

interest made by the Department is to be certified, or if the Legislature think there will be any doubt about the correctness of the statement by the Department of the accrued interest—.

128. But you said that the true position of the Department could not be shown in its balance-sheet unless, to take the typical case that I have given, the £27,000 of accrued interest were shown. Now, that being so, if you, as Auditor, are unable to certify to it—if that requires to really come out of the accounts—there ought to be a second statement published showing the real financial position. It is quite evident that two systems of accounts would require to be kept?—No; I think that if you required that I should certify to the book-keepers' account you should require that I should certify to the cash transactions as well. This account is not a statement of cash transactions. I refer to the statement on page 9 of the correspondence. The very first item on the assets side shows the repayments as £668,530. The cash repayments were actually £666,000-odd. Of course, the adjusting entries are put down on the other side.

129. Yes; but that has nothing to do with the point that I have been dealing with. The point is that to enable the true position of the Advances to Settlers Department to be shown on the 31st March the accrued interest must be shown. As a matter of fact, it will be admitted by anybody who understands anything at all about accounts that it must be shown, because it is accrued at that date, and if the Department did not show it they would be disclosing a wrong position of their affairs. The effect of their showing it is that the Controllor and Auditor-General is not able to certify to their accounts, because he says it is necessary for him to certify to cash transactions; consequently, to comply with the Auditor's requirements, one of two things is necessary—either two independent statements of accounts should be shown, or else the Department should be called upon to show an untrue position in order to enable the Auditor to certify to the accounts?—Yes; but a statement of the true cash position is not a statement of an untrue position.

130. That is not the point. It would be showing the accounts of the Advances to Settlers Department incorrectly if the Department did not show the accrued interest upon the date to which the accounts were made up?—I would not say that both the statements as made were statements of the true position. That transaction of £30,000 I do not think is authorised by the statute. Besides, at the 31st March there was no money available for it.

131. No, but it was accrued?—There was no cash, and I do not think the balance in the Management Account is authorised by the statute to be applied to writing down loan-flotation charges.

132. You do not mean to say that the only thing to be certified to by the Auditor in the matter of accounts, in order to give the true position of a concern, is the cash?—I must keep to the statute.

133. That is a different thing. What I say is that you do not mean to tell us that to enable you to certify to the correctness of an account you must certify to only what is called "cash"?—If it is a statutory account I must keep to the statute.

*Mr. McGowan:* Might I be allowed to interpose for a moment. Mr. Warburton said that these figures were largely estimates. He surely could not refer to the accrued interest, because every single mortgagor's account is gone through, and the amount is got out to a penny. There is no inagination or estimation at all about it. It is exact to a penny.

*Witness:* I did not say that the statement was to be distrusted, but when you put down as an asset a sum of money that is not paid but is payable on a certain date you estimate that you will receive it.

134. *Hon. Sir J. G. Ward.*] The point is this, with regard to the accrued interest: It is not a question of whether the money can be got, because it is a dead certainty that it will be got. The security is behind it. At the date of the making-up of the accounts the amount of the accrued interest is distinctly not an estimate by the Department, because it is only a matter of a date, perhaps a month ahead, being fixed for the collection of it?—You cannot be sure of that, because you might have to sell your security, and the security might not realise your capital.

135. But that does not alter the fact that on the 31st March £27,000 of the interest would have accrued, and the whole amount of £30,000 would be payable a month afterwards?—I am not objecting. I am answering the objection to my use of the term "estimate" as applicable to accrued interest.

136. *The Chairman.*] With reference to this £30,000 that reference has been made to: it means the interest receivable that is overdue and the interest receivable that has accrued?—It refers to the two items.

137. I ask that question because any one reading the statements here would wonder where this £30,000 is that you have referred to. You really mean the £32,000 odd included in those two items?—Yes—that is, £30,000 of it.

138. *Hon. Sir J. G. Ward.*] There is a very material difference between overdue interest and accrued interest?—Yes; but they are both taken into the account of assets here.

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