B.—No. 5. 8 PAPERS RELATIVE TO CLAIMS AND COUNTER-CLAIMS

In your last Memo. you state "that while all the accounts are familiar to you, being indeed your own accounts the whole subject of these claims and counter-claims comes under my consideration almost for the first time." I quite admit this, and by the system of enquiry I recommend, you would have the advantage of my experience and acquaintance with the subjects generally; and by thus proceeding in the investigation together, we would more readily and expeditiously come to decisions upon the various points that may arise than would be possible by any other process.

If, however, you have any decided objection to follow the system I have indicated, I shall make no further opposition to yours, beyond recording my fears that very considerable delay will be the result, and,

possibly, that complications, difficulties and misunderstanding may be engendered.

As my supporting Vouchers are the original ones under which Her Majesty's Government disbursed the sums they represent, I, of course, am unable to permit them to be removed from the immediate possession of the Commissariat Officer who has now the special charge of them. I would therefore propose that your accountant should meet this officer of my Department in the examination, and he would not only produce the Vouchers for examination but at the same time by his knowledge of their nature would be in a position to render your accountant any assistance that might be desired.

The only other points touched upon in your Memo. requiring reference are, 1st, your reserving the right to report to His Excellency upon other subjects after the examination of these claims. I can have no possible objection to such a right, but your reason for objecting to any of the various items forming the claims should of course be made to me; as, otherwise, I shall not be in a position to fulfil the Treasury

instructions, and report fully to their Lordships.

A second point is, that if I labour under any misapprehension regarding the original appointment of Dr. Knight as Commissioner, that misunderstanding did not originate with me, and I now hand you a copy of His Excellency's communication as the authority under which I made the assertion.

A third and last is, that I never intended to convey the impression to you that a claim to the extent of about £80,000 is now for the first time heard of. I intended to say that I had only recently heard of it, and as yet know nothing of the particulars connected with it. It is very possible that it may at one time have been made the subject of correspondence between the Governments, or been otherwise in many ways in the full knowledge of the Colonial Government, without my ever hearing of the matter. But I should inform you that this item has been excluded from my account pending information from home.

H. STANLEY JONES, Commissary General.

Enclosures.

Governor Sir George Grey, K. C. B., to Major General Chute.

SIR.

Government House, Wellington, 16th July, 1866.

In reply to your letter of the 20th instant, I have the honor to state that the Auditor-General of New Zealand has been appointed by this Government to investigate, with Commissary General Jones, C B., the liabilities of the Colony of New Zealand to the Imperial Government, and the claims of the Colony against the Imperial Government.

As the Auditor-General cannot possibly leave the Seat of Government, I have the honor to request

that the investigation of these accounts may take place at Wellington.

I have, &c.,

The Hon. Major General Chute, &c., &c.,

G. GREY.

Wellington, New Zealand, 29th September, 1866.

Memorandum of Items of a considerable amount ordered from home to be added and deducted in the Commissariat accounts of charges against the Colony, with copies of those orders subjoined separately:--

ADDED.

- (A) 1. The sum of £67,927 5s. 9d. as a long outstanding charge claimed on account of the New Zealand Fencibles, in terms of Treasury letter dated 27th November, 1865.
- (B) 2. The sum of £6,931 5s. 5d. as due for the construction of the Iron Barracks at Taranaki, in the years 1855-6 and 1856-7.
- (C) 3. The sum of £79,756 19s. 10d. as due for arms and ammunition supplied to the Colony, but no information or dates are given, and consequently is for the time omitted from the Commissariat account of charges. Instructions have been solicited from the War Office.

DEDUCTED.

£69,469 7s. 6d., withdrawn under instructions from the Secretary of State for War (dated 19th April, 1866), being the difference between the sum stated by Treasury Minute of the 24th May, 1862, as the amount due on the 29th October, 1861, viz. £193,180 5 6 And the amount charged by the Commissariat as due on that day, viz. 123,710 18 0

Excluded accordingly \pounds 69,469 7 6