

MEMORANDUM ON THE REPORT

The money is first raised under "The Consolidated Loan Act, 1867," it is then applied, by authority of the Public Debts Act, to payment of the debt of Southland to the New Zealand Government, and it thus fulfils the condition which the Act imposes as to its application.

The advance so repaid falls into the Special Fund, from whence it was originally issued, and is transferred thence to the Consolidated Fund, to be applied to the purposes specified in section 5 of "The Appropriation Act, 1868."

It is submitted that the directions as to the disposal of rewards given in these Acts, are superseded by "The Public Revenues Act, 1867." That Act explicitly enjoins (sec. 9) that "All moneys which shall come into the possession of any Receiver payable to the Public Account shall be paid day by day by such Receiver into the Bank." It is, therefore, simply impossible that rewards, &c., under those Acts can be deducted from amounts recovered, as such rewards are seldom paid even within the month in which the penalties are inflicted or the seizures made.

As respects the hardship that is alleged to have arisen in the cases referred to by the Auditor-General, the Treasury is aware that such things occur occasionally, and also that they are unavoidable. The Public Revenues Act provides a mode of calculating the proportion of revenue due to each Province, which is a ready and intelligible one, though rather rough. The terms of the Act in this particular are clear and distinct. It enacts that the Colonial Treasurer shall, every month (sec. 44), "credit each Province with one-half of the total sums which shall have arisen within such Province," and "shall debit such Province with the total of the sums which he shall, during such month, have expended within such Province on account of the several services of the General Government specified in the Schedule E to this Act," (in which Schedule "Customs" is included,) and "all services which may be borne on the annual Estimates under the head of Provincial Charges," under which heading will be found "Rewards for Suppression of Illicit Distillation," in the year 1868-9. As the Treasury has nothing to do with the justice or policy of the Act, but simply to obey its directions, it is submitted that no other course could have been taken than that which has been.

In the peculiar case of the "Ringleader," which was "taken for the revenue service," it might have been better if the appraised value (£250) had been paid in to the Public Account, in which case Auckland would have received its moiety, but would have had to pay the £250, as the vessel is used exclusively for the Customs' service of that Province. The result, therefore, would have been precisely the same as it is at present. The direction in this case, however, was entirely the business of the Customs Department, not of the Treasury.

The Report states that the sum of £3,099 8s. 7d. has more or less unfairly been charged against the Provinces as refunds of revenue, and it shows by an illustration that while the Provinces are credited with a moiety only of the revenue received, they are charged with the whole of the revenue refunded.

The statement, however, cannot be held to apply to more than £1,708 16s. 1d. of the sum quoted, the remaining £1,390 12s. 6d. being the moieties only of sums amounting to £2,781 5s. 1d., the other moieties of which have been charged upon the general revenue. (See page 39 of Accounts.)

With reference, then, to the sum of £1,708 6s. 1d., to which alone, or rather to one moiety of which, the remarks of the Auditor-General can apply, it is urged (as in page 5, *ante*) that the charge is in strict accordance with the law. It was the practice of the Treasury, during the year 1867-8 (the first year of the Public Revenues Act being in operation), to deduct from each month's revenue the amount of refunds made during the same period, leaving the net revenue for partition with the Provinces; but during the year following (1868-9), the practice was altered, the Comptroller having pointed out that the deduction of these refunds from revenue was contrary to law, and that no agreement could subsist between the accounts of that officer and those of the Treasury, so long as these deductions from revenue were continued. Upon these grounds the alteration of practice above referred to was made, the gross revenue being divided with the Provinces, and the refunds charged as expenditure. The system operated somewhat unfairly on the Provinces, and it was always regarded with disfavour by the Treasury on that account. There appeared, however, to be no alternative, and, as the sums involved were not large, the practice was continued till the 1st January, 1870, when the system was amended by charging one moiety of all Provincial refunds to the Colony and the other to the Provinces.

The double charge referred to was adjusted in the Accounts of 1869-70. The error arose through the amount being paid by the Crown Agents out of a sum received from the Bank of New Zealand. The payment so made was charged on the revenue, and credited to the Bank. The Bank, some time after, presented a claim for the amount, and when paid, the sum was again charged on the revenue instead of being debited to the Bank.

The charge upon the revenue for Sinking Fund paid is made on the accounts of expenditure by the Paymaster-General, but the credits to the Sinking Fund Accounts of the Trustees are not made till statements of accounts are received from the Trustees. It was stated in a foot-note to the Balance Sheet, published at page 640 of the *New Zealand Gazette*, 1869, that no accounts had been received from the Trustees for the period subsequent to 31st December, 1867. Complete accounts have since come to hand, and have been embodied in the accounts of the year 1869-70.

This statement, which is objected to by the Auditor-General, has never been regarded by the Treasury as a complete and final settlement of accounts with the Provinces. The accounts were made up from time to time, on the best information the Treasury possessed, with the intention of revising them as opportunity should offer, when all necessary particulars had been received. This has already been done in respect of the Province of Auckland, and revised accounts for the other Provinces are submitted herewith for the consideration of the Hon. the Colonial Treasurer, in order that a final adjustment may be arrived at. These accounts differ materially from the Audit Office Statements; but the reasons and steps by which the results are arrived at are now submitted with the accounts, so that the principle of each adjustment may be clearly seen.

The cases of the several Provinces present very distinctive features, but they may be classified as follows:—