if the Department could have demanded it: is that so?—Out of the next instalment of interest payable.

108. Which was becoming due later on?—Yes.

109. What I want to get at is, was the interest due on that date?—No. The interest due, but which was not paid, is shown in a separate item—£7,207 13s. 5d.

110. *The Chairman.*] That interest was overdue; the other had not arrived at its due date?—That is so.

111. *Mr. Flatman.*] That is simply a day-by-day liability, I suppose?—The amount would alter day by day.

112. I understood you to say that you could not certify to a balance-sheet prepared according to the Act: did I understand you correctly?—No. I said I could not certify to any but the balance-sheet according to section 50 of the Act.

113. Was the balance-sheet which you refused to certify drawn up strictly in accordance with the law?—No.

114. And yet I understood you to say that there is no need to alter the law so that a balance-sheet which you could certify could be drawn up strictly in accordance with the law?—No. I said that I did not see any actual necessity for altering the law to provide that the balance-sheet required by section 50 should be so modified as to be the balance-sheet which I refused to certify.

115. *Hon. Sir J. G. Ward.*] Is it not usual, Mr. Warburton, to include accrued interest in the balance-sheet, so as to provide a proper statement of the affairs of the Department?—Yes, I think it is—not of all Departments, but, I think, as a rule, it is with a business.

116. Would it not be an improper exhibit of the alleged position of the Department if they did not show the accrued interest at the date to which the balance-sheet was made up?—I could not speak on that point when the statute does not require it. That is a question for the Administration to consider.

117. That is not what I want to get at. Would it not be showing a right position of the accounts of the Department on the date to which they were made up unless the amount of accrued interest was shown?—There is no actual prohibition of it, and——

118. *The Chairman.*] Would it not be the proper thing to show the accrued interest in the statement of the accounts, in order to show the actual position?—I think that is a question for the Administration to answer. I am the Auditor, and I am required to audit a balance-sheet which the statute prescribes.

119. *Hon. Sir J. G. Ward.*] I will repeat my question in another form: Could the Advances to Settlers Department show its true position at the date of making up its accounts unless the accrued interest was taken into account?—I do not think it could state the true financial position without showing the accrued interest.

120. Well, if the law is altered, ought not the alteration to be in the direction of enabling the Department to show its true position at the date of the making-up of its accounts?—Yes; but there is nothing at present to forbid it, if the Department makes a report in which it shows the true financial position.

121. To which you, as Auditor, cannot certify?—If the Administration or Legislature regards it as desirable that I should certify to a business statement of that kind, that is another matter.

122. Yes; but I take it from your answer that it is beyond all question that to enable the true position of the Advances to Settlers Department to be shown at the date of the making-up of the accounts so that the Auditor could certify to it, the statute requires altering?—I think it would require altering to enable the Auditor to certify to a balance-sheet such as the one to which I have objected.

123. Do you think it would be desirable with an important State Department, such as the Advances to Settlers Office is, to have a law allowing two systems of accounts to be shown—the one necessary for the Department to show its true financial position, and the other to enable it to comply with the requirements of the Audit Department?—I would say that it is very important that the Audit Office should certify to the cash transactions. It is very easy for the Administration to bring its financial account, or its book-keepers' account, or its business account, into accordance with the certified statement of the cash transactions. The other items are largely estimates—computations.

124. Take this accrued interest. I want to put the matter so that others may understand it as well as we ourselves. Supposing there was thirty thousand pounds' worth of interest due on the 30th April—that is, at the rate of £2,500 a month—as a matter of fact, on the 31st March there would be £27,500 of the interest which was payable on the 30th April accrued on that date (31st March)?—Yes.

125. Could the Advances to Settlers Department exhibit that £27,500 of accrued interest on the 31st March of the amount of £30,000 payable on the 30th April if you were only able to certify to the cash transactions?—They do now.

126. If the cash transactions alone could be certified to, could the Department show the £27,500 of accrued interest on the 31st March?—Yes, but that statement would not be audited by me.

127. That is the point. Then, Mr. Warburton, it is quite evident, I think, that if the statements were all audited by you the public would say that the statement of accounts of the Advances to Settlers Department was not the statement that ought to be taken by them as showing the position of the Department?—That is for the Legislature to consider. If the statement of accrued