

and the Provincial Auditor (Mr. Dorset) notified the making of these transfers to the Superintendent, whereby the excess of the Contingent vote was reduced to £269 6s. 6d.

The special order for £960 was given to enable an advance of £1,250 to be made to Mr. J. Booth, as requested by the Native Minister; and on the 25th February Mr. Booth refunded £1,050, which was credited to the vote for Native Land Purchases, thereby giving to that vote an available balance, nothing having been charged to it in the meantime.

Provincial Treasury, Wellington,  
19th March, 1874.

CHARLES P. POWLES,  
Assistant Provincial Treasurer.

#### No. 14.

The Hon. the COLONIAL SECRETARY to His Honor the SUPERINTENDENT, Wellington.

SIR,—

Colonial Secretary's Office, Wellington, 19th March, 1874.

I have the honor to acknowledge the receipt of your letter of this date, enclosing information which I asked you to give me yesterday, and to thank you for the same.

Before proceeding to convey to your Honor the decision at which the Government have arrived in respect to the legal proceedings pending between the Provincial Government and the Provincial Auditor, I venture to make some observations regarding what has hitherto occurred.

During the Session of 1871, the Assembly passed with much reluctance the Wellington Debts Act. Indeed it was only the active support of the Government that induced a majority of members to allow it to become law. One of the points about which there was the greatest reluctance was concerning the question of allowing the Province to again borrow by overdraft, after liquidating by means of the Act the already existing overdraft. The Act, however, was passed, so that the Province of Wellington was left in possession of the same power of borrowing by overdraft as the other Provinces possessed.

I may, I think, with confidence assert that it did not enter into the minds of honorable members that the Province would endeavour to stretch that power as your Honor's Government have attempted to do.

During last Session the Assembly refused, although urged to do so by the Government, to increase the borrowing powers of the Provinces.

Almost immediately after the Session your Honor convened the Provincial Council, and in effect allowed it to be understood that you proposed, in defiance of the Assembly, to carry out the works you desired, and that you had found a means to obtain money in excess of what the law permitted. The Provincial Council, very much to its credit, declined to pass the Bill. Under great pressure it subsequently passed a somewhat modified measure.

The peculiar nature of this measure was at once pointed out to your Honor, and you were asked to give two assurances, viz., first, that you would limit the expenditure under it to moneys legally available; secondly, that the expenditure would be conducted under the sanction of the Auditor.

Your Honor declined to give an explicit assurance in respect to the first; and in respect to the second, you gave an apparently highly satisfactory assurance.

The Government found out, with great regret, that this second assurance was, to mildly characterize it, entirely disingenuous; that far from the Auditor supervising the proposed payments, he had already given a species of authority or warrant to expend the full amount the measure professed to authorize. This extraordinary proceeding of the Auditor could have no other object than to anticipate the decision of His Excellency in regard to an expected disallowance of the Bill.

On ascertaining the action taken by the Auditor, the Government decided to recommend his dismissal and the disallowance of the Bill, with both of which recommendations His Excellency complied.

The new Provincial Auditor, on taking office, was confronted with the difficulty that supposing the warrant to which I have referred, given by the former Auditor, was valid, authority had been given for an amount of expenditure which left nothing available for ordinary purposes.

The Government did not consider the warrant valid; indeed there were serious doubts as to whether the disallowed Bill was a measure of appropriation. Pending steps being taken to establish the invalidity of the warrant, the Auditor, at your Honor's instance, was served with a rule for a mandamus to compel him to sign warrants for ordinary expenditure.

In the meanwhile it came to the knowledge of the Auditor that, under cover of the *quasi* warrant, a sum of £10,000 was drawn out of the account and placed to the credit of an account termed "Provincial Account No. 2," on which the Provincial Treasurer operated without any Auditor's restraint.

The Attorney-General, on this being brought to his knowledge, applied to the Court to restrain any action being taken under the warrant, and to compel the re-installment in the Provincial Account of the moneys improperly drawn therefrom.

Negotiations were then opened with a view to a settlement without recourse to law. It was proposed that the basis of such settlement should be the cancelling of the warrant, the repayment to the Provincial Account of the unexpended balance of the £10,000, and that to prevent inconvenience arising to those who had dealings with the Provincial Government, the