

	£	s.	d.	£	s.	d.
In respect of interest overdue and accrued ...				36,317	5	6
Interest on Assurance Fund, Public Trustee, not received ...	3,215	16	10			
Paid out of Management Account to Assurance Fund with Public Trustee, but not charged to Profit and Loss ...	31,039	10	1			
				34,255	6	11
				£70,572	12	5

Of this amount of £70,572 12s. 5d., £30,000 was in 1902 shown in the balance-sheet, without authority of law, as charged to Profit and Loss Account as for writing down the amount, described as loan-flotation charges, by which the proceeds of the loans fell short of the liability of the Government in respect of them; £36,000 is similarly shown in the present balance-sheet as so charged; £4,417 8s. 6d. is set down in the statement of liabilities and assets as a liability to Profit and Loss Account; and £155 3s. 11d. is the sum by which the payment made to the Assurance Fund with the Public Trustee, as the credit balance of the Management Account, exceeds such balance.

5. The whole receipts and expenditure which subsection (3) requires the balance-sheet to show of the Investment Account—the account to be kept under subsection (2) of section 48 of moneys received for the purposes of the Debenture Fund—are not shown; nor is the balance shown of £150,638 19s. which appears to have stood at the close of the year to the credit of that account.

6. In the statement furnished of liabilities and assets the liabilities of the Government in respect of the loans is entered instead of the Superintendent's liability for the proceeds; and the deficiency of £208,466 3s. in these proceeds has been shown under the head of "Assets" as "loan-flotation charges" written down to £66,741 7s. 6d. in the present statement.

7. Under the head of "Assurance Fund" is entered a liability of only £50,000 instead of £159,980 2s. 5d., the amount of the moneys of the fund received from the Public Trustee. The deficiency of £109,980 2s. 5d. is made up of the following amounts:—

	£	s.	d.	£	s.	d.
Amount applied to writing down the loan- flotation charges ...				75,724	15	6
Amount equal to that not received by Superintendent as for interest on As- surance Fund, Public Trustee ...	3,215	16	10			
Amount equal to that paid into Assurance Fund with Public Trustee, which has not been charged to Profit and Loss Account	31,039	10	1			
				34,255	6	11
				£109,980	2	5

There is nothing in the Act to provide that the balance-sheet may show, as diminished in this way, the Superintendent's liability for moneys received by him for investment on mortgage under the Act as part of the Debenture Fund.

The Sinking Fund of £83,887 10s. 5d. in the Public Trust Office is not an asset of the Superintendent. It is a fund which shall be invested not by the Superintendent under the Government Advances to Settlers Account, but by the Public Trustee under the Public Trust Office Act; which is not in the possession or control of the Superintendent; which the Colonial Treasurer may direct the Public Trustee to pay over to the Superintendent for reinvestment on mortgage under the Act; and of which, pending any such direction, "the capital shall be held and retained by the Public Trustee at the disposal of the Colonial Treasurer towards the redemption of the debentures issued under Part II of the Act."

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

THE remarks of the Controller and Auditor-General are mostly a repetition of his remarks on last year's balance-sheet in his certificate and evidence given before the Public Accounts Committee. In my reply thereto I gave a complete answer to all the points to which exception was taken, and it would be superfluous for me to repeat what I said last year. Attention may, however, be directed to one or two points:—

1. Interest for the year on "Assurance Fund" in the hands of the Public Trustee, £3,215 16s. 10d. In the Controller and Auditor-General's opinion, the Department is not entitled to take credit for this interest credited by the Public Trustee in the cash statement. It is precisely similar to the interest on the Bank Account of the office. Both have been dealt with in the same manner in this and in previous years, and no exception has previously been taken to either. The whole of the "Assurance Fund," both principal and interest, has been paid over by the Public Trustee to the Superintendent, and these moneys have been reinvested on mortgage by the Superintendent in accordance with the provisions of section 2 of the Amending Act of 1905. The Controller and Auditor-General says the Public Trustee "had no authority to pay, and did not pay to the Superintendent except in accordance with the provisions of section 2 of the Amending Act of 1905," notwithstanding that this section is the authority to pay and under