

49. What was the date of the Governor's order?—21st June.

50. Is not that letter dated the 23rd July?—Yes; but I am speaking of the direction given by the Treasury, to which Mr. Palliser refers in paper No. 1. The Governor by order overcame the illegality, no doubt.

51. The Governor, by the order, decided that it was legal, otherwise it could not have been paid?—I do not understand that, Sir Joseph. I understand that the Governor has settled the question as to the charging of that particular sum to General Imprest.

52. This is the Governor's order :—“ . . . Now, therefore, His Excellency the Governor of the Colony of New Zealand, in exercise of the powers conferred upon him by the section aforesaid, and having before him the opinion of the Solicitor-General on the question in issue, doth hereby determine the same by deciding that in countersigning cheques on the Foreign Imprest Account the Audit Officer is not concerned with the nature of the service or with the knowledge of the Treasury, and may lawfully countersign. . . . ”?—I think he goes beyond his powers there.

53. That is the point. If under the law the Governor says that an act has been unlawfully done, is it a proper thing to advise the Audit Officer at Home that it was illegal?—I think so. I think the Governor has merely settled the question of that particular charge; and at a time before the Governor's order was made the charge was illegal.

54. But afterwards it was legal?—I am speaking on the assumption that the position you take up there is right, though I deny that it is right. The direction in this letter to the Audit Officer was that the instructions of the Treasury, given long before the Governor's order, were illegal. But they were demonstrated to be illegal by sections 47 and 48 of the Act; for without the observance of the requirements of those sections you cannot legally make a payment chargeable to the Unauthorised Expenditure Account.

55. There we come back to the original position; in the colony itself both the Treasury and the Audit Department wait until the return of the imprestee's account, and then they examine that account and allocate from it what has been rightly charged to Unauthorised and what has not, and then the disposition of the payments is made in accordance with the law; but in this case the whole business was in the course of transition?—In the Home case there is this difference: in neither case would it be legal for the Treasury to direct a payment out of money issued as a charge to a vote to be charged to Unauthorised Expenditure. But in London there is this difference; an imprestee in the colony, when left to himself, has no one to check him; in London the Audit Officer audits each payment before it is made. The Audit Officer has to countersign the cheques of the Agent-General on the Foreign Imprest Account, and the Audit Officer must see, before he countersigns the cheques, that the payments which the cheques propose to make are authorised by requisition.

56. Then, I understand you to say that there is a different system in London in connection with Audit matters to what there is in the colony?—In connection with the payment of moneys out of the Foreign Imprest Account.

57. The system is different there to what it is here?—Yes; there is an Audit Officer there to countersign every cheque on the Foreign Imprest Account. That is this officer, Mr. Palliser.

58. And the system of disposition there is different up to a point?—The system of disposition is different in respect of general imprest moneys. The moneys issued by way of general imprest are for payments chargeable to votes; but, it not being possible to charge them to the votes, the moneys are not so charged, and are called general imprest moneys.

59. Well, now, you are an officer who has had a very large experience in the colony, extending over many years, and have a knowledge of the working of the finances of the colony. I want to ask you this question: Would it be possible for any Administration to carry on the affairs of the colony if a system similar to that which has applied in this case—that of this draft—in England were to apply to payments against Unauthorised or Imprest Accounts in the colony itself?—I think it would be possible—would be easy—for the Government to carry on the administration, subject generally to the provisions of sections 47 and 48 with regard to unauthorised expenditure. The Administration is responsible to Parliament for its unauthorised expenditure, and it must know generally that any expenditure is unauthorised before it is paid, and must therefore be in a position to supply the money as a charge to the Unauthorised Expenditure Account. Now, the unauthorised expenditure is limited to the £150,000, and if the Administration were not able to enter every sum of unauthorised expenditure before it was paid, well, the responsibility would be unreasonable.

60. That is not an answer to my question. What I want to know is whether, with your experience, you would say that it would be possible for any Administration, under a system similar to that which was applied to the payment of the three-thousand-pound draft in London, to carry on the financial affairs of the colony within the colony itself; in other words, if the necessities of the payment of accounts required that before a responsible officer made a payment chargeable to his imprest he must have the countersignature of the Audit Department, or of some one representing the Audit Department, would such a system be possible in the colony itself?—I think so; possible for—

61. In other words, could the necessary payments to carry on the affairs of the colony be made in different parts of the colony under such a system?—Not under a system requiring that before every imprestee in the colony made a payment out of his imprest an Audit officer should countersign his cheque.

62. Then, in the colony, to enable the payments to be made and the affairs of the colony to be carried on in a reasonable way, it is absolutely necessary for the responsibility to be taken without the control of the Audit Department in the first instance, all payments that are required to be charged to Unauthorised Expenditure being charged after the imprest itself has come to hand?—