

1898.  
NEW ZEALAND.

## PUBLIC ACCOUNTS COMMITTEE.

(REPORT ON THE CORRESPONDENCE BETWEEN THE AUDIT OFFICE AND THE RAILWAY DEPARTMENT RELATIVE TO THE TRANSFER OF £15,000, TOGETHER WITH THE MINUTES OF PROCEEDINGS AND EVIDENCE.)

*Report brought up 3rd November, 1898, and ordered to be printed.*

### ORDERS OF REFERENCE.

*Extracts from the Journal of the House of Representatives.*

MONDAY, THE 17TH DAY OF OCTOBER, 1898.

*Ordered*, "That paper numbered 226B, Correspondence between the Audit Office and the Railway Department relative to the Transfer of £15,000, be referred to the Public Accounts Committee; the Committee to report thereon within fourteen days."—(Rt. Hon. R. J. SEDDON.)

FRIDAY, THE 28TH DAY OF OCTOBER, 1898.

*Ordered*, "That an extension of time of three days be granted to the Public Accounts Committee within which to bring up their report on the correspondence between the Audit Office and the Railway Department."—(Mr. GUINNESS.)

## REPORT.

THE Public Accounts Committee, to whom was referred the correspondence between the Audit Office and the Railway Department relative to the transfer of £15,000, has the honour to report that it has taken the evidence of J. K. Warburton, Controller and Auditor-General; A. C. Fife, Accountant, Railway Department; J. C. Gavin, Assistant Controller and Auditor; G. J. Clapham, Accountant, Public Works Department; G. Felton, Stores Manager, Railway Department; H. J. H. Blow, Under-Secretary, Public Works Department; Hon. W. Hall-Jones, Minister for Public Works; Hon. A. J. Cadman, Minister for Railways; and J. B. Heywood, Secretary to the Treasury.

The Committee finds,—

That in the month of February, 1898, it became apparent to the Treasury that the sum appropriated for the Working Railways vote would be insufficient to meet the increased requirements of the service for wages and other expenses up to the 31st March, and that there was not sufficient "Unauthorised" available for this purpose.

That the available "Unauthorised" vote was insufficient to meet this demand, for the following reasons: In January of this year a transfer of £50,000 had been made from the Consolidated Fund to the Public Works Fund. The Controller and Auditor-General refused to give his assent to such transfer except as a charge upon the "Unauthorised" vote. The £50,000 was, however, returned to the Consolidated Fund also from the "Unauthorised" vote. The combined effect of these transactions was to reduce the statutory limit of £100,000 for "Unauthorised" to £50,000. This unexpected result seriously hampered the Treasury, which was at the moment in possession of ample funds, but without parliamentary authority to utilise them for the requirements of the Working Railways. It then became necessary to defray from some other source the increased expenditure of the Working Railways Department.

The alternatives presented were,—

- (1.) To call Parliament together at once.
- (2.) To suspend the payment of wages and other liabilities of the Working Railways Department till the beginning of the next financial year.
- (3.) To adopt some extraordinary means of providing money.

The method decided upon was to sell, to the amount of £30,000, stores, which had been charged to the Working Railways (Vote 60)—fifteen thousand pounds' worth to the Public Works Department, and fifteen thousand pounds' worth to Additions to Open Lines. This was accordingly done.

The intention at the time was that these transfers were to be for the accommodation of the Working Railways, and that the stores were to be re-transferred as soon as circumstances would permit after the end of the financial year. It would appear from the date of service mentioned on the vouchers set forth in B.-22, 1898, that the £15,000 worth of stores sold to the Public Works Department was re-transferred to the Working Railways Department on the 11th March, and the Audit Department was unintentionally misled on this point by the vouchers sent to it from the Stores Department.

The Committee, however, has no doubt that the description of the "Date of Service or Supply" as the 11th March on the voucher was an error, and that no re-transfer of such stores took place until after the end of the financial year. The £15,000 worth of stores sold to the Public Works Department was re-transferred in July or August, 1898, but hitherto the Audit Office has declined to pass the vouchers completing such sale.

By the operation of the provisions of section 41 of "The Public Revenues Act, 1891," the effect of these two sales of stores was to increase the recoveries to the credit of the Working Railways vote, and thus increase the appropriation under that vote to the extent of £30,000.

The Government was compelled to adopt a course which it had used every effort to avoid, but the practical effect was to increase the balance to the credit of the Consolidated Fund on the 31st March, 1898, by the sum of £30,000 beyond what the said balance would have been if the "Unauthorised" had been available, and the same expenditure had taken place and been charged thereto.

The evidence also goes to show that two other transfers of stores took place during the last financial year of the value of £8,580 and £13,908 respectively. These transfers were not for accommodation purposes, and consequently the Audit Department did not take exception thereto. The evidence with regard to the £13,908 is somewhat incomplete.

The transfer of stores between departments has been a common practice for years past, and dates back to the year 1882; but the Committee has no evidence to show the nature of such transfers.

The Committee is of opinion that the Auditor-General acted in strict conformity with the law in refusing to allow the transfer and re-transfer of the above-mentioned £50,000 except out of "Unauthorised"; and that he was justified in reporting the transactions with reference to the sales of stores to Parliament; but, now that the matter has been explained to the Committee, it considers that under all the circumstances the Government was justified in the course it pursued, and that the £30,000 worth of stores would not have been sold had the "Unauthorised" not been diminished by £50,000 in an unexpected manner as already explained; and, further, it is of opinion that authority should be given to the Auditor-General to sanction the re-transfer of the said stores if necessary. The Committee regrets that fuller information with reference to these transactions and their effect was not given in the paragraph of the Financial Statement (page 4) when referring to the limit of "Unauthorised" and the inconvenience caused thereby.

The Committee notes that in the Consolidated Fund estimates the recoveries to the Working Railways vote are stated at £19,137, whereas the actual recoveries, as stated in Return (2) of the Railways Statement, were £187,964. There seems to be no sufficient reason for this, and the Committee is of opinion that the full amount of recoveries placed to the credit of the Railways vote should be stated in the estimates.

The Committee makes the following recommendations:—

- (1.) That while it is undoubtedly necessary to make provision for an unexpected increase in Railway expenditure during the year, this should be done either by allowing the appropriation for the Working Railways vote to be increased by the excess of Railway revenue over the estimate during the year, or that the statutory limit of the "Unauthorised expenditure" should be increased by £50,000, solely for Working Railways.
- (2.) That, if practicable, the results of the accounts of the Working Railways Department should be brought into line with those of the Treasury, as the present dual system of accounts is very confusing, and the figures of the Railways Statement are difficult to reconcile with those of the Public Accounts.
- (3.) That an inquiry should be held into the method of keeping the Railway and Additions to Open Lines stores, such inquiry to include the means by which the value of the stock of stores at the end of the financial year is arrived at.

3rd November, 1898.

WILLIAM WILCOX TANNER,  
Chairman.

## MINUTES OF PROCEEDINGS.

TUESDAY, 18TH OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Fisher, Mr. Fraser, Mr. Graham, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Hon. J. G. Ward.

The minutes of the previous meeting were read and confirmed.

The Clerk having read the order of reference referring the correspondence between the Audit Office and the Railway Department relative to the transfer of £15,000 to the Committee, it was resolved, on the motion of Mr. Montgomery, That this matter be the first order of the day for the next meeting of the Committee.

*Resolved*, That the following gentlemen be summoned to give evidence on the correspondence between the Audit Office and the Railway Department relative to the transfer of £15,000: The Hon. A. J. Cadman, the Hon. W. Hall-Jones, Messrs. J. K. Warburton, J. C. Gavin, and J. B. Heywood.

*Resolved*, on the motion of the Chairman, to adjourn till Friday next, at 10.30 a.m.

FRIDAY, 21ST OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Duthie, Mr. Fisher, Mr. Fraser, Mr. Graham, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Hon. J. G. Ward.

The minutes of the previous meeting were read and confirmed.

*Resolved*, on the motion of the Rt. Hon. R. J. Seddon, That the witnesses to be examined on Parliamentary Paper B.—22, 1898 be sworn.

The Controller and Auditor-General was sworn and examined, his evidence being taken down in shorthand by a reporter. The Hon. A. J. Cadman, the Hon. W. Hall-Jones, Messrs. Gavin, Heywood, Ronayne, Fife, and Blow were present.

*Resolved* to adjourn till Tuesday next, at 10.30 a.m.

TUESDAY, 25TH OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Fisher, Mr. Fraser, Mr. Graham, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner.

The minutes of the previous meeting were read and confirmed.

The Controller and Auditor-General was further examined on Parliamentary Paper B.—22, 1898, his evidence being taken down in shorthand by a reporter. The Hon. A. J. Cadman, the Hon. W. Hall Jones, Messrs. Gavin, Heywood, Ronayne, Blow, and Fife were present.

*Resolved*, on the motion of the Chairman, to resume consideration of this matter on Friday next, at 10.30 a.m.

The Committee then adjourned till 10.30 a.m. on Thursday next.

THURSDAY, 27TH OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Fisher, and Mr. Fraser.

The members present having waited from 10.30 a.m. to 10.50 a.m., the meeting lapsed for want of a quorum.

FRIDAY, 28TH OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Duthie, Mr. Fisher, Mr. Fraser, Mr. Montgomery, Rt. Hon. R. J. Seddon.

The minutes of the two previous meetings were read and confirmed.

The Controller and Auditor-General and Mr. A. C. Fife, Accountant, Railway Department (sworn), were examined by the Committee, their evidence being taken down in shorthand by a reporter. The Hon. A. J. Cadman, the Hon. W. Hall-Jones, Messrs. Gavin, Heywood, Ronayne, and Blow were present.

*Resolved*, on the motion of Mr. Fraser, That the Chairman be instructed to apply to the House for three days' extension of the time in which the Committee was ordered to bring up its report.

The Committee adjourned till 10.30 a.m. to-morrow.

SATURDAY, 29TH OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. J. Allen, Mr. Duthie, Mr. Fisher, Mr. Fraser, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner.

*Resolved*, on the motion of the Rt. Hon. R. J. Seddon, That Mr. Tanner take the chair, in the absence of Mr. Guinness.

The minutes of the previous meeting were read and confirmed.

Mr. A. C. Fife and Mr. J. C. Gavin were sworn and examined by the Committee, their evidence being taken down in shorthand by a reporter. The Hon. A. J. Cadman, the Hon. W. Hall-Jones, Messrs. Warburton, Heywood, Ronayne, Blow, and Clapham were present.

The Committee adjourned till 10.30 on Monday next.

MONDAY, 31ST OCTOBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. Guinness (Chairman), Mr. J. Allen, Mr. Fisher, Mr. Fraser, Mr. Montgomery, Captain Russell, and Mr. Tanner.

The minutes of the previous meeting were read and confirmed.

A reporter was present, and took down the evidence in shorthand.

Mr. J. C. Gavin was further examined.

Mr. Guinness then tendered a letter, resigning his position as Chairman of the Committee, consideration of which was deferred till the next meeting of the Committee.

*Resolved*, on the motion of Mr. Guinness, That Mr. Tanner take the chair for the remainder of this meeting.

Mr. G. J. Clapham, Accountant, Public Works Department; Mr. G. Felton, Stores Manager, Railway Department; Mr. H. J. H. Blow, Under-Secretary, Public Works Department; the Hon. W. Hall-Jones, Minister for Public Works; the Hon. A. J. Cadman, Minister for Railways; and Mr. J. B. Heywood, Secretary to the Treasury, were sworn and examined.

The Committee adjourned till 10.30 a.m. to-morrow.

TUESDAY, 1ST NOVEMBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. J. Allen, Mr. Duthie, Mr. Fisher, Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. McLean, Mr. McNab, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner.

*Resolved*, on the motion of Mr. J. Allen, That Mr. Tanner take the chair.

The Chairman then read Mr. Guinness's letter tendering his resignation of the Chairmanship of the Committee.

*Resolved*, on the motion of Mr. Fisher, That the resignation be accepted.

The minutes of the previous meeting were read and confirmed.

*Resolved*, on the motion of Mr. J. Allen, That an exhibit be procured of all stores not charged to Working Railway Expenses Account sold by Working Railways to Departments of the Public Works Fund during the year ending 31st March, 1898; such exhibit to show dates of transfer and amount of cash received.

A reporter was present, and took down the evidence in shorthand.

Mr. J. C. Gavin and Mr. J. B. Heywood were further examined, the Hon. A. J. Cadman and Mr. T. Ronayne being present.

*Resolved*, on the motion of the Rt. Hon. R. J. Seddon, That Messrs. Montgomery, Fisher, Fraser, Tanner, and the mover be appointed a sub-committee to draw up a report, and submit the same to the Committee to-morrow.

The Committee adjourned till 10.30 a.m. to-morrow.

WEDNESDAY, 2ND NOVEMBER, 1898.

The Committee met pursuant to notice.

*Present*: Mr. J. Allen, Mr. Fisher, Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner.

*Resolved*, on the motion of the Rt. Hon. R. J. Seddon, That Mr. Tanner be Chairman of the Committee in place of Mr. Guinness, resigned.

The minutes of the previous meeting were read and confirmed.

The Committee proceeded to take into consideration the report drawn up by the sub-committee appointed for that purpose, which was as follows:—

1. The Public Accounts Committee, to whom was referred the correspondence between the Audit Office and the Railway Department relative to the transfer of £15,000, has the honour to report that it has taken the evidence of J. K. Warburton, Controller and Auditor-General; A. C. Fife, Accountant, Railway Department; J. C. Gavin, Assistant Controller and Auditor; G. J. Clapham, Accountant, Public Works Department; G. Felton, Stores Manager, Railway Department;

H. J. H. Blow, Under-Secretary, Public Works Department; Hon. W. Hall-Jones, Minister for Public Works; Hon. A. J. Cadman, Minister for Railways; and J. B. Heywood, Secretary to the Treasury.

2. The Committee finds,—

That in the month of February, 1898, it became apparent to the Treasury that the sum appropriated for the Working Railways vote would be insufficient to meet the increased requirements of the service for wages and other expenses up to the 31st March, and that there was not sufficient "Unauthorised" available for this purpose.

3. That that available "Unauthorised" vote was insufficient to meet this demand, for the following reasons: In January of this year a transfer of £50,000 had been made from the Consolidated Fund to the Public Works Fund. The Controller and Auditor-General refused to give his assent to such transfer except as a charge upon the "Unauthorised" vote. The £50,000 was, however, returned to the Consolidated Fund also from the "Unauthorised" vote. The combined effect of these transactions was to reduce the statutory limit of £100,000 for "Unauthorised" to £50,000. This unexpected result seriously hampered the Treasury, which was at the moment in possession of ample funds, but without parliamentary authority to utilise them for the requirements of the Working Railways. It then became necessary to defray from some other source the increased expenditure of the Working Railways Department.

4. The alternatives presented were,—

- (1.) To call Parliament together at once.
- (2.) To suspend the payment of wages and other liabilities of the Working Railways Department till the beginning of the next financial year.
- (3.) To adopt some extraordinary means of providing money.

5. The method decided upon was to sell, to the amount of £30,000, stores, which had been charged to the Working Railways vote—£15,000 to the Public Works Department, and £15,000 to the Additions to Open Lines. This was accordingly done in February last.

6. The intention at the time was that these transfers were to be for the accommodation of the Working Railways, and that the stores were to be re-transferred as soon as circumstances would permit after the end of the financial year. It would appear from the date of service mentioned on the vouchers set forth in B.-22, 1898, that the fifteen thousand pounds' worth of stores sold to the Public Works Department was re-transferred to the Working Railways Department on the 11th March, and the Audit Department was unintentionally misled on this point by the vouchers sent to it from the Stores Department.

7. The Committee, however, has no doubt that the description of the "Date of service or supply" as the 11th March on the voucher was an error, and that no re-transfer of such stores took place until after the end of the financial year. The fifteen thousand pounds' worth of stores sold to the public Works Department was re-transferred in July or August, 1898, but hitherto the Audit Office has declined to pass the vouchers completing such sale.

8. By the operation of the provisions of sections 41 of "The Public Revenues Act, 1891," the effect of these two sales of stores was to increase the recoveries to the credit of the Working Railways vote, and thus increase the appropriation under that vote to the extent of £30,000.

9. The Government was compelled to adopt a course which it had used every effort to avoid, but the practical effect was to increase the balance to the credit of the Consolidated Fund on the 31st March, 1898, by the sum of £30,000 beyond what the said balance would have been if the "Unauthorised" had been available, and the same expenditure had taken place and been charged thereto.

10. The evidence also goes to show that two other transfers of stores took place during the last financial year of the value of £8,580 and £13,908 respectively. These transfers were not for accommodation purposes, and consequently the Audit Department did not take exception thereto. The evidence with regard to the £13,908 is somewhat incomplete.

11. The transfer of stores between departments has been a common practice for years past under other Administrations, and dates back to the year 1882.

12. The Committee is of opinion that the Auditor-General acted in strict conformity with the law in refusing to allow the transfer of £50,000 from the Consolidated Fund to the Public Works Fund except out of "Unauthorised"; and that he was justified in reporting the transaction with reference to the sale of stores to Parliament; but, now that the matter has been explained to the Committee, it considers that under all the circumstances the Government was justified in the course it pursued, and that the thirty thousand pounds' worth of stores would not have been sold had the "Unauthorised" not been diminished by £50,000 in an unexpected manner as already explained; and, further, it is of opinion that authority should be given to the Auditor-General to sanction the re-transfer of the said stores if necessary.

13. The Committee notes that in the Consolidated Fund estimates the recoveries to the Working Railways vote are stated at £19,137, whereas the actual recoveries, as stated in Return (2) of the Railways Statement were £187,964. There seems to be no sufficient reason for this, and the Committee is of opinion that the full amount of recoveries placed to the credit of the Railways vote should be stated in the estimates.

14. The Committee makes the following recommendations:—

- (1.) That while it is undoubtedly necessary to make provision for an unexpected increase in Railway expenditure during the year, this should be done either by allowing the appropriation for the Working Railways vote to be increased by the excess of Railway revenue over the estimate during the year, or that the statutory limit of the "unauthorised expenditure" should be increased by £50,000, solely for Working Railways.
- (2.) That all stores sold by the Working Railways Department should, before being sold, be first charged to the Working Railways Expenditure Account.

- (3.) That, if practicable, the results of the accounts of the Working Railways Department should be brought into line with those of the Treasury, as the present dual system of accounts is very confusing, and the figures of the Railways Statement are difficult to reconcile with those of the Public Accounts.

Paragraph 1 read and passed.

Paragraph 2 read and passed.

Paragraph 3 read. The word "constitutional," in line 6 of the paragraph, struck out, and the word "statutory" inserted in lieu thereof. Paragraph as amended passed.

Paragraph 4 read and passed.

Paragraph 5 read. The word "vote," at the beginning of line 2 of the paragraph, struck out and the words "Vote 60" inserted in lieu thereof. The word "worth" inserted after the figures "£15,000" whenever they occur in line 2 of the paragraph. The words "in February last," at the end of the paragraph, struck out. Paragraph as amended passed.

Paragraphs 6 to 9 (inclusive) read and passed.

Paragraph 10 read. An amendment proposed by Mr. J. Allen to strike out all the words after the word "thereto."

On the question being put that the words be so struck out, the Committee divided, and the names were taken down as follow :—

*Ayes*, 4.—Allen, Fraser, McLean, Russell.

*Noes*, 4.—Graham, Montgomery, Seddon, Tanner.

The numbers being equal, the Chairman gave his casting-vote with the "Noes," and so it passed in the negative. Words retained and paragraph passed.

Paragraph 11 read. The words "under other Administrations," after the word "passed," in the first line of the paragraph, struck out. The words "but the Committee has no evidence to show the nature of such transfers" added at the end of the paragraph.

On the question being put, That the paragraph as amended be part of the report, the Committee divided, and the names were taken down as follow :—

*Ayes*, 6.—Allen, Fisher, Fraser, McLean, Montgomery, Tanner.

*Noes*, 1.—Russell.

So it was resolved in the affirmative. Paragraph as amended passed.

Paragraph 12 read. The words "and re-transfer" inserted after the word "transfer," in line 2 of the paragraph; the words "the above-mentioned" inserted after the word "of," in the same line; the words "from the Consolidated Fund to the Public Works Fund," in the same line, struck out. The word "transactions" inserted in lieu of the word "transaction," struck out, in line 3 of the paragraph. The word "sale," in line 5, struck out, and the word "sales" inserted in lieu thereof.

Amendment proposed by Mr. J. Allen, To strike out all the words after the word "that," in line 8 of the paragraph, and insert in lieu thereof the words "an appropriation should be taken in Vote 60 of this year to re-purchase the stores in question from the Public Works and the Additions to Open Lines."

On the question being put on the insertion of the words, the Committee divided, and the names were taken down as follow :—

*Ayes*, 2.—Allen, Russell.

*Noes*, 5.—Fraser, McLean, Montgomery, Seddon, Tanner.

So it passed in the negative. Words not inserted.

The following words added at the end of the paragraph: "The Committee regrets that fuller information with reference to these transactions and their effect was not given in the paragraph of the Financial Statement (page 4) when referring to the limit of 'Unauthorised' and the inconvenience caused thereby."

Paragraph as amended passed.

Paragraph 13 read and passed.

Paragraph 14 read. Amendment proposed by Mr. J. Allen, To insert after the word "by," in the second line of sub-paragraph (1), the following words: "an additional 'Unauthorised' for Working Railways equivalent to 60 per cent. of the increase of the Railway revenue over the estimate for the year."

On the question being put, That the words be inserted, the Committee divided, and the names were taken down as follow :—

*Ayes*, 1.—Allen.

*Noes*, 7.—Fraser, Graham, McLean, Montgomery, Russell, Seddon, Tanner.

So it passed in the negative. Words not inserted.

Sub-paragraph (1) passed without amendment.

On the question being put, That sub-paragraph (2) be part of the report, the Committee divided, and the names were taken down as follow :—

*Ayes*, 2.—Fraser, Montgomery.

*Noes*, 6.—Allen, Graham, McLean, Russell, Seddon, Tanner.

So it passed in the negative. Sub-paragraph (2) struck out.

Sub-paragraph (3) passed without amendment.

Amendment proposed by Mr. J. Allen to add a new sub-paragraph as follows: "That the law of 1891 be so altered as to provide that recoveries shall only be treated as abatement of expenditure to the extent set forth in the estimate for the year, and that recoveries beyond the amount estimated should not be considered as an additional appropriation for the year."

On the question being put on the addition of the new sub-paragraph, the Committee divided, and the names were taken down as follow :—

*Ayes*, 2.—Allen, Montgomery.

*Noes*, 5.—Fraser, Graham, McLean, Seddon, Tanner.

So it passed in the negative.

Another amendment proposed by Mr. J. Allen, to add a new sub-paragraph as follows: "That an inquiry should be held into the method of keeping the Railway and Additions to Open Lines stores, such inquiry to include the means by which the value of the stock of stores at the end of the financial year is arrived at."

On the question being put on the addition of the new sub-paragraph, the Committee divided, and the names were taken down as follow:—

*Ayes*, 4.—Allen, Fraser, McLean, Montgomery.

*Noes*, 3.—Graham, Seddon, Tanner.

So it was resolved in the affirmative. New sub-paragraph added. Paragraph as amended passed.

On the question being put, That the report as amended be the report of the Committee, the Committee divided, and the names were taken down as follow:—

*Ayes*, 5.—Allen, Fraser, Graham, McLean, Tanner.

*Noes*, 2.—Montgomery, Seddon.

So it was resolved in the affirmative. Report as amended passed.

*Resolved*, That the Chairman be instructed to report to the House to-morrow, and to move that the Report, together with the Minutes of Proceedings and Evidence, be printed.

The Committee then adjourned.

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It passed in the affirmative

A motion was made and carried that the committee be discharged

On the question of the motion, the yeas were 10 and the nays 0

Resolved, That the committee be discharged

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## MINUTES OF EVIDENCE.

FRIDAY, 21ST OCTOBER, 1898.—(Mr. GUINNESS, Chairman.)

JAMES KEMMIS WARBURTON sworn and examined.

1. *The Chairman.*] What is your name?—James Kemmis Warburton.
2. You are Controller and Auditor-General?—Yes.
3. *Rt. Hon. R. J. Seddon.*—We have a parliamentary paper before us—B.-22, 1898: I presume you have seen that printed paper?—I have not read it, I have seen it.
4. It purports to be a copy of “Correspondence relative to the Transfer of £15,000 from the Public-works Votes to the Vote for Working Railways”?—Yes.
5. You sent the following letter with that correspondence to the Speaker of the House of Representatives: “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”?—Yes.
6. You sent this correspondence in duplicate?—Yes.
7. Is that the usual or unusual course?—I as often send more copies than one as not.
8. Will you tell us another case where you have sent duplicate copies to the Speaker as Controller and Auditor-General? As the Speaker has said that this was the first time you have done so, I want to know when and what report you have sent before to Parliament in duplicate?—I think there was a report to the Speaker on the exception to the Public Accounts with regard to the failure of the Mines Department to satisfy an Audit requirement.
9. That was the one you think you sent in duplicate?—One copy of it was sent to the Speaker, and subsequently the Clerk of the House asked me for a second copy. I had prepared two copies, and I sent him a second copy; it was to one of the Clerks of the House, and I think it was Mr. Otterson.
10. At all events, you sent only one copy to the Speaker?—Yes, in that case; previously I addressed the correspondence to the Speaker of the Legislative Council alone. I addressed the two copies to him, but I withdrew them for the moment, because I thought it proper to present the correspondence to both Houses, and not having two copies to send to both Houses I had to send one to each.
11. That is in respect to the mines affair?—Yes.
12. I want to know if there is any other case where you have sent the Speaker two copies of any matter you have reported to Parliament previous to this?—I cannot recollect distinctly any particular case, nor can I recollect a case in which I did not. I am in the habit of preparing two or three copies—sometimes five or six—of everything I supply.
13. Do you address the letter yourself, or is it done by some official?—I addressed this one myself. I cannot say as to the others.
14. If the Speaker has reported to the House that an unusual course was taken in this respect, in two copies being sent to him, would he be correct in stating that or otherwise?—I could not answer that question.
15. You would know, would you not?—When it is a printed paper I have for many years been in the habit of sending an extra copy.
16. You cannot print a paper when it is going before the House first, can you?—Yes, I do print some papers. I have put before the House already this session printed papers required to be laid before it by Act of Parliament.
17. There is no good in quibbling about the thing. This is reporting a transaction to the House, and is quite a different thing from placing on the table anything required by statute. I want to know if you have taken upon yourself to print first any matter that you are going to report to the House?—I have not taken it upon myself; but I have considered whether I should not, and it appeared to me that I had a right to do so—to print a paper or to typewrite it.
18. This question arises out of your answer. You said you have done so, and now you say you have the right to do so if you think fit. The question is whether you have done so?—I printed the paper relating to Mangatu No. 1. I sent it to the Speaker printed.
19. That is not on all-fours with this. What you refer to was by statute, and by law you have to do that?—Yes.
20. That is not the same as this case, is it?—I look upon this as practically under section 72 of the Public Revenues Act: “If the Audit Office objects to any parts of such abstract or Appropriation Account, it shall nevertheless certify the same, with such remarks thereon as it thinks fit, which shall be published and laid before Parliament, together with such abstract or account.”
21. You say that this is on all-fours, that acting under this section is the same as under an

Act of Parliament, which is mandatory?—I think that section virtually requires me, under the circumstances, to report this matter, since the transfer back of material valued at £15,000 in respect of the transfer of which money was passed before the 31st March affects the certificate; for the transfer has, since the certificate was given, been disclosed to be a transaction to which the Audit Office objects.

22. That is no answer to my question—yes or no? Do you consider that where there is an option to you—a discretion in reference to a paper, such as that under an Act of Parliament—it is mandatory that you should put it before Parliament? Is not Mangatu No. 1 by Act?—Yes. The Act does not require that Mangatu No. 1 Account shall be printed, but that it shall be laid before Parliament. It never occurred to me that there was any distinction between printing and writing.

23. At all events, you have never previously on any report made under section 72 taken it upon yourself to print any papers?—I do not recollect more than one report under section 72. That was the correspondence necessary to explain the note to the Public Accounts as to the failure of the Mines Department.

24. Did you send that in duplicate to the Speaker?—I sent it first of all, as I have already explained, to the Speaker of the Legislative Council alone, and I sent it in duplicate. I withdrew it in order to lay it before both Houses. As I had only three copies I could not give both Houses two copies each, so I gave each House one copy, and, I think, one of the clerks of the House asked me if I had another copy to spare. It appeared to me convenient to the House for the officers to have two copies.

25. Did you send the two copies to the Speaker so that he might send one on to the Legislative Council, or did you send two copies to the Speaker and two copies to the Speaker of the Legislative Council?—No; I sent nothing to the Speaker of the Council. It was my first intention to send a copy to the Speaker of the Legislative Council also, but it appeared to me sufficient—and I did not want to go beyond what was sufficient—to send a copy to the House of Representatives.

26. Then this report we are now considering was not sent to the Legislative Council at all?—No.

27. Why not? The wording of the section is: “If the Audit Office objects to any parts of such abstract or Appropriation Account it shall nevertheless certify the same, with such remarks thereon as it thinks fit, which shall be published and laid before Parliament, together with such abstract or account.” Surely the Legislative Council forms part of the Parliament of the colony. I want to know why you did not send the report to the Legislative Council?—If the report should have gone to the Legislative Council, it is a fault that it did not go.

28. You admit that it should have gone?—I wished to avoid doing more than I need do. It occurred to me that I should refer the matter to the House of Representatives first.

29. Matter you consider of importance to members of the House is not sufficiently important to go to the Legislative Council?—No. This is in respect of the expenditure of a particular amount of public money, out of particular votes.

30. At all events, you admit not complying with section 72?—If section 72 requires me to put that particular report before both Houses of Parliament, I have not yet fully complied with the section.

31. Is it a proper thing to give one branch of the Legislature a few days' start of the other?—I could not answer that question.

32. Was there any particular hurry for this to come before the House now?—I think there was. I think it was too long delayed.

33. You think that, having kept it from March last, the beginning of the session, the matter should go to the House in October?—The matter was not kept from March last. It was discovered about the 20th July (I am speaking from memory) that the material on which the Railway Department had realised £15,000 had been taken back a few days later. Then the Audit Office stated that the transaction would not have been passed if that information had been at its disposal.

34. Well, you had sufficient information in July last to report it, if you thought fit?—I had then, but I represented it to the Government on the 15th September.

35. Why did you not report it in July, when you were aware of the transaction?—I sent it to the Government for an explanation, and no explanation came from the Government until the 8th October, in your letter, stating that the transfer would be withdrawn.

36. And that is what you were waiting for?—Yes.

37. Supposing the Government had never replied to you, you would never have reported it?—I had taken steps to report it on the 10th October. On the Monday I had written a memorandum on the subject, but before I could forward that memorandum your letter of the 8th October was delivered to me.

38. I want to know why you held it over, not receiving a reply from the Government from the 20th July to the date you write this letter you have referred to?—The 20th July did not give me the complete information. It was when these vouchers—

39. You wish to alter what you stated about having information on the 20th July?—I had a letter of Mr. Gavin's, of the 9th September (B.-22, 1898, page 3); that is the date when the information came to the office.

40. That is the £17,000 transfer. I am asking you about this £15,000?—Well, the £15,000 is in that sum. That is a transfer of material back to the Railway Department. The voucher which was passed on the 5th March is for the fifteen thousand pounds' worth of material comprised in this proposed transfer of £17,000.

41. Then there are not two transfers—one of £17,000 and one of £15,000?—There are two transfers in one direction, and a proposal of two transfers in the other. This transfer of £17,000 is objectionable on account of its comprising material for which the Railway Department received £15,000 last year on a voucher passed on the 5th March.

42. Then there is another there that comes in a voucher for £17,000?—A little further on there is a memorandum of Mr. Gavin's without a date. It is after my letter of the 15th September, headed "Copy of Papers" (B.-22, 1898, page 8). That letter was written on the 13th or 14th July. It is not dated.

43. That is £14,589 1s. Is that the one?—Yes. That is a proposal to transfer, at that date, material to the same value back to the Railway Department—that is, after the close of the financial year; and that transfer of material in respect to the proposed transfer of money was of material sold by the Working Railways Department before the close of the financial year for money included in the financial year's accounts.

44. Was not that £14,000 a portion of the transfer of the £15,000?—The £14,589 is a transfer back, excepting a slight difference of the £15,000; but that is not the same £15,000 we have been speaking of. That transfer was passed on the 2nd March, 1898—that is, the first £15,000. The memorandum with regard to this transfer was as follows, following Mr. Gavin's letter of July, which is without a date: "Minutes on transfer voucher No. 69381" (B.-22, 1898, page 9). Those are minutes copied and attached to Mr. Gavin's preceding memorandum.

45. Will you look at the very next entry to this: "Audit Office, 16th July, 1898"? Do you tell me you did not know anything about this, "Transfer £14,589 1s. from Consolidated Fund to Public Works Fund"?—This was not a case in which appeared to the Audit Office that the material had gone back before the money was to go back to the office. In the other case the material was seen from the voucher to have gone back before.

46. At all events, you knew the transfer of the £14,589 1s. was a portion of the £15,000? You knew that on the 16th July, 1898, did you not?—Yes, as far as I can judge.

47. Why did you not report it?—I did not consider it a case of the same character. I had undertaken to report the transaction of the 5th March, and the case did not appear to me of the character of the transaction passed on the 5th March. I have stated here that the transfer was passed on the 2nd March. I said, "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." He (Mr. Gavin) concurred, and passed it. On the question of the legality, I could not say there had been in the original transfer any breach of the law. I could not say without doubt when the transfer was passed that there had been a breach of the law; but if I had known that there was any proposal to take back that material after the close of the year then I should have objected to the transfer.

48. Then the Committee is to understand this, that as far as the law is concerned there is nothing illegal in one department selling material to another department?—I cannot say there is. I am somewhat in doubt about the meaning of the law; but I was not prepared on that doubt to stop the transfer of the 5th March or that of the 2nd March.

49. Are you in doubt, or will you say positively it is against the law for the department to buy back? What is the difference between buying material from the Railway Department and buying it from any one outside?—You are speaking of a sale?

50. Yes?—But the transfer reported to the House is practically not a sale. The Railway Department sold the material, and then took back the material immediately after without paying for it. That was practically not a sale. At any rate, it was so far in my judgment not a sale that I would refuse to pass a voucher for it.

51. Are you sure of this? Have you made yourself sufficiently acquainted with it to make that statement?—I am repeating the statement I put in the correspondence.

52. If it has been stated that the material was not there at the time of the transfer, would you say that statement was correct?—I know nothing about that. I depend upon the certificates of the officers. If I have certificates I am unable to go further.

53. You cannot go further than that you had the certificates of the officers?—No.

54. Why did you not report this before October, having the information before you as regards this transfer on the 16th July? Did you refuse to sign any abstracts under section 72? When did you sign the abstract of the Public Accounts of the colony?—I cannot recollect the date—some time after the close of the year—within the time prescribed by law.

55. Did you make any reference whatever to it?—No.

56. Why did you not?—I was not aware then. I attached that certificate before the 15th July.

57. Was not the abstract certified by you before the 15th July?—Yes.

58. You did not consider it of sufficient importance to warrant reference to it?—I did not know when I signed the abstract.

59. You did not know they had sold the material?—I did not know it came back.

60. Did you know it was sold?—I knew it was sold. I knew the condition when I signed the abstract to be that the report was to be made to Parliament. That condition was known to the Government when it acted on the transfer.

61. So far as the sale to the department goes, you would not consider it of sufficient importance to report that to Parliament if there was no transfer?—If I had nothing to lead me to suspect that it was not a *bonâ fide* sale, I should consider it legal to have passed it.

62. When was the first time you intimated to the Government that you felt it incumbent on you to bring it before Parliament?—In the memorandum to Mr. Gavin of the 5th March, 1898 (B.-22, 1898, page 3, second paragraph).

63. You made that statement in your letter of the 5th March, and I want to know why, if it was in your mind then, you did not do it?—I will tell you the actual reason. It was this: There came a larger question—the question whether three requisitions should be passed, and my refusal

to pass them was overcome by the Governor in Council. I thought if I had reported a matter which, as it then appeared to me, was not of very urgent importance, it would appear that I was, by reporting so much at one time, making a case against the Government and embarrassing the Government. For that reason, regarding the matter as unimportant—that is, as not affecting my certificate to the Public Account—I delayed; but when I saw that the material in respect of which that transfer of money took place had gone back to the selling department immediately afterwards, I felt that the certificate wanted qualification.

64. Then, your answer is really that, in consideration for the Government, and not wishing to appear to be too hard upon the Government, and also not considering it of sufficient importance, you held it over?—I held it over as not being of sufficient importance.

65. Turn to B.-22, 1898, page 2. There is a memorandum there of Mr. Gavin's: "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.—J. C. GAVIN, Assistant Controller and Auditor"—Yes.

66. That is on the 3rd March?—Yes.

67. Unless a satisfactory explanation was given—there was a satisfactory explanation given. As the transfer was made and not reported to Parliament it is a reasonable assumption that a satisfactory explanation was given?—There is no explanation given on these papers, at any rate. The correspondence shows that no explanation was given.

68. At all events, notwithstanding that memorandum, as far as the world is concerned, it knew nothing about it until October, when you reported it to the Speaker. There was the memorandum of Mr. Gavin of the 3rd March, and yours of the 5th March, and until the 14th October, you did not consider it of sufficient importance to warrant any action being taken?—Yes; I intended to report it.

69. For the reasons you have given, of course?—Yes.

70. Officially, it has not been given to the world. Have you mentioned it to any member of Parliament before you sent the report to the Speaker?—No.

71. Nor discussed this with any member of Parliament?—Not to my recollection—not unless it was a member of the Government. I discussed it with yourself.

72. But outside the Government you have not discussed it?—No.

73. *Mr. Fisher.*] Are you positive as to whether you did or did not speak to a member of Parliament outside the members of the Government about it?—I do not recollect speaking to any one else.

74. *Rt. Hon. R. J. Seddon.*] How can you account for Mr. George Hutchison asking the Speaker had he (the Speaker) got this from the office?—I do not know. I do not know Mr. Hutchison to speak to.

75. Whom did you give the letter to?—I gave it to the Chief Clerk, and directed him to give it to the Speaker. He saw it given to the Clerk of the House, and he said it was handed up unopened to the Speaker.

76. Who is your Chief Clerk?—Mr. Roskrige.

77. You cannot account for Mr. Hutchison knowing the report had been forwarded?—No.

78. The Speaker, he said, opened it in the House?—The Clerk took the envelope, addressed to the Speaker, and said he saw it handed up to the Speaker unopened.

79. And immediately after that Mr. Hutchison went to the Speaker and said, "You have an important communication from the Audit Department; can I see it"?—I know nothing about that.

80. Do you know what time it was when you sent the letter to the Speaker?—I think it was about two or three minutes to the half-hour—half-past two; it may have been ten minutes to the half-hour.

81. There is an impression abroad—in fact, it has been stated—that this transaction had an effect upon the finances of the colony by increasing the surplus. Had it such an effect, or did it affect the surplus one way or the other?—The only question for me to consider was whether the transaction was one that I could help reporting to Parliament. I do not think that, really speaking, a transfer of money in one direction or another could affect the Profit and Loss Account of the colony.

82. It would not affect the Profit and Loss Account of the colony for the year?—It would make the account show there was a larger sum of money in the Consolidated Fund by £15,000 than there was before, but I do not think the Profit and Loss Account of the colony would be affected by any transfer of the kind. The Railway Department lost property of one kind and got property of another.

83. Then, it did not affect the surplus or Profit and Loss Account of the colony?—It depends upon what you call a surplus.

84. You have certified to the correctness of the statement of accounts for the year?—Yes, I certify to actual figures, that there was so much money to the credit of the colony in the Consolidated Fund. Of course, if you realise your property and put the proceeds into the Consolidated Fund, the Fund appears to have so much more money.

85. Are you not aware that this money was paid away to meet charges that had to be met?—I do not know anything about that. I must confine myself to the transaction and its legality.

86. You do not know that the Railway Department was, owing to not getting assistance from "Unauthorised," hard-up for money in March last?—You told me so, and I believe it was.

87. Then, you do know that this money was paid away?—I know that the votes which that money went to support or the appropriation to which that money was an addition had been exhausted at the end of the year.

88. Consequently, if there was a balance left to credit, then that would go to swell the balance

—say, there was an appropriation chargeable to the Consolidated Fund: if that particular vote is not expended, any balance left unexpended goes to swell the surplus or the balance; if it was expended, then it would not?—There may be no money there at all. A vote is authority to spend money if you have it.

89. You said the vote under that head had been exhausted?—You spend more money without the Appropriation Account showing it to be more—that is to say, if, for example, you have £500,000 of appropriation and £100,000 of credits, you have £600,000 of appropriation altogether; but the credits operate by deduction from the £600,000, and you spend the £600,000, if you get the credits, on the appropriation of £500,000.

90. At all events, the appropriation was exhausted, was it not?—I think so. You told me so, and I believe that is the case; and I think a reference to the Public Accounts will show that they had spent all the money they could lay hands on.

91. Had there not been an abnormal increase in the revenue from the railways and a corresponding increase of expenditure?—That may be, but that was nothing to me.

92. You audited the accounts, and I want to see if that was not so?—I should like to look at the accounts. I know there was a large increase in revenue.

93. In regard to expenditure, had there not been a considerable increase over and above the appropriations for the railways?—The credits are appropriations, so that your appropriation is practically unlimited, except by the value of the stores. The Public Accounts are accounts merely of money, not of your other property, so if you realise part of your property it is appropriated to your expenditure. Section 41 of “The Public Revenues Act, 1891,” says, “Money received from the sale of stores, or otherwise to the credit of any service, shall be carried to the credit of the vote for such service. In compiling the Estimates the Minister for each department shall cause the sums estimated to be received to the credit of each service to be abated upon the total estimated expenditure of such service for the year. All sums so credited to any vote shall be deemed to be appropriated to such service in addition to the vote for the same.” It is appropriated by way of an abatement; therefore it does not appear in the Public Accounts to be an increased expenditure.

94. I have asked you are you aware of the amount that the Railways had exceeded in expenditure—the amount of their appropriations, including the credits from sales?—I should have to refer to the Appropriation Account. I cannot recollect the amount in excess of voted services.

95. What was the amount increased by?—As far as I can recollect it was £27,000.

96. Were you aware that a demand had been made by the Railway Department upon “Unauthorised” to meet the increased charge owing to the abnormal traffic on the lines?—I have an impression that there was a demand made upon “Unauthorised.” I recollect your saying that through some shortsightedness the railways had been embarrassed by your loss of £50,000 of the “Unauthorised expenditure”—that through a misconception of the effect of what was called a temporary transfer £50,000 had been lost.

97. The use of the money allowed by Parliament was limited owing to this transfer?—Yes; you had made a temporary transfer of £50,000 out of the Consolidated Fund to the Public Works Fund on the understanding that you could get the amount back when you wanted it.

98. *Mr. Fisher.*] That was in a sense lost?—In a sense. It had to remain in the Unauthorised Suspense Account, and therefore reduced the amount available of unauthorised expenditure by £50,000.

99. *Rt. Hon. R. J. Seddon.*] You had an interview with me in reference to this matter? I used every reasonable effort, did I not, to get you to remove that embargo you had put on that £50,000?—Yes, you did.

100. And you did not see your way clear to do so?—I said it was illegal to do so; and afterwards I think you sent me the advice of the Solicitor-General, in which he said I might do so, but legally I was right.

101. From a strictly legal point of view I think he supported you; but I think he at the same time said that you could have done it, and reported the matter to Parliament. And I pressed you to take that course, and you refused?—Yes, and I wrote a reply to that. The opinion of the Solicitor-General was given on the 17th March, 1898, as follows: “On considering this question, I think that on legal grounds the Audit is right in the view it has taken; but I also think that, as the difficulty has arisen from a mistaken view of the position technically, the Audit Office might take into consideration the inconvenience which will arise to the public service from insisting on this position, and allow the matter to be disposed of as desired by the Treasury, on the understanding that the matter will be brought before Parliament, and an indemnity obtained in respect of any irregularity.—(Signed) W. S. REID.” You sent me that, and I replied to “The Treasury” on the 19th March: “The opinion of the Solicitor-General proves the case to be one in which the Audit Office might, by an exercise of discretion, to be reported to and indemnified by Parliament, allow the claim of the Treasury. As, however, the Audit Office is without any legal authority to exercise such discretion, it must be assumed by the office that the Legislature has not contemplated any circumstances in which the authority should be anticipated. Strongly as the case may appear to call for the desired consideration, the Audit Office feels itself bound by the statute.”

102. Notwithstanding the inconvenience the public service was put to, and after my seeing you personally and pointing this out to you, you still thought that as the statute did not permit you to do so, you stuck to the strict letter of the law?—That is my last reply on the subject.

103. Are you not aware that your refusal to give the Government all the advantage of the £100,000 allowed by law caused serious public inconvenience?—Well, the law caused public inconvenience. I understood you to tell me that the appropriations for the Railways had been insufficient, that the expenditure had been more than anticipated, and that they did not know where to look to find the money to carry on to the 31st March without stopping payment.

104. Do you remember that there were amounts coming to charge sooner than anticipated in the Agent-General's Office in London for material?—Yes, I remember your saying so; but I know nothing of this import until the vouchers come before me for the money.

105. You remember my pointing this out to you that the material charged for came sooner than was anticipated, and that tended to create financial embarrassment? Do you remember how much it was I told you?—I cannot recollect. It is impossible for the Audit Office to tell what the liabilities are. The Audit Office simply looks at the vouchers. It has its own duty in the matter.

106. You admit that it was the impounding of the £50,000 that was the cause of the trouble?—I admit it may be; I cannot say it was. I cannot form conclusions myself.

107. Did you believe it was when I told you it was so, and gave you the facts?—Yes, I believed you; but I cannot say that it was so. I cannot give it in evidence, I mean.

108. You simply said this was a technical error?—The Solicitor-General says so.

109. Now, if "Unauthorised" had been utilised for payment of any expenditure under the Consolidated Fund, it could have been credited back to "Unauthorised" when the other came back to credit and used again?—You mean that if an expenditure out of a vote had required a payment in excess of the amount of the vote, that payment would have been charged on "Unauthorised."

110. No. We will say for the time being a charge against a vote is brought to book; the funds at disposal to meet that are not available; I charge that to "Unauthorised." When the account is in funds, I credit "Unauthorised." I can do that?—Yes, there is appropriation in that case. The credits coming into a vote are to be treated as additional appropriation. They therefore so far remove from the Unauthorised Account what would have been in it before.

111. And "Unauthorised" being credited back before the amount leaves, the same amount is still available—the balance?—The amount of the expenditure of the vote is diminished by the credits, and therefore the expenditure charged to "Unauthorised" falls out of "Unauthorised" to the amount of the credits, as they come in.

112. It might be £60,000 which was borrowed, and yet at the end of the year the total amount used might be only £40,000, or even £20,000?—Yes, it might be so.

113. Then the whole technical error was in limiting the amount of "Unauthorised" by paying it to the Public Works Fund?—If that is the mistake, that is where the mistake was, I think. There was an appropriation of £300,000 for transfer to the Public Works Fund. The total amount transferred was £350,000, and therefore £50,000 was a charge to the Unauthorised Expenditure Account.

114. That was £50,000 more than was appropriated by Parliament?—Yes.

115. You allow that £50,000 to be credited back to the Consolidated Fund?—From the Public Works Fund.

116. Yes?—Yes; as "Unauthorised" from the Public Works Fund.

117. Then, after it got back you would not allow it to go out again—you would not allow me to use it again?—You mean the amount of unauthorised expenditure?

118. Yes, the £50,000?—I would not allow you to remove from the Unauthorised Expenditure Account that amount of £50,000.

119. When you came to wind up the Public Works Fund expenditure for the year, and the expenditure was only £300,000, it was not £350,000. Having paid £350,000 at one time to the Public Works Fund, you having consented to take £50,000 back to "Unauthorised," that left the Public Works Fund £300,000?—It operated in this way: According to the Public Accounts there was £350,000 transferred, but there was coming back to the credit of the vote £50,000 in reduction of the £350,000; there was an expenditure of £50,000 and an abatement of £50,000. That abatement brought it back to the original appropriation.

120. The actual appropriation was only £300,000 to the Public Works Fund?—That was the appropriation.

121. The Public Works Fund had no advantage in that £50,000 they did not spend; you allowed it to go back to the Consolidated Fund?—Yes.

122. Then the actual amount transferred from the Consolidated Fund to the Public Works Fund was £300,000?—Yes; you transferred £350,000 and received back £50,000.

123. Do you know at what date the £50,000 was transferred from the Consolidated Fund to the Public Works Fund?—I cannot recollect the date, but it must have been shortly after I sent this reply of the 19th March, 1898, when I stated that I could not act on the opinion of the Solicitor-General.

124. I am asking when the original advance was made?—I cannot recollect.

125. When was the £50,000 transferred from the Consolidated Fund to the Public Works Fund? Was it not pretty early in the year?—I could not speak without reference to the books.

126. And you do not know when the last of the £50,000 was transferred from the Consolidated Fund to the Public Works Fund?—Not without reference to the books.

127. Do you not think that in a case of that kind—of such grave moment to the colony—that there should be a discretionary power given to you if you are going to act so strictly as that. Say an emergency arose by money being used through a misapprehension, do you not think discretionary power should be given to the Controller and Auditor-General, rather than that the colony should be placed in a serious difficulty?—I think discretion might be given in some cases, but it would have to be carefully limited.

128. In other words, the position at the time you mention was this: The Treasury was overflowing with money, yet, owing to the way in which the law stood, it could not use the money to pay necessary expenditure on railways. Is not that the fact?—Well, by such an accident you might have, under the present system of pre-audit, lost the use of the whole amount of the appropriation for "Unauthorised expenditure." Then, the question might be whether Parliament ought to be called together at once or not. The question of giving me discretionary power is a very serious matter for the Legislature to consider.

129. Well, at all events, it meant either calling Parliament together or raising the money to meet the Railway Account. You refused me the right to draw the money to pay. The money was wanted, and had to be met. It either had to be met, or Parliament had to be called together?—Yes, I think you put that to me in conversation.

130. *Mr. J. Allen.*] I want you to clear up this point: The first transfer, I understand, is numbered 69381, the 2nd of March (B.-22, 1898, page 9)?—Yes.

131. That was for £15,000?—The transfer on the 2nd March was for £15,000.

132. From the Public Works Fund the money was to go, where?—To the Consolidated Fund for the Railways.

133. What were the Railways to give in return?—Railway stores.

134. Were these stores passed over?—We had certificates that they were.

135. Up to the 31st March, was there any proposal to re-transfer?—Not that I am aware of in respect of that transfer.

136. Later on, in the next financial year, was there a proposal to re-transfer?—Yes; the preceding minute of Mr. Gavin without a date, headed "Copy of papers." That was dated 13th or 14th July.

137. Was that re-transfer completed?—No; that was withdrawn, according to the letter of the Colonial Treasurer.

138. Then, the position to-day is that the Railway Department sold on the 2nd March material to the Public Works Fund to the amount of £15,000, and there has been no re-transfer?—No.

139. Only a proposal to re-transfer?—Yes; I do not know where the material is.

140. The material was purchased by the Public Works Fund?—Out of the Public Works Fund.

141. Is the Public Works Fund borrowed money?—Not always. There was £300,000 transferred from the Consolidated Fund.

142. It may or may not be borrowed money?—The money was chargeable to the Public Works Fund.

143. Did the money that went from the Public Works Fund to the Working Railways go to the ordinary revenue of the Consolidated Fund?—It went to the Railways vote as an additional appropriation.

144. Was it similar to an ordinary appropriation under the Public Works Fund?—Practically it was.

145. If the whole of the Public Works Fund were borrowed money, would the result be that borrowed money had been used as ordinary revenue?—If the Ways and Means Account of the votes of the Public Works Fund out of which the transfer for £15,000 was made were borrowed moneys, then of course borrowed moneys would go towards the assistance of a vote on the Consolidated Fund.

146. *Rt. Hon. R. J. Seddon.*] Was the Ways and Means Account borrowed money?—I cannot answer that question. The whole of the Public Works Fund is a fund derived from several sources, I think.

147. Including £300,000 from the Consolidated Fund?—Yes. It would require the Treasury officers to analyse them.

148. *Mr. J. Allen.*] Was there also another transfer on the 5th March?—Yes.

149. For how much money?—£15,000.

150. Can you give me the number of it?—69523.

151. That is the second one—5th March?—That was passed by the Audit Office.

152. For £15,000?—Yes.

153. Was it a transfer by the Public Works Fund to the Consolidated Fund?—From two votes in the Public Works Fund to the vote for "Working Railways," Vote 60.

154. What did the Railways give in return?—Railway stores.

155. Were those stores passed over to the Public Works Fund?—According to the certificates attached to the voucher they were.

156. You got certificates to show they were?—Yes.

157. Before the 31st March, were these stores handed back to the Working Railways?—It appears from the vouchers placed before the Audit Office in the early part of September there was a re-transfer proposed of over £17,000. It is described in Mr. Gavin's letter of 9th September. Included in that proposal to re-transfer so much money on account of the transfer of material back from the Public Works to the Railways is this amount, according to the Audit Office, of £15,000 for material for which the transfer was passed on the 5th March. The proposal to re-transfer the money is about the beginning of September.

158. Were the stores proposed not to be re-transferred until September, 1898?—The stores were shown by these vouchers to have been transferred back by the Public Works to the Railways on the 11th March.

159. Were the stores transferred back on the 11th March?—According to the vouchers, they were. There were vouchers put in as for a sale of stores to the Railway Department by the Public Works Fund of £15,000 for which the £15,000 had been paid by the Public Works on vouchers passed by the Audit Office on the 5th March.

160. You say the stores came back on the 11th March to the Working Railways. Did they pay back on the 11th March the money they had received?—The Railway Department did not pay the money back.

161. Has the money gone back yet from the Railways to the Public Works Fund?—No.

162. Then, on the 31st March, was this the position: that the railways had the money and had the stores, too?—So far as the certificates show, the Railway Department had the money and the stores too in respect of that £15,000.

163. What, then, was the position of the Public Works Fund? Had they the money and had they the stores?—They had neither money nor stores. They had an amount due to them from the Railway Department on account of the sale.

164. This £15,000 which had been paid back: would that show as a liability of the railways at the end of the year?—I do not know. The Auditor can never be sure what the liabilities are. I presume the department would include, if it took the stores, that debt as a liability.

165. What was the effect of this transaction? Was it similar to the previous one as regards the transfer of borrowed money from the Public Works Fund to the Consolidated Fund, assuming that the Public Works Fund was borrowed money?—No. It was dissimilar in this respect: that the goods did not at once go back. In all other respects it was similar.

166. It was dissimilar in this respect: that the Working Railways had the money and goods as well?—Yes.

167. Were there two transfers from the Public Works Fund to the Working Railways of £15,000 each, one of the 2nd March, and one of the 5th March?—Yes; they are stated in the papers: Dr. Consolidated Fund from the Cr. Public Works Fund, first of all in page 3, B.-22, 1898, in Mr. Gavin's memorandum of the 9th September. Then, on page 1, there is Dr. Public Works Fund, Cr. Consolidated Fund. On page 4, there is Dr. Consolidated Fund, Cr. Public Works Fund.

168. Will you look at page 10 of this printed statement (B.-22, 1898) at the Credit Account? Do you notice there a proposed transfer of permanent-way material to Public Works Department of £20,000?—Yes.

169. Is that part or one of the transfers actually referred to?—That, I understand, is a statement of the financial position of the Railways, or estimated position of what the Railways will be at 31st March, 1898. This is a statement of what the Railways propose to take in.

170. Then these two transfers—the one for £20,000 and the proposed one for £15,000—probably referred to the two of £15,000 that have been passed, and not to any fresh ones?—I think those two probably refer to the two transfers.

171. On page 12, there is a letter from Mr. Gavin, in which there is this paragraph: "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"?—Yes.

172. These £187,964 are credits that go to the Railways?—Yes.

173. Does that sum include the two transfers of £15,000 each from the Public Works Fund to railways for stores?—Yes.

174. Can you tell me what the balance of it is made up of?—The additions to open lines contributed—

175. That is from the Public Works Fund?—Yes, the additions to open lines, Vote 90, £117,839 3s. 8d.; permanent-way, Vote 89, £11,580; Midland Railway, Vote 83, £12,000; Land for Settlement Account, £1,680. Then there were transfers from Westport Harbour Board, New Zealand Midland Railway Account, refund of revenue and sundry votes, £26,861 7s. 11d.; recoveries in cash for sale of old material, and various services rendered, £18,004 2s. 5d.: total, £187,964 14s.

176. Can you tell us what this £117,000 addition to open lines means?—It means for stores transferred, stock, machinery, gas-lighting plant for cars, rolling-stock, and various work done on sections. That is taken to be in the ordinary course of business.

177. Does that £117,000 contain any transfers similar to the two of £15,000 that we have been speaking of?—One of the two is in that.

178. Are there any others in it?—There is a previous transfer of stock of £13,908 7s. 9d. I do not remember the date.

179. Did you inquire into that one?—No; I do not think so.

180. Have you any reason to suspect that that is similar to the other two?—No; the office would not have passed it if it had any reason to think so.

181. In giving your evidence you gave as a reason for delay in reporting to the House that, owing to a more serious question cropping up, you considered this not so important, and therefore held it over?—Yes; I considered it unimportant until the 9th September—between the 9th and 15th September—when the Audit Office became aware that the transfer passed on the 5th March in respect of which the Audit Office imposed upon itself the obligation to report to Parliament had gone back, according to the vouchers, on the 11th March.

182. You spoke of three requisitions that came up for your approval, and you refused to pass them?—They were requisitions of the Paymaster-General, in which there was imprest money—in which there were vouchers for imprests required for payments to be made during a period for which there was no vote.

183. Why did you refuse to pass those requisitions?—Because I was satisfied it was illegal to pass them.

184. And your refusal was overruled?—Yes.

185. How?—By Order in Council under section 53 of the Public Revenues Act.

186. I should like you to be a little clearer with regard to the £50,000 "Unauthorised" that came back from the Public Works Fund to the Consolidated Fund?—Yes.

187. It did not go, I understood you to say, to the reduction of the "Unauthorised"?—No; because, although it removed from the "Unauthorised" the expenditure out of the Consolidated Fund, it substituted the same amount as expenditure chargeable to the Public Works Fund. The Public Works Fund had no vote for such a transfer, and therefore could not transfer it back except as a charge against "Unauthorised expenditure."

188. The Public Works Fund charged it as "Unauthorised"?—Yes.

189. And therefore it limited the amount of "unauthorised expenditure" by that amount?—Yes, by £50,000.



TUESDAY, 25TH OCTOBER, 1898.

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

1. *Mr. Fisher.*] The Audit Department, Mr. Warburton, seems very hazy in the matter of dates. Here is this report [B.-22, 1898] to Parliament with no date. Here is the most important of Mr. Gavin's minutes (page 8, of B.-22, 1898) with no date, and another of Mr. Gavin's memoranda (page 3) no date. Here is your letter to the Treasury (page 9) dated, "Audit Office, 22nd July," at the top, and 25th July at the bottom. Are these errors, or are they characteristic of the preciseness of the Audit Office?—The printed copy is incorrect. In the first instance it is not a copy. The date has been left out. The papers placed before the House had a date.

2. As to the other instance—the Assistant Auditor's minute on page 8?—The original was not dated.

3. And the Assistant Auditor's memorandum on page 3?—It is dated "Audit Office, 9th September," on this copy I have.

4. Oh, then, the figures there given, and which are dated, are included in that memorandum?—Yes.

5. Then there is your own letter on page 9. It has the 22nd July at the top; what date is it at the bottom?—It is the 25th July at the bottom. The letter would be given to the type-writer on the 22nd July. Sometimes the writing is postponed for a day or two, and, in order that there should be some record of the date when it leaves my hands, I add my date below the signature. That would enable me to see when that letter left me. Otherwise, it might appear that there was a long time taken by the Department addressed to reply.

6. Touching the question of leakage of information from the Audit Department. You bear the reputation, and properly so, of being a very precise man; but when Mr. Seddon asked you on Friday last whether you had mentioned the subject of this transfer to any Member of Parliament previous to your report being placed in the hands of the Speaker, you answered that you "could not remember," and to other questions of a similar nature you answered similarly vaguely. Have you thought over the matter since, and can you now say definitely "yes" or "no," whether you mentioned the subject to any member of the House before your report to Parliament was laid on the table by the Speaker?—I do not recollect mentioning the matter to any member of the House. I do not believe I did.

7. Is there any person in your Department whom you could reasonably suspect of clandestinely conveying confidential information from the Audit Department to members of the House?—No, I do not think so.

8. The whole thing appears to me to have developed very singularly. I will relate to you succinctly what happened. Your report was sent to the Speaker on Friday, 14th October, and this is what the Speaker says in regard to it in the House on the following Monday, 17th October: "I would like to state exactly what occurred. I think it was about a quarter past three when, unexpectedly, a large envelope was placed in my hands. On opening it I found a communication from the Auditor-General. I then found there was a duplicate of the document. Both were addressed to the Speaker of this House. . . . I do not recollect that I had ever received them in duplicate before. A little afterwards the honourable member for Patea asked me if I had received a communication from the Audit Office. I said I had. . . . I intimated to the honourable member for Patea that . . . he was at liberty to look at the papers." Had you had any communication with the member for Patea?—None whatever. I should say here that my own chief clerk took those papers down with instructions to deliver them in order that they might be in the House at 2.30 p.m. He informed me that he had employed a messenger to give them into the hands of the Speaker, and he was back at the office at about 2.45 p.m., with a message that they were in the hands of the Speaker; so that the hour you quote as 3.15 must have been 2.30. The chief clerk can be called to give evidence on that point.

9. Everything, you see, was timed so exactly: The Speaker "unexpectedly"—I quote the word "unexpectedly"—receives your report in duplicate; he had never received a report from the Auditor-General in duplicate before; the member for Patea immediately asks the Speaker whether he had received a communication from the Audit Office; the Speaker replies that he had; he hands the duplicate to the member for Patea, which conveys to my mind the idea that that was the object of the duplicate. Are you aware that unscrupulous use was made of the report you presented to Parliament?—I know nothing of what happened in Parliament.

10. Are you aware that after the presentation of your report on Friday, the 14th, it was published on the following day (Saturday) in every newspaper in the colony opposed to the Government, although the report was withdrawn from the House on Friday?—I cannot help that. I took good care to have the report delivered into the hands of the Speaker, and it was so delivered and, as far as I can prove, unopened.

11. Parliament is made, to my mind, to look ridiculous by the re-presentation of the report to the House on the following Monday after it had been circulated three days in the Conservative newspapers of the Colony, and the Government, having had no opportunity to explain, is seriously damaged in public estimation. Do you think all these proceedings extraordinary or not extraordinary?—I have no opinion to offer.

12. Can you explain how it is that the opponents of the Government in the House were in a position to refer to this £187,964 early in the session, months before the presentation of your report to Parliament? For instance, on the 24th August, nearly two months ago, Mr. Pirani placed this notice of motion on the Order Paper: "That there be laid before this House a return showing the details of the expenditure set out in B.-2, 1898, under the heading 'Credit,' to 'Class XI., Working Railways, £187,964,' 'Class XII., School-buildings, £24,098,' and 'Unauthorised, £60,914.'" What is the answer to that?—I have no answer, except that it is in the appropriation account you have read. I know nothing about the source of Mr. Pirani's information. I have no knowledge.

13. That is the obvious answer. But weeks before the paper B.-2 was laid on the table Mr. Pirani, in a speech in the House, referred to the £187,964, and I heard Mr. Seddon challenge him as to where he got his information? What is the explanation of that?—On one occasion Mr. Seddon told me, and I think he will confirm what I say, that Mr. Logan, Superintendent of Telegraphs, was very unfair in prompting Mr. Pirani; but I ascertained afterwards that Mr. Seddon's observation was not well founded, and I think afterwards he granted that it was not correct. When, therefore, I consider how lightly such words are uttered, I see no reason to notice them.

14. If a member of Parliament said that he had information direct from the Audit Office respecting the £187,964 credited to Working Railways, in regard to the sale and transfer of stores, would that statement be correct?—I do not know it to be correct. I could not otherwise answer that question. I do not believe he had. I do not believe any member has obtained information from the Audit Office. With my knowledge of the office, being such a close office, I do not believe any member could get it.

15. Upon all matters of importance connected with the Audit I presume you consult Mr. Gavin?—Not unless there is a particular case in which references arise out of the division of the work. He takes the expenditure branch of the Audit Office, and these are vouchers for expenditure. When an important question arises he comes to me or addresses me.

16. Do you, as a rule, consult him verbally or in writing?—It has been the custom to do it both ways for many years—to consult him both in writing and verbally. In an important matter the consultation is in conversation and in writing.

17. He sits in an adjoining room to you, I suppose. Why is it necessary to consult him in writing?—It is very difficult after a long period to get the correct version of a conversation that takes place. It is far better to put it on record when opinions of importance have to be expressed.

18. And if you consult Mr. Gavin in writing for your own information and guidance, why is it necessary to send to Parliament his memoranda which are addressed to you?—I regard it as a safer method of conveying what takes place. I do not think I could report what took place better, or give a more comprehensive report of all the circumstances.

19. Now, I have looked up the reports forwarded to Parliament by your predecessor, Mr. J. E. Fitzgerald, and I find that he takes the whole responsibility of these reports upon himself. He did not require to be fortified by minutes from the Assistant Controller and Auditor. What is the reason for your adoption of this new method?—It seems to me to be a completer method. My method of certifying to the Public Accounts is not similar to his method. I took exception to the Post Office Account, and that was the first exception, although the accounts were open to the same exception for years.

20. You are well acquainted with the Public Revenues Act. Has the Assistant Controller and Auditor a right to report to Parliament?—That is my report to Parliament, not the Assistant Controller and Auditor's.

21. You said in your previous evidence that there was a transfer of £13,000 which you did not question. Have you refreshed your memory since you gave your evidence on Friday last as to the date of that transaction, which you considered a proper transaction?—I have a copy of the voucher. I find there was no exception taken to it.

22. *Mr. J. Allen.*] What is the date of it?—It was passed by Mr. Gavin on the 18th January, 1898, and it was dated the 13th January by the Treasury. I produce it. [Exhibit A.]

23. *Mr. Fisher.*] Of your own knowledge are you aware that transfers similar to the one now challenged have been made in previous years—under your predecessor and under the same law—and have never been questioned?—I am not aware. Possibly.

24. How many challenges per day or per week have you deemed it your duty to make since your assumption of the office of Controller and Auditor-General. How often do you challenge on the average?—I could not answer that question. I keep no record of the number of challenges I make.

25. In what state did you find the Audit Office, as to its methods of auditing accounts, when you assumed the office of Controller and Auditor-General?—In respect of what?

26. Was the business conducted in a regular and orderly manner; was there any laxity or deficiency in the performance of the duties by the late Auditor-General or his subordinates?—I have no complaint to make on that head.

27. Was the office in an efficient state when you assumed the position of Auditor-General?—I found no fault and have no fault to find with its efficiency. I think I could improve it; but it lies with the Administration to support me in any arrangements I may propose, and to give me the necessary assistance.

28. In the first six months, or the first year, did you find it your duty frequently to challenge accounts presented to you for audit?—I do not know that I challenged accounts more frequently than I do now. I do not recollect. There is no impression on my mind of more frequent challenges than at present. There have been some ordinary challenges, but in respect of these it seems pretty much the same as it was. I have challenged the accounts on some very important points. There was this very question already referred to the Public Accounts Committee—the payments without appropriation.

29. In answer to a question having reference to your memorandum to Mr. Gavin of the 5th March (page 3, B.-22, 1898) in your evidence on Friday, you said, "If I had reported then it would have appeared that I was reporting too much against the Government. I held it over as not being sufficiently important to report." What gave you that qualm? Had you been reporting too much against the Government?—No; I reported the other important question of payments without appropriation, and I felt that the calm consideration which this question required of the doubt respecting the legality of the transfer might, if I had reported it at the same time, have been

disturbed by a feeling arising that a point was made of reporting. My desire was that the consideration of the first matter might be cleared away and come before Parliament. When I say it was unimportant, I mean that it was at the time comparatively less important, in this respect, that the Audit Office was not aware until early in September that the goods on which the money had been realised had been taken back—that is to say, that the investment on stores of the Railway Department as the security had been made, and that the holders of that security had handed it back again without the money. Then came this consideration, which I have already explained, I think, that the Audit Office saw the transaction in a new light; that it was then a transaction which would not have been passed by the Audit Office. The transaction of selling goods and taking them back without paying for them was not a transaction which the Audit Office would have passed. Then the certificate of the accounts that they were correct required a qualification. They comprised, in the opinion of the Audit Office, a payment which the Audit Office would not have passed, and therefore were so far not correct.

30. As compared with the first six months of your tenure of office, are the queries or challenges during the past six months more frequent?—I think on a few important questions the challenges have been more frequent; but these important challenges have not probably amounted to more than half a dozen—that is, important challenges involving exception to the Public Accounts.

31. What is the reason for all this delay in reporting to Parliament?—You discussed the matter with Mr. Gavin on the 3rd March, before Parliament met. Mr. Gavin strongly recommended that you should report to Parliament (page 2, B.-22, 1898), but you did not report. Then, on the 22nd July, you had seen the papers marked A, B, C, D (pages 9 and 10). These papers “left little room for doubt” (I am quoting from your letter) “that the case should be submitted to Parliament”; but you did not report. Then, on the 15th September (page 7), you say it became your imperative duty to report to Parliament; but you did not report. Then, on the 11th October, you write to Mr. Gavin, “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.” And then, on 13th October, Mr. Gavin at last gets the spur in, after many previous efforts. He says (page 12), “The case is one which should, unquestionably, I think, be brought under the notice of Parliament.” He had been driving at you to report to Parliament, according to this parliamentary paper, B.-22, from the 3rd March to the 13th October, a period of seven months and a half. His opinion at last prevails, and the report is accordingly presented to Parliament on the 14th October, under the extraordinary circumstances already narrated by the Speaker in his speech to the House on the 17th October. Now, why did you not report to Parliament on its assembly, in accordance with Mr. Gavin’s strenuous advice of the 3rd March, instead of waiting to act upon his more strenuous advice of the 13th October? Why all this hanging back until within a few days of the termination of the session?—I think I have already explained that.

32. You mean that your last answer explains it?—Yes. Until the beginning of September the Audit Office was not aware that the goods on which the money was realised were taken back without the money. Then, in the ordinary course, the Audit Office has, consistently with its own duty, a duty to the Executive. A letter was written to the Treasury, which is the Government, for an explanation. No explanation was forthcoming on the 3rd October, and a further letter was written to the Treasury on the subject, and when on the 10th October no reply was received I was preparing to lay the papers on the table of the House as soon as possible after that date.

33. Then you had waited from the 3rd March to the 15th September. Why that delay?—I have explained that the serious nature of the transaction, to my mind, was not known to the Audit Office till the beginning of September, and until that serious nature became known the matter was not considered so important as to make it necessary that the Audit Office should hurry the matter before Parliament. I have explained also that there was a very much larger question before Parliament, and that to put two or three questions together might raise a feeling with regard to the Audit Office which would destroy a calm consideration of that point on which the Audit Office desired to have some sort of direction.

34. Is it a fact that if the re-transfer had not come before the Audit Office you would not have reported at all?—No, it is not.

35. As to these papers A, B, C, and D, on pages 10 and 11 of B.-22, 1898, how are they germane to the subject? I see no connection whatever between these transactions; they are as far apart as Tenterden Steeple and the Goodwin Sands. How do they bear upon the matter?—They bear on the matter in containing entries of moneys which I understand were to be taken for working railways. Mr. Fife on the creditor side—

36. Was that not a pencilled memorandum from Mr. Fife to Mr. Heywood?—I suggest that the original paper should be produced. I think it was in ink. It is important in this respect. I think it probable that these two sums on the credit side, £20,000 and £15,000, were entries in contemplation of these two very transactions of £15,000 each mentioned in my report.

37. In your evidence on Friday last you said you had given orders to a clerk to prepare details of the £187,964?—No. I gave evidence on Friday last, but this statement was not prepared for the meeting at all. It has been prepared from about February last, and has been made up from time to time as the transactions took place.

38. Then, you gave that instruction to prepare the paper before you knew you would be called upon to give evidence before this Committee?—The instruction to prepare it was given months before Parliament met.

39. There have been many other recoveries from other departments. Did you adopt the same course with them that you have adopted in this case?—I have not reported any other to Parliament.

40. Why?—The only report I have made to Parliament is the report as to this transaction of £15,000; but happening to have before me on Friday last the particulars of all the credits I gave the evidence.

41. Why should there be a difference of treatment by the Audit Department in respect of different recoveries from different departments? Why is not the matter of recoveries in other departments included in your report to Parliament?—I do not understand the question. I have not reported the others to Parliament.

42. You have reported to Parliament in regard to this £15,000; why not other recoveries?—Because I did not see in them any irregularity. I reported this because I think the transaction is one to which exception ought to be taken.

43. What has the £187,964 to do with the transaction which is the subject-matter of this inquiry?—It comprises this amount.

44. Has the £187,964 ever been questioned, and is there anything unusual in that transaction?—It is open to this exception: that it comprises this amount of £15,000, and that this amount is that of a transfer which the Audit Office would not have passed if the Audit Office had been in possession of the information received in the early part of September, that the goods sold by the Railway Department had been taken back a few days afterwards.

45. And the question of the £15,000, you say, is merged in the sum of £187,964?—That sum of £187,000 of course comprises this irregular transaction.

46. What about the £13,000, to which you took no exception whatever: is that included in the £187,000?—It is.

47. Then, why did you not take exception to that?—Well, it was passed without exception.

48. Are you aware—I suppose you are—that railway plant—rolling-stock—was sold to the Western Australian Government by the New Zealand Government a good many years ago?—I have heard something about it, generally. I cannot speak as to the fact.

49. Have you any knowledge as to whether that transaction was taken exception to and reported to Parliament by the Auditor-General?—I do not recollect, and I think I should recollect a report to Parliament.

50. As no exception was taken at the time by the Auditor-General, are you in a position to say whether the methods of the Audit Office or the ways of Parliament have changed since then?—I do not think I could speak on that point without some reference. I do not recollect when it took place.

51. Were you officially or unofficially aware that the return of the material, the payment back in kind, was to be made when the department which had obtained the transfer of material was in a position to do so?—I do not recollect. It might have come under my notice, but I have no recollection of it.

52. Have there not been other inquiries pending upon which you have been called upon to give evidence before this Committee?—I have been called on other questions.

53. Have you not reported the Postal Department, and given evidence upon the subject of payment preceding imprest?—On pre-audit and post-audit. I do not quite understand the question.

54. Did you give the clerk instructions to prepare the details of the £187,964, railway recoveries, prior to giving evidence on that question?—No; I have already stated that this paper is a rough paper that was ordered to be prepared before Parliament met.

55. *Rt. Hon. R. J. Seddon.*] What is the date?—There is no date. It is a rough sheet containing the items which I quoted the other day.

56. *Mr. Fisher.*] That was the first transaction in point of order, and therefore why did you not report that to Parliament first—the Postal Department matter?—There was no irregularity. The question was the comparative merits of the two systems, I understand, of audit after payment and audit before payment.

57. Now as to the £350,000 handed over by the Treasury to the Public Works Department. Do you know the reason why the Treasury gave the Public Works Department £350,000 instead of £300,000?—That is a question of administration. All that I have to deal with is the legality of the transfer.

58. Were you aware or not aware that the Public Works Fund was short because the Colonial Treasurer had not floated the £250,000 loan of last year in aid of public works, and that the Public Works Department required £350,000 at that time?—I daresay that was the case. The Colonial Treasurer told me so, but that was not my concern.

59. Were you not aware that the advance of £50,000 from Unauthorised to the Public Works Fund was an unusual thing to do, and that it was in every sense a loan?—I could not consider it from that point of view. It was a transfer of £50,000 more than the amount appropriated for such purpose.

60. The transaction being unusual, as you ought to have known it to be, did you demur to the £50,000 going from Unauthorised to the credit of the Public Works Fund?—There was no £50,000 going from Unauthorised. There was a transfer of £50,000 from the Consolidated Fund to the Public Works Fund in excess of the £300,000 appropriated, and the Government were at liberty to do that. The Audit Office had no power to stop it. It was made a charge on the Unauthorised Expenditure Account.

61. When was your attention first directed to the £50,000 being advanced or transferred to the Public Works Fund?—Another question incidental to the matter was raised about the end of January or the beginning of February. I have a copy of the papers here. The matter was brought up, first of all, in connection with the proposal to remove from the Unauthorised Account four advances, amounting to £6,000, made to the County Council of Hawke's Bay out of the Local

Bodies' Loan Account, in anticipation of the steps required by law to be taken by the Council under "The Loans to Local Bodies Act, 1886." From that point the correspondence drifted on to this question of the £50,000, and ended in the opinion of the Solicitor-General, which I quoted at the last meeting, being obtained.

62. Are there any papers in respect of the transfer of the £50,000 back to the Consolidated Fund and your refusal to agree?—Yes; they are here.

63. You consented, then, subsequently to the £50,000 being transferred back to the Consolidated Fund?—Yes.

64. And then you refused to allow it to be again used as "Unauthorised"?—I refused to allow the amount of the transfer from the Consolidated Fund to be transferred back except as a charge to the Unauthorised Account, because there was no public-works vote for such a transfer back.

65. But, if I understand your evidence and the whole of the circumstances aright, you refused to allow it to be again used as "Unauthorised"?—I do not understand. I refused to allow it to be transferred back except as a charge to the Unauthorised Expenditure Account. There is an appropriation for "unauthorised expenditure" of £100,000, and when the charges amount to £100,000 the provision is exhausted for "unauthorised expenditure." I refused to allow the transfer back from the Public Works Fund to the Consolidated Fund except as a charge to the Unauthorised Expenditure Account, for the reason that there was no vote for the payment or such a transfer from the Public Works Fund.

66. Is this the fact: that you consented to the transfer of the £50,000 to the Consolidated Fund, but it was impounded there because you refused to allow it to be used again as "Unauthorised"?—I cannot understand "used again as 'Unauthorised.'"

67. In reality, the view of the Government, at all events, was that the £50,000 was a loan to the Public Works Department, and when the Public Works Department had got over its necessities, whatever those necessities were, it wished to return the £50,000 to the Government from whom it was borrowed, but you set your seal upon it and would not allow the Government to have its use?—This is practically the explanation of the transaction which, I think, was given to me by the Colonial Treasurer, but—I speak subject to correction—I think he said we have committed a fault in our administration. Our administration has been in error; we ought to have raised the money on our authority to borrow. I think he said that. I presume that the Colonial Treasurer would find out from the officers of the Treasury. I did not follow him on that point at all. My course was clear, and the Solicitor-General confirmed the legality of my decision.

68. *Rt. Hon. R. J. Seddon.*] Do you recollect my saying that if we had known you were not going to allow that to be given back to "Unauthorised" we should not have advanced that £50,000 to the Public Works Fund?—Yes, that is so.

69. That is the error—thinking it was in the Consolidated Fund itself?—The mistake was made in not asking what the consequences would be. It was hastily assumed by the Treasurer that it could be taken back without becoming a charge as "unauthorised expenditure."

70. *Mr. Fisher.*] If the £50,000 had been returned to the Government and again used as "unauthorised expenditure," would that not have been brought before Parliament in the ordinary course?—I do not understand the words "used as 'unauthorised expenditure.'"

71. If the amount had been released from the Consolidated Fund and again classed as "Unauthorised," would that not have appeared in due course in the accounts laid before Parliament?—Whatever was charged in the Unauthorised Account would have been brought before Parliament—what remained charged.

72. This being an unusual occurrence, why did you not report to Parliament that £50,000 had been transferred from "Unauthorised" to the Public Works Fund?—I could not take exception to it. It was in accordance with the law.

73. You were not very definite in your evidence on Friday as to why you did not accept the suggestion of the Solicitor-General. You knew of the inability of the Railway Department to meet the demands made upon it, and you knew that if you had acted upon the suggestion of the Solicitor-General you were still in a position to report the matter to Parliament. Were you not offered an indemnity and the concurrence of the Colonial Treasurer that the matter should be reported to Parliament?—Yes; but I have no discretion in the matter. I am a part of the statute. I should be liable under section 78 of the Public Revenues Act. I could not anticipate Parliament granting me an indemnity for exceeding my authority.

74. You may answer this question in any way you please: Is it not the fact that if you had released this £50,000 there would have been no necessity for this inquiry, or for the transfer of the material from the Railway Department to the Public Works Department?—I could not answer that. It is a matter for the Administration.

75. You were aware, I assume, that there was plenty of money—a large surplus balance—in the Treasury, and because of your refusal to release this £50,000, which unquestionably belonged to "Unauthorised," all this trouble and annoyance has arisen?—What I did was in accordance with the law.

76. Were you not aware that the Railway Department was the only department that had exceeded its appropriation?—I think there were other departments which exceeded their appropriations. I think the Appropriation Account will show that. I cannot speak surely on that point, but my impression is that there are other departments which exceeded their appropriations.

77. Was it not contemplated by the passing of the Public Revenues Act that contingencies—extraordinary circumstances—might arise which the Unauthorised Expenditure Fund was specially designed to meet?—As a general rule, I do not regard the Audit Office as required to take exception to, or as responsible for, any unauthorised expenditure, unless, of course, there should be an express statutory prohibition.

78. I presume you are aware that in the previous year Parliament gave £150,000 for "Unauthorised," and this year, notwithstanding the increased expenditure, of which I presume you also are quite aware, by your action you have practically cut down the "Unauthorised" to £50,000. Is that not so?—The circumstances of last year were exceptional, I think. The limit was increased from £100,000 to £150,000. I know nothing about cutting down the "Unauthorised." I have required that expenditure which could not be made except as a charge to the Unauthorised Account should be so made.

79. Here is a department—the Railway Department—spending millions of money, and is it not the fact that, if the Government had not found the means of averting such a calamity, the 4,500 workmen in the employ of the Railway Department would have gone without their wages through this red-tapeism, this veneration for the technicalities of the Audit Office?—I think it is through the fault of the Administration, in drawing upon their appropriation for "unauthorised expenditure."

80. *Rt. Hon. R. J. Seddon.*] Was it the department or you that locked it up?—The department committed the error, I understand from yourself, of transferring £50,000, instead of raising it by loan. That I understand your explanation to be.

81. *Mr. Fisher.*] In your evidence on Friday, I understand, you mentioned the alternative of calling Parliament together to meet the circumstances that had arisen. Do you seriously mean that?—Hardly those words. I said an accident of the kind might have taken the whole of the "Unauthorised expenditure." That is to say, it might have been £100,000 instead of £50,000, and there would have been nothing left for "Unauthorised expenditure"; and the question for the Government might have arisen whether the House should be called together or payment stopped.

82. Then, if, by the interposition of what you are pleased to call an accident, the whole of the £100,000 for "Unauthorised" had happened to be stuck up in the Treasury through the observance of the strict technicalities of the Audit Office, and the money had been refused, would not the salaries of the employes have been stopped?—If there is a fault it is not in the Audit Office; the fault is in the statute.

83. Is not that carrying a technicality to a ridiculous degree?—I do not think the Audit Office should be called upon to bear the fault of the Administration.

84. The question in issue is £15,000: would calling Parliament together cost £15,000, do you think? Would four times £15,000 pay the cost, do you think?—I do not know.

85. Does not this sale of material by the Railway Department obviate the cost of calling Parliament together?—I could not answer that question.

86. Did you suggest any other way in which the exigencies of the moment could be met?—No; the only remark I made was that the Audit Office could not bear the brunt of anything of the kind. It is a matter of administration. The fault is in pre-audit. If there was a post-audit, the money could be issued to the Government, and the Administration might take upon itself, feeling itself justified in a case of surprising emergency, to take an exceptional course, and itself to report to Parliament. Besides that, the Audit Office, with authority to make a report on all transactions, would report the matter; the Government would report also.

87. Now, I ask you this final question: Leaving out the injury done to the Government, which appears to me to have been the object aimed at, by the unauthorised publication of your report in all the Conservative newspapers of the colony, I ask you, Has the colony in any degree—even in the least degree—suffered loss from this transfer of material from one department to another?—I cannot answer that question. The only question to me is the legality of the transaction.

88. *Mr. Montgomery.*] As Auditor, your main duty is to see that the law of the land is complied with, is it not?—Yes.

89. And if it is not complied with to report to Parliament?—Yes; in connection with the accounts.

90. Do you know of any ground for the insinuations that have been made about members getting information from the Audit Office?—I do not know of any. I believe the Audit Office is as close as any office—more so than any I have had experience of.

91. Would you say that a transfer of material merely in order to raise money and with the intention of re-transferring was legal?—I have already stated in the correspondence that if I had known that the re-transfer was contemplated of the material without a re-transfer of money I should not have passed the transaction. In my opinion, it would have been illegal.

92. In the correspondence you have frequently asked for explanations from the Treasury. Did you ever get any of the transaction?—Which one do you refer to particularly?

93. At page 11 (B.-22, 1898), down towards the bottom of the page, the Audit Office "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 departments responsible for the transactions in question may be able to afford the Audit Office respecting them." Did you ever get an explanation in writing?—No. The only explanation I received was what the letter of the Colonial Treasurer of the 8th October may be taken to carry.

94. That is not an explanation?—It is not the explanation I expected.

95. It is not an explanation at all, is it?—No; it is a withdrawal of the transaction.

96. Verbally, were you given an explanation of the transaction?—No.

97. Do you say that up to the 15th September you received no intimation on this subject? Was the matter ever explained properly to you up to that date?—Except the explanation which the Colonial Treasurer gave, and which I referred to at the last meeting.

98. That is when he pointed out the difficulties he had been in?—Yes, that he had been deprived of the £50,000.

99. Did he then say that he intended to raise the money by selling stores?—The transfer before him was a sale of stores. On page 3 his answer there is: "This is purely a question of administration." That is his answer on the proposal to sell.

100. Did he say then that it was intended to re-transfer the stores?—No; the Audit Office knew nothing about the re-transfer until early in September, when Mr. Gavin's memorandum of the 9th September was written.

101. This is the railway statement [handed to witness]. If the Government had had what money they required for expenditure on railways and were not obliged to sell stores, and this transaction had not occurred, what would have been the effect on those figures in the first page? How would the expenditure have stood? I am alluding now to these two transactions—the two £15,000. You say the expenditure is so much—£857,191. Would not that expenditure have been increased by £30,000 if this transaction had not taken place and the Government had had sufficient money appropriated for the service of the Railways?—Is the total of £857,191 taken from the Financial Statement?

102. The point is this: If the Government had had sufficient appropriation, and had not been obliged to make the transfer, would not the expenditure on railways have appeared as £30,000 more?—The expenditure would, I think, have appeared as £30,000 more.

103. And consequently the excess of revenue over expenditure has appeared £30,000 less?—Yes. If there had been an appropriation, and the expenditure had taken place under appropriation other than that appropriation which comes in under section 41 by way of credits—I understand the question now is expenditure under appropriation, excluding these credits—the expenditure would have appeared larger. The appropriation by way of credits is an abatement of the expenditure.

104. It is the net amount?—Yes, after the deduction.

105. If the Government had sufficient appropriation, and these two transfers had not taken place, the expenditure on railways, Consolidated Fund Account, would have appeared as £30,000 greater, would it not?—Yes, if the £30,000 had been spent.

106. Why was the money not paid back when the re-transfer took place?—I can only say that I believe the state of the railway vote would not permit of it. The Railway Department had spent the full amount of its appropriation, and £27,000 in addition, which was charged to the Unauthorised Expenditure Account.

107. Is it legal for transfers to take place without payment of money?—I think it might be legal to transfer material on account, to be paid within a reasonable time after delivery in the ordinary course of business.

108. Which department was considered as owning the stores which were transferred on the 31st March?—According to the vouchers these stores went back from the Public Works Department to the Railway Department on the 11th March. That date, the 11th March, is entered in each voucher as the date of service or supply.

109. They would then belong to the Railway Department?—They would then belong, in one sense, to the Railway Department, and to the Public Works Department would belong the credit.

110. What would be included in the amount of £79,290, which appears as "Stock of stores in hand on the 31st March, 1898"?—I could not answer that question.

111. Are not these accounts audited?—That is the departmental report, which is not audited by the Audit Department.

112. Supposing the Government had known you were going to take the course you did with regard to the £50,000, could they not have avoided that transaction by issuing Treasury bills?—By issuing debentures, I believe they could, but I did not enter into that question. I have thought over it since, and I believe they could. I did not recollect at the last meeting that that was the point that the Colonial Treasurer made in explaining the mistake. The loan itself might have been raised.

113. Do you think that any change should be made in the Public Revenues Act with respect to the store accounts?—I think that is a question for the consideration of the Legislature. There could be no risk of a realisation of property for purposes such as that of this transfer in question, if the money realised were not made by law an appropriation for expenditure. Section 41 of the Public Revenues Act provides that the realisation from sales shall be treated as an appropriation for expenditure, so that your appropriation for expenditure is unlimited—or, rather, limited only by the stores you can sell.

114. Do you think that should be altered?—I think that is the question for the Legislature.

115. Could you not give an opinion, as an expert, on the subject?—The only opinion I can offer at present is that the appropriation should not exceed, or, rather, that the credits to be treated as appropriation should not exceed, the amount abated on the estimates.

116. What do you call "abated"?—That is the method of crediting the vote. (See section 41 of the Public Revenues Act.) The effect of crediting by the process of abatement is that the appropriation never appears in the account to be exceeded.

117. Do you think it would be a better plan to have a suspense stores account?—I think the cure would be post-audit—audit after payment.

118. I ask whether you do not think it would be a better plan to keep our accounts of stores by means of a suspense stores account, as in the other colonies?—I have not considered that question carefully. Answering without consideration, I should say that would be preferable to the present law.

119. Do you think there is anything wrong in the transfers of stores with no intention to re-transfer?—I have not been able to say so. I cannot say that there would be necessarily anything wrong.

120. Supposing stores are transferred with the intention of re-transferring for financial reasons, do you think that is in accordance with the law or the spirit of the law?—I should not pass the transaction as legally a sale.

121. Can you account for the delay in informing you of the re-transfer of the stores, that not having taken place until the 9th September?—No, I cannot account for that. It is not necessary to inform the Audit Office of any but the pecuniary transaction—the re-transfer of the money—and that came before the Audit Office as a proposal on the 9th September, or thereabouts.

122. You are not informed of the re-transfer of the goods?—We deal with the account for payment. When this account for payment came before the Audit Office we found that these goods had gone back on the 11th March.

123. Then it is possible—I do not suggest that it is so—that other goods may have been re-transferred and not paid for that you know nothing of?—Quite possible.

124. And would you suggest any amendment of our law which would enable the Audit Office to prevent this being done, or knowing it, at any rate?—Any amendment would prevent it by which the money received from the sale of stores should not be treated as appropriation for expenditure.

125. I said, suppose a department transfers stores for cash, and afterwards re-transfers them back without getting cash, is there any reason why the payment of cash should not be indefinitely delayed and you know nothing about it?—It is quite possible.

126. It took place in this case?—It took place in this case.

127. About this £187,000: is it not an extraordinarily large credit?—It is unusually large. I forget what the figures of the previous year were.

128. Do you know what the estimate was?—£20,000 odd.

129. Do you not think it natural for a member of the House to ask for a return of such a large amount?—I could not answer that.

130. The details are in no way given in the account, are they?—They are not in the Public Account that I know of.

131. This £13,000 that was audited, I presume that was a transfer in the ordinary course of selling stores by one department to another, for the reason that one department wanted stores and the other had them?—The Audit Office assumes so.

132. That takes place frequently, I suppose?—Yes.

133. The greater part of the £187,000 is in that nature, is it not?—I think so—the greater part, yes.

134. And you do not as a rule inquire whether the stores are wanted or whether they are *bonâ fide* transfers or not: is that so?—We do not inquire when there is no occasion to suppose everything not in order, or the case not one of fair demand and supply.

135. I presume it is your duty to see that no financial acts are carried out which are merely for the purpose of raising money in a way not contemplated by Parliament?—Yes, I should say so.

FRIDAY, 28TH OCTOBER, 1898.

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

1. *Mr. Fisher.*] Referring to the paper (Copy A), on page 10, B.-22, 1898, was that not a private pencilled memorandum from Mr. Fife to Mr. Heywood? How did you get it into your possession?—It came into my possession with the Treasury file, to which it was attached as a part of the record. I understand it was an arrangement as to one or two of these very transactions. I copied it, and left it on the file on which I found it. I do not see how it can be a private paper. It was attached to the public records, and related to a public transaction.

2. Have you any distinct recollection of the paper itself?—I have mentioned it in my correspondence as attached to a certain Treasury record.

3. Was it written in pencil form in the memorandum, or did it bear a more official appearance, and appear to be written in ink?—There were four papers—some of the writing in ink, and some in pencil. The only suggestion I make is that the original papers to which it was attached should be obtained. The first copy (A), to which reference is made, I believe to be a statement in ink of the financial position by Mr. Fife as on the 31st March, 1898.

4. Will you please explain in what way the particular paper marked (A) affects the question of the £15,000?—I would give to that the answer I have already given.

5. *Mr. Fraser.*] You have stated that it was owing to the necessities of the Railways Department about February that all this trouble has arisen, and that it was in consequence of the "Unauthorised expenditure" vote being reduced by £50,000?—That was the explanation given to me by the Colonial Treasurer.

6. And that the sale of stores, from all you can gather, would not have taken place but for the Unauthorised Expenditure Account having been reduced by the £50,000?—I understand it to have been for the purpose of appropriation for the Working Railways.

7. That is not my question. The question I asked was whether you gather from your present knowledge of the transaction that the sale of stores would not have taken place but for the fact of the "Unauthorised expenditure" vote having been reduced by £50,000?—From my present knowledge I do not regard the transaction as a sale.

8. Well, sale or borrowing?—I regard the transaction as one which would not have taken place—I am speaking from my impression—but for the purpose of realising money to go towards the working-expenses of the railways.

9. Take the effect of the transaction?—The effect of the transaction was to bring to Vote 60—that is, the vote for the Working Railways—a credit to the amount of the sale—a credit to be treated as an additional appropriation.

10. You see no reason to change the opinions you formed in regard to this transaction—the opinions formed and expressed in the memorandum put before the Committee? I will state one of



them as to the effect: "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." You are still of that opinion?—I am still of opinion that that is the practical result.

11. In the next sentence you say, "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"?—Yes.

12. Then, also, in the next paragraph but one in the same page, you say, "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 without any intention of parting with it, obtain an advance of £15,000 out of the Public-works Votes"?—Yes, I would have declined to pass the transfer on account of its not being really a sale.

13. Then you say, on page 8, "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"?—Yes, that is so; that is in the memorandum of Mr. Gavin's, which I adopt.

14. I want to ask you how you can reconcile that with an answer you gave to Mr. Seddon. Mr. Seddon asked you in the printed list of questions on the 21st October—question 81—"There is an impression abroad—in fact, it has been stated—that this transaction had an effect upon the finances of the colony by increasing the surplus. Had it such an effect, or did it affect the surplus one way or the other?" You replied, "The only question for me to consider was whether the transaction was one that I could help reporting to Parliament. I do not think, really speaking, a transfer of money in one direction or another could affect the Profit and Loss Account of the colony." Does the Profit and Loss Account of the colony have anything to do with the surplus in the Consolidated Fund?—There is no such account as a Profit and Loss Account.

15. Then, why did you put it in?—Because I wanted to explain what practically would be the case if there was a Profit and Loss Account. I said, later on, it depends upon what you call a surplus.

16. Would the words "Profit and Loss Account of the colony" convey any correct impression of the accounts submitted to the colony? Is it a Profit and Loss Account?—My words were intended to convey that a surplus would be the balance of profit in a Profit and Loss Account of the colony—that the transfer of money from one account to another would not affect that balance. The transfer would certainly affect the surplus, which consists of the balance in the Consolidated Fund at the time.

17. I want to give you an opportunity of explaining what your real meaning was in regard to it?—I was speaking there of an account which did not exist.

18. But had there been a Profit and Loss Account kept, then it would not have affected it; that is all you meant?—Yes.

19. That answer was not intended to convey the impression that the transaction did not in any way affect the surplus; I mean as declared in the Consolidated Fund?—Yes, that is so.

20. Has the transaction affected the surplus—what is called the surplus—that is, the balance in the Consolidated Fund?—It has affected that balance in this way: I should explain the two positions. If the Railways Department had not expended the £15,000—that is, if the Railway Department's expenditure had been £15,000 less than it was and this transfer had not taken place, then the balance in the Consolidated Fund would have been unaffected. But if the Railway Department had spent this £15,000 before the end of the year, then the transfer of the £15,000 to the Consolidated Fund must have resulted in increasing the surplus.

21. I will put the question in another way: Suppose the Railway Department could have got the money from the "Unauthorised" vote, would the result on the surplus of the Consolidated Fund be the same as it is to-day, when the money had to be obtained by the sale of stores, or the advance of money on stores?—If the transfer had not taken place, and up to the 31st March the amount of that transfer had been spent and charged to the Unauthorised Expenditure Account, then the net expenditure of the Railways would have appeared in the Public Accounts as £15,000 more than it now appears.

22. And, therefore, the surplus would have been £15,000 less?—The surplus would have been £15,000 less.

23. You are quite clear on that point?—I am quite clear on that point.

24. And when the two transactions appeared, would it have been £15,000 or £30,000?—There are two transactions of £15,000 each—two transfers. One was passed on the 2nd March, and the other on the 5th March.

25. Then, do I gather from you that these two transactions have both affected the surplus?—They have in this way, that the expenditure—

26. They either have or have not. Either the surplus is £30,000 more than it would have been had the expenditure come out of the "Unauthorised" vote or, it is not?—I must answer on the assumption that the expenditure on railways would have been as it is stated.

27. Yes?—Then the surplus has been increased by the two transactions of £15,000 each.

28. There was an item of £13,000 on a sale of stock? Yes.

29. Would you consider that was in the same category?—That has been passed by the Audit Office. It is a transfer of stores, certainly.

30. You would not like to state positively that it is in the same category as the other two transactions?—I should not like to say so. There was an error discovered before the end of the year in the transfer, some time after it was passed.

31. There was a question asked you by Mr. Seddon, when you were under examination by Mr. Allen, as to what source the Public Works Fund was derived from. It was alleged that the Public Works Fund consisted chiefly of borrowed money. It was also alleged that a considerable amount of money from the Consolidated Fund had been paid into it. Now, is it at all material whether the Public Works Fund consisted of that money or any other moneys from any other source—would it materially affect the answer you have given with regard to the surplus?—The surplus was in the Consolidated Fund, and these moneys were in the Public Works Fund.

32. And from whatever source the Public Works Fund derived the money, that in no way affects the question as to the surplus?—No.

33. Does it in any way affect the question as to how the surplus has been altered by these two transactions: whether the moneys—that is the £30,000—consisted of borrowed moneys or moneys transferred out of the Consolidated Fund previous to the period into the Public Works Fund?—I do not think the question of a surplus is affected by any consideration of the Public Works Fund. The following is subsection (2) of section 7 of the Public Revenues Act: “The Public Account shall consist of two funds, as follows: . . . (2) The Public Works Fund, to which shall be carried the produce of all loans or other moneys authorised by Parliament to be raised and appropriated to immigration, public works, or to any other special purpose.”

34. I gather from the gist of your evidence that you objected to the transfer of £14,589 ls.—one of these transactions—because the transaction was contrary to the spirit of the law. You say: “This is an effect which surely can never have been contemplated by the Public Revenues Act.” Was that generally your object in raising these objections?—Yes; and in the previous part of the letter I have explained the effect, which is to transfer in the Public Accounts of the colony the expenditure on the Working Railways of last year to the accounts in this year.

35. What was your principal motive in objecting to the transaction and then afterwards reporting to Parliament? Did you do it because it was contrary to the spirit of the Public Revenues Act?—When the first transaction was passed on the 5th of March, the Audit Office could obtain no evidence that the stores were required by the purchasing department, nor that they were surplus stores in the possession of the selling department; and the Audit Office had reason to believe, as has already I think been proved in evidence, that the transfer was for the purpose of an appropriation rendered expedient or necessary to supply a deficiency in the Unauthorised Expenditure Account, or for a deficiency in the appropriation for “Unauthorised expenditure”; and the question raised by the Audit Office was whether a transfer under such circumstances was a sale contemplated by the law.

36. *Mr. Fisher.*] Does it not appear, Mr. Warburton, that you were fully aware of the whole import of the transaction on the 3rd March, when you said in your letter of that date that “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”?—Yes.

37. Does that, or does it not, convey the impression that the advance was made to aid the financial needs of the Public Works Department?—That letter was written with the minutes before me, which are on the top of page 3, B.-22, 1898: “Mr. Clapham,—Please look into this at once and let me know whether we can take over as much as £20,000 worth of material; and, if so, how we can charge it.” The answer is: “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.” These minutes indicated to me that the transaction was one of “accommodation” between the two departments.

38. You were fully apprised of the nature of the transaction at that date?—I conceive that I was—of the transaction as it stood at that date. I was not apprised of the transfer back of the property on which the money was realised.

39. There is no getting behind the letter. The letter says that the transaction was in the nature of “accommodation” to the department?—Yes; but the latter was not written with any knowledge of the transfer back of the property.

40. But, can you say anything worse of the transaction to-day? As you have said just a moment ago that it was a matter of “accommodation” to the Railways Department, that is all you have to say of it to-day, is it not?—I said that what I conceived it to have been was this: that it was an “accommodation” to the Railways Department—that it was in view of the deficiency in the appropriation for “Unauthorised expenditure.”

41. What you said on the 3rd March is the worst you say of the transaction to-day, is it not? You could not characterize the transaction in stronger language than you did in your letter of the 3rd March?—I was not thinking of strong or weak language.

42. Well, leave out the word “strong”?—I see no occasion to alter the language.

43. You see no occasion to alter the language used in your letter to Mr. Gavin of the 3rd March?—No.

44. And if you were to write that letter of the 3rd March to-day, you would still characterize the transaction in the same language as you did this morning, as an “accommodation”?—Yes, as I did this morning.

45. Then, why did you say in the last paragraph of your letter of the 3rd March, “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”?—It was a question whether it should be.

46. Then you, understanding at that date the serious nature of the offence—for offence it is so construed to be to-day, you understanding the full pith and moment of the transaction at that date—why did you say in the concluding paragraph of that letter that there appeared to you to be no

necessity for reporting to Parliament providing you got the approval of the Minister for Public Works?—I did not say that.

47. See the last paragraph of your letter of the 3rd March?—I think that means quite the contrary—that it is a question.

48. Your language certainly bears two interpretations. You say that is put in the form of an interrogation. Do you or do you not say that your language there bears two interpretations?—No, certainly not. “The question consequently arises whether.” It is certainly to my mind very clear.

49. At all events, there was that doubt in your mind?—On the 3rd March?

50. Yes; and you then knew the whole nature of the transaction—that it was to be an “accommodation” for the Railway Department, and the transaction did not seem to be of such a serious nature that it should be reported to Parliament?—You forget that on the 5th March, two days later—and Mr. Seddon has acknowledged what took place—the explanation given by the Government of the transaction was that, in view of the deficiency of the appropriation for unauthorised expenditure, in consequence of a mistake in administration, £50,000 was lost.

51. *Mr. Montgomery.*] You said, “I was fully apprised of the transfer on that date,” the 3rd March. As a matter of fact, did not the transaction assume a more serious aspect after you became aware of the re-transfer?—I have explained that. It assumes this difference: On the 3rd or 5th March—say up to the 5th March—I regarded the transaction not as one I could stop as illegal, but as one which was not contemplated by the law. When the information came to the Audit Office that the stores had gone back immediately after the sale, then I pronounced the transaction as one which the Audit Office would not have passed, and therefore illegal.

52. That is as far as the re-transfer? You would not have stopped the transfer of stores—merely transfers?—I did not stop it. I passed it in the conclusion that I should be justified in doing so if I reported it to Parliament.

53. That is in your letter of the 5th March?—Yes.

54. *Mr. Fisher.*] Can you say of your own knowledge whether a re-transfer did take place?—I can only go by the vouchers. The date of service of supply in the vouchers for the re-transfer was the 11th March, while the original transfer was passed on the 5th.

A. C. FIFE sworn and examined.

55. *The Chairman.*] What is your Christian name, Mr. Fife?—Alexander Christison.

56. What position do you occupy in the public service?—I am Accountant for Railways.

57. Are you aware of the transaction that is mentioned in this paper known as B.-22, 1898, which the Committee is engaged inquiring into?—Yes, I am aware of these transfer vouchers.

58. Will you explain to the Committee the nature of the transaction?—The Railway Department pays wages four-weekly. During the year up to the 5th March, there being a very large excess of revenue over the estimate, in order to earn that excess the appropriation of our vote had run a little bit short. In such circumstances the Railway Department invariably looks to be subsidised from “unauthorised” to meet such expenditure. On the 5th March, or towards the 5th March, I found that the balance in our vote would not meet the wages due at the 5th March—that is, for the four weeks ending the 5th March; and on that account I had a consultation with Mr. Heywood, of the Treasury, and he said that, a part of the “unauthorised” being locked up, he could not accommodate us. Therefore, as the period ended on the 5th March, and as I had to remit the money to the different stationmasters to pay wages on the 9th or 10th at the latest—we are always about a week behind by the time we make up our pay-sheets, and they are not paid exactly when due, but about a week afterwards—I had to beat about with the Treasury to find ways and means to pay these wages. At the time, our stock of stores stood at about £113,000—this would be about the 24th February. Although the wages are due on the 5th March, we have to exercise a little foresight previously. That stock of stores afforded the readiest way of raising the money to pay these wages with. Therefore the Treasury thought that they would make arrangements with the Public Works to accommodate our department to the extent of £15,000; £20,000 was spoken of originally, but £15,000 was the actual accommodation that the department received. There was another vote within the Minister for Railways’ own control, which is called “additions to open lines,” and afforded another £15,000 to us. By this transfer our stock of stores was reduced another £15,000, because the transfers carried these stores with them, and the different departments would be debited with these amounts and the railways credited. The estimated revenue for the year was £1,275,000, but what we realised was £1,376,000. I am speaking from memory, but that is about it; that is about £101,000 over the estimate; and the position was simply this: that in order to earn that £101,000, as we had not got the money in “unauthorised,” we had to raise it from somewhere else, or else the men had to go without their pay. I think that covers the whole transaction. Of course the mere transfer of these stores simply establishes the honesty of the department. The department had nothing to hide in the matter. I am referring to the value of the stores. There were two transfers. Then, immediately the year closed the department was going to get its stores out of pledge, and pay the departments back the moneys they had advanced to us temporarily. I think that only establishes the honesty of the intention of the department. It shows that we had nothing to hide whatever.

59. *Mr. Montgomery.*] You say that immediately the year closed the department proposed to take these stores out of pledge?—Yes.

60. What was the date of the re-transfer of the stores, if such took place?—We were not really in a position to pay immediately the year closed, because we had only three months of the annual vote passed by the House. Of course, we had only three-quarters of the money to go on. We wanted to go on until the Imprest Supply Bill was passed. It would have been inconvenient otherwise for the Department to pay until the Imprest Supply Bill was passed.

61. What was the date when the stores were re-delivered?—They never left our possession in reality. We only held them in our custody for those departments. They were still in the custody of the Stores Manager.

62. I understand that the Stores Manager keeps the stores for both departments?—Yes, under the Minister for Railways—that is to say, the A.O.L. (additions to open lines) stores and the Working Railways stores.

63. Were the Public Works stores transferred to their Storekeeper moved?—No; it would have been nonsense to move the things about when we knew we were going to take them back again.

64. Were the stores re-transferred?—They had never been shifted.

65. That is not the point. They passed into the possession of another department when you got the money for them?—No; our Stores Manager was the custodian for them.

66. He was keeping them for another department?—He was agent.

67. And when you received the money the stores passed out of the possession of the Working Railways Department?—Yes.

68. When did they again come into the possession of the Working Railways Department? I will refer you to page 4 of this paper, B.-22, 1898: "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 the 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." Is that the right date?—No.

69. Then the stores were re-transferred before the year closed?—No. I told the Stores Manager what the transaction was to be, and evidently I explained it on the 11th March, and he made a memorandum of it. Making this memorandum on the 11th March, his clerks prepared a voucher and put on it the 11th March, unfortunately—people require a memorandum to make their entries on—and this memorandum he had taken of my conversation happened to be on the 11th March, and led to that voucher being dated so.

70. Do you say that these stores were not re-transferred on the 11th March?—No, they were not re-transferred on the 11th March; they were in our own possession, but we did not pass forward the voucher until the Imprest Supply Bill was passed. The date of supply is a mistake of the Stores Manager, and it is frankly admitted that the 11th March was in the last financial year, but this refers to an operation which relates to the present financial year, when we were in funds to clear the transaction.

71. In this Working Railways Table No. 2, it says that the stock on the 31st March was £79,290?—Yes.

72. Does that include the stores that were or were not re-transferred on the 11th March?—Certainly it does not. Whenever these vouchers were transferred the stores to that value were ear-marked for those departments, and our stock was reduced accordingly.

73. Then we understand that on the 31st March you did not include the stores, or the £30,000, in the £79,000—Yes or No?—They are not included.

74. Can you explain whether the transfers of the stores—the two transactions of £15,000—have in any way affected what is called the surplus or balance at the end of the year in Table No. 1 in the Financial Statement?—I do not know anything about the Financial Statement. It does not affect our accounts, because our expenditure is for the Railways. This £857,190 is the actual expenditure for the working of the Railways. It does not affect that one iota.

75. You cannot answer my question with reference to what is called the balance for the year in Table No. 1?—No, that is for the Treasury. I have enough to do with the railways.

76. You say your expenditure was £857,190 18s. 5d.?—Yes.

77. That is your net expenditure. You actually expended more money than that?—Not on Working Railways. That is for work we have done for outside people. We actually expende £1,037,888 2s. 9d. Ours is a commercial concern, and we do work for outside people.

78. Do I understand you to say correctly that you regard your department as a big commercial department, and that you have many big transactions of that kind?—What I referred to in connection with that was that this expenditure was for work done for other people than our own department.

79. The credits under section 41 of "The Public Revenues Act, 1891," by law, act as an additional appropriation, do they not?—Yes, that is so; but I must restrict that. It only acts as an additional appropriation where it is a sort of windfall—where we sell old stores which have been paid for in previous years, or in our dealings with the Post Office or Customs, where we find it to the convenience of the colony, instead of having two officers in two places, to put one man connected with the Railway Department to do the work of both departments, and we pay him so that there shall be no dual control over him. There have been moneys also recovered which are gratuitous amounts, as I look upon them, and these have to be deducted, but not amounts that are earned by the expenditure of labour before they come in.

80. I said all credits under section 41 are additional appropriations, and I understand that for a great deal of the money you simply act as agent?—Yes, that is so.

81. Then, I ask, why it is that the credits under section 41 are only shown in the estimates at £19,137, whereas you have sold stores to the extent of £30,000?—I have explained it, because these are gratuitous items—the windfalls. That £19,137 is a windfall.

81A. How is it that you do not put all the credits, £187,000, in here?—When I came from Canterbury, about eighteen years ago, this question was raised. We were doing a great deal of work for the public, and other departments, and it was understood with the Audit Office then that whatever work we did for other departments such as that were outside these windfalls altogether, and that we should not deduct them. We could not work otherwise than that, and the Audit Office perfectly understood that. If any work was done for you in the workshops, we should pay

the wages and so forth, and hand it out to you as a manufactured article. This represents an outlay which is outside the Public Revenues Act.

82. With regard to this sale of £30,000 worth of stores, why is not that windfall added to the £19,000?—Simply because we handed over £30,000 to the managers of the other departments from whom we got this benefit.

83. This is section 41: "Money received from the sale of stores, or otherwise to the credit of any service, shall be carried to the credit of the vote for such service. In compiling the estimates the Minister for each department shall cause the sums estimated to be received to the credit of each service to be abated upon the total estimated expenditure of such service for the year. All sums so credited to any vote shall be deemed to be appropriated to such service, in addition to the vote for the same." Here is the vote to such service, and here is the credit given as £19,000?—Those are not gratuitous amounts. Those stores cost the Railways Department £30,000. We bought them.

84. There is nothing about gratuitous amounts in section 41?—It was only those amounts that were going to be treated in that way.

85. But is it not the law that you have to put all sales of stores in as a credit?—The law is so. I am not going to dispute the law. It was stated here the other day that the law "is an ass."

86. You will understand the difficulties members have in following the accounts if the law requires these things to be done, and they are not done?—The law requires amendment in that respect. If there was any departure it was through the Controller and Auditor-General of that date, because he agreed with our General Manager that the amounts were going to be held over in that way.

87. Then this sale of £30,000 worth of stores has given you £30,000 more money to spend?—Yes, it gave us that £30,000 to pay wages with.

88. Is the expenditure shown in the Railway Expenditure Account as £30,000 more, or does it operate as an additional credit, and not affect the net amount of expenditure?—It does not affect the railway expenditure one iota, because nothing goes in the railway expenditure before the stores go into consumption for the railways.

89. The point is this: You cannot exceed your appropriation, and if you get £30,000 more it increases the amount of money you have to spend; the net amount shown as expenditure must remain the same, because it goes in as credits and is posted on the other side?—That £30,000 does not affect the railway expenditure one bit. We did not draw on any of those stores to go into use for the lines. These are only stock stores; they do not go into the Expenses Account until they are withdrawn to work the railways with; therefore under these circumstances they cannot affect our Expenses Account, because they have not been withdrawn to go into consumption for working the railways.

90. I think you misunderstand my point, which is this: That by obtaining an additional credit under section 41 you obtain an additional amount to spend. You spend it, but it does not show an additional expenditure in the Railway Account, because your expenditure on Railway Account is the net amount after deducting credits?—This money was for wages which were due and had been earned at that date.

91. That is not the question. It has been alleged that you thereby have spent £30,000 more— which you have, but you do not show it upon your account?—Of course, if we had got this £30,000 from "unauthorised." We spent £30,000 more because we paid those wages.

92. But it does not show as an additional expenditure on the account?—Not in the Working-expenses Account. It would show in the amount we had withdrawn from the Treasury.

93. It does not show on the Working Railways Account as an additional expenditure of that amount?—No.

94. If it had been shown it would have materially affected the excess of revenue over expenditure in your account?—Not one iota.

95. Can you explain why it will not affect it?—If you refer to Table 2 of the Railways Statement, you see the stock of stores in hand at 31st March is £79,290. If this transaction had not occurred at all that would have stood at £109,290, and the Recoveries Account would have stood at £157,965. That is manifest. That is how it would stand. But that would not affect our £857,191, which is our working-expenses. It would have affected the cash account but not the Working Railways Expenses Account.

96. If you had not been hard up for money and had not made these transfers, would not your expenditure have shown £30,000 more?—No, but our stock of stores would have shown £30,000 more, not the railway expenditure.

97. It would not?—It would not. I am not speaking of the cash account.

98. *Mr. Fraser.*] What about the revenue?—It does not affect the revenue.

99. *Mr. Montgomery.*] The expenses would have appeared the same?—Yes; the Railway Working-expenditure Account—I am not mentioning the cash. The Railway Expenses Account is altogether outside the Treasury. It is not the votes I have been speaking about, it is the Working-expenses Account. If you come to the vote, £30,000 more would be required.

100. Take the table in the railway estimates: an expenditure of £849,923 is shown?—That is the money drawn from the Treasury.

101. That is the expenditure shown?—That is not the expenditure, that is the money withdrawn.

102. Would not that sum have been increased if you had not been obliged to make these transfers—if you had had sufficient "unauthorised"?—That is so. I told you if you deducted —

103. Would the sum £849,923 have been increased by £30,000 if you had had plenty of "unauthorised" to come?—It would have been increased, of course.

104. Would you kindly refer to this note at the end of the Working Railways Account, and explain why it is put there, why the amount is not charged, and why that is treated differently from any other vote in not having a special little balance-sheet of its own at the bottom?—Why it is entered in this way is that the money withdrawn from the Treasury does not represent railway

working expenses. That is a cash account, but the money charged is actual expenditure—the actual working expenses account. At the end of the year we had done work the cost of which we had not recovered. We began the year with a balance of £7,791—that is, outstandings on account of work that we had still to collect; but at the end of the year that had amounted to £11,909, which is £4,000 more. As the money to do this work had been withdrawn from the Treasury, but not got in, therefore to bring our Working-expenses Account into line with the Treasury Account, the working expenses had to be reduced by that amount in order to bring them into agreement.

105. And now the liabilities: then there are two further amounts—there is one of liabilities. The liabilities are more than the amounts at 31st March, 1897. At the close of March the Railway Department had increased its liabilities by £8,847—that is, it began the year with £65,971, and ended the year with £74,818. That showed that the railways had got the articles, which the Treasury would have still to pay for at the end of year—£8,847. Therefore, to bring that into line with the Working-expenses Account, the amount would have to be deducted from the working expenses, £857,191. That is put in in that way in order to show what were the actual working expenses as distinct from the cash payments?—That is the whole matter.

106. Would you give us the details of the £187,000?—I have the account here.

107. Is it a very large account?—It is certainly a large account. It is like a bank account, and we should be revealing the transactions of a great many private individuals.

108. I would like you to give us the particulars under this heading: the stores sold, to whom, and the dates?—I have not got the dates. It is between the 1st April, 1897, and the 31st March, 1898. I have the details under the heading of Wages and Stores.

109. That would include stores that were used in making railways afterwards handed over by the Public Works Department. Have you the stores by themselves?—No. I have these two transfers by themselves.

110. I want you to see whether there were similar transfers which had been made during the course of the year?—These were in the way of accommodations. There are no similar ones in this account that I recall.

111. Did you hear the details of what the Auditor gave the other day?—I heard, but I did not follow the figures he gave.

112. Would you prepare an account of the headings—as many as possible—and give it to the Committee?—Yes. [See Exhibit C.]

113. You have given us the Additions to Open Lines under different headings?—If you look at the details I think you will find that that is brought out there.

114. *Mr. Fraser.*] You have asserted that the transaction or sales of these stores—that is, the two of £15,000—in no way affected the net result for the year?—Not of the railway itself. I am not referring to the Cash Account at all.

115. Will you kindly distinguish?—The Cash Account is the amount of what we draw from the Treasury for working the Railways, but what we work the Railways with from stores is different altogether. If we bought £1,000 worth of stores to-day, those stores would go into the stores stock, but they would not go into the Railway Expenses Account until they were withdrawn for consumption in working the railways.

116. If you had paid for them they would not come in?—They would not come in immediately, but afterwards. If £1,000 is spent in timber, and is paid for to-day, I do not put that in the account. I only put in the amount of timber taken out for consumption. The rest remains in the store as an available asset.

117. Did you get £30,000 cash for these stores?—Yes.

118. Was the gross revenue increased by £30,000?—No, the gross revenue was not affected.

119. Where did the £30,000 go to?—It was simply a stock of stores which was taken away.

120. Would you not enter the £30,000 as a receipt?—No; but it would give us more spending power.

121. That is the same thing?—The revenue is quite a different thing. So far as the railways are concerned, we make up the account from the actual revenue. We do not go by the Cash Account.

122. Do you mean to tell the Committee then, that the £30,000 received from the sale of stores was precisely the same, so far as the Railway Revenue and Expenditure Account is concerned, as if you had got the money from “Unauthorised”?—Exactly the same. That is the position.

123. You told Mr. Montgomery that the stores representing the £15,000 never left the Working Railways?—That is so.

124. Is it usual for one department to transfer money to another one without receiving some document which is an evidence of ownership of property?—That is a different transaction.

125. Is it usual to do so?—This is a novel transaction.

126. Is it usual? Did any document pass by which the department which gave you the £30,000 became the owners of these stores?—Yes; there was a voucher passed for the stores in the ordinary way.

127. Then the stores ceased to belong to the Working Railways?—Yes; but they held them in custody.

128. Did they cease to belong to the Working Railways?—Yes.

129. Then we have evidence that on the 11th March they re-transferred them back?—I have explained that that was by an unfortunate error on the part of the clerk.

130. Is that document a bogus or a valid document?—It is valid, only the date is wrong. Instead of the 11th March it should have been the 1st April in the following financial year.

131. Was that document drawn up on the 11th March or not?—That was done outside my office.

132. Well, if it was done outside your office, do you know that it should have been the 1st April, and not the 11th March?—Of course.

133. Is that an assumption on your part?—I instructed the Stores Manager that those stores were going to be held and repaid for as early as possible in the next year.

134. Are you talking now for the Working Railways, or for the department that got the stores?—I am talking for the Working Railways.

135. Well, how can you give instructions to a man in another department?—He is the Railway Stores Manager. He has the custody of these stores, and being one of the railway officers he is amenable to instructions from the accountant of the department.

136. Where is this document?—I have just had the document put into my hands, and it throws some light on the matter. This document is signed on the 4th May, but the date of supply given is the 11th March. It is the date of supply that is the 11th March, but the certificate is 4th May.

137. Who signed it?—It is signed George Felton.

138. What was he?—Stores Manager; but we must not confound the date of signature with the date of supply.

139. Were these stores on the 11th March available for the Working Railways if they wished to use them?—Certainly not.

140. Then the re-transfer was a bogus one?—The re-transfer only operated after the new year came in.

141. Where can we find that in the document?—That is the understanding of the arrangement. Of course, you will not find that in the document. We got that to accommodate ourselves; and as the financial year was ended on the 31st March it would be impossible that we could pay before the next year came in—before we got the funds.

142. If that voucher is a valid document, and the supply of goods took place on the 11th March, could not the Working Railways have used any of those stores on the 12th?—The Railway Department could have done so while they were in their custody.

143. Could they not in consequence of this document legally have used those stores?—No.

144. Why not?—Because the transfer only took place on the 1st April. The date of supply is an error. The clerk making an error in the date of supply would not have justified the Railway Department in using these stores before the new financial year.

145. I am not saying what was done, but what could have been done. Do you assert that there was no re-transfer on the 11th March?—There was no re-transfer on the 11th March. Some are dated on the 4th May, some on the 29th April—these are vouchers for different dates, but they are all in the new year.

146. Was this the fact, that although the document showed that the re-transfer took place on the 11th March, and yet it was not really so: now, was that explained to the Audit Office?—It was not explained to my knowledge, simply because no question was asked about it by the Audit Office. [Voucher put in, Exhibit B.]

147. Were you in the room when the Auditor-General was giving his evidence?—I was.

148. You heard me ask him as to the effect of this transaction on what is called the surplus in the Consolidated Fund?—Yes, I heard that.

149. And his reply was that had the £30,000 been obtained from "Unauthorised" the surplus would have been £30,000 less? Do you contend that that is wrong?—I do not contend that is wrong, but I have always talked about our working-expenses. I did not go into the Treasury Account.

150. You express no opinion?—I confine myself to the Railway expenses, leaving Treasury matters to the Treasury.

151. You express no opinion as to that?—No.

152. But your answer was that it did not affect the net result of the Working Railways Account?—No, it did not affect it.

153. Is that net account not a part of the balance of the Consolidated Fund?—No; the Working-expenses Account is entirely different.

154. I ask you as to the net result between the net revenue and expenditure. You said in answer to Mr. Montgomery that you knew nothing about the document in the Financial Statement?—I mean the result the Railway brings out and the Treasury brings out is entirely different, and it is the Railway Account that I go by. I cannot express an opinion on the Consolidated Fund.

155. You simply decline to express an opinion as to the effect on the Consolidated Fund, but confine your answers to the questions in so far as they affect the Working Railways Account?—Yes; that is so.

156. *Mr. J. Allen.*] You said in your evidence just now that the stores were piled up and withdrawn as needed for the Working Railways?—That is so; "piled up" meaning being put in stock.

157. Out of what vote are these stores purchased?—Out of the vote for the year—No. 60 it was last year—the Railway vote.

158. That is, the Railway vote in the Consolidated Fund?—That is so.

159. Then, are your stores each year, as they are purchased, debited to the railway working-expenses?—Only what is withdrawn to go in working the railways.

160. Then, are the whole of the stores purchased this last year debited to working railway-expenses?—No; only what is consumed.

161. Then, so far as the stores are concerned, the amounts debited on account of stores in the railway working-expenses and in the vote are different?—Entirely.

162. The stores, you say, are debited to Vote 60?—Yes, to the Railway vote.

163. I understand you to say that you sold thirty thousand pounds' worth of those stores to the Public Works Department?—Yes, in two sums of £15,000—the Public Works Department and the Additions to Open Lines.

164. Is not the Additions to Open Lines part of the Public Works Department?—Under control of the Minister for Railways.

165. Then, is this the position: that stores not debited to railway-expenses were sold to the Public Works Department to the extent of £30,000?—Yes; not debited to the railway working-expenses.

166. Were the proceeds of the sale credited to the railway working-expenses?—To the Railway vote.
167. Not to the railway working-expenses?—Not to the railway working-expenses.
168. What was the money so credited to the railway vote used for: was it used for railway-expenses?—Yes, it was used for railway-expenses.
169. Then is this the position: that moneys received, not on account of railway working-expenses, but for sale of stores, were used in payment of railway working-expenses?—Yes; those were used for paying the wages.
170. Now, as to the re-transfer of these stores: you have seen the printed correspondence between the Audit Office and the Railways (B.-22, 1898)?—Yes.
171. Do you see page 5?—Yes.
172. Who is Mr. Clapham?—Accountant in the Public Works Department.
173. And Mr. Felton is Stores Manager?—For the Railway Department.
174. And for the Additions to Open Lines?—Yes.
175. And he is Storekeeper for both the Working Railways and the Public Works?—He is Stores Manager for the Working Railways and the Public Works Branch under the control of the Minister for Working Railways.
176. Does he hold a dual position?—You may call it a dual position.
177. Are they the same department?—He manages both. The Minister for Railways has not two Stores Managers.
178. He is Minister for Railways, managing the Railways and Additions to Open Lines?—Yes; and his Storekeeper does the same.
179. Are there two separate and distinct departments?—No; the Additions to Open Lines is simply a branch of the Working Railways.
180. Are the stores that Mr. Felton has control of partly purchased out of Consolidated Fund and partly out of Public Works vote?—They might be so.
181. Are they so?—If there were any such stores that could be immediately placed or identified with Additions to Open Lines expenditure, they would be paid for direct from the Additions to Open Lines vote.
182. You see this document here signed by Mr. Clapham and Mr. Felton—page 5, B.-22, 1898?—Yes.
183. The document begins with “Working Railways, Dr. to Public Works Department”?—Yes.
184. What is the meaning of, “March 11, 1898: 19,294 silver-pine sleepers, £2,411 15s.”?—The meaning of that is that the Public Works Department is making a re-transfer against the Railways to get back the advance they made to the Railways.
185. Is this part of the £15,000?—Yes.
186. Is that date right, “11th March, 1898”?—No; that date of supply would be wrong.
187. Is that Dr. entry in the books?—It would be a Dr. entry in the railway books when it came to transfer.
188. What is the date of the entry in Mr. Clapham’s book?—I do not know.
189. Is this copied from his book?—I should think so, as he signs it.
190. Then, in his books on the 11th March, these sleepers were transferred from the Public Works Department to the working railways?—No; they would not be transferred until later on—not on the 11th March. The dates are not given here.
191. Would you explain what is the meaning of this entry?—I think the best way would be to get the officer who dealt with it to explain. Mr. Clapham and Mr. Felton would be able to explain their own transaction. This unfortunate 11th March is outside me altogether—I am not responsible for it.
192. You said in answer to Mr. Montgomery that you are quite sure that the £30,000 stock of stores is not included in the £79,290 in Return No. 2, in hand 31st March, 1898?—Yes, I am quite certain of that.
193. You also say that on the 24th February your stock of stores was £113,000?—Yes, about that. I quote it roughly.
194. Were any stores received in stock between the 24th February and 31st March?—Yes.
195. How much?—I could not say how much.
196. You cannot tell us?—No, I could not tell how much.
197. And, I suppose, there were stores used between the 24th February and 31st March?—Yes.
198. Could you tell us what amount?—No.
199. Was there any entry made in the “Working Railways” books of a transfer of two lots of stores for £15,000?—There is only an entry made of the £15,000 worth prior to the 31st March.
200. Those transfers are entered in the Railway books?—Yes.
201. To what account?—They would be entered in simply as a sale to the Public Works into the Additions to Open Lines.
202. They are not in the Working-railway Expenses Book?—No, not the Railway-expense Account.
203. *The Chairman.*] With regard to this voucher for £974 8s.: when did you say it was first shown to you?—I could not say when it was shown to me, but I should think about the 5th May, after the date on which the Stores Manager would make it out.
204. Did you at that time notice the error of 11th March as the date of supply?—No.
205. When did you first notice the error?—I do not think I noticed it until I saw something was being made of it in the House.
206. Not until this matter was referred to the Committee?—That is my opinion.
207. *Mr. Fisher.*] You said that the stores to be transferred to the Public Works Department were ear-marked. Mr. Fraser put to you a hypothetical question. He said the stores were there, and might be used by the Railway Department. As a fact, the stores being specially ear-marked, were they used before 31st March?—No.



SATURDAY, 29TH OCTOBER, 1898.—(Mr. TANNER, Chairman.)

A. C. FIFE, Accountant, Railway Department, further examined.

1. *Rt. Hon. R. J. Seddon.*] I wish to ascertain, Mr. Fife, whether this transfer transaction in any way affected the Public Accounts of the colony. On Tuesday last, 25th October, the Controller and Auditor-General was asked the following question (101): "This is the Railways Statement [handed to witness]. If the Government had had what money they required for expenditure on railways, and were not obliged to sell stores, and this transaction had not occurred, what would have been the effect on those figures in the first page? How would the expenditure have stood? I am alluding now to these two transactions—the two £15,000. You say the expenditure is so much—£857,191. Would not that expenditure have been increased by £30,000 if this transaction had not taken place, and the Government had had sufficient money appropriated for the service of the railways?" The answer was: "Is the total of £857,191 taken from the Financial Statement?" Question 102. "The point is this: If the Government had had sufficient appropriation, and had not been obliged to make the transfer, would not the expenditure on railways have appeared as £30,000 more?" Answer: "The expenditure would, I think, have appeared as £30,000 more." As these stores were not charged to the working-expenses of the railways, would it affect the expenditure of £857,191 as it appeared in the Railways Statement?—It would not have affected the £857,191 one iota.

2. Then, if the £857,191 would not have been affected it could not affect the balance that goes in as a balance into the Treasury?—The effect, so far as the railways are concerned, would have been that the stock of stores would have stood at £109,290.

3. But it would not have affected the balance of the colony for the year?—Of course, I only deal with the railways. My grasp is not so very large, so I do not wish to go into matters beyond the railways.

4. You only go so far as to say that there would have been less in the Stores Account?—Yes, the stores would have been that amount more. The stores, if this transaction had not occurred, would have stood at £30,000 more, and the recoveries £30,000 less.

5. And it would not affect, nor did it affect, the total expenses of the railways as set down in the Railways Statement one iota?—No, it did not affect the £857,191 one iota.

6. Then, did it appear as receipts for the railways?—No; it simply affected the balance of stores. The only two items affected by the transaction are the stock of Stores Account and the recoveries to the Treasury.

7. I want that to be made clear. It does not appear in the receipts. Your answer is that it never affected the expenditure account for the railways of £857,191. What are your receipts for the year?—£1,376,008.

8. It neither affected your receipts, £1,376,008, nor the expenditure, which is £857,191?—Neither.

9. *Mr. Fraser.*] The answer you have given to Mr. Seddon about the railway accounts in no way affects the position of the balance in the Consolidated Fund—what is called the surplus?—The recoveries would be reduced, of course.

10. How do you arrive at the £849,923 which is in the Statement?—There is a footnote at the bottom of Return No. 2 showing this result.

11. You admitted just now that the recoveries would be reduced by £30,000?—Yes.

12. Is it not set forth in the Public Accounts that the amount of £849,000 is arrived at by subtracting the recoveries from the gross expenditure?—That is so.

13. If the recoveries are reduced by £30,000, then the expenditure as set forth in that Statement would be £30,000 more?—No; the real expenditure is this £857,191.

14. Turn to page 41 of the Public Accounts?—I know nothing about the Public Accounts. I can answer any question about the railway accounts.

15. Turn to page 41, Vote 60, Class XI., Working Railways Department. In the first column the expenditure is set down as £1,037,888 2s. 9d.; in the next column the credits are given as £187,964 14s.; and in the next column the net expenditure is given as £849,923 8s. 9d.?—Yes.

16. If you reduced the credits by £30,000, must not the net expenditure be reduced by £30,000?—That is indisputable.

17. If you reduce the credits by £30,000, would not the item in this page, "Net expenditure," be £30,000 more?—Yes, that is so.

18. You have seen the statement of receipts and expenditure in the Consolidated Fund. Do you see what is there put down as the net expenditure on the railways?—Yes.

19. What is it?—£849,923 8s. 9d. But that has nothing to do with the Railway Working-expenses Account.

20. What is that statement you have before you? Is it the Railway Account or a Consolidated Fund Account?—It is the Financial Statement.

21. Therefore we are not talking just now about the Railway Account. I was referring to the table in the Financial Statement, which is taken from the Public Account, is it not?—Yes.

22. Very well. You stated a little while ago, when I asked you to turn to page 41 of the Public Accounts, that if these stores had not been sold that net expenditure would have been £30,000 more?—Yes, I did.

23. Then, would not the sum of £849,923 have had to appear as £879,923 in this statement of receipts and expenditure?—Yes, that would have been so; but this is only a cash account. The cash account does not really affect the real Working Account of the railways.

24. If this amount of £849,923 had appeared in the Financial Statement as £879,923, would the railway revenue have been in any way affected?—Not in the least.

25. What do you find the receipts from railways in that statement of receipts and expenditure?—£1,370,571 14s. 8d. That is also a cash account.

26. Would that have been altered?—That would not have been altered.

27. The difference between the £879,923, which you admit would have been the figure required to be stated had railway expenditure not been defrayed by proceeds of sales of stores, and the £1,370,571: would that have been the same, or £30,000 less?—Do you mean if I add £30,000 to the right-hand side and deduct £30,000 from the other?

28. Yes?—There would be a difference of £30,000, of course. But you understand this is not railway revenue; it is only the collections of our Stationmasters, and that is not the railway revenue.

29. I understand that. How is the balance at the bottom of that page arrived at?—It is arrived at by subtracting the expenditure from the receipts?—I think the Secretary to the Treasury ought to be examined on this—this is outside me. It is deducted in that way.

30. Then, would that total balance have been larger or smaller in the event I have depicted to you?—It would have been £30,000 less, of course. I have explained about our cash account. The Treasury has the cash here as £1,370,571. The real amount is £1,376,007 14s. 10d. The difference between the two is that if the Railway Statement is referred to—Return No. 1—it will be seen that we began the year with a balance of cash in hand and outstanding, due by customers to the railway, of £17,590 15s. 1d. The year closed with a balance outstanding of £21,276 7s. 9d. Therefore there was £4,000 odd more debts of the year uncollected at the end of the year 1898 (31st March) than the year began with. That is part of the difference. The other difference is that the Railway Department, being a large commercial concern, does business for a lot of other people, such as the Harbour Boards and other public bodies, and the public generally. Under these circumstances considerable sums of money come into the railway receipts that really do not belong to the railways. These amounts for that year amounted to £98,889. But the Treasury paid out £100,639—nearly £2,000 more: that is, the Treasury paid balances outstanding of the former year of nearly £2,000 more. These two sums added together make the difference between the railway revenue and the cash account as given by the Treasury.

31. Is the balance or surplus for the year made up from your railway accounts or is it made up from the Treasury accounts?—The Secretary to the Treasury will be able to answer that. Of course, I look upon the Railway Account, being a railway officer, as everything. I am a railwayman, and do not go beyond my department.

32. Is the surplus shown in the Financial Statement made up direct from the railway accounts or is it made up from the Treasury accounts?—It appears to be made up from the Treasury accounts. It is from the cash in the bank. It is the cash account, and not the real Revenue Account.

33. Did you not, in giving evidence, say that the Treasury accounts and the railways' own accounts do not correspond?—Yes; the one is a cash account and the other is the actual receipts.

34. *Mr. Fisher.*] After the series of questions put by Mr. Fraser, I want to repeat one question to which you have already given an answer. Mr. Seddon asked you if the £30,000 affected the railway receipts of the year, £1,376,007, or the expenditure for the year, £857,190. To that you answered that it affected neither?—Yes.

35. Do you still adhere to that answer?—I do.

36. *Mr. J. Allen.*] What would have been the effect upon the railway accounts if the recoveries had been reduced by £30,000?—You refer to this transaction of the stores?

37. Yes?—The balance would have been increased £30,000—the balance of stores in hand. You would have the value in stores. The stores in hand would have been increased £30,000, and, of course, there would have been no recovery to make.

38. If you had not recovered the £30,000 which allowed you to pay your wages, where would you have got the money?—We did our best in pledging our stores to get that. I do not know where we would have got it otherwise.

39. Supposing “unauthorised expenditure” had been available, or the appropriations had been enough, would you have got that £30,000?—If the appropriations had been sufficient the Railway Department, of course, would not have required to beat about for assistance. We should have got it from the railway appropriation.

40. Very well, if you had got it from the appropriations, what would this amount in the Public Accounts net expenditure on railways, £849,923, have shown—would that have shown £879,923?—Well, the charge to the vote would have shown as £879,923.

41. I want to ask you about this practice of selling stores from the Working Railways Department to the “Additions to Open Lines” or Public Works Department. Is it a common practice?—Yes, there has always been an interchange all through. If the Public Works Department have stores at Auckland and they require some stores at Westport or Greymouth, where they are working, we would take over the stores they have at Auckland to save the freight, and would give them equivalent stores from our Greymouth stores if we had them. Therefore mutual accommodation in that way has always gone on between the departments, but it is on the score of economy that it is done.

42. Do not these sales of stores go to increase the appropriations for the railways?—It does not affect it at all. It is a mere exchange. If there is a heap of things here and a heap of things there, and I take away from this heap—

43. I want to ask you about the practice of selling stores from the Working Railways to the “Additions to Open Lines” or Public Works Department for cash. Is that a common practice?—That is a common practice.

44. Is not the result when you sell for cash to increase your appropriation practically?—The result when we sell for cash is to reduce our stock of stores and to increase our recoveries.

45. Does that affect the appropriation for the year?—When you reduce your recoveries that takes so much off the cash, as a matter of course, because there is less to recover and less to deduct.

46. Then, when you increase your recoveries it puts so much on your cash?—That is it.

47. *Mr. Montgomery.*] Does not every decrease in recoveries increase the expenditure as shown in the balance-sheet in the Financial Statement?—I would rather stick to my own returns. It does not increase the railway expenditure—this £857,190. I do not want to go beyond that.

48. I ask you this question: Does not every decrease in recoveries increase the expenditure as shown in the Financial Statement?—Every decrease in recoveries would increase the vote as shown in Return No. 2 of the Railways Statement. I do not want to go beyond the Railways Statement. I get out of my depth if I do. Besides, there are Treasury people here who can answer all those Treasury questions.

49. Then you decline to answer the question?—I do not decline, but I would certainly much prefer to be questioned on railway matters. I would like to make a statement in connection with the evidence I gave yesterday with regard to the £30,000 I spoke of as recovered. A question was asked me whether that was the only transaction for that year of that nature. I said it was, and I think I said so emphatically. I have discovered since that there was another transaction of £8,580 where stores were left in the custody of the Stores Manager. I was not aware of that £8,000 odd transaction yesterday when I gave my evidence, and I wish it to be corrected and to let you know that I am aware of this now.

50. *Mr. Fisher.*] This transaction in regard to the £15,000 is not unusual or unprecedented, is it?—That particular method is unusual, because that was simply for accommodation; but, so far as sales or interchange of stores between the two departments are concerned, that is quite a usual occurrence.

51. *Rt. Hon. R. J. Seddon.*] This £8,000 odd transaction was not challenged by the Audit Office in any way, was it?—No.

52. *Mr. J. Allen.*] There is no date given in the voucher put in?—It would be about the end of January.

53. *Mr. Montgomery.*] Was this for accommodation purposes?—Partly. I understand it was for fifteen miles of rails. These rails were taken over by the Public Works Department on the understanding that they would not require the whole lot. They were allowed to lie in the possession of the Railway, and the upshot was that they only required ten miles of them, which accounts for the re-transfer voucher being £17,860, whereas the transaction originally mentioned was £15,000—that is five miles of rails at £572 per mile. That is the difference between the amount of the original transfer and the transfer which we have yet to pay.

54. *Mr. Fisher.*] Have you discovered any other transaction which was carried on for economical reasons—that is, to save storage and cartage?—I should say that they were left in our custody simply on those grounds. The transaction I was speaking about yesterday was for the same accommodation, and we never intended the stores to be taken possession of; but this is a *bond fide* sale of ten miles of rails, representing two-thirds of the transaction.

55. *Rt. Hon. R. J. Seddon.*] Then there are two transactions which have not been challenged by the Audit Office and two that have been challenged: there was one for £13,000 odd and one for £8,000 odd, and neither was checked by the Audit, or, at any rate, demurred to?—The £8,580 went forward in the usual course. I do not know about the £13,000—I am not aware of that.

56. If Mr. Warburton has said there was a transaction of £13,000 and another of £8,000, that would make two transactions that were challenged and two that were not challenged?—That would be so.

Mr. J. C. GAVIN sworn and examined.

57. *Mr. Montgomery.*] What is your name?—James Clark Gavin.

58. What position do you hold?—I am Assistant Controller and Auditor.

59. You wrote the letters which appear in this return (B.-22, 1898) under your name?—I wrote those memoranda to which my name is appended.

60. Have you seen any reason since for altering any opinion you expressed in those letters?—No.

61. Will you tell us, Mr. Gavin, what effect a sale of stores from the Working Railways Department to the "Additions to Open Lines" or Public Works has upon the surplus as shown in the Financial Statement?—The effect of the sale of thirty thousand pounds' worth of stores on the balance of the Consolidated Fund is this: There is a sum of £849,923 8s. 9d. in this Table 1, under "Class XI., Working Railways." That sum would have been £30,000 more than it stands if those sales had not taken place. If the £849,923 8s. 9d. had been £879,923 8s. 9d., the balance at the end of the year, instead of being £521,144 6s. 10d., would have been £491,144 6s. 10d.

62. Do you distinguish in effect between any class of sales of stores—in other words, would the £13,000 alluded to, and the £8,000 alluded to, and these two lots of £15,000, all have had the same effect on the balance at the end of the year?—Yes; because all these recoveries are included in the £187,964 14s. credited during the year; and if the transactions had not taken place which had the effect of increasing the amount of the recoveries the net expenditure would have been greater and the surplus less.

63. Then, these two additional transactions of £13,000 and £8,000 have had the effect, have they not, of increasing the surplus to the extent of £21,000?—Yes.

64. Why were these two transactions not challenged?—The transaction of £8,807 13s. 8d. odd was challenged. On the 5th February, 1898, the Controller and Auditor-General minuted the voucher as follows: "In passing this transfer the Audit Office would observe that it has no means of checking it, and that the office must consequently rely entirely upon the certificates of the departmental officers, and on the approval of the Minister, which approval should be submitted to the Audit Office." The approval of the Minister was obtained.

65. Do you think the Audit Office is justified in passing transactions which have the effect of increasing the surplus in this manner?—Yes, if the transaction were such as it ought to be. The

Audit Office, as I said in reading Mr. Warburton's minute, was not in a position to check the transaction, and could not say whether it was a proper one or not. It was assumed to be a proper transaction, and so was passed.

66. Do you say, therefore, that all sales of stores are proper transactions?—We have no knowledge whatever of the stores; we do not audit them. We have to rely upon the certificates of the officers of the department who have the stores in their custody.

67. *Mr. J. Allen.*] Could you tell us how much of this account for sales of stores for cash was in the same position as these two sums of £13,000 and £8,000?—I could not tell you; I have not seen this account before.

68. Have you been aware that it was the practice of the Railway Department to sell stores for cash?—I know very large recoveries have been placed to the credit of the railway votes since 1882–83. That was the year in which the law first required an abatement to be made on the estimates; and ever since, these recoveries to a growing extent have taken place.

69. In view of the facts which have been disclosed to the Committee, and your own evidence, do you think the law in regard to these abatements satisfactory?—I think not.

70. Could you prepare for us a return showing in each year since 1882 the amount of these abatements which have affected the balance of the Consolidated Fund at the end of the year?—Yes; I have such a return in my hand, but I cannot put it in because it contains some private notes of my own.

72. *Mr. J. Allen:* How much did the amount of the recoveries for the year 1897 affect the balance? The total credits for the year 1896–97—[ruled out of order].

73. *Mr. J. Allen.*] I am only permitted to ask you questions with regard to the credits of 1897–98. Will you tell us by how much the recoveries for 1897–98 affected the surplus in the Consolidated Fund?—If there had been no recoveries the surplus would have been very much affected.

74. How much would it have affected it by?—If no part of the recoveries amounting to £187,964 14s. had been received the surplus would have been affected to that extent.

75. Do you mean to say that the whole of the surplus would have been £187,000 less except for these recoveries?—Understand me, please. These recoveries are presumably legitimate recoveries. When you put the question in the form you did I had to reply that if no recoveries had been made the surplus would have been so much less.

76. Will you tell us how much of the £187,000 is in a similar position to the amounts for the sale of stores that we have been considering?—I am not able to tell you.

77. *Mr. Fisher.*] Mr. Gavin, you cannot speak any more strongly or fully than you did in the correspondence; and, although you now say that the transaction did not bear the seriousness and importance on the 3rd March that it did at a later date, I want to see what variation, if any, there is in the circumstances between the two dates. On the 13th October you say this: "Mr. Warburton.—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." There you are very strongly of opinion that the matter should be reported to Parliament?—I was.

78. Now take your letter of the 3rd March, 1898: "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.—J. C. GAVIN." Now, was not the transaction, in your mind, on the 3rd March of sufficient importance to justify the Auditor-General reporting to Parliament on its assembling? You are there strongly of opinion that the matter ought to be reported to Parliament?—Unless a satisfactory explanation were given.

79. Did you hold the same strong opinion on the 3rd March, in regard to the transaction, that you appear to have held on the 13th October?—By no means, for this reason: When the transaction of the 3rd March took place the Audit Office had no knowledge of the real facts of the case. On the 15th September it came to our knowledge that the fifteen thousand pounds' worth of railway stores which had been transferred in March were, so far as we could make out from the vouchers submitted to us, returned on the 11th March without the cash being returned also. That altered the complexion of the transaction, to my mind, very considerably.

80. But if I correctly interpret your memoranda which appear in this correspondence you always were strongly of opinion that the matter ought to be reported to Parliament, were you not?—Under certain circumstances—in the event of sufficient explanation not being given.

81. Then, the fuller information which you say finally decided you in your mind what ought to be done—that is, that the matter ought to be reported to Parliament—was known to you on the 15th September, was it not; or was it not in your possession in July?—No; we had not the information in July. There are two transactions for £15,000. The one queried in September, relating to the sleepers, is that upon which the Audit Office reported.

82. Coming to the 15th September, you were then in possession of the fullest and latest information?—With regard to the sleepers, yes.

83. Why was the report to Parliament not made as soon as possible after that?—We were waiting a reply from the Treasury.

84. Is it usual to wait? When the Audit Department has made up its mind as to the course which it ought legally to pursue in accordance with the Public Revenues Act, is it usual to wait for

the Government—that is, the Treasury—to decide whether it shall report or not?—We desired to afford the Government an opportunity of giving an explanation which would enable Parliament to consider and deal with the question.

85. Can you point to any section of the Public Revenues Act which justifies your waiting for an explanation from the Government?—It is an act of courtesy.

86. Is there any reference to courtesy in the Act which ought to be extended to the Government or the Treasury?—It does not require an Act of Parliament.

87. But Mr. Warburton told the Government he had a legal duty to perform—an imperative duty—and he performed that duty: where does the element of consideration—courtesy—enter into that?—It enters into it, to my mind.

88. Irrespective of the imperative conditions of the Act, you do extend that courtesy?—Will you kindly point out the imperative conditions of the Act?

89. *Rt. Hon. R. J. Seddon.*] How long have you been in the public service?—Since the 1st March, 1860.

90. Were you Secretary to the Treasury for a time?—I was.

91. Up to what date were you Secretary to the Treasury?—Up to 1890. I held the office from the latter end of 1878 to August, 1890.

92. While you were Secretary to the Treasury were you aware that transfers similar to those we have been speaking of took place?—No transfer ever took place in the Treasury, to my knowledge, similar to the £15,000 which took place on the 5th March last.

93. Might it have taken place without your knowledge?—Yes, it might. But I hesitate to give such a reply as that, because it might imply non-reliance on the storekeepers.

94. It might have transpired?—It might, with the qualification I have given.

95. Were you not aware in July last of a similar transaction to this £15,000 you have last quoted?—Yes.

96. Were you then of opinion that the transaction was of such a nature that it ought to be reported, and can you tell me why it was held in abeyance until October?—We were waiting an explanation from the Treasury.

97. You were waiting an explanation from the Treasury from the 20th July to the 14th October. Were you lying in wait for the voucher to come along? How did you notice the similarity in the transfers?—It could not escape notice; in fact, we almost looked upon it as a reflection on the ability of the officers to receive such transfers for examination.

98. Will you tell this Committee that you had no inkling whatever that this transfer at the time was owing to the financial position in March?—I knew there had been a conversation between Mr. Warburton and yourself, in which you said you had got into financial difficulties with regard to the railways, and that certain things would have to be done. I did not know of what nature.

99. Such being the case, you were acquainted at the time with the facts, and I want to know why, when it was first reported to you in July, you allowed the matter to remain in abeyance until October?—I think I have answered that question.

100. Can you answer why you reported at that particular period of the session—the House met in June? Has there been friction on other matters, and have there been other reports from the Audit Office to Parliament?—I believe the Controller and Auditor-General has laid some other papers before Parliament.

101. And if the Controller and Auditor-General said his reason for not doing it before was not the reason you have given, but that he did not want to be too hard upon the Government, which is correct?—That is perfectly true. He was reluctant to force these things on for fear he might be considered to be embarrassing the Government.

102. That conflicts with what you said before. You said you were waiting for an explanation, now you say it was from fear that you would embarrass the Government. Was it from both causes?—It was from both causes.

103. Then, why did you not say so at first?—It did not occur to me.

104. Did you know that this report was coming in the day it was sent up to the House?—I do not understand you.

105. This transaction of £15,000 was reported to Parliament?—It was.

106. Did you know on the day it was presented that it was to be so reported?—I believe I did.

107. On the 14th October?—I could not speak as to dates. I knew the report was to be made.

108. What time did you know it was to be reported?—I do not know. I do not keep a diary or memorandum of everything I do at every hour of the day.

109. Was it in the morning?—I cannot recollect.

110. You were here when evidence was given that Mr. George Hutchison, before the report was placed before the House, went to the Speaker about it?—Yes.

111. Can you explain that in any way?—No; I know nothing about it.

112. Are members of Parliament in the habit of going to the Buildings and seeing you upon public business?—They are not.

113. These papers appeared with your memoranda and letters to Mr. Warburton upon them?—Yes.

114. Is that not a new departure?—No.

115. Can you tell me any matter which was reported to Parliament by Mr. FitzGerald which contained memoranda that passed between Mr. FitzGerald and those under him?—I do not know of any cases where Mr. FitzGerald has sent in minutes of mine.

116. Then, the sending of your minutes is a new departure?—It might be.

117. But is it a new departure?—Well, say it is a new departure.

118. You have minutes appearing on the papers from the clerks in the department?—Yes.

119. And from the district officers?—Yes.

120. Did you ever know a case where the late Controller and Auditor-General put a minute on one of those papers from a clerk to send it to a Minister of the Crown? Say, he got a report or a memorandum from a clerk or from the Assistant Controller, did he ever send it to a Minister of the Crown?—I could not tax my memory.

121. Can you, as a former Secretary to the Treasury, ever remember such a paper going to the Treasury?—It may be so, but I cannot remember.

122. Do you think it is either right or proper, or in the interest of the public service, that that should take place—the putting of such minutes upon a document to go to a Minister of the Crown; that an opinion expressed by a clerk or a district auditor to the Controller and Auditor-General should be minuted and go to a Minister of the Crown?—I could not say.

123. We will say that a minute from a district auditor or clerk respecting a voucher or something that transpired in the office is made, and upon that paper an opinion is expressed by a clerk; that is minuted by the Controller and Auditor-General and sent to a Minister of the Crown to reply to?—I can conceive there might be circumstances in which it would be exceedingly desirable that the Minister should have all the information available.

124. Am I to understand you think it proper that a clerk or district auditor should express an opinion as to the Ministerial acts of a Minister?—I never heard of such a case.

125. Well, if such a thing has taken place, and the Controller and Auditor-General has sent that to a Minister, what then?—If a clerk reflected upon the acts of a Minister, and the Controller and Auditor-General referred to a Minister for explanation, you ask me whether that would be a proper thing to do?

126. Yes?—It would not be, in my opinion.

127. Section 72 of the Public Revenues Act says, “If the Audit Office objects to any part of such abstract or appropriation account, it shall, notwithstanding, certify the same, with such remarks thereon as it thinks fit, which shall be published and laid before Parliament, together with such abstract or account.” Now, when the abstract was prepared at the end of the financial year exception was taken to this account?—I did not deal with the account. The Controller and Auditor-General dealt with it.

128. I will put a case to you: If the Controller and Auditor-General certified to the abstract for the year without reference to this, how does he come in now in October, under section 72, when, I say, the abstract was not challenged? Not having questioned it at the time, and the abstracts being signed, under what law has this been reported to Parliament?—I cannot quote any portion of the Public Revenues Act which would require a report to be laid before Parliament in reference to such a matter as that; but I say it is the duty of the Controller and Auditor-General to report any matter in relation to the Public Accounts which he thinks Parliament ought to be made acquainted with.

129. But you know of no such law?—I think it is his imperative duty to report to Parliament, even after he has appended his certificate to an account, should anything come subsequently to his knowledge which would have affected that certificate.

130. Did you ever know a case, when you were Secretary to the Treasury, where an abstract was signed and, some months afterwards, what was in that abstract was reported or brought before Parliament? Have you ever known a parallel case?—No, I have never known a parallel case, or a case that required to be dealt with in that way.

131. Have you been urging the Controller and Auditor-General to take this course?—I have not been urging him in that sense.

132. Mr. Fisher has quoted to you your letter of the 3rd March. Is that not urging the Controller and Auditor-General to take a course?—I did not urge the Auditor-General to take any course.

133. Still, if you advise him that this is a matter that ought to go before Parliament, is that not urging him?—I do not think so.

134. Well, for the future, if anything appears in that way on any voucher or memorandum, he is not to allow it to weigh with him?—I do not say so.

135. Well, what is the good of putting it there?—It is for him to act upon it or not.

136. At the time you wrote and were preparing this comparative statement, had you not an idea then that you were preparing something which was going before Parliament? You did not elaborate it?—I did not elaborate it. I endeavoured to make the thing clear to Mr. Warburton, in order that he might take any course he thought fitting in the matter.

137. You have said before, I think, that with regard to the memoranda supplied by you, the practice now obtaining is that it shall form part of the report, and that that is a new departure?—It is not usual.

138. The name of Mr. Clapham is on one of these papers—in B.-22, 1898: who is he?—He is Accountant to the Public Works Department.

139. He has a chance of getting his opinion placed before Parliament by this course: he appears on this paper?—Yes.

140. There is a Mr. Blow, who is he?—He is Under-Secretary of the Public Works Department.

141. It seems that he also gets put before Parliament?—Yes.

142. Are there any messengers or any one that is kept about the Audit Department who want to get before Parliament: it might facilitate this being done to follow this a little further?—I do not see the relevancy of the question.

143. You have some temporary clerks in the department?—We have.

144. Are they in the habit of putting minutes on papers to go before the Controller and Auditor-General?—Yes; I have seen memoranda addressed to the Controller and Auditor-General by the clerks in the office.

145. Then by this new departure it may eventuate, if this practice be followed, that their names will be brought before Parliament?—I hardly think that memoranda written by temporary clerks would be laid before Parliament.

146. But if memoranda were sent to the Auditor-General and the Auditor-General sent them on to a Minister of the Crown, is it not possible that their names would come before Parliament?—I do not know. I cannot express an opinion about it.

147. If a transaction is questioned by a clerk, and that is minuted and sent on to the Auditor-General, and then the Auditor-General minutes the same paper and sends it to a Minister of the Crown, if that transaction was stopped and reported to Parliament, would not the clerk's query and expression of opinion go before Parliament?—It would not follow.

148. How do you make that out? Would it not appear if it was on the same papers?—It would not be pertinent to the question.

149. Would it not be pertinent to the question if the minutes were made by the clerks?—You are putting a hypothetical case to me.

150. These minutes were picked out because they did refer to the question?—Yes.

151. At all events, they were pertinent as bearing on the case?—I think they did very materially.

152. There are a couple of sheets here with something signed by Mr. R. J. Collins, and something by Mr. George Felton. Who is Mr. Felton?—He is Storekeeper or Stores Manager of the Railways.

153. He manages, I see, to get his name figuring in a paper sent to Parliament from the Auditor-General?—Yes.

154. There is Mr. R. J. Collins's name: who is he?—He is Accountant to the Treasury.

155. Then the Accountant to the Treasury comes to Parliament on paper?—His name is on that Parliamentary paper.

156. Now we are getting a little lower down in the scale, for I see the name "A. M. Heaton, for Stores Manager." Do you know who he is?—I see the name "A. M. Heaton, for Stores Manager." I presume that is correct.

157. He is one of the subordinates of the Railway Department?—I do not know him at all.

158. At all events, he has found his way on to the parliamentary records?—His name appears on the records.

159. I see the name of "J. M. Hutchinson, Storekeeper," on page 6: he appears to have his name placed before Parliament?—Yes.

160. Where did you get these particulars which are on page 4 of the same paper—B-22, 1898—£17,864 11s. 4d.—signed "R. J. Collins, Accountant to the Treasury"?—That is a copy of the transfer voucher—one of those you withdrew.

161. On the opposite page there are some particulars—£2,411 15s., signed "G. J. Clapham": where did you get that?—That is a copy of a voucher received attached to the transfer.

162. And the same with regard to that £974 8s. lower down?—Yes, the same with regard to that. Those are the details.

163. I see an account marked "Copy A," debtor and creditor account: where did you get that from?—I did not get it from anybody.

164. Well, not being an Audit Office paper, how do you account for it appearing in these papers?—I believe the information is taken from the Treasury record, T. 98/369.

165. You did not take that?—No.

166. Was it usual, when you were Secretary of the Treasury, if you had been minuting papers to Ministers or other heads of departments, for those to be put on the Audit records and reported to Parliament? Have you ever known a similar transaction to occur when you were in the Treasury?—I do not recollect any such transaction. There may have been, for all I know.

167. It forms no part of the Audit records in reference to the transfer?—It is material to the matter.

168. How material?—Because of the light it throws on the matter of the transfers—the transfer of the 5th March, which the Audit Office would not have passed if it had had the information it subsequently had.

169. This has been obtained for the purpose of making the case as strong as you possibly could?—It has been obtained for the purpose of giving the fullest information to Parliament.

170. When was this done? You said you were waiting for an explanation from the Minister. In the meantime you have been preparing these papers and fortifying yourselves as strongly as you could. When was this taken from the Treasury?—I do not know.

171. Who would be able to tell?—Mr. Warburton.

172. Do you think it was done between the time the letter was sent to the Government and the 13th October? Was it done between the Minister's reply to say that he was not going further with the vouchers and the Auditor-General's reply on the 14th of October, or was it done before? The 8th of October is the date of my reply?—Between the 8th and 14th October—I think it must have been obtained before that. I infer that it was. I do not speak positively.

173. Now speaking plainly, had you or had you not a knowledge from start to finish that this was to be reported to Parliament?—I could not tell, because the thing did not develop itself until long after the start. It did not become fully developed until September.

174. The paper I referred to previously—"Copy A," page 10, B.-22, 1898—is signed by A. C. Fife?—Yes, I see Mr. Fife's name here.

175. Who is he?—Accountant to the Railways.

176. That would be sent by Mr. Fife to the Accountant of the Treasury?—I do not know. The record would show to whom it was sent.

177. Now we come to "Copy B." Whom is that sent by, or where did it come from?—That is not signed by anybody on this paper.

178. Is it usual for sheets of paper with figures pencilled upon them, and sent by no one, to be used and placed before Parliament and appear upon the records of the colony? It is signed by no one and purports to be a number of figures and names of railways, and that appears in the Audit papers and comes before Parliament subsequently. Do you think that is the proper thing?—I do not see anything improper in it. It would be taken for what it is worth.

179. Can you explain what it means?—No.

180. And yet it appears in a report to Parliament by the Auditor-General?—I should think it referred to the available balances under these votes.

181. It does not say so?—No.

182. And it is signed by no one?—No.

183. Do you think, as an officer of the Audit Office, that such figures and papers as appear here should become part of the records and be sent to Parliament?—I did not know that they had come here. They do not appear to be of any use.

184. What are they there for?—They are all arising out of this question.

185. How, do you think?—Because all the records lead up to that conclusion. If the minutes were written about the difficulty the Railway Department had got into they would be relevant.

186. Then, if some clerk wanted to cause trouble in the Treasury, all he has to do is to get such figures and let the Audit Office get hold of them?—I do not think any clerk would dare to do such a thing. There are officers of the Public Works Department here, and if the Committee would like to call them it could get information on the matter.

187. But these figures are not signed by any one; they are the figures of the clerks. Do you think that is a proper course for the Auditor-General to take—to bring these figures before Parliament in this shape?—Do you think Mr. FitzGerald would have done so?—Whatever the Auditor-General has thought proper to do in reporting to Parliament I concur in.

188. You say you do not know where these figures came from, and yet you say you concur with him in putting such a thing on record?—Yes.

189. In the next paper, under the head of "Unauthorised," I see "Balance available," "Further sums on transfer," and "Railways want £50,000, available £29,000, short £21,000." They are not signed by anybody?—Not here on this paper.

190. You were Secretary to the Treasury for some time, and I suppose you sometimes made use of slips of paper to figure out things for yourself?—Yes.

191. And being for your own information, if anything of that kind had been used publicly as it is here, would you consider that in accordance with the correct order of things, and the proper conduct of business—would it be fair to you?—If I had made any memoranda of importance on a separate slip I would not attach it to the records.

192. You would destroy it?—It would depend upon what it was.

193. Would you regard it as private matter?—Certainly.

194. And suppose some one got hold of it?—No one would get possession of my private memoranda.

195. Where did this come from?—I believe the information contained in the report was obtained from the record—T. 98/369. Any memoranda attached to the record formed part of the record.

196. Where did you get that from?—I say that the information following T. 98/369, down as far as the word "Railway," near the foot of the eleventh page, was taken from that record. The information commencing with "Copy A" and ending with "Copy D" was taken from the Treasury Record T. 98/369.

197. Then you do not know where it came from now?—I assume from the fact that that record is quoted, that the information came from the record.

198. Would you consider a record complete that was signed by no one? If papers were there signed by no one, would you call that a proper transaction and part of a record?—If the papers were attached to the record they would form part of the record.

199. Turn to page 11—"Railways want £50,000, available £29,000." Under ordinary circumstances, looking at your position as Secretary to the Treasury at one time, and your large official experience, does not that appear to be simply a hurried memorandum? No explanation appears on the face of it to guide any one except the person who made it; it is sent to no one, and is directed to no one as it appears there. Say you found pencilled marks on some paper such as that, "Railways want £50,000, available £29,000," would you say that was intended to form part of the permanent records of the colony?—As a fact it did. I said just now that anything attached to a record formed part of the record itself.

200. If pencil marks are made by clerks or others in the Audit Department, do you take them as part of a record?—Yes, anything appearing on a record is part of a record.

201. You have been in the habit of doing that—taking memorandums of clerks not signed by anybody as being part of a record?—Certainly not.

202. Do you know of a case under the previous Controller and Auditor-General where any matter reported to Parliament was sent in duplicate?—I do not remember any such case.

203. If this report was sent in in duplicate, it is a new departure?—I do not remember any such case.

204. Did you ever know of a case since you have been connected with the Audit Office where any member of Parliament knew of a document of this character going to the Speaker before the Speaker knew it?—I do not know of any such case.

205. Would you consider it a proper thing to remove from a file a pencilled memorandum and attach it to another?—In answer to an abstract question I should say it would be an improper thing to do.

206. That is, if a file of papers came from one department to another, and there were pencilled marks on a paper, and they were removed from that paper to another, that would be an improper



thing to do?—To detach it from one record and attach it to another would be a very improper thing to do without the consent of the head of the department.

207. Before the Speaker had announced to the House, or any one connected with Parliament knew, except the Speaker himself, that such a report had been received, would you not consider it a strange thing for a member to ask if it had been received?—How would the member know?

208. Would you not consider it a strange thing?—It would appear to be a very strange thing unless he knew. It would be very strange for a member of the House to approach the Speaker and ask him whether he had been put in possession of a certain paper, or whether a certain paper had been forwarded to him, without the member having previous knowledge of the existence of the paper.

209. Would you infer that he had previous knowledge of the report?—Yes.

MONDAY, 31ST OCTOBER, 1898.—(Mr. A. R. GUINNESS, Chairman.)

J. C. GAVIN, Assistant Controller and Auditor, further examined.

1. *Mr. J. Allen.*] In giving your reply to a question referring to the recoveries, did you mean to say that the surplus would have been £187,000 less, except for these recoveries? That is your answer as it was taken down?—My answer simply is Yes. If these recoveries had not been made, the surplus would have been so much less.

2. If there were recoveries from the Post Office, or from any other department that works with the Railway Department, would they be legitimate recoveries, and would they affect the surplus?—Yes, all recoveries affect the surplus, but legitimately if they are legitimate recoveries.

3. Take the instance of the Post Office recoveries. The Railways do some work for the Post Office. Does the Post Office pay that out of the vote from the Consolidated Fund?—It does.

4. And if the Post Office pays for it out of the vote, and the Railway Department is credited with it as recoveries, what is the effect upon the surplus in the Consolidated Fund?—None whatever, because if you leave out both entries the effect would be nil. The charge and the recovery being both in the Consolidated Fund would not affect that fund.

5. Then, I ask the question again, if the whole of the £187,000, which includes recoveries from the Post Office, affects the Consolidated Fund?—No; so far as the recoveries are the result of charges to other votes of the Consolidated Fund, the balance of that fund would not be affected. You might simply drop them out on both sides.

6. Can you tell me how much of the £187,000 is in that category?—Not without making an analysis, which I cannot do here.

7. But are the recoveries on account of stores sold to outside departments in the same category as the recoveries in the Post Office?—No, because stores sold to other departments, such as the Public Works, would involve transfers of cash to the Consolidated Fund. They would not be in the same category as the recoveries from the Post Office.

8. Would transactions such as a transfer of cash from the Public Works Fund not legitimately affect the balance of the Consolidated Fund?—All transfers from the Public Works Fund for stores supplied by the Railway Department would affect the balance of the Consolidated Fund.

9. You cannot tell me how much of the £187,000 would be affected?—I cannot tell you here.

10. You have heard the evidence—have you heard of two sums of £15,000?—I have.

11. And one of £13,000 odd?—Yes.

12. And another of £8,000 odd?—I have.

13. Altogether they total about £51,000?—Yes.

14. Has the total affected the balance of the Consolidated Fund?—I think not.

15. How much of it has, do you think?—I can only speak as regards £32,000 or £33,000.

16. And that amount has illegitimately affected the balance of the Consolidated Fund?—I am speaking now with regard to the £8,000 odd referred to by Mr. Fife. I have no personal knowledge of the payment of that amount myself. I take it from Mr. Fife's evidence that about £2,000 of it affects the Consolidated Fund in the same manner as the two transfers of £15,000.

17. You stated that the law of 1882 was unsatisfactory with regard to the abatements?—I said in my memorandum that it was a matter for consideration.

18. Could you tell the Committee in what direction you think the law should be altered?—I think that perhaps the extent to which the recoveries might go in aid of a vote might be limited to the amount abated on the estimates.

19. That is to say, if in the estimates we find recoveries so much, that the abatement ought not to exceed that: is that what you mean?—Yes. I think that the amount abated on the vote under section 41 of "The Public Revenues Act, 1891," should, in so far as it affects the appropriation for the particular service, be subject to the same sort of limitation as the vote itself. Take, by way of illustration, the vote last year for working railways: The gross amount required for the service was £845,730, upon which the abatement for recoveries was £23,603. My suggestion for the consideration of the Committee is that if the recoveries from sales of stores or otherwise exceed the amount abated the excess should not be deemed to be appropriated to the service in addition to the vote. If this had been the law last year, and if the restriction as to the amount of "unauthorised expenditure" had not been in operation, the "unauthorised expenditure" of the working railways would have been £192,237 18s. 7d., instead of £27,876 4s. 7d. Of course, this suggestion, if given effect to, would necessitate very careful estimates on the part of all departments, as regards both expenditure and recoveries.

20. That is the only suggestion you have to make?—That is the only suggestion I have to make with regard to the matter.

21. And you think the matter of considerable importance?—I think it worth considering.

22. You have seen this Exhibit C; you see this recovery here—additions to open lines, locomotives, and so on: do you think there is anything illegitimate in that recovery?—No; I have not the least reason to think so with regard to that—none whatever.

23. *Mr. Fisher.*] Have there been recoveries in previous years?—Yes.

24. Then, the fact of there being recoveries this year is not unusual or unprecedented, is it?—No.

25. Mr. Fife was asked this question on Saturday: “Did the fact of the transfer of material affect the railway receipts for the year, which were £1,227,327, or the expenditure for the year, which was £857,190?” Mr. Fife said, “It affected neither.” Do you agree or dissent from Mr. Fife’s opinion?—These transfers did affect the railway receipts. They went to the credit of the railway vote in the Consolidated Fund, and therefore reduced the net expenditure appearing in the Treasury statement of receipts and expenditure for the year.

26. Do you say that in giving his opinion twice, as he did, Mr. Fife was wrong?—I think he had in his mind the Working-expenses Account of the Railway Department. That is a different thing altogether from the Treasury statement of receipts and expenditure of the Consolidated Fund.

27. *Mr. Fraser.*] A question was asked of Mr. Warburton whether, in view of a future contingency such as happened in February last, it would not be advisable to give the Auditor a discretionary power to exceed the amount of “unauthorised expenditure” in order to avoid the raising of money by the sale of stores. He was asked that question by Mr. Seddon, and I will ask the same question of you?—In connection with the subject of the control of the public expenditure by an independent officer responsible to Parliament, such as the Controller and Auditor-General, it is difficult to determine the extent to which control should go. If strict laws are enacted by Parliament with a view to an efficient control, cases will inevitably arise in which it will be alleged that inconvenience has resulted through an exercise of the control imposed by Parliament. On the other hand, if the laws relative to control are to be set aside whenever it is alleged that public convenience should be the first consideration, it is conceivable that such a state of things might result as would call for a return to a strict and rigid control. I think there could be no effective control were any discretionary power placed in the hands of the Controller. The effect, if discretionary power were given him to allow the law to be broken whenever it was alleged by the Treasury that public convenience would otherwise suffer, would be to make the Controller a party to an act of administration outside the law which might or might not subsequently receive the approval of Parliament. The undesirability of the Controller and Auditor-General being placed in such a position is, I think, obvious.

28. *Mr. Montgomery.*] The evidence you have given about the net expenditure shown in the Financial Statement relates solely to the Treasury accounts?—Certainly.

29. And the Railway accounts are kept on an entirely different system, and are not embodied in the Financial Statement: is that so?—That is so.

30. Does this sum in the Financial Statement—the £849,923—represent actual, or even net, expenditure apart from other extraneous matters?—That sum represents the net expenditure under the vote. The gross expenditure was £1,037,888, the recoveries amounted to £187,964, and the difference between these two sums is represented by the figures you have just quoted.

(Mr. W. W. TANNER, Chairman.)

G. J. CLAPHAM sworn and examined.

31. *The Chairman.*] What is your name?—George John Clapham.

32. What position do you hold?—Accountant to the Public Works Department.

33. *Mr. Fraser.*] You have seen this printed document, B.-22, 1898?—I have seen it, but have not had a chance of reading it through.

34. Have you charge of the stores?—I have not.

35. Who has charge of the stores?—The Head Storekeeper, Mr. Young.

36. Turn to page 5 of B.-22, 1898: do you see near the head of the page the item “11th March, 1898, 19,294 silver-pine sleepers, £2,411 15s.”?—I do.

37. Will you explain the meaning of this entry?—This account was not made out by me.

38. Is it signed by you?—The mode of printing does not show plainly what was in the original document.

39. Do you know anything about the transaction?—Not the preparation of the account.

40. Who would?—Mr. Felton’s signature is on the paper. He would make that out.

41. How could he make the entry “11th March, 1898”?—I could not say. The entry was made when the document reached me.

42. You say you do not know anything about that entry?—No.

43. Some one in your department must have made the entry in your books?—Yes.

44. Can you tell me who made it?—It was made by one of the clerks in the office. That is simply noting the recovery of money from the Railway Department. That is a paper showing “Working Railways *Dr.* to Public Works Department.” The money was due to the Public Works Department.

45. When was it due?—I do not know any particular time when it was due.

46. Does the entry not show when it was due?—That would be the date on the voucher—the date of service.

47. Will you explain what you mean by date of service?—This printed document purports to be a copy of a voucher in the ordinary form. The words “date of service” would be in print over the date shown on the voucher.

48. This entry would show that these sleepers were delivered to the Working Railways on the 11th March, 1898?—Yes, that is what that account would show.

49. Do you know whether that is so or not—whether it is a correct entry?—I could not say whether it is or not.
50. Who made this entry in the books in your department?—I had the entry made showing that this amount had been recovered from the Railway Department. It is a case of recovery. This document would represent a voucher, or an account, which was made out and certified to by the Stores Manager, Mr. Felton. It would purport to show that the Railway Department were paying the Public Works Department for so much material. This account, when made out and certified by Mr. Felton, would be sent to me in order that I should direct on the account the vote to which the amount was to be credited. That is why my name stands there. As to the date on the account, that is not put down by me.
51. Who put it down?—The person who certified the account—Mr. Felton.
52. Do you know of your own knowledge whether this is the correct extract from the books of the Public Works Department?—That is not extracted from the Public Works Department's books. It is a copy of the account.
53. What account?—The voucher which passed between the departments.
54. There is no account in the books?—Only to show that these supplies had been received and credited in our books.
55. Do you mean to tell me there is no entry in the Public Works Department's books similar to this of the 11th March, 1898?—That date might be put in, but it would not be considered of importance in our account.
56. Would that show the date on which the money became due?—No.
57. What would the date 11th March show?—That would be an indication that the supplies had been delivered at that time.
58. And the same reply would apply to each case in this page where the 11th March appears?—That is so.
59. *Mr. J. Allen.*] Will you turn to page 4 of B.-22, 1898; you will see this: "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." Can you tell me whether your department was supplied on the 26th February, 1898, with these stores from the Working Railways?—I have no knowledge as to whether the actual stores were supplied. The only knowledge I would have would be the passing of the account paying for the stores.
60. Did you pass the account paying for the stores?—Yes.
61. When?—I presume it would be about the end of the financial year. I have no recollection of the exact date.
62. Are you aware whether stores are transferred back to the Railways at any time?—I am not aware of that. It is not part of my business.
63. Did you receive any moneys back?—We received accounts, intending to return the money.
64. Did you receive the money?—The accounts were stuck up by the Audit.
65. Have you or have you not received the money?—Our votes have not been credited.
66. Then, you have not received the money?—We have not received the money.
67. Who keeps these books in which this voucher appears which purports to be made on the 11th March, 1898?—One of the clerks.
68. What is the name of the clerk?—Jacobs.
69. Can you tell the Committee whether the Public Works Department on the 11th March supplied the Working Railways with these silver-pine sleepers, and the various things under this date?—I could not tell.
70. Who could tell us?—Mr. Felton is the person. The goods were in his charge.
71. Did not the goods belong to the Public Works Department?—They did, so far as the books show.
72. Then, the books would tell us about this entry of the 11th March?—I am not sure that the date would be entered; that is not a matter we would be very much concerned about. The matter was crediting the money to the vote.
73. Is it not a matter of concern to you that your stores are supplied to some one else, and you are not aware of it?—I am not aware of such a position.
74. Is it not a matter of concern to you that your stores are supplied to some one else without your knowing?—It would be, I presume, if such were the case.
75. Have you a storekeeper?—Yes; Mr. Young is Head Storekeeper.
76. Do you make up any stock of stores at the end of the year in the Public Works Department?—Yes; the Head Storekeeper does that.
77. Can you tell me if, in making up the stores to the 31st March, 1898, he included these silver-pine sleepers?—I presume he would put them down in his books.
78. Although he had supplied them to the Railways?—That was not understood to be so; that entry would not be in the books.
79. Which entry was not in the books?—That those goods were returned on the 11th March, 1898; because, as a matter of fact, the accounts are not certified to by me until the 30th August.
80. Then, is there any entry in your books?—There would be an entry in the Storekeeper's books taking charge of these goods at the latter end of the financial year.
81. Would there be an entry of getting rid of them back to the Working Railways?—Yes.
82. What would be the date?—About the latter end of August.
83. Then, what is the meaning of this date—11th March, 1898?—I do not know; I did not put it in.
84. *Mr. Montgomery.*] Can you say to whom these stores belonged on the 31st March?—It is presumed to be the Public Works Department.

85. Can you say to whom they belong?—I should say to the Public Works Department. They had been paid for by the Public Works Department; therefore they belonged to the Public Works Department.

86. Have they been transferred back to the Railways since or at any time?—They have not.

87. They have not been transferred back to the Working Railways?—As far as payment is concerned, they belong to the Public Works Department.

88. I ask you whether they were actually transferred?—I have no knowledge of the actual transfer of stores. I only deal with the accounts.

89. You would not make a debit to the Working Railways Department unless the stores had been transferred?—It would be necessary for the payment to be made before the stores were transferred.

90. Could that credit-entry have been made without a transfer of stores in your books?—Yes; it would be made in anticipation of the transfer passing the Audit. The account would be put through our department, and if the Audit objected to the account, then the entry would have to be taken out.

91. Reversed?—The entry, yes.

92. When?—Some time towards the end of August.

93. On the 31st March was not the Working Railways Department shown to be indebted to the Public Works Department to that amount in the books?—No.

94. I thought the entry was not reversed until after the 31st March?—The stores were presumed to be in our possession on the 31st March, as far as the account goes. This account is made out for the return of the stores.

95. It is before the 31st March, according to this return of the stores?—That must be an error—I think it is.

96. *Mr. Fisher.*] You said, in answer to one question, that the date here would indicate that these sleepers were delivered on the 11th March?—That would be the assumption.

97. Can you say of your own knowledge whether the supplies were delivered on the 11th March?—I could not say.

98. *The Chairman.*] Have you any real information to give to us to show that the material was actually sold to the Public Works Department from the Railways Department?—That is, of the original transaction?

99. Yes?—It would be in February.

100. Do you know of your own knowledge whether these materials were actually transferred to the Public Works Department from the custody of the Railway people?—I could not say; it is not in my department.

101. You told Mr. Allen that they would be included in stock-taking at the close of the financial year: do I understand that you recall that answer?—I presume the Storekeeper would include them in the stock at the 31st March on account of the Public Works Department.

102. Did you have no definite knowledge on that head?—I have no definite knowledge that the goods were actually taken charge of.

#### G. FELTON sworn and examined.

103. *Mr. Fraser.*] What is your name?—George Felton.

104. What position do you hold?—That of Stores Manager.

105. Of what department?—For the Working Railways Department.

106. Have you a copy of this document, B. 22, 1898, before you?—Yes.

107. Will you turn to page 5. You see there, amongst other things, an entry of the 11th March, 1898, "19,294 silver-pine sleepers, £2,411 15s."?—Yes.

108. Can you explain what that entry means?—Not with the information before me.

109. Do you know anything about this transaction?—I know that certain stores were sold to the Public Works Department.

110. Does this entry refer to that sale?—I cannot tell what this refers to with the information here. If I knew something more about it I would tell you. It looks like a re-transfer. I see "Working Railways *Dr.* to Public Works Department," which means that something has been taken back or handed over from them.

111. And you say you cannot give any information about that item?—I cannot from that. I do not know what information you would like me to give you.

112. Does this entry of the 11th March, 1898, point out that these sleepers were supplied to the Public Works Department from the Working Railways?—There is such an entry here, but I cannot say more than that.

113. Would it be part of your business as Stores Manager to know whether these stores were re-transferred from the Public Works Department to the Working Railways?—Yes, it would.

114. Am I to understand that you cannot answer the question I put just now because you have not the information available?—Yes; that would be the position.

115. Can you obtain the information to give the Committee a definite answer as to whether the sleepers were re-transferred on the 11th March, 1898?—There were no sleepers re-transferred on that date.

116. What is the meaning of this?—I think what you mean is whether the voucher was made out preparatory to bringing back the stores.

117. When was the voucher prepared?—On or about the 11th March; but it does not necessarily follow that the transfer was made on that date.

118. Well, how comes it that this entry appears here?—The date of the 11th March has evidently been taken as the date of supply. That was a preparatory measure. Nothing was done with that voucher.

119. As Stores Manager you state distinctly that there was no re-transfer on the 11th March of either these sleepers, or any of the other sleepers or articles referred to in this page?—Yes, distinctly.

120. *Mr. J. Allen.*] Did these stores sold to the Public Works Department pass out of your keeping?—No; they did not. In a transaction of this nature, or any large transaction, it is not usual to hand over things on the date the vouchers are made out. It may be two or three months or more than that before the whole transaction is completed.

121. Did they ever pass out of your keeping?—Some of them have.

122. On any date before the 31st March?—No; none of these stores were issued.

123. Did you take them into account in estimating your stock at the end of the financial year, the 31st March, for the Railways?—No, I did not.

124. And the £79,000 stock-in-hand on the 31st March does not include in the Working Railways stores any of these goods?—No.

125. The stock of stores given in Table 2 of the Railways Statement does not include any of these items?—No, it does not.

126. On the 31st March they belonged to the Public Works Department?—Yes; and if I had been asked to give them to them I could have handed them over at once.

127. *The Chairman.*] Is this your name which is signed at the bottom of the vouchers in pages 5 and 6, B.—22, 1898?—Yes.

128. That refers to yourself?—Yes.

129. Are we to understand that the date, 11th March, which is attached not only to the first voucher, but also the second and third, and one at the bottom of the page, and this on the top of page 6, and the date—12th March—which is attached to the two vouchers lower down on page 6, are all meaningless dates, and that the documents might refer to transactions either anterior or subsequent to those dates?—The dates were put on about the 11th March, when Mr. Fife spoke to me about re-transferring these stores in the next financial year. I understood there would be a re-transfer made, and I gave instructions to have the vouchers made in readiness. That is the reason for these dates being in March.

130. Then, these dates attached to these vouchers not only signify nothing, but are absolutely misleading?—Yes.

131. Is not the date of a transaction that on which it takes place, and not two or three weeks in advance?—Yes, the date of supply.

132. May I ask how business is conducted in your office: if papers are dated long previously to that on which the transaction has taken place, and with no certainty of reference to the occurrence dated?—I can only explain what I did, and give the reason why that was done.

133. Did that reason seem to you conclusive?—I can only say that I gave instructions to have these vouchers prepared, and did not trouble myself about it any further.

134. Am I to understand that this 11th March is a useless date, and guides us to nothing, and that it would be better if there were no date?—Yes.

135. In other words, the date of the transaction is absolutely misleading?—Yes; and I should have left that out if I had thought that would have been the case.

136. Are you Stores Manager for the Additions to Open Lines as well?—Yes, I have also charge of material for the Additions to Open Lines.

137. Did you, in your capacity as Stores Manager for the Working Railways, transfer to yourself as Stores Manager for the Additions to Open Lines some stores?—Yes, there was such a transfer made. Acting as Stores Manager, the stores are all in my care, and I am responsible for one and the other equally.

138. *Mr. Fraser.*] And there was no entry on the 11th March for such transfer?—No entry at all.

139. *Mr. J. Allen.*] As Stores Manager for the Working Railways, have you received back any stores you supplied to the Additions to Open Lines?—I have received nothing back. They are still at the disposal of the office.

140. The whole of them?—The whole of them.

141. And you held all the stores for the Additions to Open Lines, and none were used?—None were used till after the end of the financial year.

142. Have you at this date, as Stores Manager for Working Railways, any stores that you received as Stores Manager for the Additions to Open Lines?—After the financial year ended a new financial year began, and I looked upon it that I should be able to use those stores.

143. Have you, in your capacity as Stores Manager for Working Railways, up to this date used any of those stores?—I have.

144. What business have you, as Stores Manager of the Working Railways, to use them when they did not belong to you, or did they at this date belong to you?—Yes, certainly. I had plenty of those stores.

145. Do those stores belong to you at this date as Stores Manager for Working Railways?—Not the stores that belong to the Public Works.

146. And you have used some of the stores?—I have used some of the stores, but not actually those given over to Public Works.

147. Have you used any of those 19,294 silver-pine sleepers?—No.

148. Have you used any of the 4,872 puriri sleepers?—No.

149. Have you used any of the 4,468 matai sleepers?—No.

150. Have you used any of the four miles of 56 lb. steel rails, in 30 ft. lengths, complete, with all fastenings?—I could not answer that distinctly, because the stores are scattered all over the colony; but I have plenty of rails on hand and on the way out to meet all demands.

151. Have you used any of those rails?—I really cannot say what has been done since the 31st March.

152. I mean up to this date?—I cannot tell you distinctly.

153. Are these stores kept separately for the Public Works Department?—They are on the ground in different places. They are in charge of the storekeepers in the different centres.

154. And can the storekeepers use them?—They are in their charge. I do not know what they have done.

155. Are they ear-marked in any way for the Additions to Open Lines, or Public Works Department?—Yes; all the Additions to Open Lines stores are ear-marked.

156. Then, do you say that none of those steel rails belonging to the Additions to Open Lines, or Public Works Department, have been used up to this date?—I said before that I could not say what the storekeepers have done within the last three or four months.

157. What business have they to touch them?—I understood there was to be a re-transfer of these stores.

158. Have you acted on the supposition that it would be right for them to act on that?—They may have done so.

159. Would it be right for them to do so?—I think so, if the stores were to come back again.

160. And if the stores were not to go back again they would have done wrong?—I could not say that.

161. If the stores belonged to the Public Works Department, would they be justified in using them?—No, they would not.

162. Has there been, since the 31st March, any re-transfer entry with regard to these stores?—I could not tell you. The Accountant is the person who looks after that matter.

H. J. H. BLOW sworn and examined.

163. *The Chairman.*] What is your name?—Horatio John Hooper Blow.

164. What is your position?—Under-Secretary for Public Works.

165. *Mr. J. Allen.*] Did you have any difficulty in finding the £12,000 from the Midland Railway vote and £3,000 from the Permanent-way to purchase the stores from the Railway Department?—No; it was quite close to the end of the financial year, and we knew then pretty well what our requirements were likely to be, and we saw our way to spare that amount of money.

166. Have you still those stores in hand to the credit of your department?—No; but we hold the Railway Department's paper for them. They were re-transferred.

167. To whom?—To the Railway Department. The transfer voucher was passed by the Railway Department to the credit of our vote. It was duly lodged with the Audit Department, and would in due course have transferred the money to our credit but for the objection raised by the Audit Department.

168. What date was the re-transfer?—In August.

169. The re-transfer was passed by the Audit Department?—No; that was the origin of the difficulty. If it had passed the Audit Office there would have been no occasion for this inquiry.

170. There is an entry in your books?—Yes.

171. And the Audit Office not having allowed it, what becomes of it?—The entry may have to be cancelled, but I think it is in abeyance at present.

172. Presuming the transfer does take place, what effect will it have upon the Midland Railway vote for the year?—It will enlarge the appropriation.

173. By how much?—£12,000.

174. What is the present vote?—The proposed the vote is £30,000. This will make it £42,000.

175. Had you to transfer the balance of any other Railway votes to the Midland vote to enable you to purchase the twelve thousand pounds' worth of stores?—I do not think so.

176. You had enough left of the Midland Railway vote to purchase the twelve thousand pounds' worth of stores without transferring the vote from any other Railway?—I believe so. I am not aware of any other transfer being passed to the assistance of the Railway vote.

177. And had you enough in the Permanent-way vote to spare £3,000 without making a transfer from any other vote?—Yes, we had.

178. Do you know anything about a transfer of stores on the 11th March?—The date is certainly a mistake.

179. You had these stores on the 31st March?—Yes.

180. You have no entry in your books on the 11th March, as given in page 5, B.-22, 1898? There is credit entry to Public Works Fund there—"Midland Railway, Otira Section, Belgrove Section." Is there such an entry in your books, do you know?—This is not an entry in our books at all, and a good deal of misconception has arisen through its being so designated. This is simply a copy of a voucher prepared by Mr. Felton for receiving back these stores. The question was asked why Mr. Felton should sign this voucher, considering that the claim purports to be from the Public Works Department. But the answer is obvious, that all vouchers are certified by an officer of the department that is called on to pay, and not by the person who renders the claim. Mr. Felton, as Stores Manager of the Railway Department, certifies for the return of this material to the debit of his department, and the voucher in due course passed to Mr. Fife, the Railway Accountant, who charged it to the Railway vote.

181. Then, there is no entry in your books of the 11th March?—None whatever.

182. About these debits: You see towards the bottom of page 11, B.-22, 1898, "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." Were you proposing, before this transaction took place, to debit the Midland Railway?—That is not my memorandum. I know nothing whatever about it.

183. Had you it in your mind to debit the Midland Railway with any of this amount?—No; there was no Public Works vote, I think, that was in any particular need of funds.

184. It became in need of funds when it wanted to purchase £15,000 worth of stores?—No, quite the contrary; it was quite the other way.

185. You could not afford to debit the Midland Railway vote because you needed all the money to purchase stores?—You mean that if I have only a certain sum of money I can only spend it in one direction?

186. If you had been intending to debit the Midland Railway vote and suddenly found that you had to purchase twelve thousand pounds' worth of stores out of the credit standing to the Midland Railway vote, were you then in the position that you could not afford to debit this Midland Railway vote because of this proposed purchase?—I think the term "debit the Midland Railway vote" is not quite clear. If you mean to debit the Midland Railway vote with all the items properly debitable to that vote, then we took care to leave sufficient money for this.

187. I mean that you proposed to debit the Midland Railway vote?—We had other votes available; we did not debit it to the Midland Railway vote.

188. Was it on account of this?—Yes, I think it was.

189. Then, did the Otago Central and the Helensville Northwards suffer?—They are debited.

190. It was unfortunate for the Otago Central and Helensville Northwards lines?—I do not think so. A portion of the amounts under these votes would otherwise have been unexpended.

191. *Mr. Montgomery.*] Did you want these stores when you took them over at the end of the financial year?—No. It has been explained that it was for the accommodation of the Railway Department. On the other hand, I should say that every article transferred was thoroughly good stock for the Public Works Department, and that, if we are called upon to hold it, none of it will be in any way to our disadvantage.

192. Do you see this entry of the 29th April in page 5, B.-22, 1898?—Yes.

193. It would appear by that that this money, £2,411 15s., was charged to the Railway vote on that date?—No, that would not so appear at all. That is the date when Mr. Felton, the Stores Manager, appended his certificate to it. The later date under Mr. Fife's signature was the date when the amount was debited to the vote (26th July, 1898).

194. I understood you to say it was August?—The vouchers were delivered to our department in August, and, as already explained, the goods never left Mr. Felton's hands.

195. I want to try and fix the date of the re-transfer?—I am afraid no concrete date can be given for the re-transfer. The goods were in Mr. Felton's hands the whole time, and he could not tell us on what date his right hand supplied his left hand with these stores.

196. Do you think that is a satisfactory method of keeping the stores account, if you do not know at a given date to which department the stores belong and cannot tell the actual date on which the transfer took place?—This transfer is altogether of an unprecedented nature, and the circumstances which apply to it do not apply to the ordinary transactions of the department.

197. Was there any transfer of £8,000 in a similar position?—That transfer was *bona fide*. We required those rails and bought them from the Railway Department, and used them. This was for our accommodation.

198. *The Chairman.*] Then, shortly, may I understand your statement to be this: Transactions of a somewhat similar nature have taken place before, but not quite on all-fours with this?—There have been numerous transfers of stores between departments by way of out-and-out sales, but I never knew of a transaction for accommodation before.

199. In previous transactions have the stores been re-transferred to the department from which they were obtained, or were they paid for?—In the great bulk of the transactions the stores have been finally taken over. I think I know of one previous transaction where the stores have been returned.

200. I wish to get a clear perception of the nature of this transaction. When one department is short of material which the other has in abundance it has been customary to borrow stores?—Not to borrow—to buy.

201. And to pay for them?—Yes.

202. Has payment been invariably rendered?—I think I know of one case where the stores were returned again.

203. But in all cases payment has either been made or the stores returned?—Certainly.

204. Except in this case?—In this case payment was intended to be made and endeavoured to be made, and was in progress, and, but for the Audit Office, would have been completed.

205. In which case the whole matter would have been adjusted, and neither the House nor the public would have known anything about it?—Exactly.

206. Or need have known?—I do not know that they need have known.

207. The whole matter has been brought out by the action of the Audit Department?—Yes, by the action of the Audit Department.

208. *Mr. J. Allen.*] Do you consider that the re-transfer of the stores in this year, 1898-99, would have affected the balance in the Consolidated Fund for 1897-98?—That is a Treasury question. You have Mr. Heywood here, and he is undoubtedly the most competent man to answer the question.

Hon. W. HALL-JONES sworn and examined.

209. *The Chairman.*] What is your name?—William Hall-Jones.

210. What is your position?—Minister for Public Works.

211. *Mr. Montgomery.*] You approved of this proposed transfer by way of accommodation?—Yes, without any hesitation.

212. Had you considered the effect it might have on the Consolidated Fund Account?—No. What I considered more was the position of the Railways on account of the action of the Audit

Department in locking up the £50,000, which, to my mind, meant stopping payment of accounts due, including the wages of workmen. That was the main item. Pay-day came on the day afterwards.

213. You would not have approved of the transaction unless it had been necessary to supply sufficient money to the Working Railways?—If there were not urgent demands that required to be met.

214. Do you concur in Mr. Blow's evidence as to the fact that the re-transfer did not take place before the end of the financial year?—Not until August, I take it, or the 26th July. Of course, Mr. Blow has more experience in these matters than I have.

215. *Mr. J. Allen.*] Do you know what effect this sale of stores for cash has had on the Consolidated Fund?—I do not think it would affect it.

216. Are you quite sure of it?—I am not quite sure of it—I am not a financier. Put a reasonable question and I will reply to it.

217. Is it not a reasonable question to ask a Minister of the Crown to answer?—In my opinion, it does not affect the surplus.

Hon. A. J. CADMAN sworn and examined.

218. *The Chairman.*] What is your name?—Alfred Jerome Cadman.

219. What is your position?—Minister for Railways.

220. *Mr. Montgomery.*] You approved of this transaction?—Without a doubt.

221. Did you consider the effect it would have upon what is called the surplus in the Consolidated Fund?—It never entered my head, and never troubled me in the least.

J. B. HEYWOOD sworn and examined.

222. *The Chairman.*] What is your name?—James Barnes Heywood.

223. What is your position?—Secretary to the Treasury.

224. *Mr. Fraser.*] What led up to all this difficulty, Mr. Heywood?—The position of the Railway vote. Would you like me to explain?

225. Yes; as shortly as possible.—Well, I find on looking back into matters that on the 24th February the Railway vote was overdrawn £3,172, and we had in front of us requisitions by the department for some £80,000 to meet their requirements to the end of the year. That would have made the overdraft over £83,000. Now, the question arose: How could that amount be met? As I say, the vote was overdrawn; therefore, to meet this amount of £83,000, we must seek some other resources than the appropriation to meet the expenditure, and in that £83,000 the wages of 4,500 men amounted to £50,000. Now, the available amount of the "Unauthorised" at that time was just £25,000, so that we were at once in face of an absolute requirement to pay wages of £50,000, and had only £25,000 to meet it. The department informed me that they could, from their ordinary transactions depend upon recoveries to the extent of £18,000, and thinking that we could supplement that with £30,000 out of "Unauthorised," it left a balance of £35,000 by the end of the year to be met by outside resources. Upon reporting the gravity of the position to my Minister, we had a consultation with the Railway Department, and came to the conclusion that it was possible that if the Public Works Department would purchase fifteen thousand pounds' worth of stores from the Railway Department, the Minister for Railways said he thought that he could transfer fifteen thousand pounds' worth of stores from the Additions to Open Lines to the Railway vote. That would make up the £30,000 out of the £35,000 which was in front of us. Of course, we hoped that the Public Works Department would be able to purchase £20,000, but they found that they could only purchase £15,000; and this action was carried out. I am quite sure you understand that the position was an exceedingly grave one. The wages could only be paid to the extent of half the requirements, and that was not a position the Colonial Treasurer cared to face at all.

226. How was it the "Unauthorised" was reduced to £25,000?—We had only £50,000 to work upon instead of £100,000. The £50,000 connected with the transfer from the Consolidated Fund to the Public Works Fund, and its repayment back, had been required to be passed through the Unauthorised Account.

227. Had that not been the case—but for this trouble about the "Unauthorised" being locked up owing to the lending of £50,000 to the Public Works Fund—would it have been necessary to have adopted the course that was adopted?—It would not have been necessary at all.

228. Now, a good deal has been said in the course of the evidence taken about the effect this transaction had upon the balance or surplus of the Consolidated Fund, as set forth in the Financial Statement?—Yes.

229. I want to ask you this question, Whether this transaction did affect the surplus in any way?—It did not affect the surplus in the slightest degree. I am sorry to have to disagree with the Assistant Controller on this subject.

230. Do I understand you to say that if the £30,000 had been obtained from "Unauthorised" instead of from the sales of stores the surplus would have been the same?—No, it would not have been the same. You will understand that I am answering the questions exactly as you are putting them.

231. If the £30,000 had been obtained from "Unauthorised," how would it have affected the surplus as set forth in the Financial Statement?—The surplus would have been £30,000 less.

232. Is it not the usual practice to defray expenditure out of appropriations or "Unauthorised"?—Yes.

233. And therefore this transaction, by defraying expenditure by the sale of stores, was an unusual transaction?—Yes, I should say it was unusual.

234. How do you reconcile your answer that if the expenditure had come out of "Unauthorised" or appropriations, the surplus would have been £30,000 less, with the reply that these particular



sales of stores in no way affected the surplus?—For this very simple reason: that if this £30,000 had not been found from some other source than the “Unauthorised” or the appropriations, the expenditure could not have been made. That is perfectly clear.

235. If the expenditure had not been made—and you have told us the expenditure consisted of wages to the men—what would have been the result?—That 4,500 men would not have been paid their wages.

236. And the colony could not have paid its way?—Certainly; the department could not have paid the men their wages.

237. Then the expenditure is not incurred simply because the stores were sold, but the stores were sold because the expenditure had to be met?—That is so.

238. Was there any other source from which the £30,000 could have been obtained?—No. We carefully went into the question of resources, and this was the only way in which we saw the difficulty could be overcome.

239. You say that if the thirty thousand pounds' worth of stores had not been sold the expenditure would not have been made?—If the £30,000 had not been provided.

240. The money could not have been spent?—That is so.

241. But was not the expenditure actually incurred?—I presume the wages had been earned, and therefore it was necessary to make payment to the workmen.

242. You are quite clear, then, that had the expenditure come out of “Unauthorised” the surplus would have been £30,000 less?—Of course.

243. How do you reconcile that with the statement that it did not affect the surplus?—Because I say the expenditure could not have been made. Therefore, if you cut out the £30,000 on both sides, the surplus would not be touched, and it all hangs upon that point. It is not an ordinary transaction at all.

244. In future years, if a Treasurer desired to make his surplus £50,000 larger than it would be were he to pay the expenditure out of “Unauthorised,” would he not achieve that result by selling stores to that extent?—Certainly; if the vote becomes credited with £50,000 from whatever source, the net expenditure would be so much less, and therefore the surplus would be so much greater.

245. Then such a transaction would affect the surplus?—Yes.

245A. And yet this transaction did not affect the surplus?—And yet this transaction did not affect the surplus.

246. What is the difference between this transaction and the one I stated?—The great difference is that the expenditure could not have been made had not this £30,000 been credited. In your other questions you are suggesting what has not happened. In this particular case I say the expenditure could not have been made, and therefore the surplus would remain intact.

247. If the thirty thousand pounds' worth of stores had not been sold and the money thus provided, also if the payment could have been staved off till after the 31st March, then the liabilities on the 31st March would have been £30,000 more?—The liabilities would have been £30,000 more, of course.

248. And the difference between the liabilities of 1898 and the liabilities of 1897 for the Working Railways, stated at £8,847, would have been £30,000 more?—Yes; I should say so distinctly.

249. Then the liability would have stood at £38,000 odd?—I presume it would.

250. To arrive at a true balance of the account, ought not the excess of liabilities of one year over another to be deducted from the surplus to make a true surplus of the year?—It is a matter of opinion how the surplus for the year is arrived at.

251. I will repeat the question again: Should not the excess of liabilities for one year over the previous year be deducted from the alleged surplus to make a true surplus for the year?—If such a practice obtained, that would be a proper course to pursue.

252. Does such a practice obtain?—No.

253. If that practice obtained, would this transaction have affected the true surplus so arrived at?—I should say that it would.

254. *Mr. J. Allen.*] As an experienced book-keeper, would you tell us whether you think that, in arriving at a balance for the year, it is right that an excess of liabilities of this year over the previous year should be considered?—You mean in connection with the Treasury accounts?

255. I mean as a book-keeper?—I think I must appeal to you, Mr. Chairman, as to whether this is part of the order of reference. I should be very pleased to give my opinion as an expert, but I do not think I am here to give it as an expert.

256. *The Chairman.*] Strictly, it is not a part of the order of reference, but I think the question is admissible if you choose to answer it; if you do, state whether it is your own personal opinion or whether it is the practice of the department. There is no reason why you should not answer a question which simply asks you for an expression of opinion only?—As an expert, I do not think it is the practice, in showing a statement of the position of a firm, company, or corporation, to include the liabilities in the way you have stated them. I think you will find that a firm, company, or corporation submits a statement of its assets and liabilities at the close of its financial period, and the usual practice is, for a person analysing or looking over the statement, to take the previous year and compare it with the present year; and a person so looking over the accounts would then see whether the liabilities were larger or smaller between the two periods.

257. *Mr. J. Allen.*] And do you make that statement with regard to profit and loss?—A Profit and Loss Account, of course, is another account altogether. It is not the custom, I fancy, for liabilities to be included in the Profit and Loss Account.

258. Do you say Profit and Loss Account liabilities are not considered in an ordinary commercial company?—It is a good many years since I had anything to do with a commercial company. I am

not very clear that the Profit and Loss Account includes the liabilities outstanding at the end of the year.

259. Do you think it shows a fair statement of the position of the company not to show the difference between the liabilities of this year and the preceding year?—I should say it would not be an unfair statement, so long as the accounts exhibited a statement of the assets and liabilities at the close of the period.

260. Does the colony show any account of assets and liabilities?—No. That is one of the reasons why this question of liabilities is foreign to our accounts altogether, because it was in 1880 or 1881 that we discontinued dividing the current year's expenditure and receipts from those of the preceding periods.

261. With regard to our Public Accounts, would the amount of the liabilities, whether very large or very small, affect the Consolidated Fund balance-sheet?—Of course, if payments were wilfully held over, and so liabilities were increased, that would have an effect upon the balance at the end of the year. The balance would be very much greater than it otherwise would be if payments had been held over, or if the payments due in the ordinary course had not been met during the year. But I am only assuming an extraordinary occurrence.

262. But was not this transaction we are talking about an extraordinary occurrence?—Yes; but in my statement I said if payments were wilfully held over. There were no payments held over in this case.

263. But if you had not had this money available from the sales of stores, you would have had to hold over payments?—That is so; undoubtedly the payments could not have been made.

264. And then your liabilities would have been increased?—Yes, by £30,000 presumably.

265. And our Consolidated Fund balance-sheet would not have shown that?—No; the balance-sheet would not have shown that.

266. Do you think that is the right way of showing accounts?—Right or wrong, that is the method in which the Public Accounts are disclosed. They do not disclose the liabilities, except in a separate statement to the House.

267. So that a liability might reach a very large amount, and yet the balance-sheet show a profit?—Yes.

267A. Do you think that would be a legitimate statement, as a business man?—If payments had not been held over but were dealt with in the ordinary course, then I think the statement would be a legitimate one.

268. Supposing you had had to hold over these payments for wages, would the Treasury balance-sheet then be a legitimate or illegitimate one, according to your last statement?—The balance would have been perfectly legitimate.

269. But the liabilities would have been £30,000 more?—Yes.

270. Would it have shown that?—No.

271. And yet the balance-sheet would have been legitimate?—Yes, perfectly legitimate.

272. Did you notice what the effect of not having sufficient appropriation, and not having sufficient "Unauthorised," and the using of moneys derived from the Public Works Fund or the Additions to Open Lines Fund by the sales of stores, would have on the Consolidated Fund when this transaction was first proposed?—No; I did not consider that question.

273. And you did not advise your Minister upon that point?—No, I did not.

274. If the whole of the Railway stores had been sold for cash to the Public Works Fund and Additions to Open Lines Fund and the cash for the whole of the stores had been transferred to the Working Railways, and had been expended by the Working Railways, what effect would that have had upon the Consolidated Fund?—That would, of course, have lessened the net expenditure of the vote, and therefore have increased the surplus or the balance at the end of the year.

275. Then, if the sale of the whole of the stores would have increased the balance at the end of the year, what did the £30,000 do?—The sale of the thirty thousand pounds' worth of stores had the effect of lessening the net expenditure.

276. What effect had that on the balance? Would not the net expenditure have been increased—I mean, this sum of £849,000?—If the £30,000 had not been credited to the Railway vote, and the expenditure had been made, the £849,000 would have been £879,000.

277. What effect would it have upon the balance set down in the Consolidated Fund Account?—That would have been £30,000 less.

278. You gave us some figures about the requirements of the Railways on the 24th February, and you showed that you were going to get £25,000 from "Unauthorised," and later on you said, "Thinking we could supplement that with £30,000 out of the 'Unauthorised'?"—I think I said the department depended upon their getting £30,000 from "Unauthorised," but we were unable to supply that.

279. How much did you get after 24th February from "Unauthorised"?—£27,000.

280. How much did you get by way of ordinary recoveries—you estimated it at £18,000—how much did you get? Was it not £19,137?—I do not know that that discloses it, because that is for the whole year, while the figures £18,000 are only from 24th February to the end of the year.

281. There is a balance you could not apparently provide of £5,000 odd; how did you make that up?—It was not made up. It could not go through. The £27,000 and this £8,000 of liabilities mentioned at page 68 of the Railway estimates is just the £35,000 I informed you was required.

282. Then the whole expenditure of £8,000 was not made?—No.

283. Was the unpaid amount for wages?—No.

284. Did you notice the possible effect the transfer of £50,000 from the Consolidated Fund and the re-transfer back from the Public Works Fund had upon "Unauthorised"?—No.

285. No one knew apparently what the effect would be?—No. I think I consulted the Audit Office in making the original transfer, and they, unfortunately—I think they admit it themselves—

did not warn me of what the effect of the re-transfer would be. I assumed that the repaying of the money would put everything straight.

286. *Mr. Montgomery.*] If the appropriation had been sufficient, this transfer would not have taken place?—That is so.

287. If the appropriation had been sufficient, the surplus would have appeared as £30,000 less?—If the expenditure had been made.

288. Then, the fact of the appropriation being insufficient has had the effect of making the surplus appear £30,000 more?—No; I deny that the surplus has been affected by the absolute facts of the position.

289. If the appropriation had been sufficient, and the same amount of money had been spent, and the transfer had not taken place, how would the surplus have been affected?—The surplus of course, would have been affected to the extent of £30,000.

290. More or less?—Less.

291. How is it that the credits under section 41 of the Public Revenues Act are only shown in the estimates at £19,137, whereas we have evidence to show that stores to the extent of £30,000 or more have been sold, and that section 41 of the Public Revenues Act states that money received from sales of stores shall be carried to the credit of the vote for such service?—I admit that, in my opinion, the method of putting down this £19,137, which are figures supplied to us by the Railway Department, is not in accordance with the terms and provisions of the Act; but I must ask the Committee to consider that if the department is to show the whole of the credits as additional appropriations, then, on the other hand, the department must ask the House for an equal amount of appropriation, or an amount somewhat similar. They would, in other words, have to ask Parliament to give them an extra appropriation of £164,000, because that has been expended by them.

292. But, as a matter of fact, the sum mentioned in the Financial Statement—£849,923—is the total expenditure less the whole of the credits, so that you have used the whole of that appropriation?—Yes; but I am speaking of the sum of £845,730. That amount would require to have been increased by £164,361, and the recoveries of £23,603 to £187,964. It would not affect the net result of the receipts and disbursements of the vote. I admit that the present way of showing the recoveries is not in accordance with the provisions of the law.

293. *Mr. Fisher.*] In answer to Mr. Fraser's second question, you said you are of opinion that if the £50,000 of "Unauthorised" had not been locked up owing to the advance to the Public Works Fund, all this fuss and friction between the Audit Department and the Government would not have happened?—I did not say "fuss and friction."

294. Then, I put the question in this form: Would this difficulty have arisen?—This difficulty would not have arisen.

295. And there would have been no necessity for this report to Parliament from the Audit Department on this particular question, and an investigation by the Public Accounts Committee?—I could not express an opinion of the view the Audit Office might take of the transaction. This transaction of £30,000 would not have occurred for them to report on.

296. You concur with the opinion that if the Government had not obtained the money, the 4,500 hands in the Railway Department would not have received their wages when due?—I am clearly of that opinion.

#### TUESDAY, 1ST NOVEMBER, 1898.

J. C. GAVIN, Assistant Controller and Auditor, further examined.

1. *Mr. J. Allen.*] We have it in evidence that there are four lots of stores that have been sold by the Working Railways Department to other departments for cash—one lot of £8,580, another lot of £13,000 odd (which is not shown on this list [Exhibit C]), and two lots of £15,000. I wish to know whether all these four lots of stores will affect the balance of the Consolidated Fund in the same way as the two fifteen thousand pounds' worth do?—I have personal knowledge of only two sums of £15,000 each.

2. But, assuming that the two other lots of £8,580 and £13,000 have not been charged to the Railway working-expenses, will they affect the balance in the same way as the two lots of £15,000?—I do not think I can answer that question.

3. You cannot tell us what effect the £8,580 and £13,000 had on the balance of the Consolidated Fund?—No; but if the stores were sold to other departments and the moneys were brought to credit of the Railway vote in the same manner as the stores involved in the two transactions of £15,000 each, then I would say that the proceeds of such sales would affect the surplus in the same way as the two transactions of £15,000.

4. Then, if these two lots of £8,580 and £13,000 were sold for cash and the cash appears in the recoveries, the total of which is £187,000, have the two transactions affected the surplus in the same way as the two sums of £15,000?—Yes, if the transactions were of the same character as the two of £15,000.

5. Is there any difference, so far as you can see, between that sum of £8,580 and the other two transactions of £15,000?—There is nothing in the document to indicate any difference.

6. Can you imagine any difference?—No.

7. Then, in all probability the transactions are similar?—I could not say so.

8. Can we not get from you any more definite conclusion about the transactions of £8,580 and £13,000 than you have given?—No.

9. *Mr. Fisher.*] I gather from your answer that you know nothing whatever of these two transactions of £8,580 and £13,000?—I know a little from Mr. Fife's evidence with regard to the first-mentioned amount.

10. Then, if you know so little, why did the Audit challenge the two sums of £15,000 and not

the others?—The Audit did challenge the transfer of £8,580; I referred to that challenge in my evidence yesterday.

11. Why was the sum of £15,000 challenged and reported to Parliament whilst no report was sent in with regard to these two other transfers?—There was no necessity to send a report to Parliament with regard to this £8,580. The Audit Department challenged the voucher on the ground that it could not check it, and could only pass it in entire reliance on the certificates of the departmental officers, the Audit Department having no knowledge of the stores; and, as it turned out from Mr. Fife's evidence, a portion of that transfer was in the same position as the two sums of £15,000 each.

12. *The Chairman.*] You only gathered that from the evidence of Mr. Fife?—That is all.

13. *Mr. Fraser.*] You heard Mr. Fife's evidence?—Yes.

14. You heard the evidence also of the Storekeepers in reference to this entry of the 11th March, and the date of supply?—Yes.

15. Was any information given to the Audit Department such as was afforded to this Committee as to an error having been made about the entry?—No information was given to the Audit Office with respect to the error, or alleged error, of the 11th March with regard to the date of supply of the material supposed to have been returned to the Working Railways.

16. From the documents that were before the Audit Department, can you arrive at any other conclusion than that the stores had been returned from the Working Railways?—I can arrive at no other conclusion.

17. Had that information been supplied to you, would it have affected the report?—Yes, it would.

18. With reference to this transaction dated 11th March, would any entry appear in the Public Works Department of a date when these stores were alleged to have been transferred back on the 11th March?—I do not know anything at all about the account-keeping of the Public Works Department.

19. *The Chairman.*] Did it suggest itself to you in the Audit Department that as the dates of transfer of the material are the 2nd and 5th March, the 11th March succeeding, about six or seven days later, that would be the date for the re-transfer?—I do not understand that that is so. The date of transfer of the material from the Working Railways is the 26th February.

20. Did it not occur to you that that date following so soon after the transfer explained the re-transfer?—Yes, it did. It led us to refuse to pass the transfer back again.

21. It being so close upon the date of transfer?—Yes; and in one of my memoranda I said that the Audit had reason to complain that the information with regard to the re-transfer had been held back from it.

22. *Re the £8,580:* I think you stated, in answer to Mr. Fraser, that you did not get the necessary papers to allow the transaction to be completed. Why was that certificate afterwards supplied?—I presume the certificate was with the voucher when submitted for examination.

23. In any case the difficulty went no further?—No; the voucher was passed immediately.

24. *Mr. Montgomery.*] In view of these transactions and their effect upon the surplus of the year, could you recommend any amendment in the Public Revenues Act?—Yes; I made a suggestion yesterday, and would refer you to that.

25. In connection with that, do I understand you to mean that none of the recoveries—the £187,964—should operate as an additional appropriation?—No; only to the extent to which the estimated recoveries had been abated on the estimates of expenditure laid before Parliament.

26. There are recoveries worth £187,964 to Vote 60, which act as an additional appropriation to that vote?—Yes.

27. Do I understand you to suggest that an amendment of the Public Revenues Act should be brought in by which none of those recoveries would operate as an additional appropriation?—No, that is not what I mean. I mean that all the recoveries in excess of the estimates of recoveries abated on the estimates of expenditure should not be deemed to be appropriations.

28. That the appropriations by means of recoveries should be limited to £23,000?—Yes, that is the suggestion: taking last year's estimates, by way of illustration, the recoveries operating as additional appropriations would have been limited to £23,603. In my previous evidence I gave that illustration only as regards the year 1897–98. I did not purposely select that year; I thought I could not go further back.

29. Now, the greater part of these recoveries consists of the sale of made-up goods, which have already cost the Railway Department the value for which they sell them, or a great part of them?—Yes, that is so, I believe.

30. In such a case there is a perfectly legitimate recovery?—Perfectly legitimate.

31. And, as the expenditure has been first incurred, is it not perfectly legitimate that the appropriations should be increased by that amount?—Yes, if you could confine the recoveries to such legitimate transactions; but we have had an illustration by the transfer of these two sums of £15,000 that the provision contained in the 41st section of the Act has operated in a way which I think Parliament never intended.

32. Are there any other recoveries, so far as you are aware, except the sale of stores, which do operate in a way Parliament probably did not contemplate?—I think not. I do not know of any other recoveries which would operate in a way Parliament did not contemplate.

33. Would it not be sufficient to amend the Public Revenues Act by saying that recoveries by means of sales of stores which have not been actually charged to the Railway expenditure accounts should not operate as an additional appropriation?—I do not quite understand.

34. We understand from Mr. Fife that when goods are bought in the first instance they are charged to Vote 60, but they are not charged to expenditure in the books of the Working Railways until they have been taken out of the Stores Department for particular use at a particular time?—Yes, I understand that.

35. Suppose the Railway Department wanted a thousand pounds' worth of material to make up an engine. They would take that out of the stores. In time it is charged to the expenditure if it is sold, either in the shape of built stores or in the shape of odd stores. Would that be a legitimate recovery?—I think it would.

36. Then, the only illegitimate recoveries are stores which are sold without first being charged to the Working Railways Expenditure Account?—I would not say they were illegitimate recoveries.

37. Are they illegitimate in this sense: that they operate by increasing the surplus in a way that was probably not intended at the time section 41 of the Public Revenues Act was passed?—I do not think it would be illegitimate to credit them to the vote. I think it would be strictly legal to do so under the existing law, and I do not see any reason why it should not be done. It is a perfectly reasonable thing to do. What I desire to see is some legislation that will prevent "accommodation."

38. Is it not equally desirable that legislation should be introduced to prevent the Working Railways Expenses Account being apparently in a better position than it is by means of sales of stores to other departments?—My suggestion would meet the case—namely, that no recoveries should go to increase the appropriation which are in excess of the amount estimated to be received during the year and abated on the estimates of expenditure.

39. Where would you put the recoveries?—They would simply pass into the Consolidated Fund, but would not go to the credit of the vote for the Working Railways.

40. Presuming that the Public Works Fund is largely composed of loan-money, the effect of selling stores in the way that these two fifteen thousand pounds' worth have been sold is to use a certain amount of loan-money for our Working Railways Account, is it not?—No, I would not say so, because the Public Works Fund is composed both of loan-money and of revenue. It would simply be using the Public Works Fund without regard to the composition of the fund itself.

41. Can any sale of stores take place from the Working Railways to other departments which would not be put down as a recovery?—I think not. I think that under the existing law all sales would go to the credit of the vote.

42. Then, if Mr. Fife was correct in saying that thirteen thousand pounds' worth of stores was sold, that amount must be in the recoveries?—Yes.

43. And if in the recoveries it will have the indirect effect of swelling the surplus to that amount?—That is so. All recoveries have that effect.

44. Do you think there is sufficient check provided by legislation on the Stores Department?—There is provision in the Public Revenues Act for making regulations for the receipt, custody, and issue of public stores, but there are no regulations in force at present.

45. Do you think that the Audit Office should exercise direct control over the stores?—No.

46. They should not audit the amount of the stores at the end of the year?—That is another question.

47. Should not the amount of stores on hand at the end of the year be audited and ascertained to be correct by the Audit Department?—Yes, I think there should be an audit of stores to a certain extent, but I am not prepared to say how far that audit should go.

48. Having heard Mr. Fife's evidence, does it not appear to you that there is rather a loose system of keeping stores?—Apparently so.

49. Would not a system by which we had a general suspense stores account from which the authorised departments could draw their stores and be debited with them as they drew them be a better system?—I have not considered the question.

50. *The Chairman.*] We will assume a large public department to have voted on the estimates a sum of half a million pounds, which is abated by a sum of £40,000, estimated recoveries: During the course of the financial year that department receives, as recoveries, £120,000. Do I gather from your answer to Mr. Montgomery that you would treat the £40,000 which was abated on the estimates as a legitimate addition, while the extra £80,000 you would not regard in that light?—That is exactly my position.

51. Then, what would you do with the £80,000? Would that go to the Consolidated Fund and form part of the revenue of the colony?—No, but it would go to increase the balance at the end of the year; and only such recoveries as had been made in respect of expenditure out of the Consolidated Fund would go to the credit of that fund.

52. And it would be taken into account in the abatements of the next year of the vote?—No.

53. An occurrence took place some four or five years ago, in the time of the Railway Commissioners, by which some railway-trucks were sold to the Western Australian Government for £14,000: did not that money go at once to the credit of the Railway Department, they having found the money and material to build the trucks?—I remember some such sale, but do not know at this moment to what account the money went when it was received from the Western Australian Government.

54. Would that not be a perfectly legitimate addition to the moneys of the Railway Department?—Under the present law it would be so.

55. Amongst the recoveries are there not sums of money received from private employers for work done in the railway workshops?—Yes.

56. How would you treat that money by way of abatement?—That would be the difficulty—the difficulty I mean of estimating the amount to be abated.

57. You say there are regulations under the Working Railways Department in connection with stores?—No, not at present that I am aware of—that is, under the Public Revenues Act.

58. *Mr. J. Allen.*] In the position you suggest that the recoveries should only count as an abatement up to the extent of the estimate for the year, and assuming that the recoveries in the year amounted to a great deal more than that, and that a portion of the recoveries were on a similar footing to the £15,000 we have been considering, then would not the placing of these additional

recoveries to the credit of the Consolidated Fund act in exactly the same way as the transfer of stores lately did?—I think so; but I think we should not pass similar transfers again if we had all the information we ought to have when the vouchers are submitted to us for examination.

59. What additional information do you require from the department?—Information as to the real object of the transfer.

60. Do you mean, then, that each voucher should specify the real object of the transfer?—Yes.

61. Do I understand that your suggestion with regard to an alteration of the law would be met by some such recommendation as this: that the law of 1882 be so altered as to provide that recoveries shall only be treated as abatements of expenditure to the extent set forth in the estimates for the year, and that recoveries beyond the amount estimated should not be considered as an additional appropriation?—That covers exactly my suggestion, and I repeat that it would necessitate very careful estimates on the part of the department in regard to both expenditure and recoveries. I can see that in a large department like that of Working Railways it might be difficult to estimate the value of work to be done for outsiders during the year, and that an underestimate might cause embarrassment just as an underestimate of expenditure might do.

62. But is there any harm in underestimating?—No.

63. If there be no harm in making the estimate comparatively large, what is the difficulty?—The difficulty is that it has not been done.

64. Do you suggest that the Railway estimates have been below what they ought to have been for many years?—The amounts abated on the estimates of expenditure have been very much lower than the actual recoveries.

65. Do you not think the railway appropriations ought to have been larger during the last few years?—Apparently larger appropriations were not necessary. In the case of last year the vote was exceeded by only £27,876.

66. Was the vote larger in the previous year?—It was exceeded in the previous year.

67. And the year before that?—Yes, by a very trifling sum.

68. And the year before that?—By a very trifling sum indeed.

69. And the year ending the 31st March, 1893: was it exceeded then?—Yes, by £14,582.

70. Was it exceeded in the year ending March, 1891?—Yes, by £31,059.

71. And 1890?—Yes, by £8,928.

72. With these facts before you, are you of opinion that during many years past the Railway appropriations have been under what they ought to have been?—No, I think not. Considering the large amount of business done, I think the estimates have been remarkably near the requirements of the department.

73. Will you give us the estimated and actual recoveries each year from 1882?—Abated under the estimates for 1882–83—that was the first year after the passing of the law requiring an abatement to be made—abatement nil, actual credits £101,455 7s. 9d.; 1883–84, abated, £20,943, actual £125,937 13s. 7d.; 1884–85, abated £17,454, actual £117,401 12s. 4d.; 1885–86, abated £16,963, actual 115,318 17s. 6d.; 1886–87, abated £4,000, actual £142,404 7s. 6d.; 1887–88, abated £10,540, actual £65,866 3s. 8d.; 1888–89, abated £29,675, actual £50,399 3s. 10d.; 1889–90, abated £15,000, actual £47,166 7s. 8d.; 1890–91, abated £12,500, actual £41,708 18s. 6d.; 1891–92, abated £9,815, actual £77,878 13s. 3d.; 1892–93, abated £11,500, actual £37,747 19s. 4d.; 1893–94, abated £10,765, actual £40,720 8s. 4d.; 1894–95, abated £13,950, actual £62,778 2s. 8d.; 1895–96, abated £15,000, actual £61,313 19s. 6d.; 1896–97, abated £16,785, actual £112,636 18s. 3d.; 1897–98, abated £23,603, actual £187,964 14s.

74. Now, I suppose you could not tell us how much of these abatements during those years are recoveries for sales of stores?—That is quite impossible without an examination of the account-books.

75. *Mr. Fraser.*] Does the table just read out not tend rather to show the almost impossibility of carrying out the suggestions you have made as to limiting the recoveries to the estimated abatement?—No, I think not, because the experience of past years, showing such large differences between the estimated and the actual recoveries, should have enabled the department to make very much closer estimates than they did.

76. You spoke just now about the appropriation being exceeded by £27,000?—Yes.

77. Was not the appropriation also exceeded by the total amount of stores sold?—No; because the money derived from the sale of stores operated as an additional appropriation.

78. I mean the original appropriation made by Parliament?—The gross amount of expenditure of the Working Railways Department during the last financial year amounted to over a million.

79. These recoveries actually amount to from two-fold to eight-fold of the amount abated on the Railway vote in the estimates?—That is so.

80. From your experience of the Public Accounts over some years, do you consider £100,000 of "Unauthorised" sufficient?—I think so.

81. To provide for all contingencies?—Under ordinary circumstances I consider that £100,000 is sufficient.

82. *Mr. Guinness.*] You say you think that £100,000 is a sufficient sum for "Unauthorised expenditure" purposes?—I think so, under ordinary circumstances.

83. Do you not think that where it becomes necessary during the course of the financial year from time to time to draw upon that, that if the amount drawn upon can be rebated to that extent it should be allowed to be drawn again if the circumstances require it?—That is the law at present. When money comes back to credit of "Unauthorised" it makes the amount available out of "Unauthorised" larger.

84. Was not that the very point on which the Auditor-General refused to allow the £50,000 to be re-credited?—No. There was a sum of £50,000 transferred from the Consolidated Fund to the Public Works Fund, which was charged to "Unauthorised," because the sum of £300,000 which Parliament provided for the purpose had been all transferred. The Treasury subsequently desired

to restore that £50,000 to the Consolidated Fund and to the credit of "Unauthorised." The Audit Office permitted the transfer to be made to the credit of the Consolidated Fund and to the credit of "Unauthorised," but as that credit could only take place by an issue out of the Public Works Fund, the Audit Office deemed the issue out of the Public Works Fund to be "Unauthorised," and consequently it was so charged.

85. *Rt. Hon. R. J. Seddon.*] Will you refer to Return No. 2 of the Railways Statement for 1897-98, "General Expenditure Account": On the credit side there are shown recoveries to credit of Vote 60 amounting to £187,964 14s.?—That is so.

86. Are you not aware that contained in that item are the amounts charged to Capital Account for work done in connection with additions to open lines and additional rolling-stock?—I am not aware, but I think it is extremely probable that that is so.

87. Are you not aware that during the session of 1897 Parliament voted a sum of £150,000 for additions to open lines and for additional rolling-stock, such expenditure to be charged to the capital cost of the open railways?—That may have been the case, but I have not the appropriations before me to refer to.

88. Will you refer to the appropriations for Consolidated Fund services, year 1897-98, Vote 60, Working Railways, and the last item contained therein of £23,603 for estimated credits under section 41 of "The Public Revenues Act, 1891"?—Yes, that is so.

89. That sum is deducted from the total appropriations, £845,730, leaving the net vote £822,127?—That is so.

90. Are you not aware that this item of £23,603 is in connection with work done for other Government departments, and in no way connected with the capital sum spent upon additions to the rolling-stock and additions to open lines, charged to capital cost and debited to the vote of £150,000 previously alluded to?—I am not aware of that.

91. Now go back to the third question I put to you: are you not aware that during the session of 1897 Parliament voted a sum of £150,000 for additions to open lines and for additional rolling-stock?—Yes, I am aware of that; I see it before me in the appropriations.

92. Was such expenditure to be charged to the capital cost of the opened lines?—I presume that was what was intended, but it does not say so here.

93. If £23,000 has been spent for other departments, those departments owe the Railway Department the £23,000?—Certainly.

94. In your letter of the 16th October, 1898, addressed to the Controller and Auditor-General, Mr. Warburton, a statement appears to the following effect: "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." I wish to have some explanation of that. There have been in years gone by large recoveries over and above the amounts put down in the estimates, have there not?—Yes.

95. At all events, so far as that memorandum is concerned, in the light of the evidence which has been tendered, it was not unusual, but was a continuation of a practice which previously existed?—Yes.

96. I am going to take you to the Cape of Good Hope, and to read to you what the Controller and Auditor-General there said in regard to "unauthorised expenditure":—

38. In my annual report for 1881 I discussed at considerable length the question of "unauthorised expenditure" from a constitutional point of view, and described in some detail the practice followed in England.

39. At the same time I drafted four sections for legalising the creation of a "Contingencies Account" in the colony, corresponding to the Treasury Chest Fund and Civil Contingencies Fund in England, out of which temporary advances might be made to cover such unforeseen expenditure as could not be postponed until the next meeting of Parliament without injury to the public service.

40. During the session of 1882 I gave evidence on the subject before the Committee on Public Accounts, and, *inter alia*, explained the course followed in some of the Australian Colonies.

41. No formal opinion has been expressed by the above Committee on my proposals, save that in 1885 relative to a proposal on the subject of collection of taxes, of which it approved. It recommended "that the Bill to amend the Audit Act in this (the collection-of-taxes question) and other respects, approved of by the Committee in former report, be introduced by Government at the commencement of next session."

42. The sections in question were not, however, introduced into the Bill submitted in 1888, it being held by the Government, so far as I have been able to ascertain,—(a.) That making legal provision for "unauthorised expenditure" would diminish the essential responsibility of Ministers, and would tend to induce them to spend the whole amount placed at their disposal. (b.) That in such a case as railway working and maintenance an unforeseen increase of traffic might more than exhaust the funds. (c.) That if the fund were exhausted Ministers would either have to break the special law or else summon Parliament at possibly a very inconvenient time. (d.) That it is difficult in a young country of rapid development to predict even a year beforehand what sum would be sufficient to form a contingency fund.

43. I do not mention expense as an objection, for an examination of the sections drawn by me will show that the creation of such a fund would neither increase the public expenditure nor the cash balances required to carry on the Government.

44. The mode of procedure which should, in my opinion, be legalised has, since 1880, been acted on so far as it is possible to do so without legislation—that is to say, a Contingencies Account has been created, to which all Premiers' warrants to cover "unauthorised expenditure" have been charged, and all warrants are duly repaid as soon as the necessary funds have been voted by Parliament.

45. From a purely book-keeping point of view the system has worked satisfactorily, but there is no limit to the amount which may be spent, and there are practical constitutional objections to the present arrangement which will be mentioned later on.

46. Now, with reference to the objections mentioned in paragraph 42, I may say, as regards the first, marked (a), that I do not concur in its soundness. At present every Premier's warrant is equally illegal, and, to my mind, a Minister who is compelled to break the law by incurring "unauthorised expenditure" in cases universally admitted to be necessary is far more likely to incur expenditure which would be generally condemned than a Minister who may, without breaking the law, incur unforeseen expenditures admitted to be necessary. It must always be assumed that a Minister acts to the best of his judgment, and it is surely more difficult to condemn him in the case of unnecessary expenditure if it is admitted that he must often break the law in the public interests.

47. I fully admit the force of the second objection, marked (b). No one would wish to summon Parliament to provide funds for railway working merely because the traffic had exceeded all expectation, and in my original clauses I had provided for this by means of a large fund.

48. The contingency, however, may be better provided for in another way. All very large abnormal expenditures in the commercial departments are due to still more abnormal revenues; if, therefore, it be provided that for the purposes of railway working and maintenance (but not for railway construction) advances may, if required, be made out of any excess of the actual over the estimated revenue an elastic principle is introduced which will meet every contingency.

He then gives some illustrations, and says that, owing to a native disturbance, they had immediately to lengthen the railway for the convenience of the troops, and that that was a contingency under which the Premier's warrant would issue; but, in the case of the railways, he says there should be a contingency fund out of which the Minister could take 60 per cent. of the increased earnings. The £100,000 is not sufficient to meet what is thrown on to it, as we are assisting the Public Works out of the Consolidated Fund and other contingencies. It is impossible to meet these, but if there was such a provision made as is suggested here by the Controller and Auditor-General of the Cape of Good Hope it would meet the difficulty. Do you concur in the suggestions made, or do you want time to look into the matter?—It is too much to ask me to express an opinion upon such a carefully prepared memorandum without consideration; but I may say at once that, so far as the suggestions apply to the railway expenditure, I think they are very good. I think that wherever an excess of traffic has caused a large increase in the working-expenses of the Railway Department not contemplated it might be a very fair way to get over the appropriation difficulty by adding to the vote a percentage based on the increased traffic receipts.

97. Coming back to this £187,000: With regard to imposing a limit, is not your statement calculated to lead people not fully acquainted with the facts to suppose that the Railway Department had estimated £23,603 as the amount likely to be required to be spent, whereas, as a matter of fact, more than eight times that amount—namely, £187,964 14s. was spent?—I think the impression which would be conveyed to outsiders by a comparison of the £23,603 with the actual recoveries of £187,964 14s. would be that there was something undisclosed which, if known, would be a satisfactory explanation.

98. You do not wish it to be inferred from your memorandum for a moment that eight times the amount anticipated had been spent: you do not want to put that impression to the people that there was only £23,603 voted as recoveries, and that we had spent £187,964 14s.?—I did not intend to convey any impression that would reflect on the Railway Department at all. My object in drawing a comparison between these two amounts—because the larger amount included the £30,000, which was the subject of the present inquiry—was to show that I thought that some legislation might appear to Parliament to be necessary to prevent that taking place again which is the subject of the inquiry.

99. I presume that you had no desire that it should go before the world that the Working Railways had misled Parliament by only taking £23,603 when the recoveries for many years past had been a much larger sum?—I had no intention of conveying such an impression as you suggest.

100. You said before that Parliament had voted £150,000 as additions to open lines: was that not all promised in the £187,000? Look at the appropriations for public-works services, B.—7A, page 7?—I will.

101. Does not the £23,603 and the £150,000 voted for additions to open lines make £173,603?—Yes, that is so.

102. Are these comprised within the item you mentioned in your report?—I should think not. The £23,603 might be included, and a portion possibly of the £150,000, but not the whole of it. A better answer to the question might be given if I knew how much of Vote 90 remained unexpended. Of course the expended balance could not be transferred.

103. Are you not aware that the contributions made by the Post Office towards the payment of salaries of railway officers who perform joint railway and postal duties at many railway-stations are contained within the item of £23,603 to which you have referred, and that not one single item for additions to open lines or for the construction of additional rolling-stock is contained in the same item?—I think it is extremely likely that the recoveries from the Post Office are included, but I do not know as a matter of fact.

104. Coming to the transfer, apparently the chief reason which caused the Audit Office to refuse to pass the transfers in August last was that the stores had already been transferred back to the Railway Department on the 11th March?—Yes; I speak with regard to the fifteen thousand pounds' worth of sleepers which were charged to the Midland Railway and the Permanent-way vote, a transfer for which was passed on the 5th March.

105. You were present when the railway officials gave evidence?—Yes.

106. In the light thrown upon the transactions by the railway officials, and by the Under-Secretary for Public Works, would you now refuse to pass that transfer of £15,000?—Yes; I think I would, because it was admitted that it was a mere matter of "accommodation," and not required for the purpose for which the money was voted by Parliament.

107. You have changed your ground for doing that?—Yes.

108. You have given the reasons why it was done, and you find now, by the evidence adduced before the Committee, that you were mistaken, but your answer is that you were mistaken so far as that transfer is concerned?—Yes, because, in "accommodation" being given, the transfer was not one that was contemplated by Parliament.

109. But, at any rate, you were under a misapprehension with regard to that transfer?—I was under no misapprehension. It was upon the date of supply given—namely, the 11th March—that my conclusion was founded. It has now been stated by the officers of the department that that date was a mistake.

110. That was the ground upon which you refused to pay?—Yes. It was upon that ground that we refused to pass the transfer in September.



111. And it was on that ground that you were inadvertently misled?—That is so.

112. Had that inadvertence not occurred, and had you not known that the transfer was for the purpose of "accommodation," you would have passed the voucher?—I am not so sure of that.

113. Had you known that the date given in the stores vouchers—namely, the 11th March, 1898—did not represent the date when the stores were apparently re-transferred, and had you known that the stores were still held to the order of the Public Works Department, would you have passed the transfers in August last?—No.

114. Why not?—Because the stores had not been returned.

115. But they were held to order?—The stores were sold by the Railway Department in February, and we will assume that they were held by the Stores Manager of the Working Railways to the order of some one in the Public Works Department. Cash to the amount of £15,000 was transferred from the Public Works Fund to the Consolidated Fund in respect of that transaction. The transfer of cash back again to the Consolidated Fund out of the Public Works Fund could not have taken place if a voucher came before the Audit Office with a memorandum attached to it showing that the stores which had been transferred in February were held to the order of the Public Works Department. The Public Works Department could not hold both the stores and the cash. Therefore the Audit Office would refuse to pass the transfer of cash back again to the Consolidated Fund.

116. If the transfers submitted in August or September last had been passed by the Audit Office, would there have been any occasion for the Controller and Auditor-General to submit the matter of the original transfers representing £30,000 to Parliament?—I really could not say without consideration. It might have been the case that the Audit Office, notwithstanding the re-transfer of these moneys to the Consolidated Fund, would have found it necessary to bring the matter under the notice of Parliament.

117. At any rate, the State is not wronged?—Not at all. There is nothing wrong whatever in the transaction between the departments. It is a matter of control according to law.

118. Now, if the law allows the Railway Department to sell stores to the Public or to other departments for cash, under what law would the Audit Department refuse to pass the £15,000 of sales of stores to the Public Works Department, which may be designated as accommodation, provided cash was duly paid by the Public Works Department?—It would not refuse; but it would refuse if it knew the stores were being sold as a matter of "accommodation," that it was not an actual sale, but simply to afford means to the Railway Department to carry on with.

119. You admit the law allows the Railway Department to sell stores to others?—Yes.

120. Under what law did the Audit Office refuse to allow the department to sell the stores for cash, provided the cash was duly paid for those stores?—The Audit Office could not issue the money from the Public Works Fund to pay for these stores except under an appropriation of Parliament. I have never known a case yet in which Parliament has made an appropriation to afford "accommodation" to another department by a temporary sale of stores in the knowledge that the department would get them back again.

121. It is admitted that it has been going on for years?—No, I have not admitted that.

122. In reporting this you did so simply to point out that the law on the subject required to be considered?—That was the only motive the Audit Office had in reporting the matter to Parliament.

123. It was not done with the view of censuring the Government, or to show that there was any wrongdoing?—Certainly not.

J. B. HEYWOOD, Secretary to the Treasury, further examined.

124. *Rt. Hon. R. J. Seddon.*] This is not the first time that there have been transfers of stores from one department to another?—Certainly not.

125. To your knowledge, has it occurred in years gone by?—Yes.

126. Under different Administrations?—Under different Administrations.

127. Is the law upon the subject about the same?—Yes.

128. The only difference being, I suppose, that there was a different Controller and Auditor-General?—That is so.

129. The law has not changed, but the Controller and Auditor-General has?—Yes.

130. Do you consider that £100,000, considering the experience that you have had during the last few years, is a sufficient sum to be placed in the Unauthorised Fund?—I do not consider it sufficient.

131. With increased services, owing to the increase in population and trade and new Government departments, by some means or other these services demand that there should be an increase in the appropriation for "Unauthorised"?—Decidedly. The requirements of the railways themselves necessitate an increase in some shape or form to meet the extraordinary expenditure which takes place in that department at times.

132. It was you who discovered that there had been a similar situation at the Cape of Good Hope, and you brought it under my notice?—Yes; and I have even something further to read to the Committee, if they think it worth their while. This is by the same Controller and Auditor-General of the Cape of Good Hope Colony, and the matter is really referred to in the memorandum which Mr. Seddon read to the Committee a short time ago. It is an extract from a report the Auditor-General of the Cape Colony made on the financial accounts of the colony for the year 1881—a report which is contained in Vol. ii. of the "Transactions of Cape Colony," G.-34, of the year 1882. The Controller and Auditor-General is writing on the subject of expenditure on unforeseen services for which no appropriation has been made, and he makes these remarks: "To meet the circumstances of the colony I recommend the creation of one or more funds of such number and amount as Parliament may think fit to sanction. Reasons may be given why there should be more than one fund. The real test as to the amount of any such fund is this: How far

is Parliament willing that Government should go in an "Unauthorised expenditure" without putting the country to the possibly great inconvenience of an early session of Parliament? The answer to this question would depend greatly on the nature of the service. If any serious question of policy were concerned, involving perhaps the creation of a new office, a very small sum might be mentioned; while in a case involving no policy, where no difference of opinion could exist as to the expediency of the expenditure, such as, for example, would be the case if an unexpected development of railway traffic caused a deficit on the Railway working votes, a much larger sum might be spent without raising any objections." That extract seems pertinent to the inquiry.

133. Have you anything further to add to that?—With the permission of the Committee, I would hark back to the difficulties arising out of our being deprived of the use of £50,000, "Unauthorised expenditure." I have come across an expression of opinion from an authority which you legislative gentlemen are well acquainted with, I am sure—from Todd, in his "Parliamentary Government," in Vol. i., page 546. He gives expression to these opinions: "It becomes the duty of the Executive authorities, in the exercise of their discretionary powers, boldly to set aside the requirements of the Legislature, trusting to the good sense of Parliament, when all the facts of the case shall have been explained, to acquit them of all blame; and it would be not a public advantage, but a public calamity, if the Government were to be deprived of the means of so exercising their discretionary authority." And Todd further mentions that there were similar declarations by a Committee of the House of Commons that in official emergencies expenditure unauthorised by Parliament becomes absolutely essential. In all such cases the Executive must take the responsibility of sanctioning whatever immediate urgency requires, and it has never been found that Parliament exhibited any reluctance to supply the means of meeting such expenditure. And my own impression is that the Government, without a knowledge of Todd's opinion, acted in strict conformity with his views.

134. *Mr. Fraser.*] In the course they have adopted?—Yes. They boldly did all that they could do in paying the 4,500 men their salaries.

135. *Rt. Hon. R. J. Seddon.*] And you had any amount of money in the Treasury at the time?—Any amount.

136. There seemed to be an impression that this action had an incidental effect in swelling the surplus. The question is, had it the incidental effect of interfering with the balance in the Consolidated Fund?—I have already stated that it had not the slightest effect on the balance.

137. You say that the transfer of the stores had no such effect whatever?—The transfer of the £30,000 to the Railway vote had no effect upon the balance of the Consolidated Fund at the end of the year, because the £30,000 of expenditure which is included in the vote could not have been so included if the £30,000 had not been transferred to the credit of the vote. That is perfectly clear. I have not the least idea of misleading the Committee. Mr. Gavin said the £30,000 had the effect of increasing the surplus. I say that this £30,000 had not that effect, and I give my reasons why, simply because the expenditure could not have been made; and I am certain that if you ask Mr. Gavin whether I am right or wrong, he will agree with me.

138. *Mr. Fraser.*] You say that notwithstanding this transfer which you are acquainted with, the balance as stated in the Financial Statement is the correct balance and is not interfered with by this transfer?—It is not interfered with by this transfer.

139. Do you say that this transaction has made no difference in the surplus from what would have been the amount of the said surplus if the expenditure had been defrayed out of appropriation or "Unauthorised"?—I do not say so.

140. Then, there would have been a difference?—There would have been a difference.

141. Is the mode of defraying expenditure out of appropriation and "Unauthorised" the normal method?—It is.

142. This particular transaction was an abnormal method consequent upon a sudden necessity arising?—Yes.

142. You have admitted that the result from the method adopted differs from the result had the expenditure been defrayed from appropriation or "Unauthorised"?—I do admit that.

144. *Mr. J. Allen.*] You told us that you knew of similar transactions in previous years. Will you say that these two transactions of £15,000 each were on account of accommodation for the railways or not?—There is no doubt that these two transactions were the result of our deliberations together, and the method by which we anticipated we should get over the difficulties of the Railway Department to pay wages.

145. Were they for the accommodation of the Railways or not?—They were, in that sense, "accommodations."

146. Were the transactions similarly for accommodation in previous years—any of them?—I think so; but of course it is a good many years ago, and I have not the evidence before me to enable me to state definitely that it was so. Looking at the transactions that did occur, I assume that they were in a similar condition.

147. In your reference to the Cape Colony, are you aware that they have, possibly, not an "Unauthorised expenditure"?—No; I am not clear on that ground. I looked for the information, but I could not find it.

148. We have?—We have; but at the Cape they appear to issue what they call the "Premier's warrants," and they seem to be for an unlimited amount.

149. The only difference in the "Premier's warrant" and our "Unauthorised" is in the amount?—Apparently.

150. Their warrants are unauthorised, but unlimited?—That would appear to be so from the Auditor-General's report.

151. *Mr. Montgomery.*] If you had obtained the money by any other method than by the sale of stores, would not the surplus have been decreased?—Yes, provided the expenditure had been made.

## EXHIBITS.

## EXHIBIT A.

<i>Dr.</i>	TRANSFER.	£	s.	d.
Public Works Fund—				
Vote 90	...	13,908	7	9
Stores transferred from Vote 60.				
		<u>£13,908</u>	<u>7</u>	<u>9</u>
<i>Cr.</i>		£	s.	d.
Consolidated Fund (Credits)—				
Vote 60	...	13,908	7	9
As above.				
		<u>£13,908</u>	<u>7</u>	<u>9</u>

Treasury, 13th January, 1898.

R. J. COLLINS,  
Accountant to the Treasury.

Treasury, 13th January, 1898.

Approved—JAMES B. HEYWOOD,  
Secretary to the Treasury.

18th January, 1898.

Examined and passed—JAMES C. GAVIN,  
Assistant-Controller and Auditor.

## EXHIBIT B.

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

Name of section : Christchurch.

Department : Stores.

Classification : Stores.

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.

## EXHIBIT C.

RECOVERIES to RAILWAY VOTE on account of Work done, Stores supplied, &amp;c., for Year ending 31st March, 1898.

Department.	Particulars.	Wages.			Stores.			Totals.		
		£	s.	d.	£	s.	d.	£	s.	d.
Public Works—										
Whangarei ..	To filling scoria, diversion at Waro; ballasting and equipment, Whakapara extension and Waiotu extension	184	19	2	3	12	2	188	11	4
Kaihu ..	To equipment, Kaihu extension, and putting ballast-pit in order	22	16	2	..	..	..	22	16	2
Auckland ..	To loading scoria, equipment and ballasting extensions; fencing railway; coal and stores supplied; repairs to locomotive, ballast-wagons, and velocipedes; lengthening culvert 44½ in.; metalling road-approaches, Paeroa	429	4	4	219	19	4	649	3	8
Wellington—Napier— New Plymouth	To equipment, ballasting, &c., Eketahuna—Woodville; supply of coal, tarpaulins, timber, and other stores; repairs to locomotive, ballast-wagons, and velocipedes; and erection of signals and shelter-shed, Ngawapurua	2,546	10	6	242	2	7	2,788	13	1
Christchurch ..	To permanent-way material supplied ..	..	..	..	8,580	0	0	8,580	0	0
	To permanent-way material supplied ..	..	..	..	15,000	0	0	15,000	0	0
Dunedin ..	To inspection of ironwork, Mataura Bridge; repairs to locomotives, velocipedes, and wagons; ballasting and equipment, Otago Central extension; erection of workmen's huts; stores	594	4	10	104	4	4	698	9	2
Invercargill ..	To opening stop-block, Seaward Bush line ..	8	2	7	..	..	..	8	2	7
Grey—Brunner ..	To engine and wagon repairs ..	66	1	6	2	1	7	68	3	1
Nelson ..	To ballasting, Spooner's Range Section; rearrangement, Belgrove Station; and stores supplied	110	13	3	30	1	1	140	14	4
	Carried forward .. ..	32,962	12	4	24,182	1	1	28,144	13	5

EXHIBIT C.—*continued.*RECOVERIES TO RAILWAY VOTE on account of Work done, Stores supplied, &c.—*continued.*

Department.	Particulars.	Wages.			Stores.			Totals.		
		£	s.	d.	£	s.	d.	£	s.	d.
Additions to open lines	Brought forward .. ..	32,962	12	4	24,182	1	1	28,144	13	5
	To construction of locomotives, cars, wagons, and brake-vans, also conversions of same; fitting up cars with Pintsch gas; 1,000 tarpaulins; additions to workshops, and machinery supplied for same; ballasting; Woodville, Summit, and Upper Hutt Station improvements; three cottages at Cross' Creek; stores supplied for maintenance-works; and erection of gas-plant.	29,435	1	3	73,757	19	4	103,193	0	7
	To rolling-stock material, comprising copper plates, tubes, cylinders, &c.	..			15,000	0	0	15,000	0	0
Other Departments— Post and Telegraph	To assisting linemen, securing safes at stations, and converting cars for Postal purposes	361	8	7	151	12	3	513	0	10
Agriculture ..	To assisting to poison rabbits .. ..	2	3	1	..			2	3	1
Colonial Secretary ..	To assisting Inspector of Weights and Measures, Invercargill	5	0	11	..			5	0	11
Native and Justice ..	To conveying mails by velocipede, Otorohanga, Te Awamutu	28	2	5	..			28	2	5
Lands and Survey ..	To notice-boards, and stores for roads and bridges	1	12	6	10	0	0	11	12	6
	To permanent-way material for railway to lime-kilns, Makareao Estate	..			1,680	0	0	1,680	0	0
Lunacy .. ..	To loading scoria, and oil and stores supplied	3	6	6	57	9	8	60	16	2
Mines .. ..	To flume for Mountain Hut Race .. ..	26	14	4	15	14	11	42	9	3
Police .. ..	To conveying police by velocipede, and stores supplied	7	16	4	2	18	6	10	14	10
Government Printer	To copying-presses, cotton-waste, and stores	23	14	11	43	14	9	67	9	8
Prisons .. ..	To stores supplied	..			20	9	5	20	9	5
		33,857	13	2	114,921	19	11	148,779	13	1

## EXHIBIT D.

STORES sold to the PUBLIC WORKS DEPARTMENT by the RAILWAYS, Year ended 31st March, 1898.

*Dr.**Cr.*

Date of Sale.	Material sold.	Amount.	Date when Voucher was sent forward to Treasury.	Treasury Voucher No.	Amount.
1897.		£ s. d.	1897.		£ s. d.
May 1	To Countess slates ...	90 6 2	Aug. 7	23825 ...	90 6 2
" 29	Coal ...	2 2 3	" 7	23824 ...	2 2 3
" 29	Paint and oil ...	2 19 10	" 7	23824 ...	2 19 10
June 26	Coal ...	3 8 2	" 7	23824 ...	3 8 2
" 26	Oil ...	2 5 6	" 28	29143 ...	2 5 6
July 24	Coal ...	1 18 11	Sept. 18	32833 ...	1 18 11
" 24	Gum-boots ...	11 7 6	Oct. 9	38271 ...	11 7 6
Aug. 21	Coal ...	1 14 11	" 30	43029 ...	1 14 11
Sept. 18	" ...	4 3 6	Nov. 13	45261 ...	4 3 6
			1898.		
Oct. 16	Oil ...	0 16 3	Jan. 8	56796 ...	0 16 3
" 16	Ironbark ...	27 16 5	" 8	56803 ...	27 16 5
Dec. 11	Coal ...	9 7 10	Mar. 26	75176 ...	9 7 10
1898.					
Jan. 8	Coal ...	10 8 3	" 26	75176 ...	10 8 3
Feb. 2	56 lb. rails ...	8,580 0 0	Feb. 3	67969 ...	8,580 0 0
" 5	Coal ...	2 2 0	Mar. 26	75176 ...	2 2 0
" 5	Ironbark ...	4 3 9	" 31	77585 ...	4 3 9
" 26	Rails and fastenings	15,000 0 0	Feb. 28	69523 ...	15,000 0 0
" 5	Ironbark ...	9 12 6	Mar. 31	77585 ...	9 12 6
Mar. 5	Coal ...	2 1 8		Unpaid on March 31	
" 5	Ironbark ...	5 12 0		"	
" 31	Tank-valve ...	4 14 9		"	42 8 5
" 31	Locomotive-tires	20 19 3		"	
" 31	Bogie disc wheels	9 0 9		"	
		£23,807 2 2			23,807 2 2

Accountant's Office, Wellington, 2nd November, 1898.

MEMORANDUM for Mr. RONAYNE, *in re* stores sold to Public Works Department.

The £24,182 1s. 1d., shown on previous return as the amount recovered from sale of stores to the Public Works Department, represents the amount credited for same in the Treasury books for year ended the 31st March, 1898.

The attached return, which gives £23,807 2s. 2d., represents the actual sales made to the Public Works Department during the same year.

The difference, £374 18s. 11d., is, therefore, the balance of stores sold in preceding year and paid for in year 1897-98.

For the information of the Public Accounts Committee.  
2nd November, 1898.

A. C. FIFE.  
T. RONAYNE.

STORES sold to ADDITIONS to OPEN LINES by the RAILWAYS, Year ended 31st March, 1898.

Dr.

Cr.

Date of Sale.	Material sold.	Amount.	Date when Voucher was sent forward to Treasury.	Treasury Voucher No.	Amount.
1897.		£ s. d.	1897.		£ s. d.
May 1	Stores ...	56 0 9	June 18	12369 ...	56 0 9
" 29	" ...	186 3 3	July 17	17819 ...	186 3 3
June 26	" ...	96 9 11	" 31	22325 ...	96 9 11
July 24	" ...	349 13 4	Aug. 30	29140 ...	349 13 4
Aug. 21	" ...	825 0 6	Sept. 23	35359 ...	825 0 6
Sept. 18	" ...	1,089 4 2	Oct. 23	41303 ...	1,089 4 2
			1898.		
Oct. 16	" ...	1,085 4 2	Jan. 21	54734 ...	1,085 4 2
Nov. 13	" ...	1,697 14 5	" 21	54734 ...	1,697 14 5
Dec. 11	" ...	2,650 4 6	" 21	59732 ...	2,650 4 6
1898.			Feb. 17	66119 ...	3,183 0 6
Jan. 8	" ...	3,183 0 6	Jan. 21	59733 ...	13,908 7 9
" 8	" ...	13,908 7 9	Mar. 7	69524 ...	6,632 6 3
Feb. 5	" ...	6,632 6 3	" 23	74328 ...	4,133 9 6
Mar. 5	" ...	4,133 9 6	" 5	69381 ...	15,000 0 0
" 5	" ...	15,000 0 0			
		50,892 19 0			50,892 19 0
Apl., '97-	Stores ...	4,708 14 7	W'shops, Newmarket	...	4,708 14 7
Mar., '98	" ...	0 9 6	" Napier	...	0 9 6
Ditto	" ...	3,613 17 11	" East Town	...	3,613 17 11
"	" ...	3,773 7 3	" Petone	...	3,773 7 3
"	" ...	9,371 17 11	" Addington	...	9,371 17 11
"	" ...	12,765 13 6	" Hillside	...	12,765 13 6
		£85,126 19 8			£85,126 19 8
	Total as above	...			85,126 19 8
	Add Stores paid for during year 1897-98, but supplied in preceding year	...			3,630 19 8
	Total as per previous statement	...			£88,757 19 4

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

Accountant's Office, Washington, D.C. 20540

The attached report, which gives a full and complete account of the actual sales made to the public during the year 1937, is being submitted to you for your information and to the Board of the Public Accounts Commission.

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Receipts and Disbursements for the Year 1937, as reported to the Board of the Public Accounts Commission.

Date	Description	Amount	Balance	Total
May 1, 1937	Balance forward	...	...	...
May 31, 1937	Receipts	...	...	...
May 31, 1937	Disbursements	...	...	...
May 31, 1937	Balance forward	...	...	...
June 30, 1937	Receipts	...	...	...
June 30, 1937	Disbursements	...	...	...
June 30, 1937	Balance forward	...	...	...
July 31, 1937	Receipts	...	...	...
July 31, 1937	Disbursements	...	...	...
July 31, 1937	Balance forward	...	...	...
Aug. 31, 1937	Receipts	...	...	...
Aug. 31, 1937	Disbursements	...	...	...
Aug. 31, 1937	Balance forward	...	...	...
Sept. 30, 1937	Receipts	...	...	...
Sept. 30, 1937	Disbursements	...	...	...
Sept. 30, 1937	Balance forward	...	...	...
Oct. 31, 1937	Receipts	...	...	...
Oct. 31, 1937	Disbursements	...	...	...
Oct. 31, 1937	Balance forward	...	...	...
Nov. 30, 1937	Receipts	...	...	...
Nov. 30, 1937	Disbursements	...	...	...
Nov. 30, 1937	Balance forward	...	...	...
Dec. 31, 1937	Receipts	...	...	...
Dec. 31, 1937	Disbursements	...	...	...
Dec. 31, 1937	Balance forward	...	...	...
1937	Total Receipts	...	...	...
1937	Total Disbursements	...	...	...
1937	Balance forward	...	...	...
1937	Balance forward	...	...	...

Accountant's Office, Washington, D.C. 20540