

The first and largest amount includes the cost of the removal of the Seat of Government and other charges, which underwent full discussion in the House last session, and the committee therefore confined themselves chiefly to an investigation of the three remaining items. The first of these is composed mainly of expenditure incurred in building a New Post Office at Dunedin, which, on calling for correspondence relating to the subject, the committee found to have been commenced on the authority of the then Postmaster-General, Mr. Gillies.

In investigating the remaining items, consisting of expenditure in excess of the appropriations of the Legislature, the committee made special inquiries from the officers of each department in which any such material excess appeared, as to the causes to which it was attributable. The answers to the whole of these inquiries appear in the minutes, a copy of which the committee append to their report, and they will therefore only refer to a few of the more important items.

Under the heading "General Expenditure," the sum voted for Judicial purposes was £4050, while the disbursements under that head amount to £9400, showing an excess of about £5350, which the committee ascertained to arise from the extraordinary expense of criminal prosecutions, chiefly in the Province of Otago.

In Provincial expenditure an excess occurs in the same item, of £800 in Marlborough, and £1000 in Canterbury. In both cases the increase is accounted for by the unforeseen demands occasioned by the discovery of Gold Fields in those Provinces.

The same explanation applies to the unauthorized expenditure under the head "Postal" of £500 in Marlborough, and £3000 in Canterbury; and, under the head "Customs," of £800 in Marlborough, and £1700 in Canterbury.

The committee were struck with the large and increasing expenditure in the Provinces, shewn under the head "Electoral," and on calling for evidence on the point, and for the vouchers connected with it, they found that the great bulk of the items consists of the cost of advertising claims to vote, and printing the Electoral Rolls. They recommend the subject to the attention of the House, in the hope that measures may be adopted to reduce this heavy item of expense, which is necessarily increasing from year to year in the ratio of the population. But an examination of the detailed accounts of expenses incurred for advertising, leads them to think that a considerable reduction might, in some cases at least, have been effected by judicious arrangements with the proprietors of newspapers.

The committee took some pains to inquire into the expenditure under the head "Native Purposes Appropriation Act, 1862," which amounts to upwards of £47,000, in addition to the £7000 charged upon the Civil List. The expenses connected with the detention of prisoners taken during the war form a considerable item in this amount; which is otherwise made up of salaries and travelling expenses of officers of the Native Department, and of presents and entertainments to Natives. The committee find that a considerable part of the cost of these presents and entertainments is incurred by district officers, without the previous authority of the head of the department; and that, perhaps unavoidably, the accounts connected with it are of a loose and unsatisfactory nature.

Your committee noticing a sum of £946 charged against the Colony on account of the defalcation of G. Law made particular inquiry into the matter. They find that Mr. Law was a Civil Commissioner at Taupo; that he was entrusted with funds for the payment of the salaries of Native assessors and other officers in his district; and that he appropriated a portion of those funds, to the extent of the sum mentioned, to his own use. It appears that Mr. Law was charged before the Resident Magistrate in Auckland with embezzlement, but the evidence being insufficient to support the charge, the case was dismissed. It further appears that no sureties had been taken from Mr. Law, and that the loss falls consequently upon the public funds.

The committee refer to this matter chiefly with a view of impressing upon the House the necessity of requiring all persons to whom advances of public money are made, to furnish security for its due appropriation. They are informed that the Government have resolved upon pursuing this course for the future, but they fear that unless the House itself takes action in the matter, the new practice may fall into disuse as the recollection of the circumstance which gave rise to it fades away.

Your committee, after carefully considering the form in which the public accounts are presented to them, have arrived at the conclusion that, considering the complications arising from the existing financial relations between the Colony and the Provinces—from the variety of accounts connected with the loans of 1856, 1860, and 1863, and from the custom which has prevailed of obtaining money from the Bank of New Zealand, in anticipation of the receipts of revenue, and of the proceeds of the loans, those accounts are submitted to them in as clear and simple a shape as the circumstances permit.

But there is one feature in the accounts which appears to the committee to deserve serious attention. They refer to the "Reserve Fund Account," which they are informed by the Assistant-Treasurer had its origin in the year 1857-8, when the balance of a sum voted for the library of the General Assembly, which had not been expended during the financial year, was entered in the accounts as though it had been so expended, and the amount "reserved" for expenditure in the following year. Since that date other sums have been placed to the account in question, under similar circumstances, the account gradually increasing, until, on the 30th of June, 1865, there was a balance to its credit of upwards of £48,000, composed of the following items:—

	£	s.	d.
Contribution to Main Line	17,050	0	0
Native Purposes	26,424	1	3
Native Schools Act	4,551	0	4
Manual of New Zealand Botany	300	0	0
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	£48,325	1	7

The committee strongly recommend that this account should be at once closed; and that all sums voted by the Legislature which have not been expended during the financial year to the service of