

1902.

NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF, ON PAPER B.-20: REPORT OF THE CONTROLLER AND AUDITOR-GENERAL AS REGARDS AUDIT AND IMPERIAL WAR OFFICE EXPENDITURE; TOGETHER WITH MINUTES OF EVIDENCE.)

(Mr. FISHER, CHAIRMAN.)

Report brought up on 26th August, 1902, and ordered to be printed.

REPORT.

THE Public Accounts Committee, to whom was referred the above-mentioned paper, have the honour to report that they have considered the same, and are of opinion "That no action is necessary."

26th August, 1902.

G. FISHER, Chairman.

MINUTES OF EVIDENCE.

TUESDAY, 19TH AUGUST, 1902.

Re Report of the Controller and Auditor-General as regards Audit of Imperial War Office Expenditure (Paper B.-20).

JAMES KEMMIS WARBURTON, Controller and Auditor-General, re-examined. (No. 5.)

1. *The Chairman.*] Will you please let us know, Mr. Warburton, what there is to be said with regard to this paper—B.-20?—I think, sir, that I have said all I have to say in the paper itself. The Imperial War Office has consented to dispense with the audit by the Audit Office of expenditure of its moneys by the Government of New Zealand in New Zealand.

2. The War Office has agreed to that?—It has agreed, I understand, to dispense with the audit by the Audit Office of New Zealand of the expenditure by the Government of New Zealand of moneys remitted by the War Office for such expenditure.

3. That absolves the Audit Office from any responsibility in the matter? It is a purely Imperial matter, I understand?—The only question for consideration is this: The Audit Office consents not to require the observance of the condition in the Public Revenues Act that the voucher for any expenditure out of the Public Account shall be satisfactory to the Audit Office. The Audit Office has consented to waive that requirement on the ground that the only body or the only person to whom we are responsible is the War Office.

4. The War Office is satisfied?—It has consented, I understand, to dispense with the audit by the Audit Office.

5. *Mr. J. Allen.*] What are the conditions in the Public Revenues Act that you waive?—Section 45 of the Act of 1891, which provides that a requisition is necessary to the passing of the moneys out of the Public Account; and that requisition can by law comprise only vouchers passed by the Audit Office.

6. The pre-audit?—Yes.

7. The colony is not interested, is it? So far as the money is concerned, it is War Office money?—Yes; but it went into the Public Account.

8. What account did it go into?—The Deposit Account, I understand.

9. Did any of it go to the Revenue Account?—No. If there was an expenditure on account of the Imperial War Office by the Colony of New Zealand, that might subsequently be transferred from this Deposit Account.

10. In the balance-sheet for this year—the Consolidated Fund Account—there appears a credit on account of contingents, and so on. Do you know what I refer to—I forget what the item is?—I think I know what you refer to.

11. Has that item anything to do with this matter?—That would be a transfer, probably.

12. From Deposit Account?—I do not know; I would not like to say positively from recollection; but if that is a transfer of Imperial Government moneys to the credit of the colony it is a transfer passed by the Audit Office on satisfactory vouchers.

13. But if the audit, as far as the War Office is concerned, was dispensed with, could that money be transferred without your audit?—Not in that case. We should require vouchers to show that the money was paid by and was due to the colony—that is to say, due to it from the Imperial War Office.

14. *Mr. Guinness.*] Why did you consider it necessary to report a matter like this to Parliament?—Because I was waiving a requirement of the Public Revenues Act.

JAMES B. HEYWOOD, Secretary to the Treasury, examined. (No. 6.)

15. *The Chairman.*] You have heard what Mr. Warburton has said, Mr. Heywood. Is there anything that you wish to say on the matter?—I was going to say that the action which the Treasury felt bound to take in connection with this matter arose purely from the congestion of the accounts belonging to the Imperial contingents, payment in connection with which had to be made out of the Imperial funds in the hands of the Treasury. The congestion was to such an extent that upwards of £70,000 had accumulated in connection with Audit queries which could not be answered by the Defence Office or by the Treasury, and the matter reached such an acute stage that I deemed it my duty to represent it to the Colonial Treasurer, and suggest that the audit by the Audit Office here should be dispensed with if the War Office was agreeable to that course being pursued. Of course, the Committee will understand that, whatever audit is made here, the Imperial audit also takes place; and it appears clear to me that the two audits—the first of which was placing the colony in a most embarrassing position by being unable to render the accounts which they desired to do to the Imperial authorities of the expenditure which had been incurred on their behalf—were unnecessary; and with the knowledge that these were Imperial funds solely and purely—not a penny of them belonging to the colony—it was considered proper to ask the Imperial authorities to sanction to dispense with the Audit Office audit. I could bring up to the Committee hundreds, and probably thousands, of vouchers queried by the Audit Office, the queries being such that by no possibility could an answer be given that would be of a satisfactory character to the Audit Office. The Committee will understand that I am not in the least desirous to impute blame to the Audit Office, for the Audit Office were exercising their functions, and deemed it their duty to raise the queries and questions, which appeared to them necessary in order to make a proper audit of the accounts. But the time during which the expenditure was made was such as might obviously preclude the correct accounting by the officers concerned with the expenditure, and this necessarily would happen at the seat of war, where, of course, the office conveniences for proper accounting might be totally absent. I do not wish to delay the Committee, but I might instance one occurrence which took place. The War Office sent out to us £24,000-odd of money, directed to be paid as balances due for the Fourth and Fifth Contingents. When I was desirous of using this money for the purpose of paying these balances the Audit Office demanded an account of how it was made up. We had but the slightest knowledge of how the money was made up, and upon informing the Audit Office that that was the case they declined to allow the money to go into the general funds of the Imperial Government. We were willing to place it in a separate account, but it was then found that the Audit Office could not allow it to be operated upon for want of information required by them, and that money for the time being became useless. We could not make the payments which the War Office desired that we should make out of this money, and we had to cable Home for direct authority from the War Office that the money should be included in the general account of the Imperial funds. This was done. As I have said, I could bring forward hundreds of these queries, but that would not, I think, be of any material worth to the Committee. I merely generalise that the Audit queries, although in the proper direction in an ordinary local audit, were of a character which precluded their being answered owing to the exceptional circumstances out of which the expenditure arose.

16. *Mr. J. Allen.*] I do not know whether it bears upon this subject or not, but can you answer the question that I asked Mr. Warburton, as to how the item referred to comes to be in the Consolidated Fund?—Yes. I think that was money recovered in connection with expenditure which had been originally charged to the colony's funds, and which was afterwards found to be properly Imperial expenditure. It was credited to "Unauthorised" as expenditure of previous years.

17. Was it paid in a previous year?—Yes; I think you will find that that is the heading of the item to which you refer.

18. Was it on account of contingents, or what?—Yes, on account of contingents.

19. We paid it, expecting that it was our liability, but we found out afterwards that that was not so?—That is so.

20. I suppose the War Office knows of it?—They will get the vouchers for it.

Approximate Cost of Paper.—Preparation, not given; printing (1,200 copies), £1.