

NEW ZEALAND.

PROCEEDINGS

OF THE

SELECT COMMITTEE ON PUBLIC ACCOUNTS,

SESSION, 1875:

WITH

REPORTS

ON

INDEMNITY BILL,

EXPENDITURE ON MANGERE BRIDGE,

AND

BANKING ARRANGEMENTS OF THE GOVERNMENT;

TOGETHER WITH THE

MINUTES OF EVIDENCE, AND APPENDIX.

Ordered by the House of Representatives to be printed, 20th October, 1875.

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PROCEEDINGS OF THE COMMITTEE.

THURSDAY, 29TH JULY, 1875.

Members Present:

Hon. Major Atkinson,	Mr. W. W. Johnston,
Sir F. D. Bell,	Mr. T. Kelly,
Mr. Curtis,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Mr. Reader Wood.

The two orders of reference, dated the 21st and 27th July, 1875, having been read,
Mr. Reader Wood took the chair.

Indemnity Bill.

Resolved, That this Committee stand adjourned until Monday next, the 2nd day of August, at 12 noon.

Ordered, That Mr. C. T. Batkin, the Secretary to the Treasury, and Mr. J. E. FitzGerald, one of the Commissioners of Audit, be summoned to attend this Committee on that day.

MONDAY, 2ND AUGUST, 1875.

Members Present:

Hon. Major Atkinson,	Mr. T. Kelly,
Sir F. D. Bell,	Mr. J. Shephard,
Mr. W. W. Johnston,	Hon. E. W. Stafford.

On the motion of Sir F. D. Bell, the Hon. E. W. Stafford took the chair, in the absence of the Indemnity Bill Chairman.

Mr. James Edward FitzGerald, a Commissioner of Audit, and Mr. C. T. Batkin, Secretary to the Treasury, attended the Committee.

The correspondence between the Commissioners of Audit and the Hon. the Minister for Immigration relative to the over-expenditure of the Immigration Vote, laid before the House on the 27th July, 1875, was put in and read. (*See Appendix to evidence, Indemnity Bill No. 1.*)

The Secretary to the Treasury was examined.

Ordered, That Mr. FitzGerald and Mr. Batkin be summoned to attend the Committee to-morrow. The Committee adjourned till to-morrow, at 12 noon.

TUESDAY, 3RD AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,	Mr. Pearce,
Mr. Curtis,	Mr. J. Shephard,
Mr. W. W. Johnston,	Hon. E. W. Stafford.
Mr. T. Kelly,	

Mr. C. T. Batkin, Secretary to the Treasury, and Mr. J. E. FitzGerald, one of the Commissioners of Audit, attended the Committee. Indemnity Bill.

The examination of Mr. C. T. Batkin was continued.

Ordered, That Mr. J. E. FitzGerald and Mr. C. T. Batkin be summoned to attend the Committee next meeting.

The Committee adjourned till 12 noon to-morrow.

WEDNESDAY, 4TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,	Mr. T. Kelly,
Sir F. D. Bell,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Hon. E. W. Stafford.
Mr. W. W. Johnston,	

Mr. J. E. FitzGerald, one of the Commissioners of Audit, and Mr. C. T. Batkin, the Secretary to the Treasury, attended the Committee. Indemnity Bill.

The order of reference dated 29th July, 1875, having been read, it was agreed, That it is advisable to first complete the matter now under the consideration of the Committee before commencing the business set out in the order.

The Secretary to the Treasury was further examined.

The witness laid on the table a certain memorandum. (*See Appendix to evidence, Indemnity Bill No. 2.*)

Resolved, That this Committee, having taken a certain amount of evidence in reference to the Bill which has been referred to them, have come to the conclusion that the only course to adopt is to

Indemnity Bill.

recommend the House to pass the Bill, but that further evidence must be taken on the subject, in order that the Committee may state their opinion to the House in a future report, as further legislation may be required on the subject; and that an interim report be furnished to the House embodying this resolution.

The Committee adjourned till Monday next, at 12 noon.

MONDAY, 9TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. T. Kelly,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Indemnity Bill.

The copy of the interim report was produced.

Mr. J. E. FitzGerald, one of the Commissioners of Audit, attended the Committee.

The witness proposed that a certain question should be put to him, in order that a written answer which he had prepared might be put in.

Witness withdrew.

Committee deliberated.

Agreed, That it be recorded that the Chairman put the question at the request of the witness.

Witness called in.

Question put and answer taken.

Ordered, That Mr. James Edward FitzGerald be summoned to attend the next meeting.

The Committee adjourned until to-morrow, at 12 noon.

TUESDAY, 10TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Indemnity Bill.

The order of reference dated the 5th August, 1875, was read.

Mr. J. E. FitzGerald, Commissioner of Audit, attended, and was examined.

Ordered, That Mr. J. E. FitzGerald be summoned to give evidence at the next meeting.

The Committee adjourned until Thursday next, at 12 noon.

THURSDAY, 12TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the chair.

Sir F. D. Bell,
Mr. Curtis,
Mr. W. W. Johnston,

Mr. Pearce,
Mr. J. Shephard.

Indemnity Bill.

Mr. J. E. FitzGerald, Commissioner of Audit, attended, and gave evidence.

Ordered, That the minutes of the evidence taken be printed.

The Committee adjourned until Monday next, at 12 noon.

MONDAY, 16TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Mr. W. W. Johnston,

Mr. T. Kelly,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Indemnity Bill.

Mr. James Edward FitzGerald, Commissioner of Audit, attended, and proceeded to give further evidence.

Mangere Bridge.

Resolved, That the Committee adjourn until to-morrow, at 12 noon, and, pending the receipt of the print of the evidence already taken, take under consideration the circumstances under which the cost of the Mangere Bridge was debited against the vote for Roads and Works North of Auckland; and that Messrs. J. Sheehan and M. O'Rorke, M.H.R.'s, and the Hon. E. Richardson, Minister for Public Works, be requested to attend the Committee on that day.

TUESDAY, 17TH AUGUST, 1874.

Members Present:

Hon. Major Atkinson,
Sir F. D. Bell,Mr. J. Shephard,
Mr. Reader Wood.

The Committee adjourned until Thursday next, at 12 noon.

Mangere Bridge.

THURSDAY, 19TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Mr. Curtis,
Mr. W. W. Johnston,Mr. Pearce,
Mr. J. Shephard.

Mr. Sheehan, M.H.R., attended the Committee, and handed in certain documents (*see Appendix Mangere Bridge.* to evidence, Expenditure on Mangere Bridge, No. 1), and proceeded to state the particulars upon which he had founded his motion set out in the order of reference of the 5th August, 1875.

Mr. Sheehan was then examined.

The Hon. E. Richardson, Minister for Public Works, attended, and was examined.

Mr. Sheehan withdrew.

Mr. O'Rorke attended, and gave evidence.

Witnesses withdrew.

Resolved, That the evidence taken respecting the business now before the Committee be printed, and that the Committee adjourn until Tuesday next, when they take into their consideration the business set out in the order of reference of the 27th July, 1875.

Ordered, That Mr. Murdoch, the Inspector of the Bank of New Zealand, be summoned to attend the Committee at the next meeting.

Banking arrangements of the Government.

TUESDAY, 24TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

An order of reference, dated the 29th July, having been read,

Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, who was in attendance, was examined. Banking arrange-

A return presented to both Houses of the General Assembly in 1873, showing the Banking arrangements of the Government, was put in by the witness and read by the Clerk. (*See Appendix to evidence, Banking arrangements, No. 1.*)

The Committee adjourned until to-morrow, at 12 noon.

ments of the Government.

WEDNESDAY, 25TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Mr. W. W. Johnston,Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

An order of reference, dated 24th August, 1875, was read by the Clerk.

Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, was called in, and his examination continued. Banking arrange-

Witness handed in the report of a Select Committee of the Legislative Assembly of New South Wales. (*See Appendix to evidence, Banking arrangements, No. 3.*)

Ordered, That Mr. Bridges, Director and acting General Manager of the National Bank, be summoned to attend and give evidence at the next meeting.

The Committee adjourned until to-morrow, at 12 noon.

ments of the Government.

THURSDAY, 26TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Banking arrangements of the Government.

Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, attended, and his examination upon the matter under the consideration of the Committee was commenced.

Question, That the room be cleared, put and agreed to.

Witness having withdrawn, Committee deliberated.

Ordered, That Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, be summoned to attend the next meeting, for the purpose of being re-examined.

The Committee adjourned until to-morrow, at 12 noon.

FRIDAY, 27TH AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. Kelly,
Mr. Pearce,
Mr. J. Shephard.

Banking arrangements of the Government.

Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, attended, and was re-examined. The Committee adjourned until Tuesday next, at 12 noon.

TUESDAY, 31ST AUGUST, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,

Mr. W. W. Johnston,
Mr. J. Shephard,
Hon. E. W. Stafford.

Indemnity Bill.

The Chairman put in a statement which he had received from Mr. J. E. FitzGerald, one of the Commissioners of Audit, showing the mode in which the control and audit of the revenue and expenditure of the colony is conducted.

Banking arrangements of the Government.

Ordered, That the same be annexed to the evidence taken on the Indemnity Bill. (See Appendix, No. 3.)

A written answer to a question put by the Hon. Mr. Fitzherbert was received from Mr. Murdoch, and placed in the Appendix to evidence taken *re* Banking arrangements. (See No. 4.)

The Committee adjourned until to-morrow, at 11.30 a.m.

WEDNESDAY, 1ST SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Banking arrangements of the Government.

The Hon. Major Atkinson (the Colonial Treasurer) gave evidence on the matter under the consideration of the Committee.

The Committee adjourned until Friday next, at 12 noon.

FRIDAY, 3RD SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Banking arrangements of the Government.

In answer to questions put to him by members of the Committee at the last meeting, the Hon. Major Atkinson (the Colonial Treasurer) laid upon the table a statement of advances made by the Bank of England. (See Appendix, Banking arrangements, No. 5.)

The Hon. Major Atkinson gave further evidence.

Ordered, That Mr. Josh. Palmer, Chief Officer of the Union Bank of Australia, and Mr. E. W. Morrah, Inspector of the Bank of Australasia, be summoned to attend the next meeting.

The Committee adjourned until Tuesday, at 12 noon.

TUESDAY, 7TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,
Mr. W. W. Johnston,

Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Mr. Josh. Palmer, Chief Officer of the Union Bank of Australia, attended, and was examined. Banking arrange-
Ordered, That Mr. E. W. Morrah, Inspector of the Bank of Australasia, be requested to attend ments of the
the next meeting. Government.

The Committee adjourned until to-morrow, at 12 noon.

WEDNESDAY, 8TH SEPTEMBER, 1875.

Members Present:

Mr. J. Shephard in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Mr. W. W. Johnston,

Mr. T. Kelly,
Mr. Pearce,
Hon. E. W. Stafford.

A letter from Mr. J. Palmer, dated from the Union Bank of Australia on the 7th September, Banking arrange-
1875, was read, and ordered to be placed on the Appendix to evidence, Banking Arrangements. ments of the
(See No. 6.) Government.

Mr. E. W. Morrah, Inspector of the Bank of Australasia, attended, and was examined.

Ordered, That Mr. Palmer, Chief Officer, Union Bank of Australia, Mr. E. W. Morrah, Inspector,
Bank of Australasia, and Mr. Bridges, Director and Acting General Manager of the National Bank of
New Zealand, be summoned to attend the next meeting.

The Committee adjourned until Friday next, at 12 noon.

FRIDAY, 10TH SEPTEMBER, 1875.

The Committee did not sit, in accordance with Standing Order 196, the House sitting at the time
appointed for the meeting.

THURSDAY, 16TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,

Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard.

Mr. E. W. Morrah and Mr. Bridges in attendance.

A letter dated 8th September, received from Mr. E. W. Morrah, was read. (See Appendix to Banking arrange-
evidence, Banking Arrangements, No. 7.) ments of the
Government.

The Committee deliberated.

Mr. Morrah was called in, and informed that his re-examination would be deferred for a time.

Mr. Bridges called in and examined.

The Committee adjourned until Monday next, at 12 noon.

MONDAY, 20TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,

Mr. W. W. Johnston,
Mr. Kelly,
Mr. J. Shephard,
Hon. E. W. Stafford.

The Committee deliberated in respect to the Bill indemnifying the Colonial Treasurer and others Indemnity Bill.
for the over-expenditure of the Immigration Vote.

The Committee adjourned until Wednesday, the 22nd inst., at 12 noon.

WEDNESDAY, 22ND SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,

Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Indemnity Bill.

The Committee further deliberated on the Bill indemnifying the Colonial Treasurer and others for the over-expenditure of the Immigration Vote.

Ordered, That Dr. Charles Knight, one of the Commissioners of Audit, be requested to attend the next meeting.

The Committee adjourned until Thursday, at 12 noon.

THURSDAY, 23RD SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,	Mr. W. W. Johnston,
Mr. Curtis,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Hon. E. W. Stafford.

Indemnity Bill.

Dr. Charles Knight (one of the Commissioners of Audit) attended, and was examined. The Committee adjourned till Tuesday next, at 12 noon.

TUESDAY, 28TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Sir F. D. Bell,	Mr. Pearce,
Mr. Curtis,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Hon. E. W. Stafford.
Mr. W. W. Johnston,	

Indemnity Bill.

Dr. Charles Knight and Mr. James Edward FitzGerald (the Commissioners of Audit) were in attendance.

Dr. Charles Knight, having handed in several documents, was further examined.

Mr. James Edward FitzGerald also gave evidence.

Resolved, That this Committee sit from day to day, at 11.30 a.m., until some of the business referred to them has been disposed of.

The Committee adjourned until to-morrow, at 11.30 a.m.

WEDNESDAY, 29TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,	Mr. Pearce,
Sir F. D. Bell,	Mr. J. Shephard,
Mr. Curtis,	Hon. E. W. Stafford.
Mr. T. Kelly,	

Mangere Bridge.

The report upon the expenditure on the Mangere Bridge was brought up and agreed to.

Banking arrangements of the Government.

Ordered, That this report be attached to the order of reference, minutes of evidence, and appendix, and presented to the House.

Ordered, That Mr. C. T. Batkin, the Secretary to the Treasury, be summoned to give evidence to-morrow.

The Committee adjourned until to-morrow, at 11.30 a.m.

THURSDAY, 30TH SEPTEMBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,	Mr. Curtis,
Sir F. D. Bell,	Mr. J. Shephard.

Banking arrangements of the Government.

Mr. C. T. Batkin, the Secretary to the Treasury, attended the Committee.

Ordered, That he be requested to again attend to-morrow.

The Committee adjourned until to-morrow, at 11.30 a.m.

FRIDAY, 1ST OCTOBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,	Mr. Pearce,
Sir F. D. Bell,	Hon. E. W. Stafford,
Mr. Curtis,	Mr. J. Shephard.
Mr. W. W. Johnston,	

Mr. C. T. Batkin (the Secretary to the Treasury) was called in, and requested to prepare a statement, giving his opinion on the banking arrangements of the Government, as they come under his knowledge as Secretary to the Treasury. Banking arrangements of the Government.

The Committee deliberated.

Adjourned till Monday, at 11.30 a.m.

MONDAY, 4TH OCTOBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,

Mr. W. W. Johnston,
Mr. J. Shephard,
Hon. E. W. Stafford.

Mr. C. T. Batkin, the Secretary to the Treasury, attended, and was examined, and handed in a statement in accordance with the request expressed by the Committee at the last meeting. Banking arrangements of the Government.

Mr. Batkin withdrew.

Ordered, That the statement be printed and attached to the evidence.

A letter from Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, dated 28th September, 1875, was read and placed in the Appendix to the evidence taken, *re* Banking arrangements No. 8.

The Committee deliberated.

Adjourned until to-morrow, at 11.30 a.m.

TUESDAY, 5TH OCTOBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,

Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

The draft report on the Immigration Indemnity Bill was brought up by Sir F. D. Bell and read. The Committee deliberated, and certain amendments were carried. Indemnity Bill.

Question, That the report as amended be agreed to, put and carried.

Ordered, That Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, be summoned to attend to-morrow. Banking arrangements of the Government.

The Committee adjourned until to-morrow, at 11.30 a.m.

WEDNESDAY, 6TH OCTOBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,

Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, attended, and asked that, before his examination was commenced, the Committee would grant to him protection from any action of law that may arise out of his evidence. Banking arrangements of the Government.

Witness withdrew.

Committee deliberated.

Mr. Bridges having been called in, the decision of the Committee was communicated to him (as per the minutes of evidence).

The witness was then examined on oath.

Ordered, That Mr. Bridges be requested to attend again to-morrow.

The Committee adjourned until to-morrow, at 11.30 a.m.

THURSDAY, 7TH OCTOBER, 1875.

Members Present:

Mr. Reader Wood in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,
Hon. W. Fitzherbert,

Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard,
Hon. E. W. Stafford.

The room having been cleared, the Committee deliberated.

Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, called in. Witness wished to withdraw the last answer he gave in his former examination. Banking arrangements of the Government.

Committee declined to give permission.

Witness withdrew, and the room was cleared.

Banking arrange-
ments of the
Government.

The Committee deliberated.

Resolved, That the Chairman of the Select Committee on Public Accounts be directed to ask the House to confer on the Committee what further power may be necessary to enable them to prosecute the inquiries that may arise out of any evidence before the Committee upon the Banking Arrangements of the Government.

Ordered, That Mr. Bridges attend to-morrow.

The Committee adjourned until to-morrow, at 11.30 a.m.

FRIDAY, 8TH OCTOBER, 1875.

Members Present :

Mr. Reader Wood in the Chair.

Hon Major Atkinson,	Mr. W. W. Johnston,
Sir F. D. Bell,	Mr. Pearce,
Mr. Curtis,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Hon. E. W. Stafford.

Banking arrange-
ments of the
Government.

The order of reference, dated the 7th October, was laid before the Committee.

The Committee deliberated.

A memorandum from Mr. D. L. Murdoch was put in and placed in the Appendix to evidence taken, *re* Banking arrangements No. 9.

Mr. Bridges, Director and Acting General Manager of the National Bank, was called in. His examination continued.

Witness withdrew, and the Committee deliberated.

Witness sent for, and declined to give further evidence.

Witness withdrew, and Committee deliberated.

Resolved, That the Chairman be directed to report the evidence given by Mr. Bridges, and to inform the House that the witness had refused to answer any further questions, and to report at the same time the opinion of the Committee, that grave imputations having been made by Mr. Bridges, affecting the character of members of the Legislature, the inquiry ought to be prosecuted by the House.

The Committee adjourned until Monday next, at 11.30 a.m.

MONDAY, 11TH OCTOBER, 1875.

The meeting called for this day was adjourned by order of the Chairman until to-morrow, at 11.30 a.m., in consequence of the Hon. Mr. Waterhouse, M.L.C., being unable to attend and give evidence on the matter under the consideration of the Committee.

TUESDAY, 12TH OCTOBER, 1875.

The meeting called for to-day was postponed until to-morrow (Wednesday), the 13th instant, at 11.30 a.m.

WEDNESDAY, 13TH OCTOBER, 1875.

Members Present :

Hon. Major Atkinson,	Mr. W. W. Johnston,
Sir F. D. Bell,	Mr. Pearce,
Mr. Curtis,	Mr. J. Shephard.
Hon. W. Fitzherbert,	Hon. E. W. Stafford.

Banking arrange-
ments of the
Government.

The clerk read a letter from Mr. Reader Wood, stating that, in consequence of his leaving Wellington, he resigned his office of Chairman of the Committee.

On the motion of Sir F. D. Bell, the Hon. E. W. Stafford took the chair.

A letter from Mr. E. W. Morrah, Inspector of the Bank of Australasia, dated 12th October, 1875, was read.

The Hon. Mr. Waterhouse, M.L.C., attended the Committee, and gave evidence.

Ordered, That Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, be summoned to attend before the Committee at the next meeting.

The Committee adjourned until to-morrow, at 11.30 a.m.

THURSDAY, 14TH OCTOBER, 1875.

Members Present :

Sir F. D. Bell in the Chair.

Hon. Major Atkinson,	Mr. W. W. Johnston,
Mr. Curtis,	Mr. J. Shephard,
Hon. W. Fitzherbert,	Hon. E. W. Stafford.

Banking arrange-
ments of the
Government.

A letter from Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, dated 13th October, 1875, was read and placed in the Appendix to evidence taken, *re* Banking arrangements No. 11.

Mr. Bridges attended, and his examination was resumed.

Witness withdrew, and the Committee deliberated.
Ordered, That Mr. Bridges be summoned to attend again to-morrow.
 The Committee adjourned until to-morrow, at 11.30 a.m.

Banking arrange-
 ments of the
 Government.

FRIDAY, 15TH OCTOBER, 1875.

Members Present:

The Hon. E. W. Stafford in the Chair.

Hon. Major Atkinson,
 Sir F. D. Bell,
 Mr. Curtis,
 Hon. W. Fitzherbert,

Mr. W. W. Johnston,
 Mr. Pearce,
 Mr. J. Shephard.

Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, was called in, and his examination continued.

Banking arrange-
 ments of the
 Government.

Witness withdrew, and Committee deliberated.
Ordered, That Mr. Bridges attend on Monday.
 The Committee adjourned until Monday, at 11.30 a.m.

MONDAY, 18TH OCTOBER, 1875.

Members Present:

Hon. E. W. Stafford in the Chair.

Hon. Major Atkinson,
 Sir F. D. Bell,
 Mr. Curtis,
 Hon. W. Fitzherbert,

Mr. W. W. Johnston,
 Mr. Pearce,
 Mr. J. Shephard.

Mr. Bridges, Director and Acting General Manager of the National Bank of New Zealand, was called in and examined.

Banking arrange-
 ments of the
 Government.

Witness handed in a memorandum in reference to Mr. C. T. Batkin's statement produced at meeting 4th October, which was placed in the Appendix to evidence taken *re* Banking arrangements No. 12.

Ordered, That the Hon. E. Richardson, and Mr. Macandrew, M.H.R., and Mr. E. W. Morrah, Inspector of the Bank of Australasia, be summoned to attend the next meeting.
 The Committee adjourned until to-morrow.

TUESDAY, 19TH OCTOBER, 1875

Members Present:

Hon. E. W. Stafford in the Chair.

Hon. Major Atkinson,
 Sir F. D. Bell,
 Mr. Curtis,

Mr. W. W. Johnston,
 Mr. Pearce,
 Mr. J. Shephard.

Minutes of the previous meeting were read and confirmed.

A memorandum of this day's date, from Mr. C. T. Batkin, Secretary to the Treasury, was handed in and placed in the Appendix to evidence taken *re* Banking arrangements, No. 13.

Banking arrange-
 ments of the
 Government.

The Hon. E. Richardson, Minister for Public Works, and Mr. Macandrew, M.H.R., attended the Committee, and having given evidence on the matter under the consideration of the Committee, withdrew.

Mr. E. W. Morrah, Inspector of the Bank of Australasia, was called in, and permission given to him to prepare a statement to supplement the evidence he had previously given.

Witness withdrew, and Committee deliberated.

The following resolutions were then put, at the request of the Hon. Mr. Fitzherbert, who was unable to attend:—

That, in the opinion of this Committee, notice should be forthwith given to determine the present agreement with the Bank of New Zealand.

Put and carried.

That tender be invited from the several Banks carrying on business within the colony for conducting the Government account of the colony.

Amendment proposed by the Hon. E. W. Stafford:—

That tenders should be invited from the several Banks—not associated, but separately carrying on business within the colony, for conducting the Government account of the colony.

Amendment put Committee divided.

Ayes.
 Sir F. D. Bell,
 Mr. W. W. Johnston,
 Mr. J. Shephard,
 Mr. Pearce,

Noes.
 Hon. Major Atkinson,
 Mr. Curtis.

And so it was resolved in the affirmative.
 The Committee then proceeded to consider the draft report.
 The Committee adjourned until to-morrow, at 11.30 a.m.

Banking.

WEDNESDAY, 20TH OCTOBER, 1875.

Members Present :

Hon. E. W. Stafford in the Chair.

Hon. Major Atkinson,
Sir F. D. Bell,
Mr. Curtis,

Mr. W. W. Johnston,
Mr. Pearce,
Mr. J. Shephard.

The Clerk laid on the table the following documents :—

A letter from Mr. E. W. Morrah, Inspector of the Bank of Australasia, dated 19th October, 1875.

A telegram, in reply to one sent by the Chairman, from Mr. D. L. Murdoch, Inspector of the Bank of New Zealand, dated 19th October, 1875.

Correspondence between Bank of New Zealand and the Treasury, handed in by Mr. C. T. Batkin, Secretary to the Treasury.

Ordered, That these documents be placed in the Appendix to evidence taken *re* Banking arrangements, Nos. 13, 14, and 15.

The Chairman brought up the draft report on the business referred on the 29th July, the Banking arrangements of the Government, which was considered and agreed to.

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1875.

NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE.

IMMIGRATION INDEMNITY BILL.

Report brought up October, 1875.

ORDER OF REFERENCE.

(Extract from the Journals of the House of Representatives.)

TUESDAY, THE 27TH DAY OF JULY, 1875.

Ordered, That the Bill for indemnifying the Colonial Treasurer and all other persons for the expenditure of the sum of £84,040 15s. 6d. for the service of the Financial Year ending the 30th June, 1875, and for charging the same on the accounts of the said year, be referred to the Select Committee on Public Accounts to report thereon.

REPORT.

YOUR Committee, in obedience to the reference to them, have inquired into the circumstances under which the Immigration Indemnity Bill became necessary, and have taken evidence thereon, which they now report to the House.

They find that there have been current at one and the same time permanent appropriations and annual votes for immigration services, and that the Treasury and the Audit are not agreed as to what sums were at the disposal of the Minister for expenditure during 1874-75. The Treasury says that the Immigration Minister calculated on the unexpended portions of the appropriations to 30th June, 1874, as being available for the service of 1874-75 (Question ⁷⁵), and that, though these had not been made a "reserve" (⁸⁷), they were available after the expiration of the financial year 1873-74 (¹⁰⁵). The Controller denies this, and would have refused to let the expenditure be charged back if required by the Immigration Minister, because he would have thought the intention of Parliament would have been thereby violated (^{169, 174, 178}); while the Auditor-General considers that there was no reasonable doubt that Parliament intended the money to be spent on Immigration, that it was by a departmental oversight that it was not asked for, and that the money required by the Treasury to fulfil its engagements on immigration might have been issued without calling Parliament together (Minute, p. 21).

Your Committee were led by these differences of opinion to investigate the system of reserves, first set on foot by section 3 of "The Public Revenues Act, 1870," which enables each spending department to declare, at the end of the year or period for which an appropriation has been made, the amount to be reserved for estimated liabilities. Your Committee find that neither the Treasury nor the Audit deem themselves to have any duty whatever to ascertain, before carrying the amount of such estimate to credit, whether the same is for liabilities actually incurred or not (^{79, 80, 200}). The Audit ultimately examines whether any sum stated in a voucher as a liability is really a liability within the meaning of the Revenues Act (²⁰⁷); but neither the Treasury nor the Audit have any duty to examine beforehand into even the existence of the liabilities estimated by the spending department, on which estimate the reserve in favour of the department is created (^{29, 200, 201, 202}). Their only inquiry is whether the reserve is within the amount of the unexpended balance of appropriation (²⁰⁰). The Audit admits the right of the spending department to create its reserve without question in the first instance (²⁰³), and has not even the right to question afterwards whether the reserve was properly created, but only whether any particular charge proposed to be put on the reserve was a charge capable of being put upon it (²⁰⁴). To make matters worse, the Audit is of opinion that it is impossible to know what liabilities are really outstanding when the reserve is created (^{201, 210}), and the Treasury thinks the difficulty of determining the meaning of the word "liability" is insuperable (⁸⁶).

Your Committee are therefore of opinion that this system of reserves should be forthwith abolished, and that we should resort to the English system, by which all liabilities of every kind whatever are charged on the votes of the year in which they are paid ⁽²¹²⁾; that every spending department should be obliged to come to the House with a statement (for which a reasonable margin might be allowed) of actual liabilities; and then that votes for these should be taken as part of the votes of the year. There is no difficulty, so far as the Audit is concerned, in abolishing the reserve system; on the contrary, your Committee agree with the Controller that it really destroys the control of Parliament ⁽²⁰⁶⁾, and that to abolish it would be of advantage to the Public Service, and get rid of a great amount of useless book-keeping ^(214, 215).

Your Committee are also of opinion that the time has arrived for a thorough revision of all the Appropriations which have been made for Public Works and Immigration under successive Acts of Parliament since 1870; and they are glad to find that, the attention of the present Government having been drawn to the question some time ago, it is proposed to introduce a Bill in the present Session which shall, in fact, re-appropriate the loans, define all existing liabilities against each loan, and enable Parliament to know exactly what money is now available for every service, and what it has to vote; so that in future years there will neither be any complication of account, nor uncertainty as to the sums which Parliament may place at the disposal of the Executive Government for the current year.

But the inquiry which your Committee had to make into the causes for the Indemnity Bill disclosed a state of things in reference to the English expenditure of which, they believe, the House are not at all aware. The Controller says that the House are under a misconception if they believe that the existing system of control prevents money from being obtained in England without authority of law ⁽¹¹⁵⁾. The control is complete as to money expended in the colony, but imperfect as to money expended in England ^(116, 231, 288). The Audit has a clerk in London, who examines vouchers before they are sent out, and so far, therefore, there is a pre-audit there; but that is not control: control embraces duties prior to the issue of money, and not after the money has been spent. Your Committee have examined both the Commissioners of Audit on this subject, and their suggestions will be seen in the evidence (Statement p. ^{20, 21}); but there has hitherto been no proper control over the English expenditure, although nearly two millions and a half have been spent in England since 1871. No precaution of any sort has ever been taken with regard to the way in which money is transferred from time to time from the Public Account in London to the Imprest Account of the Agent-General ^(288, 296). No check whatever has existed as to either the limit or the objects for which money is so transferred ^(306, 317). No provision whatever has been made for operating on the Agent-General's Account in the case of the death or incapacity of that officer ^(314, 318); so that the Imprest Account in England might at any moment have been thrown into confusion and the Public Service seriously endangered, unless the Crown Agents had taken upon themselves to operate upon the account, trusting to the approval afterwards of the Colonial Government. Your Committee are of opinion that this must at once be prevented for the future.

Finally, your Committee recommend—

1. That liabilities of the preceding financial year be no longer carried to reserve, but be provided for upon the votes of the current year.
2. That all existing appropriations under the various Loan Acts passed since 1870 be repealed, and the expenditure already made under each loan be definitely stated; and that the amounts now required for completing each authorized railway or public work, and for carrying on immigration, be re-appropriated, so as to give a new starting point in 1875 for all future votes, in order that every sum applicable to each service may be henceforward annually voted, and no appropriations be operative beyond the end of the financial year.
3. That the existing Control Acts be amended so as to provide a proper control over the English expenditure, to regulate the transfers of money from the Public Account in London to the Agent-General's Imprest Account, and to regulate the operations upon the latter account.
4. That the estimates of each year be made to show, in a separate column, the actual expenditure of the preceding year opposite the votes proposed for each service for the current year.

6th October, 1875.

READER G. WOOD,
Chairman.

MINUTES OF EVIDENCE.

INDEMNITY BILL.

MONDAY, 2ND AUGUST, 1875.

Mr. BATKIN, Secretary to the Treasury, examined.

1. *The Chairman.*] You are aware that a correspondence has taken place between the Immigration Minister and the Treasury, on the one side, and the Control Department, on the other, with reference to the expenditure on immigration, which the Control Department considers was in excess of the sum provided by law?—I know that such a correspondence has taken place. *Mr. Batkin.*
2nd Aug., 1875.

2. You have no knowledge, except of an indirect character, with regard to the correspondence?—No.

3. You are aware, however, that circumstances did arise under which the Control Department demurred to the issuing of any further moneys for immigration purposes during the financial year just expired?—I am.

4. As far as your knowledge goes, did that arise from the fact that the Treasury calculated that there was a larger sum available for immigration than the Control Department calculated there was under law?—It arose, no doubt, through Sir Julius Vogel, who held the offices of Colonial Treasurer and Immigration Minister, supposing that the unexpended appropriations of the Act of 1871 would be available.

5. Did you, as Secretary to the Treasury, hold the same opinion?—I did.

6. And the Treasury generally concurred with Sir Julius Vogel? At all events, it had never been questioned in the Treasury?—No.

7. And it was first brought under consideration by the Control Department raising an objection to the issue of further moneys?—Yes; when I say that I held the same opinion, I may explain that I did not hold it at the time when the Control Department raised the objection, but I had held it some time previously.

8. You had held it, in fact, up to the time when the liabilities became an equitable charge upon the colony?—I believe that at the commencement of the financial year, if the expenditure of the past periods had been charged back to the appropriations of past periods, the same would have been available, but practically the Immigration Department charged against the votes of the years 1873-74 and 1874-75 the expenditure they might have charged back on the permanent appropriation in the Act of 1871.

9. Are you aware of any reason why the Immigration Department did not make these charges back?—I am not aware of any reason, but my opinion is that it was a mere oversight.

10. Is it the duty of any spending department to determine against what vote, and under what law, the expenditure has to be charged? Is not that rather the duty of the Control Department?—No, I should consider it the duty of the spending department in the first instance.

11. Then the Committee is to understand that the practice is, when an issue of money is required, that the requisition of the spending department should point to the vote against which it is to be charged?—Precisely.

12. Are we to assume that the Control Department examines to see whether there is a sufficient sum to cover the amount of the requisition at the credit of that vote?—Yes.

13. You have said that you do not know why the Immigration Department failed to use the authority, which at one time it possessed, of charging back the cost of a service?—I have no knowledge on the subject.

14. Nor is it part of the practice of the Treasury to investigate into the details of expenditure?—No, unless there are manifest objections. The Treasury follow the direction of the spending departments, from the Ministers of those departments.

15. At the time when it was omitted to use the subsisting authority, and charge back certain immigration services, Sir Julius Vogel was, I think, Minister for Immigration and Colonial Treasurer?—Yes, at any rate part of the time.

16. Mr. O'Rorke was for some time Immigration Minister. It is possible that the omission to use that power might have occurred while he was in office?—I think it must have occurred while Sir Julius Vogel was Minister for Immigration.

17. *Mr. J. Shephard.*] Mr. O'Rorke ceased to be Immigration Minister in 1873?—I am not quite certain of the date.

18. *Sir E. D. Bell.*] What was the total sum that forms the amount of the indemnity which it is proposed to ask Parliament to grant?—£84,046.

19. According to the statement transmitted by you in your memorandum of February 12th, 1875, the amount of balance unexpended on immigration on June 30th, 1874, was £240,150?—Yes.

20. How was it that it escaped the observation of the Treasury that, under section 55 of the Act of 1871, the appropriation of £200,000 made by that Act expired on January 1st, 1874?—I may say that in the first instance, when I had the return prepared, I had it prepared simply upon the requisition of Sir Julius Vogel. He asked me what the unexpended balances for immigration were. I did not then go into the question as to whether it was available for immigration or not, but left it to him to determine. My impression, that to a large extent the balance was available, arose from the fact that I remembered quite distinctly that the clause of the Immigration Act which provided the vote of £200,000 up to the 31st December, 1873, stated that it was to cover expenses incurred; and I thought that a considerable amount of the expenditure incurred prior to that date, and not yet paid, might be paid out of the balance.

Mr. Batkin.
2nd Aug., 1875.

21. Then, supposing that part of the expenditure, which was charged in your books in 1875, had been arranged for, or contracted for, prior to 31st December, 1873, was it your opinion that, according to the proper interpretation of the 55th section of the Act, the Treasury would have been able to charge that expenditure against the £200,000, although the actual payment charged in your books had been made after that date?—That was my impression.

22. Was there any considerable part of the sum which was charged in your books after 1st January, 1874, money which, in your opinion, might have been charged back as having been incurred, under the interpretation of section, 55 prior to 31st December, 1873?—I never examined the books with a special view to ascertain that point. I have no doubt that a very large portion of it might have been taken for the purpose.

23. Have you reason to suppose that that was the impression that existed in the mind of Sir Julius Vogel, when you say he thought this balance of £240,000 was still available?—I have no doubt that was his impression.

24. Then we are to understand that the reason why the discovery of the difficulty was not made before March, 1875, really was that you considered the Treasury might have charged back that which you say was a "considerable portion"?—I do not know that the discovery was in any way connected with that circumstance. It was discovered by the Commissioners of Audit, that the immigration expenditure charged against the vote of 1874-75 would certainly exhaust it long before the end of the financial year.

25. Supposing, however, that the interpretation of the clause allowed that charge to be made back, are we to understand that the amount which it is now proposed to indemnify the Treasurer for not having brought to charge, as required by law, would be well within the total sum which Parliament had contemplated would be required for immigration?—I am not sure whether any sum of the expenditure which has been charged this year could have been charged back on the unexpended appropriation. I think the omission to charge back to that permanent appropriation expenditure which should have been charged on it, was an omission of the previous year. That omission had this effect:—In making out the Reserve Account of 1873-74 we reserved the whole balance of the immigration vote. The balance of that vote, capable of being reserved, would have been larger than £50,000, if the expenditure charged for immigration in 1873-74 had been charged back against the permanent appropriation of £200,000 in 1871.

26. *Mr. J. Shephard.*] I understood you to say that it was the Commissioners of Audit who first drew attention to the state of the account, but previously I understood from the Treasurer that it was he who drew attention to it in the first instance; that he put himself in this position to prevent any wrong or apparent wrong being done?—Not as Treasurer, but as Minister for Immigration.

27. It was he who did so?—Yes.

28. Then had these accounts been dealt with due care in the previous year this difficulty would not have occurred?—I think not, if the expenditure in the previous year had been properly charged.

29. In point of fact it is simply neglect in some department that has caused the difficulty with the Government?—I think so. I may state that the Treasury never questioned the propriety of the spending department expending one of its own votes; nor does it take any care, or watch with any care, whether the sum total of a vote is being rapidly approached, or whether there is a probability of its being over-expended.

30. *The Chairman.*] By the word "Treasury," do you mean the permanent officers of that department?—Yes.

31. You would not include the Minister?—No.

32. *Mr. J. Shephard.*] The table of figures that has been referred to* is dated 14th July, 1874. I presume that would be furnished to Sir Julius Vogel immediately previous to the delivery of the Financial Statement last year?—Yes, when he was framing the immigration estimates.

33. The Accountant to the Treasury who signs this return gives the balance that actually expired on 31st December, 1873, as the balance unexpended, obviously leading a Minister, who was otherwise fully employed, to the conclusion that he could clearly deal with this balance?—The return was a precise answer to a request made by Sir Julius Vogel for it. It was a return of unexpended balances.

34. Yes, but this balance had lapsed?—I did not know that; that was not a question for the Treasury to determine.

35. It was on this return that Sir Julius Vogel based his immigration estimates, and he appears to have been misled by it, whereby the present difficulty has arisen?—I have no doubt he was. I am sure he founded his estimates on that return.

36. And that balance did not at that time exist?—It did not exist as an available balance, as subsequently appeared.

The Chairman.] Do you not think that the permanent officers of the Treasury (of course I mean the heads) should consider it their duty, besides being parts of an administrative machine, to be informed of the law under which they make their calculations? For instance, they would make themselves acquainted with the annual Appropriation Act?—Yes.

38. And made their calculations on that Act?—Yes.

39. Then do you not think that it is generally the duty of the permanent heads of the Treasury to be aware of any law regulating the balance of payments from the Treasury, or requisitions on the Public Account?—Yes.

40. Then it would follow that in this particular case they omitted to see how the law stood when that return was furnished to Sir Julius Vogel?—Yes, I consider it my duty, as Secretary, to be aware of every law relating to the department with which I am connected; but I do not consider it my duty to satisfy myself that a particular appropriation of this kind, or that the means which may appear to be placed by law at the service of any Minister, are so available.

41. In this case you considered it your duty merely to comply with the request of Sir Julius Vogel for some particular information?—Yes.

* The table of figures was attached to the correspondence read.

42. Not to point out or to examine whether any law interfered with the issue of these moneys?— I did not know, when Sir Julius Vogel called for the return, what he wanted it for. I only ascertained his object when I took the return to him. The Under Secretary for Immigration, Mr. _____, was with him at the time, and he said, when I handed him the return, "Oh, then, we shall have plenty; the sum will be quite large enough." He was referring to the figures, and I believe he reduced his estimate on the strength of that return. Mr. Batkin.
2nd Aug., 1875.

43. And you were not aware that as a matter of law this balance did not exist?—I was not aware of that.

44. *Mr. Johnston.*] During the six months in which the two appropriations overlapped, would the Treasury consider both appropriations to be in force?—Yes.

45. You state that by an oversight somewhere, there was an error, which resulted in this over-expenditure, and by an oversight you did not charge to the permanent vote something which might have been charged to it?—The Treasury always follows the direction of the Minister of the department. Under the direction of the spending department Minister something was charged to that year which might have been charged to a previous year.

46. If the permanent appropriation had been exhausted, as it should have been, the Government would still have been in the same position?—The whole balance of the current appropriation was reserved. That balance was reduced to £51,000. If that expenditure had not been so charged, then the vote contained in the Appropriation Act would not have been expended. The immigration vote of the year 1872-73 was not reserved, but that for 1873-74 was.

47. I understand that the House, in voting certain appropriations for different services of the colony in each session, really votes, in addition to that, the unexpended balance of the previous year?—Not in voting a sum for the service of any year. There is a permanent law ("The Public Revenues Act, 1870"), which enables the unexpired vote of any previous year to be reserved under certain conditions.

48. The amount put on the estimates last year was £275,000, but it was put in a very peculiar manner. It was put £275,000 to cover the current year's expenses and outstanding liabilities. Would not that cut the reserve ground away from you?—We did actually reserve £51,000 last year.

49. Yes, but that is included in the amounts asked for from the House?—The vote for £275,000 having been passed, the Treasury would certainly have power to expend that sum, plus the amount reserved.

50. *Mr. Kelly.*] Then in point of fact there was £536,000 available altogether—£481,000 and £51,000?—Yes.

51. What was the total sum appropriated and available for immigration up to 30th June, 1874?—The total sum appropriated up to the 30th June, 1874, was £686,808 14s. 9d. Of this sum, £150,000 appropriated by "The Immigration and Public Works Act, 1870," plus £101 3s., amount of recoveries to credit, was available for expenditure up to the 31st December, 1871, only. £21,000 appropriated by "The Immigration and Public Works Act, 1871," in repayment to the Provinces of Canterbury, Otago, and Hawke's Bay, of certain sums expended by them on account of immigration, was available to any date. £200,000 appropriated by the same Act, plus £18,014 7s. 3d., amount of recoveries to credit, was available to any date, for defraying the costs incurred in and about the introduction and settlement of immigrants during the two years ending 31st December, 1873. £45,412 9s. 7d., voted in "The Appropriation Act, 1872," plus £4 11s. 8d., amount of recoveries to credit, was available up to 30th June, 1873, as against expenditure brought to account during the financial year 1872-73, for the services of that year, as set forth in the estimates. £270,396 5s. 2d., voted in "The Appropriation Act, 1873," plus £17,614 15s. 6d., amount of recoveries to credit, was available up to the 30th June, 1874, as against expenditure brought to account during the financial year 1873-74, for the services of that year, as set forth in the estimates.

52. What was the expenditure brought to account up to that date?—The total expenditure for immigration brought to account up to the 30th June, 1874, was £424,069 13s. 3d.

53. What was further appropriated from that period, and available for expenditure up to the 30th June, 1875?—The subsequent appropriation up to the 30th June, 1875, was £481,261 7s. The sums available during the financial year 1874-75 were—1st. The unexpended balance of the £221,000 appropriated by "The Immigration and Public Works Act, 1871," was available as to any expenditure incurred prior to the 31st December, 1873. 2nd. The amount of the reserved votes of the year 1873-74, £51,970 7s. 2d., was available as to any expenditure made during that year. 3rd. The sum voted in "The Appropriation Act, 1874," £481,261 7s., plus £42,177 4s. 7d., the amount of recoveries brought to credit during the year, was available as to any expenditure made during that or previous years.

54. What sum was brought to account up to the same period?—The total expenditure brought to account during the period from 1st July, 1874, to 30th June, 1875, was £649,641 6s. 4d.

55. Was any of this expenditure about to be covered by indemnity incurred before 31st December, 1873?—The expenditure brought to account during the year 1874-75 included payments made by the Agent-General in London, from April 1874. These and subsequent payments included in the account of 1874-75 were made in respect of expenses which, as I am informed by the Immigration Department, were incurred in conformity with instructions sent Home prior to December 1873; and, inasmuch as any part of the whole sum charged during the year may be regarded as the cause of the excess, this question may, I think, be answered in the affirmative.

56. Is there any officer of the Treasury whose duty it is to make himself acquainted with the balances available for expenditure under the appropriations of Parliament?—That is a function of the Audit Department, and not the duty of any officer of the Treasury.

57. *Sir F. D. Bell.*] In reply to Mr. Johnston, you stated that if certain sums which might have been charged back had been so charged back, the Treasury would have been able to make a reserve in respect of the appropriations of 1873-74, not of £50,000 only, but of a sum probably not less in the whole than £150,000; do I understand you rightly?—Yes, speaking roughly. What I mean by the former answer was, that we should have been able to make a reserve of a very much larger sum than we did.

58. Then, supposing that in that way a reserve of £150,000 had been made, would the present difficulty have arisen at all?—No.

- Mr. Batkin.* 59. Would not the £84,000 mentioned in the present Indemnity Bill have been properly charged against the Reserve Account so extended to about £150,000?—Yes.
- 2nd Aug., 1875. 60. *Mr. Johnston.*] Since the clauses of the Public Revenues Act have been read, I notice that the reserve could only be made to the extent of the existing liabilities. Was the Treasury of opinion, on the 30th June, 1874, that liabilities existed to the extent of £150,000?—The Reserve Account has to be made up by the department concerned, and that department has to furnish to the Treasury the statement of its liabilities.
61. You have said that if an oversight had not taken place the department could have had a reserve larger by £100,000?—Yes.
62. What makes you think so if you have no knowledge of the liabilities which alone create the Reserve Fund?—I know that in the natural course of things it must be so. The accounts of the Agent-General are always three months in arrear.

TUESDAY, 3RD AUGUST, 1875.

MR. BATKIN, Secretary to the Treasury: Examination continued.

- Mr. Batkin.* 3rd Aug., 1875. *Mr. Batkin.*] I should like to say, in reference to the question put to me yesterday, as to whether or not it was the duty of the Treasury to make itself acquainted with the balances available, particularly those balances of the immigration vote, that I assumed, when I informed Sir Julius Vogel what the unexpended balances on the immigration vote were, that he himself would take steps to ascertain whether they were available, and that if they were not available he would, before the close of the session, take steps to make them so, by introducing a clause for the purpose into the Immigration and Public Works Act of that year.
63. *Mr. T. Kelly.*] If the Treasury had been aware that the supposed unexpended balance of £240,000 furnished to the Immigration Minister in 1874 was not available for immigration, would you have considered it your duty to point that out to the Minister at the time the return was furnished?—Not strictly my duty as Secretary to the Treasury.
64. Even if you had known there was no balance available for expenditure?—If I had supposed that Sir Julius Vogel was calculating upon my informing him, of course I should have done so; but it is no part of the duty of an officer of the Treasury to see that ways and means required by different departments are available.
65. You admit that at the time you were not aware that the money was not available?—Yes, I was not aware of it.
66. Now, suppose that you had known it was not available, would you have considered it your duty to inform Sir Julius Vogel of the fact?—Yes; but I should have done so with some diffidence perhaps. I might have considered that I was rather interfering by going into a question which really did not concern me. It was the duty of the Under Secretary for Immigration to see that the money was available. I did mention to Sir Julius Vogel, before the session of 1873 commenced, that his appropriations terminated on 31st December, 1873, but it was really no part of my duty to do so.
67. Previous to the delivery of the Financial Statement, it would naturally be considered that Sir Julius Vogel's object in asking for the return would be that he wished to ascertain what amount of money was available for expenditure?—I had no idea what his object was in asking for the return originally.
68. Would you have considered that it was your duty to give that information to the Minister for Immigration if you had known?—If I had known the balance was not available, and that he was proceeding under the supposition that it was available, I should certainly have considered it my duty to inform him.
69. *Sir F. D. Bell.*] Would you have considered it your duty, or merely a matter of favour to the Minister?—I should not have considered it strictly my duty to interfere in the matter at all.
70. *The Chairman.*] If you knew that a Minister was labouring under a misapprehension, would you allow him to remain under that misapprehension, rather than give him the benefit of your knowledge?—No, I should tell him what I thought was right.
71. *Mr. Kelly.*] The reason why you did not point out to the Minister that the money was not available was that you took it for granted that the £240,000 was available for expenditure?—The reason was that I found the Immigration Minister in conference with his Under Secretary on the subject of ways and means, and I thought they would take steps to ascertain what moneys were available.
72. You consider that the responsibility rested with them?—Yes.
73. But at the same time you were not aware that the balance was not available?—No.
74. And if you had known the true state of affairs, you would have pointed it out?—Probably I should have done so; but I do not consider that it would have been my duty, when I found them considering ways and means.
75. *Mr. Shephard.*] It was clear to your mind that these balances were calculated upon by Sir Julius Vogel as part of his available ways and means for the ensuing year?—Yes. It was clear to my mind that Sir Julius Vogel calculated upon them as being available, or that he himself would take care to make them available before the close of the session.
76. Apart from technical departmental duty, does it not occur to you that it is the duty of the chief officers of any Government to prevent, by all means in their power (consistent with respect to the Minister), their chiefs from erroneously estimating ways and means?—Certainly, it is the duty of Treasury Officers, if they see Ministers falling into error, to point it out to them.
77. *Mr. Pearce.*] What is the latest period when this reserve can be made in your books?—It has to be made immediately after the close of the financial year, and laid before the House.
78. It requires to be laid on the table ten days after the meeting of Parliament, and, if that is not done, it cannot be recognized afterwards except by a new vote?—That is a necessary condition if the terms of the Act are not complied with.

79. *Sir F. D. Bell.*] The section of the Public Reserves Act, with respect to making a reserve fund, directs the Treasurer to call upon the spending department to give him a list of the liabilities of that department at the termination of the year. In your opinion, is the Treasury responsible for inquiring whether the liabilities with which the Treasury is so made acquainted are liabilities duly incurred and contracted for prior to the list being made out?—I think not. I think the Treasury is not responsible. It is justified in acting upon the requisition of a department. *Mr. Batkin.*
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80. In your opinion, then, does the responsibility for the existence of an actual liability, at the time of the list being so sent in, rest with the spending department or, under a proper interpretation of that section, with the Audit Department, since in your opinion it does not rest with the Treasury?—With the spending department I think. The Audit would have a responsibility when it became their duty to pass it.

81. Supposing then that the audit takes place at a very much later time than any action of the Treasurer upon the supposed balance available for him under the reserve so made, without previous responsibility on the part of the Treasury, might it not happen, under the Treasury interpretation of that section, that Parliament may be entirely misled as to the ways and means which are really available for the service of the year, if afterwards the Audit should strike money out of the reserve, on the ground that the liability had not been actually incurred at the time the list was made out?—Of course Parliament may be misled if the Under Secretary of any department sends in an erroneous statement of his liability.

82. But if the Treasury were to be made responsible for seeing, before the Colonial Treasurer made out his reserve account, that the spending department sent in a list of liabilities only, including those which had actually been incurred, then would not the risk of Parliament being misled be very greatly reduced, if not altogether done away with?—If such a thing could be done, I think the possibility of Parliament being misled would be diminished very much.

83. But has not the Treasury exactly the same means at its disposal for determining the question of date of the incurring of a liability prior to that Reserve Account being made out as the Audit subsequently has when it comes to pass the items that were included in the list?—So many different interpretations are placed on the meaning of the word liability that I think it very doubtful whether any agreement could be come to beforehand as to what was a liability and what was not. I think I heard it stated in this room yesterday that if an order were sent home to the Agent-General to send out twenty thousand immigrants, that would be incurring a liability, even though these immigrants did not arrive for two years.

84. I expressed that opinion myself in the Committee yesterday, and the member for Timaru did the same. Is it not, in your opinion, necessary that a doubtful interpretation of that kind should be avoided by so amending the section as definitely to fix the time within which the action of any spending department should be limited so far as regards its power to include any sum of money in the reserve list which it sends in to the Treasury?—The time is limited already by "The Public Revenues Act, 1870," which enables spending departments only to charge the expenditure made within the following year.

85. What I meant was that it should be determined whether the clause allowed a reserve account to be taken in respect of such a case as you mentioned, namely, an order for immigrants, where though no liability had been actually incurred by spending money on those immigrants, yet the Treasury held that the order would in itself be a liability within the meaning of that section?—It is not for the Treasury, but for the department concerned, to determine what are liabilities and what are not. It is also, subsequently, a question for the Commissioners of Audit to consider.

86. But you have already said that, such a point not being determined by the Treasury beforehand, Parliament might be misled. I wish to know whether you do not consider it necessary to obviate the difficulty? It may arise from such an interpretation afterwards being put upon the section?—I have said that the difficulty of determining the meaning of the word "liability" appears to me insuperable. I do not see how it is to be got over at all.

87. *Hon. Mr. Stafford.*] Had the unexpended balance of the immigration vote, the amount of which was stated to Sir Julius Vogel, been previously constituted a reserve fund in accordance with the provisions of "The Public Revenues Act, 1870"?—No; that is to say, the £240,000 had not.

88. Do you consider the payments on account of a contract entered into in any financial period under the authority of the appropriation for the services of that period, which made the contract lawful, but which payments have not been brought to charge before the expiry of that financial period, cannot legally be charged upon unexpended balances of such appropriation after the year specified in "The Public Revenues Act, 1870," has expired?—(This question was put to Mr. Batkin, Secretary to the Treasury, and Mr. FitzGerald, Comptroller.)

Mr. Batkin: It cannot be charged after the expiry of the year for which the reserve exists.

Mr. FitzGerald expressed a similar opinion, and added that a reserve only existed during the year in which it was created.

89. *Mr. T. Kelly.*] Do differences of opinion frequently arise between the Treasury and the Commissioners of Audit with respect to what constitutes liabilities on account of which reserves may be made?—Such differences may occasionally arise.

90. Are these differences of such a nature that fresh legislation on the subject is required?—No, I do not think they are.

WEDNESDAY, 4th August, 1875.

Mr. BATKIN, Secretary to the Treasury: Examination continued.

91. *Sir F. D. Bell.*] During the currency of the appropriation which was made by the Act of which we were speaking yesterday—that is to say, the Act the operation of which extended to the 31st December, 1873—was there a sum of about £110,000 expended by the Agent-General on emigration, in the period from the 1st April to 31st December, 1873, which was not charged against that permanent appropriation?—Yes, at least that sum.

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92. According to your view, could that sum have been legitimately charged against that appropriation in making up the accounts of the Agent-General when they were received?—Yes.

93. Would the effect of so charging that sum have been that the reserve that was made of £50,000 odd would have been enlarged by that amount, and so brought it to about £160,000?—It would.

94. Was there a sum of about £80,000 spent by the Agent-General up to the 1st April, 1874, including the passages of ships which had been chartered to sail in April, which might also have been charged against the permanent appropriation up to 1873, as having been a liability then incurred?—Yes.

95. If, then, the actual expenditure of £110,000, and the liability of £80,000, before the 1st April, but incurred though not expended before 31st December, had been charged against the appropriation which was made and extended in time up to 31st December, 1873, would not the effect have been to make the present Indemnity Bill quite unnecessary?—Yes, that would have been the effect.

96. Then, supposing that the Minister was assuming that the Agent-General's actual expenditure up to the 31st December, 1873, and probable expenditure upon known liabilities up to 1st April, 1874, would be charged against that permanent appropriation when he was considering the return which the Treasury furnished him, as stated in your memorandum, would it not have appeared natural to assume that there was a sum of at least £180,000 available over and above that which afterwards turned out to be available by reason of these sums not having been charged to the appropriation?—It would. If the expenditure had been properly charged, the whole, or nearly the whole, would have been available. I have ascertained from the Immigration Department, with regard to the expenditure of the Agent-General from and after 1st April, 1874, that the sum of £196,100, or thereabout, has been charged in the accounts of the year 1874-75, which sum might properly have been charged against that balance of appropriation.

97. *Hon. Mr. Fitzherbert.*] If certain sums had been charged in the dates referred to in a question put by Sir Francis Bell—if they had then been brought to charge—there would have been no need for the Indemnity Bill. Why, then, were they not brought to charge?—Because the Treasury followed the direction of the Immigration Department, which was to charge them against the current votes.

98. Then, in fact, it was the Minister for Immigration who was to blame?—It was an oversight in the Immigration Department.

99. I should like to know whether the term "Immigration Department" means the Minister of the department?—The responsible head—the Under Secretary, I should imagine.

100. I should like to know, then, what the Minister has to do. Is the Under Secretary responsible for charging or the Minister?—I do not know that I am competent to answer that question.

101. I want to know whether the Under Secretary has that responsibility devolving upon him, and whether we are to hold him responsible for omitting to look after these things?

Hon. Major Atkinson.] The Colonial Treasurer, who was present, submitted that he was the proper person to answer that question, and the witness did not reply.

102. *Hon. Mr. Fitzherbert.*] At that time was the Under Secretary for Immigration responsible for this particular Act or omission?—Primarily I think he was.

103. Then, who was secondarily responsible?—I cannot say.

104. *Hon. Major Atkinson.*] You say that the Under Secretary for Immigration was primarily responsible. To whom was he responsible?—To his Minister.

105. The Treasury would never act upon the statements of an Under Secretary, but always on the decision of the Minister?—Yes. I understood the meaning of the question to be, with whom did the responsibility for this originate? There is another point which I think should be made clear. I have heard it remarked that these balances were not available when Sir Julius Vogel obtained that statement. They were available at that time and for a considerable time afterwards. They have become unavailable since through expenditure which might have been charged against those balances not having been so charged.

106. *Mr. T. Kelly.*] You say that these balances were available in 1874, when the return was furnished to the Minister for Immigration?—A large part of them.

107. Do the Commissioners of Audit concur in that statement of yours?—I am not aware.

108. *Mr. J. Shephard.*] Would it have been necessary, to make these balances available, to have included them in the Reserve Account. Should the Reserve Account have been increased by that amount to make the balances available?—As regards all expenditure incurred prior to December, 1873, they were available at any time.

109. But as there is no expenditure to charge to it, it is not available?—That may be.

110. *Sir F. D. Bell.*] Is the Committee to understand that, in your opinion, there remains now a sum of money available out of the unexpended balances of the permanent appropriation, under the Act of 1871, against which expenditure made prior to 31st December, 1873, may now be charged?—If it has not already come into the books.

111. Then, in your opinion, that appropriation has not expired?—If any expenditure incurred prior to December 31st, 1873, has not yet come into the Treasury accounts, the appropriation has not expired as respects that expenditure. At least that is my opinion.

112. *Mr. J. Shephard.*] Altogether irrespective of the amount shown in the reserve?—Yes.

MONDAY, 9TH AUGUST, 1875.

MR. J. E. FITZGERALD, Commissioner of Audit, examined.

Mr. J. E. Fitz-
Gerald.
9th Aug., 1885.

113. *The Chairman* put the following question at the request of Mr. FitzGerald:—You have heard the evidence given by the Secretary to the Treasury, and are you of opinion that there was any inadvertence in abandoning the unexpended balances of the Act of 1871?—I understand the Committee desire to know how it happened that the unexpended balance of the appropriation under the Act of

1871 was permitted to lapse. I understood the Secretary to the Treasury to say that it was through inadvertence; but I think the circumstances had escaped his memory. I find, by referring to *Hansard*, that when the immigration estimates were moved by Mr. O'Rorke, then the Minister for Immigration, in 1873, it was stated to the House that immigration was amply provided for by the appropriation of 1871, up to the 31st December in that year, and that the additional vote of £250,000 would be sufficient. Mr. Vogel said "that a distinct clause would be put into the Appropriation Act, permitting the expenditure until the end of that year," that is to December 1874; and Mr. O'Rorke said, "should this £250,000 now brought down not be sufficient for the next year, there would be ample time to supplement it next session." The clause promised by Mr. Vogel does not, however, appear in "The Appropriation Act, 1873;" whether omitted by accident or design I am not aware. In the first three months of the financial year 1873-74, the moneys charged for immigration were charged simply to "Immigration." From the 9th October, the requisitions charged them on Vote 84, that is, on the £250,000; and in December the previous expenditure, amounting to above £9,000, was transferred from the head of "Immigration" in the Audit books to Vote 84. I can find no correspondence as to why this was done. But as the total expenditure at the end of the year, amounting to £216,184 8s. 1d., appears in the published accounts both of the Treasury and of the Public Works Department, charged against Vote 84, and nothing against the Act of 1871, it is clear that all three departments agreed as to the mode of charging. The direction must have come from the Minister for Immigration. The Treasury and Audit follow the direction of the Minister in the charges against the votes for the services of his department, so long as those charges are within the law. There can have been no mistake or inadvertence; as the whole expenditure for the first six months might have been charged on the Act of 1871, and was instead charged on the vote. It is sufficiently clear that the Minister abandoned the earlier appropriation simply because he did not want it. The expenditure charged to the 9th October was under £10,000; and he saw that £250,000 was more than enough for the service of the year; and the event proved that he was right, for the expenditure was only £216,184 8s. 1d., and the balance was reserved. But meanwhile the appropriation of 1871 expired in December 1873, and could not be revived. I may add that the late Attorney-General gave a distinct written opinion to this effect.

Mr. J. E. FitzGerald.
9th Aug., 1875.

TUESDAY, 10th August, 1875.

Mr. J. E. FITZGERALD, Commissioner of Audit, examined.

114. *The Chairman.*] You are aware that a Bill is now before the House which provides that the Colonial Treasurer shall be indemnified for the expenditure of the sum of £84,000 odd which has been expended without the authority of the law?—Yes.

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10th Aug., 1875.

115. Would you state how it happened that the expenditure of that sum was allowed, taking into consideration the Public Revenues Act, and the understanding, that we all had, that under the Public Revenues Act it was impossible for any Government to obtain money to expend without the authority of law?—I think the House is under a misconception if they believe that the Public Revenues Act can prevent money from being obtained without the authority of law. The control is understood to be absolutely perfect with regard to money expended within the colony; but with regard to money expended outside the colony, the control is only a control subsequent to expenditure, and not prior to it. Therefore, although it is control to a certain extent, it is not perfect control. The moneys expended abroad are carried into the Foreign Imprest Account, that is, handed over to an imprestee, and that imprestee must clear himself by charging them upon a vote or appropriation by Parliament. When any sum expended by a foreign agent is charged on a vote, it diminishes the expending power on that vote; and, therefore, so far as it diminishes the expending power on the vote, there is a control.

116. Then, practically, there is no prior control with regard to moneys spent in England, but there is a perfect control with regard to moneys spent in New Zealand?—Yes, that is the case.

117. Then, when you say there is no prior control with regard to moneys spent in England, but a subsequent control or audit of the accounts that are sent from England, may I ask how it happened that the Colonial Treasurer could order the Agent-General's accounts to be kept back—the Colonial Audit knowing that he had so ordered? (The Chairman here read a portion of a letter which had been written by Mr. FitzGerald to the Hon. Major Atkinson.) It appears to me that there is no control at all, if the Colonial Treasurer can legally issue such instructions as those?—He cannot do it legally. He did not pretend to do it legally. He intended to break the law for a justifiable object. It was an open and distinct violation of the law, which was considered necessary in order to avoid very much greater embarrassment. It was simply an unconcealed violation of the law.

118. But if a Minister can do that, what is the use of the Public Revenues Act; because, in the ordinary course of things, as long as the votes last, a Minister will not override any law, and when pressure takes place it seems, under the existing state of things, he can do so?—It is for Parliament to consider whether it will make the control over the English expenditure the same as the control over the New Zealand expenditure. There is no prior control over the English expenditure.

119. Then if a Minister is able to override the law with regard to the English expenditure, why should he not be able to override it with regard to New Zealand expenditure?—He cannot do so; we should not issue the money.

120. He could not do so if he saw bankruptcy before him?—Certainly not. We carry out the law precisely as a Judge of the Supreme Court would.

121. You state in your letter that it is imposed on the Colonial Treasurer by law to furnish the accounts. The Chairman read the following extract from the letter:—"As the duty of furnishing these accounts is imposed by law—section 49, Public Revenues Act, 1867—upon the Colonial Treasurer." Now, I want to know, if that is your opinion with regard to moneys spent in England, would it not be also your opinion with regard to moneys spent in New Zealand, if a Minister were to tell you that he required you to overdraw on a particular vote, and that they would have to apply to

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Parliament for an indemnity. How are we to understand that if the Commissioners of Audit shirk their duty in one case they will not do so in another?—The Commissioners of Audit have not shirked their duty. I do not put the same construction on that letter that you do. I take the duty of the Commissioners to be that if they find that an illegality has taken place they shall inform Parliament of it, and so long as Parliament is informed it does not matter whether the information comes to it from one official source or another.

122. Then in point of fact there is no control in New Zealand?—I am free to admit that it might have been the more strict duty of the auditors to write a letter to Parliament acquainting it with what had taken place. There would not have been the slightest difference in the result. The matter would have come before Parliament as it has done.

123. Would it not rather have been the duty of the Commissioners to put the Public Revenues Act into force; and if they could not get the accounts by any other means, could they not have applied to the Supreme Court for a mandamus?—I do not conceive that the auditors are required to go to law with the Government at their own expense.

124. *Sir F. D. Bell.*—Is the Committee to understand that the Commissioners of Audit consider that they are charged with no duty by Parliament, under the Revenues Act, to require the production of these foreign accounts?—There is no specific power given to them to require the production of these accounts. The provisions are that the accounts shall be sent to the Colonial Treasurer.

125. Then do they hold that Parliament does not charge them with any duty in that respect?—The only power that belongs to the auditors is that of requiring any public officer in the colony to send in any account which he is required by law to send in, and they have the power to fine him £100 if he refuses to do so. In this case the auditors were of opinion that it would be indecent to enforce the penalty on an inferior officer, when he was acting under instructions from the Minister.

126. I want to know whether the Commissioners of Audit consider that Parliament has charged them with any duty to compel the production of foreign accounts?—No.

127. Parliament has given the auditors power to fine persons who do not produce accounts. Now, do the Commissioners hold that it is their duty to enforce the production of accounts from officers within the colony?—Certainly, the auditors have to audit the accounts of all accountants of the Crown, and therefore it is their duty to get them in.

128. Then the Committee is to understand that if the Commissioners of Audit know that there is an accountant of the Crown—whether in the colony or not—they are required by Parliament to compel the production of his accounts?—Certainly, but not within any specified time.

129. So far, therefore, as the Commissioners of Audit are concerned, does it not appear from your answers that the Commissioners of Audit are equally responsible with the Minister for not compelling the production of these foreign accounts?—I deny that they have any power to compel the production of these accounts. They have only the power which, as I have already said, it would have been indecent to exercise in this case. We can compel any public officer in the colony, or even a man who is not a public officer, to produce any accounts which are necessary to elucidate the public accounts; and, if our request is not attended to, we can fine him £100.

130. Does not the confiding of that power to the Commissioners of Audit imply the duty to demand the accounts?—It is our duty distinctly. The fact that we have to audit the accounts implies that duty.

131. Then does it not follow that the Commissioners of Audit are equally responsible with the Minister for the act which has resulted in the breach of the law?—Certainly not. The Commissioners did what in them lay. They did demand the accounts.

132. When I used the word “compel,” I meant that the Commissioners’ duty was not merely to ask for the accounts, but to enforce their production?—I reply again that I know no means by which the Auditors could enforce the production of these accounts. The only power they possess is that which I have said they did not think proper to exercise.

133. I will repeat the question. I want to know distinctly whether you consider that the Commissioners of Audit did or did not evade a duty which was imposed upon them by the Public Revenues Act when they did not compel the production of the accounts of the Agent-General?—We have no power to compel. We did all that we could have done. The law does not put any power in the hands of the Controllers to do any more than we did. We do not hold that the law intended that we should summon the Treasurer himself to bring up the accounts. We might have summoned the Assistant Treasurer; but, as he was acting under the instructions of his chief, it would have been a public indecency to fine him £100.

134. Now supposing that a Minister were to give an order to the Customs Department to withhold the accounts of a period with the avowed object of having a balance left in the vote, would the Commissioners of Audit consider it indecent to compel the officer to produce the accounts?—No, in that case I should not.

135. What I want to know is this: Do the Commissioners of Audit consider it indecent to bring up an officer, say of the Customs Department, who has received orders from the Minister not to produce his accounts, such orders being given so that the accounts might not be charged and a balance appear on the vote—would it be indecent to compel an officer in such a case to produce his accounts?—No; that would be our duty whether a Minister interfered or not. I may say that on one occasion when an inferior officer, on being called on to produce an account, said he would refer to his Minister, we ordered him to attend immediately without referring to the Minister.

136. Then are the Committee to understand that the Commissioners of Audit hold that they have discretion to decide whether or not any officer, who is an accountant of the Crown, shall be relieved by them from the performance of his duty, because he has been so ordered by the Minister for the time; and that if there is an accountant who is ordered by the Minister not to render his accounts in order that the same shall not be charged (which would have the effect of reducing the vote), the Commissioners have a discretion as to whether or not they shall compel that officer to produce his accounts, quite apart from decency or indecency in the exercise of the power?—It is difficult to answer a general question of that kind. Giving a general answer to which, I shall not say there are no exceptions. I should think that the auditors would not exercise a discretion in such a matter.

137. But in your opinion have the Commissioners of Audit any discretion?—It depends strictly on the words of the Act, and, as far as I now remember those words, I believe we should have had no power to summon an inferior officer. I think that strictly according to the Act we should have summoned the Colonial Treasurer, because these accounts were not the accounts of any one in the colony, and were solely in the custody of the Colonial Treasurer.

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138. Supposing that the Colonial Treasurer orders a Customs officer to withhold the accounts of the Customs Department from the Audit, for reasons of a political nature, do the Commissioners of Audit hold that they have discretion as to whether or not they ought to compel the production of those accounts?—Certainly not. The present case is one of an officer who is not an accountant of the Crown. In the colony of course we should require the production of any accounts, but these are not the accounts of any one in the colony.

139. Do the accounts of the Customs Department go direct to the Audit, or do they first go to the Treasury?—I believe they pass through the Treasury first, but the Treasury sends them immediately to the Audit.

140. Supposing then that they do go first to the Treasury, and that while they are there the Treasurer orders an officer of the Treasury not to send them in to the Audit Department, do the Commissioners in that case hold that they have a discretion?—Yes; we could get the accounts direct from the Customs.

141. But supposing that the Minister directed the officer who was in charge of the Customs not to send the accounts in?—We should not heed his direction in that respect. We would make no exception whatever. The accountant is bound to send his accounts to us directly, if we require it.

142. Yesterday, in the statement which you made in answer to a question which the Chairman put at your request, you referred to a discussion which took place in the House of Representatives. I now hand you the *Hansard* of September 1873. Is that what you referred to?—Yes.

143. According to that, are you of opinion that Mr. Vogel understood, and that Mr. O'Rorke understood, that the sum of £250,000 voted for immigration for the year 1873-74 was available, in addition to and beyond the balance, whatever it might have been, of the permanent appropriation of the Act of 1871, which extended up to 31st December, 1873?—Yes.

144. Does it appear to you that the estimates agreed to during that discussion were agreed to in accordance with that view?—Yes.

145. Up to the 30th June, 1874, therefore, any expenditure that had been incurred prior to the 31st December, 1873, might have been charged either upon the permanent appropriation until it was exhausted, or upon the £250,000 vote?—Yes.

146. And it did not signify which was first taken?—Yes, it did, because if the first appropriation was not taken it would lapse. One appropriation only extended to December and the other to July. If they did not charge the expenditure on the first it would lapse.

147. Then, according to your interpretation of that clause in the Act of 1871, it did not apply to expenditure which had been incurred prior to 31st December, 1873, but was limited to expenditure which was actually charged prior to that date?—I think the law is so doubtful on that point that it is difficult to say how the expenditure might have been charged. It depends on the meaning of the words "costs incurred."

148. Do not the Commissioners hold that it was their duty to determine whether a charge proposed by the Minister to be put on that appropriation was correctly put on it or not?—In that case the question would have been discussed between the Minister and the Commissioners of Audit, and a conclusion would have been come to. If there is a difference of opinion in such a case, the Act requires that the question shall be referred to the Governor in Council, having before him the opinion of the Attorney-General. If the question had been proposed, it would have been a matter for consultation; but it was not proposed.

149. Now, supposing that an amount of £100,000 was expended by the Agent-General as foreign imprestee in London before the 31st December, 1873, and supposing that the accounts of that expenditure arrive in the colony in April 1874, do not the Revenues Acts give the interpretation of the word "incurred," by compelling the expenditure to appear as having been made on the date in April 1874, upon which the accounts were received in the colony?—Yes. You are perhaps aware that the question would not arise in the case of permanent Acts, which run on from year to year. The question relates to a vote which has expired, and in which the reserve is made. Questions arise constantly between the auditors and the departments as to whether a charge may be properly put on the reserve, and, after discussion, it is decided as to what is the proper account to which it should be charged. This was a case similar to an expired vote. The appropriation made in 1871 came to an end in 1873. It was a very unusual case, and I have never previously known a vote to terminate in the middle of a financial year. I am not prepared to say that if a requisition had come up to us from the Treasury, asking us to charge on the Act of 1871 any expenditure which had been incurred in a *bonâ fide* manner before the end of 1873, I should not have done it.

150. Could a transfer have taken place in your books without consultation with the Minister?—No; I have not the slightest doubt that conversations did take place, and that the transfer was made in accordance with them.

151. When you say in this statement (your answer, I mean, to the question you asked the Chairman to put) that "the direction as to charging must come from the Minister, and that the Treasury and Audit follow the direction of the Minister in the charges," you did not hold that the Audit had no duty to inquire whether money is going to be properly charged?—Certainly, they have such a duty. Directions to charge are entered on the voucher by the Under Secretary of the department, who is solely responsible for it. If the auditors agree with him, the thing passes in the usual form; but if they disagree, they return it to the department, requesting that the directions to charge may be amended; but where the Minister, as is sometimes the case, has two votes, on either of which he may make a charge, it is entirely optional with him which vote he will operate upon. In this case there are the appropriations of 1871 and the vote of 1873, on either of which he might have drawn, but we saw that he elected to go upon the vote for immigration, and we assumed that it was intentional, and not accidental.

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152. You speak of a transfer of £9,000, which had originally been charged to immigration, and was afterwards transferred to Vote 84; on what was it first charged?—Upon what may be called an open account for immigration. The Committee will understand that, from the 1st of July in each year until the estimates are passed, there is some difficulty in keeping the books, and the votes not having been passed causes this difficulty. Much of the expenditure is charged to temporary accounts, and the moment the estimates are passed they are carried to the right places. The voucher simply in this case directed the charges to be made to "Immigration," and we knew there was plenty of money for that. After the estimates were passed, the amount was transferred, not to the appropriation of 1871, but to the vote. It was on the 9th of October that the department began to charge on the vote.

153. That transfer, so far as I understand, was made during the currency of the financial year 1873-74?—The transfer was made in December, I think.

154. That transfer having been made from an open account called "Immigration," to Vote No. 84, if the charge had been wrongly made on Vote 84, might it not have been transferred back again from 84 to the appropriation of the Act of 1871?—No; we should not allow any transfer except on requisition.

155. But with a proper requisition and voucher, might not the transfer have been made from 84 back to Immigration, as well as from Immigration to Vote 84?—Yes, during the year.

156. Is it not, in point of fact, a very common practice that transfers and adjustments of expenditure are made after the expiration of the financial year, so long as such transfers can be shown to be in accordance with the intention of Parliament?—Yes, there are such cases, but they are very uncommon.

157. Is there any law against it?—No; it would not be done if there was not a law for it. We would not make the transfer, except to carry out the intention of Parliament.

158. Supposing the Audit were satisfied that Parliament had voted the £250,000 in question, only in the expectation that there was another sum of money available under the Act of 1871 for immigration expenditure, I ask you, whether, according to the law, and according to the practice of the three departments, there would have been any difficulty whatever in adjusting the immigration expenditure of 1873-74, so as to bring a portion of it on to the Appropriation Act, and a portion of it on to the vote?—No; I think you cannot make the transfer.

159. Why not?—Because the expenditure had previously been by permanent Act. The Parliament then removed, so to speak, the expenditure on immigration from permanent Act to annual vote, expressing thereby its intention that immigration should be carried on on annual vote. That annual vote of £250,000 lapsed at the end of the year. The whole money voted, whether on permanent Act or upon the vote, came to a conclusion, at all events, at the expiration of the vote. Indeed, it was found that the vote was enough to pay all the charges that came due in that year, whether for expenses incurred that might have been charged upon the permanent Act or not. The vote was sufficient to pay all these expenses, and £51,000 in addition. I understand the honorable gentleman to ask, whether, at any subsequent period, charges which had been charged upon the vote might have been transferred to the permanent appropriation. I answer, yes; but not after the expiration of the vote, because they had already been paid by money voted by Parliament, and both permanent and annual appropriations had lapsed.

THURSDAY, 12TH AUGUST.

Mr. J. E. FITZGERALD, Commissioner of Audit: Examination continued.

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163. Sir F. D. Bell.—When the Committee rose on the last occasion, I was questioning you as to whether transfers could be made during the currency or after the expiration of the financial year. Now, what I want to know is this: Is there any law which absolutely binds the Minister or the Audit so that they shall not make a transfer from a vote to the permanent appropriation, although all the persons—the Minister and the Audit—might be satisfied that Parliament had intended both to be available for the service?—In making a transfer the Auditors would be guided entirely by the intention of Parliament, and by nothing else.

164. If, then, the Audit and the Minister were satisfied that Parliament had, in this instance, believed there was a sum available on the Appropriation Act, plus a sum of £250,000 on the annual vote, would there have been any difficulty in making a transfer after the expiration of the financial year 1873-4, if the transfer had been advisable, with the express wish of Parliament?—I am not sure whether any transfer was possible under the law.

165. I am only asking you your opinion as to whether there is anything in the law which prevents it?—No; there is not. I explained to the Committee yesterday that the law on that point is doubtful. If we had been asked to do it the question would have arisen. But my mind tends to the conclusion that under the present law a liability incurred in England must date from the time when the accounts are received in the colony. Expenditure taking place in England, which if it were in the colony might be charged on the liabilities of the past year, ought under the Revenues Act to be charged on the current year, that is to say, on the year in which the accounts arrive in the colony.

166. Has that point ever been so determined?—No; this is a peculiar case. In the case of permanent appropriations the expenditure runs on from year to year, and is brought to charge at the time the accounts are received; but this is a case where a permanent appropriation came to an end on a particular day. I may say that it is the only case, so far as I know, in which by permanent Act an appropriation has been made to expire on a certain day.

167. I understand you to say that the point has not yet been determined whether such a transfer as that we have been speaking of could or could not be made?—Certainly not; because we do not determine any point until it comes before us as a matter of business. If we had been called upon to give an opinion, we should have gone thoroughly into the matter. The Minister had, in fact, selected on which account he would charge.

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168. Did the present Minister for Immigration consult the Commissioners of Audit as to the difficulty he was placed in with regard to these accounts?—Certainly.

169. Supposing that, when the Minister consulted you on that point, he had suggested to the Commissioners of Audit (it being quite clear from the discussion which you yourself have pointed out that Parliament believed both sums to be available, and the money actually charged having been so placed, and the expenditure which was received from the foreign account making an excess upon the sum of the Appropriation Act of 1871 is left out) that an adjustment of accounts should be made, by which the sum of £190,000, which, you heard the Assistant Treasurer say in evidence might have been charged to the Appropriation Act of 1871, should be so charged?—We should have refused. I have refreshed my memory by referring to the books, and I find that there never has been a transfer made on any vote after the expiration of a financial year. There would be no power to do so after the expiration of the Appropriation Act; and inasmuch as this Act expired on December 31st, it is not altogether a permanent Act, but one lasting for several years and coming to an end on a certain day. After it comes to an end we should not make a transfer. In short, we thought that as the appropriation under the Act of 1871, although it might have been used at the time if the Minister pleased, had not been so charged, it expired by law; and the Attorney-General agreed with us. The Act did not compel the Treasurer or Minister to spend any particular sum of money, but only allowed them to spend a sum not exceeding a certain amount. He abandoned the permanent appropriation altogether, and subsequently, I think, he had no power to alter what he had done in that respect.

170. Then supposing that it happened, by a mistake in the Minister's office, that a sum of money which ought to be charged against a particular vote had been ordered to be charged against another vote within the discretion of the Minister to decide, are there no means of rectifying such a mistake?—None whatever after the financial year. It could only be done by Parliament. If the mistake had occurred, the error would be corrected by crediting the one vote and debiting the other. We cannot credit and debit dead votes.

171. The Commissioners of Audit follow the direction of the Minister. Now, supposing that the Minister had made a very great mistake, and supposing that that mistake was admitted, are there no means of rectifying that mistake after the expiration of the financial year, and during the currency of the next financial year?—I hardly understand what sort of a mistake the hon. gentleman refers to. This is a case of a permanent Act expiring on a certain day. It may happen that too much has been charged on the Act, or that too little has been charged. If too little has been charged, I do not see that any rectification would be necessary, because Parliament would vote more money if it were required. As to too much money being charged, I do not see that that is possible, because the account would appear to be overdrawn, which the Commissioners would not have allowed. However, it does not appear to me that any such mistake could be rectified or require rectification at our hands, because Parliament would be the authority to rectify it, and not the Commissioners of Audit.

172. Then, if a mistake occurs, although that mistake defeats the wish of Parliament, there are no means by which it can be rectified?—In this case—I am not prepared to give an answer in other cases—I shall reply by saying that the known wish of Parliament was that the vote should expire on 31st December.

173. Do you think that, provided the intention of Parliament was not contravened in any way, it would be more desirable that power should be given to the Control Department to allow a transfer in rectification of such a difference as that which exists between the Treasury and the Audit with respect to immigration expenditure, rather than to leave the law as it is, which might cause repeated breaches of the law, and the necessity of coming to Parliament for an indemnity? Do you think the Control would be in danger if power of that kind were given to them?—I think they have ample power. It was not a want of power which prevented the transfer. The case was never put to us, but the honorable member has been asking me what would have been the decision of the auditors if it had been put to us. If such a requisition had come up we should have had to give our opinion on it. We have ample power to make the transfer. The question is, whether we thought the transfer was in accordance with the Act of Parliament appropriating the money, and not a question of power. We should not have thought it was the intention of Parliament that that transfer should be made.

174. Then, supposing that in such a case as the present, where you are of opinion that such a transfer as I was speaking of could not legally be made (however much the Treasury Department might think it legally might be made), do you think that, in a case of that sort, it would be advisable that Parliament should confer distinct power to the Control Department to make that transfer, rather than have a breach of the law?—We should not have done it if we had had the power. In the case of a difference between the Auditors and the Treasury, the law makes ample provision, by deciding that the question shall be referred to the Governor in Council, who shall have the opinion of the Attorney-General before him.

175. Do you mean to say that if the Commissioners were satisfied that the intention of Parliament would be effectually carried out, and not contravened, that although they had the power they would not exercise it?—Certainly, if the Commissioners of Audit were of opinion that the intentions of Parliament would not be contravened and were in one direction, they would do their utmost to carry them out, but in this particular case they thought it was not the intention of Parliament.

176. Do you think that if Parliament were to confer a power upon the auditors to make such a transfer as that I was speaking of, provided that the Commissioners were satisfied that such a transfer did not contravene, but carry into effect the intentions of Parliament, it would be a better or worse course than to revert to a breach of the law?—I think they have the power already. In this particular case they considered that they acted in accordance with the will of Parliament.

177. Please to say distinctly whether, if the Treasury Department had (as they say they had a

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right to do) asked for a transfer back to be made from the vote of 1873-4 to the permanent appropriation of 1871, you think that the Commissioners had or had not the power to make that transfer?—

When?

178. After the appropriation of the year 1873-74, and during the currency of 1874-75.—My opinion is that the Commissioners have full power under the Revenues Act to make such a transfer, but that they would have violated the intentions of Parliament if they had done so.

179. Practically, then, you say that they have not the power to do it without breaking the law?—In this case, I think, they would have broken the law if they had done it.

180. Do you think, then, it would be advisable so to extend the power of the Control Department as to enable such a thing to be done without violating the law, always provided that the Commissioners were satisfied that it was in accordance with the wish of Parliament?—I cannot understand the question. That appears to me to be asking whether the powers of the Commissioners should be extended, so as to enable them to violate the law.

181. *Mr. Johnston.*—In December, 1873, you transferred from the open Immigration Account to Vote 84 a sum of £9,000?—I think that ought not to be called a transfer. I may explain, when we speak of a transfer, that no alteration is ever made in the books except on the requisition of the Colonial Treasurer that the transfer may be made, but in this case no requisition was sent in. The expenditure up to the 9th October had been simply entered to a temporary account, pending the passing of the vote and the decision of the department as to how it should be charged. Subsequently, the amount, which up to that time had been entered to a temporary account, was carried to the account of the vote, in accordance with the instructions of the department.

182. Can you say what was the total expenditure on immigration up to December 1873?—£51,683.

183. Have the Commissioners power to make a transfer from a dead annual appropriation to a dead permanent appropriation, in order to create on a given day a reserve fund?—Yes; I think in a rare case in which there is a permanent appropriation by Parliament, and also an annual appropriation, it is in the discretion of the Minister to select upon which of these appropriations he will charge. Therefore, I think it is in his power, within the currency of the financial year, to reverse any judgment that he may have given as to which of these appropriations any expenditure shall be charged; and I think he could, having charged any expenditure on the vote for the year which was also legally provided for by permanent appropriation, transfer it to the permanent appropriation, thereby leaving a larger balance capable of being reserved under the Act.

184. After the expiration of the financial year?—Certainly not.

185. After the annual appropriation is dead and the permanent appropriation has expired, could you transfer from the dead annual appropriation to the dead permanent appropriation, in order to create a reserve fund within the ten days which, by law, must be given?—Yes, I think we could, but not strictly legally, perhaps. The Committee must be aware that the books cannot be wound up at a moment's notice on the 30th June. They are kept open in the Treasury and Audit Departments for a few days after the financial year, for the purpose of allowing moneys to come in and be accounted for. Generally about ten days elapse before the books are finally closed. No issue of money is ever, under any circumstances, made on account of the expired year after the 30th June; but for ten days after the expiration of that month operations on the accounts take place; they are, however, supposed to have taken place on 30th June. During those ten days I think the transfer may be legally made, but not nominally after 30th June—not after the accounts of the year are closed.

186. You have said that you might have called upon the Under Secretary to the Treasury to furnish you with some accounts, and if he failed to do so that you could have fined him £100, but that you would have considered it indecent to do so?—I draw a distinction between an accountant of the Crown, and a person who is not. In this case the accountant of the Crown being in England, and the accounts being merely in the hands of a "go-between," I think we could only have gone against the person who was required by the law to send up the accounts.

187. If the accounts of an accountant of the Crown are in the hands of a Minister you have no power of reaching them?—Yes, because we could send to the accountant for them. Every accountant in the colony is bound to send his accounts to us.

188. But if they were sent to the Minister you could not reach them?—We can direct the accountant to send them to us.

189. Do you mean to say that the Commissioners of Audit could not compel the Treasurer to produce the accounts if they thought the public interests made it necessary that they should be produced? Under section 76 of the Public Revenues Act, could you have ordered the Treasurer to produce the accounts in his possession?—Yes; except so far as it is doubtful whether clause 76 applies to a Minister of the Crown.

190. Then, in your opinion, is the only way to give you really effective control to cause the accounts of accountants outside the colony to be sent to you in the first instance?—I think that is the best and most practical solution of the question, but the Committee might examine my colleague, Dr. Knight, who holds a different opinion. There are two ways of overcoming the difficulty. The one is, that you shall apply the laws in force in the colony to England; that is, that money shall be issued from the Bank in London only on the order of the Commissioners of Audit. That you shall also apply the law, by which imprests are required to be charged against votes, to England. The Agent-General is, of course, in the position of any other imprestee. If we gave him an order for money on the Bank in England, it would be charged against a particular vote in our accounts in the colony; but my opinion is that it would be impossible to issue money in England against particular votes, because, with the exception of the two great branches, Public Works and Immigration, the departments do not know against what votes goods ordered in England are to be charged. That is not known in fact long after the goods arrive in the colony. I have frequently discussed with Sir Julius Vogel the question whether it would be wise or safe to restrict moneys in London to the order of the Controllers in the colony. Such a course would necessitate great foresight on the part of the officers of the departments, as to the expenditure which was necessary in England, and might result in very great embarrassment. But in

default of taking that course there is another open, namely, that all the accounts of the expenditure of the imprestees in England, shall be sent direct to the Audit instead of the Treasury. That could be done with much greater facility now, since, by arrangement with Sir Julius Vogel, for the last few months the auditors have had the advantage of having an audit clerk of their own in London. He sends us much valuable information and passes all the vouchers in England before they come to the colony. By this means there is a pre-audit, although not a control in England, and a good deal of trouble is saved in auditing the accounts in this colony.

191. *Sir F. D. Bell.*]—But if that had been the law in this instance, would it not have necessitated an absolute cessation of the issue of moneys on the immigration account?—Certainly; Parliament must have been called together.

192. *Mr. J. Shephard.*]—What you spoke of as transfers, taking place on October 9th, are really, it appears to me, first entries?—Quite so.

193. And the entries up to that time are really only memoranda of payments you have made on account of probable votes?—Yes.

194. And, in point of fact, the charge to immigration in the first instance was really no charge at all, but merely in anticipation of a vote of Parliament?—Yes.

195. Is it the practice at the end of the financial year to have a friendly consultation between the Audit and the Treasury?—Frequently, for the purpose of adjusting the accounts.

196. And at these consultations it is sometimes found that too much has been charged to one vote and to little too another?—Very rarely is that the case. Any error of that sort which may arise is corrected by altering the requisition in which it is generally found that the mistake originated.

197. In this particular case, where expenditure on immigration was charged on Vote 84, had it been proposed at the end of the financial year to transfer the charge to the permanent appropriation, would the Commissioners of Audit have consented?—Yes.

198. We have it in evidence that Sir J. Vogel calculated upon having this balance as part of his ways and means for the ensuing year. Had there not been some oversight, and this vote had been requested to be so transferred, the money would have been placed in the Reserve Account?—I am not prepared to say that.

MONDAY, 16TH AUGUST, 1875.

Mr. J. E. FITZGERALD, Commissioner of Audit: Examination continued.

In reading over my evidence, it seems not to have been elicited with sufficient distinctness how it was that, when the question was first submitted to them in the beginning of 1865, the Commissioners of Audit could not admit the use of the lapsed appropriation of 1871. I understood from the evidence of Mr. Batkin, and from the questions put by Mr. Speaker, that it was supposed, and that I was asked to admit, that the expenditure of 1873-4 which might have been but had not been charged on the appropriation of 1871, might in 1875 have been transferred to the appropriation of 1871, so as to have left the vote of 1873-74 unexpended, and so have relieved the vote of 1874-75. It is clear, however, that no such result could have been obtained. Admitting, which I do not, that in 1875 the expenditure of 1873-74 might have been transferred to the appropriation of 1871, that step would not have enlarged the vote of 1874-75. Giving the widest interpretation to the Act of 1871, none of the liabilities contained in accounts arriving in the colony after 1st July, 1874, could be liabilities incurred before 31st December, 1873. Those must have been all charged in the first six months of 1874, for the Agent-General's accounts arrive and are charged monthly. These liabilities, then, arriving after July 1, 1874, were chargeable only on the reserve on the vote of 1873-74, or on the vote of 1874-75. Now the reserve is created by Act of Parliament; it is based on a statement of liabilities by the department, and when laid before Parliament becomes a substantive vote, in addition to the votes of the year, and can be no more altered or exceeded than any other vote; and the Revenues Act specially forbids the use of the reserve except for the liabilities which have been stated by the Minister. This reserve, then, having been made, and laid before Parliament, could not be increased by any other transfer or other operation on the accounts of the former year in the manner suggested. And as it is not of course urged that the Act of 1871 could be borne for expenditure incurred in 1874-75, it follows that the only supplies at the disposal of the Government in that year was the vote of £275,000, and the reserve of the vote of 1873-74 of £51,000. This will, perhaps, explain my answer to the last question put to me by the Speaker, which may be misunderstood. I said that the honorable member's question seemed to suggest that power should be given to the Controllers to violate the law. I meant that any power given to the Controllers to make such a transfer as that proposed would be a power to set aside the whole object of the law, and would enable them to issue moneys in excess of those voted by Parliament. The honorable member, in his question, indeed, only contemplated a transfer to carry out the intentions of Parliament. But we have now full power to carry out any intention of Parliament. In the present case, however, there was no evidence whatever, and we tried to find it, that Parliament was informed, or understood, or intended, that more money was to be at the disposal of the Government in 1874-75 than the reserve, and the past vote of £275,000. From all that passed in the House I think the contrary is to be inferred.

199. *Mr. Johnston.*] When an appropriation by a vote contains several services, for each of which a separate sum of money is asked, if one or more of the services is not performed, is the amount so saved available for expenditure on the other services comprised in the work?—Yes, as constituting a limit on the issues. We take no notice of items. The items are noted on the voucher, and when the voucher comes up for audit, it is the duty of the clerks to ascertain whether it is a proper charge on an item specified; but we have no power to limit the expenditure on each item of a vote, only on the whole vote.

200. *Hon. Mr. Stafford.*] Does the Audit and Control Department require to be informed of the creation of a reserve fund, and of the liabilities on account of which such reserve fund was created?—We know nothing about the liabilities, but the reserve fund account has to be sent to us for audit, and then it is

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laid before Parliament; because if the Treasurer were to state that he had reserved more money than we admitted by our accounts was unexpended on the votes, we should report to Parliament that the money could not be reserved. Our only inquiry is, "Are these balances within the amount of the unexpended balances of votes?"

201. I wish to ascertain whether the Audit Department takes any steps to assure itself that there was a right to create any reserve fund?—No; and if the Committee were to inquire at this moment, they would find that it is impossible for any department, or the Treasurer, to know exactly what liabilities are really outstanding, and that in many, if not in all cases, they simply reserve balances of votes without reference to known liabilities.

202. Does the Audit Department assume to have the right to determine whether or not any such alleged liabilities are properly liabilities within the meaning of the 3rd section of "The Public Revenues Act, 1870"?—When a voucher comes up subsequently as a charge upon the reserve fund, it is our duty to determine whether that was a liability within the meaning of the Act which could be so put on the reserve, and we sometimes find that it is not.

203. Then the Committee is to understand that you admit the right of any department to create a reserve fund in respect of any unexpended balances of vote without question in the first instance?—Yes.

204. But that subsequently your department has a right to question whether that reserve fund was properly created?—No, but whether any particular charge proposed to be put on the reserve fund is a charge capable of being put on it.

205. Who has the discretion to determine what is or is not a liability at the expiration of a financial period?—The Minister solely determines what his liabilities are.

206. Does not that appear to you rather to do away with the control which Parliament sought to establish by the creation of the Audit Department as to the proper expenditure of moneys within any particular financial period?—I have always held that the creation of a reserve fund to a considerable extent does away with the control of Parliament itself. The control of the Controller is merely control which is relegated to him by Parliament.

207. From a reply you gave to one of my questions, I understand that the Audit Department leaves the Minister to determine what is and is not a liability?—At the time when the reserve is made we have no power, but when an amount comes to be paid we are bound to say whether that is a liability within the meaning of the Act, and one that can be charged on the reserve. We sometimes find that it is not. Parliament has indeed found it necessary, in addition to the reserves, to pass a vote every year to include liabilities which are not charged on the reserves. Suppose, for instance, that a charge comes in two or three years old. We have to determine that that cannot be placed on the reserve of the votes of last year, and that it must be charged either on the liabilities vote or to "unauthorized" expenditure. Our duty, when we are asked to charge an account, is to determine whether it is a payment or a charge, within the meaning of the Act, to meet which the reserve was made.

208. Would it not facilitate the action both of the Ministry and the Audit Department if, when a Ministry announced that they propose to create a reserve fund in respect of any particular vote, they were to submit to the Audit their proposals, instead of waiting for expenditure which the Control Department might subsequently refuse to admit was properly in existence at the time?—So far as I am informed (though not officially), in most cases the Treasury have no such statement themselves.

209. Do they always ask that all unexpended balances of votes should be paid to the reserve fund?—I do not know whether in any case they have a list of the liabilities stated by the Minister of the Department to exist.

210. Do you think that action is in accordance with the spirit and the letter of the Public Revenues Act?—I do not think it is. The Treasurer is required to make up the reserve account on the statement of the Minister as to what the liabilities of his department are; but that statement is nothing more than an estimate, and, further than that, I am of opinion that it cannot be. I do not see how it is possible for any department to state exactly and accurately, within the ten days of the financial year within which the reserves have to be made up, what its outstanding liabilities are.

211. My administrative experience does not go to show that there would be any great difficulty in stating what the liabilities are?—I gather my experience from the fact that moneys are sent up to us to be charged on reserves after the reserves are expended, and they are then carried to the liabilities vote, thus showing that the liabilities could not have been known at the commencement of the year.

212. It has not occurred to you, then, to think that the Public Revenues Act might be amended with the object of bringing the Audit and spending department into more immediate connection with a view to a more common understanding as to what reserves could properly be operated upon?—No; the only amendment which suggests itself to me would be to restore the Act of 1867 and revert to the English system, by which all liabilities are charged on the votes of the year in which they are paid. At present Parliament has the estimates, and votes money for the service of the current year. It has at the same time a large amount of what are substantive votes which are not before it at all in the form of estimate, and for which it cannot, therefore, supply ways and means.

213. To a certain extent that operation is performed in the Financial Statement?—In the English Parliament they take actual votes for every liability, that is to say, they include the liability in the votes for which they have to make provision for the current year by ways and means.

214. *Mr. T. Kelly.*] Do you think the public service will suffer by doing away with the present system of passing unexpended votes to the reserve account?—I think it would be of the greatest possible advantage to the public service.

215. And you think it would make the accounts simpler and more intelligible to the public?—Yes; and it would get rid of a very great amount of useless book-keeping.

216. *Sir F. D. Bell.*] In the statement which you handed in when the Committee met, you use the words, "I understood, from the evidence of Mr. Batkin and the questions put by Mr. Speaker, that it was supposed I was asked to admit that the expenditure of 1873-74," &c. Did you assume that the questions which I put to you were with the object of asking you to make that admission?—Certainly; I thought that the whole object of the honorable gentleman's examination was to show that we might have made such a transfer as would have rendered the present Act unnecessary.

217. If, then, the object of my examination was not at all that, but only to ascertain what the real difference in opinion was between yourselves and the Treasury as to the interpretation of the Act of 1871, the object of this statement will fall to the ground?—In that case I certainly should have misunderstood the examination, but the evidence of the Treasury would remain. I understood Mr. Batkin to say that the Act of 1871 was available now.

218. Is it absolutely certain that no payment was made by the Agent-General on account of liabilities for immigration which had been incurred prior to December 31st, 1873, during the first six months of 1874?—I could not answer that question, but it is not in the least likely.

219. Is it impossible?—No, not impossible. I think the whole thing depends on the interpretation of the word "incurred." Some persons might think that certain expenditure had been "incurred," and others might so interpret the meaning of the word "incur" as to be of opinion that the same expenditure made after December 1873, were not charges incurred before that day.

220. Then it is possible that such charges may have been made?—Yes, it is possible.

221. Then, if such a payment had been made at the time which prevented that account of expenditure reaching here before July 31st, the argument contained in the second part of your statement would not be applicable?—No.

222. In the last part of your statement you say there was no evidence whatever to show that Parliament had intended that the appropriation of 1871 should be available during 1874-75. I understand that to be your meaning. Am I right?—Yes.

223. But is not that a matter of opinion?—No; nobody can possibly read the debates on immigration and find the slightest trace of any intimation to Parliament that there was more than £275,000 under discussion.

224. But suppose I read them that way, is not that then a matter of opinion?—Yes; but I do not think the hon. gentleman would be of that opinion.

225. But if I were to be of that opinion?—The tendency of the debate was this: Mr. Vogel moved the immigration vote, and the tendency of his speech on the occasion was to say that it was most likely it would be the duty of the Government to curtail the expenses on immigration for the year, and that the vote of £275,000 would prove to be too much rather than too little. There was nothing said about any outstanding ways and means.

226. Is it the duty of the Commissioners of Audit to interpret the debates that take place in Parliament?—If we had not interpreted the debate which took place in Parliament in the former year, I should have interpreted the Appropriation Act of 1873 as repealing the Act of 1871. It was only by looking at the debates that I found Parliament understood it was not to be so.

227. But is it the duty of the Commissioners of Audit to authoritatively interpret the debates in Parliament?—Certainly not, but when there is a doubt as to the intentions of Parliament having been accurately expressed in the Statute, the Commissioners of Audit would refer to the debates to see whether any light could be thrown on the subject. We did so in this case.

228. Supposing that the members who take part in the debate are of a contrary opinion, is it the duty of the Commissioners of Audit to determine what is meant?—No; our duty is to act according to the intentions of Parliament.

229. Then, if the intentions of Parliament are contrary to what you suppose they are, the whole object of the latter part of your statement would fall to the ground?—The concluding part of my statement is simply an explanation as to the answer which I gave to your last question on the day when I was last examined.

230. *Mr. Pearce.*—At the present moment is there any control whatever over the Agent-General's expenditure?—We have indirect control, which arises from the fact that when we come to charge it in the books it has the effect of diminishing the vote to that extent, and therefore limits the expending power of the Government in the Colony to that extent. It is control subsequent to expenditure, but not before.

231. You have no control at all prior to expenditure?—No.

THURSDAY, 23RD SEPTEMBER, 1875.

Dr. CHARLES KNIGHT, Commissioner of Audit, examined.

232. *Sir F. D. Bell.*] I wish to know whether you have considered the question of providing some control over the English expenditure, and whether you have any suggestion to make to the Committee as to the best way of creating that control?—The control, of course, may be very simply effected if the same rules are adopted in England as are adopted here. For instance, if all issues in England out of the Public Account are made under the authority of the Commissioners of Audit, I suppose then that the control would be as effective as it is here.

233. How would you propose that the Commissioners of Audit should be informed of the proposed issues, and be able to control them at this distance?—I have not thought it over as a regular scheme; but, of course, that could be carried out by Ministers here making a requisition for the amount that would be required in England for the different services, which are not very numerous at home—for instance, Immigration and Public Works, and the general expenses of the Government. The great difficulty in the way would be where permanent provision has not been made in the late period at which the Appropriation Act is carried. The difficulty would be to communicate with the Bank in time to enable them to issue the money. Of course, the large provision that is made in one of the Revenues Acts, by which a credit of £100,000 is given to the Government, affords a great facility to the Treasury in carrying on its operations. I have never thought this matter over as a regular scheme, but it would be easy enough to draw out one for the Committee. Where permanent Acts are concerned there would be no difficulty whatever. For instance, in respect of Public Works service—and the Minister for Public Works would make a demand for the credits he would require in England.

Mr. J. E. Fitz-Gerald.
16th Aug., 1875.

Dr. Knight.
23rd Sept., 1875

Dr. Knight.
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The difficulty would be to be certain that the money issued would be spent on the service for which credits had been granted. Here that is effected by the circumstance that all issues are made on claims that have passed the Audit.

234. Do you think there would be any difficulty in having an officer of the Control Department in England who should be charged with the pre-audit of vouchers, in the same way as the pre-audit exists here before issues?—I have not thought of that. That raises the question whether two Commissioners of Audit are necessary. In the English Government one officer performs all the duties of the Controller and Auditor-General. It has always been my opinion that two officers are not necessary to carry on the business of control and audit of the public accounts. I mean that, supposing there was a large expenditure going on in England for two or three years, it might be necessary possibly to have one of the Commissioners in England instead of here. The question is whether the matter is one of sufficient importance to render it necessary to have one of the Commissioners of Audit in England. I have now merely given you the notions that have passed through my mind.

235. There is a pre-audit by a clerk of your department in England?—Yes. The clerk is quite capable of effecting the necessary control, but I think it is not usual to give such large control to a subordinate officer. That is the only difficulty I can see in the way. The clerk could, of course, see whether the payments were for the service for which the issue had been authorized.

236. Who issues the money in England at present—upon whose cheque is the money paid in England?—It is drawn out of the Public Account, and placed to the credit of the Agent-General as an imprestee.

237. By whom?—By the Loan Agents.

238. Then, would it not be a sufficient method of control, that the Crown Agents should only be authorized to draw money out of the Public Account to be placed at the disposal of the Agent-General as imprestee, after the examination by the Audit clerk of the vouchers in respect of which the payment was supposed to be made?—I doubt whether the Agents would perform work of that sort, because they would be doing the work of the Treasury. That would put the Agents at home exactly in the position of the Colonial Treasurer here, and every voucher that came forward, having been certified by the clerk, would go on then to the Crown Agents, who would have to give an order for the payment of it. That is a position which, I suppose, it is very unusual for an outsider to be placed in.

239. But if the Crown Agents were always to draw the cheques by which money is removed from the Public Account, do you see any objection to such a course?—No, I think the Agents would only object to their own responsibility. They might refuse to issue small sums, because it would occupy a great deal of their time. I can see that it would be very easy that they should make the necessary transfer to the credit of the imprestee. Say that here, in New Zealand, the authority was sent for an issue of money in England, for immigration purposes, to the amount of £20,000, they could make that issue to the imprestee; and then it would be the business of the Audit clerk to see that the vouchers sent to the Bank for payment were for the service for which the issues had been made by the Agents. In that way the Audit clerk would really establish an effective control over the issues of public moneys.

240. Assuming the Crown Agent's Department to be amply sufficient for the purposes of such examination—for the purpose of going through accounts that might require to be gone through, and assuming the Crown Agents to be themselves willing to undertake that duty, would that not practically cure the existing evil, which is, as the Committee understand, that there is no control at all?—There is no control at all. There is an audit of the account when it comes out here, but there would be little advantage gained by the accounts being sent direct to the Commissioners of Audit in New Zealand, because it might easily happen that the accountant at home might delay sending out the account. I may say that the accounts rendered of actual expenditure can only be dealt with for the purposes of audit, not for the purposes of control. I understand that the control is before the issue of public moneys, and that the audit is on the account as rendered, showing the way in which the money has been spent.

241. What I understand you to mean is, that any proposal to have the Foreign Accounts sent direct to the Audit in New Zealand, instead of to the Treasury, would not have the effect of controlling issues before the money was spent?—No, there would be no control.

242. Looking at it broadly, if the Agent-General were to be restricted in making requisitions upon the Crown Agents for the issue of money, except for payments actually to be made, might not the vouchers for those payments be so massed together as to make the labour of the Crown Agents, under the proposal that they should exercise a kind of control, very small?—I do not think it would work at all to employ the Crown Agents in the capacity of treasurers. I think they might continue to do as they do now, that is, to issue the money to the imprestee on his requisition. Then the question would be, that having transferred that money to the credit of the Colonial Agent, how should his issues be controlled, in order that he might not exceed the authority that had been sent to him from the colony.

243. Is not really the difficulty, that the Agent-General has gross sums placed at his disposal, which he can operate upon without restraint?—Yes; but with the Audit clerk there he could not do that, as the Bank would not honor his cheques unless they were countersigned by the Audit clerk. If you give the power to the Audit clerk to control the expenditure, of course the Agent then is limited to the authorities that have been communicated to him and to the Audit clerk; that is, assuming that the Audit clerk has exactly the same authority and powers as the Commissioners of Audit have here. One difficulty that has been urged against such a scheme is that the moneys in the bank—say in the Bank of New Zealand—could not be removed from the Bank except under the authority of the Commissioners of Audit, supposing that the authorities to the Audit clerk in England emanated from the Commissioners of Audit here. For instance, supposing that in times of money difficulties it should be found that the Bank was in an uncertain position, and doubts were entertained as to its solvency, it might be necessary suddenly to remove the account from the Bank. Well, this

can be done at present by a Board of officers, who can, in case of emergency, remove the whole of the funds from the Bank, and place them in security in another bank. Of course, this arrangement would not be interfered with by any scheme by which the issues of public moneys were controlled through the Commissioners of Audit. I mean that the same objection would lie as now, but the difficulty is got over by having the power of removing the money.

244. *The Chairman.*] When was that arrangement made with regard to the withdrawal of funds from the Bank in case of emergency?—My impression is that it was made during the time Sir Julius Vogel was in office as Treasurer.

245. Do you know the persons who have the power so to withdraw the funds?—The Crown Agents and the Colonial Agent, Dr. Featherston. I have never seen the written "power," but I have no doubt that is the case.

246. *Hon. W. Fitzherbert.*] Are there any records of it in the office?—I have never seen any.

247. Would it not be brought under your attention as a Commissioner of Audit?—I do not know. I have only a general notion of it. I have never seen, as far as I remember, any record.

248. Do you and your coadjutor consider yourselves, as Commissioners of Audit, to be at all custodians of the public money, or not?—We are not exactly custodians.

249. Is it part of your duty to see that no harm shall come to it?—Yes. Of course we have to see that the issue of public money is properly made so far, but we can hardly be called custodians.

250. Do I understand that this system was recommended by you as Commissioners?—No, by a Board.

251. Were you one of the Board?—Yes.

252. Then it was recommended by you as one of the Board that this direction should be taken. Is that now left simply as a thing that no one knows anything about, or have the Board been informed officially that their recommendation has been adopted?—I do not think they have been informed officially. I have a general impression that their recommendation has been acted on.

253. If it was within the scope of the duty of the Board to make a recommendation, do you consider that it was within the scope of the duty of the same Board to ascertain whether their recommendation was carried out?—I do not think that was the duty of the Board.

254. *The Chairman.*] Were you aware of the arrangement between the Government and the Bank of New Zealand, by which that Bank does the business of the colony?—I have seen the arrangement, but I do not recollect it exactly.

255. Part of the agreement is that the Bank shall have six months' notice before the agreement is quashed. That would make the arrangement you have spoken of conflict with that portion of the agreement?—Yes; but the Government would be bound to protect itself, and would set aside all agreements, and in a case of importance it could remove the account.

256. Would not that be a very dangerous power to give to any person or persons—to enable them to say, "We consider the Bank is not solvent," and then draw out large sums of money?—It might be.

257. *Hon. W. Fitzherbert.*] Can you furnish the Committee with a copy of the document in which this Board to which you refer made this recommendation?—I believe it could be easily obtained.

258. *Sir F. D. Bell.*] Who composed the Board?—Messrs. FitzGerald, Woodward, Batkin, and myself.

259. And when did they make that recommendation?—I forget how many years ago it was; perhaps three or four. I know that the recommendation was made, and I certainly am under the general impression that it was carried into effect.

260. How was the attention of that Board led to this question? Was there anything particular to lead them to it?—The Board was to report generally on the public accounts, and on the duties of the Controller and Auditor.

261. *Mr. J. Shephard.*] Might not the exercise of such power involve the colony in enormous claims for damages?—It would be like breaking any other agreement I suppose. If the parties could prove damages through the breaking of the agreement they would have a claim for compensation.

262. I suppose that in the recent state of the account, when there was a million to the credit of the Government in the Bank, if that sum had been hastily removed (probably on grounds found to be insufficient when they came to be fully inquired to), it might have had a most serious effect on the position of the Bank?—No doubt, it would be a very grave thing to do, and could only be justified by extraordinary circumstances. You are asking me, I presume, whether I would recommend it.

263. Yes; whether there is not the great objection that the power would be too dangerous to be intrusted to two or three persons?—No doubt it is a very large power to give to two or three men, but even if it were given to twenty men, I do not think the number would affect it. The only question would be, whether there should be any means of defending the Government. But possibly I may be wrong in supposing that the Government acted on the recommendation of the Board.

264. *Mr. Johnston.*] Do you know that one of the terms of the agreement between the Government and the Bank of New Zealand is that all Government balances shall be paid into the Bank, whence they are to be withdrawn for expenditure as required?—Yes.

265. It has been held that this phrase, "withdrawn for expenditure," disables the Government from withdrawing the money for any other purpose?—Yes.

266. So that, in point of fact, the recommendation of the Board that the money should be withdrawn for purposes other than purposes of expenditure, is a recommendation to alter the agreement made with the Bank?—Yes.

267. And inasmuch as no required notice has been given to the Bank of the intention of the Government to alter the terms of the agreement, I fancy from that circumstance that the Report you speak of is not in existence?—Perhaps so.

268. *Hon. W. Fitzherbert.*] Are we to understand that the Board recommended that this great power should be conferred to obviate a possible great disaster?—Yes, and it was only to be exercised in the event of an emergency.

269. *Hon. E. W. Stafford.*] What was the special mode of operation recommended by the Board with reference to the removal of the funds from the Bank?—They recommended, as nearly as I can

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recollect, that a Board of gentlemen in England should be appointed—I think they mentioned the names of the Crown Agents and the Colonial Agent—with powers to remove the money standing to the credit of the Government in the Public Account in London in case of grave suspicions of the solvency of the Bank. The recommendation was made to the Government, and my impression is that it was acted on by the Government, but I am not quite certain about it.

270. Did the recommendation point to any similar course of action in New Zealand?—No.

271. The Board left the discretion in New Zealand with the Ministers?—Yes, entirely. It was foreseen that in a country so far away from here, an extraordinary financial crisis might occur, which would render it necessary for the Government, like any private individual, to remove the whole of its money from the charge of the Bank.

272. The Bank of New Zealand is not a bank doing business in London, except in the matter of exchange, I believe; that is to say, it does not discount bills or circulate notes. In the event of a panic in London, a run on the Bank of New Zealand could only arise in the case of people who had drafts to present?—They discount bills, I suppose.

273. No. Were there any special circumstances at the time that induced you to make the recommendation, or was it made as a matter of general prudence and foresight?—It cropped up in discussions on the means which should be taken to secure the public funds.

274. As a matter of general foresight, having no reference to any special circumstances?—Yes; we were not called upon to report specially.

275. When I used the word “special,” I referred to any special condition affecting the Government account at the time. You did not refer to that?—No.

276. It was merely a matter of general foresight?—Yes.

277. And you never had any reply warranting you in entertaining any certain belief as to how the Government had entertained the recommendation of the Board?—No; I have only the general notion that the recommendation was adopted. I am not certain I am right.

278. Have you read the papers on the Four Million Loan?—Yes, but I have not a distinct recollection of their contents.

279. You have observed the correspondence between Sir Julius Vogel and the Loan Agents?—I have.

280. Part of that correspondence directly referred to the propriety, and inferentially to the power, under the existing agreements, of the Government to remove the balances from the Bank of New Zealand to invest them with other banks?—Yes.

281. Do you not think it almost certain that if the recommendation of the Board to which you have referred had been acted upon by the Government, the Loan Agents at Home must necessarily have been informed of it, because the power was to be exercised by them, I understand?—Yes.

282. And that if they had that power, it certainly would have been referred to in that correspondence?—Yes.

283. And is it not almost the certain inference that if the Loan Agents had been clothed with that power, they would have referred to it in the correspondence, and would perhaps have exercised it?—Yes.

284. As a matter of fact, if those persons were clothed with the power your Board recommended they should have, do you not think it almost certain they would have referred to it in so very critical a correspondence as that, as to the responsibility of parties to direct the lodgment of moneys?—Yes.

285. That is only a matter of opinion?—Yes.

286. In short, you have no knowledge that the Government acted on the recommendation of your Board?—I am not certain.

287. To what Government was the recommendation made?—I do not recollect. It was some years ago.

288. *Hon. W. Fitzherbert.*] Do you consider there is any control now over the London account?—No, there is no control over the issue.

289. Then what is the procedure? Supposing, for instance, that the Agent-General wanted half a million of money?—He applies for moneys to be imprested to him from the Crown Agents, and he gets them.

290. That is all?—Yes.

291. Then he does not send out here by letter or telegram; he passes by the Government of the colony?—Not exactly. He gets authority to incur certain expenses, and on that authority he spends the money.

292. What would be the particular procedure supposing he wanted money to expend on railway purposes?—The authorities are sent Home to incur certain expenses; for instance, take the case of public works. The Minister for Public Works orders certain articles to be procured (railway plant, say, —).

293. What is called in mercantile phrase an “absolute indent”?—Yes; and the articles are procured and paid for by the Agent-General, who gets the account, sees that it has been authorized by the Minister, and issues the money in payment of the authorized expenditure.

294. He does not attend to the questions of price and quality, &c.?—No.

295. Then I understand that the procedure with regard to the London account is this: Orders are sent Home from here showing what is wanted, and authorizing the Agent-General to go into the market and purchase; and when he has done so, I should like to know what he does when he has to make the payments. Does he refer out here again?—No; he is imprested with the money by the Crown Agents. He says, “My balance is low, I shall want more money,” and he gets it.

296. Then I understand that whenever the Agent-General’s funds are low, he goes to the Crown Agents and asks for what he thinks proper?—Yes; so that he may carry out the authorized services.

297. And no questions are asked him?—Not that I know of.

298. Have there been at any time any questions asked by the Treasury or by the Commissioners of Audit?—I have not heard of any.

299. Do you know whether any letter of recommendation has been sent to the Agent-General in respect of exercising so great a power?—Not that I know of.

300. *Hon. E. W. Stafford.*] The money belonging to New Zealand is held then in London by the Bank in the names of the Crown Agents?—When a loan is realized the money is paid by the Loan Agents into the Public Account at the Bank.

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301. Does a remittance from the colony stand to their credit?—No.

302. In what name in the Bank books at Home is the money lodged?—It is called "The Public Account," in London. It may be called "The Government Account;" I do not exactly remember. They are almost convertible terms, I think, with the Bank at Home.

303. Then no one except the Crown Agents can operate on that in the first instance?—No; they alone can do so.

304. And those three persons first draw a cheque, and then place the proceeds to the credit of the Agent-General?—Yes, to his credit as imprestee.

305. And he, being an imprestee in respect of those sums, has virtually to account for the whole of them to the Audit?—Yes.

306. He has absolute power in the first instance of drawing every shilling of the money so lodged with him as imprestee, without any instructions?—Yes, as far as I know.

307. So that, in fact, one of the matters over which there is no control is the action of the Agent-General?—Yes.

308. *Sir F. D. Bell.*] Do you not consider that the Audit was ever charged with any duty to propose some means by which so vast a power should be restricted in its possible action?—The Legislature itself has taken up the question, and determined that accounts should be rendered to the Colonial Treasurer.

309. But would you not have thought it to be part of the functions of the Control Department to propose some means by which so vast a power should not be left without any check in the hands of any men?—It has been talked over on several occasions, and I have understood that if the Control had been made complete, the great difficulty would be the removal of the public moneys from the Bank should doubts of the solvency of that institution render it suddenly necessary to close the account. I do not quite see what relation that question has to the point of controlling the action of the Agent-General.

310. *Sir F. D. Bell* repeated his question.]—As I have said, the matter has often been talked over.

311. *Hon. W. Fitzherbert.*] In the case of advances made generally to officers in the colony, do you or do you not require that they should be accompanied by estimates showing the probable demands to be made on the officers?—It is generally done in this way: Contracts are entered into for works, and copies of the contracts are furnished to the Commissioners of Audit, and then issues are made under contract.

312. With regard to large advances made to the Agent-General at Home no such precautions have been taken?—No.

313. Nor recommended?—No.

314. *Sir F. D. Bell.*] Have the Control Department considered who, in the event of the death of the Agent-General, would be the possessor of that unlimited power over the Public Account?—That would depend upon who was appointed as his successor.

315. Are we to understand that the Control Department has not in any way thought it its duty to suggest any provision in the case of the death of the Agent-General?—No, I do not think that ever came before us.

316. Then who, according to your view, would be the person that would exercise that unlimited power, supposing that Dr. Featherston were to die?—It is the duty of the Executive, I suppose, to look after that.

317. The Committee are to understand that not only is there no control over the issues, but that the Agent-General possesses an unlimited authority to draw money by requisition from the Public Account, to be transferred to his Imprest Account?—Yes.

318. Does the Control Department not even know who it is that would possess that authority in the event of the death of the Agent-General?—No.

319. Do you not think the Control Department should have considered so important a subject as that?—Yes, I think it very desirable they should do it.

320. Do you not consider that the immediate attention of the two Auditors ought to be called to so dangerous a position of the account?—Yes; our attention has never been called to that.

321. Would you, before another meeting of the Public Accounts Committee takes place, consult with your colleague in the Control, with the view of suggesting some course for the consideration of the Committee?—Yes; I certainly think it is desirable that that should be provided for. I do not know, however, that the Government have not made provision.

322. *Hon. E. W. Stafford.*] Your attention has been called to the elements of weakness just adverted to, which have several aspects: first, the existing power of the Agent-General to operate on the account; and, second, what is to take place in case of his death—what power of delegation he should have, or whether there should be none at all; or whether the account is placed in his private names under which his personal heirs would be able to operate. Is the account in the name of the Agent-General or in the name of I. E. Featherston?—It is not in his private name.

323. The Committee has had a statement from you to the effect that your attention, and that of some other officers of the Government, some years ago, was directed to the position of the Bank holding funds for the colony, and just this moment your attention has been called to the position of the Agent-General in respect of the same question of operating on the Government account?—In case of his death, the inconvenience would be to the public.

324. Two elements of possible danger have been adverted to, namely, first, the question of the solvency of any bank or banks which for the time may hold the funds of the Colony; and secondly, the existing power, as far as divulged to the Committee, of the Agent-General to operate without control in drawing these funds. Now, as far as the Crown Agents are concerned, their position appears to be, as nearly as possible analogous to that of the Treasury here?—As the Treasury used to be.

325. There is no supervision over the Crown Agents?—No.

TUESDAY, 28TH SEPTEMBER, 1875.

Dr. Knight.

Sept., 1875.

DR. CHARLES KNIGHT, Commissioner of Audit: Examination continued.

[Witness handed in the following statements, which were read:—]

No. 1.

EXTRACT from Letter received from the Representative of the Commissioners of Audit in London.

"5th August, 1875.

"I DO not know whether anything has been provided to meet the contingency of anything happening to Dr. Featherston, but it might be worth while considering it."

No. 2.

STATEMENT respecting certain Suggestions made by a Board, consisting of Messrs. Batkin, FitzGerald, Knight, and Woodward, in the year 1871.

A BOARD was appointed in the year 1871 to offer such suggestions as might tend to a satisfactory management of the revenue and expenditure of the colony, but it does not appear that any report was ever sent in by the Board.

Several elaborate and at the time valuable minutes were written by Mr. FitzGerald, in which the opinions brought forward by the members were discussed; but as valuable time was being lost in endeavouring to reconcile the different views of the members, and as Parliament was sitting at the time, I embodied my own views in a report to the House, which will be found in the Appendix to the Journals, 1871 (B. No. 1A. Vol. 1).

The views of the several members of the Board were probably conveyed to the Government in conversations with the Colonial Treasurer (Mr. Sewell) on the matters brought under discussion, and, among the rest, the desirability of taking precautions for the immediate removal of the colonial funds from the Bank in London should the solvency of that institution be seriously threatened. On reference to the Parliamentary Papers on "The Negotiation of £4,000,000 Loan," it will be seen that the views of the Board were acted upon, and the Foreign Agents appointed under "The Public Revenues Act, 1872," were empowered under the Governor's Warrant to remove the account at the Bank of New Zealand to some other bank should circumstances at any time render it expedient to adopt that step. It will also be seen that the Foreign Agents were advised by their solicitor to write to the Government calling attention to the arrangements lately made by Sir Julius Vogel in London, and asking for instructions as to whether they are still to undertake the responsibility of removing the account from the Bank in the event of any emergency arising which may render it expedient to act before the Colonial Government can be communicated with.

The power to withdraw the Public Account from the Bank at any time should not be abandoned. Private parties would be surprised, in their case, to find that the magnitude of their transactions was made a reason for restricting them from closing their account whenever they pleased. The Treasury is a valuable customer of the Bank, and the matter in question is narrowed to this: Can the Bank allow the present rate of interest on the daily balance of the Government account if the account can be closed at any time without notice?

No. 3.

SUGGESTIONS in respect to the Audit and Control of Public Moneys in England.

IN reference to the control of the issues of public moneys in England, I was not prepared suddenly, at my first examination, to state further than that an effectual control could be contrived, and that such control need not inconvenience the Public Service.

I have now drawn up a scheme for the consideration of the Committee:—

1. All Government moneys to be paid into the Public Account, at a bank in London, as at present.
2. The Public Account to be operated upon in London by cheques, drawn by the Agent-General, countersigned by an officer of the Audit Department.
3. The officer of the Audit Department to countersign cheques on the Public Account for duly authorized services.
4. The officer of the Audit Department to countersign no cheques in excess of credits granted by the Commissioners of Audit, nor for services other than those for which credits have been granted.
5. Ministers, when authorizing expenditure to be incurred in England, will forward to the Colonial Treasurer an estimate of the expense, accompanied by a requisition for a credit on the Public Account in London for the amount required.
6. The Colonial Treasurer will forward the requisitions in the usual course to the Commissioners of Audit, who will countersign the same, if not objected to, and write off the amount in the books of the Audit Office as an imprest against the vote or other legislative authority.
7. The Colonial Treasurer will forward the requisition to the Agent in London, for his information and guidance; and the Commissioners of Audit will send a letter of advice to the officer of the Audit Department in London.
8. An elasticity to these regulations is given by the provision of the Public Revenues Act of 1872, which authorizes the Commissioners of Audit to issue, upon the requisition of the Colonial Treasurer, in excess of the appropriations of Parliament, to an amount not exceeding £100,000 in any one financial year. Of this credit, the Colonial Treasurer could apportion any convenient amount for the temporary use of the Agent in London, so that the issue of public moneys might not be suddenly stopped from delay in passing the Appropriation Act or other legal authority.
9. Should the credits in England be insufficient, or in excess of the requirements of the Agent, they can be increased or diminished, either by letter or the wire, by requisitions on the Commissioners of Audit.

28th September, 1875.

CHARLES KNIGHT,
Commissioner of Audit.

In accordance with the desire of the Committee, Dr. Knight submitted the proposal No. 3 to Mr. FitzGerald, who proposed the following amendment:—

Dr. Knight.

28th Sept., 1875.

If the system of control in force in the colony is to be extended to England, there will be no departmental difficulty in doing so.

The clauses of the Act of 1872, as regards the Foreign Account, must be repealed, and fresh clauses passed effecting the proposed alteration.

The practical working of the system will be—

1. The moneys will all be paid into "The New Zealand Public Account in London."
2. This will be operated on only by order of the Commissioners of Audit, countersigned by the Treasurer, as in the colony. The order will run, "You are hereby requested to honor the cheques of the Agent-General, countersigned by the officer of the Audit Office, upon the New Zealand Public Account, to the amount in the whole of £....."
3. The cheques of the Agent-General will then be drawn on the Public Account itself, and no second account will be necessary as at present, to which moneys are removed in order to be at the disposal of the Agent-General.
4. The Ministers in the colony will send up vouchers, as for colonial expenditure, scheduled for such sums as they require to be spent in England, directing the sum to be charged to the proper vote as imprests. These will, when passed, be put into requisition in the usual way. And on the requisition being passed by the Commissioners the order will issue, and be sent to the Treasury for transmission to England.
5. The Audit officers will record the requisition in their books in the usual way, charging the several votes accordingly.
6. The cheques of the Paymaster-General are not countersigned by the Auditors in the colony, because the whole sum in the orders on the Bank is exactly covered by accounts included in the requisition for payment. But as the orders on the Bank in London will be for very large sums in bulk, there should be some check against the money being removed, except for the payment of services named in the requisition. For this reason, the cheques should be countersigned by the Audit officer, who should keep an account of the expenditure against each requisition sent Home, a copy of the requisition being sent by the Commissioners to their officer for this purpose.
7. As the whole of these issues must be on imprest, it must be provided that they shall not be included in the limit of imprests in the colony.
8. The only exception will be the interest on the public debt, which is finally charged and should be so issued.

9. Under this stringent system, provision must be carefully made for three things:—

- (1.) That a Board of three, of which two may act, should have power to declare "the bank," to remove the account from one bank to another, and to divide the account between one or more banks. As the clause is at present worded, the powers are not sufficiently defined.
- (2.) That some authority in London shall be vested with power to appoint a Deputy Agent-General, in case of death or incapacity of the Agent-General.
- (3.) A similar authority to appoint an officer of the Audit, in similar death or incapacity.

As the account is to be subject to increased restrictions, careful provision is necessary that deadlock be avoided.

With these provisions, I think the plan, which is substantially the same as that proposed by Dr. Knight, may work. It would constitute as efficient a control over the English as over the Colonial expenditure.

JAMES EDWARD FITZGERALD,
Commissioner of Audit.

29th September, 1875.

326. *Hon. E. W. Stafford.*] The Committee would understand by that minute (No. 3), that it advises the depositing of money in London under a different form or name than that which now subsists. At present, as I understand, the money is deposited by the Loan Agents or Crown Agents, I am not sure which?—All public moneys are paid into the Public Account, no matter from what source they come. It is called "The Public Account in London."

327. The moneys are paid in by the Loan Agents, and can only be drawn out by them, I think?—It is issued on the requisition of our Agent—the Agent-General.

328. But it can only be issued by the Loan Agents; that is to say, the requisition is upon them, not upon the Bank?—Yes, it is upon them.

329. In that minute, do you recommend that in future the Agent-General should alone draw the cheques?—Yes; I do not see the necessity under this arrangement of the Crown Agents having anything to do with it.

[The witness handed in the following statement:—]

No. 4.

In reference to a statement made by Mr. FitzGerald, in his examination before the Committee, that the Commissioners of Audit were not in a position to stop the late over-issue of public moneys for immigration purposes, I think it is proper to state that I do not agree with the view he has taken of the matter.

The Commissioners have ample powers. It is true that they object to incur the expense of commencing a suit in the Supreme Court to compel the delivery of the English accounts; but on the other hand they could have driven the Government into that Court, by refusing to make further issues for immigration. Their plea would be that they believed the votes for immigration had been exceeded, and that the Treasury withheld the English accounts for the sole purpose of preventing the disclosure of the over-issues in England. It would have been for the Supreme Court to determine whether it would issue its *mandamus* without first satisfying itself from the English accounts whether or not further public moneys were legally issuable.

I make this statement because it has been urged that the control of the public moneys is not so satisfactory as was believed.

Dr. Knight.
28th Sept., 1875.

In the case now under consideration, I am however of opinion that, under all the circumstances, it is best that Parliament was not called together for the mere purpose of unloosing moneys locked-up by a departmental oversight—moneys which there can be no reasonable doubt Parliament intended should be spent on immigration.

I was absent from Wellington at the time, but, without going into the private correspondence then carried on between Mr. FitzGerald and myself on the subject, it is sufficient to state that, although not concurring in the mode in which the difficulty was got over, I was satisfied that the moneys required by the Treasury to fulfil its engagements on immigration might be issued without calling Parliament together. Where the issues of public moneys are surrounded by so many safeguards, Parliament must be prepared to extend a fair interpretation to acts of the Commissioners, if, under new and extraordinary circumstances, they are driven, by the exigencies of the Public Service, to give a liberal construction to the Appropriation Acts.

28th September, 1875.

CHARLES KNIGHT,
Commissioner of Audit.

330. *Sir F. D. Bell.*] Are you aware that the opinion you express, that this money was really within the appropriation of Parliament, is entirely at variance with the opinion expressed by Mr. FitzGerald?—I have not stated that it is within the appropriation. I have only put a liberal interpretation upon it. There were three Ministers who distinctly stated that was their impression at the time.

331. What then is the Committee to understand by these expressions: "Moneys locked up by a departmental oversight; moneys which there could be no reasonable doubt should have been spent on immigration." Is the Committee to understand that you consider these moneys had been appropriated?—The impression left on my mind after reading the evidence is, that the Treasury believed the whole balance of votes on Immigration unissued was available. Supposing that to have been the case, I think the Commissioners of Audit should have given way, rather than put the Government to the necessity of calling Parliament together.

332. Is the Committee to understand that, according to your interpretation of the powers placed by Parliament in the hands of the Commissioners, it would have been, under the circumstances, competent for them to issue this money?—Of course occasions may arise when the Commissioners of Audit might give way to avoid the calling of Parliament together; but in doing so they would risk the loss of their office. The whole of the money provided was not spent. I do not say this is not giving at wide interpretation to the Appropriation Acts.

333. Is the Committee to understand that your own opinion is that the issue of this money would not have exceeded the appropriation Parliament intended to place at the disposal of Ministers?—The impression left on my mind is that Parliament did intend to vote the necessary funds for immigration that year, and that it was an oversight on the part of the Government that it was not asked for.

334. *Hon. W. Fitzherbert.*] Suppose the Commissioners were asked to give their authority to pass an expenditure in excess of Parliament's will?—Then, I think, the Commissioners ought not to give it.

335. The whole question hinges upon whether this was merely a departmental oversight?—Yes.

336. And you go on the understanding that it was a departmental oversight?—Yes.

337. *Sir F. D. Bell.*] Is it your own distinct opinion that it was an oversight?—Yes, and not only that, but also the false impression as to what moneys were available.

338. Have you read the evidence given by Mr. Batkin before the Committee?—Yes, some weeks ago; but I have no distinct recollection of it.

339. If Mr. Batkin's evidence had been that this was an oversight, and that the account might have been charged against the appropriations he speaks of, would you have concurred with him?—I think the fact of the Government having come to the House asking for a reserve, that the reserve must be taken as the amount of outstanding liabilities. If they had made no reserve, of course their case would have been stronger; but having asked for an appropriation besides, I think it was a fair indication to Parliament of what they wanted. At the same time I understand that the impression of the Ministers was that the unused appropriations were available.

340. *Hon. W. Fitzherbert.*] Are not, in point of fact, the Commissioners of Audit the servants of Parliament, to see that the will of Parliament is strictly carried out?—Certainly.

341. And the three Ministers you have referred to were to a certain extent interested parties. Was it not necessary that it should be made clear to the Commissioners that such was the will of Parliament, where such a large sum was concerned?—I have referred to the impression on the mind of Ministers as part of the argument that might be used to show there was no necessity for calling Parliament together.

342. Supposing it had been clear to the Commissioners of Audit that the vitality of that Permanent Appropriation Act had ceased, would they have felt themselves justified in releasing money in excess of vote?—No. I consider that legally, giving a strict interpretation to the law, the money was not available, but the mistake into which the Government had fallen was one that they might easily have fallen into.

343. *Mr. Johnston.*] You speak as though you were aware that under the Appropriation Act of 1871 there was a large unused balance which the Government might have used?—Yes.

344. It appears to me, from what the Committee learned from Mr. Batkin, that there is no such large balance. Can you state the amount of the unused balance?—I do not know the exact amount, but I think Mr. Batkin's statement would be correct. There was certainly an unused balance for the previous year. Of course I only wish to lay down my own impression that there are circumstances in which it is better for the Public Service that the money should be issued than that Parliament should be called together. I think it is quite certain that Parliament would have had to be called together if the moneys had not been issued by the Commissioners, because the claims were for vessels coming out, and the freight had to be paid. There would have been a perfect scandal if the moneys had not been forthcoming. Mr. FitzGerald acted in a perfectly legal manner in refusing to issue under certain circumstances. He communicated with me on the subject, and, after the opinion of the Law Officers

of the Crown had been taken, he determined positively not to issue if the credit balance was destroyed. The opinion of the Law Officers was that the moneys were not available.

Dr. Knight.

345. *Sir F. D. Bell.*] Was that opinion taken by the Commissioners or by the Government?—It was taken by the Government and furnished to us.

28th Sept., 1875.

346. *Hon. E. W. Stafford.*] Was it taken at the instance of the Commissioners, or given to you by the Government?—I forget. It was taken after a conversation with Major Atkinson.

Mr. J. E. FitzGerald, Commissioner of Audit, said: I understood Dr. Knight to say that the Commissioners had full legal powers to have refused to make the issue if they had thought proper to do so. I wish to state that my view is this: that having at the time a credit balance with the vote of £138,000, I do not think we had the legal power to refuse to make an issue until that balance was in some way or other destroyed, and that we could not destroy that balance until the accounts that came in to us were charged against it.

Mr. J. E. FitzGerald.

28th Sept., 1875.

APPENDICES—INDEMNITY BILL.

APPENDIX No. 1.

Produced at Meeting of 2nd August, 1875.

CORRESPONDENCE relative to the over-expenditure of Immigration Vote. (*See Appendix to Journals of House of Representatives, B. 6, 1875.*)

APPENDIX No. 2.

To Evidence of C. T. BATKIN, Esq., 4th August, 1875.

MEMORANDUM from the UNDER SECRETARY for IMMIGRATION put in by the SECRETARY to the TREASURY.

Memorandum No.—

Mr. BATKIN,—

Immigration Office, 4th August, 1875.

In reply to your question, "Whether any and what part of the expenditure on immigration brought to account by the Treasury during the year 1874–75 was incurred prior to the 31st December, 1873," I find that Sir Julius Vogel, on 11th October, 1873, directed the shipment of 20,000 souls; of these 8,328 were brought to account in the financial year 1873–74. The cost of introducing the remaining 11,672 souls (equal to 9,805 adults at £20 each) has been £196,100, which has been brought to account in the financial year 1874–75. In other words, the Agent-General's accounts from 1st of April, 1874, up to the last account brought on charge, contain £196,100 of expenditure consequent upon the execution of the above order before 31st December, 1873.

I have, &c.,

C. E. HAUGHTON.

APPENDIX No. 3.

Produced at meeting 31st August, 1875.

MEMORANDUM on the Mode in which the Control and Audit of the Revenue and Expenditure of the Colony is conducted.

I.—OF THE ACCOUNTS KEPT IN THE AUDIT OFFICE.

1. The accounts kept in the Public Account Ledger are of two kinds:—(1.) Ways and Means Accounts. (2.) Appropriation Accounts.

2. A Ways and Means Account consists of the account, on the credit side, of all the cash received to the credit of any fund separately appropriated by Parliament, and the moneys of which may not be used for other than the uses so specified; and on the debit side of the issues to make the payments authorized by the Appropriation Accounts.

3. Thus moneys belonging to the Consolidated Fund or Trust Fund cannot be used for purposes provided for by loan, nor *vice versa*.

4. An Appropriation Account consists of the account, on the credit side, of the sums appropriated by Parliament, by permanent Act or by annual vote; and, on the debit side, of the several payments under such authority.

5. Hence, corresponding to each Ways and Means Account, there are a large number of Appropriation Accounts, and the debit of the former at any moment must equal the aggregate of the debits of the latter.

6. The balance on every account is carried out with each entry to credit or debit; so that the balance against which an issue may be made appears at every moment in the Public Account ledgers.

7. A complete balance sheet is prepared every Wednesday morning, showing the total credit and debit sides of the Public Account Ledger up to the previous Saturday at the close of business; and the aggregate of the balances to credit of all the Ways and Means Accounts is the cash in the Bank in Wellington and in London.

8. A Governor's Warrant Account is also kept, which is credited with the amount of each Warrant issued by the Governor, and debited with the moneys issued under each requisition, both in the colony and in England; so that no moneys can be issued without the Warrant of the Governor.

9. There are, therefore, three separate limits to the issue of all public moneys:—(1.) The limit of cash. (2.) The limit of appropriation. (3.) The limit of the Governor's Warrants.

10. In addition to the above, a Nominal Imprestees' Ledger is kept, in which every Imprestee is charged and discharged with his receipts and payments. This ledger is from time to time balanced with the accounts of "Imprests outstanding," as appearing in the Public Account Ledger.

11. A great variety of Memoranda Accounts are also kept, for the purpose of enabling the officers to audit the accounts.

II.—OF THE AUDIT OF RECEIPTS.

12. Receivers pay all their collections daily into the Public Account at the Bank. Where there is no bank, their moneys are sent by post office order or registered letter to the Bank at Wellington; the latter occurs only where the receipts are very small.

13. They keep a cash book, of which they post a copy every Monday morning to the Treasury, made up to the previous Saturday night, showing their receipts in detail, and their payments into the Bank; supporting the latter by Bank receipts.

14. The Banks send up the week's receipts by the first mail after each Saturday night to the Bank at Wellington. Hence the same mail brings the remittance to the Bank at Wellington, and the accounts of the Receivers to the Treasury. There is a small sum always in suspense weekly of sums in the Bank of which accounts have not arrived, and of accounts of which the money has not arrived. It is usually adjusted the following week.

15. Every Monday morning the Bank at Wellington sends to the Commissioners of Audit a Bank sheet, showing in one total the receipts and the issues on the Public Account for the previous week.

16. The Commissioners send this sheet to the Receiver-General, who distributes the receipts to the several Ways and Means Accounts to which they belong, and, under each such account, carries to the credit of the subordinate vote, or other appropriation account, any sum which properly constitutes a credit thereto (as for example the price of stores bought out of such vote and sold again, or imprests issued out of the vote and repaid). The distributed Bank sheet is sent to the Commissioners on Wednesday morning.

17. On the following Saturday the Receiver-General furnishes the Commissioners with a complete and detailed account of the receipts of the colony for the week ending the previous Saturday, supported by the cash books of the Receivers, and by the Bank receipts and vouchers. This is the Receiver-General's account of the colony for one week.

18. The Receiver-General's weekly account is audited within one week after its receipt, or as soon after as possible. It is shown to coincide with the distributed Bank sheet, which is, in fact, a digest of the detailed weekly account.

19. This completes the audit of the cash receipts of the colony.

20. There remains the audit of each separate Receiver's account, for the purpose of seeing whether the sums received by him are those required to be received by law. This detailed audit is conducted as fast as possible after the audit of the cash is completed. If any Receiver has failed to collect the proper revenue, he is surcharged with the deficit, and ordered to pay it into the Public Account. This he does by bringing the deficiency on charge in his next account.

21. The detailed audit is generally complete, except for outlying stations, within a month after the audit of the cash account. It only falls into arrear when a heavy accumulation of vouchers for payment demands the prior attention of the staff. The system of auditing all accounts before payment imposes the necessity of making other work subordinate to that of facilitating the rapid discharge of claims on the Government.

III.—OF THE AUDIT AND CONTROL OF ISSUES.

22. The claims for payment are put into vouchers by the local officers, and sent to the department to which they belong. Several vouchers are then included in one schedule, by which the Minister authorizes the payment. The schedules, with the vouchers attached, are sent to the Audit Office.

23. Every separate voucher and item therein is calculated and checked; and it is carefully noted whether the proposed expenditure is charged to the right vote or permanent Act.

24. If there is any error in calculation, or if the Commissioners think the wrong vote is charged, the voucher is struck out of the schedule, and the rest of the schedule passed. The voucher is minuted with the objections of the Commissioners, and returned through the Treasury to the department for correction.

25. If the department differs from the opinion of the Commissioners, the matter is settled by consultation with the Treasury. Should the difference not be reconciled, an appeal lies to the Governor in Council, whose decision is final. No such appeal has yet occurred. Any voucher thus returned for correction is included in a subsequent schedule and passed.

26. The schedules and vouchers when passed are stamped with the Audit stamp. The schedules are signed by a Commissioner of Audit, and sent to the Treasury for payment.

27. The Treasury puts so many schedules as it thinks proper into the account of the Paymaster-General for one day, which is a full and detailed account of the whole expenditure of the colony for that day. To this is appended a requisition requiring the Commissioners to issue the money named in the account; and the requisition, account, and all the schedules and vouchers included in it, are then sent to the Commissioners. The Audit clerks check the account to see that nothing is included in it but what has passed audit. The Commissioner then countersigns the requisition, and signs the order on the Bank to honor the cheques of the Paymaster-General on the Public Account to the amount named therein. The order specifies the amount to be drawn upon each of the branches of the Bank in the colony. When countersigned by the Treasurer, the order is sent to the Bank.

28. The Paymaster-General sends a cheque to every person in any part of the colony who is named in the account. These cheques are not payable until countersigned by a "Countersigning Officer," and are therefore safely sent by post. The vouchers are at the same time sent to the Countersigning Officer, who countersigns each cheque presented to him, while, at the same time, he obtains the receipt of the holder of the cheque on the voucher. The vouchers are then returned to the Paymaster-General,

and are bound up and sent to the Audit Office. They are examined periodically, and where any receipt is wanting, or is improperly signed, the Commissioners surcharge the Paymaster-General with the amount. This surcharge is only relieved when the Paymaster-General obtains a proper receipt.

29. The Public Account is debited with the payment specified in the day's account and covering requisition as soon as the Bank order is issued. In the rare case in which any cheque is lost or not used, the account is adjusted accordingly.

IV.—OF IMPRESTS.

30. When direct payments from the Treasury are inconvenient, the issues are made, in the same manner as that above described, to Imprestees. When the purpose for which an imprest is required is known, the imprest is charged against the vote; otherwise it is charged to a General Imprest Account.

31. Imprestees are required to account weekly, showing their expenditure, supported by proper vouchers, up to each Saturday night. When an Imprestee neglects to send in his account, the Commissioners are required to stop his salary. The Treasurer may however extend the accounting period to a month.

32. The Treasury sends up the accounts of the Imprestees, with vouchers and "credit schedules," which are passed by the Audit Office in the same manner as schedules for payment. These are then included in "credit requisitions," which request the Commissioners to credit the accounts and the Imprestees with the sums accounted for, and to charge the appropriations with the expenditure, in the same manner as in the case of final payments.

V.—OF FOREIGN ACCOUNTS.

33. As soon as the accounts of foreign Agents arrive in the Treasury, the vouchers are distributed to the several departments on account of which expenditure has been made, to be put into schedules, and to receive the authority of the several Ministers. These schedules and vouchers are then sent to the Audit Office, and are audited and passed as in the case of payments in the colony, and are sent to the Treasury. They are then detailed into an account exactly similar to the Paymaster-General's daily account, and are sent up to the Audit Office, with a covering credit requisition, requesting the Commissioners to credit and debit the Public Account accordingly.

34. This system is not satisfactory. A considerable time elapses after the month's accounts are received before the vouchers are returned from the departments scheduled for audit; and it is within the power of any department or of the Treasury to delay the charges against the votes by retaining the accounts. In the case of credit requisitions in the colony, the moneys having been issued by the Controllers are already charged against the vote. But moneys issued in England, not having been issued by the Controllers the accounts remain uncharged until the credit requisitions are sent in. It is a matter for consideration how this weak point in the system of control may be rectified.

VI.—OF THE POST OFFICE ACCOUNTS.

35. The public moneys passing through the Post Office are treated differently from all others. The Receivers do not pay their collections into the Public Account, nor are the payments made through the Treasury. Sub-Postmasters account to their Chief Postmasters, of which there is at least one in each province. They pay to the Chief Postmaster all their receipts in excess of a maximum working balance, which they retain in their hands, and they draw upon him for any moneys required in excess of such balance.

36. The Chief Postmasters pay into the Public Account direct, on their own account and on account of all the sub-offices of their district, the commission on money orders and other moneys which are revenue. Upon Money Orders and Savings Banks Accounts, the Chief Postmasters pay to, and draw upon, the Postmaster-General, retaining in their hands a maximum working balance for their district.

The Postmaster-General pays into the Public Trust Fund any excess of the working balance in his hands on Money Order and Savings Bank Account; but, as this is merely a deposit of balances for security and investment, it has no relation to the amount of transactions in the Post Office.

37. As the Post Office transactions do not pass through the Treasury, they are subject to a separate audit.

38. The whole transactions of the Public Trustee are also subject to audit, and full accounts of the receipts and expenditure of the Trust Office are kept in the Audit Office. All cheques upon the Public Trust Office Account in the Bank are countersigned by one of the Commissioners after audit of the account.

39. The accounts of the Government Insurance Commissioner are also subject to audit.

40. The accounts of Railways Office for Traffic constitute a separate branch of the Audit, which is constructed under the authority of the Commissioners in the Head Office of the Railway Department at Wellington.

JAMES EDWARD FITZGERALD.
CHARLES KNIGHT.

