1904.
NEW ZEALAND.

ASSETS REALISATION BOARD:

CORRESPONDENCE RELATING TO DEBENTURES FOR £1,800,000.

Laid on the Table by Mr. Speaker the 4th day of August, 1904.

The CONTROLLER AND AUDITOR-GENERAL to the Hon. the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

Audit Office, 4th August, 1904.

THE Controller and Auditor-General has the honour respectfully to inform the House of Representatives that debentures for £1,800,000, lately issued by the Assets Realisation Board as the fresh debentures which section 24 of "The Bank of New Zealand Act, 1903" authorises the Board to create and issue and requires him to countersign, were so countersigned on what he considered the best procurable, though not perfectly satisfactory evidence, that £1,800,000 was the amount authorised by the Act; and he begs leave to submit a copy of the correspondence on the subject.

J. K. WARBURTON,
Controller and Auditor-General.

No. 1.

The Assets Realisation Board, Wellington, 8th April, 1904.

SIR,— *"Bank of New Zealand Act, 1903."*

In terms of section 24 of the above Act new debentures issued by the Assets Realisation Board require to be countersigned by yourself, or an Audit officer appointed by you.

We shall have the documents ready for countersigning, say, on Monday afternoon. Will you kindly advise us whether that time will suit you, and if not, will you please name such other time as will be convenient to you. We enclose a specimen form of debenture for perusal.

The new issue will consist of 977 debentures, aggregating £1,800,000 of the following denominations:—

			£
9	debentures of	£50,000 each	450,000
18	"	25,000 "	450,000
50	"	5,000 "	250,000
400	"	1,000 "	400,000
500	"	500 "	250,000
			£1,800,000

I have, &c.,
W. C. CUFF,
For General Manager.

The Controller and Auditor-General, Wellington.

No. 2.

THE Controller and Auditor-General requires,—

(1.) To see evidence of the appointment of the persons whose appointment constitutes the Assets Board; and of the person appointed to be and still holding the office of Chief Auditor.

(2.) To receive from the Chief Auditor,—

(a.) His certificate in writing whether he has yet made any of the valuations prescribed by section 22, and if he has, whether the Governor has made the Order in Council authorised by section 23.

(b.) Then, presuming the Assets Board to be still in existence, the Chief Auditor's certificate in writing, approved by the Colonial Treasurer, being the certificate which section 20 of the Act of 1895 makes conclusive evidence of the amount of the adjusted purchase-money; and

(3.) His answers to the following questions:—

(a.) Were debentures of the Assets Board, created and issued by the Assets Board under section 21 of the Act of 1895, of the nominal amount corresponding with the said purchase-money?

(b.) What amount was outstanding at maturity of such debentures of the Assets Board as were existing at the date, 24th November, 1903, of the passing of the Act of 1903?

(c.) Have all the moneys available by statute for their redemption been applied for that purpose?

(d.) What is the amount of the residue of such outstanding debentures?

(e.) Where are the outstanding debentures composing such residue? Are they ready for delivery, or delivered to the Colonial Treasurer for cancellation?

9th April, 1904. J. K. Warburton, C. & A.-General.

No. 3.

Bank of New Zealand, Head Office, Wellington, 12th April, 1904.

"Bank of New Zealand Act, 1903": New Assets Realisation Board Debentures.

Sir,—

The General Manager of the Assets Realisation Board has passed on to me your memo. setting out your requirements in connection with the issue of the above debentures before you are in a position to complete them in terms of the statute.

I have to thank you for fully explaining what would be needed to my representative yesterday, and, as the result of your explanation to him, beg to hand you the following general particulars in answer to your various queries.

I have to certify that, to the best of my knowledge and belief, and from evidence before me, the following gentlemen constitute the Assets Realisation Board, duly appointed under statute—viz., George Todd, William Fraser, and the Right Hon. R. J. Seddon. Also that I was duly appointed in terms of the statute to the position of Chief Auditor, which position I continue to hold at the present time.

I have further to certify that under section 22 of "The Bank Act, 1903," I have, as at 1st January, furnished the Colonial Treasurer with valuation of the properties vested in the Assets Realisation Board. Further, that I have satisfied myself that in terms of section 20 of the Act of 1895 my predecessor, in conjunction with two independent Auditors appointed by the Government, made full and exhaustive inquiry into the purchase-money to be paid for the properties vested in the Assets Board, and that the said adjusted purchase-money for which debentures were issued amounted to £2,680,285 6s. 9d., and that debentures were created and issued by the Assets Board under section 21 of the Act of 1895, corresponding with the said purchase-money.

I have also to certify that all the moneys available by statute for the redemption of debentures have been applied for that purpose, and that the residue of such outstanding debentures is £1,800,000. That outstanding debentures composing such residue, to the extent of £375,000, are held in Wellington; the balance will be accounted for by our London office. These can be delivered, so far as the Wellington portion are concerned, for cancellation immediately, and those held in London can be handed for that purpose also to any Audit Officer or nominee of the Colonial Treasurer.

I further undertake to see that debentures outstanding at the 31st March are in due course surrendered for cancellation, and trust, on this understanding, you will hand over to the Bank in Wellington the full £1,800,000 to enable debentures to be promptly dealt with by the Bank.

For reasons already mentioned I shall be obliged for the earliest attention, as I wish to see this completed before leaving for England on Thursday. I have, &c.,

A. Macintosh,
Chief Auditor.

The Controller and Auditor-General, Wellington.

No. 4.

The difficulty arises from the position of Mr. Macintosh, who signs this certifying letter as Chief Auditor. He is the bank's General Manager, whose accounts and the accounts of the Assets Board it is the duty of the Chief Auditor to audit; and the C. & A.-General regrets, therefore, that he cannot regard him as such Chief Auditor. In these circumstances it is requested that the Assets Board and the bank may each, by its responsible officer, confirm such of the facts of account certified by Mr. Macintosh as are known to each body. If on this evidence the C. & A.-General can countersign the debentures, the words "Controller and Auditor-General" should be substituted for the words "Audit Officer" in the form of the debenture. This can be done by means of a stamp which the Audit Office will at once supply. Then the debentures, when countersigned, would be shipped to the order of the bank and the Audit Officer in London of the Agent-General's Office for delivery to the bank alone on the surrender of the matured debentures to be redeemed which are held there. The matured debentures to be redeemed which are held in Wellington for £375,000 would be surrendered to the Treasury at once, together with the debentures already redeemed by the application of the moneys applicable by statute for their redemption, £880,285 6s. 9d., or £1,255,285 6s. 9d. in all.

12th April, 1904. J. K. WARBURTON, C. & A.-General.

No. 5.

SIR,— Bank of New Zealand, Head Office, Wellington, 13th April, 1904.

"Bank of New Zealand Act, 1903": New Assets Realisation Board Debentures.

Referring to the Chief Auditor's letter to you of the 12th April on the above subject, I note from your indorsement thereon that you desire that the Assets Board and the Bank may, each by its responsible officer, confirm such of the facts of the statements certified to by Mr. Macintosh as are known to both.

Under the circumstances, doubtless you will be satisfied with this joint certificate that the facts set out in the said letter of the Chief Auditor are known by either the one or the other of us to be correct, those affecting more particularly the questions relating to the Assets Board being certified to by the General Manager of that Board, and those affecting the Bank of New Zealand by the General Manager for the time being of the Bank of New Zealand.

We have, &c.,
WALTER FOSTER,
General Manager, Assets Realisation Board.
ALEX. MICHIE,
P. General Manager, Bank of New Zealand.

The Controller and Auditor-General, Wellington.

No. 6.

The Treasury. Audit Office, 12th April, 1904.

THE Controller and Auditor-General, before he can countersign the debentures of the Assets Board, which "The Bank of New Zealand Act, 1903" authorises the Board to create and issue, requires evidence of the appointment of the persons as members whose appointment constitutes the Assets Board; and the Treasury will oblige by letting Mr. P. P. Webb, Chief Audit Inspector, see such evidence, and also the evidence of what was done on the receipt by the Colonial Treasurer of the valuation as at the 1st January last, with which he was furnished by Mr. Macintosh as Chief Auditor, of the properties vested in the Assets Board.

J. K. WARBURTON, C. & A.-General.

(Urgent.) No. 7.

The Hon. the Colonial Treasurer. Audit Office, 13th April, 1904.

"THE Bank of New Zealand Act, 1903," provides that the debentures which that Act authorises the Assets Realisation Board to create and issue shall be countersigned by the Controller and Auditor-General. But he feels that he ought, before he countersigns such debentures, to be perfectly satisfied, either by the long process of an audit by himself of the accounts of the Assets Board, or by the certificate of the Chief Auditor, that the facts are such as to justify the countersignature.

Mr. Macintosh, the person who was last appointed Chief Auditor, having since his appointment to that office become the Bank's General Manager, whose accounts and the accounts of the Assets Board are to be audited by such Chief Auditor, the certificate which he furnishes in his letter of yesterday is not perfectly satisfactory, though it is such a certificate as, if he had not taken office in the Bank's administration, might have been accepted as sufficient. The Bank and the Assets Board, each by its responsible officer, confirm what Mr. Macintosh certifies; and this evidence, though it is not perfectly satisfactory, appears to be the best that can be obtained respecting the facts, except by the long process of an audit.

As the debentures on being countersigned and issued become guaranteed by the colony, the Controller and Auditor-General is not disposed to certify them on any but perfectly satisfactory evidence without first submitting the matter for the consideration of the Government. If the Government considers that effect should be given forthwith to the provisions of subsections (*b*) and (*c*) of section 24 of the Act, and is prepared to take the responsibility of the issue, and the evidence is supplied for which application was made to the Minister yesterday, the Controller and Auditor-General would in that case countersign them, and report the matter in ordinary course to Parliament.

A copy of the correspondence is appended. J. K. WARBURTON, C. & A.-General.

No. 8.

THE Chairman, Mr. Todd, and the Right Hon. Mr. Seddon were appointed by His Excellency the Governor on 27th January, 1902, and Mr. Fraser was appointed by the Bank of New Zealand on 10th January, 1902, for term to expire on 1st January, 1905. J. B. H.

As to the valuation on the 1st January last, it disclosed a deficiency of over £500,000, and under these circumstances no action was taken to declare that the Assets Board should cease to exist (section 23 of "The Bank of New Zealand Act, 1903"). J. B. H.

The Controller and Auditor-General.
PLEASE see replies as above [to No. 6].
13th April, 1904. JAS. B. HEYWOOD.

No. 9.

The Controller and Auditor-General.
THE Right Hon. the Colonial Treasurer regrets that great pressure of official business has caused delay in replying to your communication as within. The Colonial Treasurer directs me to inform you that a Chief Auditor having been duly appointed in the place of Mr. Macintosh, Mr. Seddon would be glad to be informed of the points upon which you still desire information, as it is possible that since your last writing you may have received satisfactory replies to some of your queries.
27th April, 1904. JAS. B. HEYWOOD, Secretary.

No. 10.

The Hon. the Colonial Treasurer.
ALL that has yet been furnished of the evidence required by the Controller and Auditor-General is that which the Minister affords in the Treasury reply of the 13th April, that "no action has been taken to declare that the Board should cease to exist." With this exception the evidence first required is still required. If Mr. Macintosh could have been regarded as Chief Auditor when he wrote his letter of the 12th April, stating that he had been duly appointed to, and was then holding the position of, Chief Auditor, a reference to the records of the Government and of the Assets Board would no doubt have supplied all the additional evidence required. The present Chief Auditor should, as soon as he can, by an audit of the accounts from the date up to which Mr. Macintosh audited them before he became General Manager of the Bank, certify similarly to Mr. Macintosh, and produce his appointment as evidence of it; but if the person now appointed Chief Auditor has only just been so appointed he will not be prepared for some time to furnish a perfectly satisfactory certificate, and it may perhaps not be considered advisable to delay the countersigning of the debentures in the meantime.
28th April, 1904. J. K. WARBURTON, C. & A.-General.

No. 11.

The Controller and Auditor-General.
THE Right Hon. the Colonial Treasurer directs me to inform you that he is satisfied that the Assets Board would not present debentures for countersignature without they were quite sure such debentures could be legally issued. With this opinion he would be glad if you could see your way to countersign the debentures for the Board.
30th April, 1904. JAS. B. HEYWOOD, Secretary.

No. 12.

The Hon. the Colonial Treasurer.
THE Controller and Auditor-General will do so as soon as these papers are returned, and he has made the necessary references to the Assets Board; and as, if he should thus countersign the debentures, he will do so on evidence which he does not consider perfectly satisfactory, he will report the matter to Parliament. He does not presume that there is anything wrong. But he is in doubt whether he ought to countersign before he is assured by perfectly satisfactory evidence that £1,800,000 is the amount authorised by the Act; and unless he assures himself by an audit of the accounts, or is assured by the Chief Auditor after he has audited them, the evidence would not be perfectly satisfactory.
3rd May, 1904. J. K. WARBURTON, C. & A.-General.

No. 13.

The Assets Realisation Board, Wellington, 4th May, 1904.

Debentures.

SIR,—
We are very anxious to complete the debenture transaction in terms of the Act, and my Board desires me to ask when it will be convenient to you to sign our new debentures.
I have, &c.,
WALTER G. FOSTER,
General Manager.

The Controller and Auditor-General, Wellington.

(Urgent.) No. 14.

The Hon. the Colonial Treasurer.

THE Controller and Auditor-General submitted with his minute of the 3rd instant the papers on this subject to the Minister, stating that the debentures in question would be countersigned in accordance with the Minister's desire as soon as the papers were returned and the necessary references have been made to the Assets Board.

6th May, 1904. J. K. WARBURTON, C. & A.-General.

No. 15.

GOVERNMENT considers effect should be given forthwith to subsections (*b*) and (*c*) of section 24 of the Act, and is prepared to take due responsibility. R. J. S. 7/5/04.

No. 16.

The Assets Realisation Board, Wellington, 9th May, 1904.

SIR,— "*Bank of New Zealand Act, 1903*": *New Debentures.*

In accordance with a telephone-message received from you, we now hand you, for countersigning by you, new debentures Nos. 1 to 977 inclusive, of a total face value of £1,800,000.

I have, &c.,

WALTER G. FOSTER,
General Manager.

The Controller and Auditor-General, Wellington.

No. 17.

The Treasury. Audit Office, 9th May, 1904.

THE Controller and Auditor-General being about to countersign the debentures which the Assets Realisation Board appears to be authorised by subsection (*c*) of section 24 of "The Bank of New Zealand Act, 1903," to create and issue, the Board will, under section 25, deliver to the Treasury for cancellation all debentures now in the colony redeemed and to be redeemed under section 24. The debentures to be so delivered will, it is understood, be in two parcels—one of debentures for £880,285 6s. 9d. and the other of debentures for £375,000. The matured debentures to be redeemed, which are held in London for £1,425,000, will, it is understood, be delivered by the Bank on behalf of the Assets Board to the Agent-General, who will no doubt be instructed by the Treasury in the matter. J. K. WARBURTON, C. & A.-General.

No. 18.

The Treasury, New Zealand, Wellington, 9th May, 1904.

Memorandum for the Controller and Auditor-General.

I AM sure the Right Hon. the Colonial Treasurer is anxious you should be fully satisfied upon the various matters you have submitted as requiring reply before countersigning the Assets Board's debentures. Unfortunately the papers have been mislaid in the hurry of Mr. Seddon's departure, and I am unable therefore to furnish you with the information you require.

May I ask you, therefore, to repeat what you still find should be supplied to you, as I think the Chief Auditor will now be in a position to supply what is required or to confirm the information furnished by Mr. Macintosh.

I regret to give this trouble. JAS. B. HEYWOOD, Secretary.

No. 19.

THE papers were returned to the Controller and Auditor-General on the 7th instant, bearing the following minute of the Minister:—

> "Government considers effect should be given forthwith to subsections (*b*) and (*c*) of section 24 of the Act, and is prepared to take due responsibility.—R. J. S. 7/5/04."

and accordingly the Controller and Auditor-General forthwith countersigned the debentures of the Assets Board for £1,800,000, being the fresh debentures which the Board would appear to be authorised to create and issue by subsection (*b*) of section 24.

9th May, 1904. J. K. WARBURTON, C. & A.-General.

No. 20.

Audit Office, 10th May, 1904.

The General Manager of the Assets Realisation Board, Wellington.

SIR,—

The fresh debentures of the face value of £1,800,000, and numbered from 1 to 977 inclusive, which were handed to me in the morning of yesterday, the 9th instant, with your letter of that date, were forthwith countersigned by me, and were to-day delivered by your officer in the presence of an Audit officer to the Bank of New Zealand.

I am, &c.,

J. K. WARBURTON,
Controller and Auditor-General.

No. 21.

SIR,— The Assets Realisation Board, Wellington, 11th May, 1904.

We have to acknowledge receipt of yours of the 10th instant advising the countersigning by you of our new issue of debentures, and the delivery of same to the Bank, for which we have to thank you.

We hand you herewith stamp "Controller and Auditor-General," used in connection with the countersignature on the debentures. I have, &c.,

W. C. CUFF,
For General Manager.

The Auditor & Controller-General, Audit Office, Wellington.

No. 22.

SIR,— Audit Office, Wellington, N.Z., 10th May, 1904.

I have countersigned the debentures, of which a list is appended, these being the fresh debentures which the Assets Realisation Board would appear to be authorised to create and issue by subsection (*b*) of section 24 of "The Bank of New Zealand Act, 1903," and these fresh debentures are to be consigned by the s.s. "Rimutaka" for delivery to the Manager of the Bank of New Zealand in London on your and his joint order.

The matured debentures, to redeem which the fresh debentures are authorised to be issued, are as follows:—

Debentures of the nominal value of £375,000 surrendered by the bank to the Treasury here.

Debentures of the nominal value of £1,425,000 to be surrendered by the bank to the Agent-General in London.

On the surrender to the Agent-General of the matured debentures for £1,425,000 you will relinquish to the Manager of the bank all control which the joint order gives you over the fresh debentures for £1,800,000. I am, &c.,

J. K. WARBURTON,
Controller and Auditor-General.

The Audit Officer in London.

List of Fresh Debentures for £1,800,000.

				£
9	debentures of	£50,000	each	450,000
18	"	25,000	"	450,000
50	"	5,000	"	250,000
400	"	1,000	"	400,000
500	"	500	"	250,000
				£1,800,000

No. 23.

(T. 04–1625.) The Treasury, New Zealand, Wellington, 13th May, 1904.

SIR,—

With a view of affording the fullest possible information to the Controller and Auditor-General, so as to enable him to be satisfied as to the legality of the issue of debentures by the Assets Realisation Board amounting in the whole to £1,800,000, I would suggest that you might see your way to verify the certificates made by your predecessor, with any other information or particulars which might occur to you as being of importance to the Controller and Auditor-General. Upon receipt of such information or verification I shall be happy to place the papers before the Controller and Auditor-General. I am, &c.,

JAS. B. HEYWOOD,
Secretary to the Treasury.

William Callender, Esq., Chief Auditor, Bank of New Zealand, Wellington.

No. 24.

(T. 04–1693.) Bank of New Zealand, Head Office, Wellington, 17th May, 1904.

SIR,—

In reply to your letter of the 13th instant, No. T. 04–1625, I have the honour to hand you herein a copy of my predecessor's letter to the Controller and Auditor-General, dated 12th ultimo, to which I have appended a certificate to the effect that to the best of my knowledge and belief the statements therein are true and correct.

I have nothing to add to my predecessor's advices in this connection.

I have, &c.,
W. CALLENDER,
Chief Auditor.

The Secretary to the Treasury, Wellington.

To the best of my knowledge and belief the statements in the letter [See No. 3] signed by my predecessor, dated the 12th April, 1904, of which the above is a true copy, are true and correct.

W. CALLENDER, Chief Auditor.

No. 25.

The Controller and Auditor-General.

THE attached letter with certificate is for you. Will you kindly detach. I hope this will satisfy your requirements in connection with the countersignature of the Assets Board debentures.

19th May, 1904. JAS. B. HEYWOOD, Secretary.

No. 26.

The Hon. the Colonial Treasurer.

THE requirements of the Controller and Auditor-General in the matter were requirements to be satisfied before he countersigned the debentures. It was, however, some time after the debentures were countersigned that this certificate of Mr. Callender as Chief Auditor was given. Three or four days after the debentures had been countersigned a Bank officer inquired personally at the Audit Office whether the certificate should be sent in, and he was informed that it might be of service but that it should, if furnished, be addressed rather to the Colonial Treasurer than to the Audit Office. J. K. WARBURTON, C. & A.-General.

2nd June, 1904.

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