

the service of whose Department payment of the draft in question was to be made that the expenditure was necessary to the public service; and section 47 of the Act requires that whenever it appears to him thus to be necessary he 'shall make a statement in writing setting forth the reasons rendering such expenditure necessary, and shall submit the same to the Treasury, and the Treasury, if it approves the same, shall send it, together with a requisition, to the Audit Office'; and the next section, 48, provides that 'The Audit Office shall, upon such requisitions and statements, from time to time issue orders for the payment of vouchers in excess of or without the appropriation of Parliament, &c. Thus do the two sections 47 and 48 prescribe the conditions necessary to the issue of the orders without which no payment can lawfully be made of vouchers for unauthorised expenditure, and make it the duty of the Audit Office to issue such orders only when those conditions have been observed; and when it is considered that the Administration has to obtain for its expenditure under the provision for unauthorised expenditure the subsequent sanction of Parliament, the Minister's statement in writing setting forth the reasons rendering such expenditure necessary, and the Treasury approval of such statement, cannot but be regarded as reasonable statutory precautions to be taken by the Administration as soon as the expenditure appears necessary and before it is authorised to be paid. The requirements of the section are reasonable and complete; and it is obvious that compliance with them is all that is necessary to keep within the statutory limit moneys expended in excess of or without the appropriation of Parliament. When the conditions of the provision for unauthorised expenditure are explained, and the difference between such provision and a vote is clearly understood, the requirements of the Act need little interpretation. Except the charges of the public debt, the claims upon the Government in London are paid out of the Foreign Imprest Account; and section 64 of the Act provides that 'No money shall be drawn from the Foreign Imprest Account except by cheque of the Agent-General, countersigned by an officer of the Audit Department, who . . . shall not countersign such cheque except for payments authorised by a requisition as aforesaid.' The Audit Officer accordingly, before he countersigns a cheque, must, of course, pass or audit the relative voucher—that is, he must in every case satisfy himself that the proposed payment is authorised by a requisition; and he could not have been held blameless by the Audit Office if, without being satisfied that the payments authorised by a requisition for the issue of moneys by way of general imprest included the payment of vouchers for unauthorised expenditure, he had passed the voucher and countersigned the Agent-General's cheque for the draft merely on the Treasury direction to the Agent-General to make the payment as a charge to General Imprest. From the foregoing explanation the statutory requirements will be seen to be such that before the Governor's determination that the draft was to be charged to General Imprest, the Audit Office would not have been justified in replying to its officer's inquiry that the expenditure could lawfully have been so charged, and the cheque could not lawfully have been countersigned. The position of the draft would consequently have not been altered if the Treasury had allowed the Audit Office reply to its officer to be forwarded. The draft would have been unpaid in any case pending the Governor's determination or the issue of a requisition that would authorise the payment. The Controller and Auditor-General ventures, however, to ask for the Minister's assurance that such telegrams to places beyond the colony as may henceforth be forwarded by the Audit Office for transmission through the Treasury will not be arrested, for they are generally so forwarded merely in order that expense may be saved by the use of the Treasury Code.—J. K. WARBURTON, Controller and Auditor-General."

3. *Hon. Sir J. G. Ward.*] Has the Audit Officer in London, Mr. Warburton, been in the habit of cabling out for directions in connection with payments on behalf of the colony in London?—I do not think that he has been in the habit of doing it. In this case he would know, as an old Audit Officer, that it was unauthorised expenditure, and it was his duty in that case to ask.

4. Has any alteration and instruction with regard to anything been recently given by you to the Audit Officer in London?—Yes; we are instructing every mail or so.

5. I mean it is not usual for him to cable out here as to how he is to act in connection with a payment which might involve the credit of the colony. Why has he done it in that particular case?—The credit of the colony must not depend on the exercise by him of a discretion which the law does not authorise him to exercise. There have been no instructions sent out with regard to a transaction like this. He has acted upon his own judgment as to the application of the general imprest. If he had paid the money and a clerk had brought the transaction under my notice I should have pointed out that it was an illegal payment in London.

6. I look upon the matter as a very important one from the point of view of the colony's credit. The Audit Officer cabled to you direct asking how he was to act in connection with unauthorised payment made in good faith by the Treasury on behalf of the colony to meet exceptional circumstances in South Africa, the directions being to the officer in South Africa, Major Pilcher, to draw upon the Agent-General at three days' sight. When the Audit Officer in London received the intimation of that, instead of making the provision there for its payment he adopted, I think, the extraordinary course of cabling out here to you for instructions. In the meantime that draft might have been dishonoured?—That was unauthorised expenditure which it was illegal for him to pass a voucher for. He therefore, long before the draft became due, cabled out for instructions to me. The draft was not paid before the 30th June in London. On the 13th June I sent that telegram on to the Treasurer, suggesting that the legal course should be adopted of providing for the payment.

7. Was that only after all the correspondence had passed?—It was not until the 23rd June that all the correspondence had passed.

8. That was before the draft was paid?—After all this correspondence I ultimately sent a telegram that the Governor had ordered the payment under section 9 of the Public Revenues Act.