

1898.
NEW ZEALAND.

AUDIT OFFICE AND RAILWAY DEPARTMENT.

(CORRESPONDENCE RELATIVE TO THE TRANSFER OF £15,000 FROM THE PUBLIC WORKS VOTES
TO THE VOTE FOR WORKING RAILWAYS.)

Laid on the Table by the Hon. the Speaker.

Audit Office, 14th October, 1898.

THE Controller and Auditor-General has the honour most respectfully to report to the House of Representatives that a transfer which is entered in the Public Accounts for last financial year of £15,000 from the public-works votes to the credit of the vote for working railways, in respect of a sale of stores by the Department of Working Railways, was considered by the Audit Office to be a transaction of doubtful legality, but that the Audit Office decided to pass the transfer in the conclusion that the doubt was sufficient to justify the Audit Office in doing so and reporting the case to Parliament.

And the Controller and Auditor-General has further the honour most respectfully to submit to the House of Representatives a copy of the correspondence relating to such transfer.

J. K. WARBURTON,

Controller and Auditor-General.

The Hon. the Speaker of the House of Representatives.

COPY of CORRESPONDENCE relating to a Voucher passed by the Audit Office on the 5th March, 1898, for the Transfer of £15,000 from the Public-works Votes to the Votes for Working Railways.—(69523.)

| <i>Dr.</i> | <i>Transfer.</i> | <i>Folio.</i> | <i>£</i> |
|--|------------------|--------------------------|----------------|
| Public Works Fund— | | | |
| Vote 83 | ... | 2804 ... | 12,000 |
| " 89 | ... | { 2812 } { 2863 } ... | 3,000 |
| | | | <u>£15,000</u> |
| <i>Cr.</i> | | | |
| Consolidated Fund, Ordinary Revenue (Credits)— | | | |
| Vote 60 (5/376) | ... | 749 ... | 15,000 |
| | | | <u>£15,000</u> |

Treasury, 28th February, 1898.
(Stamp.)

R. J. COLLINS,

Accountant to the Treasury.

Examined and passed—J. C. GAVIN, Assistant Controller and Auditor-General, 6th [referred
to in correspondence as 5th] March, 1898.

(Signed)—JAS. B. HEYWOOD, Secretary to the Treasury.

MINUTES preceding the passing, and written on Back, of above Voucher.

No. 57.

Where are these rails and sleepers, and the certificates for delivery and receipts?—J. K. WARBURTON, 2nd March, 1898.

Particulars and certificates now attached.—GEO. FELTON, Stores Manager, 2nd March, 1898.

Please attach papers.—J. K. WARBURTON, 2nd March, 1898.

P.W. 98/609 attached.—R. J. COLLINS, 2nd March, 1898.

FURTHER MINUTES preceding the passing of the Transfer.

Mr. Gavin.

Audit Office, 3rd March, 1898.

THE papers indicate to me that it has been as much the consideration how the Working Railways could be accommodated as whether the requirements of the Public Works Department were such as to render the purchase expedient.

The immediate inference might accordingly be that the great bulk of this kind of the stock of the Department of Working Railways has been accumulated in excess of the departmental requirements; that the department is in the ordinary course of business under such circumstances realising the surplus stock for cash—cash which, as recoveries, is to go to the credit of the vote for Working Railways; and that the realisation is an act of administration with which the Audit Office would have nothing to do.

If, however, the department does not possess the stock so largely in excess of the requirements, and the great purpose of the realisation is a temporary pecuniary accommodation—that is to say, if the department will next year require to purchase again stock such as it is proposed to realise now—it is not clear that the Audit Office would be justified in allowing the operation by passing unchallenged the entries of the transfers as entries of pecuniary transactions contemplated or even authorised by the appropriations.

But if the operation could be regarded as justified by the appropriations the fact that the result would obviously be not only to enlarge the balance of the Consolidated Fund and to correspondingly enlarge the appropriation for Working Railways, but to do so only for the moment by means of borrowed money might not come within the scope of considerations that should influence the judgment of the Audit Office.

The question consequently arises whether, in view of the aspects in which the transaction appears to the Audit Office, the Minister for Public Works should not be asked to confirm his approval of the transfer, and whether with this approval the transfer should then be passed by the Audit Office without reporting the matter to Parliament.

J. K. WARBURTON,
Controller and Auditor-General.

Mr. Warburton.

I THINK the course indicated in the last paragraph should be followed, and the matter brought under the notice of Parliament, unless a satisfactory explanation of the transactions can be given. The papers submitted are by no means satisfactory, to my mind.

3rd March, 1898.

J. C. GAVIN,
Assistant Controller and Auditor.

FORWARDED for consideration accordingly.—J. K. WARBURTON, Controller and Auditor-General, 3rd March, 1898.

The Audit Office.

THE approval of the Minister for Public Works to the proposed transfer of £15,000 is given in the papers attached.

3rd March, 1898.

JAS. B. HEYWOOD.

The Treasury.

I WOULD ask that the Minister should confirm his approval, after reading these memoranda.

3rd March, 1898.

J. K. WARBURTON,
Controller and Auditor-General.

APPROVAL confirmed.—W. H. J., 3rd March, 1898.

FOR the Audit Office.—JAS. B. HEYWOOD, 3rd March, 1898.

It is now requested that the papers of the Working Railways Department relative to this transaction may be attached.—J. K. WARBURTON, Controller and Auditor-General, 3rd March, 1898.

THERE are no papers in connection with this matter.—T. RONAYNE, General Manager, 4th March, 1898.

FOR the Audit Office.—JAS. B. HEYWOOD, 4th March, 1898.

The Treasury.

Audit Office, 4th March, 1898.

IN the Department of Working Railways, the department which is realising the stock, there are no papers in connection with the proposed transfer or realisation; while the papers of the Department of Public Works, the department which is taking over the stock, record, as to the transfer, no communications up to the date, but those of which the following are copies:—

(Urgent.)

MR. CLAPHAM,—Please look into this at once, and let me know whether we can take over as much as twenty thousand pounds' worth of material; and, if so, how we can charge it.—H. J. H. BLOW, 25th February, 1898.

MR. BLOW,—We could only take to the extent of £12,000 for Midland Railway, and £3,000 for our own permanent-way vote; total, £15,000.—G. J. C., 25th February, 1898.

HON. MINISTER FOR PUBLIC WORKS,—Will you please approve passing of transfer voucher for £15,000?—H. J. H. BLOW, 26th February, 1898.

APPROVED.—W. H. J., 26th February, 1898.

MR. CLAPHAM.—H. J. H. B., 26th February, 1898.

From no engineer or responsible officer of the railway-construction work is there a recorded report, or any report known to the Audit Office, that the stock is required or ought to be procured; and there is no recorded report, or any report known to the Audit Office, from any officer of the Working Railways Department that the stock which the department is realising is in excess of, or has been accumulated beyond, the requirements for Working Railways, or that there is any other reason for the realisation.

The Audit Office requires only that it may be afforded evidence indicating that the transfer should be passed unchallenged—such evidence of a satisfactory reason for the disposal of the stock by the Department of Working Railways and for the taking-over of the stock by the Public Works Department as may preclude the supposition that the transfer may be for the purpose of pecuniary accommodation. It is therefore requested that a statement may be obtained from each of the two departments of the grounds for its own part in the transaction.

J. K. WARBURTON,
Controller and Auditor-General.

THIS is purely a question of administration.—R. J. S., 5th March, 1898.

Mr. Gavin.

Audit Office, 5th March, 1898.

If the realisation of this large amount of the property of the Department of Working Railways, whether the property be or be not surplus property of that department, is for the purpose of raising money in order that such money may be taken as appropriated for working railways and then be used for the expenses of such railways, and if but for that purpose the realisation would not take place I can conceive circumstances to have arisen under which, even in this case, such a realisation should be in the power of the Administration, and would be justified by a consideration of the best interests of the working railways.

The Audit Office, if it assumes anything, cannot assume a wrong; but, even if the foregoing propositions were all beyond question, the doubt which is in my mind—whether [in view of the provisions of section 41 of the Public Revenues Act and of the abatement upon the estimates] the transaction is not, as a matter of legal interpretation, authorised by law—is such as to lead me to the conclusion that the Audit Office would be justified in passing the transfer and reporting the case to Parliament.

J. K. WARBURTON,
Controller and Auditor-General.

I CONCUR, and have passed the transfer accordingly.—J. C. GAVIN, Assistant Controller and Auditor, 5th March, 1898.

Audit Office, 9th September, 1898.

| <i>Dr.</i> | <i>Transfer.</i> | | | |
|---|------------------|-----|----------------|-------------|
| Consolidated Fund— | | | £ | s. d. |
| Vote, Railways (rails and sleepers) ... | | ... | 17,867 | 11 4 |
| <i>Cr.</i> | | | £ | s. d. |
| Public Works Fund— | | | | |
| Vote, Midland Railways ... | | ... | 12,000 | 0 0 |
| " Permanent-way, &c. ... | | ... | 5,864 | 3 4 |
| " Settlement roads, &c. ... | | ... | 3 | 8 0 |
| | | | <u>£17,867</u> | <u>11 4</u> |

The Controller and Auditor-General.

IN July last there was received for examination a voucher for a transfer of £14,589 1s. from the Consolidated Fund to the Public Works Fund, being a debit to the vote for working railways, and a credit to the vote for additions to open lines.

In the course of examining the voucher it was discovered that the effect of the transfer, if passed, would be to reverse, with a trifling exception, entries made upon a transfer, voucher No. 69381, passed in March last, in circumstances which occasioned the office some anxiety as to its duty in the matter. The discovery of the proposal to reverse the entries then made revived that anxiety; and on the 22nd July you addressed the Treasury fully on the subject, the concluding sentence of your memorandum being as follows: "But the Audit Office, if the Treasury, after perusing these papers, should require the voucher to be passed, would feel it to be a duty to report the case to Parliament, even if the transfer which was passed last year should not, in the light now thrown upon the matter, be so reported." No reply was received to your memorandum, and the transfer was not passed.

There has now come forward for examination another voucher for £17,867 11s. 4d., proposing to reverse, as part thereof, another set of entries, also made in March last. As on the former occasion, the entries made and those proposed to be made are here placed in juxtaposition :

| <i>Entries in March last.</i> | | | | <i>Proposed Entries.</i> | | | |
|--|---------|----|----|---|---------|----|----|
| <i>Dr.</i> | £ | s. | d. | <i>Cr.</i> | £ | s. | d. |
| Public Works Fund (date of supply, 26th February, 1898)— | | | | Public Works Fund (date of supply, 11th March, 1898)— | | | |
| Vote 88—Midland Railway .. | 12,000 | 0 | 0 | Vote, Midland Railway .. | 12,000 | 0 | 0 |
| " 89—Permanent-way .. | 3,000 | 0 | 0 | " Permanent-way .. | 3,000 | 0 | 0 |
| | £15,000 | 0 | 0 | | £15,000 | 0 | 0 |
| Of which the following are the particulars— | | | | Of which the following are the particulars— | | | |
| 8 miles: 56 lb. steel rails, &c. .. | 5,376 | 6 | 3 | 8 miles: 56 lb. steel rails, &c. .. | 5,376 | 6 | 3 |
| Sleepers—19,294 silver-pine, at 2s. 6d. .. | 2,411 | 15 | 0 | Sleepers—19,294 silver-pine, at 2s. 6d. .. | 2,411 | 15 | 0 |
| " 33,086 totara, at 3s. .. | 4,962 | 18 | 0 | " 33,086 totara, at 3s. .. | 4,962 | 18 | 0 |
| " 5,726 puriri, at 4s. .. | 1,145 | 4 | 0 | " 5,726 puriri, at 4s. .. | 1,145 | 4 | 0 |
| " 3,681 puriri, at 2s. 9d. .. | 506 | 2 | 9 | " 3,681 puriri, at 2s. 9d. .. | 506 | 2 | 9 |
| " 5,977 matai, at 2s. .. | 597 | 14 | 0 | " 5,977 matai, at 2s. .. | 597 | 14 | 0 |
| <i>Cr.</i> | | | | <i>Dr.</i> | | | |
| Consolidated Fund— | | | | Consolidated Fund— | | | |
| Vote 60—Working Railways .. | £15,000 | 0 | 0 | Vote, Working Railways .. | £15,000 | 0 | 0 |

It will be observed that the "date of supply" of rails and sleepers delivered by the Stores Manager of the Department of Working Railways to the Stores Manager or Storekeeper of the Department of Public Works (in respect of which entries were made in March last) was 26th February, 1898; and that the "date of supply" of apparently the same materials delivered back by the Department of Public Works to the Department of Working Railways (in respect of which entries are now, after a delay of six months, proposed to be made) was the 11th March following.

It seems impossible with the information at present at the disposal of the Audit Office to resist the conclusion that the original transaction arose out of the financial necessities of the Department of Working Railways, and not out of a surplus of stores, and that the stores disposed of to the Department of Public Works were not really required by that department, and I think the Audit Office may reasonably complain that it has been left in ignorance until now of the retransfer of the stores. It is obvious that such a retransfer should have been followed immediately by a retransfer of the cash.

The present proposed retransfer of £15,000, and the other of nearly the like amount queried in July last and not proceeded with by the Treasury, stands much on the same footing. The two sums, making together about £30,000, form part of the credits, amounting to £187,964 14s., to the vote for working railways in last year's accounts.

J. C. GAVIN,
Assistant Controller and Auditor.

Transfer.

| | | | | |
|------------------------------|-----|---------|----|----|
| <i>Dr.</i> | | £ | s. | d. |
| Consolidated Fund— | | | | |
| Vote, Railways .. | ... | 2,411 | 15 | 0 |
| " .. | ... | 974 | 8 | 0 |
| " .. | ... | 3,099 | 9 | 2 |
| " .. | ... | 2,606 | 19 | 0 |
| " .. | ... | 2,370 | 7 | 0 |
| " .. | ... | 4 | 3 | 4 |
| " .. | ... | 1,144 | 0 | 0 |
| " .. | ... | 1,716 | 0 | 0 |
| " .. | ... | 3,537 | 1 | 10 |
| " .. | ... | 3 | 8 | 0 |
| Rails and sleepers. | | £17,867 | 11 | 4 |
| <i>Cr.</i> | | | | |
| Public Works Fund (Credits)— | | £ | s. | d. |
| Vote, Midland Railway .. | ... | 12,000 | 0 | 0 |
| " Permanent-way, &c.... | ... | 5,864 | 3 | 4 |
| " Settlement roads, &c. | ... | 3 | 8 | 0 |
| As above. | | £17,867 | 11 | 4 |

R. J. COLLINS,
Accountant to the Treasury.

Treasury, 3rd September, 1898.

Examined and passed.—JAS. B. HEYWOOD, Secretary to the Treasury.

Controller and Auditor-General.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section: Greymouth.

Department: Stores.

Classification: Stores.

| | £ | s. | d. |
|--|--------|----|----|
| March 11, 1898. 19,294 silver-pine sleepers | 2,411 | 15 | 0 |
| <i>Credit</i> , Public Works Fund—Midland Railway— | | | |
| Otira Section | 218 | 14 | 0 |
| Belgrove Section | 2,193 | 1 | 0 |
| | <hr/> | | |
| | £2,411 | 15 | 0 |

G. J. CLAPHAM.

GEO. FELTON,
Stores Manager.

29th April, 1898.

Charge to Vote, Railways. Item, Greymouth.—A. C. FYFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section: Christchurch.

Department: Stores.

Classification: Stores.

| | £ | s. | d. |
|--|-----|----|----|
| March 11, 1898. 4,872 puriri sleepers | 974 | 8 | 0 |

Credit, Public Works Fund—Midland Railway (Otira Section).—G. J. CLAPHAM, 30th August, 1898.

GEO. FELTON,
Stores Manager.

4th May, 1898.

Charge to Vote, Railways. Item, H. B.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section: Wellington—Napier—New Plymouth.

Department: Stores.

Classification: Wellington Store.

| | £ | s. | d. |
|---|--------|----|----|
| March 11, 1898. * Four miles 56 lb. steel rails in 30 ft. lengths, complete, with all fastenings | 2,688 | 3 | 2 |
| * 1,408 rails=352 tons, at £6 10s. | | | |
| per ton | £2,288 | 0 | 0 |
| 5,632 fang-bolts | 76 | 17 | 0 |
| 5,632 fish-bolts | 72 | 7 | 4 |
| 33,792 spikes | 114 | 1 | 6 |
| 2,816 fish-plates | 74 | 8 | 0 |
| 2,816 bed-plates | 62 | 9 | 4 |
| | <hr/> | | |
| | £2,688 | 3 | 2 |
| 2,742 totara sleepers, at 3s. | 411 | 6 | 0 |
| | <hr/> | | |
| | £3,099 | 9 | 2 |

Credit, Public Works Fund—Midland Railway (Otira Section).—G. J. CLAPHAM, 30th August, 1898.

GEO. FELTON,
Stores Manager.

29th April, 1898.

Charge to Vote, Railways. Item, Wellington—Napier—New Plymouth.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section: Wellington—Napier—New Plymouth.

Department: Stores.

Classification: Wanganui Store.

| | £ | s. | d. |
|---|--------|----|----|
| March 11, 1898. 4,468 matai sleepers | 446 | 16 | 0 |
| 14,401 totara sleepers | 2,160 | 3 | 0 |
| | <hr/> | | |
| | £2,606 | 19 | 0 |

Credit, Public Works Fund—Midland Railway, Belgrove Section.—G. J. CLAPHAM, 30th August, 1898.

GEO. FELTON,
Stores Manager.

5th May, 1898.

Charge to Vote, Railways. Item, Wanganui.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section : Hurunui-Bluff.

Department : Stores.

Classification : Dunedin Store.

| | £ | s. | d. |
|---|--------|----|----|
| March 11, 1898. 1,509 matai sleepers | 150 | 18 | 0 |
| 28 puriri sleepers | 5 | 12 | 0 |
| 911 totara sleepers | 136 | 13 | 0 |
| 13,848 totara and matai sleepers | 2,077 | 4 | 0 |
| | <hr/> | | |
| | £2,370 | 7 | 0 |

Credit, Public Works Fund—

| | | | |
|---|--------|---|---|
| Permanent-way materials (sleepers) | 2,151 | 1 | 3 |
| Midland Railway, Otira Section | 219 | 5 | 9 |
| | <hr/> | | |
| | £2,370 | 7 | 0 |

30th August, 1898.

G. J. CLAPHAM,
GEO. FELTON,
Stores Manager.

4th May, 1898.

Charge to Vote, Railways. Item, Hurunui-Bluff.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section : Wellington-Napier-New Plymouth.

Department : Stores.

Classification : Stores.

July 29, 1898. 221 53lb. bed-plates, 6cwt. 1qr. 18lb. Sub-voucher No. 13 4 3 4

Credit, Public Works Fund—Permanent-way materials (rails).—G. J. CLAPHAM, 25th August, 1898.

12th August, 1898.

J. S. HUTCHINSON,
Storekeeper.

18th August, 1898.

A. M. HEATON,
For Stores Manager.

Charge to Vote, Railways. Item, Wellington-Napier-New Plymouth.—A. C. FIFE, 19th August, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section : Wellington.

Department : Stores.

Classification : Stores.

March 12, 1898. Two miles 56 lb. steel rails, in 30 ft. lengths £1,144
(704 rails=176 tons, at £6 10s. per ton.)*Credit*, Public Works Fund—Permanent-way materials (rails).—G. J. CLAPHAM, 30th August, 1898.

29th April, 1898.

GEO. FELTON,
Stores Manager.

Charge to Vote, Railways. Item, Wellington-Napier-New Plymouth.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section : Auckland.

Department : Stores.

Classification : Stores.

March 12, 1898. Three miles 56 lb. steel rails, in 30 ft. lengths £1,716

Credit, Public Works Fund—Permanent-way materials (rails).—G. J. CLAPHAM, 30th August, 1898.

29th April, 1898.

GEO. FELTON,
Stores Manager.

Charge to Vote, Railways. Item, Auckland.—A. C. FIFE, 26th July, 1898.

WORKING RAILWAYS, *Dr.* to PUBLIC WORKS DEPARTMENT.

Name of section : Auckland.

Department : Stores.

Classification : Stores.

| | £ | s. | d. |
|---|--------|----|----|
| March 11, 1898. Four miles 56 lb. steel rails, in 30 ft. lengths, complete with all fastenings | 2,688 | 3 | 1 |
| 3,681 puriri sleepers, second class | 506 | 2 | 9 |
| 1,184 totara sleepers | 177 | 12 | 0 |
| 826 puriri and totara sleepers... .. | 165 | 4 | 0 |
| | <hr/> | | |
| | £3,537 | 1 | 10 |

| <i>Credit, Public Works Fund—</i> | | £ | s. | d. |
|------------------------------------|-----|--------|----|----|
| Permanent-way materials (sleepers) | ... | 848 | 18 | 9 |
| Midland Railway, Otrira Section | ... | 2,688 | 3 | 1 |
| | | <hr/> | | |
| | | £3,537 | 1 | 10 |

30th August, 1898.

G. J. CLAPHAM.
GEO. FELTON,
Stores Manager.

29th April, 1898.

Charge to Vote, Railways. Item, Auckland.—A. C. FIFE, 27th July, 1898.

WORKING RAILWAYS, *Dr.* to LANDS AND SURVEY DEPARTMENT, Invercargill.

Name of section: Hurunui-Bluff.

Department: Stores.

August 1, 1898. 34 matai sleepers, at 2s. each £3 8 0

A. M. HEATON,
For Stores Manager.

9th August, 1898

Charge to Vote, Railways. Item, Hurunui-Bluff.—A. C. FIFE, 13th August, 1898.

PROPOSED TRANSFER, No. 175, 3rd September, 1898, of £17,867 11s. 4d. from Vote for Working Railways to Public Works Votes.

The Treasury.

Audit Office, 15th September, 1898.

THE two transactions in March last—one purporting the sale of property by the Department of Working Railways to the Public Works Department for £15,000 paid at the time, and the other purporting the sale a few days afterwards of the same property by the Public Works Department back to the Department of Working Railways for £15,000 not yet paid—have clearly resulted in making the expenditure of the Department of Working Railways, to the amount of £15,000 during last financial year, a charge of £12,000 on the public-works vote for Midland Railway, and of £3,000 on the public-works vote for permanent-way. The Working Railways Department transferred the property for money—money which was required, appropriated, and spent during the financial year for the working-expenses of the railways—and then took back the property immediately afterwards without paying for it, or having yet paid for it.

That the Public Revenues Act does not contemplate transactions of this nature, that they are not provided for by any Appropriation Act, and that the abstracts of the revenue and expenditure of the Public Account, which comprise such transactions, cannot completely be an index to the real purposes of the expenditure of public money appears to be beyond all question; and if the transaction by which the property was returned to the Department of Working Railways on the 11th March had been known to the Audit Office to have been contemplated before the time when, on the 5th March, the transfer was passed in respect of the sale by the Working Railways Department that transfer would certainly not have been passed.

The Audit Office would have declined to pass the transfer on the ground that the transaction was to be not really a sale, but an arrangement by which the Department of Working Railways might, by depositing the property without actually parting with it, or any intention of parting with it, obtain an advance of £15,000 out of the public-works votes.

The proposal now, that the Department of Working Railways shall pay back the money, will, if carried out, transfer in the Public Accounts railway expenditure which took place to the amount of £15,000 during last financial year into expenditure of that department during this financial year, and the expenditure during last financial year of £12,000 out of the Midland Railway vote, and £3,000 out of the vote for permanent-way, into an appropriation for this financial year, in addition to whatever may be voted for those services for the year. The result would be similar to that of the proposal made in July last in the papers of which I append a copy—namely, the proposal to transfer back from the vote for working railways to the vote for additions to open lines the amount of £14,589 1s. with which the working railways vote was credited during last financial year.

The question, however, for the Audit Office is not the result of the transactions, but whether they are authorised by or within the law. On that question there was, on the 5th March last, as will appear from a reference to the further papers* of which I append a copy, so much doubt in the mind of the Audit Office respecting the legality of the transaction purporting the sale in the first instance by the Department of Working Railways to the Department of Public Works that the Audit Office could pass the transaction only on the condition that it should be reported to Parliament.

The fact now known to the Audit Office—of the delivery back of the property by the Department of Public Works a few days after the transaction without receiving back from the Department of Working Railways the price at which that department purchased the property from the Department of Public Works—greatly increases the doubt which was entertained respecting the transaction when, without any ground for anticipating that the property would so soon be taken back by the Working Railways Department, the Audit Office challenged the transfer; and there is, consequently, all the more reason for the Audit Office to carry out its duty, which has been delayed, of submitting the case to Parliament as a case in which there is doubt, now strengthened so much, whether the transaction was as a matter of legal interpretation within the law, and in order that the Audit Office may receive such instruction in the matter as Parliament may see fit to issue.

* "Further papers" are the correspondence preceding Mr. J. C. Gavin's memorandum of the 9th September.

As to the claim of the Department of Public Works to receive the money from the Department of Working Railways on account of the delivery back of the property in March last, the Audit Office cannot refuse to pass the claim as a charge against imprest supply. It will, however, be necessary to the transfer of the charge that there should be a vote expressly providing for such transfer, and whatever explanation the departments responsible for the transactions in question may be able to afford to the Audit Office respecting them should now be afforded.

J. K. WARBURTON,
Controller and Auditor-General.

COPY OF PAPERS.

Proposal to make the following Entries in the Public Accounts.

| | | | | | | | |
|-------------------------------|-----|-----|-----|---------|----|----|------------|
| <i>Dr.</i> | | | | | | | |
| Consolidated Fund— | | | | | £ | s. | d. |
| Vote, Railways | ... | ... | ... | £10,696 | 0 | 0 | |
| | | | | 2,399 | 19 | 0 | |
| | | | | 1,493 | 2 | 0 | |
| | | | | <hr/> | | | 14,589 1 0 |
| <i>Cr.</i> | | | | | | | |
| Public Works Fund— | | | | | | | |
| Vote, Additions to open lines | ... | ... | ... | | | | 14,589 1 0 |

The Controller and Auditor-General.

It will be in your recollection that before the Public Accounts for the year ended the 31st March last were closed there were certain transfer vouchers submitted to audit for entries the converse of the above, and that these transfers were of such a character as to necessitate inquiry on the part of the Audit Office to satisfy itself that they represented legitimate transactions to which it should give its assent.

I attach hereto temporarily one of these transfer vouchers for £15,000, No. 69381, passed in March last, the entries made upon which were,—

| | | | | | | | |
|-------------------------------|-----|-----|-----|---------|---|----|------------|
| <i>Dr.</i> | | | | | | | |
| Public Works Fund— | | | | | £ | s. | d. |
| Vote, Additions to open lines | | | | £10,696 | 0 | 0 | |
| | | | | 2,774 | 0 | 0 | |
| | | | | 1,530 | 0 | 0 | |
| | | | | <hr/> | | | 15,000 0 0 |
| <i>Cr.</i> | | | | | | | |
| Consolidated Fund— | | | | | | | |
| Vote, Railways | ... | ... | ... | | | | 15,000 0 0 |

You will observe that the transfer now proposed to be made would all but completely reverse the above entries. The first item is unaltered; the second and third appear from the documents to have been intended at first to remain unaltered also, but no doubt for some sufficient reason they have been reduced from £2,774 and £1,530 to £2,399 19s. and £1,493 2s. respectively.

You will also observe from the minutes on the voucher that it was not passed without careful consideration, and that the Audit Office relied upon the certificate of the storekeeper that the material had been delivered and received, presumably for the actual requirements of additions to open lines. It would now appear, however, in the light of the present proposal, which is practically to buy back the material ostensibly sold by the Working Railways in March last, that the operation then effected was merely a book entry, the first result of which was to reduce the expenditure charged upon the vote for working railways, and the second to swell the credit balance of the Consolidated Fund at the 31st March, 1898. In the following statement the entries already made and those proposed to be made are placed side by side to show more clearly the position of the matter:—

| <i>Transactions in March last.</i> | | | | <i>Proposed Transaction.</i> | | | |
|------------------------------------|-------|----|-------------|------------------------------|-------|----|--------------|
| <i>Dr.</i> | | £ | s. d. | <i>Cr.</i> | | £ | s. d. |
| Public Works Fund— | | | | Public Works Fund— | | | |
| Additions to Open lines— | | | | Additions to Open Lines— | | | |
| Addington Store— | | | | Christchurch— | | | |
| Iron plates, Yorkshire | 1,000 | 0 | 0 | Iron plates, Yorkshire | 1,000 | 0 | 0 |
| Engine throat-plates.. | 1,000 | 0 | 0 | Engine throat-plates.. | 1,000 | 0 | 0 |
| Boiler-tubes | 3,800 | 0 | 0 | Boiler-tubes | 3,800 | 0 | 0 |
| Tires | 2,000 | 0 | 0 | Tires | 2,000 | 0 | 0 |
| Copper plates | 2,896 | 0 | 0 | Copper plates | 2,896 | 0 | 0 |
| | | | 10,696 0 0 | | | | 10,696 0 0 |
| Newmarket Store— | | | | Auckland Section— | | | |
| Boiler-tubes | 330 | 0 | 0 | Boiler-tubes | 324 | 0 | 0 |
| Tires | 1,200 | 0 | 0 | Tires | 1,169 | 2 | 0 |
| | | | 1,530 0 0 | | | | 1,493 0 0 |
| Petone Store— | | | | Wellington— | | | |
| Tires | 394 | 0 | 0 | Tires | 378 | 8 | 0 |
| Tubes | 2,380 | 0 | 0 | Tubes | 2,021 | 11 | 0 |
| | | | 2,774 0 0 | | | | 2,399 19 0 |
| | | | £15,000 0 0 | | | | £14,589 19 0 |
| <i>Cr.</i> | | | | <i>Dr.</i> | | | |
| Consolidated Fund— | | | | Consolidated Fund— | | | |
| Vote, Working Railways | .. | .. | £15,000 0 0 | Vote, Working Railways | .. | .. | £14,589 19 0 |

The Audit Office, it is submitted, would not be justified in passing the proposed transfer without a full and satisfactory explanation, which, however, as the matter appears to stand, it seems difficult to believe can be supplied.

J. C. GAVIN,
Assistant Controller and Auditor.

MINUTES ON TRANSFER VOUCHER No. 69381.

THE certificates supporting this transfer are that the material has actually been delivered from the Working Railways Branch for additions to open lines; but there appears to be wanting a certificate that the material has been received for the purpose.

1st March, 1898.

J. K. WARBURTON,
Controller and Auditor-General.

THE W.R. and A.O.L. stores are both under my control; one certificate, therefore, covers both receipt and delivery.

1st March, 1898.

GEORGE FELTON,
Stores Manager.

Mr. Gavin.

IT does not appear to me that the Audit Office can inquire whether the exigencies of additions to open lines are at this moment such as to require that one large transfer of material for the purpose should take place to the value of one large round sum of £15,000. This question lies with the Administration. If you concur you should pass the transfer.

1st March, 1898.

J. K. WARBURTON.

I CONCUR. Transfer passed.—J. C. GAVIN, Assistant Controller and Auditor, 2nd March, 1898.

The Treasury.

Audit Office, 16th July, 1898.

Transfer of £14,589 ls. from Consolidated Fund to Public Works Fund.

IN requesting that an explanation may be furnished to the Audit Office from the department responsible for this proposal now to transfer back from Public Works to Working Railways the property which was transferred from Working Railways to Public Works just before the close of last financial year, and of which the purchase-money went, and was used, as an additional appropriation for the expenditure on working railways during that year, I may remark that, whatever may be the explanation, the effect of the present proposal must virtually be to make the expenditure on working railways during last financial year a charge, to the amount of the projected transfer, against the vote for the present year, and thus correspondingly to make the expenditure out of the Public Works Fund during last year an additional appropriation for public works during this year. This is an effect which surely can never have been contemplated by the Public Revenues Act, an effect only possible consistently with a power in any department having property to convert it into an additional appropriation for services, and to redeem and reconvert as the exigencies of finance may dictate.

J. K. WARBURTON,
Controller and Auditor-General.

Hon. Colonial Treasurer.

THIS matter is clearly one of administration. However, the Audit Office has large powers to ask for such explanation as it considers necessary.

18th July, 1898.

JAS. B. HEYWOOD.

THIS matter is clearly one of administration, and in matters of administration the responsibility is with the Government and not with the Audit Department.—R. J. S., 19th September, 1898.

FOR the Audit Office.—JAS. B. HEYWOOD, 21st July, 1898.

The Treasury.

Audit Office, 22nd July, 1898.

IT is respectfully submitted that the Audit Office must, before it passes the voucher into which this transfer has been put, be satisfied that the expenditure is charged upon the voucher to the proper vote and fund provided by Parliament for the same. The passing of the voucher by the Audit Office being necessary to the transfer, the matter is as clearly one of Audit Office judgment as of administration responsibility. The Audit Office has to be satisfied that Parliament has provided a vote and fund to which expenditure can be charged of the nature of the expenditure involved by the two transfers—one of £15,000 from Public Works, passed on the 2nd March, 1898, and the other of £14,589 ls. back to Public Works now.

The transfer of £15,000 out of last year's appropriation for public works to the credit of last year's appropriation for working railways, and the transfer back of £14,589 ls. out of this year's appropriation for working railways to the credit of this year's appropriation for public works, would make the transaction tantamount to one of an advance during last financial year from loan account for the working-expenses of the railways, and of the repayment of such advance during the present year, with the result which I have already pointed out of making "the expenditure on working railways during last financial year a charge, to the amount of the projected transfer, against the vote for the present year, and thus correspondingly to make the expenditure out of the Public Works Fund during last year an additional appropriation for public works during this year."

The Audit Office did not see before the 20th instant the papers marked A, B, C, and D, of which copies are appended, and which are attached to the Treasury file No. 98/369. A perusal of these papers now, when it is known that the administration proposes, as an independent transaction of this year, the almost complete reversal of the transfer of £15,000 during last year, must leave little room for doubt, not that the transfer was expedient to relieve the Working Railways of purchases in excess of the requirements of the department, not that the Public Works required the property, not that money applied to the transfer had been voted for such a purpose, but that the appropriation for working railways was insufficient for the due payment of the expenses of the year, and that the transfer was to give effect to an arrangement for obtaining the additional appropriation by the expedient of a payment out of the public-works vote as for the purchase of property from the Working Railways. The Audit Office, if it had seen those papers before the transfer of £15,000 was passed, would certainly have challenged the expenditure, and either not have passed the voucher or required that the case should be submitted to Parliament.

It may, however, be urged, as regards the transfer now before the Audit Office, that as the only appropriation at present is for expenditure by way of imprest supply, and the voucher in question must be charged accordingly, the Audit Office had no option but to pass it. For imprest supply is an appropriation of the nature of the appropriation for unauthorised expenditure, and appears to be applicable, at the discretion of the Administration, to expenditure to be afterwards authorised by the next Appropriation Act, or to be charged, if not authorised by that Act, to the Unauthorised Expenditure Account. The Audit Office may therefore be justified in passing the voucher accordingly, but would require, as necessary to the removal of the charge from imprest supply, that the vote to be taken should clearly express the purpose of the expenditure.

But the Audit Office, if the Treasury, after perusing these papers, should require the voucher to be passed, would feel it to be a duty to report the case to Parliament, even if the transfer which was passed last year should not, in the light now thrown upon the matter, be so reported.

J. K. WARBURTON,
Controller and Auditor-General.

25th July, 1898.

[Copy A.]

WORKING RAILWAYS, VOTE No. 60, 1897-98, Estimates.
Position at 31st March, 1898.

T. 98/369.

| <i>Dr.</i> | | £ | s. | d. |
|---|-----|-----------------|----------|----------|
| Vouchers passed forward to Treasury and imprest advances not brought to final charge—less recoveries—at 24th February, 1898 | ... | 806,212 | 0 | 0 |
| Accounts in office ready for payment at 24th February, 1898 | ... | 16,000 | 0 | 0 |
| Accounts for stores to come in before 31st March, as per Stores Manager's estimate | ... | 6,000 | 0 | 0 |
| Agent-General's vouchers now under action | ... | 2,215 | 0 | 0 |
| Agent-General's vouchers estimated to come in before 31st March | ... | 4,700 | 0 | 0 |
| Imprest advances required to pay wages and contingencies for period ending 5th March | ... | 52,000 | 0 | 0 |
| Salaries payable on 31st March | ... | 3,300 | 0 | 0 |
| | | <u>£890,427</u> | <u>0</u> | <u>0</u> |
| <i>Cr.</i> | | | | |
| Total amount of Working Railways Vote No. 60 | ... | £822,127 | 0 | 0 |
| Proposed transfer of permanent-way material to Public Works Department | ... | 20,000 | 0 | 0 |
| Proposed transfer of material to additions to open lines, stock—Vote No. 90 | ... | 15,000 | 0 | 0 |
| Imprest advances to be finally charged to other accounts and recoveries for period ending 5th March | ... | 1,800 | 0 | 0 |
| Imprestee's balances to be repaid to Public Account at 31st March | ... | 1,000 | 0 | 0 |
| | | <u>859,927</u> | <u>0</u> | <u>0</u> |
| To be charged to "Unauthorised," being 55.9 per cent. of £85,000, the expected excess of railway revenue over the estimate for the year, namely, £1,136,000—£1,275,000 (working-expenses, 1st April, 1897, to 8th January, 1898—63.93 per cent. of revenue) | ... | 30,500 | 0 | 0 |
| | | <u>£890,427</u> | <u>0</u> | <u>0</u> |

24th February, 1898.

A. C. FIFE.

[Copy B.]

| | | | | | | T. 98/369. |
|----------|-----------------------------|-----|-----|-----|-----|-------------|
| | | | | | | £ s. d. |
| Vote 77. | Whangarei | ... | ... | ... | ... | 1,980 10 8 |
| " | 78. Helensville | ... | ... | ... | ... | 5,539 12 9 |
| " | 79. Grahamstown | ... | ... | ... | ... | 500 15 10 |
| " | 80. Marton—Te Awamutu | ... | ... | ... | ... | 7,782 0 11 |
| " | 81. Eketahuna | ... | ... | ... | ... | 4,315 14 11 |
| " | 82. Blenheim | ... | ... | ... | ... | 2,394 1 10 |
| " | 83. Midland | ... | ... | ... | ... | 14,803 9 6 |
| " | 84. Otago Central | ... | ... | ... | ... | 9,539 10 6 |
| " | 85. Seaward Bush | ... | ... | ... | ... | 2,460 8 1 |
| " | 86. Forest Hill | ... | ... | ... | ... | 741 10 5 |
| " | 87. Land-claims | ... | ... | ... | ... | 2,152 11 7 |
| " | 88. Survey of new lines | ... | ... | ... | ... | 1,730 4 7 |
| | | | | | | (20,498 1 8 |
| " | 89. Permanent-way | ... | ... | ... | ... | 8,500 0 0 |
| | | | | | | 11,998 0 0 |
| " | 90. Additions to open lines | ... | ... | ... | ... | 56,171 2 10 |

[Copy C.]

T. 98/369.

RAILWAY VOTE, 21st February, 1898.

| | | | | | |
|--|-----|-----|-----|-----|-----------------|
| Amount overdrawn at date | ... | ... | ... | ... | £16,406 0 0 |
| Requisitions awaiting entry | ... | ... | ... | ... | 2,036 0 0 |
| | | | | | <hr/> |
| | | | | | Dr. £18,442 0 0 |
| Transfers for credit of vote awaiting entry in requisition | | | | | Cr. £15,339 0 0 |
| | | | | | <hr/> |
| | | | | | Dr. £3,103 0 0 |

" UNAUTHORISED," 21st February, 1898.

| | | | | | |
|--|-----|-----|-----|-----|-------------|
| Balance available | ... | ... | ... | ... | £10,204 0 0 |
| Further sum on transfers being made as above | ... | ... | ... | ... | 13,303 0 0 |
| Further sum of transfer loans to local bodies adjustment | ... | ... | ... | ... | 6,000 0 0 |
| | | | | | <hr/> |
| | | | | | £29,507 0 0 |
| | | | | | <hr/> |
| Railways want | ... | ... | ... | ... | £50,000 0 0 |
| Available | ... | ... | ... | ... | 29,000 0 0 |
| | | | | | <hr/> |
| Short | ... | ... | ... | ... | £21,000 0 0 |

[Copy D.]

T. 98/369.

| | | | | | |
|-----------------|-----|-----|-----|-----|-------------|
| Midland Railway | ... | ... | ... | ... | £14,000 0 0 |
| Permanent-way | ... | ... | ... | ... | 4,000 0 0 |
| | | | | | <hr/> |
| | | | | | £18,000 0 0 |

Railway Department should write saying they have more rails on order than they want, and asking us to take over twenty thousand pounds' worth.

Debit on North Island Main Trunk Railway vote should be transferred, half to the Otago Central and half to Helensville Northwards, and not to Midland Railway.

[No. 394.]

PROPOSED TRANSFER, No. 175, 3rd September, 1898, of £17,867 11s. 4d. from Vote for Working Railways to Public-works Votes.

The Treasury.

Audit Office, 3rd October, 1898.

THE CONTROLLER AND AUDITOR-GENERAL, being without a reply to his memorandum of the 15th ultimo, respecting the claim of the Department of Public Works to receive from the Working Railways Department £15,000 not yet paid for the railway stores delivered back in March last, after the sale for which a transfer voucher for that amount was passed on the 5th March, begs leave to draw the attention of the Treasury to the matter, and to ask that the Audit Office may now be furnished with whatever explanation the department responsible for the transactions in question may be able to afford the Audit Office respecting them.

J. K. WARBURTON,
Controller and Auditor-General.

The Treasury, Wellington, 8th October, 1898.

The Controller and Auditor-General.

I VERY much regret that, owing to the severe pressure of my parliamentary duties, your memorandum of the 15th September last should have been overlooked.

In reply, it is sufficient for me to state that the departments concerned do not now desire to disturb the entries which were made on the 31st March last connected with the sale by the Railway Department of railway material to the Public Works Department. The proposed transfers of this year will therefore be withdrawn.

R. J. SEDDON,
Colonial Treasurer.

PROPOSED TRANSFER, No. 175, 3rd September, 1898, of £17,867 11s. 4d. from Vote for Working Railways to Public-works Votes.

Mr. Gavin.

Audit Office, 11th October, 1898.

I FEEL it to be highly gratifying to the Audit Office that its representation to the Treasury of the objections to the proposed transfer should have been followed by the Minister's intimation of the 8th instant that it will be withdrawn.

It will now be sufficient to make to Parliament the report which the Audit Office, in deciding on the 5th March last to pass the transfer of £15,000, concluded to be necessary to justify that decision, though all the correspondence relating to the transfer would, I think, have to be submitted with the report.

It appears to me that the duty to make the report is a duty the performance of which the Audit Office would not be warranted in delaying any longer; for the doubt as to the legality of the transfer, the doubt of which the anxiety was to give the benefit to the Administration, has been greatly strengthened, and the Legislature may think fit to consider whether its meaning and intention with respect to sales of stores should not be expressed in terms more definite and precise than those of section 41 of the Public Revenues Act, and the Audit Office thus be relieved from any such doubt in future, and the Administration from embarrassment.

J. K. WARBURTON,
Controller and Auditor-General.

Mr. Warburton.

Audit Office, 13th October, 1898.

THE case is one which should unquestionably, I think, be brought under the notice of Parliament. I cannot conceive that it was ever intended that the provision contained in section 41 of "The Public Revenues Act, 1891," with regard to credits to votes, should be applicable to such sales of railway stores, seemingly for a temporary purpose, as took place in March last. There seems to me, in the light of the transactions which last year resulted in the vote for working railways being credited with no less a sum than £187,964 14s., as against an estimate of £23,603 abated upon the vote, to be a necessity for imposing a limit to prevent the spending-power under the vote from being unduly enlarged by such credits.

J. C. GAVIN,
Assistant Controller and Auditor.

PROPOSED TRANSFER, No. 175, 3rd September, 1898, of £17,867 11s. 4d. from Vote for Working Railways to Public-works Votes.

The Right Hon. the Colonial Treasurer.

Audit Office, 14th October, 1898.

I BEG leave respectfully to acknowledge the receipt of your memorandum of the 8th instant; to express my gratification that the representation of the Audit Office to the proposed transfer should have been followed by your intimation that it will be withdrawn; and to add that now it is sufficient for me to make to Parliament the report which was concluded by the Audit Office to be necessary to justify its decision on the 5th March last to pass the transfer of £15,000.

J. K. WARBURTON,
Controller and Auditor-General.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1898.