

FINANCIAL STATEMENT.

Permanent Charges—Item: "Interest" over estimated.

Registration—Provision made for Registrar General's Department, but Registration Act not brought into operation.

Postal—Large arrears due but not remitted.

Otago and Southland Provincial Services—Votes only partially expended, owing to reduction in services. The Estimates having been prepared in the flush of the Gold-fields.

Although, therefore, I have already shown that the estimates of revenue were sufficiently accurate; yet it must be admitted that those of expenditure were not so satisfactory for the reasons, and on the items particularized. I said there was an "apparent saving" because although this appears to be the case, when we compare the aggregate amounts of expenditure; yet a detailed comparison shows a totally different result; and we find that upon particular votes, or upon services not provided for on the Estimates, there has been an excess, which raises the unauthorised expenditure to the amount of £161,610. I may here remark, that it has been usual to apply to this class of expenditure the euphemism *Supplementary*; I have, however, employed the plainer, but truer term, *Unauthorised*. Now, it cannot be denied that this is a large expenditure to have been incurred without authority.

It appears (Return No. III.) that £36,117 belongs to the year 1863-4, and £126,157 to 1864-5: that of the former years expenditure, there belongs £22,684 to General, and £13,433 to Provincial; of the latter year's £103,023 to General, and £23,133 to Provincial service. In explanation of the sum of £103,023 it may, however, be observed that it embraces the charges incident to the removal of the seat of Government; which were covered by resolution and therefore can only technically be regarded as "unauthorised." In explanation of the Provincial amounts, I may remark, that the chief items are for Otago.

The Committee will be asked to cover this expenditure by an Appropriation. But it will be necessary first to determine on what funds it is to be made a charge. There is the option of placing it on the Loan or on current revenue: the latter would, no doubt, be the correct course. But a regard to the requirements of the Provinces (for which I may say, the present Government is anxious to make every reasonable provision) has induced us to propose to charge the General portion of the Expenditure on the Loan; and it will be remembered that there is a precedent for this course in the "Debenture Act 1860." The Provincial portion ought clearly to be charged Provincially; although hitherto, by some oversight, such does not appear to have been the practice. But it would be manifestly unfair, to make the cost of erection of a Custom House and Post Office at Otago, a charge on the Colony.

Still, however, after all the explanations that may be offered, and whatever may be the course adopted for bringing this expenditure to charge; it cannot but be regarded as very unsatisfactory, that so large an amount of unauthorised expenditure should have been incurred. And I feel bound to record my opinion, that unless some Act of the Legislature be passed, creating a control over the Government in its expenditure, serious embarrassment will be certain to arise in the future. I propose to invite the attention of the Committee specially to this, when the Bill which the Government intend to propose on the subject is brought down.

SURPLUS REVENUE.

If, however, the savings on votes each year had been carried to next year's revenue account the irregularity of having incurred unauthorised expenditure would indeed have remained; but it would have been unaccompanied by any disturbance of the finance. For in that case there would still have existed the funds on which legitimately to charge such expenditure; and it would only remain for the Committee, should it think proper, to extend over it the cover of its authority. But when we come to compare the unauthorised expenditure with the distribution of the surplus revenue, we have reached the climax of our very peculiar system of New Zealand finance.

I have before me a comparative Return (Return No. IV), showing the annual amount of unauthorised expenditure and distributable surplus (in excess of the $\frac{2}{3}$ ths Customs) extending from 1858 to 1865; which shows that whilst the unauthorised expenditure has reached the amount of £206,913 during the last seven years, the surplus (in excess of the $\frac{2}{3}$ ths Customs) distributable to the Provinces during the same period has amounted to £243,489. And when it is recollected that the House of Representatives has already directed a portion of this unauthorised expenditure to be carried to Loan Account; and that it is perhaps not too presumptuous to assume that this Committee will sanction the proposal to deal with the remainder in the same manner; it must, I think, be evident that the operation by which the Colony, out of the so-called Surplus or overflowing of its ordinary Revenue has distributed to the Provinces nearly a quarter of a million, whilst it was making other provision by loan for its own excess of expenditure during the same period is altogether anomalous and indefensible.

Now, sir, in my humble opinion, it would be mere idle folly to ignore either the usefulness or the requirements of Provincial Governments. They have to provide for services of equal importance with those of the General Government; and the Constitution Act accordingly made special provision for the maintenance of these services. But, whilst fully admitting this view, we must, in order to understand the true bearings of the case at the present day, enquire what the term "such revenue" (in the 66th section of the Constitution Act) meant. It embraced at