conduct an annual audit of the securities, acting, if possible, in collaboration with an officer of the Audit Department. The remaining securities for investments from the Common Fund, consisting of Government debentures, local-body debentures, fixed-deposit receipts, &c., are held at the Head Office under three keys, and have been checked and found correct by an officer of the Audit Department.

Jewellery and valuable effects held on account of estates are checked at half-yearly intervals by a responsible officer at each branch, and a further check and inspection is made by the Chief Inspector or Chief Auditor at each branch visited.

As regards the accounting-work generally, as distinct from the audit of the cash referred to above, a comprehensive inspection is made of all offices at approximately yearly intervals. The majority of these inspections are conducted by the Chief Auditor, although on all suitable occasions the Chief Inspector and the Chief Auditor co-operate in the work. During the year sixteen of the nineteen branches controlled by District Public Trustees and seven of the twelve offices under the charge of District Managers were inspected. Monthly certificates in a form approved by the Controller and Auditor-General, covering the posting of the ledgers and subsidiary records and the protection of estate assets, are forwarded by responsible officers at each branch.

The collection of rent, interest, and book debts receives the closest of attention. Schedules of arrears are prepared and submitted to the Reviewing Inspectors for their scrutiny. Estate overdrafts are reviewed by the Inspector after each half-yearly balance, to ensure that the margin of security is being maintained and that no unauthorized advances have been made.

The audits and inspections indicate that the system laid down for the receipt and custody of cash and negotiable securities has been carefully observed, that all estate valuables and Common Fund mortgage securities are in order and under proper protection, and that the accounting-work, apart from a few minor matters of routine which were remedied on the spot, has been well conducted.

ENEMY PROPERTY IN NEW ZEALAND AND CLEARING-OFFICE OPERATIONS IN REGARD TO ENEMY DEBTS.

101. It was indicated in my report of last year that the practice of preparing separate reports relating to the enemy-property work would be discontinued and the information embodied in the report on the working of the Office.

There have been few developments of particular interest during the past year, and in view of the fact that the bulk of the work has now been disposed of it is not anticipated that there will be many developments of note in the future. Steady progress has been made towards the completion of the various duties imposed on the Public Trustee by virtue of the War Regulations and the Treaty legislation.

It will be seen from the tables supplied hereunder that the work in connection with claims lodged through the clearing procedure set up under the Treaty of Peace with Germany has been carried almost to completion. The claims by New Zealand nationals against Germany under Article 297 of the Treaty have been completely disposed of; only two claims, totalling £316 12s. 3d., are now outstanding of the claims by New Zealand nationals against German nationals under Article 296, which totalled £53,034 3s. 8d.; and of the claims by German nationals against New Zealand nationals under Article 296, totalling £211,151 12s. 10d., those outstanding amount to £1,051 5s. 7d. only. The claims now outstanding present insurmountable difficulties to settlement or compromise between the parties interested, and in all cases have been referred or are in the process of being referred to the Anglo-German Mixed Arbitral Tribunal, the body set up under the Treaty for adjudication upon disputed claims.

Some time must yet elapse before the liquidation of enemy property in New Zealand can be completed. In some cases properties have been sold under agreements for sale and purchase under which the balances of purchase-money have not fallen due. In other instances it has not up to the present been possible to effect realization; and in others again the ex-enemy interests have not yet devolved upon the ex-enemies concerned, the properties being subject to prior interests. Also, even at this late date further German property is being reported to the Custodian for collection.