

1877.
NEW ZEALAND.

REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS.

ON THE SUBJECT OF THE PAYMENT OF THE THAMES OVERDRAFT,
TOGETHER WITH THE MINUTES OF PROCEEDINGS, AND EVIDENCE AND APPENDICES.

Report brought up on the 17th day of October, and ordered to be Printed.

MEMBERS OF THE COMMITTEE :—The Hon. Major Atkinson, Mr. Curtis, Mr. Johnston, Mr. Larnach, Mr. Murray-Aynsley, Hon. Mr. Ormond, Mr. Montgomery, the Hon. Mr. Reynolds, the Hon. Mr. Reid, the Hon. Mr. Stafford, Mr. Stevens, Mr. R. G. Wood, Mr. Macfarlane, Sir G. Grey, and Mr. Rees: five to be a quorum.

ORDER OF REFERENCE.

Extract from the Journals of the House of Representatives.

THURSDAY, THE 9TH DAY OF AUGUST, 1877.

Ordered—That the Public Accounts Committee be directed to inquire into and report upon the whole of the circumstances under which the Government paid off the overdraft of the Borough of the Thames.—(*Hon. Major Atkinson.*)

REPORT

ON THE PAYMENT OF THE OVERDRAFT OF THE BOROUGH OF THE THAMES.

THE Public Accounts Committee have the honor to report that they have enquired into the whole of the circumstances under which the Government paid off the overdraft of the Borough of the Thames, and that they have come to the following resolution :—

That the Committee are of opinion that, taking into consideration the exceptional circumstances under which the liability was incurred, the Government were justified in paying the overdraft of the Thames Borough Council and charging the amount as a Provincial Liability.

The Committee also beg to report the whole of the evidence taken in this case.

17th October, 1877.

OSWALD CURTIS,
Chairman.

MINUTES OF PROCEEDINGS.

FRIDAY, 10TH AUGUST, 1877.

The Committee met pursuant to notice.

PRESENT :—	
Hon. Major Atkinson, Mr. Murray-Aynsley, Sir George Grey, Mr. Johnston, Mr. Montgomery,	Mr. Macfarlane, Mr. Rees, Mr. Reader Wood, Hon. Mr. Stafford, Mr. Stevens.
Mr. Curtis in the Chair.	

Order of Reference of 9th day of August read.

Resolved, on the motion of Mr. Rees, That Mr. J. E. Macdonald, Mayor of the Thames, be summoned to Wellington by the earliest available steamer, to give evidence before the Committee relative to the payment by the Government of the overdraft of the Corporation of that Borough and to bring with him all documents connected with the matter.

The Committee then adjourned.

TUESDAY, 21ST AUGUST, 1877.

The Committee met pursuant to notice.

PRESENT :—	
Hon. Major Atkinson, Mr. Murray-Aynsley, Sir George Grey, Mr. Macfarlane, Mr. Montgomery,	Mr. Rees, Hon. Mr. Reynolds, Hon. Mr. Stafford, Mr. Stevens, Mr. Reader Wood.
Mr. Curtis in the Chair.	

Minutes of previous meeting read and confirmed.

Extract from *Hansard* read; page 308, August 9th, 1877.

Mr. J. E. Macdonald examined (*vide* Minutes of Evidence.)

Resolved, on the motion of Mr. Rees, That Mr. Whitaker be requested to attend to give evidence before the Committee at the next meeting.

The Committee then adjourned until Tuesday, the 28th August, at 11 o'clock.

TUESDAY, 28TH AUGUST, 1877.

The Committee met pursuant to notice.

PRESENT :—	
Hon. Major Atkinson, Mr. Murray-Aynsley, Sir George Grey, Mr. Johnston, Mr. Macfarlane,	Mr. Montgomery, Mr. Rees, Mr. Reader Wood, Mr. Stevens.
Mr. Curtis in the Chair.	

Minutes of previous meeting read and confirmed.

The Hon. Mr. Whitaker attended the Committee and was examined (*Vide* Minutes of Evidence.)

The Hon. Major Atkinson, and Mr. Reader Wood, also gave evidence (*Vide* Minutes of Evidence.)

Resolved, on motion of Mr. Montgomery, That Mr. FitzGerald, Commissioner of Audit, be requested to attend the Committee in order to give evidence.

The Committee then adjourned until next day.

WEDNESDAY, 29TH AUGUST, 1877.

The Committee met pursuant to notice.

PRESENT :	
Hon. Major Atkinson, Mr. Murray-Aynsley, Sir George Grey, Mr. Johnston.	Mr. Montgomery, Mr. Rees, Mr. Reader Wood.
Mr. Curtis in the Chair.	

Minutes of previous meeting read and confirmed.

Mr. FitzGerald attended the Committee and was examined.

The Committee then adjourned until Friday, 31st August.

FRIDAY, 31st AUGUST, 1877.

The Committee met pursuant to notice.

PRESENT :

Hon. Major Atkinson,
Mr. Murray-Aynsley,
Sir George Grey,
Mr. Montgomery,
Mr. Rees.

Hon. Mr. Reynolds,
Mr. Stevens,
Hon. Mr. Stafford,
Mr. Reader Wood.

Mr. Curtis in the Chair.

Minutes of previous meeting read and confirmed.

Mr. FitzGerald attended and put in a copy of expenditure under the Auckland Provincial Estimate, approved by the Governor, to 30th June, 1877. (Appendix D.)

Mr. Reader Wood asked Mr. FitzGerald the following questions:—

1. Which of these items were passed by the Auditor as authorised expenditure, and which as unauthorised?—The only payments charged as unauthorised appear to be those to the Thames Borough, and the three Road Boards mentioned in the estimate.
2. To whom was the sum of £933 5s. 10d. on account of the Piako Swamp Road paid?—I could not say without looking at the receipt on the voucher. It was authorised, so far as I recollect, to be paid to the County Fund.

Mr. FitzGerald made the following statement:—I should like to state to the Committee, that in all these payments of provincial liabilities the Commissioners of Audit have been compelled to accept the certificates of the Provincial Auditors; we had no knowledge of the provincial estimates, or to the extent to which they had been operated on; we, therefore, agreed from the first, that in passing payments on provincial liabilities, we must rely mainly on the certificates of the Provincial Auditors, and have done so, except in peculiar circumstances, which we considered called for further consideration.

Resolved, on the motion of Mr. Murray-Aynsley, That the Committee do not enter into consideration of any other questions until they have reported on the "Payment of the Overdraft of the Borough of the Thames."

Resolved, on motion of the Hon. Mr. Reynolds, That the Chairman take steps to have the evidence given by the witnesses before the Committee in connection with the payment of the overdraft of the Borough of the Thames printed, and that the printing be done by a private firm, should the Government Printing Office be fully occupied.

The Committee then adjourned.

TUESDAY, 4TH SEPTEMBER, 1877.

The Committee met pursuant to notice.

PRESENT :

Hon. Major Atkinson,
Sir George Grey,
Mr. Johnston,
Mr. Macfarlane,
Mr. Montgomery,

Hon. Mr. Reynolds,
Hon. Mr. Reid,
Mr. Rees,
Mr. Reader Wood.

Resolved, on motion of Hon. Mr. Reynolds, That Mr. Montgomery do take the chair.

Minutes of previous meeting read and confirmed.

Mr. FitzGerald, Commissioner of Audit, who was in attendance was again examined (*Vide Minutes of Evidence*)

The Hon. the Colonial Treasurer, and Mr. Reader Wood, also gave evidence (*Vide Minutes of Evidence*.)

Report by Commissioners of Audit laid upon the table. (B. 6.—1877.)

Resolved, on motion of Hon. Mr. Reynolds, That the evidence given to-day, and the copies of the papers referred to by Mr. FitzGerald, be printed. (Appendix A.)

Resolved, on motion of Mr. Rees, That the Committee do now adjourn.

TUESDAY, 2ND OCTOBER, 1877.

The Committee met pursuant to notice.

PRESENT :

Hon. Major Atkinson
Sir George Grey,
Mr. Johnston,
Mr. Larnach,
Mr. Murray-Aynsley,

Mr. Montgomery,
Mr. Macfarlane,
Hon. Mr. Reynolds,
Mr. Stevens.

Mr. Curtis in the Chair.

Minutes of previous meeting read and confirmed.

Resolved, on motion of Sir George Grey, That the Colonial Treasurer's evidence be printed in its amended form.

Resolved, on motion of Mr. Montgomery, That the Committee do now adjourn.

TUESDAY, 16TH OCTOBER, 1877.

The Committee met pursuant to notice.

PRESENT :

Hon. Major Atkinson,
Hon. Sir George Grey,
Mr. Johnston,
Mr. Macfarlane,
Mr. Montgomery,
Hon. Mr. Ormond,

Hon. Mr. Reid,
Hon. Mr. Reynolds,
Mr. Rees,
Mr. Stevens,
Mr. Reader Wood.

Mr. Curtis in the chair.

Minutes of previous meeting read and confirmed.

Mr. Reader Wood moved, and the question was proposed, "That the Committee are of opinion that, taking into consideration the exceptional circumstances under which the liability was incurred, the Government were justified in paying the overdraft of the Thames Borough Council, and charging the amount as a provincial liability. The Committee beg to report the whole of the evidence taken in this case."

A debate arose thereupon.

Mr. Montgomery moved, and the question was proposed, That the motion before the Committee be amended by prefixing the following paragraphs :—

"The Colonial Treasurer, in September, 1876, whilst the Parliament was in session, promised the Mayor of the Thames Borough that the Government would recommend the House to pay the overdraft as a provincial liability—the Colonial Treasurer then thinking of bringing the question of provincial liability before the House during the Session. The matter was not brought before the House. On the 29th December, 1876, the officer administering the affairs of the Provincial District of Auckland, Mr. Reader Wood, included this overdraft as a provincial liability at the instance of Mr. Whitaker, who stated that the Government had promised Mr. Macdonald that the overdraft would be paid."

And the amendment being put, the Committee divided, and the names were taken down as follows,—

Ayes, 3.
Mr. Montgomery,
Hon. Mr. Reynolds,
Mr. Rees.

Noes, 6.
Major Atkinson,
Mr. Macfarlane,
Mr. Ormond,
Mr. Reid,
Mr. Stevens,
Mr. Reader Wood.

So it passed in the negative.

And the original motion being put, the Committee divided, and the names were taken down as follows,—

Ayes, 6.
Major Atkinson,
Mr. Johnston,
Mr. Ormond,
Mr. Stevens,
Mr. Reader Wood,
Mr. Reid.

Noes, 3.
Mr. Montgomery,
Hon. Mr. Reynolds,
Mr. Rees.

So it was resolved in the affirmative.

Resolved, on motion of Mr. Reader Wood, That the Chairman be directed to make a Report to the House, embodying the resolution agreed to.

The Committee then adjourned.

MINUTES OF EVIDENCE.

(In the matter of the Thames Borough Overdraft.)

TUESDAY, 21ST AUGUST, 1877.

Mr. J. E. MACDONALD, called and examined.

1. *The Chairman.*] I understand, Mr. Macdonald, that you are Mayor of the Borough of Thames?—*Mr. J. E. Macdonald.*
Yes.
2. And you occupied that position during the year 1876?—Yes.
3. About this time last year I understand that the Borough had an overdraft at its Bankers?—*21st Aug., 1877.*
That is correct.
4. At what Bank did the Council keep their account?—At the Bank of New Zealand—the Grahamstown branch.
5. Can you tell the Committee in round numbers what was the amount of that overdraft?—Some where about £6,000. I can give you the exact amount from a telegram from the Town Clerk, received by me in answer to one I sent asking for the information. [Memo. handed in.]
6. There are two amounts here—namely, £6,282 14s. 7d. and £443 12s. 9d.?—The second item refers to the Waiotahi Highway District, with which I have nothing to do. It is distinct from the Borough. The Town Clerk happens to be Secretary to the Waiotahi Highway Board, and hence was in possession of the additional information afforded.
7. In what way did that overdraft arise—in the ordinary expenditure of the Borough?—The overdraft existed when I became Mayor, and increased while I was Mayor. The expenditure of the Town Council was increased, owing to the burden of the goldfields traffic within the Borough. The whole history of the matter, from the point of view at which I looked at it, was set out in a letter which I addressed to Sir Julius Vogel in the month of June, 1876. The only excuse which the Borough Council had for having so far exceeded their income was their endeavour to facilitate the gold-producing business by maintaining the roads for goldfields traffic; and the expenditure on those roads is given by the Town Clerk as stated in this letter; the amount expended on such roads exceeding the amount of the overdraft.
8. Do I understand you to say that a portion of the expense was for work outside the Borough?—Oh, no; a portion of the goldfields is in the Borough, and nearly all the goldfields roads are on the flat. [Plan of the Thames goldfield produced, and the boundaries of the Borough of Thames explained by witness.]
9. *Hcn. Mr. Stafford.*] Is there much of the land over which the Native title extends?—In the Borough there is a large portion of the land let by the Natives on leases of 21 years, and to a considerable extent the freehold has been acquired by different persons. Other portions remain in the hands of the Natives as lessors.
10. *The Chairman.*] At the time you made application to the Government in the letter just read, was any pressure brought to bear upon you by the Bank for the reduction of this overdraft?—There was no pressure brought to bear personally upon me, or I should not have done it.
11. But upon the Borough?—It was put to me by Mr. Murray, Manager of the Bank of New Zealand at the Thames, in much the same manner as I mentioned at the meeting. There the thing stood. We owed them so much money, and unless something was done in the shape of looking after it, we should not get it at all; and he advised me to go to Wellington and look after it. I came almost in a professional capacity. I did not want to come, for two or three reasons. In the first place, there was the loss of my time; secondly, I did not believe I should be able to do any good; and thirdly, whether I did or not, I knew there would be any amount of kind friends to say that I was taking a holiday at the expense of the burgesses, and all that sort of thing. So far as pressure from the Bank is concerned, I may state that it was mentioned to me by members of the Town Council, who urged me to go, and the arguments used by Mr. Murray, as I have mentioned, were all I had said to me from the Bank in the shape of pressure.
12. Then I understand the ground upon which you made that application to the Government was that a portion of the Borough funds was expended in making or maintaining roads—goldfields roads?—Maintaining them mostly, and making also. I used no arguments other than what are contained in that letter, except to some objections raised by Major Atkinson.
13. Did you receive any answer from Sir Julius Vogel?—None, sir. He went out of office before anything was done.
14. When you did come down, who was in office as Colonial Treasurer?—I do not know, unless Major Atkinson. I saw no one but him.
15. When did you come down?—I think I left Grahamstown on the 13th of August.
16. *Hon. Major Atkinson.*] I did not come in as Colonial Treasurer until the 1st of September. I did not know Major Atkinson by sight until two or three days before I left, when I was introduced to him.
17. *The Chairman.*] From him did you receive a written reply to that letter?—I did not, nor from any one else, except an acknowledgement of its receipt.

Mr. J. E. Macdonald.
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18. Did you receive a verbal answer?—To that letter?

19. Yes.—No, sir.

20. Did you receive a verbal answer as to the payment of the overdraft?—I did.

21. Will you tell the Committee what that answer was?—I received it from Major Atkinson, but I can scarcely remember what the exact words were. In fact, I was told by Mr. Swanson this morning that he heard what took place, and he gave me his recollection of it. I told Major Atkinson the day before that it would be a great convenience to me if I could get away on the following day, and that if he could give me an answer I should be obliged to him. I saw Mr. Swanson this morning, who was telling me what took place. Mr. Swanson was telling me that I asked Major Atkinson, "What is the verdict?" and his reply was, "All right." I do not exactly remember that myself, but Mr. Swanson bore it in mind. That was all that took place between the Government and myself.

22. Do you know these extracts [referring to those read by Mr. Rolleston in the House of Representatives]? Are they portions of a speech you delivered on the Thames?—Yes, I read them this morning?

(Extracts from *Thames Advertiser* of December 28th read.)

23. Are those extracts substantially correct?—I suppose they might be taken as substantially correct of what I said at the meeting, with the exception that a comparison is made between the two Murrays—one in Auckland and the other at Grahamstown.

24. Do you wish to make any explanation or modification of this statement as it appears in the report of the paper?—I have the newspaper here, and I think it is substantially correct as to what I said at that meeting.

25. On re-consideration, do you adhere to all you said at that meeting?—No, I do not indeed.

26. On what particular points? Will you tell the Committee what part of that report you now wish to correct?—Witness [who was reading the report, and referring to that part which mentions a hatless Cabinet Minister] said:—The real circumstances are these: When I left Major Atkinson, I sent to Mr. Whitaker, as I was going away, in order to bid him good-bye. He came out, and I bid him good-bye. I believe he asked me how I got on (in reference to the overdraft), and my answer was that I got on well enough to clear out. He turned round then and followed me to the door of the ante-room leading into the hall, and he asked me if I would take with me a parcel for Mrs. Whitaker. I expressed my willingness to do so, and was turning round when he said "You had better not say anything about this arrangement, and do not let Brodie be telegraphing about it," but whether that had reference to the money or things generally, I do not know. That, however, was really what took place. With one exception, I think this report is correct. For instance, I am made to say here that Mr. Whitaker said, "Oh, Macdonald, I forgot to tell you not to say a word about the money, for if it comes out we shall have every man in the House wanting something of the same sort, and the end of it will be, I be d—d if you get a single shilling." Now, I did not say that at the meeting. What I did say was, as quoting from Mr. Whitaker, "that every one in the House would be wanting something of the sort, and the end of it will be that you will not get a d—d shilling." So far as the "hatless and breathless business" is concerned, that of course is not real. Mr. Whitaker never advanced so far as the red doorway, and when he spoke about Brodie, he was between the ante-room and the red door.

At this stage witness asked for permission to make a statement. Permission being granted,

Witness said: I should like to explain to the Committee how I came to make these wild statements, or how I came to give my description of the interview so vivid a colouring. It was thus. At the expiration of my term of office as Mayor, I had been considerably pressed to allow myself to be put in nomination again, and I did so. It transpired that a gentleman who was opposed to me had engaged one of the theatres for the purpose of addressing a public meeting the night before the election. Of course I had a shrewd suspicion of what that meant, and I engaged the other theatre, went to a member of my committee, told him what had happened, and advised him that the best thing he could do was to advertise me to address the electors on this Monday or Tuesday night—I forget now which it was—so that it would appear that we were not clashing with the other party. This course was adopted, and the other party had no recourse but to arrange their meeting for seven o'clock, mine being at eight o'clock, which would give me the last word. I shrewdly suspected that I was to have a slating all round, and was fully prepared to play the same suit if that was led. I had, of course, persons in attendance at the opposition meeting, who were to come and report if the opposition candidate said anything disparaging of me. In the meantime, what was to keep the meeting going? for of course I could not finish until the other man had concluded, and I had really nothing whatever to say. As a means, therefore, of killing time, I took all the anonymous letters that had been written about me during the previous eight or ten months and answered them. Among those letters was one as to the mystery in relation to my so-called trip to Wellington, and I gave a slightly coloured account of the thing. It must be remembered that I had nearly 1200 people to keep in good humor until the other candidate had finished, and I had to do this by myself. Looking at the entire speech from one end to the other, it was a mere stump oration, and I suppose contained as much fiction as most stump speeches usually do.

27. *Mr. Murray-Aynsley.*] Did Mr. Murray give you to understand that he had been in communication with the Government about this overdraft?—Not in the slightest degree. I was sent down because, from the position which one of our members occupied with regard to the Government, it was thought he would not endeavour to obtain the money from the Government; and as to the other member, it was thought I should be of assistance to him in the matter.

28. You think there was not the slightest question between the Bank and the Government in reference to it?—It would not have mattered to the Bank, because they would have been perfectly safe under any circumstances. It was not the Bank so much, although Mr. Murray (the Manager at Grahamstown), being urged by the Town Council, added his persuasions to induce me to come to Wellington. I have no knowledge of the Bank in the transaction at all, and I had no communication

with the Government except by the letter which has been put in evidence, and what took place between Major Atkinson and myself. I never spoke to any other member of the Government on the subject except Sir Julius Vogel.

Mr. J. E. Macdonald.

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29. *Mr. Montgomery.*] I wish to know, Mr. Macdonald, whether you made any application to Mr. Whitaker before you had that interview with Major Atkinson?—I had.

30. What was the nature of it?—We went down this paper—a minute for the Hon. the Premier, from Mr. Rowe, M.H.R.—and when we came to the second item he said, “That is a money matter, you must see Major Atkinson about that.” I stated that in my speech at the Thames.

31. Will you repeat what took place between you and Mr. Whitaker after you had seen the Premier?—I was going away, and Mr. Whitaker came out to say good-bye to me. He shook hands, and asked me how I had got on; and I answered that I had got on well enough to get back or clear out. That was the effect of the words. I was going away when he turned round and asked me if I would take a small parcel to Mrs. Whitaker. I said I would, and he was going away again, when he stopped and said to me, “You had better not say anything about that, or you will have a lot of people wanting the same thing.” He then turned away again, but afterwards turned round and said, “Do not let Brodie be telegraphing about this.”

32. Did he go out to say this?—You cannot call it following me, because he only half turned round. At the meeting I made Mr. Whitaker say that if I said anything, 50 people would be wanting the same thing, and the end of it would be that we should not get a shilling; but what he did say, as nearly as I can remember, was, that 50 people would be wanting the same thing, and the end of it might be that we should not get a shilling.

33. Did you understand that other people would be finding it out and wanting it too?—Yes.

34. I wish to know what amount of rates are levied during the year in the township in which that overdraft occurred?—I think the proceeds from the rates were over £2,000.

35. You incurred £6,200 of liabilities expended on roads?—That has been gradually accruing since the Borough was formed. The overdraft has been accumulating ever since the Borough was formed. The net rates at my time were £1,900 odd I think, but they were more in earlier years.

36. How long has the overdraft been accruing?—Ever since the Borough was formed. I have been Mayor for two years. Davies was Mayor for two whole years and part of another. In the earlier years the rates were more, but they grew less every year. The net proceeds, speaking from memory, were something like £1,900 last year.

37. How much was that in the £?—One shilling (1s.)

38. And these roads you speak of, where were they in the district?—The line of traffic is between the wharf and the batteries and between the different mines and the batteries. Other roads were not included of course, because they were only supposed to be for general traffic. The figures on the estimates, some £8,000, represent the expenditure on these roads.

39. Has not the Thames Borough been treated exceptionally in this matter on more than one occasion?—It always has been treated exceptionally, inasmuch as everything has been taken out from it and nothing brought in.

40. I mean as regards Bank overdrafts?—We never had but one that I know of.

41. Never before?—I cannot say it had. A sum of £500 was received from the Superintendent of Auckland, but that had nothing to do with the Bank.

42. I believe there was a good deal of distress at the Thames about that time?—Yes. The £500 was given on condition that it should be spent on repairing the roads, and it was to be laid out in breaking stone for that purpose. It was, in a manner of speaking, killing two birds with one stone—the roads were repaired, while at the same time the distress of the poor was relieved, employment being found for them.

43. Was application made to the Superintendent for assistance?—Yes. That grant was in answer to an application.

44. And it gave relief to the district in that way?—Yes.

45. Do you know how the Superintendent got the money for this purpose?—I do not know. All I know is, that when I met him he said he had instructed Mr. M'Laren to pay it over.

46. Do not you know that an arrangement was made with the General Government that £4,000 should be placed in his hands for the relief of the distressed, and that you got part of that amount?—No.

47. *Mr. Rees.*] I believe, Mr. Macdonald, you are solicitor for the Bank of New Zealand. Supposing the Bank had sued the Corporation for this money, would you have acted for the Bank?—I should have to choose the side that paid me best; that is what I have had to do before to-day.

48. You say that the Bank was sure of its money?—Yes.

49. How?—By taking the rates, in which way they could have been pretty well paid by this time.

50. Take the rates for payment of the overdraft?—Yes, and the town would have to go without.

51. Mr. Whitaker is solicitor for the Bank of New Zealand, is he not?—All my communications have been with Mr. Buddle.

52. Do you know if Mr. Thomas Russell has any connection with the Bank of New Zealand?—I do not know.

53. Do you know whether he is a director?—I do not know. I know that he was a director.

54. Do you know if Mr. Buddle had anything to do with the Bank of New Zealand?—I do not know really.

55. Supposing the Bank had taken action at law to recover its money, it would have to levy rates, and leave the town nothing?—Yes; but I may mention that we have had more this year, having had the publicans' license fees and goldfields revenue. The debt would have been about paid by this time.

56. By-the-bye, you stated that you did not recognise Major Atkinson. Have you seen Mr. Whitaker since you have been down here?—Yes, I went straight to him. I was under the impression that it was he who sent for me in this matter.

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57. Did you have any conversation with him about this matter?—I did.
58. You went to Mr. Murray too, I understand. Can you remember what he said?—I saw him several times. The fact was that Murray and the Councillors and others were talking about it for a month. I did not want to go.
59. Did Mr. Murray hold out any hope that the Government would make any arrangement?—He did not indeed.
60. Did he express any opinion about it?—No. He said to me, "Go, and do what you can; I cannot tell you what to do." That was in relation to something I had said about not being up to this business, because I was perfectly ignorant how the thing was to be done.
61. What did you say to Major Atkinson in reference to the right of the Borough to get this money from the Government?—I commenced by saying that, as Mayor of the Thames, I should not be such a fool as to come here simply to tell you that the Borough of the Thames has been extravagant, and we want you to "pay the piper." I will explain to you, as briefly as I can, the grounds upon which the request is made, and then I showed him that letter which has been laid before the Committee.
62. That is the one which was sent to Sir Julius Vogel?—Yes. We went through that, and Major Atkinson thought once he had cornered me, but I managed to corner him on a particular point. He could not understand how we should be so much more largely indebted than the Highway districts; but I pointed out that they had very much less goldfields traffic, and the extent of indebtedness was in proportion to the amount of goldfield traffic.
63. Is the Waiotahi Highway District overdraft paid as well?—Oh, yes; at least I believe so, but I do not know officially.
64. But you know personally that the Thames Borough overdraft is paid?—Yes; it was about two months ago. It may be more than that, but I know it was a long time after the December communication, with reference to which I may state that I desired to get something in writing to show that the promise had been made.
65. Do you know the exact amount of the money which was paid?—Precisely what is mentioned in the memo., I believe.
66. I understand you to say that the only errors in your statement at the Thames as regards the interview with Mr. Whitaker arose from colouring the facts slightly. Substantially what you have been reported as having said here is correct?—Yes.
67. Mr. Whitaker asked you not to say a word about the money, lest others should want the same, and then you would get none?—I do not know whether he said that exactly. I did not pay close attention to what he did say.
68. *Mr. Montgomery.*] I understand the newspaper report makes Mr. Macdonald represent Mr. Whitaker as saying that if the circumstance became known the Borough would not get a shilling?—That was the impression conveyed to my mind—that I had better say nothing about it, because if I did, and it became generally known, the end of it might be that we should get nothing at all.
69. *Mr. Stevens.*] Did you understand that the reason of this money being granted to cover the overdraft was the fact that the expenditure which the Corporation had been put to was so largely in the nature of maintaining roads to the goldfields?—Solely on that ground.
70. *Hon. Mr. Reynolds.*] I think you stated there were two Murrays in connection with the Bank of New Zealand?—Yes. T. L. Murray is the agent at Grahamstown; the other's name is John.
71. It was to Mr. Murray at Grahamstown you spoke, I understand?—Mr. Murray at Grahamstown sent for me about the overdraft, saying he could not allow it to go any further, but if I liked to go and see the Inspector in Auckland I might. I did so, and the accommodation was extended. That's the only communication I had with Mr. John Murray on the subject, and that was long before any mention was made of going to Wellington. The confusion may have arisen out of that speech of mine at the Thames.
72. You drew out this memo.?—I did.
73. And it was presented by Mr. Rowe?—I have no doubt it was. I gave him a copy.

TUESDAY, 28TH AUGUST, 1877.

HON. F. WHITAKER examined.

Hon. F. Whitaker.
28th Aug., 1877.

74. *The Chairman.*] It is within your knowledge, Mr. Whitaker, I believe, that a certain overdraft incurred by the Borough of the Thames at the Bank of New Zealand was paid off by the colony?—Yes.
75. About £6,000?—Yes; I believe it was about that.
76. Was that sum paid by the authority of the Cabinet?—I believe it was. Yes.
77. Will you be good enough to inform the Committee by what authority of law the payment was made?—The payment was made as a Provincial liability under the authority of the Provincial Appropriations Extension Act and the Financial Arrangements Act, as I understood it.
78. Mr. Macdonald, the Mayor of the Thames, came down to Wellington on the subject during the session of 1876?—He did.
79. Did he have an interview with you on the subject before the matter came under the consideration of the Cabinet?—I cannot say that, because he was here before I went into office. The matter had been mooted with Sir Julius Vogel. At the interview he had with me he had a list of things he wanted, amongst others some legal matters he wanted attended to. He shewed me this list, and I went into the matter with him. We came to the question of this overdraft. I said I knew nothing about it. It was a matter for the Treasurer; if he wanted to talk to anybody about it, he must talk to the Treasurer. I asked him whether he had had any conversation about it whatever, and he said he had seen Sir Julius Vogel. I said very well; he had better go on with it to the Treasurer; I had nothing to do with it.
80. Did you have any conversation with Mr. Macdonald after the matter had been decided by the

Cabinet?—I had no conversation with him about it until just before he was going away. I saw him about two or three other matters, but had no conversation with him about the overdraft until he was going away. Previous to that I had asked him to take a parcel for me to Mrs. Whitaker. On the day he left he had a conversation with Major Atkinson in the next room to which I was, but I was not present. As he was about going away, the door of the room in which I was, was opened, and I was told Macdonald wanted to speak to me. I went out to him. He said he was going that morning, I think, at twelve. I asked him if he would take the parcel to Mrs. Whitaker, and he said he would. Do you wish me to state what occurred? It was of so little consequence that it did not make much impression on my mind at the time.

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81. *The Chairman.*] If you will be so good?—I will give you an account of the interview so far as I can recollect, but it made very little impression on my mind, as it was mere casual conversation. He said he would take this parcel, shook hands with me, and was going to the door. I said, "By-the-by, how did you get on with Major Atkinson?" He intimated that "it was all right." I said, "You are a lucky fellow: you had better not say anything about it, or else we are sure to have fifty other people wanting the same thing." There was something said about Mr. Brodie going away too. Just as he was leaving me I said, "Tell Brodie not to be telegraphing and making a fool of himself." This had no particular reference to the overdraft, but was general, as I had seen in the newspapers some telegrams which I thought were from Mr. Brodie, in which he rather magnified the importance of his services here. That, so far as I can recollect, was the whole of what took place.

82. Will you be good enough, Mr. Whitaker, to point out—Mr. Macdonald had shown me before that a paper in which he set out a number of things he wanted done. I do not recollect what they were. He did not give me the paper.

83. Will you be good enough to point out the clause in the Financial Arrangements Act under which that payment was made?—So far as I know, the payment was made under clause 19. If I recollect rightly, in the paper Mr. Macdonald showed me he had set out the grounds upon which he made his claim for payment of the overdraft. I did not go into that matter at all with him at any time, and beyond the two conversations I have mentioned I had no other conversations with him in which that subject was mentioned.

84. Can you state whether the payment of that overdraft had been authorised by the Governor under either of the Acts mentioned?—I was in Auckland. If it was authorised, it was authorised here. On all these matters I presume the Treasurer could give you more information than I can. I had nothing to do with it at all.

85. *Mr. Montgomery.*] I wish to ask Mr. Whitaker if he was solicitor to the Bank of New Zealand at that time?—Yes, I was.

86. Since?—Yes.

87. And now?—Yes, I am. The Bank's legal business is done in our office, but I advise personally when it is required.

88. You are their adviser?—Yes, their legal adviser. The details of their business I know very little about. I am not consulted unless some question arises in which my opinion is required; otherwise I know nothing about it.

89. *Mr. Rees.*] Do you know, Mr. Whitaker, of your own knowledge whether this money was paid under any one of the heads under section 19?—I could not tell you. It was paid here, but, as I understood, it was paid under the authority given by clause 19 of the Financial Arrangements Act.

90. Did you have any conversation with Mr. Macdonald about it?—I have already told the Committee the whole conversation I had with him from beginning to end.

91. Did you have any conversation with the Treasurer about it?—I do not recollect that I had. It was the subject of discussion once or twice in the Cabinet, but I took no part in it.

92. Then any course upon which the Treasurer proceeded in the payment of the money must have been in direct communication with Mr. Macdonald himself?—He had made out a statement of the grounds of his claim on a paper, which he showed me. I did not discuss the matter with him; but at the commencement I said I had had nothing to do with it, and as he had begun with Sir Julius Vogel as Treasurer he had better finish it with the Treasurer, Major Atkinson.

93. Did you have any conversation about the Waiotahi overdraft?—I cannot say that I had. I do not recollect that I had. The conversations were very casual conversations, and I do not recollect if there were any conversations about Waiotahi. Mr. Macdonald was not interested in Waiotahi at all. He was Mayor of the Borough, and he was not acting for the Waiotahi Road Board at all, as I understood.

94. Do you know how it was that the Waiotahi overdraft came to be paid off?—I do not. I suppose it was paid off in the same way as the other.

95. Do you suppose that to be the case?—I think so. Of course I am not acquainted with the details. It was the Treasurer's business, and unless some question of law arises and is referred to me, I do not interfere. All the details of the Treasurer's business are carried on in the Treasury itself, and I neither see nor hear of them.

96. Do you know the Waiotahi district on the Thames?—I do.

97. Do you know this road upon which the money had been spent?—I do not. I know all the roads in Waiotahi, but upon which specifically they spent the money I do not know.

98. Do you know whether they have more than one metalled road leading up to any battery?—I do not recollect that they have, but there is one up the Waiotahi Creek.

99. Do you know the name of the battery that runs to?—The battery is—Well, I forget the name of it. There were two batteries there—one belonging to Mr. Weston, and another one called the Shamrock, I think.

100. Did that belong to any Company?—It belonged to a Company.

101. Do you know who the principal shareholders in the Company were?—I was one. There were several shareholders.

Hon. P. Whitaker. 102. Mr. Russell?—Yes. There were a number of shareholders. They are all registered shareholders. You can have a list of them. I was one of the principal shareholders, I think—probably the largest; but I am not sure whether I was the largest.

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103. That was the road upon which the Waiotahi people had spent their money. That is the only main road?—I do not know what the boundary of the district is, but that is the principal road no doubt.

104. It was for this that the money was got that was to recoup the money they had already spent, and incurred an overdraft at the Bank?—That was as I understood it, but I did not go into the thing at all.

105. Did you advise, may I ask—I do not know whether it is a question I have a right to ask?—If you ask it, I will tell you at once.

106. Did you advise as to the legal power?—As I understand, all opinions given to the Government by the Attorney-General are confidential. I did not advise. I answer that question because I am personally concerned as a shareholder in the Company; but as a rule I should decline to answer such questions, because opinions are always considered confidential, and not to be made public.

107. Then, if there was any communication in relation to the Waiotahi Board on the part of Mr. Macdonald or anybody else, it must have been with the Treasurer himself?—It must have been with the Treasurer himself.

108. *Sir George Grey.*] I should like to ask whether Mr. Brodie was the agent or manager of that Company?—He had charge of the battery. When you ask if he was manager, I may explain that the battery had ceased to work long before the work on which the money had been spent was done, and the place was locked up and not used. He was simply looking after it.

109. He was paid for looking after it?—Yes, he was paid for looking after it.

The Hon. the COLONIAL TREASURER examined.

110. *The Chairman.*] I presume you have no objection to give evidence?—Not the slightest.

111. You were aware of the circumstances under which the Thames Borough overdraft was paid off, as Colonial Treasurer?—Yes.

112. It was upon the decision of the Cabinet?—Yes.

113. Can you point to the legal authority under which that payment was made?—Under the Financial Arrangements Act, section 19, and the Provincial Appropriations Extension Act. The one Act covered the other. It was provided for under one Act, and paid under the other.

114. Had that particular expenditure been authorized by the Governor under "The Abolition of Provinces Act, 1875," or was it the Financial Appropriations Act?—Yes; I think it had. I think "The Financial Appropriations Act, 1875," provides that any such payment can be made, provided the estimated revenue exceeds the expenditure of the particular province.

115. Suppose the revenue in any particular province exceeds the estimated expenditure, then that excess may be expended upon such works in the province as may be agreed upon between the Government and the province?—Yes.

116. Had this particular payment been so agreed upon?—Yes. The legal definition of the revenue of a province under the Act is anything the Superintendent may estimate and the Governor approve. There is no such thing as actual revenue as distinguished from estimated. The Governor's approval makes it actual revenue for the purposes of the Act.

117. *Mr. Rees.*] Under which section?—Section 4. (Read the clause.) That hinges upon the former clause.

118. *The Chairman.*] Do you consider this payment came under the head of "Grants to Road Boards" or other local bodies?—No; under the head "Other Services."

119. But it was not paid upon the joint agreement of the Governor and the Superintendent?—Yes; upon the recommendation of the Executive Officer, approved by His Excellency the Governor before the 31st December.

120. *Mr. Rees.*] Did I understand you to say it was upon the joint recommendation of the Superintendent and Governor?—Well, it was not the Superintendent, because the Superintendent was not then acting. Mr. Wood was then Executive Officer, and it was upon his recommendation.

121. *The Chairman.*] But it was after the Abolition Act came into force?—It was under the Act of 1876. It was not made until after the House rose, or else it would not have been made under the Financial Arrangements Act, but under the Provincial Appropriations Act.

122. Oh, then, the promise to pay this overdraft had been made before the House rose?—Yes; the promise was made. A deputation waited upon me, and the matter was subsequently brought before the Cabinet, and upon the approval of the Cabinet, a promise was made, by me, to recommend the House to pay this overdraft off as a provincial liability. I then thought that the question of provincial liability would be brought before the House that session; but upon consideration it was found impossible. We had no time or information to consider these matters then.

123. Before the promise was made, the payment of that money had been recommended, not by the Superintendent, but by the person authorized to make such recommendation?—The promise made to the deputation in September was that the Government would recommend the House to pay the overdraft as provincial liabilities.

124. Then the recommendation of the Executive Officer was given afterwards?—Yes. It is perhaps right, as Mr. Whitaker has been questioned, to say that he never had any conversation with me to induce me to make this payment. My recommendation was based upon the representations of Mr. Rowe and Mr. Macdonald. Mr. Whitaker never recommended the Cabinet anything whatever.

125. *Mr. Montgomery.*] When was the recommendation made to the Government by the officer administering the Government?—It was made in December, when the whole thing was wound up;—everything outstanding was wound up.

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126. Did the recommendation proceed from him voluntarily, or was it a request from the Government that he should make it?—Mr. Whitaker was acting for the Government at the time, and what took place between Mr. Whitaker and Mr. Wood I cannot say. I think Mr. Whitaker had recommended it, because we had agreed to include it as a provincial liability. We were clearly responsible so far as he had undertaken to recommend.

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127. Would the recommendation come from the Government?—From the Provincial Executive Officer. It was recommended by him, and we were satisfied that it was right, the Government having promised to recommend it to the House.

128. But it could not be paid unless the Governor approved?—It could not be paid under "The Financial Arrangements Act."

129. Did it come voluntarily from the Executive Officer, or was he moved thereto by the Government?—I should think he was moved thereto by the Government, because we had undertaken to recommend it as a provincial liability, but Mr. Wood would be appealed to to show why he recommended it.

Sir George Grey.] You had interviews with Mr. Rowe?—Well, I am not quite certain whether I had by himself, but I think he was one of a deputation. I think I saw Mr. Brodie and Mr. Macdonald at another time.

131. But the Waiotahi claim is totally distinct from that of the borough?—Yes; but they were all represented at the deputation.

132. Were you aware that Mr. Brodie was agent for the Shamrock claim?—He represented, I believe, several Road Boards. I think he was sent down by them.

133. Well, then, when you made this promise the expenditure had been incurred?—Yes; it was an overdraft.

134. Then it could not be said subsequently that it was approved by the Governor before it was incurred, as I understand the meaning of the Act?—I do not understand it that way.

135. It could not be said it was approved by the Governor before it was incurred?—No; the expenditure was incurred before the approval.

136. *Mr. Rees.*] How is it you did not make inquiries as to whether the money had to be paid, but took the *ex parte* statement of the men?—Well, I hardly know how to answer that. I was satisfied by the representations of the deputation that they made out a reasonable case, and upon that I agreed to submit it to the House for consideration. Subsequently it was recommended by the Provincial Executive Officer as a provincial liability, and I recommended it for the Governor's approval.

137. But did not you know that the Provincial Officer had been moved to include it by Mr. Whitaker?—I had no doubt about it; but I relied a great deal on Mr. Wood's judgment in these cases. I knew he was intimately acquainted with the Province, and that he would not make any recommendation he did not think right and just.

138. But you had already promised?—Yes; but we should have followed that up with a recommendation to the House, and the House would have made any inquiries it thought necessary.

139. May I ask on what were the grounds that the Waiotahi Road Board urged to have the money paid?—Well, the general ground was that they had been put to a very great deal of expense on account of the gold traffic. I am speaking now from memory of a conversation which took place a year ago and during a very stormy session; the general ground was that the province had not been in a position to assist the out-districts through being in pecuniary difficulties for so many years. The cases brought under the notice of the Government were exceptional, as the Thames Borough had to maintain roads in a gold field with very little assistance, and in doing this got into debt. That was the substance of what was advanced. It seemed to me a reasonable claim.

140. If you had learned by inquiry that the Waiotahi overdraft was incurred in order to make a road to a battery, the principal owners of which were Messrs. Whitaker and Russell, would you then have assisted?—I can hardly answer that. If you mean a road made for the benefit of private individuals, I should say "No."

141. But I simply asked the question in connection with the one I asked before as to making inquiries from other people?—I simply accepted the facts.

142. Then if you had heard the evidence given by Mr. Whitaker to-day, that one of the batteries was owned by Mr. Weston, and that of the other Mr. Whitaker himself was the principal owner, would you then have granted the money?—I might, or I might not. I should not have considered the question in relation to some of the principal shareholders, but whether it was a public benefit; undoubtedly, if the Government were asked to make a road in which some of their members were largely interested, we should look into the matter with very great care before granting anything.

143. As to whether you would pay the overdraft?—Yes.

144. You could have satisfied yourself by reference to the provincial authorities as to whether the statement made by Mr. Macdonald was a correct statement?—Yes, I should think so.

145. Then, may I ask, Major Atkinson, why you did not do so?—Why you did not make any effort to find out the facts?—It seemed to me from the character of the deputation that their representations were reasonable and true. No charges were made against anybody. There was the fact that the province was in difficulties; that an enormous extent of traffic had been carried on, and was being carried on; and that in order to provide for this part of the province it was necessary to incur this overdraft, and therefore we thought it was reasonable to pay it.

Mr. Stevens.] I understood you to say that the state of the law was such that by agreement between the Superintendent and the Governor certain money could be declared revenue; is that so?—Not certain money.

147. Well, what?—The Superintendent could estimate his revenue at what he liked, and, if the Governor approved of the estimate, that became the revenue for the purposes of the Act. If the Government thought it was an undue estimate, they made further inquiry. For instance, the Superin-

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tendent of Otago estimates the revenue of that province at, I think, some £400,000, and we had some correspondence with him before we arrived at an agreement on the subject. That estimate would be the basis for all future transactions; and, of course, upon that all the works would be authorized. The appropriations followed that course. For instance, if a Superintendent estimated his revenue at £200,000, and then estimated his departmental expenditure at £100,000, he would then propose to expend the other £100,000 upon public works; the Governor could sanction that, and upon that they became provincial liabilities.

148. *Hon. Mr. Reynolds.*] You did not agree with Mr. Macdonald and Mr. Brodie to pay this liability; you merely agreed to lay it before Parliament?—Yes; to give a recommendation that it should be paid.

149. You had not to pay and then look forward to Parliament for permission?—My only undertaking was to recommend to Parliament that it should be a provincial liability.

150. If Mr. Wood as Provincial Executive Officer had not recommended this, you would not have paid it?—No, we should not have paid it. That was the only way it could be paid, except as unauthorized expenditure, and we should not have considered ourselves justified in paying under that head.

151. *Mr. Johnston.*] I should like to ask whether the provincial liabilities of £250,000 odd were sanctioned owing to over-estimates of provincial revenue?—No; not so far as I know. With the Otago revenue we had considerable difficulty, as the Superintendent wanted that estimated at a very large amount.

152. Were the Thames Borough works paid for out of this estimated revenue, or did the General Government pay? Was the provincial revenue forthcoming?—No; it was not. Not even the amount that was sanctioned finally.

153. *Mr. Rees.*] Mr. Chairman, would you kindly ask Major Atkinson under what authority of law that money was paid?—Under the 19th section.

154. Alone?—No; in connection with the other section, the 4th section of the Provincial Appropriations Acts Extension.

155. Did you take any advice as to whether that would cover the payment of the overdraft?—I acted under advice when there was any legal doubt. Of course, there are many questions relating to the winding up of the provinces that are just on the border, and I am doubtful whether strictly they come within the law. In cases where I have been in doubt, I have called the provincial liabilities unauthorized, and I shall ask a vote of the House for them. They have been put in that form to give the House power to approve or condemn, as it may think right.

156. *Sir George Grey.*] Whether the Government wrote to Mr. Reader Wood or not, would they have submitted the matter to him?—No; I should think not. I have no recollection of doing so, but of course Mr. Wood will be able to answer as to the matter of fact. My communication was with Mr. Whitaker, and he saw Mr. Wood on the subject.

157. Could you furnish the Committee with a copy of the legal opinion under which this arrangement was made?—No; I do not think I could. I do not know that there was any written legal opinion upon it.

158. Was there a verbal one?—I could not give a direct answer upon the point. I could not say positively "aye" or "no." My custom was whenever any difficulty arose, if the Government were satisfied the payment was legal, to pass it through in the ordinary course, and then it would rest with the Auditors to stop the payment if not within the law. If the Auditors were satisfied, the payments would be made. If any question arose between the Audit and the Treasury, it would go to the Crown Law Officers for an opinion upon the point.

159. Then in this case there was no objection?—I have no recollection of any question arising directly upon this matter. A question did arise as to whether it was legal to include in the revenue of Auckland the Treasury bills which the House had voted. I speak from memory, but I think the Law Officers decided that it was legal.

160. But no question arose upon the payment of this sum?—So far as I know no question arose. I have no recollection of any dispute, and I think none occurred. I think I should be certain to recollect it if there had been any.

Mr. READER WOOD, M.H.R., examined.

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161. *The Chairman.*] I presume the question which the Committee wish to ask is, whether or not you recommended the payment of the overdraft of the Thames to the Government; and if so, whether you committed it to writing, or made it verbally?—I did, in writing.

162. Why did you do so?—Because Mr. Whitaker told me a promise had been made that it should be paid, and asked me specially to include it in the provincial liabilities.

163. Then it was solely in consequence of that?—I knew nothing whatever about the overdraft, or the promise to pay it. I undertook, at the request of the Government, to wind up the business of the Province of Auckland during the two months that elapsed between the time of the Abolition Act coming into operation and the close of the year. There is a clause in the Financial Arrangements Act which absolves any provincial officer in undertaking any office of that kind for that period from disqualification. It was considered by the Legislature that it would be advisable and proper for an officer who was acquainted with the business of the province, to wind up the departments, and as there was a great deal of business outstanding in connection with the new hospital building, and other matters of that kind, with the details of which I was cognisant, it seemed to me when the Government asked me to undertake this business, it was my duty to do so; and I did so. It thus became part of my business to prepare a schedule of provincial liabilities, and I did so. Some of these were in connection with supplying furniture for the hospital, completing the building, and so on. These I submitted to Mr. Whitaker. He said the Government had promised to Mr. Macdonald that the overdraft of the Thames should be paid off; that is, their overdraft on the 1st September. It was not an overdraft to the end of the year, but the overdraft outstanding on the 1st September. He said that the Government had made a promise that it should be

paid off, and that it should be entered as one of the provincial liabilities, and consequently, I so entered it. There was no amount put down, because it was not known. It was late in the year when this conversation occurred. The last day of the year was a Sunday, and everything had to be sent in by Saturday. It was Friday afternoon, I think, the 29th, Sunday being the 31st. It was on the Friday afternoon that this was settled, and there was not time to ascertain the exact amount of the overdraft; and the words entered in the schedule of provincial liabilities were, "Thames Borough overdraft with the Bank of New Zealand on September 1." I saw no objection to it, as the Government had made the promise, and I therefore entered it in the list of liabilities and signed it.

164. *Mr. Montgomery.*] It was not a recommendation given by you from your knowledge of the circumstances?—It was a recommendation given by me in the way I have described, but if I thought it was wrong, I should not have done it. Supposing Mr. Whitaker had said that the overdraft of AB, a private individual, at the bank, was promised to be paid, I should certainly not have recommended that. But I knew this overdraft was incurred under peculiar circumstances. During the previous year there had been a great deal of distress in the Thames, and it was difficult for the Provincial Government to provide money to give employment to relieve the distress. Sir George Grey was Superintendent at the time, and he did everything that lay in his power to get the Government to make an advance for the purpose of providing employment. We succeeded in getting two sums of £4,000 and £1,000; and the sum of £500 was appropriated for the assistance of the Thames Borough. It appeared to me that in approving of this overdraft, I was assisting to carry out the very policy that the General Government and Provincial Government, during the previous year, had both of them approved of; and otherwise, I should have made no objection if the General Government had promised to pay the Thames overdraft, or the overdraft of any public body in the Province of Auckland for any public purpose, because my opinion has been, and is, that the financial arrangements of the colony pressed so hardly upon Auckland, that I would do anything I could to relieve this pressure. I saw the large Customs revenue of Auckland appropriated to the colony generally; and I saw the large Land revenue of the South localised for local purposes; I thought this very unfair to the Northern provinces that had no land fund, and I considered I was doing my duty in assisting to get funds for the Province of Auckland for any public purpose. These were the reasons that led me to do as I did.

165. *Sir George Grey.*] Did you recommend the payment of the Waiotahi Road Board overdraft?—I cannot recollect, but I believe I did.

166. But what was told you? Was it that the Government had promised to recommend Parliament to pay this?—No; they said nothing of the sort. They said a promise had been made that it should be paid. Mr. Whitaker told me the promise had been made, asked me to insert it in the schedule of provincial liabilities, and I did so.

167. *Mr. Rees.*] Do you remember under what section of the Act you were acting, in making up that list?—I looked the thing up at the time. I think it is in the Financial Arrangements Act, 19th clause (witness quoted the clause). I held the powers then of Superintendent, and everybody else in connection with the Provincial Government of Auckland.

168. Was it the 4th clause of the Provincial Appropriations Act Extension Act?—I think it must be in the Financial Arrangements Act (read the 19th clause). Perhaps it would be as well that the Committee should have a copy of the list of provincial liabilities, and then they would see the items of which it was made up. It is manifest, law or no law, that unless some such list were made on the 31st December, great difficulties would arise, contractors could not be paid, the hospital could not be completed, unless there was some understanding as to what was to be done, and what was not to be done, business would come to a standstill. Whether there is any special Act or not, I will not say; but this 19th clause, I think, is sufficient; and whether or not, any man of business would agree to some arrangement of this sort, when, on leaving office, he saw things left outstanding; which must be done by somebody, or public inconvenience be the consequence.

169. *Sir George Grey.*] I wish to ask Mr. Wood if he had known, in this particular case, that the Government intended to recommend the Assembly to pay the money that would not, in his view, be sufficient?—That would have come to the same thing. Then there would have been no necessity to put it in the provincial liabilities.

170. *Mr. Macfarlane.*] Mr. Wood, you have just stated you considered these two items were proper and right. Then, if Mr. Whitaker had not said anything, you would have put them in?—No; I should not, because I knew nothing about them, and if I had, I should not have included them, because I should have supposed the Government would have objected to them.

171. But I want to know who was the one to acknowledge them in the first instance, to recommend them to be paid in that way?—Mr. Whitaker informed me of them, and said they were to be included.

172. You considered them fair, or you would not have recommended them?—Certainly. The money was expended by a public body for public purposes, and I saw no reason why the overdraft should not be paid.

173. You thought you were not recommending an improper thing to the General Government?—No; certainly not.

174. *Mr. Johnston.*] Were you able to place before the Government the schedule of disbursements which exceeded the amount of your estimated provincial revenue?—Oh, no; I think we were flush of funds at that time, on the 31st December.

175. Well, you estimated you had sufficient provincial revenue to pay off this? I have no doubt about it; the money was actually in the bank. The Government sent us up a large amount of money, some three or four and twenty thousand pounds. We never had so much money before, but it came too late.

176. At what time was the schedule you made up, approved by the Governor?—We do not quite understand each other. What provincial estimates are you speaking about? I do not think I signed any. When I held the powers for the two months, I do not recollect having done anything of the sort,

Mr. Reader Wood. or having been called upon to do so. I got what money I wanted by simply sending for it. There was a considerable sum of money voted for the Province of Auckland by the House during the last Session, and upon that I drew for what was required during the time I was in office, and then on the last day but one, on the Saturday, the General Government sent up the balance of that money voted, a very large sum of over £20,000, but, unfortunately, it came too late, and I suppose the provincial liabilities are met out of this sum.

177. Then it comes back to the same question, that in reality in recommending the payment of this Thames overdraft, you were recommending a particular disbursement of a portion of the money which had been voted by the House?—Yes; that is it.

178. You were aware that you would be at liberty to recommend that it be spent on some particular other public work?—I went out of office, and I thought it was probable that it might be spent in some other way.

WEDNESDAY, AUGUST 29, 1877.

Mr. FITZGERALD, Commissioner of Audit, examined.

Mr. FitzGerald.

29th Aug., 1877.

179. *The Chairman.*] Mr FitzGerald, the Committee is investigating the circumstances under which a certain sum on account of the Thames Borough Council was paid out of the Colonial Treasury. Do you recollect the circumstances? Can you tell the Committee if the sum of £6,263 1s. 1d. passed the Audit office, and if so, on what date?—After some correspondence it was passed as an unauthorized payment, included in a sum of £6,743 15s. 2d—unauthorized provincial liabilities.

180. Then it was not passed as a payment authorized under the 19th section of the Financial Arrangements Act?—No. By looking at the papers I see that the question was gone into twice by myself and Dr. Knight. I find that the voucher under which the issue was made has noted upon it that it was “unauthorized.” There is a special note on the schedule stating that the item was passed as “unauthorized provincial liabilities.” It is unusual to make such a note as the special one to which I have referred. The entries in the column “to be charged to” in this schedule are considered sufficient. It appears that Dr. Knight has added this note.

181. *Sir George Grey.*] The accounts were examined and passed, after which, Dr. Knight added the words passed as “Unauthorised Provincial Liabilities?”—The printed form in the schedule is “Accounts examined and passed.” The meaning of that is that the accounts included in the schedule were passed as being correct, and correctly charged in the column indicating the vote and item; it is sent up by us to the Treasury in that form. The note appended is in Dr. Knight’s handwriting. The item came up included in Provincial Liabilities, and he added the word “unauthorized.”

182. *The Chairman.*] Then the Commissioners of Audit came to the conclusion that it was a payment not authorized by the 19th Section of the Financial Arrangements Act?—Yes. For several reasons.

183. Would you be good enough to inform the Committee on what grounds the Commissioners of Audit arrived at that conclusion?—In the first place we thought it was not a provincial liability. When the voucher first came up to us, I wrote this memorandum (Appendix B):—“It is requested that the Act may be quoted under which these sums can be paid as provincial liabilities.” The Secretary of the Treasury wrote in reply to that as follows:—“The sums have been estimated for by the Superintendent, and the estimates approved of by the Governor in terms of the Provincial Appropriation Extension Acts. Under the Financial Arrangements Act, Section 19, expenditure so authorized, prior to 31st December last, not then made, is deemed to be a provincial liability.” Then I wrote “It is requested that it may be stated under which of the three Acts mentioned in Section 19, this expenditure was authorized by the Premier.” Mr. Batkin replied “The Provincial Appropriation Extension Act, 1876.” I then replied, “The Commissioners of Audit can find nothing in the Act quoted which authorizes the expenditure of money for any services not previously provided for by the Provincial Government, except in the case of revenue being in excess of the expenditure voted, which is not the case at Auckland. They have no power to pass this schedule.” That reply raised the rather difficult question—What was the meaning of the Act in regard to excess of revenue. The Provincial Appropriations of the province for the various days on which they terminated to the 30th September, 1876, provided for the two cases of there being a deficiency of revenue to meet the expenditure, and of there being an excess of revenue. And it provided that, as to the excess of revenue, the Superintendent and the Governor might jointly agree as to how the surplus money should be spent.

184. *Mr. Rees.*] That is in accordance with section 4?—Yes. The case is briefly stated in the memorandum I wrote at the time. I wrote this memorandum afterwards.—“If the estimated revenue were in excess, the balance was to be appropriated by the Superintendent and Governor jointly. If the revenue were deficient, the deficiency was to be made up by an advance under the 10th section of the Appropriation Act, out of the Consolidated Fund.”

185. *The Chairman.*] The estimated revenue exceeded the authorized expenditure?—Yes; if you reckon the advance as revenue. This memorandum of mine was referred to the Solicitor-General, who said, “Although it is not quite clear to my mind &c.” (Appendix B). So far, the Solicitor-General was inclined to go against us. The Government paid over to the account of the Province of Auckland the sum of forty-four thousand (£44,000) pounds, which was provided to meet the deficiency in the revenue, and then treated that sum as if being added to the actual revenue; it made a surplus revenue, which was entitled to be appropriated by the Governor and Superintendent jointly. Among sums so appropriated on that assumption, was this £6,000 for the Borough of the Thames, which notwithstanding the opinions of the Solicitor-General, we declined to issue.

186. Then the Commissioners declined to authorize the expenditure, on the grounds just stated, not on the grounds of excess of revenue?—We held it was not a provincial liability within the meaning of the Act, that is to say, a sum owed by the province on the 31st December. *Mr. FitzGerald.* 29th Aug., 1877.

187. In fact, there were two grounds?—Yes. In this memorandum, (Appendix B), which I do not think I have seen before, Dr. Knight expresses much the same view. (Memorandum read; no date affixed to it). In a second memorandum on the same subject Dr. Knight says, "I am of opinion, that there is no authority, &c." I have noted on this memorandum that "I concurred with Dr. Knight in the above."

188. *The Chairman.*] Then the payment of this money was not objected to on the ground that it was in excess of actual revenue, or of the estimated revenue, including the vote in aid by the General Assembly, but on the ground that the vote in aid could not be considered a portion of the revenue of the province?—It was not expenditure in excess of revenue. It was objected to on the ground that it was not provincial liability within the meaning of the law.

189. *Sir George Grey.*] I should like to ask you—do I understand rightly that the Auditors never sanctioned this payment?—They sanctioned it as an "unauthorized" payment, under the clause of the Public Revenues Act, which empowers the Government to spend a specified sum without appropriation. All the unauthorized expenditure is included in an indemnity vote the following year. The Government cannot exceed the sum of £100,000 of unauthorized expenditure.

190. Then if Parliament did not approve of such expenditure, what redress is there?—I do not know that my opinion would be of very much value on that point.

191. Is it with the Auditors or the Ministers the responsibility would rest?—It could not rest with the Auditors. The Act of Parliament justifies their procedure.

192. Would an action lie against Ministers?—I am not prepared to say whether an action would lie against Ministers under the penal clauses of the Revenues Act.

193. What I wish to know is, does the responsibility rest with the Auditors?—No; but the Act provides that Ministers are liable for money spent without the appropriation of Parliament, and it would be a question for lawyers to decide whether money spent as "Unauthorized Expenditure," under the authority of the Revenues Act, and for which no vote of indemnity was subsequently attained, is money spent "without the appropriation of Parliament."

194. My object was to get at the fund from which it was paid.—It was paid from the Consolidated fund.

195. *Mr. Rees.*] You hold that the 4th and 5th sections of this Act read together?—Yes.

196. Did you consider whether the payment of a Bank overdraft, such as this on the 1st September, could come at all within the meaning of the 4th section? (Section referred to, read).—Yes.

197. Did you consider whether the payment of the Bank overdraft would come within that section?—No. It could not come within it, because there was no excess of revenue.

198. I do not mean that. (Quotes from clause). I wish to know whether the payment of the Bank overdraft would be a service to which the clause could apply?—Yes. I consider it would come under the word "Grants."

199. How would Ministers obtain knowledge of the action of your department when you declined to pass such sums except as unauthorized expenditure? How would Ministers obtain cognizance of the proceedings?—We would send the schedule back. The original schedule was sent up on the 18th January. This is the second schedule sent in on the 22nd March, and the account passed Audit on that date.

200. Do you know when the money was actually paid?—The money would be paid a day or two after the account passed the Audit.

201. Not before?—No. The money could not be paid before then.

202. Then the money was not paid on the 22nd March?—No. It might have been paid the following day.

203. Do you consider any of the other items in the same category as being Bank overdrafts?—Yes. In the case of Waiohaki Road Board, £364 1s. 3d.; Kauaeranga Road Board, £100 4s. 2d.; Parawai Road Board, £11 8s. 8d. The sums for these Boards were included in the same schedule.

204. These were all?—There were only these payments on account of local bodies.

205. May I ask why these items were singled out from the others?—I do not quite understand you.

206. Why were these items singled out from all the rest?—We only dealt with these that came before us. We can only deal with each particular item as it is received for Audit.

207. I suppose you have seen this account?—Yes. I know that account.

208. There is an item here paid by the Government on account of the Piako Swamp Road?—That is in the list. That list, I take it, is the estimate of expenditure that was agreed upon between the Superintendent and the Governor.

209. What was the amount of the item paid by the Government on the Piako Swamp Road?—I am not able to answer the question without referring to papers. I do not know whether or not the sum has been paid. I can easily ascertain. £1,100 was the amount authorized by the Governor. I am unable to say which of these have been paid without referring to papers.

210. Have you any note at all of the £1,100?—In the office I could find it in a few minutes.

211. *Sir George Grey.*] The point we want to get out is this—when the sum for the Piako Swamp Road was passed by the General Government, how then could it be inserted in the provincial liabilities?—The probability is, that it has been paid, included under unauthorized expenditure.

212. How could the auditors deal with that sum as an unauthorized liability?—The Commissioners of Audit have no power to refuse to issue any moneys asked for as "unauthorized expenditure." The effect of charging it to "unauthorized" is to submit the matter to Parliament.

213. It appears to me that there is confusion of accounts which ought not to take place?—Parliament can deal with it as it pleases. It can order the payment to be charged as it thinks proper.

214. What I wish to know is—what is the effect of the remarks of the auditors upon an account when it comes before them?—If the Government choose to say a payment is to be classified as "unauthorized expenditure," we have no power to refuse it.

Mr. FitzGerald.
19th Aug., 1877

215. That I understand. What I go upon is this—here is a statement saying—these are payments for the Province of Auckland provincial liabilities. Now my opinion with regard to that is, that it is a misstatement. What I want to know is, when statements like these are made, how are they to be dealt with?—That is the view Dr. Knight took when he added the word “unauthorized” to the charge to provincial liabilities in the schedule.

216. But this is not provincial liability?—Just so. We say it is “unauthorized provincial liability.”

217. You say this is unauthorized provincial liability, but not unauthorized. I think that is the plain meaning of the words; it is provincial liability, but not authorized?—The meaning the auditors attach to it is, that when a voucher is sent to them in which expenditure was charged as “unauthorized,” we have no power over it. When the Government makes a return to Parliament of the unauthorized account for the year, it is distributed into two classes—the expenditure votes, and the expenditure on which no vote was taken. For example, Parliament authorized so much for certain provincial liabilities. This payment appears as a payment on account of provincial liabilities, Auckland, outside of the services provided for by Parliament. “Provincial liability” is simply the name given to the account when Parliament is asked to indemnify Government for the expenditure.

218. What I want to know, and it is really an important question in public accounts. Here there is a charge made against a province with which it has got nothing to do. If, therefore, this is treated as a provincial account, it slips into the wrong place?—The Parliament can alter that when the matter comes before it. It can order the charge to be made as it pleases.

219. *Hon. Major Atkinson.*] The whole of these accounts go to the Parliament every session, and Parliament itself will decide whether it is rightly charged or not. It is there shewn the way the money has been spent, and the manner in which it should be charged, and it remains with the Government to express its approval of or dissent from the manner in which it is proposed to deal with the question.

220. *Mr. Murray-Aynsley.*] I want to know, Mr. FitzGerald, whether you have considered any particular items here, or only totals to be included in unauthorized expenditure, “above previous years income,” exclusive of allowance from General Government?—We only consider each item as it comes before us.

221. What I mean is, whether you considered any of these items in particular, outside of the amount, or whether the amount had been expended previous to the items coming on. Supposing, for instance, there were £50,000 last year, and the revenue expended amounted to £49,000, then if £6,000 came in, how would the £5,000 above the original sum be accounted for?—I understand your question to mean, whether the objection we took was to the whole of the totals indiscriminately, or to one particular item?

222. *Mr. Murray-Aynsley.*] Yes—I am not prepared to say how all the items have been dealt with.

223. Have objections been made to any of the other items?—I cannot say whether any specific objections have been taken to any of the other items.

224. *Mr. Reader Wood.*] Mr. FitzGerald, there are items here for paying contracts; you could not say whether you regard these items as authorized or unauthorized?—I could not say without looking at the papers.

225. Would you mind letting the Committee know?—I will do so. I will furnish particulars of these items shortly.

226. *Sir George Grey.*] Would you also furnish any minutes of the auditors with respect to these matters.

227. *Hon. Major Atkinson.*] I should think it would be desirable if Mr. FitzGerald would furnish a complete schedule of every sum paid in Auckland and charged as unauthorized—such as the Education item not charged in the Auckland Appropriation Act. Although the Government supplied £————— for that purpose, I understand the audit have decided to charge the whole of that sum of £————— as “unauthorized?” We do not keep items of expenditure in the audit office, only votes; but they can be got from the Treasury.

TUESDAY, 4TH SEPTEMBER, 1877.

Mr. FITZGERALD, Commissioner of Audit, further examined.

Mr. FitzGerald.
4th Sept., 1877.

228. *Mr. Johnston.*] The Comptroller will remember he said he would explain to the Committee how he dealt with this Provincial liability. He promised to show under what authority he considered himself at liberty to pay the Thames overdraft, and also to bring before us the voucher for the payment. I would ask the Comptroller if he has those papers?—I have brought the voucher. The only paper we have is this voucher for the payment. This is the voucher (Appendix A). The direction of the Provincial Auditor is not on the paper. That is contained in the telegram attached. The voucher was probably brought to us without any certificate of the Provincial Auditor. I think, therefore, that we declined to pass it, upon which, Mr. Batkin appears to have telegraphed to the Provincial Auditor. (Telegram read, Appendix A, No. 1). This is the Bank receipt for having received the money. (Telegram from the Provincial Auditor read, Appendix A, No. 2).

229. There are three papers you refer to, and which will appear in the evidence?—Yes.

230. You said that you refused to pass that account?—Yes. We did not pass it as “Provincial Liabilities,” but as “Provincial Liabilities Unauthorized,” leaving it open to Parliament to deal with the matter.

231. Could you explain why? Will you tell the Committee why Provincial liabilities which had been certified by the Provincial Secretary, approved by the Provincial Government, and certified by the Provincial Auditor were called “Unauthorized Provincial Liabilities”?—I understand the question to be—why we did not pass this account as a Provincial liability? I cannot recollect exactly the reasons, but I remember there was a great deal of talk upon the question at the time. I find that the ultimate order

was made by Dr. Knight; therefore he probably had some communication with the Treasury on the subject, which probably passed in my absence. I remember there was a great deal of conversation on the subject, and that was the ultimate decision. The reason, no doubt, was that we thought it was a payment so different in character from a Provincial liability in the meaning of the Financial Arrangements Act, that we over-ruled the decision of the Provincial Auditor on the subject. A "Provincial Liability" had a definite meaning within the Financial Arrangements Act, and we thought it was so far outside that Act that we considered it required further consideration.

232. *Hon. Mr. Reynolds.*] I think you said you refused to pass it, and then you passed it as unauthorized?—Yes; we refused to pass it, except as unauthorized.

233. *The Chairman.*] Did you ever give such an opinion in writing?—I cannot say. Very likely not. A good many of these matters were arranged by conversation, but the result would show, I think, that that was the opinion we finally came to.

334. *Sir George Grey.*] Then the fact was that the Provincial Auditor approved of these sums as Provincial liabilities?—Yes.

235. Did you consider they were not Provincial liabilities?—Not strictly within the meaning of the Act.

236. Therefore it is upon the papers that you did object?—That is to say, they were not debts owed to the Province on the 31st December.

237. *Hon. Major Atkinson.*] I should like to ask you one more question.—A question arose between the Audit and the Treasury as to how the Provincial liabilities were to be passed, and an arrangement was come to, I believe, between the Audit and the Treasury that if the Provincial Auditors were placed under the control of the Audit, that what they passed would be accepted by the Audit. The Provincial Auditors were so placed, were they not?—Yes.

238. As a matter of fact, did the Commissioners of Audit pass vouchers which had passed the Provincial Auditors, because they had so passed, although the Treasury objected to the classification?—I think there is a memorandum of mine in writing, in which I distinctly stated, that while accepting the certificate of the Provincial Auditor, we did not abandon the power of inquiring into any voucher, into which we deemed inquiry necessary. The audit of vouchers, of course, involves a great deal of technical work. It has to be seen that the computations and extensions are right. We accepted the certificate of the Provincial Auditors as showing that this had been done, and did not think it necessary that it should be done twice over; but as to the vote on which it was charged, we have, on several occasions, questioned the ruling of the Provincial Auditors, and I think there is a memorandum of mine in which I state that it was the duty of the Commissioners of Audit to determine finally whether the charge passed by the Provincial Auditors was correct or not.

239. Then you hold yourselves directly responsible?—As a rule, what the Colonial Treasurer has stated is correct. That was the rule; and it was departed from on very few occasions.

240. Did the Commissioners of Audit enter into any arrangement with the Provincial Auditor, and, in a manner which was subsequently found to be wrong, order the sum to be charged on the understanding that they would support it?—No; certainly not. I consider we never abandoned our power to give a final decision in any case. What we did was to relegate these duties to the Provincial Auditors, but not abandon the power to resume our responsibility in any case were we pleased to do so.

241. The point I wanted to bring out was this:—Did you delegate your power to the Provincial Auditors? What I understand was, that when the Treasury agreed to place the Provincial Auditors under your control, you delegated your powers to them, and looked upon their certificate as your own?—We did delegate our powers to the Provincial Auditors, and in 99 cases out of 100 we acted upon their recommendations; but we did not delegate those powers in the light of abandoning the power of supervising their certificates.

242. Can you give the Committee an instance where you over-ruled the Auditors, and where you called the attention of the Colonial Treasurer to the fact of over-ruling them?—I do not know that we could without going all over the vouchers, because any remarks of that kind would be found simply endorsed on the back of the voucher.

243. I thought you might possibly remember?—I might possibly, and if I could, I would let the Committee know. It would necessitate going over all the vouchers to see if there are any remarks. I think there are such cases, but I will not be quite confident.

244. Do you know, as a matter of fact, of any cases in which you passed vouchers, where the Provincial Auditors were objecting?—No; I cannot recollect that. Perhaps I ought to state to the Committee that there were so many difficulties surrounding these provincial payments. There was the question of provincial liabilities, and of expenditure, which might be made under the 35th section of the Financial Arrangements Act, which empowered the Government to continue any provincial service or salary until the end of the next session of Parliament; and some of those charges which might have been charged, either under section 35 or as provincial liabilities. When these questions were submitted to us, we drew up a memorandum (Appendix C.) for the instruction of the Provincial Auditors. That was drawn up after considerable conversation with the Treasury. We distinguished all these charges under three heads:—Provincial liabilities, liabilities under section 35, and unauthorized provincial liabilities; meaning by provincial liabilities unauthorized the case of a vote by the Provincial Council, which might have been expended, although the service was not completed. It would be exactly the same case as an unauthorized excess on a vote of the House of Representatives. We drew up that memorandum and sent it to the Provincial Auditors, and that in some measure cleared away difficulties. The Provincial Auditors then understood how they were to pass these payments, and we had very rarely to consider whether their charge was right or wrong. I can say, however, that we never passed a provincial liability without satisfying ourselves that it was a right charge. The clerks in the Audit office were instructed that they need pay no attention to any part of the voucher but the charge.

Mr. Fitz-Gerald.
4th Sept., 1877.

145. *The Chairman.*] You have that memorandum in writing, instructing the Provincial Auditors?—Yes.

246. After you gave the Provincial Auditors these instructions, you gave power to certify that the money should be paid?—Yes. We required the Provincial Auditors to pass each voucher as provincial liabilities; provincial liabilities unauthorized, or under section 35.

247. You delegated your powers to the Provincial Auditors. Have the Commissioners of Audit got authority to do so?—No; we simply did not wish to go to the useless trouble of having the same accounts audited twice over, and therefore we said to the Provincial Auditors—we will accept your audit instead of ours. If I may explain to you, it was no further delegation of power than is usual in the case of a clerk in the Audit office. The Provincial Auditors act in the Provincial Districts precisely the same as the clerks act in the Audit office here. It was further only in this respect: that our clerks have not got before them the authorities for the expenditure of provincial monies, and the Provincial Auditors had that authority before them. Therefore they were simply acting as clerks of the Audit office, with the authorities before them.

248. *Hon. Major Atkinson.*] That is quite a new light for the Treasury. I think it was more than that?—I think it comes to the same thing. There is no difference.

249. You do not allow Provincial Auditors to draw money from the Treasury without your official sanction?—No; it cannot be done.

250. *The Chairman.*] That minute would be important on this account?—Not very important on this account. As a matter of fact and a matter of rule, what the Colonial Treasurer has stated is exactly the understanding; but the evidence in this voucher shows that we did not deprive ourselves of the superior power of questioning the Provincial Auditors, if we desired to do so.

251. Did you give the Treasury to understand that you would accept the Provincial Auditors' accounts without question?—I am persuaded there is a memorandum of mine somewhere in the papers, to the effect that we did not consider that we had abandoned the power to over-rule the Provincial Auditors.

252. *Hon. Major Atkinson.*] I think it will be found that you agreed to accept the certificate of the Provincial Auditor's as your own.

253. *Mr. Johnston.*] From the moment when the Provincial Auditors became your subordinates, were they, in your opinion, clearly approving of wrong expenditure, as in this case of authorizing this payment of the Thames overdraft as a Provincial liability; and when the voucher came under your review, did you inquire of your subordinate why he had done this?—No; I should think not. I do not see anything in the papers to show that we had any communication with him on the subject.

254. Then the only way to ascertain whether, in your opinion, he had done anything which was absolutely wrong, would be to ask him to furnish the Audit Department with the reasons why he did it?—No; I do not think this was a case in which there would be anything gained by asking him. The whole facts were clear on the face of the schedule.

255. Then could he declare anything to be a Provincial liability which he might desire to be so?—No; he could only do so by certifying it was in the Estimates.

256. *Hon. Mr. Reynolds.*] But then these were the Estimates of the Superintendent?—The Estimates of the Superintendent and the Governor conjointly.

257. It is a rather curious position, if your subordinate must accept the Provincial Estimate. You say he must take it on that ground, and not do something which his chief thinks is right. I understand that in your opinion the Provincial Auditor had no option but to declare that this was a Provincial liability?—No; I do not say he had no option.

258. But nevertheless you made no inquiry from them why he did so?—No; we did not think there was any use in making inquiry. We simply overruled his judgment. We had instructed him. He passed this as a Provincial liability; we held it should pass under Provincial liabilities unauthorized, and ruled accordingly. I do not say we were right. The Committee might possibly uphold the Provincial Auditor; but that is the conclusion we came to at the time.

259. So long as he is a subordinate of yours, I cannot understand your furnishing him with a memorandum under which he is at liberty to do a wrong thing, which you overrule, and at the same time do not require any explanation as to why he did it?—We did not think we required any explanation, unless it would throw some light upon it to guide our judgment. It would be simply a question of charge, in which it was perfectly clear that it must be under one head or the other. It was an overdraft due by the Borough of the Thames to the Bank, and the question was whether it should be charged upon the land fund of the Province of Auckland.

260. *Hon. Major Atkinson.*] I think the question was never in dispute between the Treasury and the Audit. It never once came under consideration.

261. I would ask if the telegram to the Provincial Auditor from the Commissioners of Audit, stating that the Government would consent to the payment, was sent with your knowledge?—I never saw it before. I may be allowed to say that I gather from the fact of the schedule having been signed by Dr. Knight that I may have been absent from the office at the time the official conclusion was come to, because I pointed out to the Committee that in the schedule, Dr. Knight had gone out of his way to single out this schedule, and to write "Passed as unauthorized."

262. *Hon. Mr. Reynolds.*] Then, as unauthorised expenditure, it will require to be voted this Session?—Yes.

263. Then the position would have been exactly the same whether he sent that telegram or not?—We should not have passed it as "Provincial unauthorized" without the Provincial Auditor's signature.

The Hon. the COLONIAL TREASURER examined.

*Hon. Colonial
Treasurer.*
4th Sept., 1877.

264. *Hon. Major Atkinson.*] The members of the Committee will remember that the revenue of Auckland for the last quarter of the year 1876 was estimated at about £3,000, and the estimated expenditure at about £47,000. In consequence of that, the Government recommended, and the House sanctioned, the

issue of £44,000 of Treasury bills. These bills were raised at the end of the quarter, and were paid over in aid of Provincial revenue to the Auckland Provincial Account, and, so far as I can remember, or ascertain, without any objection on the part of the Audit. This amount was placed to the credit of the Auckland Provincial Account. Subsequently a question arose, and there are some minutes about it between the Audit and the Treasury, as to whether the proceeds of these bills could be accepted as revenue, and the proceeds applied to any purposes except those which appeared in the Auckland Provincial Appropriation Act, and were passed by the Provincial Council—whether, in fact, any new items could be charged. I had several interviews with the Commissioner of Audit, and we talked the matter over. While the matter was under discussion, I went to New Plymouth, and the voucher for the payment of the Thames overdraft came up in the first place in the ordinary course of business for payment as a Provincial liability, having been recommended by Mr. Wood, and approved by the Governor. The Auditors then wrote a minute, a copy of which is before the Committee, rejecting the voucher on the general grounds, as I understood, that as the £44,000 of Treasury bills could not be accounted revenue, there was, in fact, no money to meet the payment. When I came back I saw Mr. FitzGerald. There was some difference of opinion as to whether the £44,000 was to be treated as revenue, and the opinion of the Solicitor-General was taken, he agreeing with the Treasury view that the £44,000 was Provincial revenue. I saw Mr. FitzGerald several times, and I understood this £44,000 was accepted as revenue, and would be dealt with accordingly, and that those items which had been recommended by the Superintendent and approved by the Governor, would be paid, in the ordinary course, as provincial liabilities. We had several interviews; and it was under discussion, before we came to this determination, whether or not these charges should be classed as “unauthorized.” I pointed out to Mr. FitzGerald that if this were done, it might result in serious inconvenience to the public service, because we were limited to the £100,000 of unauthorised expenditure, and were always uncertain as to the amount which might be required for public works. I then understood it to be agreed between us that any expenditure on Provincial Liabilities Account, not included in the recommendations of the Executive Officers, or which the Commissioners of Audit desired to bring specially under the notice of the House, should be charged to Provincial unauthorised, and not against the £100,000. Some time after this interview, the voucher for the payment of the Thames overdraft was again placed in schedule, signed by me, and forwarded to the Audit in due course. It was apparently dealt with by Dr. Knight—not Mr. FitzGerald. Dr. Knight (as will be seen by reference to the schedule) passed the amount as “unauthorised,” and it was paid by the Treasury without the matter again coming before me. Hence, I was under the impression, until I saw the schedule here, that the amount had been paid as an ordinary provincial liability—not as “unauthorised.” I am of opinion that had the schedule come before Mr. FitzGerald instead of Dr. Knight, it would have been passed as an ordinary provincial liability; for I understood that the difference between the Treasury and the Audit was not as to these particular items, but as to whether the £44,000 was to be included as Auckland revenue, and this matter having been referred to the Solicitor-General, he had given it as his opinion that it was fairly to be so included. As I have already said, I did not know that the Audit had objected to these items specially, or that they had really been charged as “unauthorised.”

265. *Mr. Johnston.*] And it surprises you now to learn that?—Certainly. The Commissioners of Audit, in their minute, raised the question of the overdrafts as one affecting the whole of the provinces, more or less, and treated it as a general question. They then went on to discuss whether the £44,000 could rightly be treated as Auckland Provincial revenue, and asked that the opinion of the Solicitor-General might be obtained upon the question. His opinion was obtained, and was to the effect that he thought the £44,000 should be so treated; and I understood the Commissioners of Audit acquiesced in that opinion. Mr. FitzGerald is present, and can, of course, explain where he differs from me in the matter.

264. *The Commissioner of Audit.* The question that has been referred to by the Colonial Treasurer was, I find, dealt with in the memorandum in February. My first memorandum was upon the 24th January; that of the Solicitor-General, on the 2nd of February; Dr. Knight's memorandum was on the 8th and 12th February. The payments that were made under this estimate passed on the 29th January and down to the 12th of June. This particular item was issued on the 22nd of March.

267. *Hon. Major Atkinson.*] Have you the date when the original voucher was signed?—The original schedule was sent up to us on the 18th January, and the memoranda I have read to the Committee were endorsed on that schedule, and it was upon that the whole question was raised.

The Hon. the COLONIAL TREASURER examined.

268. *The Chairman.*] The Commissioner stated that he had an understanding with you respecting the payment of this account?—I had no understanding with the Commissioners of Audit as to the passing of this particular item. I looked upon it as a general question which had been raised—as will be seen upon reference to the statement I just now made.

The COMMISSIONER OF AUDIT examined.

269. *The Chairman.*] This understanding that you had with the Treasurer, and which you think Dr. Knight afterwards did not take the same view of, that did not refer to this £6000?—Dr. Knight knew of it, because he dealt with the question in his memoranda.

270. *Hon. Major Atkinson.*] When I came back I went into the whole question with you. I dare say you will remember the interviews we had, whether the unauthorised provincial liabilities were to be charged on the £100,000 of unauthorised?—The only definite recollection I have is, that it was urged that the £100,000 of unauthorised expenditure provided by the clause in the Revenues Act, had been so provided at a time when the peculiar circumstances of the abolition of the provinces had not been contemplated. The question then was, whether if there were any excessive expenditure on provincial appropriations it ought to be included in the £100,000 of unauthorised, so as to limit the power which the Government

*Hon. Colonial
Treasurer.*
4th Sept., 1877.

*Commissioner of
Audit.*
4th Sept., 1877.

Commissioner of
Audit.
4th Sept., 1877.

had previously of spending that amount. I remember I said "let the question rest for the present." There was nothing after that said about it until the question arose, whether we should want the whole of the £100,000 of unauthorized. Now, it so happens, that the unauthorized expenditure of last year was so exceedingly small that only, I think, about £9000 or £10,000 out of the £100,000 had been expended in the first eleven months of the year. I was in hopes that we might have included the whole of the provincial liabilities unauthorised expenditure in the ordinary unauthorized account. I came to the conclusion it was better to let it stand over until the end of the year to see if any embarrassment would arise.

271. In the adjustment of the account at the end of the year, if the unauthorized provincial appropriations had been added to the unauthorized amount, would it have been exceeded?—The unauthorized in the general accounts was not very large, but £53,000 was included in provincial unauthorised. The understanding was, that it should be allowed to stand over until the end of the year, to see if the £100,000 would be exceeded: that is to say, if it were finally determined that the unauthorized provincial liabilities were "unauthorized expenditure" within the meaning of the Revenues Act passed many years before. A few days before the end of the financial year, I arranged with the Colonial Treasurer that if we joined the provincial liabilities to the unauthorized we must allow the £100,000 to be overdrawn.

272. *Mr. Rees.*] Is the Committee to understand that there was an understanding between the Treasurer and the Commissioner of Audit, that the statute should be exceeded, by which the limits of the statute with reference to the unauthorized expenditure were to be exceeded?—*The Colonial Treasurer*—No; not as I understand it at all. The proposed overcharge was being expended within the law. The question was as to whether or not the matter should be brought before the House, not as to exceeding the law. *Mr. Fitz Gerald.*—The question was not whether £100,000 should be exceeded, but whether this particular sum was required by law to be charged against the £100,000 of unauthorized.

273. *Mr. Reader Wood.*] Would you state what you mean by 'against the unauthorized'?—I think it is also stated in the printed report we made to the Parliament. The House directed us to make a report upon the subject of the unauthorized expenditure, which report I made. It was printed. (B. 6—1877). *The Colonial Treasurer*—I do not think the vote was exceeded. I do not think it amounted to more than £87,000

274. *Mr. Reader Wood.*] I understand Mr. FitzGerald to say it had been exceeded a little!—*Mr. FitzGerald.* I do not say it was exceeded, but that there was a possibility that it might be exceeded.

275. Then upon an inspection of this paper, Mr. FitzGerald, is the £100,000 exceeded a little or not?—No, I find it was not. It was apprehended that it might be, but it appears that it was not. The unauthorized expenditure this year was exceptional: £25,000 in the Consolidated Fund; £2,600 in Public Works, and £3,400 in Land Fund. I may explain to the Committee that we cannot tell exactly how the unauthorized account will finally stand until the end of the year. For example, a vote may be overdrawn. The amount by which it is exceeded is carried to the unauthorized account. But a credit may come to the vote subsequently by which the overdraft may be extinguished, and the unauthorized relieved to that extent. Thus, whilst the unauthorized never exceeds £100,000, it may turn out, when the whole accounts are correctly adjusted, to be considerably less.

I should also wish to submit to the Committee, that as to the question whether the unauthorized provincial liabilities ought to be charged against the £100,000 of unauthorised, it might fairly be argued that the latter sum should be increased by the amounts authorized by the 12th section of the Provincial Audit Act, 1866. The £100,000 was provided without any idea that it would have to bear the excess of expenditure of all the provincial services. The latter was provided for to the extent of one twentieth part of the ordinary revenues of each province. And it might reasonably be argued that the £100,000 should, if loaded with unexpected claims, take credit for the means otherwise provided by law to meet those claims.

The Hon. the COLONIAL TREASURER examined.

Hon. Colonial
Treasurer.
4th Sept., 1877.

276. *Mr. Johnston.*] I should like to ask the Colonial Treasurer a question. Was the telegram to the Provincial Auditor of Auckland, stating that the Commissioner of Audit would sanction the payment of this overdraft as a provincial liability, sent by the Secretary to the Treasury? Is it the custom for the Secretary to communicate direct in that way with a subordinate officer of the Audit Department?—Yes, to the first part of the question. As to the second part, I presume the Secretary to the Treasury sent the telegram in order to expedite business, and with the view of carrying out the agreement which I supposed I had come to with the Commissioners of Audit, and which I consider Dr. Knight upset by the action he took with respect to the schedule containing the payments of the overdrafts of the Thames.

Mr. READER WOOD, M.H.R., re-examined.

Mr. Reader Wood.
4th Sept., 1877.

277. *Sir George Grey.*] I would ask what induced you to certify the various sums which are in the schedule before us as provincial liabilities, and which includes the overdraft of the Thames as well as other sums?—I have already stated, and it is in my evidence, that it was upon the statement of Mr. Whitaker that these things had been promised as regards the Thames overdraft, and upon the statement of Mr. Whitaker in regard to the Piako Swamp, that the money was really due. I would read the word "provincial liability" in its technical sense, and not in its ordinary sense, as distinguished by the Financial Arrangements Act, clauses 16, 17, 18, and 19.

278. *Mr. Rees.*] May I ask, did you understand from Mr. Whitaker, when this schedule was brought before you to sign, that they were such provincial liabilities?—I understood from him, that it was desirable that they should be included in that schedule.

279. As such liabilities?—Yes; as such liabilities.

280. *Hon. Major Atkinson.*] As a means of paying them?—I say, as the most convenient means of paying them.

281. *Mr. Rees.*] In reference to these items, do you say they were certified wholly on the application of Mr. Whitaker?—I relied wholly on Mr. Whitaker's statement—of myself, I knew nothing of them—
 as Mr. Whitaker relied on my statement as regards others, of which he knew nothing. *Mr. Reader Wood.*
 4th Sept., 1877

282. *Mr. Johnston.*] Of course you would be aware that the effect of your approval of the account as provincial liability would be that this overdraft of the Borough of the Thames would be transferred as a debt due by the ratepayers to the provincial account of Auckland?—It would be paid out of funds voted by the colony, and paid to the provincial credit out of the general treasury.

283. But chargeable against the provincial land fund?—Nominally chargeable.

The Hon. the COLONIAL TREASURER examined.—

284. *Sir George Grey.*] I would ask the Colonial Treasurer whether that overdraft of the Thames Borough Council is now a provincial liability?—Clearly, according to my interpretation of the law, but it would rest with the House finally to determine the matter. I said in my Financial Statement that I proposed to bring all doubtful items under the notice of the House, and to ask for a vote in each case. I am having the expenditure of all the provinces classified by the Provincial Auditors, as they would have been for the Provincial Councils. These accounts are nearly ready, and will be laid on the table of the House. *Hon. Colonial Treasurer.*
 4th Sept., 1877.

[APPENDICES.]

APPENDICES.

APPENDIX A.

....., NEW ZEALAND.

TREASURY VOUCHER No. 48,697.

THE NEW ZEALAND GOVERNMENT.

Department } Provincial Liabilities Account.
or Service }

Dr. to BANK OF NEW ZEALAND, GRAHAMSTOWN.

AUTHORITY.	DATE OF SERVICE OR SUPPLY.	PARTICULARS IN FULL.	VOUCHER.	AMOUNT.		
				£	s.	d.
	187	Amount of overdrafts on the following accounts on 5th September, 1876:— Thames Borough Council Waiotahi Highway Board Kauaeranga Board Parawai Board		£6,268	1	1
				364	1	3
				100	4	2
				11	8	8
		T/77/196.				
	6 14,557	(By telegraph.)				
Total				£6,743	15	2
Signature of Claimant—T. L. MURRAY,						
Address of Claimant—Manager Bank of New Zealand, Grahamstown.						
NOTE.—The Claimant must take especial care that his address is correctly and legibly written, as the cheque for payment will be sent by post to the address given. If the address is not so stated, the Abstract will be returned for amendment before payment.						

I CERTIFY that, to the best of my knowledge and belief, the foregoing Account is true and correct in every particular.

Unauthorised.
See Schedule. J.C.G.

C. T. BATKIN,
(Signature of Officer authorized to certify.)

To be charged to Provincial Liabilities, Auckland.

NOTE.—The spaces enclosed by a line are to be left open for numbers to be filled in in the Treasury.

Entered in folio.
4,679

Vote No..... Item No.....

C. T. BATKIN, Under Secretary.

Wired 24/3/77.
Receipt attached, W. B., 12/4/77.

Papers attached to the Voucher.

No. 1.

Copy of telegram from the Secretary to the Treasury to the Provincial Auditor, Auckland, on 20th March, 1877.

“Commissioners of Audit will sanction payment of following sums if you will pass them as Provincial Liabilities. Please wire your decision at once:—

OVERDRAFTS.

			£	s.	d.
Thames Borough Council	...	...	6,268	1	1
Waiotahi Highway Board	...	...	364	1	3
Kauaeranga Board	...	...	100	4	2
Parawai Board	...	...	11	8	8

The Provincial Auditor, Auckland.

No. 2.

Copy of telegram from the Provincial Auditor, Auckland, to the Secretary to the Treasury Wellington.

“Auckland, 12.20 p.m., 21st March, 1877.

“Reply to G. T., 144.

“Your telegram *re pro* liabilities, the accounts referred to have been passed by me, viz.:—
£6,268 1s. 1d.; £364 1s. 3d.; £100 4s. 2d.

“The sum £11 8s. 8d. is also a proper charge to the liabilities account.

(Signed).

B. McLEAN,

“Provincial Auditor.”

No. 3.

Copy of letter from the Manager, Bank of New Zealand, Grahamstown, 27th March, 1877.

“Received from the Paymaster-General the sum of six thousand seven hundred and forty-three pounds fifteen shillings and two-pence, for credit of the following accounts as under:—

			£	s.	d.
Thames Borough Fund Account	...	...	6,268	1	1
Waiotahi Highway Board	...	...	364	1	3
Kauaeranga Board	...	...	100	4	2
Parawai Board	...	...	11	8	8

£6,743 15 2

“And I certify that these amounts have been so credited.

27th March, 1877.

“T. L. MURRAY,

“Manager.”

APPENDIX B.

MEMORANDA ENDORSED ON SCHEDULE OF THE 18TH JANUARY.

It is requested that the Act may be quoted under which these sums can be paid as Provincial liabilities.

J. E. FITZGERALD,
Commissioner of Audit.

January 19th, 1877.

The sums have been estimated for by the Superintendent, and the estimate approved by the Governor in terms of the Provincial Appropriations Extension Acts. Under the Financial Arrangements Act, Section 19, expenditure so authorised prior to 31st December last, not then made, is deemed to be a provincial liability.

C. T. BATKIN.

January 20th, 1877.

It is requested that it may be stated under which of these Acts mentioned in Section 19 this expenditure was authorised by the Governor.

J. E. FITZGERALD,
Commissioner of Audit.

January 20th, 1877.

The Provincial Appropriation Extension Act, 1876.

C. T. BATKIN.

January 23rd, 1877.

The Commissioners of Audit can find nothing in the Act quoted which authorises the expenditure of money for any services not previously provided for by the Provincial Government, except in the case of the revenue being in excess of the expenditure voted, which is not the case in Auckland; they have no power to pass this schedule.

J. E. FITZGERALD,
Commissioner of Audit.

January 23, 1877.

MEMORANDUM.

The claim made for the re-payment to certain local bodies of bank overdrafts out of the provincial liabilities account of Auckland, raises a large question involving most of the Provinces.

The Provincial Appropriations Extension Act, 1875, dealt with two possibilities in winding up the provincial finances; it extended the appropriations of the Provincial Councils from the several dates on which they lapsed, to the 30th September, 1876, which the Act of 1876 again extended to 31st December, 1876.

The 4th Section of the Act of 1875 dealt with the case of the revenue of a Province proving to be in excess of the Appropriations so extended. The 5th Section dealt with the case of the revenue falling short. If the revenue were in excess, the balance was to be appropriated by the Governor and the Superintendent jointly; if the revenue were deficient, certain advances were to be made.

The Government has assumed that these advances, which could only be made in the case of the actual revenue being deficient, could be taken into account *as revenue* in order to show an apparent excess of revenue over expenditure, and so enable the Governor and Superintendent to authorise additional expenditure beyond that sanctioned by the appropriations of the Provincial Councils, extended, which additional expenditure the Governor and Superintendent had no power to authorise, except on the condition that the estimated revenue exceeded the authorised expenditure. The Commissioners of Audit cannot but consider this to be a strained interpretation of the law, which the language of the Acts themselves hardly justifies, and would be obliged by having the opinion of the Law Officer before determining whether this sum can be legally issued.

J. E. FITZGERALD,
Commissioner of Audit.

January 24th, 1877.

Although it is not quite clear to my mind what was the intention of the Legislature in making special provision that advances might be made in aid of revenues; yet, upon the whole, I think it would be held that a Province for which such provision had been made under the 5th Section of the Act of 1875, was entitled to regard the amount receivable as revenue for the purposes of the Acts in question.

February 2nd, 1877.

W. S. REID.

February 6th, 1877. (Seen) J. E. FITZGERALD,

(Memo. herewith) C.K. February 7th, 1877.

MEMORANDUM No. 56.

I am of opinion that there is no authority for expenditure in the Province of Auckland for the period ending 31st December, 1876, in excess of the scale set forth in the Provincial Appropriation

Act, 1875; and that the sum of £60,000 provided by the Provincial Appropriation Extension Act, 1875, and that of £44,000 provided by the Appropriation Act, 1876, are intended simply to meet the excess of the authorised expenditure over the actual revenue up to the 1st January, 1877:—or, in the words of the Acts, are provisions in aid of the revenue should there be a deficiency.

I am unable to determine from the accompanying records, what is the total expenditure assented to by the Governor; but as no provision has been made for expenditure in excess of the actual revenue plus the grants in aid (£104,000) any issues in excess out of the Consolidated Revenues must be charged to unauthorised.

CHARLES KNIGHT,
Commissioner of Audit.

8th February, 1877.

I concur with Dr. Knight in the above. I think the Treasury should, as soon as possible, supply the Commissioners of Audit with a statement for each Province.

1. Shewing the Estimates of Revenue prepared by the Superintendents and approved by the Governor.

2. The Expenditure under Section 2 of the Act of 1875.

3. The additional Expenditure sanctioned under Section 4.

JAMES EDWARD FITZGERALD,
Commissioner of Audit.

8th February, 1877.

MEMORANDUM.

12th Feb.

In reference to my memo on the Grants in aid of the Revenues of the Province of Auckland for the period ending 31st December, 1876, I wish to add, in continuation, that the Provincial Appropriation Extension Act, 1875, left the control of the *Provincial account* at the bank in the hands of the Provincial Auditor; and no issues, therefore, could be made by the Superintendent without the proper certificate of that officer.

In the cases of Auckland and Westland, issues have been made out of the consolidated fund in aid of the revenues, on the assurance of the Superintendent, that the revenues were insufficient to meet the expenditure. In some instances, the certificate of the Provincial Auditor was called for, but this seems an unnecessary precaution, as whatever issues were made out of the consolidated fund, no payments could be made by the Superintendent out of these receipts in aid except on vouchers passed by the Auditors, and any issues out of the consolidated fund in excess of what was required to meet the expenditure authorised by Parliament, would be found lying in the "Provincial account" at the bank on 31st December, 1876.

The Commissioners of Audit have no control over the warrants of the Superintendents. The Provincial Auditors and Superintendents are wholly responsible for issues made out of the "Provincial account," and it may be that Parliament will call for Returns showing the revenues and expenditure of each of the Provinces in the same form and with the like certificates as would have been required had the Provincial Councils assembled.

It is scarcely necessary to point out with reference to the estimates of revenue and expenditure furnished by the Superintendent of the Province of Auckland for the period ending 31st December, 1876, that the revenue of that Province could not, at one and the same time, be *deficient* and *in excess* to the amount of the grants in aid, viz, £104,000; and for that reason, it is unnecessary to advert further to the opinion of the Solicitor-General; but it is proper to add, that no authority under clause 4, of the Provincial Appropriation Extension Act, 1875, is given to the Governor to assent to expenditure where the revenue is deficient. The Governor's approval therefore, of the estimates sent down by the Superintendent of Auckland gave no authority for expenditure. The only authority in the case of Auckland, where the revenues were deficient, is the Auckland Appropriation Act for the six months ending 31st December, 1875, and it would be the duty of the local auditor to certify no expenditure unprovided for in that Act.

CHARLES KNIGHT,
Commissioner of Audit.

APPENDIX C.

MEMORANDUM SENT BY THE COMMISSIONER OF AUDIT TO THE SEVERAL PROVINCIAL AUDITORS AS TO CHARGES ON PROVINCIAL LIABILITIES.

PROVINCIAL LIABILITIES.

MEMORANDUM.

In respect to claims for Provincial works coming in for Audit, the following rule as to charging the accounts is to be observed:—

(1.) Services authorised by Provincial Acts as extended by the Provincial Appropriations Extension Act, 1875 and 1876, or authorised by the Governor under the fourth Section of the Act of 1875, whether incurred before or after the 31st December, to be "Provincial Liabilities."

(2.) Services not so authorised, but incurred before the 31st December, or in completion of a contract made before 31st December to be "Provincial Liabilities Unauthorised."

(3.) Services not so authorised and incurred after 31st December, or in continuation of services previously carried on by the Provincial Government to be charged to Section 35, "Financial Arrangements Act, 1875."

J. E. FITZGERALD,
Commissioner of Audit.

January 31st, 1877.

APPENDIX D.

STATEMENT OF OUTSTANDING LIABILITIES, ON ACCOUNT of the late PROVINCE of AUCKLAND, on DECEMBER 30th, 1876.

Mangawharu Bridge, Waikato	...	...	...	400	0	0
Cambridge Bridge	...	...	...	1,540	0	0
Komokoriki Road Contract	...	...	...	292	0	0
Pukekohe Road to Railway Station	...	...	...	550	0	0
Amount paid to Government on account of Piako Swamp Purchase, being part of amount authorized to be spent on road under Agreement of Sale	...	...	...	1,100	0	0
Bank Overdraft at Grahamstown on September 1st, 1876—						
For Thames Borough	...	...	...	6,899	7	1
„ Kauaeranga Road Board	...	...	...	596	18	8
„ Waiotahi „ „	...	...	...	271	11	9
„ Parawai „ „	...	...	...	247	9	9
Police, for three months	...	...	...	3,000	0	0
Otago Government Maintenance of Prisoners...	...	...	...	32	10	0
Mr. Allwright, superintending public works	...	...	...	50	0	0
Mr. Mahoney „ „	...	...	...	10	0	0
Hospital, Deficiency on contract for building	...	...	...	5234	4	4
Hospital site fence	...	...	...	385	18	0
Architect's commission on above	...	...	...	19	5	9
Mr. H. W. Farnall (conditionally)	...	...	...	77	3	0
Captain Cripner, for road, Orewa	...	...	...	20	0	0
Puhoi District, for right of road	...	...	...	52	0	0
Ruatangata Board	...	...	...	25	0	0
Maungakaramea Board, for Bridge	...	...	...	68	0	0
Sundry Accounts—						
Ridgway and Son, London	...	...	70 1 2	}	114	16 8
Hospital Accounts	...	...	4 15 6			
Balance of Mr. Lusk's Deposit Account	...	...	40 0 0			
Manukau Harbour Trust	...	...	...	330	16	6
Mr. J. Sheehan, for drafting Bills	...	...	...	100	0	0
				<hr/>		
				£21,390	1	6

Certified, READER WOOD.
Approved, F. WHITAKER.

EXPENDITURE UNDER THE AUCKLAND PROVINCIAL ESTIMATE APPROVED BY THE GOVERNOR TO
30TH JUNE, 1877.

No. of Schedule.	No. of Voucher.	Service.	Appropriated.	Spent.	Unexpended.
10,978 13,476	35,669 45,036	Mangawharu Bridge	400 0 0	300 0 0 76 14 0	
				376 14 0	23 6 0
10,978 13,476	35,668 45,035	Cambridge Bridge	1,540 0 0	500 0 0 735 5 8	
				1,235 5 8	304 14 4
11,408 11,408	37,632 37,633	Komokoriki Road	292 0 0	135 0 0 157 0 0	
				292 0 0	
		Pukekohe Road	550 0 0	Nil.	550 0 0
16,907	57,406	Piako Swamp Road	1,100 0 0	933 5 10	166 14 2
14,557	48,697	Thames Borough	6,899 7 1	6,268 1 1	631 6 0
		Kauaeranga Road Board ...	596 18 8	100 4 2	496 14 6
		Waiotahi Road Board	271 11 9	364 1 3	Over Expenditure. 92 9 6
		Parawai Road Board	247 9 9	11 8 8	236 1 1
10,782 20,193	35,242 70,494	Police	3,000 0 0	1,700 7 2 1,105 8 0	
				2,805 15 2	194 4 10
12,045	39,712	Maintenance of Prisoners ...	32 10 0	32 10 0	
13,477	45,037	Allwright... ..	50 0 0	50 0 0	
11,408	37,631	Mahoney	10 0 0	10 0 0	
19,945	9,626	... ..	5,234 4 4	5,128 5 2	105 19 2
		Architect... ..	19 5 9		19 5 9
		H. W. Farnall	77 3 0		77 3 0
		Captain Cripner	20 0 0		20 0 0
		Puhoi District	25 0 0		25 0 0
		Ruatangata	25 0 0		25 0 0
		Maunga Karamea	68 0 0		68 0 0
		Ridgway and Son	70 1 2		70 1 2
		Lusk Deposit	40 0 0		40 0 0
		Manukau Harbor Trust... ..	330 16 6		330 16 6
					Over Expenditure.
13,143	43,720	Hospital Account	4 15	6	3 7 0
13,143	43,718	Sheehan		100 0 0	

31st August, 1877.

JAMES EDWARD FITZGERALD,
Commissioner of Audit.

