

121. Can you account for the delay in informing you of the re-transfer of the stores, that not having taken place until the 9th September?—No, I cannot account for that. It is not necessary to inform the Audit Office of any but the pecuniary transaction—the re-transfer of the money—and that came before the Audit Office as a proposal on the 9th September, or thereabouts.

122. You are not informed of the re-transfer of the goods?—We deal with the account for payment. When this account for payment came before the Audit Office we found that these goods had gone back on the 11th March.

123. Then it is possible—I do not suggest that it is so—that other goods may have been re-transferred and not paid for that you know nothing of?—Quite possible.

124. And would you suggest any amendment of our law which would enable the Audit Office to prevent this being done, or knowing it, at any rate?—Any amendment would prevent it by which the money received from the sale of stores should not be treated as appropriation for expenditure.

125. I said, suppose a department transfers stores for cash, and afterwards re-transfers them back without getting cash, is there any reason why the payment of cash should not be indefinitely delayed and you know nothing about it?—It is quite possible.

126. It took place in this case?—It took place in this case.

127. About this £187,000: is it not an extraordinarily large credit?—It is unusually large. I forget what the figures of the previous year were.

128. Do you know what the estimate was?—£20,000 odd.

129. Do you not think it natural for a member of the House to ask for a return of such a large amount?—I could not answer that.

130. The details are in no way given in the account, are they?—They are not in the Public Account that I know of.

131. This £13,000 that was audited, I presume that was a transfer in the ordinary course of selling stores by one department to another, for the reason that one department wanted stores and the other had them?—The Audit Office assumes so.

132. That takes place frequently, I suppose?—Yes.

133. The greater part of the £187,000 is in that nature, is it not?—I think so—the greater part, yes.

134. And you do not as a rule inquire whether the stores are wanted or whether they are *bona fide* transfers or not: is that so?—We do not inquire when there is no occasion to suppose everything not in order, or the case not one of fair demand and supply.

135. I presume it is your duty to see that no financial acts are carried out which are merely for the purpose of raising money in a way not contemplated by Parliament?—Yes, I should say so.

FRIDAY, 28TH OCTOBER, 1898.

J. K. Warburton, Controller and Auditor-General, further examined.

1. *Mr. Fisher.*] Referring to the paper (Copy A), on page 10, B.-22, 1898, was that not a private pencilled memorandum from Mr. Fife to Mr. Heywood? How did you get it into your possession?—It came into my possession with the Treasury file, to which it was attached as a part of the record. I understand it was an arrangement as to one or two of these very transactions. I copied it, and left it on the file on which I found it. I do not see how it can be a private paper. It was attached to the public records, and related to a public transaction.

2. Have you any distinct recollection of the paper itself?—I have mentioned it in my correspondence as attached to a certain Treasury record.

3. Was it written in pencil form in the memorandum, or did it bear a more official appearance, and appear to be written in ink?—There were four papers—some of the writing in ink, and some in pencil. The only suggestion I make is that the original papers to which it was attached should be obtained. The first copy (A), to which reference is made, I believe to be a statement in ink of the financial position by Mr. Fife as on the 31st March, 1898.

4. Will you please explain in what way the particular paper marked (A) affects the question of the £15,000?—I would give to that the answer I have already given.

5. *Mr. Fraser.*] You have stated that it was owing to the necessities of the Railways Department about February that all this trouble has arisen, and that it was in consequence of the "Unauthorised expenditure" vote being reduced by £50,000?—That was the explanation given to me by the Colonial Treasurer.

6. And that the sale of stores, from all you can gather, would not have taken place but for the Unauthorised Expenditure Account having been reduced by the £50,000?—I understand it to have been for the purpose of appropriation for the Working Railways.

7. That is not my question. The question I asked was whether you gather from your present knowledge of the transaction that the sale of stores would not have taken place but for the fact of the "Unauthorised expenditure" vote having been reduced by £50,000?—From my present knowledge I do not regard the transaction as a sale.

8. Well, sale or borrowing?—I regard the transaction as one which would not have taken place—I am speaking from my impression—but for the purpose of realising money to go towards the working-expenses of the railways.

9. Take the effect of the transaction?—The effect of the transaction was to bring to Vote 60—that is, the vote for the Working Railways—a credit to the amount of the sale—a credit to be treated as an additional appropriation.

10. You see no reason to change the opinions you formed in regard to this transaction—the opinions formed and expressed in the memorandum put before the Committee? I will state one of