

1895.

NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

REPORT OF THE, ON THE INQUIRY CONCERNING THE ISSUE OF DEBENTURES FOR £145,400,
AND ON THE INCREASE OR DECREASE OF THE ANNUAL INTEREST CHARGE, ETC.;
TOGETHER WITH MINUTES OF PROCEEDINGS AND EVIDENCE, AND APPENDIX.

Report brought up on the 30th October, 1895, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

FRIDAY, THE 21ST DAY OF JUNE, 1895.

Ordered, "That a Committee be appointed to examine into and report upon such questions relating to the Public Accounts as they may think desirable, or that may be referred to them by the House or by the Government; and also into all matters relating to the finances of the colony which the Government may refer to them; five to be a quorum. The Committee to consist of Mr. Guinness, Mr. G. Hutchison, Mr. Lang, Mr. Montgomery, Dr. Newman, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, and the mover."—(Hon. Mr. SEDDON, for Hon. Mr. Ward.)

WEDNESDAY, THE 24TH DAY OF JULY, 1895.

Ordered, "That the names of Mr. T. Mackenzie and Mr. J. McGowan be added to the Public Accounts Committee."—(Hon. Mr. WARD.)

TUESDAY, THE 24TH DAY OF SEPTEMBER, 1895.

Ordered, "That the names of the Hon. Mr. Larnach, Mr. Hogg, and Mr. Button be added to the Public Accounts Committee."—(Hon. Mr. WARD.)

WEDNESDAY, THE 25TH DAY OF SEPTEMBER, 1895.

Ordered, "That the name of Mr. Hogg be discharged from the Public Accounts Committee, and the name of Mr. T. Thompson substituted in lieu thereof."—(Hon. Mr. SEDDON.)

WEDNESDAY, THE 23RD DAY OF OCTOBER, 1895.

Ordered, "That the Public Accounts Committee have leave to sit to-morrow (Thursday, the 24th October) during the sitting of the House."—(Hon. Mr. LARNACH.)

SATURDAY, THE 26TH DAY OF OCTOBER, 1895.

Ordered, "That the Public Accounts Committee have leave to sit on Monday, the 28th instant during the sitting of the House."—(Hon. Mr. LARNACH.)

MONDAY, THE 28TH DAY OF OCTOBER, 1895.

Ordered, "That the Public Accounts Committee have leave to sit during the sitting of the House on Tuesday, the 29th instant."—(Hon. Mr. LARNACH.)

REPORT.

THE Public Accounts Committee have the honour to report,—

1. That the Committee, having carefully examined into the transaction relating to the issue of debentures for £145,400, and having taken the evidence of the Secretary to the Treasury and the Controller and Auditor-General, find that the transaction was a proper one, and was, in the opinion of the Solicitor-General and the Controller and Auditor-General, in accordance with law.

2. Your Committee have also to report that the question of interest payable by the colony was considered by your Committee; and the table supplied by the Treasury, which is included in the printed evidence, shows the increases and decreases of interest. The system adopted up to June, 1895, of dealing with the "drawing loan" of 1867 was altered after that date, and that has made the amounts appearing in the interest table vary considerably. It has been proved to the satisfaction of the Committee that, owing to the new system inaugurated by the Treasury last year in connection with the "drawing bonds," there has been at least £180,000 less available during the year for the use of the Government.

30th October, 1895.

W. J. M. LARNACH,
Chairman.

MINUTES OF PROCEEDINGS.

[The Minutes of the Committee dealing with other business than that referred to in I.—7B is not printed herein.]

WEDNESDAY, 25TH JULY, 1895.

Present : Mr. Guinness, Mr. G. Hutchison, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Dr. Newman, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, Hon. Mr. Ward.

The Orders of Reference of the 21st and 24th June, 1895, read by the Clerk.

Election of Chairman :

On the motion of the Hon. Mr. Ward, *Resolved*, That Mr. Saunders be appointed Chairman.

Notices of motion :

The Hon. Sir R. Stout gave notice to move at the next meeting, That the Committee ascertain : (1) The exact increase of debt ; (2) the increase or decrease of interest during the past year ; (3) the amount of securities now in London, and when sent there.

The Committee then adjourned until Friday, the 2nd August next, at 11 o'clock a.m.

FRIDAY, 2ND AUGUST, 1895.

Present : Mr. Saunders (Chairman), Mr. Guinness, Mr. G. Hutchison, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, and Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

The Hon. Sir R. Stout moved the resolution of which he had given notice at the last meeting.

After discussion, the Hon. Sir R. Stout agreed to strike out paragraph (1), and the remainder of the resolution was then agreed to.

Resolved, on the motion of the Hon. Sir Robert Stout, That the Secretary to the Treasury attend the next meeting to give the Committee evidence regarding interest.

The Committee then adjourned until Friday next, at 11 o'clock a.m.

FRIDAY, 9TH AUGUST, 1895.

Present : Mr. Saunders (Chairman), Mr. Guinness, Mr. G. Hutchison, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, and Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

A letter was read from the Secretary to the Treasury, enclosing a statement showing—(1.) Interest, increase or decrease during 1894–95 ; (2.) Securities in London on 29th October, 1894, including drafts *in transitu* ; (3.) Amount of Government bonds and debentures now in London.

Mr. J. B. Heywood, Secretary to the Treasury, attended and made a statement.

After Mr. Heywood withdrew, Sir Robert Stout moved—(1.) “That Mr. Heywood prepare a statement showing increase or decrease of (a) interest, and (b) sinking fund, respectively, (a) charged and (b) paid respectively in years 1890–91, 1891–92, 1892–93, 1893–94, 1894–95, 1895–96 ; first, if present system of dealing with “drawing loan” of 1867 had been in force during these years ; second, if the old system followed had been continued in 1894–95, 1895–96.” (2.) “That the dates on which the drafts mentioned in the return furnished to-day were sent to London be furnished.”

Hon. Mr. Ward moved to add the following, by way of amendment, “and that the Secretary to the Treasury inform the Committee whether cash for the drafts to mature, and those *in transitu*, could have been provided in London on or prior to the 29th October, 1894.”

Mr. Hutchison moved, by way of further amendment, to add the following, after the Hon. Sir R. Stout's second paragraph, “That the dates on which the drafts mentioned in the return matured, and when they were paid.”

Upon Mr. Hutchison's amendment being put a division was called for, and the names were taken down as follow :—

Ayes, 4.—Mr. G. Hutchison, Mr. Mackenzie, Mr. Lang, Hon. Sir R. Stout.

Noes, 7.—Mr. Tanner, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Hon. Mr. Ward, Mr. Guinness.

Amendment lost. Words not added.

The motions of the Hon. Sir R. Stout and Hon. Mr. Ward were then put as a whole and passed in the affirmative.

Resolved, on the motion of the Hon. Sir R. Stout, “That a copy of the receipts and expenditure in the London Cash Account for the year 1894–95, as audited, be laid before the Committee.”

The Committee then adjourned until Friday next, at 11 o'clock a.m.

FRIDAY, 16TH AUGUST, 1895.

Present: Mr. Saunders (Chairman), Mr. Guinness, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

The Secretary to the Treasury wrote, enclosing statements of the information asked for in the resolutions moved by the Hon. Sir R. Stout and the Hon. Mr. Ward. Mr. Heywood also wrote that he was unable to attend the Committee to-day through illness.

Resolved, on the motion of the Hon. Sir R. Stout, That the further consideration of the statements be postponed until Mr. Heywood could attend.

After discussion,

Resolved, on the motion of the Hon. Sir R. Stout, That copies of the letter of the 15th August, 1895, covering the statement on interest, &c., together with the statement, be supplied to each member of the Committee.

The Committee then adjourned until Tuesday next, at 11 o'clock a.m.

WEDNESDAY, 9TH OCTOBER, 1895.

Present: Hon. Mr. Larnach (Chairman), Mr. G. Hutchison, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. T. Thompson, Mr. Tanner, Hon. Mr. Ward. (Prior to this meeting Mr. Saunders resigned on account of illness, and the Hon. Mr. Larnach was elected Chairman.)

The minutes of the previous meeting read and confirmed.

Notice of motion *re* £145,400 debentures.

The Hon. Sir R. Stout moved, That the Secretary to the Treasury and the Auditor-General be respectively asked to state how the amount of £145,400 debentures, issued this year under "The Consolidated Stock Act, 1884," was arrived at; specifying the various sinking funds against which debentures have been issued.

Resolved, That the further consideration be postponed till Tuesday next.

The Hon. Sir R. Stout gave notice to move on Tuesday next, That the Committee report to the House the result of their investigations regarding the interest payable by the colony, and regarding the amount of securities in England last year.

The Committee then adjourned until Friday next, at 11 o'clock a.m.

TUESDAY, 15TH OCTOBER, 1895.

Present: Hon. Mr. Larnach (Chairman), Mr. Guinness, Mr. G. Hutchison, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, Mr. T. Thompson, and Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

The following notices of motion by the Hon. Sir R. Stout were adjourned till next meeting:—

- (a.) That the Secretary to the Treasury and the Controller and Auditor-General be respectively asked to state how the amount of £145,400 debentures, issued this year under "The Consolidated Stock Act, 1884," was arrived at, specifying the various sinking funds against which these debentures have been issued.
- (b.) That the Committee report to the House the result of their investigation regarding the interest payable by the colony, and regarding the amount of securities in England last year.

The Committee then adjourned *sine die*.

WEDNESDAY, 23RD OCTOBER, 1895.

Present: Hon. Mr. Larnach (Chairman), Mr. Button, Mr. McGowan, Mr. G. Hutchison, Mr. Montgomery, Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, and Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

The Hon. Sir R. Stout moved, That the Secretary to the Treasury and the Controller and Auditor-General be respectively asked to state how the amount of £145,400 debentures, issued this year under "The Consolidated Stock Act, 1884," was arrived at, specifying the various sinking funds against which these debentures have been issued.

The Hon. Mr. Seddon moved by way of amendment, That the Secretary to the Treasury (Mr. J. B. Heywood) and the Controller and Auditor-General (Mr. J. E. FitzGerald) be asked to attend to-morrow at 10.30 a.m. and give evidence in reference to the issue of £145,400 debentures, and bring with them a statement how it is arrived at.

The Hon. Sir R. Stout agreed to this, and the amendment was put as the substantive motion and resolved in the affirmative.

The Hon. Sir R. Stout moved, That the Committee report to the House the result of their investigations regarding the interest payable by the colony and regarding the amount of securities in England last year.

The Hon. Mr. Seddon suggested that, as Mr. Heywood would be in attendance to-morrow, the motion be postponed till after his attendance.

Motion adjourned accordingly.

The Committee then adjourned until to-morrow at 10.30 a.m.

THURSDAY, 24TH OCTOBER, 1895.

Present : Hon. Mr. Larnach (Chairman), Mr. Button, Mr. G. Hutchison, Dr. Newman, Mr. T. Mackenzie, Mr. McGowan, Hon. Mr. Seddon Hon. Sir R. Stout, Mr. Tanner, Mr. T. Thompson, and Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

Order of Reference of the 23rd October, 1895, read by the clerk.

Messrs. Heywood and FitzGerald were waiting in attendance in pursuance of summons.

The Hon. Sir R. Stout and Mr. G. Hutchison raised the question as to whether the witnesses should attend together, and objected to their doing so.

A discussion ensued.

The Chairman said that if any objection was made to the witnesses attending together he should rule that they should not be admitted together.

Mr. Heywood then attended and gave evidence in reference to the issue of debentures for £145,400, and handed in a statement showing the adjustment of the accretions of sinking funds for 1893 and 1894, and the estimate for 1895–96. Statement dated 29th April, 1895.

A reporter was in attendance to take down the evidence, but, after reporting for some time, it was apparent he was not taking the evidence fully, and an adjournment took place until another reporter attended. The services of another reporter being obtained, Mr. Heywood continued his evidence.

The Hon. Sir R. Stout then raised the question as to how far the previous examination was reported.

The Hon. Mr. Seddon then moved, That the examination of Mr. Heywood with reference to sinking funds be postponed until 10.30 a.m. to-morrow.

A discussion took place, and, in response to a question from Hon. Sir R. Stout, Mr. Heywood gave evidence in explanation of the statements already submitted to the Committee relating to the interest and sinking-fund charges of past years, and his evidence was taken down by the reporter.

Mr. Heywood, during his examination, and at the request of the Hon. Sir R. Stout, produced a copy of a slip inserted in the Year-book of 1895, attached to page 150.

During Mr. Heywood's examination the Hon. Mr. Seddon desired to ask the witness if it was the case that recently there had been friction between the Treasury and the Audit Department.

The Hon. Sir R. Stout objected to the question, and asked for the Chairman's ruling.

The Chairman ruled that the question could not be put.

Mr. Heywood was continuing his evidence, when the question was again raised as to whether his examination should be continued until the transcript of the evidence taken by the first reporter was obtained.

The Hon. Mr. Seddon then moved, in lieu of the motion mentioned previously, That exception having been taken by the Hon. Sir R. Stout and Mr. G. Hutchison to the Auditor and Controller-General and the Secretary to the Treasury being present together whilst evidence was being taken, the further examination of Mr. Heywood be postponed until the evidence taken by the first reporter shall have been transcribed.

The Hon. Sir R. Stout moved, by way of amendment, to strike out all the words after "That," and insert in lieu thereof the words "as the Hon. Mr. Seddon has made statements in his motion as to what took place in Committee when he was not present, and as the mover only took exception to strangers being present when witnesses were being examined, and as the Chairman ruled that if objection were taken the strangers must withdraw, this Committee agrees to adjourn the examination of Mr. Heywood till to-morrow."

Mr. Montgomery then moved, by way of further amendment, to strike out from the Hon. Mr. Seddon's motion all the words from "exception" down to "further," inclusive.

Mr. Montgomery's amendment being put, a division was called for, and the names were taken down as follow :—

Ayes, 4.—Mr. G. Hutchison, Mr. T. Mackenzie, Mr. Montgomery, Hon. Sir R. Stout.

Noes, 6.—Hon. Mr. Larnach, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

So it passed in the negative. Amendment lost.

The Hon. Mr. Seddon's motion was then put, and a division being called for, the names were taken down as follow :—

Ayes, 5.—Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 5.—Mr. G. Hutchison, Hon. Mr. Larnach, Mr. T. Mackenzie, Mr. Montgomery, Hon. Sir R. Stout.

The votes being equal, the Chairman gave his casting-vote with the "Noes."

One o'clock p.m. having arrived, the further proceedings were adjourned till to-morrow, at 10.30 a.m.; and the Chairman intimated that he would cause fresh summonses to be sent to Messrs. FitzGerald and Heywood to attend.

The Committee then adjourned until to-morrow at 10 o'clock a.m.

FRIDAY, 25TH OCTOBER, 1895.

Present : Hon. Mr. Larnach (Chairman), Mr. Guinness, Mr. G. Hutchison, Mr. Lang, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. T. Thompson, Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

The Clerk announced that he had received a communication from the Controller and Auditor-General.

The Hon. Mr. Ward moved, That, before the communication was read, he desired to call attention to the notice of motion given in the House by Mr. G. Hutchison in reference to the debentures, and which appears on a Supplementary Order Paper No. 94. He desired to ask the Chairman if it was not contrary to the Standing Orders for such a notice of motion to be given, derived from information obtained at yesterday's meeting of the Committee, and before the matter had been reported to the House.

Mr. G. Hutchison admitted it was from what he had learned yesterday that he had given the notice of motion referred to.

The Chairman stated that he thought Mr. G. Hutchison's action was against the Standing Orders, and it was most inconvenient to the Committee.

The Hon. Mr. Seddon moved, That the Chairman consult Mr. Speaker in reference to the question raised by Hon. Mr. Ward.

Upon the question being put, a division was called for, and the names were taken down as follow :—

Ayes, 5.—Hon. Mr. Larnach, Mr. Montgomery, Hon. Mr. Seddon, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 4.—Mr. G. Hutchison, Mr. Lang, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative. Motion carried.

The Hon. Sir R. Stout moved, That Mr. Fitzgerald's memorandum be read.

The Hon. Mr. Seddon moved, by way of amendment, to strike out all the words after "That," and insert in lieu thereof the words, "before any other proceedings are taken the Committee adjourn until the opinion of Mr. Speaker is taken by the Chairman on the question raised by the Hon. Mr. Ward."

Upon the amendment being put, a division was called for, and the names were taken down as follow :—

Ayes, 6.—Mr. Guinness, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 5.—Mr. G. Hutchison, Mr. Lang, Hon. Mr. Larnach, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative.

Amendment agreed to.

The Committee adjourned accordingly.

MONDAY, 28TH OCTOBER, 1895.

Present: Hon. Mr. Larnach (Chairman), Mr. G. Hutchison, Mr. Lang, Mr. T. Mackenzie, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

Order of reference of the 26th October, 1895, read by the Clerk.

The Clerk read a memorandum from the Controller and Auditor-General dated 24th October, 1895.

The Chairman said: I have to report, in accordance with instructions from the Committee at its last sitting, the matter of the notice of motion of Mr. G. Hutchison was brought by me before the Speaker, and I was directed by him to bring the matter before the House. He stated that in his opinion the action of the member for Patea was a breach of the privileges of the House. In accordance therewith it was brought before the House, and by a vote taken it was declared to be a breach of privilege.

Mr. J. B. Heywood was then admitted, and continued his statement, which was taken down by the reporter.

During Mr. Heywood's examination the Hon. Mr. Ward asked a question as to the issue of debentures against £145,400, and if it was in accordance with law as advised by the Crown Law Officers.

The Hon. Sir R. Stout objected, unless the document giving the legal opinion was produced.

The Chairman ruled that the question was permissible, as this Committee was allowed greater freedom in the matter of taking evidence than was allowed in a Court of law.

The Hon. Mr. Ward then waived asking Mr. Heywood the question.

The Hon. Sir R. Stout moved, That strangers withdraw, in order that the following motion be discussed: "That it is improper to ask for the contents of a written document without producing it."

Mr. McGowan asked if the Hon. Sir R. Stout could put that question, as the Hon. Mr. Ward had waived asking the question of Mr. Heywood.

The Chairman ruled that the Hon. Sir R. Stout's motion could not be put.

Later on, Dr. Newman asked if Mr. Gavin, Assistant Controller and Auditor, had given his assent in writing to the issue of the debentures for £145,400.

The Hon. Mr. Ward called attention to Dr. Newman asking the question without the document being produced.

The Hon. Sir R. Stout objected, unless the document showing the assent was produced.

The Chairman ruled Dr. Newman in order in asking the question.

Later on, the Hon. Sir R. Stout asked, Was the question ever asked of the Law Advisers as to whether the accretions of past years could be seized?

The Hon. Mr. Ward objected to the expression "seized," and the Hon. Sir R. Stout substituted "issued as debentures" in place of "seized."

The Hon. Mr. Ward objected, as a similar question put by him to the witness was objected to by the Hon. Sir R. Stout.

The Chairman ruled that, as the greatest freedom had been allowed in this inquiry, the question was allowable.

The Committee sat till 11 o'clock, and, as a question of privilege was being discussed in the House, the Committee adjourned till 2.30. At that hour the Committee adjourned till 4 o'clock; and, as the question of privilege was still under discussion in the House at 4 o'clock, the Committee was adjourned until 10 o'clock to-morrow.

TUESDAY, 29TH OCTOBER, 1895.

Present: Hon. Mr. Larnach (Chairman), Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

Order of Reference of the 28th October, 1895, read by the Clerk.

Mr. J. B. Heywood attended, and gave further evidence, which was taken down by the reporter.

Mr. J. E. FitzGerald, Controller and Auditor-General, attended, and gave evidence, which was taken down by the reporter.

Debentures, £145,400.

The Hon. Mr. Seddon gave notice that he would move, later on in the day, That the Committee have carefully examined into the transaction relating to the £145,400, and have taken the evidence of the Secretary to the Treasury and the Controller and Auditor-General, and find that the transaction was a proper one and in accordance with law.

The Hon. Sir R. Stout gave notice to move, by way of amendment, That your Committee have dealt with the question of the debentures issued against sinking fund under "The Consolidated Stock Act, 1884," and the following table shows the debentures issued:—

ESTIMATE FOR 1895-96.

	Estimate, 1895-96.	Adjustment, 1893-94, including actual accretions to 31st March, 1895, in respect of Government Loans to Local Bodies.	Net Estimate, 1895-96.
	£ s. d.	£ s. d.	£
New Zealand Loan, 1863	7,343 1 11	4,436 18 1	11,780
Consolidated Loan Act, 1867 ... ..	...	2,340 0 0	2,340
Immigration and Public Works Loan, 1870	39,047 19 7	<i>Cr.</i> 3,047 19 7	36,000
Auckland Loan, 1863	1,437 0 7	152 19 5	1,590
Lyttelton and Christchurch Railway Loan, 1860	2,172 17 2	332 2 10	2,505
Canterbury Loan, 1862	571 18 6	38 1 6	610
Otago Loan, 1862	5,034 0 11	330 19 1	5,365
Government Loans to Local Bodies, 1886	20,812 11 3	64,397 8 9	85,210
	76,419 9 11	68,980 10 1	145,400

That there has been much controversy in the Committee as to whether the debentures issued against the sinking fund of the Government Loans to Local Bodies have been legally issued, and the Committee consider the best course to adopt is to submit with their report the evidence taken, without expressing any opinion on the subject.

Interest, &c.

The Hon. Sir R. Stout gave notice to move, That your Committee have to report that the question of the interest payable by the colony was discussed by your Committee, and the following table supplied by the Treasury shows the increases and decreases of interest. The system adopted up to June, 1895, of dealing with the "drawing loan" of 1867 was altered after that date, and that has made the amounts appearing in the interest table vary considerably.

STATEMENT showing INCREASE or DECREASE of (a) INTEREST and (b) SINKING FUND respectively (a) charged and (b) paid respectively in Years 1890-91, 1891-92, 1892-93, 1893-94, 1894-95, and as estimated for 1895-96.

1. As if present system of dealing with drawing loan of 1867 had been in force during the years named:—

Year.		Interest. £		Sinking Fund. £		£
1890-91	...	1,621,697		39,709		
1891-92	...	1,651,518	Increase	29,821	Decrease	5,071
1892-93	...	1,559,245	Decrease	92,273	Increase	10,066
1893-94	...	1,606,726	Increase	47,481	Increase	6,168
1894-95	...	1,618,882	Increase	12,156	Decrease	11,101
1895-96	...	*1,652,575	Increase	33,693	Increase	2,259

2. As under the old system of dealing with drawing loan of 1867, and if same was continued for 1894-95 and 1895-96:—

Year.		Interest. £		Sinking Fund. £		£
1890-91	...	1,745,713		112,540		
1891-92	...	1,785,460	Increase	39,747	Decrease	5,071
1892-93	...	1,703,594	Decrease	81,866	Increase	10,066
1893-94	...	1,761,994	Increase	58,400	Increase	6,168
1894-95	...	1,784,679	Increase	22,685	Decrease	11,101
1895-96	...	*1,826,862	Increase	42,183	Increase	2,259

* Estimated.

The Hon. Mr. Seddon to move to add, "And it has been proved to the satisfaction of the Committee that, owing to the new system inaugurated last year by the Treasury in connection with the 'drawing bonds,' there has been at least £180,000 less available during the year for the use of the Government."

Resolved, On the motion of the Hon. Mr. Ward, That the returns dated the 29th April, the 6th August, and the 16th August, together with the correspondence, the minutes of evidence, and the minutes of proceedings be printed.

The Committee then adjourned until 4 o'clock in the afternoon to enable the notices of motion to be printed.

Debentures, £145,400.

Upon assembling at 4 o'clock, the Hon. Mr. Seddon moved the motion of which he had given notice.

Mr. Montgomery moved to strike out the words "a proper one," in the last line.

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 5.—Mr. G. Hutchison, Hon. Mr. Larnach, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout.

Noes, 6.—Mr. Guinness, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

So it passed in the negative. Words retained.

The Hon. Mr. Ward moved to insert, before the words "in accordance with law," the words "and was, in the opinion of the Solicitor-General and of the Controller and Auditor-General."

Upon the question being put, that the words proposed to be inserted be so inserted, a division was called for, and the names were taken down as follow:—

Ayes, 8.—Mr. Guinness, Mr. McGowan, Mr. Montgomery, Hon. Mr. Larnach, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 3.—Mr. G. Hutchison, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative. Words inserted.

The Hon. Sir R. Stout then proposed to strike out all the words after "That," and insert the amendment of which he had given notice.

Upon the amendment of the Hon. Sir R. Stout being put, a division was called for, and the names were taken down as follow:—

Ayes, 4.—Mr. G. Hutchison, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout.

Noes, 7.—Mr. Guinness, Hon. Mr. Larnach, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

So it passed in the negative. Amendment lost.

The Hon. Mr. Seddon's motion, as amended, was then put, and it passed in the affirmative.

Interest, &c.

The Hon. Sir R. Stout moved the motion of which he had given notice.

Resolved, On motion of Mr. Guinness, to strike out the word “discussed,” and insert “considered.”

The Hon. Mr. Seddon moved by way of amendment to the Hon. Sir R. Stout’s proposal, To strike out the word “following,” and after the word “Treasury” to insert “and which is included in the printed evidence.”

Upon the amendment being put, a division was called for, and the names were taken down as follow:—

Ayes, 6.—Mr. Guinness, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 5.—Mr. G. Hutchison, Hon. Mr. Larnach, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative. Words inserted.

The Hon. Mr. Seddon moved, To add at the end of the paragraph the words, “And it has been proved to the satisfaction of the Committee that owing to the new system inaugurated last year by the Treasury in connection with the ‘drawing bonds,’ there has been at least £180,000 less available during the year for the use of the Government.”

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 7.—Mr. Guinness, Mr. McGowan, Mr. Montgomery, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 4.—Mr. G. Hutchison, Hon. Mr. Larnach, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative. Words added.

The Hon. Sir R. Stout moved, To add to the end of the paragraph the words, “though that sum would have had to have been refunded before the end of the year.”

Upon the question being put that the words proposed to be added be so added, a division was called for, and the names were taken down as follow:—

Ayes, 5.—Mr. G. Hutchison, Mr. McGowan, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout.

Noes, 6.—Mr. Guinness, Hon. Mr. Larnach, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

So it passed in the negative. Words not added.

The Hon. Mr. Seddon moved to strike out the printed statement of increase or decrease of (a) interest, &c.

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 7.—Mr. Guinness, Hon. Mr. Larnach, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner, Mr. T. Thompson, Hon. Mr. Ward.

Noes, 4.—Mr. G. Hutchison, Mr. Montgomery, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative. Statement struck out.

The resolution as amended was then put, and it passed in the affirmative.

The report as amended was then put as a whole, and it passed in the affirmative.

Resolved, That the Chairman do present the report to the House, and move that it be printed, together with the documents mentioned in the Hon. Mr. Ward’s resolution.

The Committee then adjourned.

MINUTES OF EVIDENCE.

THURSDAY, 24TH OCTOBER, 1895.—(Hon. Mr. LARNACH, Chairman.)

JAMES B. HEYWOOD examined.

Mr. Heywood was called as a witness, and handed in a copy of the computation relating to the accretions of sinking funds for 1895–96.

1. *Hon. Sir R. Stout.*] How about this £85,210 in this account, Mr. Heywood?—Roughly, it is made up of the accretions of £65,000 to the 31st March last, and £20,000 for the accretions of the current year.

2. Then you have taken the accretions of past years? The amount of that total would contain the sinking fund of past years?—Yes.

3. Has that ever been done before; with respect to these loans or any loan?—No, I think not.

4. The other accretions, are they not simply the accretions of interest?—The interest on investments.

5. But these accretions are interest as well as Sinking Fund?—Yes.

6. Accretions of what are due under the Act?—Yes.

7. Did you look into the power that you have to take past accretions?—Certainly.

8. How do you get over the Statute that you are only to take it from year to year?—The Statute provides for an adjustment.

9. Do you call that an adjustment; can you call it an adjustment when you had nothing to adjust?—I do not possess the legal training to enable me to argue the point with you.

10. Do you, as an accountant, say that if you have no account previously you can next year adjust a thing that does not exist?—We consider we can act as we did.

11. Do you consider you can adjust an account when there is no account existing?—The matter has been fully discussed with the authorities competent to advise us.

12. The Act says this:—

“5. In respect of the loans having sinking funds mentioned in the Schedule, the Colonial Treasurer shall, within each financial year ending on the thirty-first day of March, compute the amount which, from all sources, whether from contributions to the sinking fund or from the produce of accrued investments of the same, including the interest on drawn bonds, will accrue to increase the sinking fund of each loan within each year; and, upon such computation being approved by the Controller and Auditor-General, such amount shall be held to be the amount of increase for the year in respect of each loan for the purposes of this Act.”

Mr. Heywood: I do not think I am properly qualified to discuss the terms of the Act with you. So far as the Treasury were concerned we considered we had been fully and properly advised before we issued the debentures.

13. *Mr. Montgomery.*] I should like to ask if the witness considers it was the intention of the Act to issue these debentures and take the sinking funds?—I do not think it is fair to ask me what the intention of the Act was. It is not for me to interpret the intention of the Act.

14. *Dr. Newman.*] Were you advised by the Law Officers of the Crown before it was done?—We were.

15. As far as I remember there is £64,000 still left?

Hon. Sir R. Stout: No, it is all gone. You have taken the lot.

Witness: We have not taken a penny.

16. *Dr. Newman.*] Perhaps you will explain, for the benefit of the Committee, the process by which you have taken the £60,000?—I say we have not taken the £60,000.

17. You have drawn against it?—We have issued debentures against it.

18. For what length are these debentures?—They expire in 1898.

19. What rate of interest are they to bear?—4 per cent.

20. Where were they discounted?—They were not discounted anywhere.

21. How have they been issued?—They have been sold to the various departments.

22. In Wellington?—Yes.

23. Why have they only such a short currency?—Because the currency was only for seven years, terminating in 1898, and since 1891 all the subsequent issues have been made to fall due on the same date.

24. The whole £85,000 has been taken up locally?—Yes.

25. *Mr. G. Hutchison.*] The £64,397 represents the accretions to March, 1895. Can you give the details? Roughly, it would be £20,000 a year?—I could not tell you the details without referring to the accounts.

26. This started in 1893, and I would suggest to you that, excluding 1896, for the three years the accretions have been £20,000 roughly?—It gets larger as it goes on.

27. I understand the third year is larger than the first?—The accretions of the first are added to the second and third.

28. You had the opinion of the Law Officers of the Crown?—Yes.

29. Can you say where the idea originated of drawing against these accretions?—In the Treasury.

30. *Hon. Mr. Ward.*] During the Treasurership of the late Mr. Ballance there was an amount of £449,000 converted into Consolidated Stock. At that time had you any conversation with Mr. Ballance concerning the matter of the accretions?—No.

31. Was there anything said at the time in connection with the continuation of the 2-per-cent. sinking fund, after the loan had been converted into Consolidated Stock?—Yes; I had a conversation with Mr. Ballance about that.

32. Well, I would like you to say whether, as that loan had been converted, the payment of the 2 per cent. would go to extinguish the loan or not?—Yes; that would go towards redeeming the debt.

33. Did the Audit Department advise at the time that it was not necessary to provide a sinking fund under the circumstances?—Yes; that was the opinion of the Assistant Controller and Auditor.

34. Was the Audit Department at that time satisfied that the 2-per-cent. sinking fund on the £449,000 was unnecessary?—Such an opinion was expressed.

35. And expressed themselves by memorandum to the Colonial Treasurer to that effect?—Yes.

36. Regarding this £64,000 of accretions already accrued, and the issue of debentures against them, based on the finances of the present year, is there any reason to doubt that £20,000 will not be paid?—No; I think it will be exceeded.

37. What is the rate of interest payable by local bodies upon their loans?—5 per cent.

38. Of which 1 per cent. goes to the sinking fund?—That was the original idea.

39. Did the Solicitor-General advise the Government?

Mr. G. Hutchison: I ask that he should be brought here.

40. *Hon. Mr. Ward.*] I submit that the question is one that should be put. I have the right to ask it. Was the Treasury advised by the Solicitor-General that it was in accordance with law to issue debentures against the accretions of the sinking fund under the Government Loans to Local Bodies Act?—Yes.

Hon. Sir R. Stout: It has always been held that the opinions of the Law Officers are privileged.

41. *Hon. Mr. Ward.*] Was there any dispute between the Controller and Auditor-General and the Solicitor-General upon this question?—No. I think not.

42. What was the date of the first conversion of a general loan in this colony?—It goes back a very long way. The first large conversion was in 1867; but I think there were probably some even earlier than that.

43. I presume that at that time that would have been practically regarded as a precedent?—Yes, if the law allowed it.

44. If you were asked the question, Whether there had been any conversions before that, you would answer “No”?—I should require to look it up.

45. Do you say, in connection with local bodies' loans, it had ever been done before?—No, I do not.

46. The rate the local bodies pay is 5 per cent., and in addition to that the Government provide 1 per cent. as sinking fund?—The position is this: That the local bodies pay 5 per cent. towards the extinction of their debt, and the Treasury pays $1\frac{1}{2}$ per cent. to the Public Trustee, and also directs him to pay $\frac{1}{2}$ per cent. from the Land Assurance Fund.

47. Practically the whole operation means 6 per cent.; that is, between the amount paid by the Government and the actual money paid by the local body? If we pay an additional 1 per cent. that brings the whole operation to 6 per cent?—I do not know that I look at it that way. We get 5 per cent from the local bodies, and we pay $1\frac{1}{2}$ per cent. out of the Consolidated Fund towards the sinking fund.

48. What is the average amount paid upon a loan before it is issued to the local bodies? Is it 4 per cent. that we pay for raising the money?—Yes.

49. Then, we pay 4 per cent., and lend it out again at 5 per cent., and out of that 2 per cent. is paid towards a sinking fund, $\frac{1}{2}$ per cent. of which is appropriated from the Consolidated Fund. If we pay 4 per cent. for the money, and spend 2 per cent., is not that a 6-per-cent. transaction?—You see, the Consolidated Fund has only to pay $1\frac{1}{2}$ per cent.; the other half is outside the Consolidated Fund.

50. If we repay the 4 per cent., would we not have to provide for the redemption of the loan?—Yes.

51. Then, if we provide 2 per cent. in addition, is not that a 6-per-cent. transaction?—Yes, from that point of view; but only $5\frac{1}{2}$ per cent. comes from the Consolidated Fund.

52. Now, with the admittedly very large fall in the value of money, is 6 per cent. for loans to local bodies a rate that is abnormally high?—I should say it was.

53. If a general scheme for the conversion of local bodies' loans at an average rate of $3\frac{1}{2}$ per cent., with a 1-per-cent. sinking fund, were established in this country, is there any reason why it should not be practicable to redeem the loan?—Not at all. The currency would have, however, to be lengthened.

54. I want to ask you an important question, Mr. Heywood. Practically, as I have said, 6 per cent has been provided for by the Loans to Local Bodies interest?—Practically.

55. With the very large falling-off in the rate of interest that has taken place in the last year or two, assuming that the Government were to successfully carry a Local Bodies Loans Conversion scheme, under which loans could be obtained at the rate of $3\frac{1}{2}$ per cent., with 1 per cent. sinking fund, would it not entirely obviate the necessity for the redemption of the debentures now being issued and the released sinking fund now accrued under the existing local bodies' loans?—It would, so far as the new debt is concerned.

56. Quite so. If such operation was successfully carried out, it would directly mean a saving to

the country of $1\frac{1}{2}$ per cent. in respect of these local bodies' loans, inasmuch as we have to pay 4 per cent. on the money borrowed in the first instance, and we contribute 2 per cent. towards the sinking fund, of which $1\frac{1}{2}$ per cent. comes from the Consolidated Fund and $\frac{1}{2}$ per cent. from the Land Assurance Fund, making 6 per cent. in all: would that not effect a saving of $1\frac{1}{2}$ per cent. on the money borrowed?—Yes; from that point of view.

57. Well, Mr. Heywood, with the altered position of money, would it, in your opinion, be good finance to convert this 6 per cent. operation for the local bodies' loans if by such conversion money could be obtained at $3\frac{1}{2}$ per cent., and a sinking fund provided at 1 per cent.?—It would be a much better operation.

58. Has the Treasury complied with the law, so far as they have been advised, in respect to these operations?—Yes.

59. Have these operations been disagreed with by the Controller and Auditor-General?—They have not.

60. Have the operations, so far as the issue of debentures against the accrued sinking fund is concerned, been passed by the Audit Department?—Yes.

61. *Hon. Sir R. Stout.*] You say the sinking fund of the year and the accretions amount to £20,000?—Yes.

62. In the estimates you put down the amount of the sinking fund as £14,600. How do you reconcile these figures?—They do not contain the accretions from the Land Assurance Fund of $\frac{1}{2}$ per cent., which added makes a total of £20,000.

63. So far as the accretion debentures are concerned, when you consolidate this stock you get it at $3\frac{1}{2}$ per cent., do you not?—If it is inscribed in London.

64. Have you consolidated any of this stock?—We have not.

65. Has any $3\frac{1}{2}$ -per-cent. stock been issued?—No; there has only been some converted.

66. Well, was that converted at 4 per cent.?—Yes.

67. Why was it not done at $3\frac{1}{2}$ per cent.?—It has only been locally converted.

68. Well, suppose there was a conversion scheme at $3\frac{1}{2}$ per cent.; if you converted with a 1-per-cent. sinking fund, you will need a longer period to make up the required amount?—Certainly.

69. *Dr. Newman.*] Is the position this, Mr. Heywood: that £6,000 are taken yearly from the Assurance Fund to make up this amount?— $\frac{1}{2}$ per cent. is taken upon the outstanding amount each half-year.

70. Then, to make up this £85,000 you have borrowed this £6,000 from the account?—We have issued debentures against the $\frac{1}{2}$ per cent. of sinking fund.

71. *Mr. G. Hutchison.*] Are you raising the money to lend to these local bodies at 4 per cent. or less?—At 4 per cent.

72.—None less?—No; none less.

73. *Hon. Sir R. Stout.*] I find in the paper supplied by the Treasury under date of the 6th August, 1895, that the interest paid for the year 1893–94 is shown as £1,761,994, and the interest for 1894–95 as £1,658,910 7s. 9d., showing apparently a decrease in interest amounting to £103,083 12s. 3d. Was there actually such decrease in interest?—Yes, of course there was; the figures show it.

74. Well, then, will you explain to me how it is that the actual interest paid varies so much?—It arises largely from the discontinuance of the old system of paying interest on the 1867 Consols in 1894–95.

75. You actually then, however, got back at the end of the year a repayment from the drawing loan?—In which year?

76. In 1893–94?—Yes, we got back the amount into the Public Account.

77. So, looking at it from a colonial and not merely from an interest-entering-in-your-register point of view, the Consolidated Fund was not paying so much interest in 1893–94 as it was in 1894–95, because you got back repayments from the drawing loan of 1867, which was received in aid of revenue?—But that did not affect the interest charged.

78. It does not affect the interest charged, but it affects the interest paid?—I cannot quite follow your idea.

79. From the interest paid you get back a certain sum, as against the interest paid—a refund at the end of the year from the drawing loan?—Well, the amount that we get back is used in the reduction of the debt which was created to pay the interest.

80. Well; that means the same thing, does it not? You discontinued the system, did you not, in 1894–95?—Yes.

81. If you had continued the same system in 1894–95 that you had in operation in 1893–94, your interest would have shown an increase, would it not, of £22,685?—Yes.

82. So that this £103,083 was saved in the amounts charged in the interest when the new system was adopted, but there was no such saving in the actual expenditure?—Roughly speaking, that is so.

83. Have you seen the interest figures in the Year-book?—Yes.

84. Are they taken from the public accounts—from the actual payments of interest?—They represent the actual payments of interest.

85. They are from the actual payments, taken from the public accounts?—Yes.

86. I would like to know this, Mr. Heywood: Do you see that the tables in the Year-book, page 151, do not agree with any of the tables which have been supplied by the Treasury under date of 6th August, 1895?—So far as these figures are concerned, they absolutely agree with one another.

87. Suppose a stranger read this Year-book, Mr. Heywood, would he not assume that our interest payments had actually been less each year?—I do not think you should ask me such a question.

How can I determine what a stranger would assume? If you asked me what anybody reading this table would judge to be the amount of interest paid, I should say it was very clearly stated.

88. What I wish to know is this: There is nothing in the Year-book to show that the reason why our interest appears less is because we have adopted a new system?—There is nothing to show that on the slip referred to.

89. In order to obtain accurate information, should there not have appeared in the Year-book some statement that our payments of interest appear less because of our different system of paying interest in dealing with drawing loans?—It would have been, perhaps, as well to have stated that; but it is possible that it is already there.

90. *Mr. Montgomery.*] Do I understand from the previous questions, which were somewhat lengthy, that, if the usual system—the old system—had been continued, the interest, instead of showing a decrease of £103,083, would have shown an increase of £22,685?—Yes; apparently so from these tables, which have been compiled for the purpose of showing the result of payments under the old system.

91. Then, it is the change in the system that makes it appear as though there had been a decrease instead of an increase?—That is so.

92. *Hon. Mr. Ward.*] Is the present system in connection with the drawn bonds a better system than the former one?—In my opinion, a very much better system.

93. In your opinion, would it not have been better if the system had been adopted some years previously?—Yes; I think so, decidedly.

94. Approximately, what was the total amount of interest paid during the last financial year on the extra amounts of moneys used that year as against the preceding year?—I do not think I could tell you that without referring to the Budget. There was a very large increase in the debt last year—over £400,000 was advanced for loans to local bodies, for lands improvement, for Native lands purchase, and for lands for settlement, and these loans increased the amount of interest payable during the year.

95. Can you tell me what was the total increase for all these purposes for which interest has been paid as against the year 1893–94?—I could tell you that on making it up; but I have not got it at hand. The debt was increased by £560,549—that is the net result.

96. The net result was an increase of the debt by £560,549?—Yes; of which amount £411,000 was for the loans which I mentioned.

97. What was the average rate of interest per annum on the extra debt?—It was 4 per cent.

98. So that upon the actual increase of indebtedness, chiefly made up by contributions to local bodies, there has been an increase of £22,600 per annum?—Yes.

99. Consequently, independently of the fact that the system now of dealing with the drawn bonds is in the interest of the country, and is a better method than that which formerly existed, had it not been adopted the old system would have shown an increase of interest of £22,000 per annum, represented by the extra loans incurred in advances to local bodies and advances of a similar nature?—Yes.

100. So that, independently of the change of system and stripped of all the surrounding benefits accruing from grants to local bodies of moneys which have been raised principally for that purpose, and which are repaying interest to the country at an average of over 1 per cent. more than we are paying for the money, the actual net increase would, assuming that the old system was in existence, represent the interest we are paying for these new loans?—That is so.

101. I understand Sir R. Stout to state that there was a discrepancy between the amounts shown in this slip of the Year-book, and those in your statement, in consequence of the altered amount under the new drawn bond system not been shown there, and that the omission in the Year-book to refer to the alteration of the system would be misleading to the uninitiated stranger. What was the date of the compilation of this Year-book?—Quite recently; I do not know the date.

102. The ordinary guide, I take it, for those desiring to become conversant with the financial position of the country, is either the Budget or the Treasury statements in the blue-book?—Quite so.

103. In this slip, with regard to what the Hon. Sir R. Stout states as to the absence of information to the uninitiated stranger, it distinctly states that this compilation is exclusive of the interest on Treasury bills?—Yes; on that reference to the internal portion of the book.

104. The figures given in the last column of the table, on page 151, are the annual charges on the amount of stock and debentures of the public debt (exclusive of Treasury bills) outstanding at the end of each year, and not the moneys actually paid for interest and sinking fund?—That is so.

105. Treasury bills, being fluctuating items so far as finance is concerned, in the ordinary course are never included in the ordinary debt?—No; they are not as a rule included.

106. Consequently, the compiler of this Year-book is quite justified in not including interest on Treasury bills in the tables of this last column?—Yes; he is quite right.

107. So that the apparent discrepancy between this slip of the Year-book and the amount of interest stated by the Treasury is no discrepancy, inasmuch as it is admitted in all countries that the inclusion of Treasury bills as permanent items of the indebtedness is never given. Is that so?—That is the general rule.

108. Then, the Hon. Sir R. Stout, in his assumption that there is a discrepancy between the figures of the slip which was produced from the Year-book by you at Sir Robert's request and the Treasury figures, is incorrect?—That is so.

109. I want to ask a question about this £103,083, referred to in the Treasury statement, and which has exercised some attention. Was the proposed change of system respecting the drawn bonds referred to in the Financial Statement of 1894?—Yes.

110. Was an indication given in the Financial Statement that it was intended next year to adopt that system?—Yes.

111. In the subsequent Financial Statement was there a further paragraph to the effect that the change had been made?—There was.

112. As the Press of the country usually take their opinion of the finances from the Budget, is it at all likely that the slip of the Year-book which has been put in here would be accepted by any but the uninitiated stranger as the basis on which to form an opinion of the finances of the country?—Well, I do not think that the financial position of the country should be taken from the Year-book.

113. Mr. Heywood, how many years have you been in the Treasury?—Since 1872—twenty-three years.

114. As an experienced officer, is there anything, in your opinion, that could be construed into an undesirable financial change in the method now adopted in connection with the drawn bonds, as against the former system?—No, quite the reverse. I am of the opinion that the present system is a much better one.

115. *Mr. G. Hutchison.*] Is this change of system, which is considered an improved change, based upon the recommendation of Mr. Gavin, the Assistant Controller and Auditor?—I do not know that it is exactly so.

116. Is it his recommendation?—It carries out what he suggested.

117. He, however, put it in form, and it is on record in his name?—Yes; that is so.

118. Will you kindly explain how the figures in the documents supplied by the Treasury to the Committee, and the figures in the slip of the Year-book, are reconciled?—Yes; I can do so quite easily. If the amounts in the interest column for the years 1894–95 are added to the amounts appearing under the head of Treasury bills interest, the totals of the two columns will be found to agree with the Treasury figures in the statement sent to the Committee by myself under date of 6th August, 1895.

119. *Hon. Sir R. Stout.*] You say there is a benefit by this change of system in connection with the drawn loans; do you mean the simplification of the Treasury accounts?—That is the benefit.

120. Is there not a loss in this respect, Mr. Heywood: that you do not get the use of money by the creation of bonds under “The Consolidated Stock Act, 1884,” issued against the drawing loan? Would you not lose the use of £100,000 by the end of the year?—Yes; there is a loss in the financing of the year to the extent of at least £100,000. Of course the amount varies.

121. How much was it last year?—The amount last year was considerably over £100,000.

122. And this year you will also lose over £100,000?—Yes; that is so.

123. *Hon. Mr. Larnach.*] Do I understand you to lose the use of £100,000 for the purposes of the Consolidated Fund.—It is the use of over £100,000 debentures which could be created against the interest of the drawn bonds.

124. Then, so far as the loss of the interest to the colony is concerned, it is a loss merely of the interest of that £100,000?—It is a loss in the financing at the early part of the year, because we would not be able to issue bonds against these accretions of the sinking fund.

125. *Hon. Mr. Ward.*] Then, by my agreeing to adopt this system—the new system of drawn bonds—I practically deprived the Treasury of the additional use of £100,000 for financing?—Considerably over that.

126. So that last year, practically, the Treasurer, by agreeing to this system, deprived himself of the use of some £160,000?—Yes.

127. And, as a result of this self-abnegation on the part of the Treasurer, the change in the system practically resulted in £103,083 less interest being charged per annum? Is this correct?—The alteration of the system did away with the necessity of charging a large amount of interest.

128. Yes; and deprived the Treasurer of the use of £160,000 of money last year?—Yes.

129. So that the change in the system, so far as drawn bonds are concerned, from a Colonial Treasurer's point of view, gives him less money to use within the financial year?—Yes.

130. And this, I presume, is quite consistent with our policy of non-borrowing?—That is a political question. I think it may fairly be stated that there is a saving to the colony of the interest on the extra debentures which would have been issued.

MONDAY, 28th OCTOBER, 1895.

Mr. J. B. HEYWOOD, Secretary to Treasury, further examined.

131. *Hon. Sir R. Stout.*] I find that the amount I calculated differs by about £56—I think the exact amount is £56 11s. 3d.—with the amount you have given. Will you explain how the amount of accrued sinking funds differs from what appears in Table 3 of the Budget?—These figures in the Budget are probably of a later date than the other computation, and probably some inaccuracy or alteration by the Public Trustee has been discovered. I cannot, however, fully explain it without investigating it.

132. *Hon. Mr. Ward.*] There is a report from the Controller and Auditor-General here in reply to a memorandum sent by the Public Accounts Committee, in which he states, alluding to details in connection with the £145,400, “I am unable to make up such a statement. It was prepared by the Treasury, and, like all other accounts, carefully audited at the time, and returned to the Treasury certified to as correct.” Could you, Mr. Heywood, tell me the date when the statement of the details of the £145,400 was sent to the Audit Office?—This statement is dated 29th April; that would be about the date it was sent to the Audit Office.

133. I would like to ask you, was the direction in connection with the issue of the debentures against the £145,400, which is the subject that the Public Accounts Committee has under consideration, was this direction given by me?—No; it was arranged during your absence, so far as I remember.

134. It was arranged during my absence from the colony?—Yes.

135. And it was in accordance with law, as advised by the responsible advisers?

Hon. Sir R. Stout : I object to this without written authority.

Hon. Mr. Ward : I have a right to ask that question. I thought we wanted to get at the right of this matter.

Hon. Sir R. Stout : I ask that strangers withdraw.

The Chairman : I think the *Hon. Mr. Ward* has a right to ask the question, but I do not think it is necessary. It is not evidence.

Hon. Sir R. Stout : I want to get this settled. I want strangers to withdraw, so that I can move a motion.

Hon. Mr. Seddon : What is the motion?

Hon. Sir R. Stout : I will not move my motion until the strangers withdraw.

The Chairman : I do not see how we are to get on without a reporter.

Hon. Sir R. Stout : My point is this: That *Mr. Ward* has asked *Mr. Heywood* about the contents of a written document without producing that written document, and I say that is contrary to all canons of evidence. If documents are to be looked into by the Committee that document should be produced.

Hon. Mr. Ward : I asked *Mr. Heywood* this question, as to whether he had been advised by the Crown Law Officers—

The Chairman : We are not in a Court of law at present, and greater freedom is allowed on a Committee of this kind in taking evidence than would be allowed in a Court of law.

Hon. Sir R. Stout : I ask that strangers withdraw. I do so in order that the following motion may be discussed: "That it is improper to ask for the contents of a written document without producing it."

Mr. McGowan : Can *Sir Robert Stout* ask that question, when *Mr. Ward* has waived his question to *Mr. Heywood*?

Hon. Sir R. Stout : I would point out that *Mr. McGowan* does not put the matter properly. The question is about the contents of a written document, and those contents cannot be given without also producing the document.

The Chairman : I rule that he cannot do so.

Hon. Mr. Ward : I oppose this motion, and I oppose it for this reason: that the object of the mover, as expressed by himself, in moving this motion is to prevent the shorthand reporter being present in order to take a record of these proceedings.

The Chairman : On the point raised by *Mr. McGowan* I say that, *Mr. Ward* having waived his right to put the question, the motion cannot be put.

Hon. Mr. Ward : I merely want to call your attention to the fact that it is already in evidence that the Law Officers of the Crown had advised the Treasury.

Hon. Sir R. Stout : I objected to that at the time.

Hon. Mr. Ward : I want to put a question to *Mr. Heywood*.

Mr. T. Thompson : I want to know if we are to be bound in taking evidence, or are we to be allowed some latitude?

The Chairman : I have already ruled that we are not to be bound.

136. *Hon. Mr. Ward* (to *Mr. Heywood*).] *Mr. Heywood*, I was putting a question to you as to whether you had been advised by the Law Officers of the Crown that the operation, as carried out by the issue of debentures against the accretions of £145,400, was legal, when *Sir Robert Stout* objected to my question being put, I, therefore, now wish to ask you whether the operation of the issue of these debentures was in accordance with law?—The Treasury was advised that the operation was in accordance with law.

137. Had it not been in accordance with law, would the Controller and Auditor-General have allowed the operation to pass?—I assume he would not.

138. Was any intimation conveyed by the Controller and Auditor-General, or the Assistant-Auditor and Controller-General, that this was against the law in any way?—They appeared to have held diverse opinions on the subject.

139. But the advice you received, as far as the Audit Department was concerned, no objection was taken to the transaction?—The computation was ultimately passed by the Audit Office.

140. If this operation of the issue of debentures against the accretions of the sinking fund had not been carried out, what would have been the necessary alternative for the purpose of conducting the finances of the colony?—In my opinion there would have been one of two alternatives: either a reduction of the expenditure of the colony, necessitating a relinquishment of the facilities and luxuries of the public to a very large extent, or else there would have been extra taxation necessary to be imposed upon the taxpayers.

141. You mean by luxuries "conveniences" of the people?—Yes.

142. *Mr. T. Mackenzie*.] Education, for instance?—It is not for me to say.

143. *Hon. Mr. Ward*.] Is the Audit Office independent of the Treasury, or does the Audit Office independently of the Treasury make up any statement of the amounts bearing upon the finance of the colony? I ask that question because in a report from the Controller and Auditor-General, dated the 24th October, he states in a reply to a request to make up a statement that "I am unable to make up such a statement. It was prepared by the Treasury, and, like all other accounts, carefully audited at the time and returned to the Treasury, certified to as correct. But the Audit Office is not an office of record for all accounts it passes as correct."—Of course I am not aware what accounts are kept in the Audit Office.

144. Could the Audit Office make up the statement without reference to the Treasury, professing to give the accurate position of the details of such a transaction as this is?—I should say not; unless they had kept a copy of the accounts when submitted to them for audit.

145. *Mr. T. Mackenzie.*] What would be the extent to which it would be necessary to curtail the luxuries of the people if the operation had not gone on?—Manifestly to the extent of £85,000 for this year.

146. *Mr. Montgomery.*] You say that the Controller and Auditor-General and the Assistant Controller and Auditor appeared to have held diverse opinions on the subject; does that mean that one of them was of opinion that it was illegal to issue debentures against these sinking funds?—One of them held that opinion.

147. Which one?—The Assistant Controller and Auditor.

148. *Mr. Tanner.*] I would like to ask whether, in your opinion, the Audit Office in the past has kept copies of accounts they certified to as correct before they sent them back to the department?—No. My opinion is that they would not keep copies—they are always available at the Treasury.

149. You mean to say that in the past they have never kept copies of the accounts they have certified to as correct?—I think not.

150. *Hon. Mr. Seddon.*] This transaction, Mr. Heywood, was authorised by me?—Yes.

151. Before instructions were given for this, the matter was referred to the Controller and Auditor-General?—Yes.

152. The matter was questioned by the Assistant Controller and Auditor?—Yes.

153. Subsequently, under the advice of the Law Officers, the transaction was authorised?—It was.

154. And the account certified to by the Controller and Auditor-General?—It was.

155. The Controller and Auditor-General was of opinion that it was legal?—Yes, that was his opinion.

156. Because the question was raised by the Assistant Controller, that was the reason why the Law Officers advised?—Yes.

157. After the advice had been taken, the transaction was completed on the certificate of the Controller and Auditor-General?—Yes.

158. This has been treated in like manner to all other sinking funds and under the same law?—Yes.

159. The total amount this year is £145,000?—£145,400.

160. What was the amount last year?—£117,800.

161. During the terms of the Stout-Vogel and Atkinson Governments have you known the amount to be as high as £250,000?—Over £250,000.

162. Then, this £145,400 this year is a small amount, as compared with the transactions of past years?—Quite so.

163. These amounts have always gone in aid of revenue?—Yes.

164. In past years, had it not been for the issue of these debentures issued against accretions of sinking funds, there would have been large deficits?—Yes.

165. Or there would have been the alternative that the previous Governments would have had to borrow, or reduce expenditure in a corresponding amount to the issue of debentures against the sinking funds?—I think so.

166. There is nothing new in this transaction?—Nothing new except the introduction of the new loan.

167. You have stated that, during the time of the Ballance Treasurership, there was a loan of £500,000 converted, and you pointed out to him the absurdity of issuing a sinking fund against the loan converted?—Yes, £449,000 of this particular loan—the Government loan to local bodies—was converted into consolidated stock, and I did point out to Mr. Ballance what I thought was a peculiarity, to continue a sinking fund upon a loan which had no existence.

168. Well, now, next year there will be a further conversion, will there not?—Yes.

169. What will be the amount next year—that is, upon the conversion?—In round figures at present it is £480,000. It may increase to £580,000 by next year.

170. What is the total amount outstanding, as against these loans to local bodies; will that £580,000 cover practically the whole amount of Government local bodies' loans outstanding?—That would cover the whole amount outstanding against the loans to local bodies.

171. In Mr. Ballance's time there was absolutely converted £449,000?—Yes.

172. And four years afterwards the amount of £580,000 has to be converted. It was practically, then, only a sinking fund for one-half the loan for three years?—The further amount borrowed in the interval will require to be converted or otherwise arranged for.

173. Then I may put it plainly to you, that, as a financial transaction, it is at least farcical to issue sinking fund against a loan to be converted four years afterwards?—The policy of the Government at that time was to maintain the sinking fund, and what they will do with the sinking fund I cannot say.

174. Is it not altogether against the tenets to say that you convert a loan and then issue a sinking fund against the loan that has been converted? Does not the converting of a loan do away with sinking funds?—The conversion has the effect of doing away with the sinking fund.

175. You say there is a balance for loan conversion of over £500,000 for next year?—The amount outstanding this year was £480,000, and will probably be increased by £100,000.

176. What is the first thing done with accrued sinking funds after a loan is converted?—The accrued sinking fund, after being set free, is used to redeem the debentures (if any) which were issued against the sinking fund of such loan.

177. Then, next year, on the loan being converted, the money we have raised this year—this £85,000—will be the first thing paid off by the sinking fund under conversion?—That is so.

178. Is this in accordance with what has been done in past years?—Strictly.

179. *Dr Newman.*] Did Mr. Gavin give in writing any reasons for dissent?—He did.

180. Did he waive them?

Hon. Sir R. Stout : I object to this, unless the document is produced.

The Chairman : I think Dr. Newman is in order.

181. *Dr. Newman* (to witness).] Did he ultimately refuse to sign?—No.

182. Did he sign in the end?—The computation was passed by the Controller and Auditor-General.

183. Did Mr. Gavin give any writing?—The dissent was between the two officers.

184. Are you satisfied in your own mind that any error in one year shall be altered in another? Are you satisfied that that should cover any number of bygone years?—In this case I consider the provisions of the Act covered the operation which we conducted.

185. *Mr. Tanner*.] If Mr. Gavin ultimately signed, as you state, was this really in fact a retraction of his written dissent?—I have said that the dissent was between the two officers.

186. *Hon. Mr. Seddon*.] What officers?—Between the Controller and Auditor-General and the Assistant Controller and Auditor; and the Controller and Auditor-General ultimately signed the computation as correct and passed it. As to the retraction by the Assistant Controller, or his agreement with the Controller and Auditor-General, I cannot at this moment tell you whether he retracted or not. It would be a matter between themselves.

187. *Mr. Tanner*.] You cannot tell whether he was over-ruled by his superior or not?—Oh, he was, inasmuch as the Controller passed the accounts.

188. It is not necessary that the Assistant Controller should sign in a case like that?—No.

189. *Hon. Sir R. Stout*.] Was the question ever asked of the Law Advisers as to whether you could seize accretions of past years?—

Hon. Mr. Ward : That is asking Mr. Heywood—

Hon. Sir R. Stout : Well then, I will say, issue debentures against accretions?

Hon. Mr. Ward : Mr. Chairman, I was stopped putting my question to Mr. Heywood, whether he had received advice from the Law Officers of the Crown. I now rise to a point of order that Sir R. Stout is putting a similar question.

Hon. Sir R. Stout : The point was this : You ruled that the question was evidence, though I objected; and, that being so, I have a right to know what was the question asked, otherwise we do not know what the opinion was.

Hon. Mr. Ward : The position is that Sir Robert Stout was not allowed to put his motion because I waived the question.

Hon. Mr. Seddon : It is a question now as to whether the Law Officers advised whether debentures could be issued against the accretions of previous years. Has the Treasury been advised? That would, of course, be by document.

Hon. Sir R. Stout : Certainly.

Hon. Mr. Seddon : Then the same argument applies as in the former case; and, Mr. Ward having withdrawn his former question, I do not think this present one should be allowed.

The Chairman : I think the greatest freedom has been allowed in this inquiry, and I think the question is allowable.

190. *Hon. Sir R. Stout*.] Will you answer, Mr. Heywood?—I will answer in this way : That the intention of the Government in connection with the whole operation of the issuing of debentures against the accretions of sinking funds under the Government Loans to Local Bodies Act was submitted to the Crown Law Officers.

191. I want to know, Was the question put to the Law Officers as to the power of the Treasury to issue debentures against accretions of sinking funds of past years?—That question was not specifically put.

192. Did you ever state to the Law Officers that you had made an error in the adjustment of amounts under this loan?—We do not require to say we have made an error. They are all contained in the computation submitted.

193. Can you seize accretions in past years unless you have made errors in past computations?—That is the opinion of the Treasury.

194. Is it the opinion of the Law Officers?—I cannot say.

195. Now, Mr. Seddon has put to you this : that previous Governments have issued far larger amounts of debentures under the Consolidated Stock Act?—Yes.

196. But was that not done under the different system of the “drawing” loan of 1867?—Yes.

197. Why have you not such large sums now? Is it not because you do not avail yourself of the “drawing” Act of 1867?—It is because the accretions under the “drawing” Act are not so large because of the alteration of the system.

198. Though you issued these large sums at the beginning of the year they were repaid at the end of the year?—Yes; partially repaid.

199. And the sums issued by previous Governments cannot be compared with those that are issued now, because you are working under a different system?—Yes; that is so.

200. From 1884 to 1885 you issued £247,700, but you redeemed £198,000?—There was nothing redeemed, apparently, in that year.

201. When in 1886 £252,200 were issued at the beginning of the year, £179,300 of that was redeemed before the end of the year?—Yes.

202. *Hon. Mr. Ward*.] And in the other year, of the £247,000 issued nothing was redeemed?—That is so.

203. With the different system you cannot compare previous years with this unless you allow for the different system under the “drawing” loan of 1867?—That is so.

204. *Hon. Mr. Seddon*.] When was this new system introduced?—Last year.

205. *Hon. Mr. Ward*.] This different system that Sir Robert Stout refers to, of not redeeming debentures owing “drawn” bonds : As to the different system, is it not a fact that it prevented the

Treasury having the use of £180,000, which they would have had the use of under the old system? Yes.

206. And to that extent the new system is against the Treasury, by decreasing the amount available under the old system?—Yes.

207. Is it not a fact that the whole of this transaction is shown in the Financial Statement?—Yes, the contemplated issue of £145,400 debentures is shown.

208. Will you turn to the table and show where it is?—There it is, on page 23 of the Financial Statement.

209. *Hon. Sir R. Stout.*] There are no details there?—No; they are never shown there.

TUESDAY, 29TH OCTOBER, 1895.

Mr. J. B. HEYWOOD further examined.

210. *Hon. Mr. Ward.*] With reference to the dissent of the Assistant Controller and Auditor to the Treasury issuing debentures against the accretions of sinking funds belonging to the Government Loans to Local Bodies Act: did the Assistant Controller and Auditor, after the matter had been settled, point out to the Treasury that they had not included in the computation certain accretions of sinking funds?—Yes, he did point out that on our sending up the computation. He pointed out that we were entitled to a sum of some £17,300 odd in excess of the amount we had put in the computation statement.

211. *Hon. Sir R. Stout.*] Against these particular loans?—Against the accretions under the Government Loans to Local Bodies Act, so that we were able to raise the amount from the sum of £67,000 odd to the sum of £85,200.

212. *Hon. Mr. Ward.*] Whatever difference of opinion there may have been between the Assistant Controller and the Controller and Auditor-General upon the propriety or otherwise of issuing debentures against the sinking funds as a matter of procedure, the Assistant Controller and Auditor called attention to an omission, and suggested, practically, an increase of the amount to be included in the computation?—Yes, he stated that we had not put down the full amount of the accretions that we were entitled to draw against.

213. Would the fact of the Assistant Controller and Auditor having so suggested, in connection with this operation, go to show that he did not hold any strong opinions, at any rate, as to the legal propriety of giving effect to the operation?—It seemed to me to show this: that having accepted the opinion of the Controller and Auditor-General on the subject, fortified by the opinion of the Law Officers, he held that we were entitled to the whole of the accretions up to the 31st of March last, together with the accretions of the current year, and he pointed out that we had omitted the accretions of one of the previous years in the computation submitted.

214. Sir Robert Stout asked you whether you considered that the provisions of the Consolidated Stock Act enabled the Treasury to raise debentures in respect of the sinking fund accretions of previous years belonging to the Local Bodies Loan Act, and you said it did. Sir Robert Stout then pointed out that section 5 of the Consolidated Stock Act referred only to the accretions of the year, and could not be held to authorise accretions of previous years. You pointed out the proviso as to adjustment of any error made in a previous computation; but you went on to say that you did not feel yourself competent to argue with him on points of law—

Hon. Sir R. Stout: He also added that the Law Officers' opinion had not been asked on this point.

215. *Hon. Mr. Ward:* I want to ask you, as Secretary to the Treasury and, in that capacity, the officer to whom I go for information and advice, if you had formed a clear opinion as to the propriety of including the accretions of previous years in this year's computation?—Yes; I had of course formed a very clear opinion on the position; and, as you ask me, I shall be glad to express my opinion to the Committee. This operation stands in a very different position to any previous operation. The provisions of "The Consolidated Stock Act, 1891," brings "The Government Loans to Local Bodies Act, 1886," under the provisions of the Consolidated Stock Act of 1884; and, that being the case, when it was determined to issue debentures against the accretions of the sinking funds of the Government Loans to Local Bodies Acts, 1886 and 1892, the Treasury of course considered that they had omitted to issue debentures during the previous years when they were authorised by law to do so; and, having determined to issue debentures during this year, it was considered that the accretions of sinking fund up to date were brought within the provisions of section 5 of "The Consolidated Stock Act, 1884." In other words, it was determined that the Treasury had omitted to do what they were entitled to do by law during previous years, and therefore, under the authority of the Act as to the adjustment of any error committed during previous years, they were entitled to draw against the accretions for these years. I do not know whether I have put the position as plainly as I might to the Committee, but I add that the present operation stands in a different position to that of previous operations. Sir Robert Stout asked me whether the accretions of previous years had been drawn against on any former occasion, and I replied, No, so far as I was aware. Of course they were not; because when the Act of 1884 came into force it only referred to sinking funds of loans expressed in the schedule of the Act. But, as I say, the Consolidated Stock Act of 1891 brought the Government Loans to Local Bodies Act under the operation of the Consolidated Stock Act of 1884, and, as the Treasury did not issue debentures until this year, it seemed to me very clear indeed that we were entitled to bring in anything we had omitted to bring in since the passing of the Act which enabled the Treasury to perform such operation.

216. Then, I understand that, in your independent judgment, the operation was a proper one?—Clearly so.

217. Was there any pressure of any kind exercised by the Acting Colonial Treasurer to bring this about?—Not the least.

218. Nor by myself previously?—No; you were away from the colony.

219. *Mr. Montgomery.*] You consider that the issuing of debentures against the accumulated sinking funds of past years and the sinking funds of next year was in accordance with the spirit of the Act of 1892?—I do not consider that the Act of 1892 has got anything to do with the matter.

220. I ask you whether it was in accordance with the spirit of the Act of 1892?—I do not consider that the Act of 1892 has got anything to do with this particular transaction.

221. Do you consider that when Mr. Ballance passed an Act specially constituting a 2-per-cent. sinking fund that he did not then intend that an actual sinking fund should be created?—He did intend that, and it has been done, and is still in existence.

222. Would you go as far as to say that this issuing of debentures is in accordance with the spirit of the Act of 1892?—This operation has got nothing to do with the Act of 1892.*

223. Very well; if it were not for the Act of 1892 there would be no sinking fund?—Oh, yes.

224. How?—Under the Act of 1886.

225. The Act of 1886 does not allow you to do what you are doing now?—No.

226. The Act of 1886 does not authorise the creation of the sinking fund without special appropriations?—That is so.

227. This is done under the Act of 1892, and not under the Act of 1886?—Quite so.

228. Then I hardly understand your answer when you say that this is not under the Act of 1892, but under the Act of 1886. It is under the Act of 1892, is it not?—It is under the Act of 1891. The Consolidated Stock Act of 1891 brings the Government Loans to Local Bodies Act under the provisions of the Act of 1884, and, as this Government Loans to Local Bodies Act is a sinking fund Act, it then came within the provisions of the Consolidated Stock Act of 1884 so far as ability to issue debentures against any accretions of sinking funds. The 1892 Act is a machinery Act, which created a sinking fund in a different manner to that which was provided for under the Act of 1886. Therefore, in my opinion, it has no relation to this particular operation, which is the result of the law under the 1884 Act. The 1892 Act creates the sinking fund, which is at present being paid over to the Public Trustee.

229. Do you think that, when the Act of 1891 was passed, it was contemplated that debentures would be issued against the sinking fund of the Government Loans to Local Bodies Act?—I understand the Act of 1891 was passed for the purpose of obtaining the full benefit which might arise out of the Act of 1884.

230. There were no sinking funds under the Act of 1891?—None had been created.

231. You think it was intended to apply to the sinking funds if created?—Yes.

232. Although created by an Act passed afterwards?—Oh, yes. That has nothing to do with it, because at any time a sinking fund could have been created under the Act of 1886.

233. Do you think that when Mr. Ballance passed the Act of 1892 he contemplated that debentures were to be issued against the sinking funds thereby created by virtue of the Consolidated Stock Act of 1891?—I am not in a position to say what Mr. Ballance's intentions might have been.

234. Do you think so?—I really do not think that it would have occurred to him at that time.

235. If it had occurred to him, would he be likely to have passed an Act, and at the same time have authorised the issue of debentures against the sinking fund created by that Act?—No; at that stage it would have been absurd. There were no sinking funds accrued at the time he passed the Act of 1892.

236. Do you think he would have passed an Act to create sinking funds, and at the same time have authorised the issue of debentures against it?—I say he could not have contemplated that, because there was nothing to issue sinking funds against at that time.

237. I understood you to say it would have been absurd?—I say again, such a contemplation at that time would have been absurd, because there were no sinking funds in existence.

238. But there were sinking funds coming into existence?—Not for a year afterwards.

239. Would he not contemplate issuing against the sinking funds a year afterwards?—I do not know. Your question was in connection with 1892, when he passed the Act.

240. You cannot say whether this procedure is in accordance with the Act of 1892?—I do not think the 1892 Act has anything to do with the transaction.

241. *The Chairman.*] In a memorandum to the Committee, the Controller and Auditor-General said that the Audit Office was not an office of record. Would it not be convenient for accounts of the colony that a register or record of all accounts passed by the Audit Office were kept in the Audit Office, to show what had been dealt with?—I think that such a record would entail an enormous amount of clerical labour.

242. *Hon. Mr. Ward.*] In the ordinary circumstances, as they exist under the law of 1892, to which Mr. Montgomery has referred, would you have made the same recommendation to me as you did to Mr. Seddon?—Yes, certainly I would.

243. Have you any reason to believe, from your knowledge of Mr. Ballance, that he would have dissented from your suggestion?—I should assume, from my knowledge of Mr. Ballance, that he would have acted in the same way.

244. *Hon. Mr. Seddon.*] You have said just now, Mr. Heywood, that there was no sinking fund in existence in 1891?—That is so.

245. Was that in accordance with the law that no sinking fund did exist at that time?—If I correctly remember the provisions of the Act, it contemplates creating a sinking fund in accordance with the appropriations of the Parliament; but as there were no appropriations made by Parliament of course there was no illegality.

246. The law, as previously passed, contemplated that sinking funds should be created?—Yes.

247. Did the Stout-Vogel Government create any sinking funds?—The Act which provided for a sinking fund was not passed till 1886.

248. They went out of office practically before the Act became operative?—Yes.

249. Did the Atkinson Government in the three succeeding years do so?—No.

250. Can you explain why what was contemplated by the Act originally was not complied with?—I, of course, could not get behind the ideas of the Colonial Treasurer at that time. I am inclined to think that there was not too much money to spare.

251. At all events, your answer is that the reason why the law as contemplated was not given effect to was that the Government was short of funds?—No, I am not prepared to say that entirely. I do not know what governed the mind of the Colonial Treasurer at the time.

252. Had there been any sinking funds when Mr. Ballance passed his law they would have been available under the law passed by Mr. Ballance in 1891?—Yes; decidedly.

253. *Hon. Sir R. Stout.*] Do you mean to say that the provisions of the Act authorises you to issue debentures against sinking funds. The words of the Act of 1891 are: "This Act shall be incorporated with and be deemed to be a part of 'The Consolidated Stock Act, 1884' (hereinafter referred to as 'the said Act'), and of 'The New Zealand Consolidated Stock Act, 1877,' respectively. In addition to the loans set forth in the Schedule to the said Act, the several loans raised under the provisions of the following Acts, that is to say: 'The District Railways Purchasing Act, 1885,' 'The Public Revenues Act, 1886,' 'The Government Loans to Local Bodies Act, 1886,' 'The District Railways Purchasing Act 1885 Extension and Amendment Act, 1886,' 'The Public Revenues Act, 1887 (No. 3),' shall be and are hereby declared to be convertible into stock, and all the provisions of the said Act shall apply to such conversion." Do you say that that gives you power to issue debentures against sinking funds?—We were so advised.

254. You are not expressing your own opinion?—No.

255. I understand you to say, Mr. Heywood, that there has been no case before of debentures being issued against accretions of sinking funds for past years except those under the Government Loans to Local Bodies Act?—I think that is the case.

256. Do you mean to say then, that when the Act of 1884 was passed you could go back and appropriate the accretions of previous years?—No.

257. You could only deal with one year?—Yes.

258. When you deal under this Act, what authorises you to go back on this loan?—Section 5.

259. That is the last paragraph; that is the only thing you have to rely on?—Yes.

260. It "shall be adjusted in the year in which such error is ascertained, and shall be included in the computation for such last-mentioned year"?—Yes.

261. Do you suggest that you made an error in computation before this year, in not dealing with the accretions under the Government Loans to Local Bodies Act?—Distinctly; we made an error of omission in not issuing debentures against the accretions of the sinking funds.

262. Do you call that an error in computation, when you did not do what the law permitted you to do?—That is my reading of it.

263. That an error in computation means not doing what the law provides?—Yes.

264. I understood you to say that the Law Officers were not asked for a specific opinion on that point?—No, not specifically.

265. *Hon. Mr. Seddon.*] You have stated your opinion as regards section 5, Mr. Heywood. Are you aware that it was on that section the Solicitor-General gave his opinion?—So far as I remember, all the matters and papers were placed before the Solicitor-General, and his opinion was asked as to whether the contemplated issue of debentures against the accretions of sinking fund under the Government Loans to Local Bodies Act could be legally made.

266. *Hon. Sir R. Stout.*] Under the Act of 1891?—Under the Acts governing all the operations, and that, I assumed, covered all the operations connected with the transaction; and his opinion was in favour of the action which the Government have taken.

267. I understood you to say that this point of being able to take past accretions was never submitted to the Solicitor-General?—Not specifically.

268. Do you mean to say that everything the Treasury recommended Mr. Ballance to do he did?—I do not say anything of the sort.

269. *Dr. Newman.*] Did the Auditor-General agree that you could this year take the accretions of past years?—The Controller and Auditor-General agreed to the computation as submitted to him, a copy of which you have before you, and that contains the accretions of previous years.

270. Is there anything peculiar about this loan which enables you to issue debentures against the accretions for all past time?—It is in a different position, inasmuch as the issuing of debentures against the accrued sinking funds did not take place until the third year after the accretions were in hand, whereas under the Act of 1884 the operations took place as soon as practicable after the Act was passed.

271. *Mr. Tanner.*] You have said that the Act of 1886 gave power to create sinking funds, but that no steps were taken to establish sinking funds until 1892?—Yes.

272. By the Act of 1892 a sinking fund was established?—Yes, by a different method.

273. Perhaps an improved method on that of 1886?—Yes.

274. Why were no debentures issued against the sinking funds in 1893 and 1894?—I cannot answer that. I consider it was an omission not to do so.

275. Yet at the same time you were issuing debentures against the accretions under the general loans under the Act of 1884 with its amending Acts?—Yes.

276. You have no reason then to assign for this omission in 1893 and 1894?—No.

277. *Mr. G. Hutchison.*] The Act of 1886 provided for a sinking fund of 1 per cent?—No; so much as might be appropriated by Parliament.

278. The local bodies pay 5 per cent. do they not?—Yes.

279. There is some indication that the interest is 4 per cent. and the sinking fund 1 per cent. Where was that?—It was in the original scheme that they should pay 5 per cent. for twenty-six years, 1 per cent. to be appropriated out of the Consolidated Fund, and 1 per cent. from the payment made by the local authority, making a 2 per cent. sinking fund.

280. *Mr. McGowan.*] I just want to get this matter clear; there is an impression left on my mind by a question of Sir Robert Stout's. Sir Robert Stout was referring to an error in computation, and he then said that was a non-compliance with the law. Do you really mean that an error in computation is a non-compliance with the law?—I say it is an error of omission. The Act contemplated errors being made either of computation or of omission.

281. *Hon. Sir R. Stout.*] Where?—I have not the professional mind that you have. I am only giving my reading of the Act that, when you have made an error of omission or of computation, you are able to rectify the error.

282. *Mr. McGowan.*] The impression left with me is that this error in computation was a direct breach of the law. That is my impression?—Sir Robert Stout apparently holds that it was a breach of the law.

283. *Hon. Mr. Seddon.*] If you had taken more in your computation than the law allowed, that would have been an error of computation just the same as if you had taken too little, as was the case this year?—It very often happens that we do get more than we are entitled to.

284. You have got to make that excess good?—We have got to allow for it the next year. I would point out that in this statement there is an error, an over-estimate of over £3,000, which is adjusted in this computation of the 29th of April.

285. *Mr. T. Thompson.*] Sir Robert Stout has laid some stress upon the question submitted to you, as to whether the point of taking the sinking funds of past years was submitted to the legal advisers of the Government. You say, "Not specifically." You say, further, that the whole of the papers in connection with this operation were laid before the Solicitor-General. Was that point not also laid equally before the Solicitor-General as other points in connection with this operation?—So far as my memory serves me, allusion to the accretions of the previous years will be found in the papers which were submitted to the Solicitor-General.

286. Then, in that way it cannot be said that that point was not before the Solicitor-General equally with other points?—I think it was; but I would not say that it was prominently placed before him.

287. *Hon. Sir R. Stout.*] Are those papers in the Treasury?—Yes.

288. And can be seen?—I do not know whether they can be seen.

Mr. J. E. FITZGERALD, Controller and Auditor-General, examined.

289. *Hon. Mr. Ward.*] I understand that a statement was furnished you by the Treasury in April last, showing the computation in detail of the £145,400 of accretions of sinking fund against which debentures under the Local Bodies Act of 1886 were to be issued?—Yes, that was so.

290. You audited that statement?—Yes, it was audited.

291. Was there any question raised as to the legality of the transaction at the time?—Yes; there was a question raised. I forget how it was raised.

292. Can you state whether you were of opinion that the law was being complied with in the matter?—Yes, I thought it was.

293. Did you have the opinion of the Law Officers of the Crown upon the matter?—I do not think we had. I understand that the Government had.

294. Had you the Treasury file before you bearing upon the subject?—I do not recollect. We had all the information.

295. You cannot say, then, whether you had the Law Officers' opinion on this point before you for consideration?—I cannot. At all events, our final opinion was given independently of the Law Officers. Their opinion was taken, and it confirmed the opinion I had already formed.

296. Independently of the opinion of the Law Officers, you held that the transaction was a legal one and in accordance with law?—Yes; I did.

297. Was there any difference of opinion between you and the Assistant Controller and Auditor upon the point?—Yes; the Assistant Controller thought it was not legal.

298. Did he hold a strong opinion upon the matter?—Yes; I may say he did. His opinions were defined. I may say, generally, though I do not like to speak of another's opinion, that his opinion was gathered from the general tenor of the several statutes on the subject, to the effect that the Parliament could not have intended what was obviously a peculiar transaction. I held that we had nothing to do with what Parliament intended, that we had to take the law as it stood, and that it was impossible to say otherwise than that the law clearly authorised the course that was taken by the Government.

299. And after you had decided upon the point of the legality, the Assistant Controller and Auditor in the ordinary course did whatever you had decided upon, I presume?—Well, the final decision would rest with me.

300. And that would be binding upon the office?—Yes.

301. Did you confer with any legal authority upon this question, independently of the Law Officers of the Crown?—Do you mean as a legal authority? We took no legal opinion on the subject.

302. Had you no consultation upon the matter?—No, I do not think so. I am not sure I did not write a note to Sir Robert Stout, merely upon the operation of one Act of Parliament on another. If I did, I do not remember the point as to what it referred to. My opinion was formed entirely upon this: that the Act of 1892 made the two clauses in the Act part and parcel of the Act of 1884, and that, therefore, they came under that Act of 1891, which made the sinking funds convertible. That is the whole point, and I am not sure that I wrote anything to Sir Robert about it.

303. That would have been about the time it was under the discussion of the Treasury?—No, I cannot tell the date. I could supply it from records in the office.

304. Would it be likely that you would ask for an opinion upon a point of this sort, after the whole matter had been settled by the Audit Department?—If I did it at all, it would be at the time

it was under discussion, and before it was finally settled. I considered that the opinion I got was in favour of the view I had taken of interpreting the Acts.

305. That the Government were acting legally in their dealing with these sinking funds?—I never asked him that. I cannot say that Sir Robert Stout understood at all why I was asking him. The question I asked Sir Robert Stout was about the general principle of interpreting Acts of Parliament.

306. *Mr. Tanner.*] A question in the abstract, and not in connection with any particular case?—Yes.

307. *Hon. Mr. Ward.*] Did you have any conversation with Sir Robert Stout on the matter?—I think not.

308. If Sir Robert Stout said you had, he would be mistaken?—I cannot say that; I cannot recollect any conversation.

309. In asking an opinion of this sort in the abstract, would you not allude to a particular Act bearing on the sinking funds?—I cannot say. I have a very indistinct recollection of what I said in that note, so much so that I have only an indistinct recollection of having written at all.

310. *Hon. Mr. Seddon.*] Have you a copy of that note?—Oh, no; it was only a private note. I do not know whether he ever wrote a reply. I know the whole question in my mind at that time was the discussion between myself and my colleague as to whether we had any right to take what Parliament intended, or to take the Acts as they stood.

311. *Hon. Mr. Ward.*] That would be in April?—It was at the time the opinion was given to the Treasury.

312. *Hon. Mr. Seddon.*] Had you taken Sir Robert Stout's opinion about the same time on anything else?—Not that I know of.

313. If the answer was in writing, do you think you could find it?—I am sure I could not find it.

314. You said you could tell the date you sent the letter from the records?—No; only I could tell from the records about the time the matter was under discussion.

315. But, from your recollection, it would be before you finally gave your certificate?—Yes; only a short time before.

316. Whether the reply was in writing or by conversation, it convinced you that your view was correct?—It confirmed my opinion as to the interpretation of Acts of Parliament—as to the principle of interpreting Acts of Parliament.

317. You have never requested Sir Robert Stout to act for you in this matter or anything else?—No; I merely consulted him as a friend.

318. It has been stated here that about this time things were not going very smoothly with the Treasury in respect to scrip, promissory notes, I.O.U.s: does that refresh your memory?—I do not know what you mean.

319. Was there any friction between the Audit Department and the Treasury about giving scrip, promissory notes, and I.O.U.s?—I do not know to what you allude.

320. Do you remember issuing a precept?—Yes, perfectly well. That had nothing to do with scrip or I.O.U.s. It had entirely to do with my asking the Secretary of the Treasury to bring certain documents to my office, which he declined to do.

321. Did you ask Sir Robert Stout to appear for you in respect to that question?—Yes, I did.

322. Why did you say you had never asked him at any time?—You are referring to an entirely different subject now.

323. I asked you whether you had asked Sir Robert Stout to appear for you at any time as counsel, and you said "No."—I thought you were referring to the other point.

324. There was at this time friction between the Treasury and yourself?—Not on the subject under consideration.

325. Was there any friction at that time?—It depends on what you call friction.

326. Were the two things concurrent?—I do not think they were.

327. If you refresh yourself from the papers would you say positively it was not so?—I say positively and distinctly that any question as to friction had nothing whatever to do with my giving an opinion on the question before the Committee. I do not think what you refer to occurred at the same time, and it had nothing to do with it, and did not influence my mind one way or the other.

328. Quite the reverse, that your opinion being with the Treasury would be proof to the contrary, would it not?—No, I do not think so. I am quite capable of giving an unbiassed opinion in favour of a person on one point and against him on another.

329. You have not mentioned this question of sinking funds to Sir Robert Stout?—I do not think I have. I have no recollection of ever having mentioned it.

330. You state decidedly that you never mentioned anything to Sir Robert Stout with respect to this £145,000?—I have no recollection of anything passing between Sir Robert Stout and myself with respect to this subject, with the exception of the one question of the interpretation of the statutes.

331. You do not know whether the answer was in writing or was oral?—I do not remember.

332. You have no record of it?—No.

333. You did get a reply?—Yes; I got a reply of some kind.

334. Whatever it was, it strengthened your conviction that you were acting in accordance with the law?—That the Acts of Parliament were to be so interpreted.

335. And on that you acted?—On that I gave my opinion. I want it to be clearly understood that the whole question between me and my colleague was simply whether we were to take the Acts as they stood, or whether we were to infer what was the intention of Parliament on a certain subject from the general tenor.

336. And you are still of opinion that what was done was done within the law?—Yes; I am of

opinion that my duty is simply, when the Government proposes to take a course, to say whether that course is in accordance with the law as it stands or not.

337. Now, as to the operation, are you prepared to state to the Committee whether, in your opinion, this loan conversion is an advisable thing to do? What is your opinion as regards loan conversion? Is it advantageous to the colony?—I do not think I am called upon to give an opinion on the policy of the Government.

338. *Mr. Montgomery.*] You said that this was a curious transaction?—This consultation?

339. This issuing of debentures against sinking funds?—The transaction was simply one of creating a sinking fund for the purpose of destroying it again. It was creating a debt for the purpose of paying it off.

340. Do you consider that the issuing of debentures against the accretions of sinking funds was in accordance with the spirit of the Act of 1892 passed by Mr. Ballance?—It was simply the law.

341. Was it in accordance with the spirit of the Act of 1892? The Act of 1892 set up a sinking fund, because a sinking fund had not been actually previously set up. It was stated by Mr. Ballance that he intended to set up a sinking fund; and, as you say, it would be a curious transaction if he had, in setting up a sinking fund, intended that debentures should be issued against it. Did you consider when they were issued that it was in accordance with the spirit of the Act of 1892?—It was in accordance with the Act of 1892.

342. Was it in accordance with the spirit of the Act of 1892?—The Act of 1892 is peculiarly worded. The Act of 1892 is made to stand part of the Act of 1884.

343. You are referring to the Act of 1891?—No; the Act of 1891 made the debentures convertible. The Act of 1892 consisted of two clauses. It repealed clauses 45 and 47 of the Act of 1886, and said that the two clauses of the Act of 1892 shall be substituted for them. Being substituted for them, the latter became part of the Act of 1886; but by the Act of 1891 the issue under the Act of 1886 became convertible.

344. You are speaking now of the way in which you interpret the Acts; but the question I want to ask is this: apart from the legal interpretation of the Act, which was right, no doubt, if you had to decide on the spirit of the Act and the intention of Parliament, as far as you could ascertain it, would you infer that it was intended that debentures should be issued against sinking funds of local bodies?—I am not prepared to say that.

345. Do you consider that Mr. Ballance, in passing that Act of 1892, contemplated or intended that debentures should be issued against the sinking funds thereby created?—I cannot say what Mr. Ballance contemplated.

346. What would you infer from the fact that an Act had been passed in 1892 specifically setting up a sinking fund: would you infer that any Legislature setting up a sinking fund would intend that sinking fund should be practically done away with by issuing debentures against it under a previous Act?—I should not intend to infer anything derogatory of the dignity of Parliament.

347. *Mr. McGowan.*] The issuing of debentures against the accretions of sinking funds being a perfectly legal operation, do you hold the opinion that it is a prudent operation also?—The Committee will excuse me, but I do not think I am called upon to give an opinion as to the policy of the Government.

348. *Mr. Tanner.*] Assuming that this operation in regard to these accretions of the sinking funds had taken place in the year 1893, the first year after the Act of 1892 had been passed, would you have regarded it as in any sense a violation of the existing law: would your decision and practice have been the same as now?—No, I think not.

349. You think the practice would have been the same?—The last Act referring to the subject is that of 1892.

350. Assuming that what has been done now had been done in the previous year, would the opinion of the Audit Department have been the same?—Yes, I think so.

351. *Hon. Sir R. Stout.*] Do you remember that when the question was put to me—in May, I think it was—that it was as to A, B, and C statutes?—I did not recollect it, but now you call it to my memory I think it was so. It was only a question as to the interpretation of statutes generally.

352. Did you ever mention to me in any way that sinking funds had been used and debentures drawn against them?—No, I think not.

353. I had no communication with you at all except on that one case—of the interpretation of statutes?—I think none.

354. *Hon. Mr. Ward.*] Bearing upon this matter?—I do not know even that.

355. *Hon. Sir R. Stout.*] Supposing debentures have to be drawn against the loan, and it is legal to draw them, did you consider the question whether you could issue debentures in one year for accretions in previous years? Did that come specially before you?—Yes. Section 5 of "The Consolidated Stock Act, 1884," specifically says that errors of one year may be corrected in another year; and upon that point my colleague agreed with me—that an error of omission was the same as any other error. That is to say, if there had been an omission in issuing debentures which might have been issued it would be legal to issue them in another year.

356. The Treasury is not bound to draw debentures against sinking funds: there is nothing compelling them to do so?—It is compulsory to make the computation.

357. My point is this: that the Treasury is not bound to issue debentures against the sinking funds that have accrued; it is only permissible?—That is so.

358. If, then, the Treasury omit for a certain number of years to issue stock against the Government Loans to Local Bodies Act, have they a right to come in three or four years afterwards and issue debentures for these past years?—We held that they had that right.

359. Do you see the difficulty of the point?—Yes; but we held that they had; and my colleague agreed with me on that point.

360. Do you not see a difficulty in the aspect of that question?—In the aspect, but not in the law.

361. The other point is this: You thought that the provisions of the 1891 Act made the Government Loans to Local Bodies Act come entirely under the Act of 1884?—Yes.

362. You know that the Act of 1884 contemplated conversion, and drawing against sinking funds?—Yes.

363. Clause 3 of the Act of 1891 says that all provisions of the said Act shall apply to such conversion. Do you think that the term “such conversion” applies to more than that one provision?—Yes, it comprises “all the provisions of the said Act.” If it applied only to conversion, and not to the issue of debentures, all provisions of the said Act would not be applied, but only part of them.

364. All provisions shall apply to conversion?—If you limit “conversion” to the particular meaning you limit the remainder too.

365. That is the manner in which you read it?—Yes; and my colleague also agreed with me on that point.

366. Mr. Gavin thought that, as there had been a special sinking fund created in 1892, it would be absurd for the Legislature to issue debentures against it?—Yes; he thought it was absurd to create a sinking fund for the purpose of issuing debentures against it. In one memorandum he jocosely describes it as the “old woman’s method of cutting off the head of her blanket and sewing it on to the bottom in order to cover her feet.”

367. *Mr. T. Thompson.*] You have been asked more than once as to your opinion on what might have been in contemplation by the persons who framed the Act. It is not part of your business, I presume, to consider what has been contemplated by anybody: you form your opinions, and grant certificates on your reading of the Act?—Yes.

368. You believe that the operations were carried out strictly in accordance with law?—Yes.

369. Have you seen any reason to alter your opinion?—No.

370. *Hon. Mr. Ward.*] I understand you to say that the operation of issuing these debentures against the accretions of sinking funds is in accordance with the law of Parliament?—I think so.

371. I further understand you to say that the difference of opinion upon the matter between yourself and the Assistant Controller and Auditor was as to whether you were to consider the intention of an Act, or only the terms of the Act?—Yes; whether we were to consider what was the intention of Parliament, as gathered from all the Acts on the subject.

372. That was the only point on which there was any difference between you?—Yes.

373. The decision of the Audit Department was given after you had made inquiry as to the interpretation of the Act from Sir Robert Stout?—Yes; after we had ascertained what was the rule as to the interpretation of Acts of Parliament.

374. Are you aware that, during the Treasurership of the late Mr. Ballance, £449,000 of the loan we are now dealing with was converted into consolidated stock?—Yes.

375. Is it within your knowledge that the Audit Department at that time said that the provision of 2 per cent. for sinking fund was unnecessary?—I do not think we gave any opinion of that kind.

376. If it is stated in evidence that such is the case, that would, in your opinion, not be correct?—I do not recollect that we ever gave an opinion of the kind, nor do I know how we should be called upon to give such an opinion.

377. It is so. The Audit Department was asked, and they advised that it was not necessary to provide a sinking fund. I want to ask you a question about this computation business. Do you know that there was an error of £3,000 in connection with a former computation of this loan?—No; I have no personal knowledge of the computations. Generally there is a division of work in the Audit Department, and this particular work has been taken by my colleague, and not by myself, for many years, going back to the time of my late colleague. He and my present colleague, Mr. Gavin, came from the Treasury, and they had a more immediate knowledge of these computations than I had, and, in the division of the work necessary between us, the technical calculations were made in the department of my colleague, and not in mine. I would suggest to the Committee to get the information from Mr. Gavin direct on these points. I have only had the duty of deciding on points of law or principle when brought before me.

378. You cannot give any information on that subject?—On the details, No.

379. Have the sinking funds been used?—I do not quite understand.

380. Have any portion of the sinking funds already accrued been released?—I am not sure. I do not recollect at this moment.

381. Do you know the date of the debentures that have been issued against them?—Not without referring to the papers.

382. If any of the debentures have not matured, would the sinking fund be released?—Are you speaking of the short-dated debentures?

383. Yes. Would the sinking funds not remain intact until the date of maturity of the sinking funds debentures?—I think so.

384. What security would there have been at the back of the debentures?—I do not quite see the point.

385. Debentures are issued against the accrued accretions of the sinking funds. That is the security against which the debentures are issued. If they were released before the debentures matured, what security was there?—Debentures have not any particular security, they are payable in the open market.

386. Have any of these sinking funds been released?—I cannot say at once.

387. Assuming that none of them are released, can you say that upon the date of maturity of the debentures they will be released—that no other provision will be provided?—Of course I cannot.

388. Then, the assumption of the Assistant Controller and Auditor that they will be used, and his descriptive use of the “blanket” business is mere assumption?—Yes, certainly it is. He assumes that if the debentures are issued there will be use made of them.

389. In the conducting of the finances of the colony, have debenture stock never been issued against stock?—Yes.

390. Is there any reason why financial arrangements cannot be made that the same policy be allowed to remain intact so far as these debentures are concerned?—It may be.

391. Do you know the rate of interest paid by the local bodies upon the loans issued by the Government?—I forget whether it is 3 per cent. or $3\frac{1}{2}$ per cent. Do you mean the interest paid by the local bodies?

392. Yes?—Three per cent. is it not.

393. No, 5 per cent.—Oh, that includes the 2 per cent. sinking fund.

394. What is the amount of sinking fund included in that?—One per cent. from the Government and 1 per cent. from the local bodies.

395. If we pay 4 per cent. for the money borrowed, and provide as we are now doing 2 per cent. for a sinking fund, these loans to local bodies virtually cost the country 6 per cent.?—I would rather not give any opinion upon this question.

396. As financial expert and head of the check department, I had hoped that you would have given us this information?—I think the Finance Department is yours and not mine.

397. You have something to do with the business, so far as the computation of loans is concerned?—I have only to do with business as it comes under the notice of Parliament, and as it is made law. I prefer to give no opinion on the subject of finance. I am not wishing to conceal anything. I think it is my duty to abstain from giving any opinion as to finance.

398. *Hon. Mr. Seddon.*] Do you know of any case where any Government has not issued debentures as against the accretions of sinking funds?—I do not recollect.

399. It has generally been the case where they had the power to issue debentures against accretions; they had it since 1884?—Yes, I should say that most Governments have taken full advantage of the law in respect to borrowing.

400. And, therefore, in cases where debentures have been issued in excess of the accretions they have been subsequently refunded?—No, I do not recollect any case. There may have been instances.

401. Supposing a Government had issued in excess one year, and it was discovered two years afterwards, the law would allow it being rectified at that time?—Yes.

402. If sufficient had not been issued, the law would allow the amount that had not been appropriated to be taken, notwithstanding that more than one year had elapsed since the error was made?—Yes.

403. Is this not the position in regard to the sinking fund: By the Act of 1892 you created a sinking fund; and you issued debentures under the Act of 1884 against the full amount of the sinking fund you have created. That is the position, is it not, of what has happened under the Government Loans to Local Bodies Act?—Yes.

404. Then it amounts to this: that practically you have got no sinking fund, because you have got an equal number of debentures issued against the sinking fund?—By the sinking fund you decrease the debt, and by the existing law you increase it.

405. *Mr. G. Hutchison.*] Debentures are said to be issued against the accrued sinking funds. Is there anything on the face of the debentures to indicate from what source they are to be paid?—No; there is nothing on the face of the debentures except the Act under which they were issued.

406. Would it be the 1884 Act that these debentures would have reference to?—It would simply be the Act under which they were authorised.

407. Would these debentures have nothing on them to show that they were in respect to the loans to local bodies?—They would cite "The Consolidated Stock Act, 1884," under which they were issued.

408. There would be nothing on the debentures to show that they were payable out of one particular account more than another?—No.

409. The liability is colonial?—Yes.

410. It is a mere matter of accounting, under section 9?—It is a mere matter of keeping an account as to whether the whole amount authorised has been issued.

411. *Mr. Tanner.*] Do I understand you to say that the security for the debentures issued in this way is the accumulated sinking fund itself against which they are issued?—The security is the colony. The debenture merely states the Act under which it is issued.

412. There is nothing which states any particular class of revenue against which it is issued?—No.

413. Nor any particular portion of the sinking fund?—No.

414. But nevertheless the amount of debentures issued in any one year is exactly equal to the amount of the accretions in that year?—Yes.

415. Except where any error had been made, and that would be rectified when noticed?—Yes.

416. Have there not been instances that debentures have been redeemed from other sources than from the accumulated sinking fund?—If they were redeemed it would not matter what they were redeemed out of at all.

417. Have not cases occurred in which debentures have been redeemed, but the accumulated sinking fund, or such portion of it, would remain intact or untouched?—I do not see how the two depend upon one another.

418. You said that the debentures issued have the general security of the colony behind them?—Yes.

419. Have cases occurred in which particular debentures have been redeemed, and, at the same time, no attempt has been made to annex any portion of the accumulated sinking fund against which they were issued?—I cannot answer that question.

420. Could that take place?—I do not see why it should not.

APPENDIX.

SIR,—

The Treasury, Wellington, New Zealand, 8th August, 1895.

I have the honour, by direction of the Colonial Treasurer, to acknowledge the receipt of your memorandum of the 2nd instant, and, as requested therein, to hand you herewith a statement showing: (1.) Interest: increase or decrease during 1894-95. (2.) Securities in London on the 29th October, 1894, including drafts *in transitu*. (3.) Amount of Government bonds and debentures now in London.

I have, &c.,

The Chairman, Public Accounts Committee,
House of Representatives, Parliament Buildings.

JAS. B. HEYWOOD,
Secretary to the Treasury.

1. Interest.

				£	s.	d.	£	s.	d.
Increase or decrease during 1894-95,—									
Amount charged—1893-94	...	...	...	1,761,994	0	0			
" " 1894-95	...	...	...	1,658,910	7	9			
Decrease	...	...	...				103,083	12	3

2. Securities in London on the 29th October, 1894.

Government bonds and debentures,—									
Consolidated Stock Act, 1884, debentures (sent to London on the 11th October, 1893)	...	...	...	1,306,100	0	0			
Imperial guaranteed debentures	...	...	...	800,000	0	0			
Miscellaneous bonds	...	...	...	53,400	0	0			
							2,159,500	0	0
3½-per-cent. stock unsold	...	...	...				65,000	0	0
Drafts—In London to mature	...	...	...	310,000	0	0			
" In transitu	...	...	...	150,000	0	0			
							460,000	0	0
Cash in Public Account	...	...	...				376,323	0	0
							£3,060,823	0	0

NOTE.—The amount of Government bonds and debentures now in London is £2,159,500.

ROBERT J. COLLINS,

The Treasury, Wellington, 6th August, 1895.

Accountant to the Treasury.

SIR,—

Wellington, 15th August, 1895.

I have the honour by direction of the Colonial Treasurer to acknowledge the receipt of your memorandum of the 12th instant, and as requested therein to hand you herewith,—

1. A statement showing increase or decrease of (a) interest and (b) sinking fund respectively, (a) charged and (b) paid respectively, in the years 1890-91, 1891-92, 1892-93, 1893-94, 1894-95, and as estimated for 1895-96.

First—If present system of dealing with drawing loan of 1867 had been in full force during these years;

Second—If the old system had been continued in 1894-95 and 1895-96.

2. I further subjoin the dates on which the drafts mentioned in my return of the 6th instant were sent to London, and I have also added the dates on which they were received in London.

Date of Remittance.	Amount.	Received in London.
1894.		1894.
26th July ...	£50,000	4th September.
6th September ...	260,000	11th October.
	310,000	
4th October ...	150,000	8th November.
	<u>£460,000</u>	

3. With regard to the Committee's question, "Whether cash for the drafts to mature and those *in transitu* could have been provided in London on or prior to the 29th October, 1894?" I may state that, so far as the Treasury is aware, the undiscounted drafts in hand or *in transitu* could have been discounted or advanced against if required. As a matter of fact, £210,000 of the

drafts in hand were discounted on the 30th October, 1894, to make up the sum required for interest payable on that date.

4. I also enclose copy of the bank-sheets forwarded from London comprising the transactions of the New Zealand Public Account between the 1st April, 1894, and the 31st March, 1895, inclusive.

Where it has appeared to me necessary to do so, and for the information of the Committee, I have added, within brackets, brief particulars of the nature of the transaction. I have also shown the balance at credit of the account at monthly periods.*

I have, &c.,

JAS. B. HEYWOOD,

Secretary to the Treasury.

The Chairman, Public Accounts Committee,

House of Representatives, Parliamentary Buildings, Wellington.

STATEMENT showing Increase or Decrease of (a) Interest and (b) Sinking-fund respectively, (a) charged and (b) paid respectively in years 1890-91, 1891-92, 1892-93, 1893-94, 1894-95, and as estimated for 1895-96.

1. As if present system of dealing with drawing loan of 1867 had been in force during the years named:—

Year.	Interest. £		Sinking Fund. £		£
1890-91 ...	1,621,697		39,709		
1891-92 ...	1,651,518		34,638		
	Increase	29,821		Decrease	5,071
1892-93 ...	1,559,245		44,704		
	Decrease	92,273		Increase	10,066
1893-94 ...	1,606,726		50,872		
	Increase	47,481		Increase	6,168
1894-95 ...	1,618,882		39,771		
	Increase	12,156		Decrease	11,101
1895-96 ...	*1,652,575		*42,030		
	Increase	33,693		Increase	2,259

2. As under the old system of dealing with drawing loan of 1867, and if same was continued for 1894-95 and 1895-96:—

Year.	Interest. £		Sinking Fund. £		£
1890-91 ...	1,745,713		112,540		
1891-92 ...	1,785,460		107,469		
	Increase	39,747		Decrease	5,071
1892-93 ...	1,703,594		117,535		
	Decrease	81,866		Increase	10,066
1893-94 ...	1,761,994		123,703		
	Increase	58,400		Increase	6,168
1894-95 ...	1,784,679		112,602		
	Increase	22,685		Decrease	11,101
1895-96 ...	*1,826,862		*114,861		
	Increase	42,183		Increase	2,259

* Estimated.

Treasury, 16th August, 1895.

R. J. COLLINS,
Accountant to the Treasury.

SLIP inserted in the Year-book, 1895, opposite page 150, produced by Mr. Heywood to the Public Accounts Committee, 24th October, 1895.

The figures given in the last column of the table on page 151 are the annual charges on the amount of stock and debentures of the public debt (exclusive of Treasury bills) outstanding at the end of each year, and not the moneys actually paid for interest and sinking fund. The actual payments during each year are shown hereunder:—

* Not printed, being of a confidential nature.

Year ended 31st March.	Interest and Sinking Funds, Amounts actually paid for.				
	Public Debt.			Treasury Bills.	Total.
	Interest.	Sinking Funds.	Total.	Interest.	
	£	£	£	£	£
1890	1,752,020	115,781	1,867,801	29,801	1,897,602
1891	1,718,618	112,540	1,831,158	27,094	1,858,252
1892	1,747,376	107,469	1,854,845	38,084	1,892,929
1893	1,662,029	117,535	1,779,564	41,564	1,821,128
1894	1,711,583	123,703	1,835,286	50,410	1,885,696
1895	1,619,925	57,979	1,677,904	38,985	1,716,889

STATEMENT handed in by Mr. HEYWOOD on the 24th October, 1895, to the Public Accounts Committee.

ACCRETIONS of SINKING FUNDS, 1895-96.—ADJUSTMENT of ACCRETIONS for Year 1893-94.

	Actual, 1893-94.			Estimated, 1893-94.			Under.			Over.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
New Zealand Loan, 1863	8,936	18	1	4,500	0	0	4,436	18	1			
Consolidated Loan Act, 1867 ...	229,561	9	0	227,220	0	0	2,341	9	0			
Immigration and Public Works Loan, 1870	38,912	0	5	41,960	0	0	...			3,047	19	7
Auckland Loan, 1863	1,677	19	5	1,525	0	0	152	19	5			
Lyttelton and Christchurch Railway Loan, 1860	4,787	2	10	4,455	0	0	332	2	10			
Canterbury Loan, 1862	528	1	6	490	0	0	38	1	6			
Otago Loan, 1862	4,680	19	1	4,350	0	0	330	19	1			
Government Loans to Local Bodies, 1886	47,097	8	9	...			47,097	8	9			
	336,181	19	1	284,500	0	0	54,729	18	8	3,047	19	7
							3,047	19	7			
							£51,681	19	1			

ESTIMATE for 1895-96.

	Estimate, 1895-96.			Adjustment, 1893-94, including actual accretions to 31st March, 1895, in respect of Government Loans to Local Bodies.			Net Estimate, 1895-96.		
	£	s.	d.	£	s.	d.	£		
New Zealand Loan, 1863	7,843	1	11	4,436	18	1	11,780		
Consolidated Loan Act, 1867 ... ..	...			2,340	0	0	2,340		
Immigration and Public Works Loan, 1870	39,047	19	7	Cr. 3,047	19	7	36,000		
Auckland Loan, 1863	1,437	0	7	152	19	5	1,590		
Lyttelton and Christchurch Railway Loan, 1860	2,172	17	2	332	2	10	2,505		
Canterbury Loan, 1862	571	18	6	38	1	6	610		
Otago Loan, 1862	5,034	0	11	330	19	1	5,365		
Government Loans to Local Bodies, 1886	20,812	11	3	64,397	8	9	85,210		
	76,419	9	11	68,980	10	1	145,400		

Treasury, 29th April, 1895.

R. J. COLLINS,
Accountant to the Treasury.

23rd October, 1895.

I REGRET, when forwarding you the summons to-day to attend the Public Accounts Committee to-morrow, I omitted to ask you, in accordance with the resolution of the Committee, to bring a statement concerning the issue of debentures for £145,400, and how the amount is arrived at. I hope you will have sufficient time to prepare it.

The Controller and Auditor-General.

E. W. KANE,
Clerk, Public Accounts Committee.

No. 189.

24th October, 1895.

I AM unable to make up such a statement. It was prepared by the Treasury, and, like all other accounts, carefully audited at the time and returned to the Treasury certified to as correct. But the Audit Office is not an office of record for all accounts it passes as correct.

Clerk to the Public Accounts Committee.

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

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