

may be made sufficiently stringent to accomplish its purpose, and yet to leave that degree of elasticity and freedom of action which is indispensable in administering the finance of any country, and more especially of a new one, that every Appropriation Act should give some power to issue Treasury Bills. With some such provisions for their being made and issued as are now proposed, the check of the Comptroller would remain as perfect as the present Act seeks to make it, in respect to actual revenue and loans authorized by law.

*By Mr. Haughton*] Will you explain the Reserve Fund Account (73 B. No. 2,) and state how the balance of £48,325 1s. 7d., appears to stand to the credit of that fund?

*Mr. Woodward.*] I lay upon the table, in answer to that question, a copy of a Memorandum that I have already prepared for the information of the Colonial Treasurer.

Mr. Woodward then read the document (which is marked A. and annexed) and was thanked by the committee for his attendance and for the information afforded.

The committee resumed their inquiry into the items of unauthorized expenditure, in accordance with their resolution passed at their meeting held 19th July.

*Secretary for Crown Lands Department.*

Mr. Masters attended and explained that the item of £161 7s. 7d. of unauthorized expenditure had arisen out of the employment of an assistant draughtsman to prepare Crown Grants issued under the Native Lands Act.

*Colonial Treasurer's Department.*

Mr. Batkin attended and explained that the item of £201 19s. of unauthorized expenditure had arisen out of the employment of an additional clerk, in consequence of the transfer of the payment of the Colonial Forces from the Paymaster's Department to the Colonial Treasury, and of other additional work in connection with the war being thrown on the office.

The committee then adjourned to Friday, 3rd August, at 10:30 a.m.

*A.—Memorandum explanatory of the Reserve Fund.*

The Reserve Fund is nominally composed of sums deducted from the revenue of a given year to meet engagements for particular services for which sums had been appropriated by the Legislature, but which sums had not been expended during the year for which the provision was made. The first sum "reserved" in the history of the finances of the Colony will illustrate this. In the year 1857-8 a sum was voted for the library of the General Assembly, of which £128 18s. 2d. was unexpended at the close of the year, but was charged in the Revenue Account as if it had been expended, being "reserved" in general balance, to be used for the purpose designated in the ensuing year. Gradually other sums were charged in the same manner, notably under the heads "Native Schools Act," "Native Purposes," and "Postal contribution to Main Line," which sums went to swell the "General Charges" which are distributable among the Provinces, but the fund had no real existence, as the constant drain upon the Treasury for the extraordinary expenditure occasioned by the war, caused all the money that was accessible to be used to meet the exigencies of the public service. The table annexed will show how the fund went on accumulating to the end of the year 1864-5, in making up the accounts for which period the Colonial Treasurer reduced both the number of items and the amount as far as practicable, leaving a balance of only £48,325 1s. 7d., instead of £57,471 8s. 11d., with which the year began. This balance of £48,325 1s. 7d. was composed of the following items:—

	£	s.	d.
Contribution to Main Line ... ..	17,050	0	0
Native Purposes ... ..	26,424	1	3
Native Schools Act ... ..	4,551	0	4
Manual of New Zealand Botany ... ..	300	0	0

£48,325 1 7

During the ten months of the past financial year (July 1st, 1865, to 30th April, 1866) for which the accounts have been posted, the operations on the amounts given above, have been as under:—

	£	s.	d.	£	s.	d.
<i>Cr.</i> July 1st. Contribution to Main Line ... ..	17,050	0	0			
<i>Dr.</i> " Amount paid ... ..	17,050	0	0			
<i>Cr.</i> " Native Purposes ... ..	26,424	1	3			
" Arrears received ... ..	630	6	7			
	27,054	7	10			
<i>Dr.</i> " Amounts paid ... ..	10,675	12	11			
				16,378	14	11
<i>Cr.</i> " Native Schools Act ... ..	4,551	0	4			
<i>Dr.</i> " Amounts paid ... ..	912	7	11			
				3,638	12	5
<i>Cr.</i> " Manual New Zealand Botany ... ..	300	0	0			
" Amount received ... ..	1	10	0			
				301	10	0
				£20,318	17	4