

*Mr. J. E. FitzGerald.* clearly not. The Committee will remember that there was a clause in the Act which said that these moneys should be paid over within ninety days. That seemed to imply that the account might be kept open for ninety days.

27th Aug., 1878.

84. But notwithstanding that, the Government could operate upon it?—The other part of the law required them to carry all balances into the Consolidated Fund on the 1st January.

85. Legally it was consolidated revenue?—Yes, but with the payments to counties and Road Boards as a first charge upon it; and what I have endeavoured to point out in my memorandum is, that the effect of carrying this balance into the consolidated revenue was to use it for paying the ordinary charges on the Consolidated Fund. The fact is, that the operation of these two provisions of the law is hardly consistent. On the one hand, the Government was given ninety days to deal with the moneys as Land Fund, and, on the other hand, they were bound, on the 1st January, to carry all the balance into the Consolidated Fund.

86. *Mr. Montgomery.*] I wish, for the information of myself and the Committee, that you would state the mode of transfer adopted by the Treasury to get the sanction of the Commissioners of Audit before payment of money is made?—In the first place, a voucher comes up from the department concerned; that voucher is audited, and is signed—initialed—by one of the Commissioners. The vouchers are then sent down to the Treasury, and the Treasury take as many of them as they please, put them into a requisition, and send them back to the Audit appended to the requisition. Our business then is simply to inquire whether there are any vouchers included in the requisition which have not been previously passed. Having checked them off in the requisition, we then have to inquire what funds there are to meet the payments required. Whether the money is legally payable, has been decided by passing the voucher, because the direction to charge is upon the voucher. Therefore, passing the voucher is supposed to determine the legality of the payment; and the requisition determines whether there are ways and means to meet the payment about to be made. We have sometimes passed vouchers that were perfectly legal, but in regard to which there was no money to meet them.

87. Would the Commissioners of Audit have passed a voucher for the payment of that £100,000 and £127,000 to the Road Boards and counties, had the Government sent you the requisition?—Undoubtedly. We did pass the voucher for the payment of the £100,000.

88. But to the Road Boards, as provided by the Financial Arrangements Act of last session, within the ninety days?—Certainly, out of the Land Fund. The £100,000 by law was payable to the banks out of loan. It was incumbent on the Government to have raised this loan of £100,000. They had borrowed this money temporarily from the banks; in other words, exercised the power Parliament gave them to operate on short-dated debentures. These short-dated debentures ought to have been paid out of long-dated debentures, instead of which they wanted to pay them out of the Canterbury Land Fund. That, I take it, is the exact position in which the matter stood.

89. That is from your own knowledge as Comptroller?—My knowledge of the accounts, and of the law.

90. And what took place with regard to the getting of money from the banks?—The Government were justified in raising the money in that way under the short-dated debentures clause.

91. *Mr. Olliver.*] Do you maintain, Mr. FitzGerald, that the issue of these debentures, as a security to the banks for the loan of £100,000, was not an issue in terms of the Act?—It was, because the Government were perfectly entitled to borrow money under short-dated debentures.

92. But the authority to borrow on these seems to have been used no further than as pledging them to the bank. Do you consider that a legal issue?—Yes. The words of the Loan Acts are very large. They are nearly all the same—to empower the Government to raise money by short-dated debentures or by hypothecation. Money is constantly raised by hypothecation. As I take it, the position of affairs now is, that the money has not been borrowed at all. It was borrowed, but has been paid off again. The powers under the Act to raise £100,000 can be exercised at any time by issuing debentures, or hypothecation.

93. *Hon. Mr. Ballance.*] Are you not aware that there was something to hinder these debentures being issued which were hypothecated?—I do not remember the question being raised.

94. *Mr. Montgomery.*] Is there any further correspondence between the Commissioners of Audit and the Government touching this balance due to Road Boards and counties which was detained?—There was a voucher sent up for the transfer of this £100,000 from one account to another, and that voucher we declined to pass.

95. From what account to another? Will you please explain?—That is exactly the point on which I said at first I should like to refresh my memory about. My impression is, it was to transfer it from the Land Fund to provincial liabilities.

96. Do you wish to refresh your memory by documentary evidence?—Yes. The whole matter dropped, as we declined to pass the voucher. The voucher did indeed, by mistake, get passed, but when it came up next day in the requisition the error was seen. We struck it out of the requisition, and cancelled the voucher.

97. What was that voucher for?—For transfer from one account to another, and virtually charging the £100,000 paid for taking up these bonds against the Land Fund of Canterbury.

98. You would not sanction that finally?—We said we thought the Land Fund had been appropriated by Parliament for other purposes.

99. *Mr. Moss.*] Do you remember the authority for originally paying this £100,000?—"The Lyttelton Harbour Works Loan Act, 1872," charges the loan to be raised on the security of the dues, rates, and charges of the Lyttelton Harbour. I have no doubt at all that we satisfied ourselves as to the legality of the issue of the £100,000. "The Financial Arrangements Act, 1876," relieved the harbour dues, and made the debt a part of the permanent debt of Canterbury, which was not chargeable on the Land Fund.

100. The difficulty exists by these debentures never having been sold?—They are the same as sold. It does not matter whether they are short-dated or long-dated debentures. They were hypothecated; the money was borrowed.