

1898.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT ON THE ACTION OF THE AUDIT OFFICE WITH REFERENCE TO THE MINES DEPARTMENT, GOVERNMENT HOUSE, AND THE POST OFFICE ACCOUNT, TOGETHER WITH THE MINUTES OF PROCEEDINGS AND EVIDENCE).

Report brought up on the 4th November, 1898, and ordered to be printed.

REPORT.

THE AUDIT OFFICE AND THE MINES DEPARTMENT.

THE Public Accounts Committee has the honour to report that it has taken evidence on the subject of the collection of arrears of rent on mining leases, and the difference between the Audit Office and the Mines Department regarding the action taken by Warden Stratford, and submits the same to the House for the information of members.

The Committee finds that the Minister has power to remit surcharges, and is of opinion that such remissions, when made, should be reported to the House.

The Committee has further inquired into a surcharge made by the Controller and Auditor-General on the Receiver of Gold Revenue at Paeroa. It finds that the Controller and Auditor-General was acting strictly in accordance with law in so making such surcharge, but recommends that the law should be amended as soon as possible, so as to prevent such difficulties arising with respect to the collection of overlapping rents in the future, and considers that if the Minister decides to disallow such surcharge he will be justified in so doing.

THE AUDIT OFFICE AND GOVERNMENT HOUSE.

The Committee recommends that the Government should make any alteration in the law or in the Appropriation Act that may be necessary to provide for payments which the Controller and Auditor-General has seen fit to object to.

THE AUDIT OFFICE AND THE POST OFFICE ACCOUNT.

The Committee has also taken evidence on the note made by the Controller and Auditor-General on the Post Office Account, and, the time at its disposal not permitting that consideration which the importance of the subject demands, it places the evidence at the disposal of the House.

4th November, 1898.

WILLIAM WILCOX TANNER, Chairman.

MINUTES OF PROCEEDINGS.

TUESDAY, 30TH AUGUST, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. McNab, Mr. Montgomery, Rt. Hon. R. J. Seddon, Mr. Tanner, Hon. J. G. Ward.

The minutes of the previous meeting were read and confirmed.

In accordance with notice given, Mr. Montgomery then moved, That the Auditor-General be requested to attend and give evidence on matters relating to the control and audit of the Public Accounts.

Upon which Mr. Guinness moved, by way of amendment, to leave out all the words after the word "Auditor-General," with a view of inserting the following words: "be summoned to attend before the Committee to give evidence relating to the action taken by the Receivers of Gold Revenue under his instructions in suing for rents in arrear by the lessees of special claims and licensed holdings under 'The Mining Act, 1891'; also in relation to his action in surcharging several Receivers for not collecting such rents; also as to the differences of opinion that have arisen between the Auditor-General and the Wardens in matters of administration."

Upon the question being put, That the words proposed to be struck out stand part of the question, a division was called for, and the names were taken down as follow:—

Ayes, 2.—Mr. Fraser, Mr. Montgomery.

Noes, 7.—Mr. Graham, Mr. Guinness, Hon. W. J. M. Larnach, Mr. McNab, Rt. Hon. R. J. Seddon, Mr. Tanner, Hon. J. G. Ward.

So it passed in the negative.

Words struck out accordingly.

Resolved, That the words proposed to be inserted in lieu of those struck out be so inserted.

Resolved, That the motion as amended be agreed to.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That, in respect to the subject-matter contained in the preceding resolution, the Hon. the Minister of Mines, the Under-Secretary for Mines, the Secretary to the Treasury, and Warden Stratford be summoned to attend before the Committee and give evidence.

Mr. Montgomery moved and the question was proposed, That the Auditor-General be summoned to give evidence respecting the note made by him on the audit of the Post Office Accounts.

Upon which the Hon. J. G. Ward moved, by way of amendment, to insert, after the words "that the Auditor-General," the following words: "the Secretary and Accountant of the Post Office, and the Secretary to the Treasury."

Upon the question being put, That the words proposed to be inserted be so inserted, it was resolved in the affirmative.

Words inserted accordingly.

Resolved, That the motion as amended be agreed to.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That the Committee adjourn till Tuesday next.

TUESDAY, 6TH SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Mr. Guinness (Chairman), Mr. Duthie, Mr. Fraser, Mr. Graham, Mr. McLean, Mr. McNab, Mr. Montgomery, Rt. Hon. R. J. Seddon, Mr. Tanner.

In the absence of the Hon. W. J. M. Larnach, Mr. Guinness was elected Chairman, on the motion of the Rt. Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

The Controller and Auditor-General was then examined by the Committee with reference to the action taken by the Receivers of Gold Revenue under his instructions in suing for rents in arrear by the lessees of special claims and licensed holdings under "The Mining Act, 1891," and in relation to his action in surcharging several Receivers for not collecting such rents, the evidence being taken down in shorthand by a reporter. The Hon. the Minister and the Under-Secretary for Mines and Warden Stratford were present.

The Committee then adjourned, on the motion of the Rt. Hon. R. J. Seddon, till to-morrow, at 10 a.m.

SATURDAY, 10TH SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Mr. Duthie, Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That Mr. Guinness take the chair in the absence of the Hon. W. J. M. Larnach.

The minutes of the previous meeting were read and confirmed.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That Warden Stratford be examined. Warden Stratford was accordingly examined by the Committee, his evidence being taken down in shorthand by a reporter. The Controller and Auditor-General, the Hon. the Minister and the Under-Secretary for Mines were present.

The examination of the Controller and Auditor-General was then continued, the evidence being taken down in shorthand by a reporter. The Hon. the Minister and the Under-Secretary for Mines were present.

Resolved, on the motion of the Chairman, That the Committee adjourn till Tuesday next, at 10.30 a.m.

TUESDAY, 13TH SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. Duthie, Mr. Fraser, Mr. Graham, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

The examination of the Controller and Auditor-General *re* gold revenue was continued, and the Under-Secretary and the Hon. the Minister of Mines were also examined on the same subject, the evidence being taken down in shorthand by a reporter.

The Rt. Hon. R. J. Seddon gave notice that he would move, That the question raised by the Audit Department, that "notwithstanding the House of Representatives may vote a sum of money for defraying the cost of lighting and firing the official rooms at Government House, and the same shall be in the Appropriation Act, the Audit Department will not pass the same, and bases its refusal on the grounds that the Governor's Salaries and Expenses Act makes it illegal to pay the same," be considered by the Committee at its next meeting.

The Committee adjourned till Friday next, at 10.30 a.m.

FRIDAY, 16th SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. Duthie, Mr. Fraser, Mr. Guinness, Mr. McLean, Mr. McNab, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner.

The minutes of the previous meeting were read and confirmed.

The Controller and Auditor-General was examined with respect to the note made by him on the audit of the Post Office Account, the Secretary and Accountant of the Post Office being present.

A letter [Exhibit J] from the Controller and Auditor-General, dated the 13th September, in reference to his evidence on gold revenue having been read by the Clerk, Mr. Warburton was examined thereon.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, in accordance with notice given, That the question raised by the Audit Department, that "notwithstanding the House of Representatives may vote a sum of money for defraying the cost of lighting and firing the official rooms at Government House, and the same shall be in the Appropriation Act, the Audit Department will not pass the same, and bases its refusal on the grounds that the Governor's Salaries and Expenses Act makes it illegal to pay the same," be considered by the Committee. The Controller and Auditor-General was accordingly examined on the question.

Mr. W. Gray, Secretary of the Post Office, was then examined on the note made by the Auditor-General on the audit of the Post Office Account (Parliamentary Paper F.-2, 1898).

A shorthand reporter was present, and took down the evidence in shorthand.

The Committee then adjourned till Wednesday next, at 10.30 a.m.

THURSDAY, 22ND SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. J. Allen, Mr. Duthie, Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. McLean, Mr. McNab, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Hon. J. G. Ward.

The minutes of the previous meeting were read and confirmed.

A reporter was present, and took down the evidence in shorthand.

The Secretary to the Treasury and the Secretary to the Post Office were examined with respect to the note made by the Controller and Auditor-General on the audit of the Post Office Account (Parliamentary Paper F.-2, 1898).

Resolved, That the Committee adjourn till Tuesday next, at 10.30 a.m.

TUESDAY, 27th SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. Duthie, Mr. Fraser, Mr. Guinness, Mr. McLean, Mr. McNab, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon, Mr. Tanner, Hon. J. G. Ward.

The minutes of the previous meeting were read and confirmed.

Letters, dated 24th September, from Mr. Gray [Exhibit P] and Mr. Warburton [Exhibit N], having been read, were ordered to be printed.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That a list of "Payments made by the Post Office on behalf of other departments" [Exhibit O], supplied by Mr. Gray, be printed.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, That the Committee adjourn till 10.30 a.m. on Tuesday next.

THURSDAY, 30th SEPTEMBER, 1898.

The Committee met pursuant to notice.

Present: Hon. W. J. M. Larnach (Chairman), Mr. Fraser, Mr. Guinness, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

Mr. T. A. Moresby, Receiver of Gold Revenue, Paeroa, and the Controller and Auditor-General were examined as to the surcharge made upon the former by the Auditor-General for gold revenue not collected.

A shorthand reporter was present, and took down the evidence.

The Committee then adjourned till 10.30 a.m. on Tuesday next.

THURSDAY, 3RD NOVEMBER, 1898.

The Committee met pursuant to notice.

Present: Mr. Tanner (Chairman), Mr. J. Allen, Mr. Duthie, Mr. Graham, Mr. Guinness, Mr. McLean, Captain Russell, Rt. Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

The Committee proceeded to consider its report on the action of the Audit Office with reference to (1) the Mines Department, (2) Government House, and (3) the Post Office Account.

THE AUDIT OFFICE AND THE MINES DEPARTMENT.

Resolved, on the motion of Mr. Guinness, to report, That the Committee, having taken evidence on the subject of the collection of arrears of rent on mining leases, and the difference between the Audit Office and the Mines Department regarding the action taken by Warden Stratford, submits the same to the House for the information of members.

Resolved, on the motion of Mr. J. Allen, to report also, That the Committee finds that the Minister has power to remit surcharges, and is of opinion that such remissions, when made, should be reported to the House.

THE AUDIT OFFICE AND GOVERNMENT HOUSE.

Resolved, on the motion of Mr. J. Allen, to report, That the Committee recommends that the Government should make any necessary alteration in the law or in the Appropriation Act to provide for payments which the Controller and Auditor-General has seen fit to object to.

THE AUDIT OFFICE AND THE POST OFFICE ACCOUNT.

Resolved, on the motion of the Rt. Hon. R. J. Seddon, to report, That the Committee has taken evidence on the note made by the Controller and Auditor-General on the Post Office Account, and, the time at its disposal not permitting that consideration which the importance of the subject demands, it places the evidence at the disposal of the House.

Resolved, That the Chairman be authorised to confirm the minutes of the last meeting of the Committee.

The Committee then adjourned.

FRIDAY, 4TH NOVEMBER, 1898.

The Committee met pursuant to notice.

Present: Mr. Tanner (Chairman), Mr. J. Allen, Mr. Fisher, Mr. Fraser, Mr. Guinness, Mr. McLean, Mr. Montgomery, Captain Russell, Rt. Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

The Committee proceeded to re-consider its report on the action of the Audit Office with reference to (1) the Mines Department, (2) Government House, and (3) the Post Office Account.

THE AUDIT OFFICE AND THE MINES DEPARTMENT.

Mr. Guinness moved to rescind the resolution passed yesterday on the motion of Mr. J. Allen.

On the question being put, it passed in the negative.

Resolved, on the motion of Mr. Montgomery, to report, That the Committee has further inquired into a surcharge made by the Controller and Auditor-General on the Receiver of Gold Revenue at Paeroa; that it finds that the Controller and Auditor-General was acting strictly in accordance with law in so making such surcharge, but recommends that the law should be amended as soon as possible, so as to prevent such difficulties arising with respect to the collection of overlapping rents in the future, and considers that if the Minister decides to disallow such surcharge he will be justified in so doing.

Resolved, That the Chairman be instructed to report to the House in accordance with the resolutions passed yesterday and to-day, and to move that the report be printed, together with the minutes of proceedings and evidence.

The Committee then adjourned.

MINUTES OF EVIDENCE.

THE AUDIT OFFICE AND THE MINES DEPARTMENT.

TUESDAY, 6TH SEPTEMBER, 1898.—(Mr. GUINNESS, Chairman.)

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

1. *The Chairman.*] The Committee has passed a resolution that you be summoned to attend before it to give evidence relating to the action taken by the Receivers of Goldfields Revenue, under your instructions, in suing for rents in arrear by the lessees of special claims and licensed holdings under "The Mining Act, 1891"; also in relation to your action in surcharging several Receivers for not collecting such rents; also as to the differences of opinion that have arisen between yourself and the Wardens in matters of administration. The first question I would ask you is to state by whose instructions, or by what authority, you have directed the Receivers of Goldfields Revenue to sue the different lessees and licensees for arrears of rent. We are assuming that you have given those instructions?—I have given them indirectly. I have referred the Receivers to the provisions of the Mining Act, which convey whatever instructions there may be. They seem to require the Receivers to neglect nothing necessary to the collection of the rents. I can give you a copy of the proceeding sections of the Act, together with the circular issued by the Audit Office; but I believe proceedings are authorised by the department.

2. What department?—By the Government: I understand so. These are a few copies of the sections of the Act relating to the matter: Section 135 of "The Mining Act, 1891," and section 352; also section 18 of "The Mining Act Amendment Act, 1892." [See Exhibit A.] And this is the circular of the Audit Office. [See Exhibit B.]

3. These are the three sections that you rely upon?—Yes.

4. You speak of the circular from the Audit Office?—Yes, of the 6th September, 1897, to Audit Inspectors. In it are indirect instructions. It refers to arrears of rents, &c., under the Mining Acts.

5. You refer to section 34 of the Act of 1895. [See Exhibit A.] You did not give that in the list. That is another section you rely upon?—Yes, I refer to that in the circular, as added by the Amendment Act of 1895.

6. Then, you refer to four sections?—Yes. Section 34 of the Act of 1895 has a general application.

7. Did you receive any report from your Inspectors with regard to the action of the Receivers with respect to the collection of those rents you refer to in that instruction circular?—This is a circular to the Audit Inspectors, and I can say generally that the Audit Inspectors have attended to it—that is to say, in their inspections of Receivers of Gold Revenue they have called the attention of the Receivers to the Act. These sections seem to require that proceedings shall be taken if the rents cannot be obtained otherwise.

8. Did you communicate with the Department of Mines on this question?—On the question of proceedings?

9. As to taking proceedings, or as to the neglect of Receivers to take proceedings?—

10. *Right Hon. R. J. Seddon.*] Did you forward to the Mines Department a copy of this circular you sent out?—I do not think so. I do not recollect doing so.

11. *The Chairman.*] I understood you to say in your answer that it was through the department the actions or suits were being taken?—I understood so. I heard it in conversation in my own office.

12. Whom with?—I cannot recollect with whom, but I have the impression that that was said. I think it was in conversation with the Hon. Mr. Cadman. I cannot be sure, but I made the remark that it lay with the administration to take proceedings.

13. I understand you to say that, as nearly as you can recollect, a conversation took place between the Hon. Mr. Cadman, Minister of Mines, and yourself, and you understood that the department would give necessary instructions to sue?—I did not say that. I said I understood some one to say the department had done so. It might have been the Hon. Mr. Cadman.

14. Is that some one connected with the Mines Department, or with your office?—I will look up the papers, and perhaps find something in connection with it. I do not think I could have authorised proceedings, because my duty as Auditor is merely to surcharge. I have no actual authority to direct proceedings.

15. Suppose your Audit Inspectors informed you that they found, on inspection of the Receiver's books in the different goldfields districts, that rents were in arrear—and were in some instances in arrear for several years—and that the Receivers were not suing, would it be your duty to do anything then?—If I had come to the conclusion that they had neglected to collect the revenue I should surcharge them under section 32 of the Public Revenues Act, which is as follows: "It shall be the duty of the Audit Office to surcharge every Receiver or other accountant with any sum of money which he shall have wilfully or negligently failed to collect, or for which he shall have failed to account as provided by this Act." When I come to the conclusion that a Receiver has wilfully or negligently failed to collect, then it is my duty to surcharge him.

16. Have you in any instance since you have been Auditor-General had occasion to surcharge any Receiver of Goldfields Revenue under that section?—One Receiver—the Receiver at Paeroa, in the Thames—Mr. Moresby.

17. Have you had any communication with the Mines Department with regard to that surcharge?—I have informed the Mines Department of the surcharge, and I had a personal communication with the Minister of Mines on the subject.

18. To what effect?—I had better quote a letter I wrote on the subject.

19. *Right Hon. R. J. Seddon.*] You have had a conversation on the subject of this surcharge?—Yes.

20. What was the nature of that conversation. The writing will speak for itself. I want to know the purport of the conversation?—The conversation related to the circumstances of the surcharge—to the character of it, or, rather, to the character of the deficiencies or arrears; whether they were in cases of absolute surrenders, or of surrenders of titles to take up the land again and continue the rents under new titles.

21. *The Chairman.*] And besides the conversation you have also had written communication?—No. I wrote to Mr. Moresby on the subject of that conversation with the Minister.

22. Have you a copy of that letter?—This is in a letter to the Receiver of Gold Revenue at Paeroa: "The Hon. the Minister of Mines has just seen me respecting a case in which you are proceeding for a deficiency included in the surcharge of £464 0s. 4d., but in which the payment of the rent is alleged to have been continued under a new title. I informed him that you had not yet intentionally been surcharged with any deficiency in such cases. The Minister, though he was considering whether it would be expedient for the administration to interpose to suspend the proceedings, expressed himself particularly desirous not to be regarded as in any way interfering with or delaying the recovery of the deficiencies in the cases where the same holding was not continued under a new title."

23. *Right Hon. R. J. Seddon.*] Are you sure your Audit Inspectors have not given instructions to these Receivers of Goldfields Revenue?—I cannot be sure of that. I do not know it.

24. You are not aware whether you sent this circular of the 6th September [see Exhibit B] to the Mines Department?—I do not think I did. I do not recollect sending it. It is calling the attention of our Audit Inspectors to the provisions of the Act with regard to the collection of the revenue.

25. Have you any memorandum in which you directed the attention of the Minister of Mines to the arrears of rent?—I directed attention to arrears of rent in respect of the Kumara Water-races.

26. Moneys due for water are not rents; rents are rents of mining claims?—I am looking at it as revenue. As far as the Audit Office is concerned, the surcharge would be the same.

27. There is no statutory obligation on Receivers of Revenue in respect of amounts due for water. The question is whether you have intimated to the Mines Department that there was a large sum of money overdue for rents of mining claims: have you done so?—I wrote to the Minister of Mines on the 25th June, 1898, this memorandum: "With reference to the appended copy of the correspondence of the Audit Office with each of the Receivers of Gold Revenue at Collingwood and Cromwell respecting the acceptance of the surrender of a licensed holding on payment of the rent to the date of surrender, instead of to the end of the current half-year, I have the honour respectfully to suggest the issue by your department of a circular to all Wardens and Receivers explaining what rent the law is interpreted to make payable in cases of surrender." Then follow the copies appended to that memorandum. [See Exhibit C.]

28. This is on the 25th June, 1898, after you had surcharged and proceedings had been taken by Receivers of Revenue. Was it before or after you had surcharged the officer at Paeroa?—The surcharge on Paeroa was made before that.

29. This circumstance of the 25th June refers only to surrender where there is overlapping respecting the acceptance of the surrender of a licensed holding on payment of the rent to the date of surrender, instead of to the end of the current half-year?—No; that is an acceptance of surrender before payment of arrears. A full half-year's payment in advance is provided for under section 135.

30. Can you explain the question of the overlapping to the Committee? First of all, is not the rent payable in advance?—Under section 135 [see Exhibit A] the rent is payable half-yearly in advance.

31. Has not the question arisen whether it is payable in advance, and it has been sued for notwithstanding—it has been insisted on?—Yes.

32. Although a man may have had only three months' occupancy, you would insist upon the amount being paid for the half-year?—Yes, that is so.

33. Now, the Wardens have been interpreting the law differently from you, have they not?—I think they have acted differently, or on different opinion.

34. "Audit query, No. 282, of the 18th May, 1898, to the Receiver of Gold Revenue at Collingwood on account for the week ending the 22nd January, 1898.—On the 18th January, 1898, you gave receipt No. 3993 to Mr. J. P. Hayes for £1 13s., 'being rent by judgment on Joseph Jacobsen's late Licensed Holding No. 56 from the 6th April, 1897, to the 27th July, 1897, date of cancellation.' Please explain why the full year's rent of £3 15s. was not collected." To which the Receiver replies, "On the 6th April, 1897, Joseph Jacobsen's rent, amounting to £3 15s., became due for the ensuing half-year. On the 27th July he surrendered his license, but did not pay the rent. The rent was sued for by me in the Warden's Court on the 23rd September, 1897, and judgment was given for £1 13s. and 9s. costs, being rent due from the 6th April to the 27th July, 1897, the date of surrender. A distress warrant was issued for the recovery of the amount of judgment and returned as no effect. Mr. Hayes paid the amount on the 18th January, 1898, as my receipt shows." Then you write: "The Receiver,—Please quote the section of 'The Mining Act, 1891,' or its amendments under which surrender was accepted on the 27th July, 1897, without the half-year's rent due on the 6th April, 1897, being paid; and also state why judgment was given for

£1 13s. instead of £3 15s., the amount owing." The explanation comes in the next paragraph: "I know of no section under the Mining Act or its amendments under which the surrender was accepted. A precedent was established by the late Warden, Mr. Greenfield, Receiver of Gold Revenue, Collingwood, in W. Cutten, in June, 1896, when he gave judgment for rent due up to date of surrender, and the present Warden appears to have followed it." [See Exhibit C.] That brings you in conflict with the decision of the Warden in respect to this. Now, the question is: The Receiver of Revenue, acting on the decision of the Warden, would be liable to be surcharged for the difference between £1 13s. and £3 15s., according to law?—Yes, if the Receiver of Gold Revenue did not collect what was due on surrender under section 135. If he did not collect all the arrears of rent—and the arrears of rent means the rent for the current half-year—then I should surcharge the Receiver.

35. Now we come to another phase of the question, and that is this: paying double rent for the same piece of land—overlapping. That is the case of the person you mentioned as having spoken to Mr. Cadman about the arrears at Paeroa which should have been collected. You say you had a conversation respecting surcharges, as to the character of the deficiencies. There was a distinction between the two?—Yes, there was. The Audit Office did not originally intend to make any surcharge in respect of the arrears of rent owing by licensees who surrendered for the purpose of taking up the land under new titles, and continuing to pay rent.

36. There are cases, are there not, where you have claimed that once a person or company has entered on the six months of a holding on which the rent has to be paid in advance, notwithstanding there is a change of title and a surrender, the six months' rent is still due?—All the surrenders that have come under my notice have been surrenders under section 135, and whether there is an absolute surrender of ground or it is taken under a new title, as claimed now, the law requires that the arrears of rent shall be paid indifferently. But it was not the first intention of the Audit Office to surcharge in these latter cases. It was not until I had occasion to look into the law closely that I found it was necessary to surcharge in all cases, whether they were cases of absolute surrender or for a new title, so long as it was not an exchange of title under section 10—that is to say, where all the same terms and conditions were to continue, the new term to be the balance of the term of the license. But there are no cases of that kind.

37. This case is where a man is taking up a new title—not a surrender. You say the Receiver is liable under the law, and you surcharged in the case you mention?—The only case I have surcharged in is that of Paeroa, and I must say that I was reluctant to surcharge where the rent was continued under a new title. The correspondence shows that I discussed the matter very closely, and that I was forced to the conclusion that the Receiver whom I surcharged was right in contending that he ought to be surcharged in such cases. He has made it quite clear in his own memoranda.

38. Where there was a decision of the Warden upholding the position of a Receiver of Revenue under such circumstances, would you hold that was a wilful neglect on his part to collect rent, and that he should be surcharged?—It would be failing to collect.

39. In the face of the decision I quoted to you, that of Jacobsen, would the decision of the Warden, which differed, of course, from the ruling of Mr. Justice Conolly, affect your opinion, or would you consider that a case in which the surcharge should take place—that is, the difference between £1 13s. and £3 15s.?—I may say that I doubt whether the decision of the Warden would not be binding without an appeal in the ordinary course, but if the decision was not in Court I think I should have to surcharge. I would not answer positively on the question.

40. You say you have given no direct instructions respecting the collection of these rents by the Receivers. You read in your own circular, "Instructions by the Auditor-General." How does that come there if no instructions had been given?—I wrote to the Receiver of Gold Revenue at Lawrence on the 20th August, 1898, and this is an example of my own instructions: "In replying to query No. 312, when referring to L.H. 85A (J. Lawson), you say, 'Requests for payment of rent have been sent repeatedly.' The same answer is given by you in other instances on the list, but you do not say that you have exhausted all lawful means to compel payment of the several amounts in arrear. If such has not been done, or is not done at once, it will become my duty to surcharge you, under section 32 of 'The Public Revenues Act, 1891,' for having 'negligently failed to collect' such amounts." The Receiver replies, "I beg to state that every lawful means shall now be taken to enforce the payment of these rents. I am very glad that I have such an authority to act on, because holders of claims, some not being worked, others not paying, are apt to let the rents run into arrear. The matter will be attended to strictly at once." This is an example of instructions the Audit Office gives.

41. Then, you have given instructions in this way?—Yes; in every case where the Receiver neglects his duty I point out to him the sections in this way.

42. Have you called the attention of the Mines Department to the decision of any Warden upon a question of the surrender and non-collection of rent before he granted new titles?—Yes, I have.

43. Will you give us a case in point?—Here is the copy of the case. [See Exhibit D.]

44. You did not give instructions to the Warden for the future to collect before giving any right to surrender?—I do not think I have ever given any instructions to the Warden.

45. You have only asked a question why it was not done?—Yes.

46. What is the amount of this surcharge to Paeroa?—£781 10s. 4d.

47. What is the Receiver's salary?—Something under £200 a year—not exceeding £200. The arrears consist of three classes, as follows: (1) Arrears on special claims and licensed holdings surrendered and taken up by same licensees under new titles, £134 15s. 7d.; (2) arrears on special claims and licensed holdings surrendered and not taken up by the same licensees £329 4s. 9d.; (3) arrears on special claims and licensed holdings surrendered for the purpose of

amalgamation, £317 10s.: total, £781 10s. 4d. The importance of the question as to arrears in this case is in the fact that the money goes to the Natives.

48. But if they get the amount you surcharge they get double rent?—Yes, in the cases of rent continuing; but it is a title very much better in period. It is not a title with the same terms and conditions as the other title.

49. *Mr. Fraser.*] Has there been any decision upon this point? You lay such stress upon whether the titles overlap each other, and asking to claim double rent?—There has been no decision to relieve them. The only one is by the Supreme Court. [See Exhibit E.]

50. Has that case ever come before the Supreme Court, where the titles overlap each other?—No.

51. Where the rent is absolutely paid, but where there are technical defects in the law, it was never the intention to surcharge?—That is the position I took up. But there is a very great advantage in period given to the person surrendering an old title for a new title.

52. The question of advantage would not affect your position in the least?—I am speaking of advantage in terms.

53. What you maintain is that the position you take up is strictly the technical reading of the law?—Yes, that is the position I take up, and that is the only position I can take up.

54. You are bound to take that up?—Yes.

55. Does it not appear to you to be inequitable?—It would be impossible to answer that without knowledge of the particular circumstances in each case. All being equal, the person who surrenders an old title and takes another ten years longer has an advantage.

56. Assume the surrender of one title for another where there is no consideration or premium to be paid, but where the rent is paid for one six-months, and there is a mere exchange of titles?—I believe section 10 would allow that, but there are no surrenders under section 10. There are no cases of a surrender for the purpose of exchanging for a new title with all the same terms. They are all cases of surrender of the old titles.

57. What were the circumstances with regard to this particular exchange?—They are Maori lands, but they were not exchanges of one title for another under section 10. They were all surrenders of the old title.

58. *Mr. Tanner.*] Was it an application for the same ground under another title?—Yes, the same ground under another title.

59. *Mr. Fraser.*] Your contention is that you were strictly following the letter of the law, and had no other option?—Yes, that is so.

60. Are you prepared to say whether you think the present state of the law is equitable?—I could not say whether it was equitable or inequitable.

61. You could not answer that point?—No.

62. *Mr. Montgomery.*] Is this case of Cuff and Jordan [see Exhibit E] on line with the case we are discussing?—No; that was a case of absolute surrender, where the ground was not continued by any one, and became Crown land again.

63. Has there been any case decided where the surrender was not absolute, but the land was again taken up, as to whether rent could be apportioned?—I do not know of one myself. The Receiver who has been surcharged in this case—Mr. Moresby—himself holds that the judgment applies to all, and I think it does.

64. And in the absence of a legal decision you have to interpret the law yourself?—Yes, without an authoritative legal decision. I refer to the Solicitor-General on occasions.

65. Have you thought it necessary to refer this matter to him?—No, I have not; I am quite satisfied.

66. You are going on section 135 of the Mining Act?—Yes.

67. And therefore your action has simply been to insist on compliance with the law, I take it?—Yes. I have made one surcharge of the three classes.

68. You have in your position of Auditor-General no discretion whatever?—No discretion.

69. You are obliged to insist on the law being complied with, and cannot waive it in any way?—No, I cannot waive it, but it is for me to judge whether the time arrives. I am part of the statute, I may say.

70. Would you suggest an amendment of the law is required to meet cases such as these overlapping surrenders?—The only amendment that I could suggest would be to make the payments in advance quarterly instead of half-yearly, and even that suggestion I should make very reluctantly. It appears to me that a holder of a license will judge what his interests are, and as by waiting to the end of the half-year he can practically escape, there is the way out of the difficulty.

71. Would you suggest that any amendment of the law is required in the direction of giving the Auditor more discretion in not insisting on full compliance with the law where he thinks it would be inequitable? Would that be a desirable amendment in the Public Revenues Act?—I think it would be better perhaps if his acts in exercise of discretion were to come before Parliament. I do not think the Audit Department should have an exercise of discretion not subject to some sort of approval.

72. You have to report now, and you think that if you exercise discretion, such as I have suggested, you should also be obliged to report?—Yes.

73. You have not reported on this difficulty to the House?—Not yet. I have made one surcharge, and the officer surcharged has appealed to the Minister, and that is the position at present, so far as I know. Section 32 of the Public Revenues Act says, "It shall be lawful for any person so surcharged to appeal to the Minister administering his department, who, upon hearing the grounds upon which such surcharge has been made, and the objections thereto, shall confirm or disallow the same. In every case in which any surcharge shall be disallowed by a Minister on appeal a report of the circumstances shall be transmitted by the Audit Office to the Speakers of both Houses of the General Assembly within fourteen days after the then next sitting of the same."

74. Would you suggest that in cases of this sort the report should be given whether it is allowed or disallowed?—If disallowed the Receiver has to pay.

75. I am only speaking of the report. The report has to be made if disallowed. Would you suggest that the report should be made if allowed?—There are a very large number of small surcharges which the Receivers pay. The business of the Receivers of Gold Revenue has been taken up lately. It has fallen somewhat into disorder. Some of the Receivers do not appear to have attended to the business very well, and the Audit Office is proceeding very slowly in the matter.

76. Is it your intention to make a report upon this matter?—I shall make a report if the Minister disallows it, in accordance with the Act.

77. If he allows the appeal, and decides against the Auditor, will you report?—The Receiver has to pay unless the appeal is allowed. If he does not pay I might then consider whether I should report. If the Minister does not disallow the surcharge the Receiver must pay.

78. *Mr. Duthie.*] In your opinion, as the law stands, is it beyond what is necessary for the due collection of the rents?—No. I think section 32 of the Public Revenues Act, which requires me to surcharge a Receiver who has wilfully or negligently failed to collect revenue, is sufficient.

79. It is not more than necessary?—No.

80. Arrears that exist are due to Receivers not enforcing the laws?—I believe in the case of Mr. Moresby he did not understand the law. It is due to the Receiver not understanding the law.

81. *Right Hon. R. J. Seddon.*] This is revenue of the local bodies, is it not?—In this case it goes to the Natives, but as a rule it goes to the local bodies.

82. With the exception of rents at Thames, the money goes to local bodies?—I think so.

83. Are you aware that, rather than run the risk of suing, the local bodies are advised to let it go as being dead-money?—I do not know that. I have a letter here [Exhibit F] which was addressed to the Warden's Clerk at Whangarei in reply to repeated applications for rent. The total amount is £68 10s., and this occurred only the other day, the 6th August.

84. *Mr. Tanner.*] In the course of the correspondence which has reached you on this subject, have you formed any opinion whether there is any widespread discontent in the mining community regarding this question?—I have it that there is wide discontent with the Receivers that they should be proceeding for arrears of rent of land abandoned long ago.

85. Does that mean to cover the whole question of recovering rent, or does it refer to this new departure?—The only departure that is new is the putting of the law into operation.

86. Which they have not been accustomed to?—Which they have not been accustomed to.

87. *Right Hon. R. J. Seddon.*] Have you power to withdraw surcharge after it is once made?—Not except by practical payment of the money.

88. Then, you are the sole judge as to whether it is due to neglect on the part of the Receiver?—Yes; when I make the surcharge it must be on my judgment that the time has arrived. It is provided for by the Public Revenues Act.

89. Then, the Minister is in the position of an Appeal Court. His power of sustaining, or otherwise, your surcharge puts him in the position of being arbiter between the two?—It does not appear under section 32 that there is any power but to disallow and thus insist on payment of the money.

90. *Mr. Montgomery.*] Has any surcharge been disallowed since you have been Auditor-General?—No.

91. There have been a number of surcharges?—Yes. There are small surcharges made in other departments, but they are answered by payment of the money.

92. Who pays it?—The person responsible for the collection of the revenue.

93. In this case mentioned of £60 odd, will the gentleman referred to have to pay it?—The Receiver of Gold Revenue ought to have collected it. He will be surcharged, and will have to pay it, or take proceedings for it. He will have to pay it himself, if not getting it by one legal course or another; or if he should not pay it—

94. What I want to know is this: Can these surcharges come out of "contingencies" or "unauthorised expenditure"?—They can come out of "unauthorised"; but if they came out of "unauthorised expenditure" they would have to go before the House.

95. Have you known instances where surcharges have been paid out of "unauthorised expenditure"?—I do not know any.

96. Then, they have all been paid by somebody?—They have all been paid in my time except this one.

97. This will have to be paid?—It will have to be paid unless Government disallow it.

98. *Mr. Duthie.*] In your opinion, in your experience of these cases, do you consider the law is beyond what is necessary for the due collection of revenue, or whether it is sufficient?—I think it is sufficient. I do not think it is beyond what is necessary.

99. *Mr. Fraser.*] Do you include all cases overlapping?—Where arrears are payable in overlapping cases they are payable according to law, and the answer I have given is that the law is sufficient for the purpose of collecting what the law requires me to collect.

100. I understand Mr. Duthie to mean whether it was excessive—the collection of rent. Do you think, in cases overlapping, it does not press unduly upon the people charged?—I understood the question to be whether I considered the law for the purpose of recovering what the law requires to be recovered sufficient.

101. It is necessary for the Auditor-General to have control over this matter?—I think section 32 of the Public Revenues Act provides sufficient guard, but not more than necessary.

102. I asked you whether you considered the law did not press unduly in cases of overlapping?—I could not answer whether it is equitable or inequitable.

103. *The Chairman.*] Are you aware that the Receivers of Gold Revenue on the West Coast, acting under the threat of surcharge you have issued to them, are suing and obtaining judgments, and in many instances issuing distress warrants in respect of these arrears?—I have had no official intimation, but I believe it to be the case.

104. Do you not think the Receivers of Gold Revenue ought to have some discretion allowed them in pursuing these lessees for the recovery of the rents—that is to say, to give them reasonable time for the payment?—I think I have instructed the Audit Inspectors in the matter as temperately as I can.

105. Do you not think they should have power to give reasonable time?—That would, I think, require an alteration of the law.

106. Do you not think that the law should be altered in that direction?—I am unable to answer that question. I think I am part of the machinery of the law.

107. Then, you decline to express an opinion on that point, whether the law should or should not be altered to give discretionary power to Receivers?—I would rather not answer that question without thinking over it. At present I am unable to answer it.

108. You have not thought over that?—No.

109. Have you been asked by the Mines Department to delay taking any extreme proceedings?—No, I do not think so. I do not recollect.

110. Have you received any communication from the Minister of Mines, or the Under-Secretary, or any officer of the Mines Department, asking you to delay taking extreme proceedings for the recovery of these rents?—I do not recollect any communication to that effect. My impression is that the Mines Department is desirous not to interfere in the matter.

SATURDAY, 10TH SEPTEMBER, 1898.—(Mr. GUINNESS, Chairman.)

HENRY ALDBOROUGH STRATFORD examined.

1. *The Chairman.*] You are a Stipendiary Magistrate and Warden on the West Coast gold-fields?—Yes.

2. I think as Warden you have two goldfields districts—Westland and Karamea—under your charge?—Yes, both.

3. *Right Hon. R. J. Seddon.*] Was some communication received by you from the Audit Department respecting the giving of a certificate for the issue of licenses?—Through my own department.

4. Briefly inform the Committee what it was?—The request was that I should sign all the monthly returns that were required to be sent up under section 76 of “The Mining Act, 1891,” and I wrote a reply to the Under-Secretary for Mines, for the information of the Minister, substantially to the effect that it would be almost impossible for the Warden to attend all the various Courts for the purpose of signing these returns.

5. Is that the circular [see Exhibit G], Mr. Stratford?—This is 1895. I cannot say I particularly remember this.

6. This [see Exhibit G] is dated 1896 [circular handed to witness]?—I think I do remember this, although it would be filed with the other circulars. But I think I am also justified in adding that it has never been necessary to call me to account for these returns not being sent.

7. You were asked to sign this certificate by the department, in compliance with this circular, and you demurred: is that so?—No. To the best of my belief, I was not. The Minister merely referred to me a communication from the Auditor-General. To the best of my belief, the Minister of Mines never ordered me to sign it.

8. He referred it on to you?—I can confidently say he never ordered me to do so, or I should have endeavoured to comply, or shown him a reason why I could not do so.

9. On receipt of this intimation from the Audit Department through the Minister of Mines you replied that you could not see your way to sign the returns?—Yes.

10. Will you give the Committee your ground for doing so?—Simply because I have a large number of offices to attend to, and I would decline to sign the return unless I myself could in the first place ascertain if it was correct from the records in the office. It could be sent to me by the Mining Registrar wherever I was stationed, but I would not sign it unless I saw it was correct before I put my signature to it. I do not visit my different sub-districts and offices regularly once a month, and consequently the returns would be behind. I was afraid there would be confusion. I may add that under the Mining Acts of 1886 and 1891 I have never been asked to check this work by subordinate officers, and have never had any complaint from my officers.

11. Section 76 of “The Mining Act, 1891,” says, “The Warden shall in each month cause to be transmitted to the Minister copies or abstracts of all licenses issued by him during the previous month, together with a memorandum of every transfer, forfeiture, or other transaction made during such previous month and affecting any licenses issued at any time previous thereto.” What has been the practice hitherto, prior to the receipt of this intimation from the Audit Department through the Minister of Mines?—That the Mining Registrar at the end of each month sent this return to the Under-Secretary for Mines.

12. He can only issue these licenses after you have granted them in open Court?—They are issued by the Warden subject to the approval of the Minister of Mines.

13. And the Registrar on its return, if ordered to be granted, refers it to the Warden?—After the Warden has sat and made his grant the Registrar forwards it to the Survey Department to have a map put on it, and then he forwards it to me, so that there is no time lost wherever I may be. It is then signed by the Warden and forwarded to the Minister for his approval.

14. This does not take place in regard to licensed holdings—you are referring to special claims?—No.

15. Licensed holdings are granted by the Warden?—Yes.

16. The applications are all made in open Court?—Yes.

17. The license is signed by you and issued by the Registrar?—Prepared by the Registrar, read by me, signed by me, and forwarded to the Minister. If a licensed holding it stops; it is simply granted by the Warden.

18. The license itself is given by the Registrar to the applicant and entered by him in the register?—Yes.

19. And he makes the entry and certifies in the abstract that it is correct for the purpose of the Warden?—Yes. The Receiver of Gold Revenue enters it up in his book, as far as regards the cash paid in. The Registrar and Receiver are generally the same men although separate officers.

20. This having been done by the Mining Registrar, who forwards the information to the Mines Department, you say that unless in each case you could examine it for yourself you do not feel justified in signing the abstract?—Yes, unless I can visit the offices and see that it is correct. But I have always felt that my position is laid down by the Legislature, which has given me an instruction to “cause” it to be done.

21. You lay stress on these words in section 76: “The Warden shall in each month ‘cause’ to be transmitted”?—Yes.

22. You contend that otherwise it would be “The Warden ‘shall’ in each month transmit”?—Yes. Section 73 reads: “Every license issued under the authority of this Act shall be signed by the Warden, and he shall affix thereto the seal of the Warden’s Court. Such signing and affixing shall be in the presence of one witness, who shall attest the same.” That is what a Warden “shall” do. A little lower down (section 76) it says what he shall “cause” to be done.

23. You have caused this to be done, and for the last ten years it has been done?—Yes, without being called to account for it at any time by the Minister.

24. Is there any danger of the revenue being defrauded by the present system?—I cannot see that, for this reason: I am auditor; I examine the cash-book when I visit the offices once a month or two months, and go through the accounts. I see the blocks and the amount of revenue received, and I have in my office for my own convenience a list of all licenses issued; and the officer who prepares the return has to solemnly declare it to be true. Then I have to certify that I have examined his books and forms and find the return to be true.

25. Would it be possible for you with your many duties, and the time you have in which to perform them, to satisfy yourself of the correctness of the abstracts?—I could not do it; it would be asking me to do too much.

26. If you had to do this, and did it conscientiously, it would practically mean that another Warden would be wanted on the Coast?—Well, I could not do it. As it is now I am practically unable to overtake my work, and far less would I be able to do it then. I said it was a statistical return to the Minister, and not a financial return at all.

27. *Mr. Fraser.*] Your contention is that the liability rests with the Mining Registrar, and not with the Warden?—I said it was the Warden’s duty to see that it was done. The Minister would look to him.

28. *Mr. Montgomery.*] What were the papers handed to you by Mr. Seddon when he was examining you?—Circulars directing attention to the Act. [See Exhibit G.]

“Mines Department, Wellington, March, 1896.

“To the Warden or Mining Registrar.

“I AM instructed by the Hon. the Minister of Mines to direct your attention to Circular No. 3 of the 25th October last, requesting that section 76 of ‘The Mining Act, 1891,’ as to the transmission of monthly abstracts of licenses issued, may be complied with, and I have to state that the work of auditing the accounts of the Receivers of Gold Revenue is delayed owing to the returns not having been sent, as required by the section of the Act above quoted.

“The Minister of Mines hoped that, after this second intimation as to the requirements of the law, there will be no further neglect on your part in respect to furnishing the required information.

“H. J. H. ELIOTT, Under-Secretary.”

29. This circular does not touch immediately on the question of the Audit Department?—The cap does not fit me in the least. That was addressed to all the Wardens.

“Circular No.

“Mines Department, Wellington, 25th October, 1895.

“THE attention of Wardens and Mining Registrars is directed to the circular issued from this department on the 11th March, 1887, requesting that the information required by section 120 of ‘The Mining Act, 1886,’ may be furnished as therein provided. It will be observed that the section referred to is re-enacted by section 76 of ‘The Mining Act, 1891,’ and, as the monthly abstracts of licenses issued have not been regularly received from Wardens’ Courts throughout the colony, the Hon. the Minister of Mines has directed that special attention be called to the omission.”

30. That apparently does not apply to you either?—No; and you will notice that the Minister of Mines recognises that it is the duty of Mining Registrars as well as that of the Wardens.

31. Then, as far as these two circulars go, they have nothing to do with the matter?—No.

32. Did I understand from your evidence that some circular from the Audit Office has been forwarded to you?—To the Mines Department for me.

33. First to the Mines Department and then on to you?—Yes; for me to report on it.

34. I want the circular sent from the Audit Office to the Mines Department?—It is in my reply.

“Circular to Wardens.

“Mines Department, 23rd September, 1896.

“I FORWARD herewith for your information copy of a memorandum from the Controller and Auditor-General, and have to direct your attention to section 76 of ‘The Mining Act, 1891.’

“H. J. H. ELIOTT, Under-Secretary.”

The Under-Secretary, Mines Department.

Audit Office, 14th December, 1896.

THE abstracts which are transmitted monthly to the Minister, on the form Mining No. 84, by the Wardens are so often signed by the Mining Registrar—that is, by the Receivers whose cash receipts the abstracts are designed to check—instead of by the Wardens, that I should be glad if you would call the attention of each Warden to the matter, and point out that to promote an effective audit his responsibility for the abstract being a true abstract of all the licenses issued by him should be acknowledged by his signature at the foot of each sheet.

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

35. That is the circular, and this is your reply: "The Under-Secretary, Mines Department. —On my return to my district last week I found this Audit query lying on my table. Perhaps you will kindly explain to the Auditor-General (who does not seem to understand) that I am a statutory officer, and, as such, have the Act to guide me what to do, as your circular points out. He is under a misapprehension about the Registrar's returns not being checked, as the Warden is a monthly auditor, who checks the licenses issued and rent paid periodically, and certifies accordingly, and an auditor from Nelson about once a quarter audits all the accounts. It would never do for the officers in the different out-stations to keep all their returns back for Wardens to sign, and the Warden could not overtake the unnecessary extra labour. Of course, I will comply with the statute whether a circular is issued or not." That was your answer?—Yes.

36. And you have nothing to add to that?—I have nothing to add to that.

Mr. J. K. Warburton: I wish to put in this statement of the matter [Exhibit G].

37. *Right Hon. R. J. Seddon.*] The next question relates to the payment of rents. Did you receive a circular from the Mines Department like this [document handed to witness; see Exhibit D]?—I did receive that letter, dated "Audit Office, 27th July, 1898," signed by the Auditor-General, and forwarded to me by the Under-Secretary for Mines.

38. Will you give the Committee your reply to that to the Minister?—This is my reply to the Under-Secretary for Mines: "As the question is one upon law—namely, as to how the Warden administers the Mining Act under certain circumstances—I must decline to answer it, unless authority is quoted showing the right to ask the question. I neither admit nor deny the assertions contained in the last paragraph of this letter. A judicial officer is not answerable to the Audit Department for his judicial acts, and is not a collector of rents."

39. From your reply, I presume you looked upon it as an interference with you, and an interference with the course of justice?—I do not give reasons for my judgments. Sometimes the reasons may be bad, and the judgments sound. The statute provides me with certain powers, and if I am wrong at any time there is the Appeal Court to go to, and I can also state a case for the Supreme Court if it is necessary. I do not give reasons for my decisions, especially to unauthorised persons. I may say I did write to the Minister on the subject, but I knew this memorandum would go to the Auditor-General. I did not want my judgment criticized by an unauthorised person.

40. You say that the payment of rents comes within the duty of the Receiver?—Yes; he receives the rents, and keeps a cash-book for the purpose.

41. And he is liable to be surcharged for non-payment of arrears?—I believe that is correct. I do not give any legal opinion about it at all.

42. You have had a number of cases brought before you by the Receiver of Gold Revenue for arrears of rent?—Yes; the Legislature has provided that the Receiver is the statutory officer to sue for rent. I decline to have any correspondence with the Receiver about a case until it comes before me on the bench. The Receiver is the plaintiff, and the licensee the defendant. I hear both sides and then give my decision to the best of my ability. I never interfere.

43. *Mr. Duthie.*] The letter of the 8th August, signed by you, is addressed to no one. I understood you to say it was sent to the Minister of Mines?—I addressed a letter to the Minister of Mines, and this is it [Exhibit D].

44. There is a clause of it I do not quite understand: "With regard to the asset, he has no business; and I should be most happy to suggest to him the proper method were I not afraid that a friendly hint would be misunderstood and treated hostilely by a person who without any provocation tried to drag me through the mire in Parliament last year until the Government interfered on my behalf, and protected me." Whom do you refer to here?—I refer to the Auditor-General.

45. It is a rather unpleasant reference?—Perhaps you have not seen the provocation.

46. *Mr. Montgomery.*] Which is the letter sent to you by the Mines Department: I want to have it identified?—"Audit Office, 27th July, 1898.—The Hon. the Minister of Mines.—From the Warden at Reefton's 'Abstract of licenses for special claims issued' it appears that Caxton S.C., No. 316, was surrendered on 6/8/97, and rent paid only to 22/6/97; and that Lady Onslow S.C., No. 356, was surrendered on 21/1/98, and rent paid only to 18/12/97. I beg to request that you will ascertain and let me know why the last half-year's rent was not collected before acceptance of surrender.—J. K. Warburton, Controller and Auditor-General." [See Exhibit D.]

47. This request of Mr. Warburton's was not addressed to you?—No; but I think you will find that he was asking the Minister to send it to me in order that I should forward a reply.

48. In your reply you say, "As I am not answerable to the Audit Department for my administration of 'The Mining Act, 1891,' nor for my judicial acts, I decline to answer the Auditor-General's question." He did not ask you any question, did he?—But he writes to the Minister of Mines asking me to answer it.

49. Mr. Warburton, writing to the Minister of Mines, says, "I beg to request that you will ascertain and let me know why the last half-year's rent was not collected before acceptance of surrender," and it appears that you did let the Minister of Mines know. You wrote to him privately?—I think there was a semi-official communication to the Minister—I am almost sure there was—not intended to go to the Auditor-General.

50. You are responsible to the Minister of Mines?—I am responsible to the Legislature.

51. You had no communication with the Audit Office, but you decided to treat the request from the Mining Department as if it was directed to you from the Audit Department?—Yes, as through the head of my own department.

52. But it was not done. It was only a request to the Minister of Mines to ascertain and let the Audit Department know why the last year's rent was not collected. Is that what you objected to?—I objected to answer any question as to my reasons for having given a decision with regard to the certain matters referred to, and about which the Auditor-General asked my reasons. Mr. Elliott, who forwarded it on to me, asked what my reply was to this, and I gave my reply.

53. But this question is not asked by the Audit Department of you, but of the Minister of Mines, and in so far as there is any dispute it is not between you and the Audit Department, but between the Mining Department and the Audit Department?—It is between the Audit Department and myself. The Audit Department demands of me information which I have no power to give, and which I decline to give except on appeal to the Appeal Court or the Supreme Court, because the Legislature has given me the Act to work upon.

54. Can you point to any letter where the Audit Department demands this of you?—In that communication you have in your hands.

55. This says, "I beg to request that you will ascertain and let me know why the last half-year's rent was not collected." That is not a demand?—I take it that when the Minister forwards to me a letter from an unauthorised person and asks me to give information it is information for that person, and not for the Minister. The Minister is the only means of communication, and he demands from the officer through him to supply the information.

56. Is not the Auditor-General an authorised person to request the Minister to supply the information?—No, not to ask any Magistrate or Judge or Warden for reasons for his decision.

57. *The Chairman.*] This memorandum of the 27th July, forwarded by Mr. Warburton to the Minister of Mines, simply asks that the Minister will ascertain and let him know why the last half-year's rent was not collected before acceptance or surrender, and it happens that the Minister has forwarded that memorandum on to you?—Yes.

58. It says here: "Forwarded to the Warden at Reefton for any information he may be able to afford in reply to the question of the Controller and Auditor-General.—H. J. H. Elliott." Is this anything more than asking the Mines Department to ascertain a Ministerial act?—Supposing, Mr. Chairman, it turns out that a Warden gave two judgments and cancelled the licenses because the condition for the payment of rent has not been complied with in each case, and although there was rent due. It would, nevertheless, be his duty to cancel them if they had become forfeited. If you discovered that would not your opinion be changed as to whether it was a Ministerial or judicial act? And even it was a Ministerial act under section 71, subsection (4), there is the same appeal to the Appeal Court. It is a decision liable to be criticized and confirmed or otherwise on reference to the Appeal Court.

59. Can you say it is a judicial act when a person voluntarily surrenders a special claim upon which you indorse the word "Surrendered," as this circular says was done?—Yes, the Auditor-General says so, but I have never said it was a judicial act. He uses the term "surrender"; I have not done so.

60. Then, I understand you to say from your knowledge of the facts in connection with the surrender or cancellation of these two special claims, the Caxton and Lady Onslow, that you were aware of the fact that it was not a voluntary surrender, but a surrender ordered by the Court?—I have no recollection, but very possibly under section 71, subsection (4), the licensee walked into the office and surrendered his license, and then the Warden indorsed the licenses, and wrote the word "Surrendered."

61. If that were so, you would not say that it was a judicial act?—I would call it a Ministerial act.

62. Would that be an act against which there would be a right of appeal?—Certainly—in this way: If I cancelled a license under the Act and had no right to do so it was an illegal act, and there is a case for appeal.

63. In the case of a licensee of a special claim or licensed holding, he simply surrenders his right?—If my law is wrong the license remains in existence.

64. When the Audit Department asked the Mines Department for this information, did you not look upon it as a request from the Mines Department asking you, as an officer under the control of the Mines Department, for information?—I did not, as you will see by the memorandum to the Under-Secretary. Had I once replied, the Auditor-General might have imagined he had a right to call upon any Warden for any explanation. Any interference at once causes confusion. It is not like the Minister of Mines giving me a departmental order, which I have to obey immediately. Supposing the Minister called upon me to give an explanation, and I gave it, then, in common fairness, I would have the right afterwards to say, "On a former occasion you criticized my decision; I have a difficulty here now, will you guide me?"

65. Is this more than a query that appears on an office document?—It is a query from an unauthorised person; and my difficulty is this: I must still adhere to the Act. I am responsible. If I make any mistakes I have to suffer. My difficulty is this: If once this was admitted my past experience—bitter experience—teaches me that I should be continually tormented, and not only I, but every judicial officer. If once there is any interference there is no end to it. The Government appoints me its officer, and under the Act the Legislature says, "There is your duty; you have the Appeal Court and the Supreme Court, and must be guided by the law."

66. Do you not admit that the Mines Department has a right to ask you to explain anything in the administration of the department under your control?—I say, No. If the Minister of Mines calls upon me to interpret the Act, I say it is wrong to do so. The head of my department would not do such a thing. If he did I should claim his assistance every time I was in doubt. The

Legislature says, "The Supreme Court is your master, or the Appeal Court, when you are wrong." I consider it would be wrong for the Minister of Mines at any time to interfere with my administration of the Act. Of course, if I do anything wrong he can call upon the Government to remit the sentence or whatever it may be.

67. Has not the Minister under the Mines Act the right to see that certain things are done?—If you mean under section 76, if he sees that I have neglected my duty in not having the return sent in he has a right to call my attention to it; but that is quite a different thing to the question put by the Auditor-General. It is the way I interpret the section.

68. *Mr. Fraser.*] You draw a distinction between administering and interpreting the Act?—Yes.

69. *The Chairman.*] You told us a little while ago that the Receivers of Gold Revenue are appointed to sue for rent in arrear?—Yes.

70. And that you never in any way interfered with them in the discharge of that particular duty, because the cases might come before you when you took your seat on the bench, and you wanted to be free from anything you had heard?—Yes.

71. I want to know if the Mines Department have ever sent you a letter or circular calling your attention to the fact that any of the officers over whom you preside have caused delay, or have been responsible for any delay, in the collection of rents?—To the best of my recollection, they have not.

72. You have never received, as Warden, a circular or letter in that respect?—To the best of my belief, not at any time.

73. Have you received any correspondence from any of the local bodies who were entitled to the revenue derived from these leases?—I never have. I am aware that the local bodies had a correspondence with the Receivers, saying that they did not wish to be hard in pressing for the rents. The local bodies are like *cestui que* trusts.

74. The local bodies have brought up the question of delaying the proceedings with the Receivers?—I could not say from memory. I do say I am aware that Chairmen of local bodies have corresponded about such matters at Reefton; but I am kept so hard at work, from post to post and place to place, that my memory is becoming affected.

75. But if such a thing had happened you would have been bound to take notice of it?—Quite so; but my memory is so affected, and I have been so ill through overwork, having to go from bench to bench, and working sometimes seven days a week, and also at nights, that I cannot be sure of these things.

76. *Right Hon. R. J. Seddon.*] When a license is put before you to sign, if you refuse to accept the surrender, and the Receiver was afterwards to claim upon it, would not that have come to me before you?—If a person wishes to surrender his license the Mining Registrar puts it before me and I have to indorse it. I am compelled to do so.

77. Yes, and suppose you refuse, would it not be a judicial matter?—I should like to hear argument before I answer that question.

78. And if you refused to sign?—I should like to have time to answer that question.

79. *Mr. Duthie.*] You observed that you have been working seven days a week?—I only made that remark as an excuse for my memory being defective. The Chairman knows me very well, and is aware that, generally speaking, my memory is good.

80. Have you been worked at that pressure for long, or is it exceptional?—I prefer not to answer that unless you press it. I have no complaint to make. I am quite satisfied to leave it in the hands of the Government.

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

81. *The Chairman.*] You have heard the statement made by Mr. Warden Stratford in reference to his declining to certify to the returns under section 76 of the Mining Act as requested by you: have you anything to say with regard to the position taken up by you in requiring him to do so?—The question is the dispute of the Audit Office with the Mining Department.

82. *Right Hon. R. J. Seddon.*] You said the Mining Department had made failure to comply with an Audit requirement?—That is the question. It was found when I was appointed to the Controllorship in September, 1896, that these circulars [see Exhibit G] of the 11th March, 1887, of the 25th October, 1895, and of the 30th March, 1896, had been issued; that these circulars had directed the attention of Wardens to section 76 of the Act, and pointed out that the work of auditing the accounts of Receivers of Gold Revenue was delayed owing to the returns not being sent as required by the section. The Audit Office then found that the Receivers of Gold Revenue who accounted for the rents issued under titles by the Wardens were also Mining Registrars and Clerks of the Court, that the same persons held the three offices, and that the abstracts under section 76 were sent in by one person, whether by the Mining Registrar, the Receiver, or in any other capacity did not matter. The person who occupied the position of Receiver was sending in the statement of titles issued by which the Receiver's statement of receipts was checked. That was clearly idle—to check what the Receiver ought to have received under titles by the Receiver's own statement of what he had to collect under the titles. But, as these abstracts from the Wardens under section 76 had been used for the purpose of auditing, I recognised that if the Wardens who had to cause these to be sent in were to sign, and thus give a certificate and be responsible for them, I should have something to audit the accounts of the Receiver by; and at the same time the Wardens, by signing these abstracts, would be relieved of the additional work of furnishing independent abstracts. I therefore wrote this memorandum to the Mines Department: "The abstracts which are transmitted to the Minister, on the form Mining No. 84, by the Wardens are so often signed by the Mining Registrar—that is, by the Receivers whose cash receipts the abstracts are designed to check—instead of by the Wardens,

that I should be glad if you would call the attention of each Warden to the matter, and point out that to promote an effective audit his responsibility for the abstract being a true abstract of all the licenses issued by him should be acknowledged by his signature at the foot of each sheet." That memorandum was embodied in a circular of the Mines Department issued to Wardens on the 23rd September, 1896. [See Exhibit G.] This was the month I came into office, and this was my first attempt to get the auditing into good order. The circular from the Under-Secretary of the Mines Department to the Warden reads: "I forward herewith for your information copy of a memorandum from the Controller and Auditor-General, and have to direct your attention to section 76 of 'The Mining Act, 1891.'" The Audit Office has not been in correspondence with the Wardens' Offices at all. The Audit Office submitted a request that a certain course should be adopted by the Mines Department, and the Mines Department adopted it by this circular, and the only Warden who has objected to it is one Warden on the West Coast, Mr. Stratford. The department refers to me the objection of the Warden. It has already been explained that section 76 imposes a statutory duty. The Warden objected to sign, and the objection was referred by the Mines Department to the Audit, and the Audit Office simply said that in this case a separate statement signed by the Warden may be sent in if he cannot see his way to comply with the Audit requirement by signing the statutory abstract which it is his duty to cause to be furnished; that it will be sufficient if he furnishes a separate statement and signs it. What the Audit Office requires is a statement of the person who issues the titles, in order that the accounts of the Receiver may be checked. It will be observed in the printed correspondence that the difficulty was not communicated to the Minister of Mines until nine or ten months afterwards. It was a departmental difficulty. The Audit Office always requires the Administration to give instructions of this character.

83. Can you see any reason why the Warden should not comply with the requisition?—No, I do not. It appears to me that as every other Warden in the colony has complied with the requisition he might do so.

84. You have said you considered it the duty of the Mines Department to call upon their officers to do anything you requested them to do: is that your opinion? Have you anything to do with the acts of administration of Ministers or their departments?—Wherever the acts involve the use of public money, or public revenue, I think I have. What I meant by my remark was that in any case of a requirement of the Audit Office which is not specially provided for by statute or law I should make the requirement on the Administration. I should ask the Administration to give instructions to the officers of the department to comply with the Audit requirement. My memorandum did not call upon the Minister to do it. It says, "I should be glad if you would call the attention of each Warden to the matter, and point out that to promote an effective audit his responsibility for the abstract being a true abstract of all the licenses issued by him should be acknowledged by his signature at the foot of each sheet."

85. In this case you say you did not request the Minister of Mines to give an order to Mr. Stratford to sign these abstracts: do you say that?—The only thing I said was that a special instruction in the matter would be necessary.

86. Did you not ask the Minister of Mines to give that instruction?—I had better read the paper: "29th January, 1897.—A special departmental instruction appears to be necessary to Mr. Stratford that he should sign the abstract. It would obviously be absurd to regard as of any value for the purpose of checking a Receiver's accounts an abstract prepared by such Receiver but not certified as correct by the Warden." That leaves it to the Minister's discretion.

87. Yes; but the Minister refused?—He did not know anything about it until about nine months after, I think.

88. *The Chairman.*] This went on with you and the Under-Secretary without the Minister knowing anything about it?—Yes, I think so.

89. *Right Hon. R. J. Seddon.*] Are you sure the Minister knew nothing about it?—He states so in his letter.

90. Where?—In his letter of the 1st November, 1897, Hon. A. J. Cadman to the Controller and Auditor-General: "Under these circumstances I consider it unwise to interfere further, but had the matter come to me in the first instance I should probably have asked the Warden to do what you desired without raising the legal aspect of the case."

91. Turn to page 13 of B.-20, Sess. II., 1897, and you will see these words at the foot of the page: "I regret the Audit Office should have so little respect for public convenience as to refuse to continue a practice that has gone on for years without a single case of loss occurring. This is a piece of red-tapeism, nothing more or less. Under what authority has the Audit Office given instructions to Treasury officers? I consider the action taken unwarranted and discourteous, and one which is bound to cause complications.—R.J.S.—30/12/96." This has been a matter in dispute between the Treasury Office as well as the others?—That is a quotation from a paper in relation to the conduct generally of some of the Receivers of the colony. It refers to the irregularity of paying without orders mining deposits to solicitors and mining agents.

92. Was not this put by you amongst the papers submitted by you to Parliament?—No.

93. It says here, on the first page, "Laid on the table by the Hon. the Speaker." Did you not put this before the House?—I put this before the House because it comes in in a letter to the Treasury on the subject of the exception.

94. In the same letter this occurs: "The 'Mines Department' and 'one of the departments of the State' are in the present case expressions meaning 'the Government.'" The three expressions are synonymous. The requisition of the Audit Office upon the Mines Department is a requisition upon that department of the State for the administration of which the responsibility lies with the Minister of Mines, whose acts are the acts of the Government, which includes the Colonial Treasurer; and, consequently, 'the failure of the Mines Department' is the failure of the Government, and 'the

conflict of one of the departments of the State with the Audit Office' is the conflict of the Government with the Audit Office." By that you brought in the Treasury?—Yes.

95. Will you say if this was nine months before the Treasury matter?—If you look at the letter I was quoting you will see it was the 29th January, 1897. [See page 2, B.-20, Sess. II., 1897.]

96. But this is December, 1896?—That is another point altogether. That was in illustration.

97. Will you say that this matter had not been the subject of communication by you with the Minister before Mr. Cadman wrote to you on that date?—Not to my knowledge, and I may say I believe not.

98. It had not been before the Treasury?—It may have been a little before, in conversation.

99. This is the 30th December, 1896; Mr. Cadman's letter is the 1st November, 1897?—In that letter he said if the matter had been brought before him in the first instance he would probably have asked the Warden to do what I desired without raising the legal aspect of the case. Then I said, in page 7 of B.-20, Sess. II., 1897, in a postscript to the Under-Secretary of the Mines Department, "If it should, as I fear from looking through the papers it may, have happened that the Minister had not seen them I would ask you to submit them to him at the earliest possible moment, for the position now is one which the Government may think it expedient to consider." And after that came Mr. Cadman's letter, in which he implies that he had not seen the papers before.

100. Was it not your contention that the abstract had to be signed by the Warden? That was your construction of the clause of the Act?—The fact is I never gave it any consideration. I did not contend for a moment that the Warden ought to sign it. Right through these papers it will be seen that my argument was that if he could not see his way to sign a document which it was his duty to cause to be furnished under the statute he could comply with the Audit requirement on his department by signing an independent statement.

101. You have never contended that the Warden should sign this abstract?—The whole question with me is compliance with an Audit requirement. This is the department I first sent an Audit requirement to.

102. Do you consider the law entitles the Warden to sign these abstracts under section 76?—I have allowed to the department every objection that the Warden can urge, and said that if he does not see his way to sign under his statutory duty he need not sign, and that if the department will comply with the requirement of the Audit in any way I will be satisfied.

103. Does the law require that to be done?—It is not expressly declared that it has to be done. I do not think that such an express declaration could be possible in this matter. I must exercise my discretion. It must lie with me—in my judgment—to say what is necessary for a proper audit. If it comes to be a question whether I am wrong it is a question whether I ought to be there.

104. But if the law does not require it to be done?—Then it lies in the discretion of the Minister, and if he does not do what I think he ought to do I am not satisfied with the accounts, and I report so to Parliament.

105. You reported that to Parliament, did you not?—Yes.

106. You did not say that the Minister had been a party to a violation of the law, but he would not administer what you wanted him to administer?—I reported that I could not get satisfaction of an Audit requirement in a Warden's department, and that there was a failure of the Mines Department to comply with a requisition for a certified statement of the amounts collectible as gold revenue. It was complied with by every Warden in the colony but one.

107. And because his interpretation of the Act was different from yours, and because of his inability, on account of other duties which he pointed out prevented him, you reported the matter to the Mines Department?—I reported it because a requirement I considered necessary had not been satisfied. I made the requirement because I considered it necessary.

108. Do you consider you are within your functions, the Minister and the law being against you, in reporting this to Parliament?—My answer is that it lies in the discretion of the Minister to comply, and he is responsible for refusing.

109. Under what powers given by the Public Revenues Act do you consider you are empowered to do that?—I do not consider the Public Revenues Act if I think it is required.

110. Then, you can go outside the Public Revenues Act?—No; if I can act consistently with the law.

111. I want to know under what law you reported the Minister of the Mines Department?—Because I objected to the accounts. I could not verify the accounts of revenue received by Receivers of Gold Revenue who collected revenues under titles issued by Mr. Warden Stratford.

112. In any case, you consider you have a discretion in reporting the Administration to Parliament because it fails to comply with a requisition you make, whether it is within the law or not?—If I concluded that I made a requirement which the law prohibited I should not make a report to Parliament; I should withdraw my requirement.

113. Were you not aware that the law supported the position taken up by Mr. Stratford?—I might have one of my clerks, if I ordered him to do a thing, decline to do it unless I could show him a statute.

114. You make a law to suit yourself, then, notwithstanding it is outside the law?—I do not think I could carry on my office if I wanted a direction from the statute for every movement I take.

115. But this was clearly within the law in section 76 of the Mining Act?—I have said throughout, explained to the department, and I say now, that if the Warden considered that he could not in the performance of his statutory duty sign the abstract which it was his statutory duty to cause to be furnished to the Minister, then he could send in a second independent statement, if you may call it so—that is superfluous, so far as the statute is concerned.

116. And because the Minister failed to give you something outside what was required by law you reported him to Parliament?—Yes, I considered it a necessary duty.

117. Did you not intend when you sent your memorandum to the Mines Department that it should be tantamount to an instruction to the Mining Department to communicate the matter to the officer?—I would say it should be complied with by the Mining Department unless it could supply a good reason.

118. Is it not a custom with you to use the Mines Department as a vehicle of communication to its particular officers?—I have not said so. I have been using it as a reference to some acts of officers subordinate to the department. This is a letter addressed to the Minister of Mines [Exhibit D]. There was no request there that it should be referred to the Warden; at any rate, there was nothing in that letter calling upon the Minister to do anything further than ascertain. If he chose to refer the paper and make it a communication from the Audit Office to the Warden the Audit Office is not responsible.

119. Suppose the Minister did not do it, and later on you asked the Minister why he did not ascertain that?—I did intend him to ascertain it, and it did not occur to me that there could be anything wrong in his reference to any statutory officer respecting a failure, or what appeared to be a failure, to duly collect the public revenue.

120. Then, you did intend it to go to the Warden?—I did not intend my letter to go to the Warden. I intended them to write their own communication on the subject.

121. *The Chairman.*] You intended the Mining Department to write their own letter, and not to forward your letter?—Yes; it is very dangerous indeed to send out original communications sometimes. There is the danger of loss, to say nothing of more serious consequences.

122. *Right Hon. R. J. Seddon.*] Was the original sent in this case or a copy of it?—I believe the original was sent. I can conceive no conflict between a proper Audit Office requirement and the statutory duty of any officer, because the motive of the requirement is the care of the public revenue.

123. Can you show me what power or authority there is under any Act to put a query to a Warden that he was to ask the Receiver whether rents had been paid before he approved of a surrender?—No, but the statute appears to require prepayment. This is the Supreme Court decision as to the meaning of section 135 [Exhibit E]. In this case a surrender had been accepted without payment of arrears. The surrender had been indorsed by the Warden before the arrears on surrender had been paid. My answer to the Minister of Mines is: "The surrender under subsection (4) of section 71 of 'The Mining Act, 1891,' is subject to section 135, which prescribes that the surrender shall be 'on condition that all arrears of rent up to the date of surrender are paid'; and the granting of the surrender in accordance with the opinion that the Warden 'in his judicial capacity is simply carrying out the law' when he grants a surrender before 'all arrears of rent due up to the date of surrender are paid' is calculated to make the person who obtains the surrender without being informed of the liability feel ill-disposed towards the administration when the demand is made or the proceedings taken for such unpaid arrears. Of course, the Receiver can sue for the unpaid arrears whether the surrender has been granted or not; and I would respectfully submit that my references to you on the subject were prompted not in any idea of interference with a Warden in carrying out the law in his judicial capacity, but by a conviction that the arrears were by law payable before surrender, and that if they were so payable it was the duty of the Audit Office to ascertain why they had not been paid."

124. If a statutory officer in the colony were performing statutory acts without receiving the revenue which should be paid on condition of that performance it would be the duty of the Audit Office to make inquiry into the matter?—The Audit Office would be betraying its trust if it did not do so; but it does not occur to me, even if I had referred to any particular officer, that I could be interfering with his statutory or judicial function.

125. Then, as far as you know, there is no law that requires that the Warden should do so?—I think, from the decision of Judge Conolly, there is a law.

126. Your contention is that, judicially, in any case that may come before him he must see that that is paid?—That is my opinion—that the condition of surrender is that the arrears of rent should be paid first.

127. If a Warden has given a surrender without that being done he has given a wrong decision?—It is very difficult to answer these questions in the abstract. In my correspondence I merely asked the department why surrender was accepted without compliance with that condition.

128. *Mr. Fraser.*] When you report to Parliament, do you look upon it as the impeachment of an act by a Minister, or is it not rather your desire to have the laws altered in order to enable you more efficiently to carry out your duties as Auditor?—There is no direct idea in my mind of impeaching a Minister. I cannot satisfactorily certify the accounts in consequence of the failure of the department to comply with the requirement. Therefore my duty is to report on the accounts to Parliament, in order, I suppose, that Parliament may arrange either that the Audit requirement may be better effected or that I may dispense with an audit to the extent to which I propose to carry it.

129. Do you consider it essential to a proper audit that the Warden should certify to the number of licenses issued?—It is not so much to the number as to the terms of each license, and especially as to what the rent may be. There are two officers, the Warden and the Receiver; one is the collector of the rents under titles, and the other issues the titles. When I became Controller and Auditor-General I found that the persons occupying the position of Receivers and receiving rent were preparing and sending in these abstracts. That is to say, these persons checked their own receipts. I therefore pointed out that this was idle and useless work, and that we should have a proper audit, and a list from the person who issued the titles, signed by him, to check the Receiver by.

130. Does not an officer of your department go round and visit the various local offices and check the work of the Registrars and Receivers?—The Registrars and Receivers are the same persons.

131. I know they are, but in some cases they are not. Is it not the duty of that officer to check this work with the Registrar?—It is his duty to check all the local offices. He goes round every half-year. The titles are not themselves in the office. The entries in the office of these titles are commonly made by the persons who as Receivers collect the rents under the titles.

132. Do I understand you to say that the Auditor cannot glean from his monthly visits sufficient information to justify his being satisfied that the statement is a correct one?—His visits are made once in six months. He may be satisfied in a way, but it is not a complete audit, and especially if he is checking an officer by that officer's own work.

133. Have any of your officers complained of the want of information in regard to this particular mode of auditing?—No; I have very few complaints on this mode from Audit Inspectors. I do not recollect more than one, and that was not in respect to gold revenue; but they make a visit, as a rule, of once in six months, and it would never do, even if they had all the means of auditing, to abandon the Head Office audit which goes on from day to day from the actual accounts.

134. Do you think there should be an alteration in the Act, or that it does not give sufficient power for the Wardens to certify in regard to these returns?—I think, generally, that an Audit requirement ought to be complied with. It would be very difficult to enumerate, by giving an illustration or example, every case in which the Audit Office should make the requirement.

135. You have admitted in your evidence to Mr. Seddon that there is no statutory power by which the Warden can be compelled to certify to the abstract?—Yes.

136. Now, I ask whether you think it is of sufficient importance to warrant an alteration in the law?—If that were done to provide for this particular case, another case might arise to-morrow where it would be required.

137. Do you think there should be some law passed which would provide that a requirement by the Audit Department should be complied with?—I think so, and that I should report to Parliament every such requirement.

138. You think there should be such a legislative enactment that any requirement of yours for a proper audit should be complied with?—Yes; and I do not know how I can propose any qualification upon such enactment. Generally speaking, I think it would be a proper provision if I had to report to Parliament every such requirement.

139. *The Chairman.*] Subject to the condition that you should report such requirement to Parliament?—Yes; subject to the condition.

140. *Mr. Montgomery.*] You are a parliamentary officer?—Yes.

141. In endeavouring to carry out your duties you have to make certain requirements upon various officers?—Yes, on departments generally.

142. You have to obtain certain information?—Yes.

143. Do you obtain that information, as a rule, by a direct request to the officers who have that information under their immediate control, or to the department under whose control the officers are?—If there are instructions such as the Treasury regulations I refer direct to the officers. If there is no regulation I ask the department to consider the requirement and give the necessary instructions.

144. You consider the law a regulation?—Yes.

145. Do you not think that Mr. Stratford, as far as section 76 is concerned, has complied with the law?—I have not opposed his objection in any way.

146. Do you not think Mr. Warden Stratford has complied with the law in causing the abstract to be sent?—I think it may be signed. He is right in causing it to be sent.

147. And do you think there is any power inherent in the officer to make him furnish information that is not required by law?—He himself speaks of the head of his department, to whom he points out that the provision of the statute makes the statutory duty "to cause to be furnished." Then I explain to the department that, independently of the abstract which he is required to cause to be furnished in accordance with his statutory duty under section 76, a separate or independent list should be sent in of the titles he issues, and that he should sign that list.

148. The point I wish to emphasize is this: Do you regard any officer as blamable who complies strictly with the law, although he does not comply with a request that is not within the law—that is, if he does not furnish more than the law demands?—I think he would be blamable if he should not furnish what he could easily furnish to the head of his department, and when what is required to be furnished is information necessary to check the public revenues.

149. You think he is to blame for not going beyond what the law requires? Would you not rather say that the first thing to do is to ask that the law should be altered so as to make it necessary to do what is necessary for the audit of public accounts?—It would have to be a very general provision. You could hardly have a provision except on very wide terms, which would leave the condition of things pretty well as it is. An auditor must use his judgment, and it is very difficult to provide for all the contingencies that may arise. There are courses not to be foreseen which he may think it prudent or wise to take.

150. Should not the law authorise an auditor not only to use his judgment, but to insist on a compliance with his judgment, subject to certain conditions?—I think that an auditor should, subject to certain conditions, be authorised to require an officer to comply without recourse. At present if an imprestee does not send in his accounts punctually the statute provides that his salary shall be stopped.

151. As a matter of fact, this signing of the abstract has been complied with except in one case?—Yes; it has been complied with throughout the colony in all cases except this one.

152. Do you think it would be desirable for an officer in the position of Mr. Stratford to sign an abstract which he is not personally able to check?—It is difficult to answer that. I will give the example of myself when I was acting as Public Trustee. At one meeting of the Board I might have a hundred and fifty deeds to sign, and it would be impossible for me to read through one of them, but I know when I am signing a statement of anything that I am taking the responsibility.

153. Do you say that a Warden who is not in a position to check this abstract should sign it, although he cannot check it?—No, I do not think so. I do not think it should be left to the Warden's judgment what he should do or should not do. If he cannot take the responsibility he should not sign it. But he himself issues the licenses.

154. Supposing a Warden did comply with your request and sign this abstract without checking it personally, and something went wrong, who would be to blame? Suppose there was some fraud which might have been checked if he had gone through it personally?—I suppose he would not sign it if he did not take the responsibility. I want to fix the responsibility.

155. Then, it comes to this: You are not prepared to say that a man shall not make himself responsible when he is unable personally to check it, but, although he cannot personally check it, he is blamable for not signing such an abstract?—Of course, I must allow that an officer should not be required to do what he cannot do. I admit that; but I am not aware that there has been any objection raised that he cannot do it. At any rate, there is only one Warden in the colony who has raised the objection. There are not many of these titles issued. To do this once a month would not take long. All I have asked is that he may give me a signature as to his own acts in the issue of these titles.

156. *Mr. McLean.*] Seeing the difficulty you are in about getting a proper audit, do you consider it is the duty of the Mines Department to get an alteration in the law to facilitate a better audit?—I think, if any alteration is required it should be in the Public Revenues Act. If thought necessary, a general provision should be made in the Public Revenues Act.

157. *The Chairman.*] Have you ever heard before the Warden gave his evidence to-day that he had not an opportunity of checking this abstract, or was unable to check it?—One of the reasons given in the printed correspondence (B.-20, Sess. II., 1897) is that he has not time to do it, but I understand the reason is that it is an interference with his statutory duty to sign the abstract.

158. Has this practically arisen lately, or is it a new thing that the Wardens should sign these abstracts?—The Mining Act has always provided for this abstract. I think the provision of 1891, as well as that of former Acts, is that the Warden shall cause the abstract to be forwarded to the Minister.

159. Prior to your assuming office, did you find that the abstracts were signed by the Clerks, the Wardens, or the Receivers?—I found that in some cases the abstracts were signed by the Wardens. I found that in other cases they were signed by the Receivers, the Registrars, or the Clerks of Court, who were the same persons, and in other cases they were not signed by any one at all.

160. Had that practice been permitted for any time by the Audit Office?—That was the practice for some time before I came into office.

161. In order to get a proper check of the revenue received, you deemed it your duty to forward this requisition?—I made it so that the practice that some Wardens were already carrying on should be made uniform, and that all Wardens should sign, as some were signing, in order that I might have some responsibility for the abstracts by which I checked the revenue receipts of another class of officers.

162. *Right Hon. R. J. Seddon.*] Are you not aware that the Receivers send in certified copies of these returns weekly to the Treasury?—Certified statements of their cash receipts, yes.

163. Are they not supplemented by the bank receipts?—Yes.

164. And then, in addition, the abstracts come at the end of the month signed by the Receiver, the Registrar, or the Warden?—Yes, it comes to the Minister.

165. And then, in addition to that, you want it signed by the Warden—you have the weekly check, the bank receipts, and the monthly abstract?—Yes.

166. And, in addition to that, you have your own auditor, and in some cases he goes bi-monthly?—Half-yearly.

167. I would like to know where you think there would be a loss of revenue?—The question with me is that it is a necessary Audit requirement, and whether an Audit requirement should be complied with or not.

168. Where do you consider there would be likely to be a leakage?—By the Receiver not accounting for rent in the titles under which he collects the rent. He may collect a less rent, and if he prepares the abstract of titles by which I check the rent, then, as I have stated before, it is checking his own receipts by his own statement of what the receipts ought to be.

169. But this abstract you refer to is only the first issue of the title?—It is an abstract which gives the abstract of the conditions of the title. "Annual rent" is in the form.

170. I want to know where the fraud could come in if he filled up the column?—As the Receiver prepares the statement he might not put in the title at all. He might leave it out of the abstract.

171. Although the Warden has issued the title, and has to audit the account?—I do not think he has any statutory duty to audit.

172. *Mr. Fraser.*] I asked a question about Audit officers attending there. Now, supposing a case occurred where a Registrar entered the rent at £10 and collected £6, would not the Audit officer at his six-monthly visit discover that? Would he not have information submitted to him enabling him to detect that?—It would depend upon the Audit officer. I am not satisfied that the Audit officer could go to the extent of seeing that, even if his audit was sufficient.

173. Has he not any means of checking the returns with all the statements in the office?—But they are or may be all prepared by one person.

174. Does he not see the deeds?—The deeds are issued.

175. But there is the block in the book?—But the blocks and the registers may not be reliable.

176. If the Audit officer could not check it, how could the Warden at the end of a month check it, because the deed is issued, and the only thing the Warden would have would be his memory, which is not a proper thing to depend upon, and the written evidence in the office—the block; so that he would only have the same means of checking as your own Audit officer?—Yes, that is so, but I never heard of the Wardens auditing before.

177. *The Chairman.*] Did the Warden, in referring to audit, refer to the cash-book?—I think he would. He would not communicate with me. I do not think my duty would be satisfied.

178. *Right Hon. R. J. Seddon.*] If all the Wardens did the same as Mr. Stratford, and checked the accounts, would not that be an improvement on signing the abstract?—No; I think he should abandon that audit, and that it should be left to the Audit Inspector.

179. You think he should receive the abstract made by some officer, and that he should sign it: but the Warden may be somewhere else?—I think it is more expedient than any of the other courses proposed.

180. That is the groundwork on which you put the tag to your report—because Mr. Stratford refused to comply with your request?—It was the failure of the Mines Department to comply with that Audit requirement; and, to my mind, the statement required was as simple a statement as a public officer could be called upon to furnish.

181. I want to know under what section of the Public Revenues Act you reported this matter to Parliament?—I regard it as my duty, if there be no special provision, or unless there be a special provision prohibiting it, to report to Parliament on the accounts every failure to comply with an Audit requirement.

182. Section 32 of the Public Revenues Act is specific as to what shall be reported, and section 32 provides what surcharges shall be made?—Take section 72.

183. Was it under that section you reported to Parliament?—That is the section under which it is my duty to report my objection.

TUESDAY, 13TH SEPTEMBER, 1898.—(Hon. W. J. M. LARNACH, Chairman.)

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

1. *Right Hon. R. J. Seddon.*] Will you turn to section 32 of “The Public Revenues Act, 1891,” and look at the last subsection: “In every case in which any surcharge shall be disallowed by a Minister on appeal, a report of the circumstances shall be transmitted by the Audit Office to the Speakers of both Houses of the General Assembly within fourteen days after the then next sitting of the same.” Do you find power there to report to Parliament?—That is one power, if the Minister disallows the surcharge. It is a duty.

2. Now refer to section 49: “All sums so issued during the currency of the annual Appropriation Act shall be charged to an account to be called the ‘Unauthorised Expenditure Account,’ and an abstract of the same certified by the Audit Office shall be laid before Parliament within ten days after its first sitting-day next after the end of the then financial year.” That is also obligatory—you “shall” lay before Parliament?—The Treasury should do that.

3. Section 72 is the next reference: “If the Audit Office objects to any part of such abstract or appropriation account, it shall notwithstanding certify the same, with such remarks thereon as it thinks fit, which shall be published and laid before Parliament, together with such abstract or account.” Did you object to any part of the abstract or appropriation laid before Parliament?—Yes, I objected to the abstract. I was unable to certify the abstract without the objection. The question for the Audit Office is whether it objects to the accounts, and on that question the Audit Office alone can be the judge.

4. Your only objection to the abstract was that you could not obtain the certificate of Warden Stratford to it?—No; it was the failure of the Mines Department to comply with the requisition. The collections of gold revenue have not been verified to the satisfaction of the Audit Office, and the Audit Office has been unable to verify them.

5. What was the ground on which you objected to this abstract? You have said that it was because the Mines Department failed to give effect to your requisition?—Because I was unable to verify the collections of gold revenue in the accounts of the Receivers.

6. On what ground do you base the failure?—I was unable to verify them because there was no means of verifying them.

7. Was it because the Mines Department had not obtained the certificate of Mr. Warden Stratford to the abstract?—It was because the Mining Department had failed to furnish a statement certified to by an officer independent of the Receiver.

8. Were you aware that Mr. Stratford had refused to sign this abstract?—I must take what the Minister has stated to me. He stated that if I had in the first instance addressed him on the subject he could easily have arranged with the Warden to comply with the requirement.

9. Then, you are aware that Mr. Stratford declined to sign the abstract?—I could not get a certificate to verify the abstract.

10. That was your reason for reporting to Parliament?—I cannot state the reason; I can only conjecture what Parliament requires the objection for. My ground of objection was that I could not verify the collections.

11. And the reason of that was because Mr. Stratford refused to give you the abstract?—No; because I had no means of verifying. I could not discuss it with the Minister. If the Minister had offered to me as his own the objection of the Warden I would then have suggested some other course perhaps. He was satisfied that the requisition was reasonable enough. The Minister, as far as I can see, did not object to the requisition.

12. Did you not say that if the Minister had directed the Warden you would have been satisfied?—I might have been satisfied.

13. The Minister did not do so?—He states in his letter that as I addressed the Under-Secretary instead of himself he declined to do so.

14. Is it a fact that you did address the Under-Secretary instead of the Minister?—I have always been under the impression that when I address the Under-Secretary I am addressing the department.

15. Do you send communications to the Secretary of the Treasury or to the Minister?—The Treasury under the Act means the Minister.

16. Under the Mines Act there is no such qualification?—I do not know that there is any such interpretation.

17. It is the Colonial Treasurer who is referred to in the case of any requisition going to the Treasury?—If I address the Minister I invariably write to the Treasury. The Treasury is the term provided by the Public Revenues Act.

18. You have heard Mr. Stratford's evidence in which he told the Committee of his inability to personally make sure that the abstract forwarded by the Registrar or Clerk was correct, and that on that ground he could not certify to it: do you think that is unreasonable?—Well, I heard Mr. Stratford say that he went through a course of auditing the accounts—a course which was very elaborate, and required much time and care. That is not required by statute, and it would, to my mind, take very much longer than to check and sign a list.

19. You heard him say that when he did this auditing he was unable to go to the various Courts for two or three months. He said he was unable to visit them monthly. He said, "I am unable to visit monthly some of my Courts. I can only go once in two or three months; but when I do go I then audit for myself the abstracts"?—I may say that if he is overtaxed and cannot undertake to sign the abstract, then it is unreasonable to expect him to do so; but I look upon the objection as unreasonable when I see what work there is to be done.

20. You say that when the Warden signs the abstract, that is all you have to do with it?—It is for the administration to judge in these matters. My business is with the department. It is with the Minister I have to deal.

21. You would take the Warden's signature to the abstract although he knows nothing about it, in preference to the Clerk's, who does know something about it, simply because the Warden is a higher officer?—No. I should say this: that there is no doubt that section 76 authorises the Warden to leave the preparation and signing of the abstract to his officer. The Act is framed also on the principle that the Receiver and Registrar should be different persons—that is, that the two offices should be filled by different persons. Now, when I came to the audit of the gold revenue I found that the Receiver and Registrar were one person. The principle of appointment as a Receiver is that his duty shall be in adverse relation to the duty of those out of whose transactions the moneys become payable which the Receiver has to collect.

22. Now, what is the difference between the Clerk of a Resident Magistrate's Court who enters up the judgments, and receives the fees and costs of summonses, and a man who receives the rent of licenses, and is a Receiver of Revenue: are there two persons in the Magistrate's Court, or is the work done by one and the same person?—I would not like to answer that without looking particularly into the question.

23. As a fact, do you not know that all fees, fines, and costs are paid to the Magistrate's Clerk, and that by law he is a Receiver?—Yes.

24. Now, what is the difference between the Warden's Clerk receiving fees, fines, and rents, and being one and the same person, and the Magistrate's Clerk?—I should have to look into the arrangements of the Court.

25. *Hon. the Chairman.*] Are they not regulated under different Acts? You are dealing with the duty of Wardens in respect of your audit, or, rather, the duty of a superior officer apart from the Receiver, whom you wish to testify to the account?—I understand that I am asked to explain whether there is not in the accounts of the Magistrate's Court the same want that is complained of here—the want of an adverse attitude of the Receiver to those out of whose transactions the Receiver's collections become payable. Now, I think the Mines Act is framed on the principle that the Receiver and Registrar should be different persons. If the Mining Registrar had been, as I conceive the Act to provide, a different person, then the Mining Registrar's statement of titles which the Warden had issued, signed by the Registrar, would satisfy the Audit Office. But at present the Receiver and Mining Registrar are the same person, and the Receiver prepares a statement of what he has himself to collect, and the statement prepared by the Receiver is all we have to check the Receiver's collection of revenue.

26. That is why you require the certificate, if not the Warden's, some other qualified officer's?—Yes; I am without any means of checking these collections.

27. *Right Hon. R. J. Seddon.*] Do you say it is illegal for the Receiver of Revenue and Clerk of the Warden's Court to be the same person?—I do not think it is in accordance with the spirit of the Act.

28. Will you say it is against the Act?—I am not prepared to answer whether it is legal or illegal.

29. Will it surprise you to know that there have never been the two persons since we have had the goldfields?—No, it will not surprise me. It has, at all events, been arranged for years that the three offices—the Clerk of the Warden's Court, Mining Registrar, and Receiver—should be held by the same person.

30. Will you look at that [Exhibit H]?—That is a statement of licensed holdings for August, 1898.

31. Is that the abstract to which you refer?—Yes, practically the same.

3—I. 7A.

32. For the purpose of checking, how much better off are you, no matter who signs it? Whether that abstract is signed by the Receiver or the Warden, where does your check come in?—That abstract, being prepared and signed by the Receiver, is useless to check the Receiver's collections.

33. Wherein would lie the difference if signed by the Warden as a check?—I presume the Warden would not sign without being responsible for it. If I knew a Warden signed a statement without looking at it I should inform the Minister; but I presume every officer would take the responsibility for that which he signs.

34. You have not ascertained whether the Wardens who have signed have gone over it and checked it for themselves?—I think I must have some very good ground for inquiry before I make it into anything of that kind.

35. *Mr. Fraser.*] I asked you at the last meeting about the audit performed by your own officials, the Auditors who visit the different offices. You did not seem satisfied that those Auditors could check these accounts?—No.

36. You wanted, evidently, to have a separate audit, apart from that supplied by your own Auditors?—Yes; in the same way as there is the audit in the general office of the transactions of all the Postmasters in addition to the audit of the Post Office by the Inspector. The Inspector has not the material. He sees what the general conduct of the office is and that everything is in order, and that the conduct of the officials is good, and so forth; he sees that the entries in the books agree with the accounts in the general office, but that inspection takes place periodically or every half-year, as it does in the offices of the Receivers of the Mines Department.

37. You have heard the evidence of Mr. Stratford as to the physical impossibility of his visiting every office once a month, and therefore the impossibility of his being able to certify to the correctness of these abstracts?—Yes. If the Warden was so much overtaxed as he stated himself to be, the way out of the difficulty would be to employ a Clerk to assist him, or a Registrar independent of the Receiver. That appointment would, according to Warden Stratford's evidence, be justified if he correctly stated that he was overtaxed. Then there would be a Clerk, who would be the Warden's officer, to furnish a check on the Receiver. At present the Receiver has to keep an adverse eye on himself.

38. Would it not be possible for the Warden to keep a book, or have it kept for him, in which would be entered the name of each office he visited, with a record of particulars of all the licenses, and then, wherever he might be, he would have the information before him—I mean a book kept apart from the Registrar of the goldfields that would be the property of the Warden for his private reference?—It occurred to me that the Warden could provide himself with some means of checking his list of abstracts. I made this requisition on the administration, and if it had raised any objection I would have proposed an alternative.

39. Do you think it essential for proper audit that there should be some one to check the returns of the goldfields?—Yes. As far as I see, in this case there was a practicable course of checking the collections of Receivers of Gold Revenue, and I made a requisition that this course should be adopted.

40. *Mr. Montgomery.*] It was not your affair why the department did not comply with your requisition?—No; I have only one reason—the reason given by the Minister.

41. You had nothing to do with any difficulties they may have had with Mr. Stratford?—Nothing whatever; he was an officer of their department.

42. You made the requisition on the Mines Department, not on Mr. Stratford?—Yes.

43. You had nothing to do officially with him at all?—I had no correspondence with him.

44. You say the Minister did not disapprove of the requisition. What evidence have you of that?—The Minister's letter of the 16th October, 1897, in which he says, "In reply I have to state that, after perusing the correspondence, I have come to the conclusion that I believe I could easily have dealt with Mr. Stratford had the question been submitted to me in the first instance, but the matter has now arrived at such a stage as between Mr. Stratford and yourself that I prefer not to interfere, and I would rather that you carried out your intention as expressed in your memorandum of the 22nd ultimo, No. 274, to the Under-Secretary for Mines." [See B.-20, Sess. II., 1897.]

45. You tell us that you never have communicated with Mr. Stratford at all?—No, except in one little memorandum of the 11th December, 1896. It was addressed to the Mining Warden, Greymouth. The instruction had already been issued by circular by the Mining Department, and the abstracts still continuing to come unsigned by the Warden, in accordance with the instructions of the Minister, this memorandum was addressed to the Mining Warden, Greymouth: "The abstract of licensed holdings for the district of Ahaura for the month of November last are returned herewith, accompanied by a copy of the circular to Wardens issued by the Mines Department on the 23rd September, 1896. Please let the request therein made be complied with." This was addressed, you will observe, to the Mining Warden. It was calling attention to the working of his department.

46. That was an inadvertence on the part of the Audit Department. It was not intended to instruct the Warden's department?—No.

47. Beyond that you have not done anything?—No, except to draw his attention to the instruction of his own department.

48. Why did you not send the requisition to the Minister?—Because communications with the Under-Secretary have always been understood to be communications with the department.

49. Do you always communicate with the Under-Secretary for Mines?—I do not know that I shall after receiving this letter from the Minister of Mines.

50. Was it the custom before?—Yes.

51. Had any objection been taken previously?—I do not recollect any. The late Under-Secretary (Mr. Cooper) expressed himself as feeling that he was the mouthpiece of the Minister.

52. We learn that Mr. Cadman objected. Did he write that he objected to communications for him being addressed to the Under-Secretary?—He wrote the letter I have just quoted from.

53. I was not asking that question. I asked if he had objected to be addressed through the Under-Secretary otherwise than in that matter?—No, I do not think so. I do not think I could have carried on communication with the Under-Secretary if I had thought the Minister had not been made aware of it.

54. Was it mere inadvertence, and no other cause, which prompted you to address the Under-Secretary instead of the Minister?—I thought it regular to do so. It was customary.

55. Did the Under-Secretary suggest any other course?—No. The Under-Secretary, as the correspondence [B.-20, Sess. II., 1897] will show, adopted the objection of the Warden, and regarded the requisition throughout as a requisition on the Warden through his department to sign the abstract furnished under section 76 of the Mining Act.

56. *Hon. the Chairman.*] Then, the whole of this difficulty has arisen through you not coming to some arrangement with the Mines Department by which an officer should be appointed to certify to the statement?—Yes, and having no other means of getting a check on the collections.

57. *Right Hon. R. J. Seddon.*] In the face of that memorandum you will now, I suppose, correct your evidence that you never communicated direct to the Warden—you had forgotten?—I had it in mind when I spoke, and should regard that as an exception which really proves the rule. As that, I think, is the only communication of mine with the Warden that can be adduced in opposition to my evidence, I think the evidence may be generally accepted as correct.

58. Now we turn to the bottom of page 3, B.-20, Session II., 1897, "Audit query No. 755, on the 12th [11th] December, 1896.—*Re* letter from Audit Office, dated 2nd February, 1897." That is marked with an asterisk, and at the bottom of the page you see the words, "*No Audit Office letter can be traced in the Audit Office of this date"?—He is referring to the same communication.

59. Is that your signature [document—(see Exhibit I)—handed to witness]?—Yes.

60. What is the date?—2nd February, 1897.

61. Then, the asterisk on the bottom of page 3, B.-20, is not correct?—This is an Audit query, 755, and it is the same thing.

62. I want to know how it is you could not trace a document of that kind in your office?—This is the same memorandum. It is a printed notice calling the Warden's attention to the fact that he has not replied to the memorandum of the 12th December.

63. I want to ask you how it is that a letter like this could not be found in your office?—That letter is a printed form calling attention to a neglect to reply, and is not copied as a letter of the office.

64. Would you not know that you had sent a communication to the Mines Department—would not that be reported?—There is usually a list of Audit queries not answered, and in the margin is put the date when the printed notice is forwarded.

65. You sent this on to the Mines Department, and the Mines Department sends it on to the Warden?—It goes to the person to whom the original was addressed. It is the very same letter: "I have the honour to enclose a letter from the Auditor-General, who addressed me as 'the Mining Warden,' drawing my attention to section 31, 'Public Revenues Act, 1891'; but as I am not a Receiver-General nor Paymaster-General, nor an accountant, nor any other person *ejusdem generis* under that Act, there can be no privity between the Auditor-General and myself. I have therefore to request that you will be good enough to explain to the Auditor-General that, in accordance with the rules of the service, I can only correspond with the head of my own department. The Audit query he refers to was sent to you by me on the 26th January last, with my letter No. 9. Would you be good enough to convey to the Auditor-General that no disrespect is meant in my declining to correspond directly with him, nor antagonism in not complying with his request. You know how impossible it would be for a Warden, with so many duties of his own to perform, to perform duties he is empowered to authorise other persons to do. He could not sign without inspection, and some of his officers are visited quarterly, and others twice a year—the returns being required monthly. And I have ten distinct offices where returns are kept under my charge.—I have, &c., H. A. STRATFORD, Warden." So that it is the Warden who calls the attention of the Mines Department to the fact, because he says, "Would you be good enough to convey to the Auditor-General," that a mistake has been made by the Audit Department in applying to him?—It is not a circular; it is a printed form of notice that a former communication is not replied to. My evidence is that I have addressed but one communication to the Warden.

66. *Hon. the Chairman.*] Your contention is that it is referring to the same circular issued by the Mines Department?—Yes.

67. *Right Hon. R. J. Seddon.*] This is a letter of the 2nd February [produced] [see Exhibit I]?—These notices are prepared by the clerks in batches, and relate to Audit queries not sent in or replied to. The clerk fills up these printed notices, and the Audit Office deals direct with the Receivers. At any rate, I am responsible for that notice, but it does not apply to this case as contended.

68. Are not all Government officers responsible in accordance with the Government Officers' Guarantee Act? For instance, is not the Receiver of Revenue you refer to responsible by law under the Government Officers' Guarantee Act?—If he is a Civil servant to whom the Act applies.

69. Would not a Receiver of Revenue be a Civil servant?—I think he would.

70. Would not the Under-Secretary for Mines be responsible for any defalcation?—I think the Receiver whose duty it was to collect would be responsible for any defalcation.

71. *Mr. Fraser.*] Would the Under-Secretary be responsible for the *laches* of other officers?—Yes; every Civil servant under the Guarantee Act is a member of the association practically. I have had myself to pay a few shillings during the years of my service.

72. He is not held responsible directly?—No. I was answering a question of deficiency of a Receiver's cash. The first thing would be to ascertain that Receiver's deficiency and fix his responsibility, but the ultimate loss would be borne by all the officers under the Guarantee Act.

73. He is responsible individually?—No; he would be for his proportion of the whole.

74. Collectively?—Yes.

75. *Right Hon. R. J. Seddon.*] Have you known a case where the Receiver or Warden's Clerk, or whoever he may be, has had a defalcation, and where the check has not been sufficient?—I do not recollect any. It would be very difficult to prove any if the Receivers check their own accounts. It would be impossible to prove any.

76. The other day, Mr. Warburton, you gave us in detail from a slip of paper you had the principal amounts in Mr. Moresby's surcharges, and £300 odd was moneys belonging to the Natives, I think you said?—I think the whole of it, £700 odd. At all events, a very large proportion of it was due to the Natives.

77. Have you gone into that matter?—No, I spoke generally.

78. You had gone into it—that was your evidence?—I should have to get precise evidence on that point. I should have to refer to the accounts and books, but that was my impression at the time.

79. Do you not think in a matter such as this, where you surcharge an officer, and where it is not the local body but the Natives who are interested, that you should look into it to see whether the statement made by you is correct?—No. It does not affect the surcharge. There is nothing in the Act to make a surcharge depend upon that point, whether the money should go to the Natives or local bodies.

80. Why did you impress on the Committee the fact that the greater part of this was owing to the Natives: what was your reason?—I had asked about it in the Audit Department generally.

81. And they told you that the greater part went to the Natives?—No, that the money in this case went to the Natives.

82. The Audit Office informed you of that?—If precise evidence on the point is wanted I can go to the books and get a certificate.

83. Have some of the local bodies approached the Mines Department or your officer and said that they were prepared to forego the revenue?—I quoted a letter showing that it did not affect the question.

84. But if the local bodies had said they were prepared to waive the revenue it would not affect the matter?—They are not authorised to forego it.

85. And representations were made asking for leniency towards the people owing the money?—I have nothing to do with that. All I have to do is to see that the money payable is collected by the Receiver, and if he neglects to do so he must be surcharged.

86. I have in my hand the following communication, namely: "Only £1 12s. out of the £781 odd surcharged me for arrears rent is in respect of Native lands.—T. A. MORESBY." You said, "The importance of the question of arrears in this case is in the fact that the moneys go to the Natives." That is in your evidence?—I would like to correct that evidence, to make it "local bodies or Natives."

87. But you did not say so?—No; but I would like to correct that. What I meant was that we were trustees of the money. Put it in that shape.

88. That will not alter the fact when you were giving evidence the other day?—It is very difficult for me to give *viva voce* evidence on points like that, if the evidence is not to be interpreted liberally. What I mean is that the importance of collecting the revenue in this case is that we are trustees for the money—that we collect the money on behalf of other persons, local bodies or Natives.

89. You have interpolated the words "The importance of the question of arrears in this case is in the fact that the moneys go to the Natives," and you asked to be allowed to withdraw it?—I would ask the Committee to allow me to withdraw it. I may have used the word "Natives" there rather than local bodies, because there is a large amount of Native land there which is let for claims. My contention is that the Government, in collecting that revenue, is collecting it for somebody else. It is a very much more important matter than if the revenue were collected for the Crown itself.

90. Do you know the total amount that is due for rent? You have only surcharged in one case?—At present I have only surcharged in this case of Mr. Moresby at Paeroa.

91. Has the Receiver any power to compound? Supposing a party is prepared to pay him so much, can he take it, or must he have the lot or nothing?—I am not aware of any authority for that.

92. *Hon. the Chairman.*] The Minister has power to disallow?—He has power to disallow a surcharge.

93. *Right Hon. R. J. Seddon.*] The point I am going to ask about now is important, and probably you will have to get legal advice on it. It is this: Can rents be charged on a right that has been abandoned by law—that is to say, a person has taken up a piece of ground, and taken out a right for it; he has never done anything on it, and abandons it: can rent be collected on it after the abandonment?—Section 60 of "The Mining Act, 1891," says; "Any claim, licensed holding, special claim, lease, residence-site, business-site, or dam-site which shall be unoccupied, and upon which there is no plant or machinery, and which has been unworked for a longer period than is allowed by the regulations for the district, or for the part thereof in which such claim is situated, or, in the case of residence-sites, if the same shall be unoccupied for a longer period than is allowed by this Act, and during such period shall have no building erected thereon, shall be deemed to be actually abandoned ground, and may without any adjudication of forfeiture or abandonment be taken up for any purpose under this Act, in accordance with the regulations, by any holder of a miner's

right; and the rights of any previous occupant of such ground, notwithstanding the existence of any registration of title thereto, shall be deemed to have expired." Well, it is a month, and it is unoccupied for a month?—After that I should think it did not relieve the holder of his liability.

94. Would it surprise you if I told you that rights had been cancelled by Wardens and new rights held by a company while you were charging for the rents?—No.

95. But is it not monstrous? A person might abandon under the old Act as long as the right existed, but had to go to Court. This was put in specially in the Act of 1895, section 16: "Notwithstanding anything contained in the principal Act, it is hereby declared that any claim, special claim, or licensed holding shall thereupon be and be deemed to be forfeited—(1.) If the prescribed rent or license-fee in respect thereof continue unpaid for twelve months after the due date thereof." It has gone. I say that there can only be twelve months' rent due, because it is forfeited by Act. The land goes back to the Crown. You are insisting on these Receivers paying this money?—It is a question of forfeiture. Forfeiture of shares in a company does not relieve the shareholders of calls. Wherever the Receivers are pursuing these people they are pursuing them in virtue of judgments.

96. Is it negligence on the part of the Receiver? The rights have been abandoned, and the rents are overdue for over a year, and the law says that such rights are and shall be deemed forfeited. On that assumption the Receiver has not collected the rents, and the law now, through the Audit Department, orders him to sue?—I presume the Court takes everything into consideration when it gives judgment.

97. It is a serious matter in this respect: that a number of persons when the boom was on two or three years ago took up these rights. They did not do anything with the land, and now they are brought up with a round-turn for not paying the rents?—The fault is the fault of the administration. If these men had been looked after they would have got rid of their liability. The active administration of the Mines Act would prevent anything like a distress of this kind. These people would not have been allowed to fall into arrear, and the rent would not have accumulated. The fault seems to me to be through laxity of administration.

98. *Hon. the Chairman.*] The £700 odd was surcharged to a Receiver?—Yes.

99. That money has not been paid, I presume?—No; he has appealed to the Minister under the Act.

100. And it remains a charge against him?—Yes.

101. Is that the only sum you have surcharged against any Receiver?—That is the only surcharge outstanding against any Receiver of Gold Revenue at present. I cannot recollect any other.

102. Do you know many cases where judgment has been given and bailiffs have been placed in charge?—I do not know of any cases where bailiffs have been put in, but I have reports of judgments obtained.

103. From what parts?—From Reefton one came in the other day. That was the one respecting which the discussion took place. The judgments are for recoveries of various sums.

104. Do they all refer to the West Coast?—Yes; they are all Reefton cases. Some of the defendants have paid.

H. J. H. ELIOTT, Under-Secretary, Mines Department, examined.

105. *Hon. the Chairman.*] Do you hold any other office besides that of Under-Secretary for Mines?—No.

106. You have heard Mr. Warburton's evidence on the differences which have existed on questions concerning goldfields revenue and the Audit Office. Will you explain the matter from the commencement, as far as is in your power?—With regard to section 76 of the Mining Act of 1891?

107. Yes?—Well, the department has always contended, and still contends, that that section requires statistical returns only to be sent to the Minister of Mines. The practice has been to allow the Audit Office to have access to these returns—that is, for the Mines Department to forward them on as the Audit Office asked for them. That has been the practice since 1886, and it was only when this correspondence commenced that we had any difficulty in the matter. Mr. Warburton has told you that many of the returns were signed by the Receivers, and he was determined to put a stop to it. The circulars that were sent out never attempted to direct the Wardens; their attention was merely directed to the requirements of the Act, but no instruction was given by the department, because it was obviously improper for any departmental officer to instruct the Warden; he has the Act, as Mr. Stratford informed you, to guide him. The position I took up after several communications had passed is explained in my memorandum of the 17th February, 1897 (Enclosure 6 in No. 1, page 4, B.-20, Sess. II., 1897): "1. That I have no desire to be implicated in a controversy between the Audit Department and any individual Warden." I did not think it right to bring the department into conflict with any of its officers, more especially when the Wardens are not officers of the Mines Department—they are officers of the Justice Department. Then I say: "2. That the returns required by section 76 of the Mining Act to be furnished to the Hon. the Minister of Mines are for statistical purposes only, and if the Audit Department requires separate information, that department should obtain the returns in such form as it requires." I hold that if the Treasury and Audit require information for financial purposes they have ample power to get that information from the accounting officers direct. The Treasury can call for any form under the Public Revenues Act in which to get their financial returns. The point is that under the Mining Act they are statistical returns for the information of the Mines Department. Then, as the Audit Office had already commenced the correspondence with the Warden, and had placed itself in direct communication with that officer, who sent the communications back to me, I was aware of the attitude of Mr. Stratford, and I did not want to compromise myself with an officer who was antagonistic.

108. You sent a circular to the Wardens?—Yes, directing their attention to the requirements of the law, without any instructions.

109. That was asking them to give a certificate?—Those circulars were sent because some of the returns had been sent in promptly and others had not.

110. Well, if you had instructed Mr. Stratford directly to sign the certificate, would he not have done so?—That is the point on which I would not instruct him.

111. Would he have signed them if the Mines Department had instructed him?—I think he might have done so if the Audit Office had not commenced the correspondence, and he had been asked to do so without threats.

112. I take it that, as an officer of the Mines Department, if he had been instructed to give a certificate he would have done so?—Hardly, having regard to the phraseology of section 76—"shall cause to be transmitted." I could not instruct him. You cannot hold an officer in your hands unless you pay his salary, and as the Mines Department does not pay the Wardens it was futile of me to issue instructions when I could not enforce them.

113. He is paid by the Justice Department?—Yes; all the Wardens are paid by the Justice Department.

114. Have you anything further to say?—Then, to show that the attitude taken up by the department was the correct one, after the correspondence had gone on for some time the opinion of the Solicitor-General was obtained. The printed papers laid on the table of the House are not complete. There is a letter missing on which the Warden founds his whole reply. This is, I am advised, the legal position.

115. On what subject?—As to whether Warden Stratford was legally bound to sign the abstract. The Minister of Mines had the matter before him.

116. On the difference existing now between the Audit Office and Mr. Stratford?—Yes. The Hon. the Minister of Mines made inquiries, and was advised that section 76 did not direct the Warden to sign the abstract, and it was pointed out that the section in question directs the Warden in each month to cause to be transmitted to the Minister certain copies or abstracts of licenses signed by him during the month, together with certain memoranda of transfers, &c., affecting such licenses. That thus the Warden legally complies with this provision if he directs some person under his control to do the prescribed acts, and that the duty of signing any return or statement is not cast upon the Warden by the section in question. That if the language of section 73, for instance, is considered with that of section 76, it will be seen that in one case personal duty is imposed on the Warden, while in the other he is only required to cause acts to be done. That is the legal position defined for the Minister of Mines. Now, the Mines Department has been very unfairly placed with regard to the printed papers, because that legal position has never been circulated—it has never been before the Legislature.

117. *Right Hon. R. J. Seddon.*] Was it a question of getting some one else to sign these abstracts or insisting on the Warden doing it?—The Auditor-General insisted on Warden Stratford doing it. With regard to this return, no other department has a similar clause in the Act which it administers, and the Treasury would rely on the cash-books, which have to be sent in weekly. That is the basis of the account. But because this clause happens to be in the Mining Act, and was put in the Act of 1886, when the system of issuing licenses was changed, and it was necessary for the Government to be aware of what the Wardens were doing, it was put in for statistical purposes. Then the Audit Office jumps on this and says you must make out the abstracts in our way.

118. *Mr. Duthie.*] I think it wants two people to give an adverse opinion?—The Auditor-General has made a great point in his statement that the whole of the correspondence was kept back from the Minister. The fact is that I did not think it of sufficient importance to bring it immediately under the notice of the Minister, but as the correspondence went on from time to time I sent it on to the Minister with the following minute: "Although I have hitherto not considered this correspondence of sufficient importance to submit to you, I have more than once mentioned the subject to you, stating that I considered I had no authority to issue a departmental instruction to Mr. Warden Stratford as to the manner in which he was to give effect to the provisions of section 76 of 'The Mining Act, 1891.' I am still of opinion that I should be placing myself in a position which I could not maintain were I to give any such instructions. In compliance with the request of the Controller and Auditor-General, I now submit the correspondence for your information and consideration." That is what led up to the opinion being obtained.

119. *Mr. Fraser.*] What is the date of that?—24th September, 1897. That does not appear in the printed papers. He endeavoured to make the Committee believe that I kept back the correspondence and did not inform the Hon. the Minister; but Mr. Cadman knew what was going on although he had not seen the papers, and warned me not to place myself in any false position.

120. What was the period between the commencement of the correspondence and the time when you informed the Minister?—Twelve months; the 14th September, 1896, and this minute is dated the 24th September, 1897. The Auditor-General also said he never communicated directly with the Warden, but I think that was brought out by the Audit query, which he said was only a printed letter. Then, a great point was made about Mr. Cadman's letter of the 16th October, 1897. On page 7 of B.-20, Sess. II., 1897, in which he says, "In reply I have to state that, after perusing the correspondence, I have come to the conclusion that I believe I could easily have dealt with Mr. Stratford had the question been submitted to me in the first instance, but the matter has now arrived at such a stage as between Mr. Stratford and yourself that I prefer not to interfere." The Committee will remember that. But no attention was directed to the further letter from Mr. Cadman of the 1st November, 1897. Failing with the Warden, the Auditor-General came to the Mines Department; failing with that, he goes to the Minister; and failing the Minister, he comes to Parliament. The whole

thing could have been avoided if the Audit Office was so anxious to get the information. The Auditor-General has power to issue his precept. Why did he not bring Mr. Stratford up before him under section 90 of the Public Revenues Act: "If any person refuses or neglects to attend at the time and place required of him by the precept of the Audit Office issued under this Act, or to produce any accounts, books, vouchers, papers, or money in his possession or under his control which he is so required to produce, or refuses to answer any lawful question asked him by the Audit Office, he shall be liable to a penalty of £100." He had ample power to bring Mr. Stratford before him without invoking the aid of the Minister of the department.

121. *Mr. Montgomery.*] Do you not think that the Auditor is justified, whenever he considers that the accounts are not so checked that he can audit them properly, in asking the department—whatever department it may be—either to make arrangements to have them checked or to get such information as may be necessary for him to audit them?—Yes; that would be so if it was an order or departmental instruction for which there was no specific section of an Act, but in this case—

122. My point is this: Do you not think the Auditor is justified in asking the department to have a sufficient check made, or in default of the check to have certain information given?—The Auditor has the machinery at his command without coming to the department.

123. Is he not justified in asking the department?—He is justified in asking the department, and the department would comply with his request; but there is a statute in the way, and the department would not presume to issue an instruction to any officer as to the manner in which he should administer that section.

124. If there is not a sufficient check, surely the Auditor is justified in asking a sufficient check to be given?—Yes; and it would be given.

125. And when he did ask this all that was done was to forward his letter on to Mr. Stratford, which was rather like pouring kerosene on the fire. But the department did not attempt to get this check made?—Not after what had occurred. They left it to the Audit Office and the officer.

126. They did not give the Auditor-General any facilities at all?—We gave him every facility by communicating with the officer and sending his requests on.

127. You say very properly that he should not communicate with the officer, and then you proceed to send his communications on?—As I have said before, the Audit Office and Treasury communicate direct with all revenue officers; but the point is this: you want to bring the statutory officer in.

128. You said he should not have communicated with Mr. Stratford direct?—Yes; he ought to have put his check on the Receiver.

129. Then you proceed to encourage this communication by sending the Auditor's letter to you straight on to Mr. Stratford: you encourage that personal communication—personal altercation it nearly came to?—I did not want to be involved in it.

130. Do you not think the department should make all communications themselves direct with Mr. Stratford, and not bring the Auditor into conflict with any one?—I should be sorry to do anything of that sort with the communications we get.

131. Do you not think the department should communicate direct with its own officers?—What do you mean by "direct"?

132. Do you not think that if any information is wanted by the Audit Office they should have the right to ask for it?

133. *Mr. Fraser.*] Had the department any power to ask Mr. Stratford to comply with the request of the Auditor?—No.

134. *Mr. Montgomery.*] You have a power to request a Warden to do anything that may facilitate the audit?—There is only the general power of administration.

135. I do not say you can enforce it, but you have the power of request?—I was not going to put myself in the position of requesting. Anybody can make a request, of course.

136. And instead of endeavouring to get the information, or to get some proper check, you encouraged this personal altercation by sending the Auditor's letter straight on?—There was no idea of encouraging anything, but I would not take upon myself to interpret the memoranda of the Auditor, but sent them on in order that Mr. Stratford might interpret them for himself. Some of these letters are most involved, and I would defy anybody to understand what is meant.

137. The point is that the department should send the Auditor's letters on, and not other people's?—That is practically followed in every department. You turn up the papers and minute them. We do not do it with the public. Amongst the departments the question is left to the head of the department as to whether he refers the papers on or writes a memorandum; and I say it would be impossible for one to write an intelligent memorandum in reference to some of these letters.

138. Has not Mr. Stratford taken offence at the Auditor's communication being sent to him?—He was not offended with the department.

139. All I suggest in this case that might have been done is that the Mines Department might have written to Mr. Stratford saying that the Audit Office wanted some further check than the statement of the Receiver, and if he could not arrange to sign the abstract, to suggest some further means of check being given to facilitate the audit. If that had been done we should not have been sitting here now?—My particular reason was that, knowing what had occurred between the Auditor-General and the Warden, I would not issue any instruction to him to obey the request.

140. *Hon. the Chairman.*] You could not issue an instruction?—That is the whole point. I refer the Committee to enclosure 9, page 5, B.-20, Sess. II., 1897. I wrote to the Warden: "In order that you may be aware of my position in this matter as between the Audit Office and yourself, I send the file of correspondence for any remarks you may think it desirable to make in respect to the Audit requirement that you should sign the abstracts of licenses which Wardens are required by clause 76 of 'The Mining Act, 1891,' to cause to be transmitted each month to the Minister. I thought my

memorandum to the Controller and Auditor-General, dated the 17th February last, No. 562, clearly explained the position of the department in respect to the question, and, as there was nothing in the further memorandum from the Auditor of the 20th February last, No. 46, to which I could reply, I held further correspondence on the subject in abeyance. As, however, the Auditor-General has again reopened the question in his memorandum of the 21st instant, No. 237, I hope, after perusal of the correspondence, you may be able to suggest a means of preserving me from further controversy with the Audit Department on the particular question at issue."

141. *Right Hon. R. J. Seddon.*] On the question of surcharge you have had a considerable amount of correspondence from the Receivers of Revenue, or from those connected with the Mines?—We have had no correspondence with the Audit about surcharge. He has surcharged, and the officer has appealed. With regard to the non-collection of license-fees, as far back as I can remember in the Mines Department it has been a question of administration. It has never been questioned before. Mr. Larnach will remember, and other gentlemen who have been connected with the office, that the revenue belongs to local bodies, and if the Receivers raise the question as to whether they should sue or not we ask the local bodies concerned to get resolutions passed to that effect; and if the local bodies said that under the circumstances they did not consider it desirable to take proceedings in certain cases we cancelled the licenses. There is no law for it. It has been an administrative action by all Governments for years past. The Audit Department also looked upon it as a matter of expediency. Now, the present Auditor-General holds it is not in accordance with the Act, and says he must have the rents. It has been done in all parts of the colony.

Hon. A. J. CADMAN, Minister of Mines, examined.

142. *Hon. the Chairman.*] Will you explain, Mr. Cadman, what you know of this difficulty?—If I have to go into details it will take some time. What Mr. Elliott said about the papers not coming to me is quite correct. Mr. Elliott saw me several times, and we had a consultation on the matter; but, from our knowing Mr. Stratford for many years, and knowing how he resents anything like interference with his administration, we naturally keep as clear as possible from it. When I mentioned in my letter to the Controller and Auditor-General that had the correspondence come to me in the first instance I thought I might have brought the matter to a different issue, what was in my mind was that I should have written to Mr. Stratford in a conciliatory way asking him to comply with the Auditor's request; but when I saw there was a "flare-up" between them I did my best to keep out of it. In Mr. Warburton's own letter to me he said he would have to report me to Parliament, and in my reply I said, after considering the matter in every direction, I would prefer that he would refer it to Parliament.

143. Is there anything further you wish to say?—I do not know that there is anything further on this matter. With respect to the collection of rents, the whole of these large sums have accrued within the last three years, since the mining boom. Prior to the boom there was not a large amount due for arrears. When the boom occurred land was pegged out in all directions, and in hundreds of cases a pick was never put in the ground, and afterwards the people abandoned their holdings and cleared out. The Receivers knew nothing of them, and in many cases they could not be found. Then things became lax, and the Auditor-General came on the scene and woke the Receivers up. Prior to the boom I do not think we had much to complain of with regard to the Receivers of the colony in the collection of rents. Another thing which Mr. Duthie thinks worthy of consideration is having another clerk to check the Receiver; but that would never do. At present, in many country places, the clerk is anything but overworked, and if there were another officer appointed he would have nothing to do. On the northern goldfields there are on an average eight or ten Receivers. If there is to be any different system of check we must see that it will not be as costly as the Auditor-General's proposal indicates. If the Auditor-General can show us any way of getting this check, all our officers will help him.

144. *Mr. Duthie.*] I should think, if the Warden certified on his visit—even if he cannot go to each place every month—that should be sufficient?—Without giving instructions, all the Wardens concurred in signing the abstracts except Mr. Warden Stratford. Of course, if anything went wrong they would be responsible.

FRIDAY, 16TH SEPTEMBER, 1898.—(Hon. W. J. M. LARNACH, Chairman.)

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

1. *Right Hon. R. J. Seddon.*] You have written a memorandum [see Exhibit J] to the Chairman of this Committee dated the 13th September, from which I understand you are under the impression that the telegram I quoted from on the 13th instant from Mr. Moresby was a bogus telegram?—No, I do not say that at all.

2. Well, that the information conveyed by it is incorrect?—Yes.

3. I want to show you that the communication was official. Telegram to Moresby, Receiver Gold Revenue, Paeroa: "How much of £781 odd surcharged you arrears rent on claims is due in respect of Native lands? Reply at once, please.—H. J. H. ELLIOTT.—6/9/98." To that the Receiver replied, "Only £1 12s. out of the £781 odd surcharged me for arrears rents is in respect of Native lands.—T. A. MORESBY." On receipt of your letter of the 13th instant, in which you say your officers have verified the figures —?—No; that is less than a third of the total. If the rest of the account were examined you would find that you have to multiply that amount by three to get an estimate of what are arrears on Native lands. I went to Mr. Gavin about the matter.

4. On receipt of your letter of the 13th instant, the Under-Secretary for Mines telegraphed to Mr. Moresby: "Refer your telegram eighth, in which you state that of seven eighty-one pounds (£781) odd surcharged you only one pound twelve (£1 12s.) is in respect of arrears rent on Native

lands, Auditor-General combats this, and has sent in a statement showing, after examination of portion only of amounts surcharged, that the arrears on Native lands amount to one hundred and thirty-seven pounds nineteen shillings (£137 19s.), as shown by your cash-books, in which the previous half-year's rents were brought to charge, and found marked as Native revenue. The statement is as follows: Special Claim No. 146, T. Henderson, Waitekauri Proprietary, £16; Ralph, No. 216, Waihi Grand, £20 16s.; W. G. Nicholls, No. 226, Ruapehu S.C., £20 16s.; A. McLoughrey, No. 269, Crown Woodstock Junction, £1 1s. 3d.; J. S. White, No. 312, Locksley S.C., £5; W. Elliott, No. 329, Norma S.C., £8 6s. 8d.; J. Thorne, No. 330, Gothic, £8 6s. 8d.; J. H. Fleming, No. 367, Fusilier, £15 10s.; J. H. Fleming, No. 368, Privateer, £15 5s.; R. Worth, No. 396, Glamorgan, £7 16s. 3d.; J. Kennedy, No. 405, Gabriel's Gully, £8 1s. 1d.; S. Campbell, No. 474, Parsimon Extended, £10 18s. 9d.: total, £137 19s. Are these claims all on Native land? If not all, how many, and which of them? Reply to-night, please, as important to have information at once." We had no reply to that when I brought the matter up before the Committee when your letter was read, but the Mines Department have gone through the documents concerning these mines, and they find that the rent charged is 10s. an acre on Crown lands, and that under the law the amount charged for Native lands is 1s. an acre; and on going through the deeds they find that the following paragraph is struck out: "(And in case of Native land, where the rent is one shilling an acre.) And the licensee shall, in addition to such rent, in each year of the aforesaid term, take out as many miners' rights, each of the value of twenty shillings (20s.), as there are or may be men employed during such year in mining, either on wages, or as tributers or contractors, on the land comprised in this license; and all such miners' rights shall be taken out in the name of the licensee." [See Exhibit K.] By the deeds in the Mines Office, therefore, it is shown not to be Native land, because the Natives are only entitled to receive 1s. an acre, and these rentals, as shown by yourself, are 10s. an acre?—My evidence was that the arrears went to Natives.

5. Now, I have just received the following telegram from Mr. Moresby through the Under-Secretary, Mines Department: "In reply to your wire of yesterday, all revenue received from rents, miners' rights, &c., is allocated to credit of Native revenue, Ohinemuri, in accordance with instructions from Treasury dated 25th June, 1897 (397/1043), revenue being afterwards distributed by Mr. Cave, Thames. None of the claims mentioned in your wire are on Native land. My telegram, dated 8th instant, is correct"—I still adhere to my evidence that the rents go largely to Natives.

6. You are tied down now, for you have given us the names of the claims?—I have examined the accounts, and find that the payments made immediately on arrears went to Natives, and it is impossible to suppose they were then immediately diverted. But if the arrears belong to local bodies the point of my evidence is very much stronger. The local bodies being trustees can neither alienate nor give away, while the Natives, being individuals, can.

7. The Natives were on my mind more in that district, and I think they were more on your mind. You said local bodies in all other parts of the colony?—Natives were on my mind, but if I had said local bodies I should have strengthened the position. My evidence was that the money went to Natives, and that it went to Natives immediately before the arrears commenced the accounts show there is no doubt whatever.

8. *Hon. the Chairman.*] The surcharging would be the same?—Yes, just the same.

9. *Right Hon. R. J. Seddon.*] I have ascertained the law on the point, as to whether rent can be enforced for more than twelve months on titles issued prior to the coming into operation of section 16 of "The Mining Act Amendment Act, 1895," or whether the provisions of that section are restricted to titles issued after its coming into operation; and in either case, whether more than arrears for one year can be recovered if rent is unpaid for twelve months after the due date thereof, seeing by section 60 of "The Mining Act, 1891," section 16 of the Amendment Act, 1895, and section 56 of "The Mining Act, 1891," forfeiture by statute has eventuated. I find that the law is that section 16 of "The Mining Act Amendment Act, 1895," would apply to titles issued prior to the coming into operation of that section, but its terms are, of course, controlled by the proviso, and in cases within such section no more than twelve months' rent or license-fee could be recovered. In cases under section 60 of "The Mining Act, 1891," the liability to rent or license-fee would continue until the rights of the holder are declared or deemed to be forfeited, or have otherwise ceased to exist under the present law?—The failure to collect these arrears has been through the negligence of the Receiver. The arrears forming the surcharge on the Receiver at Paeroa are all payable on surrenders under section 135, and the importance of the matter is that these arrears are due to the *cestui que trust*—the beneficiaries.

THURSDAY, 29TH SEPTEMBER, 1898.—(Hon. W. J. M. LARNACH, Chairman).

TRACY ARCHER MORESBY examined.

1. *Hon. the Chairman.*] What is your position in the Government service?—Mining Registrar, Receiver of Gold Revenue, and Clerk of the Court at Paeroa.

2. Are there any arrears of goldfields revenue that you have not received?—Yes.

3. What is the amount?—There is one amount of £780 odd, for which I am surcharged by the Auditor-General.

4. You have been surcharged that?—Yes.

5. Does it remain at your debit now?—Yes, at present. Of course, I have appealed to the Minister to rescind the surcharge under the Treasury regulations.

6. And no action has been taken yet?—Well, the Minister has not replied yet.

7. *Right Hon. R. J. Seddon.*] What has been the cause of the non-collection of these moneys? Have you been negligent in any way? Or what has led to so large a sum being in arrear?—You are speaking with regard to the surcharge?

8. Yes, the amount surcharged?—I take it it was through an erroneous construction I put on the section of the Act according to the decision in *Jordan v. Cuff* [Exhibit E], decided by the Supreme Court.

9. The non-collection is owing to an erroneous interpretation placed by you on the statute?—Yes.

10. What was the error, and how did the error affect it?—It was due to my reading of section 135 of "The Mining Act, 1891." [Exhibit A.] The reason of this amount being in arrear was that I allowed the licensees of special claims and licensed holdings to pay me the rent up to the date the surrender was accepted. In the case *Jordan v. Cuff* the Court decided that that practice was wrong—that a man must pay in advance the half-yearly period, and until that was paid he could not surrender. The reason why I put a different construction on that section was that in several cases under the section a company would have to pay rent twice over in the same period for the same piece of land. I considered also that section 135 did not apply, but that subsection (4) of section 71 was the subsection that applied. [Exhibit A.] I construed that as one of the conditions on which the licensee held his holding.

11. There was a conflict between the two sections?—Yes.

12. Then, there has been no negligence on your part at all? It is simply an error in the Act?—Precisely.

13. And there would be a dual payment if that construction of section 135 were upheld?—Yes. When I was surcharged I sued the Waihi Company for arrears. This action was pending, and I was instructed to withdraw from the case. It simply meant that the Waihi Company was to pay the rent twice over for the same ground.

14. You received instructions from whom to withdraw from the case?—From my department.

15. Are you alone in your interpretation of the Act?—No; I do not think so.

16. Are you aware that other Mining Registrars and Receivers of Goldfields Revenue have been doing the same?—Yes. When I was at the Thames, before I was given charge at Paeroa, that was the practice there, and I followed it when I went to Paeroa.

17. And the result of so doing is that an embargo is placed on your salary?—Well, it has not been deducted so far.

18. At all events, in respect of rents that were payable otherwise have you used due diligence in collecting?—Yes.

19. There has been some difference of opinion as to who the parties are who are to receive these moneys for which you are surcharged. Does it all go to the Crown, and is it Crown land, or is a portion of it due to the Natives; and, if so, what proportion do the two bear to the whole?—Of course, I allocated the whole of it to the Native revenue, according to instructions received from the Treasury. That is now.

20. You received a communication asking you how much money had to go to the Natives, and how much to the Crown?—Yes.

21. And you replied that only £1 12s. went to the Natives?—Yes, that is correct.

22. And that the balance went to the Crown?—Yes.

23. Just now you said you allocated it to the Natives?—Yes, I have allocated it to the Natives under instructions; but in reality all the land in the district but a small portion is Crown land. I have allocated it to the Native revenue in consequence of instructions.

24. You have allocated it to Native revenue although the whole of the land is Crown land?—Yes, that is so. It may seem extraordinary, but I will explain the matter to you.

25. I think it requires explanation?—In the first place, when I went there there was an officer who allocated all this revenue for either the Natives or the Crown. When I went to Paeroa I allocated it to the Natives, the Crown, or the rightful owners, whoever they were. This went on for some fourteen months, when I received instructions from the Treasury, which I will read. The first memorandum I received was No. 891, dated 27th May, 1897:—

"To the Receiver of Gold Revenue, Ohinemuri.

"With reference to the copies of your cash-book for periods ending the 1st and 8th instant, you have omitted to show in the column for that purpose the name of the local authority in which the revenue accrued. As it is necessary for this to be done, the copies are herewith returned for completion. It is observed that the greater part of the revenue is allocated in the summaries to Ohinemuri County, which appears to be opposed to the view held by the late Warden, who in a memorandum to the Treasury, dated the 16th February last, stated that 'the system in force at the Thames and Ohinemuri at the present time is that all moneys, whether payable to the county or payable to the Natives, are paid by me through my imprest account,' which would apparently necessitate all your collections being credited to the Native Account. Will you give this matter your early attention, and forward an explanation as to the practice referred to by the late Warden?"

"R. J. COLLINS, Accountant to the Treasury."

In reply to that I said that I allocated all this revenue to the Crown lands and proper owners, as I had to certify that my cash-books were correct; that I must therefore allocate it to the proper owners, and I protested against having to allocate it all to the Native revenue. In consequence of that answer I received another memorandum, dated the 25th June, 1897:—

"With reference to your memorandum of the 7th instant relative to the crediting of goldfields revenue to the county instead of to the Native Account, the existing practice should not have been disturbed without instructions. The Warden desires that all your goldfields revenue should be allocated to the Native Account with a view of its being distributed from his office, and the practice formerly obtaining must therefore be continued. The copies of your cash-book, embracing the periods from the 1st May to the 12th June, inclusive, have accordingly been amended in the Treasury by allocating the whole of the goldfields revenue to the Ohinemuri Native Account, and I shall be pleased if you will make the same alteration in your cash-book.

"R. J. COLLINS, Accountant to the Treasury."

This is a very rough copy I made this morning from the Treasury records. I had simply to obey instructions. [See Exhibit Q.]

26. Subsequently, then, you did allocate it, or is the allocation made in the Treasury?—No; there is an officer appointed, who goes round once a month. He goes through the cash books, and allocates the revenue to the county or the Natives.

27. What is his allocation of this £780? How much goes to the Natives, how much to the local authorities or rents on Crown land?—As I said in my memorandum, only £1 12s. goes to Native revenue. I have the items: St. Hippo Licensed Holding, 7s.; New Maratoto Licensed Holding, 6d.; St. Hippo Extended, 3s.; Croesus Special Claim, 12s. 6d.; Potumus Licensed Holding, 9s. That makes a total of £1 12s.

28. If you had received in cash the whole of this £780 you would have sent it down and credited it to the Native Account?—I would.

29. And then the Natives would have got out of that £1 12s.?—£1 12s. Of course, I am only speaking as to the surcharge.

30. Of the land at Paeroa, which is in the jurisdiction of the Court of which you are Clerk, Mining Registrar, and Receiver of Gold Revenue, what proportion does the whole bear as between Crown and Native lands? Say you were getting £1,000 for rents—take a general average—about how much would go to the Natives and how much to the Crown?—You see the rent of Native lands is only 1s. an acre—perhaps £4 or £5, roughly speaking.

31. If they took up your books they would find a credit of £1,000, and the Natives would only get £4 or £5 of that?—Yes: that is, if I took £1,000.

32. Can you give us any idea of the grounds there would be for this charging of the Native Account on the part of the Treasury?—No, I cannot. I only know that I protested against it at the time and I was overruled. The reason I protested was because I thought it was not correct.

33. And by the directions of the Treasury you have been certifying to incorrect statements all the time?—Yes, with the knowledge of the Treasury. I have had to obey instructions, of course.

34. There is no doubt about the allocation of claims on Crown lands, because the rental is fixed at 10s.?—Yes, that is so.

35. And on Native lands they are 1s. an acre, with a special distinction as to miners' rights?—Yes.

36. There could be no possible doubt about it on your part?—No.

37. Could that be checked by the Treasury or Audit?—I do not think it could be.

38. Are not copies sent down?—I do not think they have copies of the plans showing how much is Native and how much is Crown land.

39. *Mr. Fraser.*] Would not the travelling Auditor see to that, and check them?—Yes, he could.

40. *Right Hon. R. J. Seddon.*] It is his duty to check all these things?—Yes, and he does.

41. There could be no doubt as to the allocation?—There could be no doubt as to the allocation.

42. Then, on whose certificate is the final allocation made—by the Treasury, or is it by you?—No; it is all on Native Account. This officer (Mr. Cave) goes round and picks out the different items, and then applies to the Treasury for an imprest for Mr. Jordan's account at the Thames, and then he draws on the Imprest Account, and pays the various owners.

43. Then, who pays the local bodies?—He does, out of imprest.

44. It makes one imprest instead of two—the imprest on Native Account?—Yes. Under the other system the local bodies were paid by the Treasury. It is all credited to the Native Account, and the allocation is made subsequently.

The CONTROLLER and AUDITOR-GENERAL further examined.

45. *Mr. Fraser.*] Mr. Warburton could possibly explain this mode of doing it, and I would like to ask him a question. (To Mr. Warburton): With regard to this question of allocation, do you think it is an improvement to have it all done by one officer for the sake of correctness? Is it better to have it done by one officer than for each Receiver to allocate it in the first instance and for his allocation to be checked by your officer when he goes round?—I think the Receiver's account should be correct. He certifies to it as being correct, and it should be correct. He sends in the account showing that all this money not going to the Natives is allocated to Native revenue and acknowledges it is correct. That is not right. But I think the Receiver could, as imprestee, or in another more direct way, allocate the revenue and distribute it himself. Everybody else who may have to make the distribution has to go to the Receiver, and he could effect the distribution better than anybody else. The local Auditor, of course, should check the Receiver. He is the only officer of the Audit Department who conveniently can see the documents and ascertain the proprietorship of the lands and who can, before the Receiver makes the distribution, check him.

46. *Right Hon. R. J. Seddon.*] Then, in other words, this young man in objecting to the system now obtaining is right, and the Treasury is wrong?—I think so, certainly. He objected to sign a statement as correct which was not correct. It was only within the last day or two that I became aware of that instruction by the Treasury. I learned it through making inquiry as to how the dispute between us arose. [See Exhibit Q.]

47. After having heard the explanation of the Receiver of Gold Revenue in respect of this matter, do you think this is a case for harsh treatment, or is it a case where the authorities would be justified in removing this surcharge?—I do not think you could remove the claim of the local bodies and Natives, but the question whether the rents go to Natives or to local bodies does not affect the surcharge. The amount of the surcharge is money due to the local bodies and the

Natives, and these people for whom the Government are virtually trustees cannot lawfully forego their rights.

48. The Government are not responsible for these amounts—they are only collectors?—I think they are responsible for a justifiable administration. The money is payable as gold revenue to the Crown, and is, when received, payable to the local bodies and Natives.

49. Do you say the colony is bound to make good the default of any local bodies?—I think that whatever the colony fails to collect, of the amount which the colony could by the exercise of its powers collect, would be a just liability to those to whom the revenues are to go.

50. And if a company fails and does not pay its rent?—The colony must as trustee for these bodies, have the liability unless it can justify its refusal or failure to collect.

51. Then, if a local body, by resolution, says it wishes the money to be foregone, as trustee, should the Government not allow it?—The local body has no legal power to do so. The trustee must first be authorised by law to do so.

52. But if he is authorised by the principal? You say we are trustees and rent-collectors for the local bodies, and you say if we fail the colony should pay the money, although it has not collected it, to the local bodies. That is your contention?—Not exactly. The principal is the law which gives this revenue to the constituents of the local bodies, and the local bodies could not forego what they were entitled to as gold revenue payable to the Government. What the Government collects as gold revenue has to be distributed among the local bodies and the Natives, who are the beneficiaries, and the local body beneficiaries could not lawfully forego.

53. I understood you to say that for rents payable under licenses and collectible by the Crown you held the Crown responsible to the local bodies, whether the amount was collected or not?—Well, I qualify it by saying the Crown would be responsible for so much of the rents uncollected as the local bodies could prove a good claim to—that is, could prove the Crown to have negligently failed to collect. If the Crown ought to have collected this money, and could by law collect it, and failed to take whatever course the law provided for collecting it, then, I think, the local bodies would have a good claim.

54. Could they sue the Government for it and recover it? Is there anything in law which says that where the Crown are collectors for the local bodies they could sue?—I would not advise on that point. I know of no authority in a local body to forego this revenue.

55. As regards the amount for which the Crown is responsible for not having collected it, you qualify what you said by saying that reasonable efforts ought to be made, and then if reasonable efforts are not made the local bodies have a claim against the colony?—Gold revenue is Crown revenue.

56. Suppose the colony was to pay this money—I find that £18,000 is due for rents to the different local authorities at the present time, 31st March, 1898, for about two or three years back—out of what vote could the Government pay the money to the local bodies? Is there any vote?—I should say none. I do not know of any.

57. Could the Government pay moneys without appropriation?—Not without appropriation, unless as “unauthorised,” and “unauthorised expenditure” is appropriated.

58. Unless it was out of “unauthorised expenditure”? It could not be paid in any other way?—It would have to be appropriated to be paid.

59. Is there anything under any statute which would empower the Government to make good the money?—All that I can say is that, as Auditor, I must surcharge the Receiver who negligently fails to collect Crown revenue.

60. Suppose I do not ask Parliament for a vote: I ask, is there anything in statute law under which the Government could pay the local bodies any moneys which are uncollected?—I am not aware of anything. Appropriation would be necessary to paying.

61. In a case of surcharging, suppose the Minister removes the surcharge: in that case there is no necessity for the money being voted. That would wipe it off, would it not?—That is not a matter with which the Audit Office is concerned. The papers in a case of disallowance must go before the House.

62. The question was raised here that if the surcharge were removed by the Minister the House would have to vote the money. I want to know whether that is so, or is it that you have simply to report the matter to the House?—Section 32 of the Public Revenues Act provides for that: “It shall be lawful for any person so surcharged to appeal to the Minister administering his department, who, upon hearing the grounds upon which such surcharge has been made, and the objections thereto, shall confirm or disallow the same. In every case in which any surcharge shall be disallowed by a Minister on appeal, a report of the circumstances shall be transmitted by the Audit Office to the Speakers of both Houses of the General Assembly within fourteen days after the then next sitting of the same.”

63. That is the end of it—it should be reported by you to the House?—That is the end of it so far as the Audit Office is concerned.

64. *Mr. Fraser.*] You were asked just now whether a local body had the right to forego any claim to moneys due to it?—To forego any claim to gold revenue?

65. Certain rents are legally supposed to be due; the local body recognises the inequity of pressing these claims, and writes to the Government or Government officials, saying, “We do not want these claims enforced.” The claims are not enforced. What would happen? Can you, as Auditor, take any steps against that local body?—I could only report that they are unlawfully foregoing the collection of what is due to them.

66. It does not lie with them to collect?—You say they forego it. They would, by foregoing, be doing what they are not authorised to do, and I report that. I do not think I can compel any local body to require the collection of its revenue or that I can direct proceedings; but I should have, in reporting on their accounts, to take exception to any sacrifice that is not to be justified.

I could not go any further. There is a little collectible by the local bodies generally outstanding as arrears.

68. You said just now you did not know how they could claim if the Government did not give them authority?—I am going outside questions relating to audit. The Financial Arrangements Act, I think, gives this revenue to the local bodies. All that the Audit Office is doing is to surcharge those who are charged with the statutory duty of collecting this gold revenue and negligently fail to collect it.

69. You could not surcharge in any way or put an embargo on the local body? You said just now you would be bound to report when auditing their accounts?—If the Audit Office observed that the local body practically had surrendered its rights without authority, the Audit Office would take exception to the act.

70. *Mr. McLean.*] You said the local bodies were sometimes a small amount in arrears. As a matter of fact, they are sometimes a very large amount in arrears?—Some are. Some are well administered, and some are not. If the rates are largely in arrear, then the local bodies are communicated with. Sometimes almost the full amount of the rates has been allowed to be in arrear for one or two years.

71. To whom do you report?—The accounts show what rates are in arrear in such case. I make a note that the rates are uncollected. I had before me the other day a case of an unduly large amount of arrears for rates. It seemed to the Audit Office that the neglect in that case was hardly justifiable, and I think the correspondence will show that the Audit Office regarded arrears to that extent as subject to exception.

72. *Right Hon. R. J. Seddon.*] You have heard me state that there is £18,846 6s. for rents of special claims and licensed holdings in arrears as at the 31st March, 1898, and this Paeroa case is the only one in which you have surcharged. Was there anything special in this case that made you surcharge Mr. Moresby and let the other Receivers go scot-free?—No; I have taken up Mr. Moresby's case first. The others are not let go. They are receiving notice. The course which the Receivers are taking throughout the colony is, I believe, to take proceedings for these rents. I have already explained that the Audit Office has no authority to take proceedings; and though the Audit Office and its Inspectors have pointed out that in accordance with the Act the Receivers are required to take proceedings in a certain event, these proceedings must be taken on the authority of the department.

73. The Receivers are officers of the Mines Department?—Yes.

74. Supposing the Mines Department instructed the Receivers that it was against the public interest that these back rents should be sued for, and that they were not to take harsh measures by selling people out, what would be the position of the Receiver then? Would you surcharge him?—I should surcharge him with what was legally payable as revenue, and what, of course, he had wilfully or negligently failed to collect.

75. The same law was in force before you became Auditor. Do you know of any previous case of surcharging?—I do not recollect any like this, but my impression is that there must have been.

76. Did you give any notice beforehand to the Receiver at Paeroa?—Yes, a considerable correspondence took place. The surcharge was really not made, I think, until the Receiver acknowledged that the amount was legally arrears payable to the revenue.

Mr. MORESBY further examined.

77. *Mr. Fraser.*] On what ground did you come to the conclusion that you had acted improperly?—My grounds were these: I had accepted these surrenders and rents up to the date of the surrenders, and the decision in *Jordan v. Cuff*, decided about two months before I was surcharged, was that I was wrong in accepting that rent. It was not a case of forfeiture. That was a case in which the Receiver at the Thames had sued for the full amount, and the defendant had only tendered rent up to the date of surrender.

78. Was it one or two years' rent that was due in the case of *Jordan v. Cuff*?—It was only, I think, six months due.

79. Was this £780 you were surcharged with for one or two years, or more than one year?—It was only for the remaining period of six months.

The CONTROLLER and AUDITOR-GENERAL further examined.

80. *Mr. Montgomery.*] Under what circumstances do you think surcharges should be disallowed by the Treasury—the Ministry, I suppose it is?—I could not answer unless I was administering.

81. Do you think that in every case where personal negligence has been shown not to exist the surcharge should be disallowed?—I cannot speak as Auditor, but I take this case of Mr. Moresby as the example. Mr. Moresby has collected, according to his judgment, what was due by law. He is acknowledged to be a careful and capable officer, and I think he interprets his instructions and the law very well, and that he does his work conscientiously and to the best of his ability. In his case he appears to have been excusably mistaken in his interpretation of the law, and I think I should, if I were administering the law, and if there be the power, disallow the surcharge to the extent of relieving him of what is not recovered; but the difficulty is in the right of the local bodies, and in so relieving him as not to deprive the local bodies of their right to the money.

82. *Right Hon. R. J. Seddon.*] In your opinion, though, as the law stands, you were justified in surcharging. It is not a case of negligence. Where an officer is a statutory officer the responsibility of interpreting an Act under which he works rests with that officer?—Yes, I should think so, as far as the Audit Office is concerned. The Receiver alone can be surcharged.

83. Statutory officers cannot be advised by the Government?—I would not say that. If I were in charge of the department I think I should advise them. I think I should instruct them as

to what I thought, or had been advised that, the law meant; but that would not be to direct them to follow my instructions. I should let them know throughout the colony what the law was advised to be, and what it was pronounced by its interpreters to be, so that there might be uniformity in administration and a better general knowledge among the officers of all that there was to guide them.

84. Suppose it was the case of a Returning Officer, who is also a statutory officer, could he be advised by the Government?—Well, there is no public office like a department charged with the collection of revenue in such case. The Postmasters rarely refer to the statutes. They rely on instructions from the department, and the responsibility goes, then, not to the officers, but to those who have a better means of carefully ascertaining what the law is.

85. *Mr. Montgomery.*] Do you propose to surcharge the collectors in other parts of the colony?—I cannot say. I have not come to a judgment on that point yet. I want to know what they are doing.

86. I presume you will if they are deliberately doing nothing?—I should surcharge, certainly, then. I think negligently failing to collect does not exclude negligence through want of knowledge or through ignorance of the law. It is a technical breach of the law.

87. Do you think a man is negligent who gives all his attention to the interpretation of the law, deliberately comes to a decision on it, and follows honestly what he believes is a correct interpretation of the law?—It is not negligence in one sense, but it is in the sense of the Public Revenues Act.

THE AUDIT OFFICE AND GOVERNMENT HOUSE.

FRIDAY, 16TH SEPTEMBER, 1898.

J. K. WARBURTON, Controller and Auditor-General, examined.

1. *Right Hon. R. J. Seddon.*] The question raised by the Audit Department is that, notwithstanding the House of Representatives may vote a sum of money for defraying the cost of lighting and firing the official rooms at Government House, and the same shall be in the Appropriation Act, the Audit Department will not pass the same, and bases its refusal on the ground that the Governor's Salary and Allowances Act makes it illegal to pay the same?—That statement of the question does not exactly express the opinion of the Audit Office. The Audit Office is bound by a statute in this matter, and could not regard a vote on the estimates not carried as an express provision into the Appropriation Act as overriding the statute.

2. It will be carried in the Appropriation Act, but not as a separate item?—The Appropriation Act merely provides a certain lump-sum, the total amount of the vote, without describing the item. It does not mention the item.

3. The several sums are put in the estimates, and the sum total goes into the Appropriation Act. The question has been raised on two occasions?—I am quite satisfied that the Audit Office objection is according to law. There is a statute expressly prohibiting it, and you cannot do it if you do not provide in another statute the express power to do it.

4. We took a vote for some furniture, and the Audit Department declined to pass the voucher. They said there were certain rooms the money could be used for, but that unless it was for these we could not do it?—The power of the estimates does not meet the power of the statute.

5. The statute says the Governor shall receive his salary and commuted travelling-expenses—£5,000 to be the total. Parliament says that, in addition to that, as the official rooms have been used and expenses for lighting and fuel incurred, we will continue the practice that has been going on for years, and vote a sum of money for the purpose. Then you say, "You cannot go on doing that—we shall stop it." Then we say we will take a vote for it, and you say that will not do. This is the minute of the Audit Office: "The Audit Office regrets that it will be unable to pass this claim, even in the event of the £200 in the estimates being passed by the House of Representatives. The passing of such an item could not be accepted as overriding the express enactment quoted above (the Governor's Salary and Allowances Act), because the estimates do not give the statutory authority necessary to meet the case, which they might do if they formed part of the Appropriation Act"?—There being a statute already prohibiting it, there must be another statute to relieve from the prohibition.

THE AUDIT OFFICE AND THE POST OFFICE ACCOUNT.

J. K. WARBURTON, Controller and Auditor-General, examined.

1. *Mr. Montgomery.*] You added a note to the balance-sheet of the New Zealand Post Office Account [F.-2., 1898] for the year ending the 31st December, 1897, Mr. Warburton?—Yes.

2. This is the note: "Examined and found correct, except that the payments charged to the Miscellaneous Expenses Account exceeded by £39,037 1s. 9d. the amount of the Imprest advances which the Post Office had received for the purpose, and out of which alone the payments could lawfully have been made, and that consequently the payments have been made to that amount out of Post Office funds not applicable thereto." What is your reason for adding this?—It was added because the Postmaster-General had used more money in the payment of claims upon the Government which the Postmasters may be directed by him to pay than the Treasury provided for him. Subsection (4) of section 74 of the Public Revenues Act affects the case: "It shall be lawful for any Postmaster to pay, out of any balances in his hands, any claims upon the Government which he may be directed by the Postmaster-General to pay: Provided that the total amount of such payments by Postmaster shall not at any time exceed the balance of moneys in the hands of the Postmaster-General imprested to him for the purpose of making such payments."

3. Can you explain how this comes to be done?—The Post Office Account up to the 31st December, submitted to me for audit, shows that the Postmasters had paid more for miscellaneous

expenses in that account than had been imprested to the Postmaster-General for the purpose of such payments. I raised the question with the Post Office and the Treasury in January last.

4. Have you the correspondence?—Yes. [See Exhibit L.]

5. You might just roughly explain to us the point of this query and difficulty?—The point of it is that there has been a violation of section 74, subsection (4), of the Public Revenues Act. The Postmasters had paid more than the moneys imprested for the purpose of the payments up to the 31st December by £39,037 1s. 9d.—that is, more than had been imprested to the Postmaster-General for the purpose.

6. These imprests are given upon requisitions to which is attached a voucher, I believe?—Yes.

7. And the voucher states the vote of service?—Yes.

8. I do not understand how the Postmaster can pay more money than he legally can pay under the vote, considering that the Audit Office must pre-audit all the vouchers?—In the case of the Post Office I cannot pre-audit. The Postmasters have a large amount to pay of money-orders and Savings-Bank withdrawals, and there is a large amount of cash in the hands of the Postmasters. They receive money under all kinds of headings. The Postmasters have to pay for services, which should be paid only out of imprests, out of any money they have in hand. They are unable to tell whether there is money enough imprested for the payments. It is for the Postmaster-General to see that he has money enough imprested to make these payments through the agency of the Postmasters. The Postmaster-General, therefore, makes a requisition to the Treasury from time to time, estimating what his requirements may be. If the Treasury, as appears by this correspondence, delays in supplying the money promptly on the application of the imprestee, then the payments exceed, as here, the amount imprested for the purpose.

9. Instead of getting money from the Postmaster-General for the payment of services charged against the different votes, the money coming in from time to time to the Postmasters—the cash receipts—have been used for the purpose, thus anticipating the receipts on imprests?—Yes. If the Postmasters are not stopped from making these payments immediately the imprest money runs out, then, of course, there must be an overpayment, and that overpayment can only come out of other moneys.

10. Is this something new?—No; it has been going on for years.

11. This has been the first note that has been made of it?—Yes.

12. Is it practicable to so arrange the imprests that the Postmasters can always have sufficient imprest money to pay out for the charges coming under the head of "Parliamentary votes"?—If the votes are sufficient, I should say so. The difficulty appears to me to be that the Treasury has not promptly supplied the amount of the requisitions of the Post Office.

13. It is not a question of spending more than the vote, but of spending the money before it has been obtained from the Postmaster?—Yes.

14. The votes have not been exceeded?—They have not been exceeded. They could be, but they have not been.

15. Is there any danger in this, such as possibility of fraud?—No; I am not prepared to say that I know that there is any danger of fraud.

16. Is it a practice which does any harm to any officer or department?—It does in principle. I have said to the Treasury that it is, in principle, at least, a serious breach of trust.

17. That is, taking trust moneys to pay for Government services?—Yes.

18. And replacing them from imprest moneys received afterwards?—Yes.

19. Could this be done: Money is received on account of the Savings-Bank—a deposit—and money is required for some miscellaneous expense of the Telegraph Department—repairs, say: could the money be used for something like this without it going to the other account?—Take an example: If a Postmaster in charge of a money-order office where a deposit was made of £50 had no other money in his office, and he was authorised to make payment of £50 on account of expenses such as you describe, he would use that £50 for it. He does that because he cannot keep the account. He does it on the assumption that the Postmaster-General has the money imprested to him to make good the deposit.

20. In other words, he does not ear-mark the money received?—No; it all goes into one cash-box. The Head Office makes the adjustment.

21. Can you suggest any way by which this irregularity can be avoided?—It seems to me it could be avoided by the timely supply of the money from the Treasury.

22. Do you mean actually sending the cash?—No. When the Post Office here applies to the Treasury for an imprest the money should be promptly supplied.

23. And the small local offices could send forward the money they have?—No; the Head Office makes its own arrangements for the payments out of moneys imprested. If any local offices have more money received under all heads than they need it is remitted to the Head Office. The Head Office knows approximately how much is necessary to keep the imprest account in funds sufficient to make these payments under subsection (4).

24. But if the imprest moneys were sent partially, would it not mean that either the local offices would hold more money than was necessary, or that they would not have enough, so that money would be continually being sent from the Government and back again?—No; the local office would not apply for more money than the Postmaster-General had directed to be paid. He, for instance, makes all payments for the Public Trust Office and Advances to Settlers Office. There is never any deficiency there, because the Post Office refuses, in the case of the Public Trust Office, to authorise any payments unless the money is first supplied.

25. You think there would be no inconvenience about having the imprest made in plenty of time for sending the money down for all payments?—The payments are to be made, and if they cannot be made out of money imprested they cannot be made directly.

26. Do you consider it desirable that a regulation should be issued saying that no Postmaster shall pay any money for any service unless it has been previously imprested to him?—I do not think any Postmaster could tell. The Postmasters are agents for the Post Office Department. It is the department alone that can tell. There may be thousands of pounds paid without the officers having it remitted for the purpose.

27. Could it be done at the main office?—Yes.

28. Why does not the department do it if it can easily be done?—The Post Office and Treasury could better afford that explanation. I have put my note on the account as to the state of the case, and in my letter of the 28th January, 1898, I say, "The Post Office is perhaps in a difficulty of being unable always to estimate with precision what amount of moneys should be imprested. But if this difficulty, which does not at the close of the financial year result in showing that too large an amount of the claims has been paid at that date, could be allowed to account for exceptional cases of the payment by the Post Office of claims exceeding in amount the imprests available at the time, and these cases should be regarded as the unavoidable contingencies of the operation of a beneficial provision of the Public Revenues Act, the condition would have to be that the Treasury should, as soon as any case had been ascertained to have thus arisen, immediately pay to the Post Office the amount necessary to correct the irregularity. Such difficulty of making a precise estimate obviously will not account for so large an excessive payment of the claims as from £17,000 to £31,000; while, on the other hand, the Post Office explains its action, in the case of the failure of the Treasury to provide in due course for the imprest payments, to be that 'when the imprest requisitions are not promptly satisfied renewed applications are made to Treasury. This is frequently done.'"

29. That is the reply you received?—Yes.

30. That it is not always possible to determine what the actual requirements may be?—Yes.

31. Can you say from your own knowledge whether that is correct or otherwise?—I did not receive that with any doubt.

32. If it is not always possible to determine this, then there will be a difficulty in making a requisition for the right amount?—I think it could easily be arranged, as in the case of the Public Trust Office and Advances to Settlers Office, that as much as was ever required should be obtained. My answer to the Post Office is contained in the third paragraph of my letter to the Treasury dated the 28th January. (See reply to question 28.) The reply of Mr. Gray—"When the imprest requisitions are not promptly satisfied renewed applications are made to the Treasury. This is frequently done"—appears to indicate that there is delay by the Treasury in satisfying the requirements of the Post Office; and that is the explanation the present position affords.

33. Just explain the course. The Post Office authorities send a requisition to the Treasury saying, "We want so much to pay out on such-and-such an account"?—Yes; the Post Office makes an application for moneys on imprest from the Treasury, and is required by law to state in the voucher or requisition the vote for the payments that are to be made out of the imprest moneys.

34. And you say they sometimes make payments out of moneys in their hands before the requisition is granted?—Yes.

35. And in cases where the money is paid before the requisition is sent forward there is no pre-audit?—No; there is no pre-audit in the case of expenditure out of imprests. The payment by imprest defeats pre-audit; it evades the control.

36. Is much of the money paid by imprest in the colony?—More than half of it, I should say, speaking from my impression.

37. And there is no pre-audit of more than half the money paid out?—No.

38. Do you think a pre-audit system is necessary?—No; I think it is—I was going to say—demoralising. I think post-audit is preferable; there is better security for justifiable payments, responsibility is thrown on the administration as well as on the Audit Office. [See Exhibit N.] Where payments have to be audited after they take place the administration must exercise more care in studying beforehand whether after the payments are made they can be justified. At present it might appear, and does appear to me in many cases, that the only great concern or justification is the passing by the Audit Office of the vouchers pre-audited. The payment cannot then be rejected. The rejection of a voucher after payment is serious, but there is no harm in having a voucher rejected when the payment has not been made. Under the post-audit system you would have the administration, as in the Public Trust Office, looking to every transaction, and never having anything as a rule that can be challenged.

39. As you are in favour of the post-audit system you think the practice of obtaining money by imprest a satisfactory one?—I think post-audit much more satisfactory than pre-audit.

40. Have you anything to find fault with about the imprest system in the Post Office in Wellington?—No; that is required by law, by the section I have quoted.

41. Do you suggest that the law wants altering in any way?—I would not suggest a partial alteration. This authorised practice seems to be consistent with the general principle of the system of the Public Revenues Act. I would like to say that what I have said as to the Post Office is subject generally to what the Post Office may say.

42. *Mr. Fraser.*] The fact of local Postmasters using moneys from the Post-Office Savings-Bank, or whatever money it might be, you do not deem that to be a breach of trust, but the using of it by the Head Office?—I meant that it does not matter to the individual agent of the Postmaster-General where he gets his money from so long as things are right on the whole at the Head Office.

43. *Right Hon. R. J. Seddon.*] Can you give a date, a time, or a requisition under which the Colonial Treasurer has failed to supply the Postmaster?—No; I have taken the letter as evidence. The Treasury did not reply to my letter of the 28th January, and I have had no acknowledgment of it since.

44. Then, all you have to state with regard to the Treasury not having supplied the Post Office with money on imprest is gathered from this memorandum, and you say the practice has been going on for years. That would not prove a want on the part of the Treasury to supply the money?—It would in the light of this memorandum. The fact is that the payments exceed the amount available.

45. But this letter of Mr. Gray's says: "When the imprest requisitions are not promptly satisfied, renewed applications are made to the Treasury. This is frequently done"—I should understand that to mean that applications are not complied with in due course, and that it is necessary in those cases for the Post Office to renew the applications.

46. At all events, it is on that you base your evidence as to the Treasury not having supplied the Post Office with moneys on imprest?—That and the accounts.

47. You said that the Postmasters are not aware whether there is sufficient money in the hands of the Head Office to meet the charges at the time they make the payments?—That is my impression.

48. Have you any evidence of that?—I was in charge of the Accountant's Office in the Post Office for many years—in fact, I set up the system of accounts there myself, or had a good deal to do with it—and I do not see how a Postmaster could know, when making payments, whether there was sufficient money to meet them or not in the hands of the Postmaster-General.

49. It is because you were in the Post Office many years ago that you cannot see how the Postmasters can know that they have the money there now?—I do not think so.

50. You say that has been going on for many years?—Yes.

51. Was it going on when you were in the Post Office?—I do not recollect, but I dare say there were cases of it.

52. Was the law the same then as it is now?—Yes.

53. Do you think James Edward FitzGerald was as careful in conserving the interests of the colony as you are?—I should think so.

55. He never called attention to this?—No; I think I was the first to call attention to it in this way.

56. You have said that there is no danger of fraud or loss to the State in any way?—I have said there was no danger of fraud, and I do not think there is; but the question is a question of mere law.

57. And an interpretation of the law?—Yes.

58. Might there not be a grave case of inconvenience arising in this way. Admitting that the Treasury has not supplied the Head Office with the money as demanded, a person comes to draw money out of the Post-Office Savings-Bank at a branch office, and the Postmaster says, "I cannot pay this because I have not received the money from the Head Office"?—The money for the business of the Savings-Bank should always be sure. If all the moneys in the hands of the Postmaster-General and his Postmasters were immediately required from him on all accounts, then, of course, he could not pay immediately the amounts he had overpaid for services for which imprests were required, and which he had paid out of trust moneys.

59. Now I see the danger. If every person on a given day drew out his money there would be a shortage, and it is for that reason you have called attention to this matter?—No; I have only inquired what is the law.

60. You said in principle it is dangerous to take trust money: does it necessarily follow that it is trust money? Is it all trust money, or what proportion of it is trust money?—All the money here is trust money. The Money-order Account, Savings-Bank, Telegraphs, Postal Revenue Account, General Account—every one of these accounts is of trust moneys. There is not one of these accounts that yields money which the Postmaster-General is authorised to use for the voted services.

61. That is not the question. The question is whether it must necessarily be trust money. You are satisfied that, at all events, the Postal Department has kept within its appropriation: there has been no breach in that respect?—I do not know of any.

62. And if the worst comes to the worst, the most serious thing would be when claims were put in that could not be met?—Yes; if the Treasury had not the means of supplying the imprest money required for services paid, of course there would be a deficiency on other accounts.

63. Has the Treasury taken sufficient to meet all hitherto? Has there been a deficiency on the part of the Treasury? If your interpretation of Mr. Gray's memorandum is correct there might be some little delay in meeting the requisition: has there been any case where the Treasury has not had sufficient power to meet the requirements of the Post Office?—The Treasury would, I understand, have sufficient power to meet, if it had the votes, all the payments of the Post Office.

64. The votes taken, you say, have not been exceeded—you have admitted that?—Yes.

65. Then, the Treasury has sufficient appropriation to meet all these payments—that follows as a natural sequence?—Yes.

66. There might be a little delay in meeting these requisitions, but it was only a matter of a little time?—Yes, I am not disputing that.

67. Then, supposing this contingency you fear might arise some day—these claims—it is only a question whether the Treasury would have power to meet it—there would be no deficiency?—It might happen that the votes have been overrun.

68. Have you ever known a case in the Postal Department where a vote had been overrun, or exceeded the amount of the appropriation, or where the money had to be found by "unauthorised"?—No, I do not know of any case. My motive in taking exception to the account was to show that there was a breach of the law.

69. It is rather a serious matter when you put these tags on documents sent to Parliament?—It would be a very much more serious matter not to take exception to what I deem to be breaches

of the law where they happen in that or in any other respect. I understand that Parliament would desire, and every one who wants an Audit certificate would desire, to hear any objection the Audit has to make, if the audit is to be worth anything.

70. That is your ground for putting on this tag? You find in your interpretation of the law that the law is an ass, and you reported it?—I do not know that in this case the law is an ass, for in principle it is a very serious breach of trust. I wrote that memorandum in January, and put my certificate to the account on the 11th May, and between the 12th January and the 11th May I had not a word from the Treasury, and have not had a word to this date—no reply whatever.

71. Did you expect one? This was published in the account: what did you expect from the Treasury after that? You did all you could do by reporting it to Parliament—you could do nothing more. You could not withdraw it?—I could not withdraw it.

72. You say the Secretary to the Treasury had not discussed this matter with you?—I do not recollect him mentioning the matter, or acknowledging it even in conversation. I do not think he has mentioned it since.

73. Have you ever discussed it with me?—No, I do not think so.

74. There has been nothing said about this except what you see in the documentary evidence? I want you to be careful?—Yes. The only discussion was as to another item which does not affect this. It was an item as to the investments.

75. *Hon. the Chairman.*] Was that the first time within your knowledge that miscellaneous expenses were exercised in that way by the Post Office?—No. In the tabled papers it will be seen that on the 31st December, 1895, there was an excess of £31,254 9s. On the 31st December, 1896, there seems to have been a credit of £17,298 1s. 2d.

76. Any prior to that year?—I believe there were some, but I could not speak from anything but impression.

77. *Right Hon. R. J. Seddon.*] It has not simply happened during the last seven years?—I could not speak with certainty.

78. *Hon. the Chairman.*] When you were Accountant to the Post Office, would such a state of things have come under your notice?—I believe there were times—I speak only from impression—when the Post Office payments for services exceeded the amount available even in my time.

79. *Mr. Montgomery.*] Is this going on now?—I cannot tell until I audit the accounts from time to time. I complete the audit every quarter. On the 31st March there was an overpayment of somewhere about £2,000—I cannot recollect the exact amount, but about that. In that amount there would be no very great harm. The amount might represent payments not advised to the Head Office by the close of the quarter.

80. With reference to these tags, as they are called, I presume when the law is not respected for any reason whatever you have to report it to Parliament?—Whenever I see anything which I think it is my duty to report I report it.

81. Whatever the difficulties in the department may be?—Yes.

82. *Right Hon. R. J. Seddon.*] You do not consider the report an impeachment?—No; my only object is to point out whether the law has been complied with or not. If I gave a certificate that I have examined an account and that it is correct, that implies that, as far as my knowledge goes, I consider there is nothing wrong in that account.

W. GRAY examined.

83. *The Chairman.*] You are Secretary to the Post and Telegraph Department?—Yes.

84. You hold no other offices under the Crown?—No.

84A. *Right Hon. R. J. Seddon.*] You have heard Mr. Warburton's evidence, Mr. Gray?—Yes.

85. He makes a charge against your department for using trust moneys, and so forth, contrary to law. Will you give the Committee the facts connected with this matter?—Having overspent the imprest, there was no doubt a technical breach of the law; but I may say in explanation that this has been going on under the imprest system since 1888, and there have been debit balances on many occasions varying from £700 up to £39,000 for the quarter ended the 31st December last. In March quarter, 1889, it was about £19,000.

86. *Mr. Tanner.*] It has more than doubled to come up to £39,000?—Yes. Before 1888 we made payments out of Post Office moneys, but without imprest. The Treasury refunded the amounts after we paid them, on receipt of the paid accounts. Imprests are paid to the credit of the Post Office Account, Wellington, but the amounts are not distributed over the colony. The Postmasters make payments out of the moneys collected which they may have in hand. The imprest moneys remain at the bank at Wellington, and, as the paid vouchers diminish the imprest balance, a requisition is sent to the Treasury so as to keep up the imprest to the estimated expenditure.

87. Do you say that the old system was a convenient one?—Yes, I think so. The payments were made out of receipts. I do not see that there was any need for the alteration.

88. *Mr. Fraser.*] It includes the paying-out of all moneys?—Yes; the payments are made out of receipts.

89. *Right Hon. R. J. Seddon.*] It is practically the same as a bank which is receiving deposits. One person deposits an amount, and some one else comes in with a deposit-receipt and wants to draw out his money?—Yes. Whatever payments have to be made are paid out of moneys in hand, and if there is not sufficient the Postmaster telegraphs to the Postmaster-General, and the amount applied for is placed to his credit at the bank.

90. You have heard Mr. Warburton's evidence: is such a contingency at all possible as that on a given day there might be a sudden demand?—I think not.

91. Has anything happened in any post-office of the colony which would lead you to think it likely there would be such a demand?—No. Postmasters are able to meet all authorised payments.

If there is an unusual demand the Postmaster telegraphs to Wellington, and is supplied with funds within an hour or two.

92. Does it necessarily follow that these amounts are all trust moneys?—It does not follow that they are trust moneys. We collect for nearly every department. I understand Mr. Warburton considers that all moneys collected by the Post Office are trust moneys until they are paid over. Our general revenue is not regarded as trust moneys.

93. Has there been any considerable delay or difficulty with the Treasury in supplying you with money?—There have been slight delays, particularly with regard to this December quarter. We requisitioned for two amounts, one on the 17th December, and the other on the 30th, and they were not satisfied until the 10th and 12th January. In the meantime the December quarter's account was closed, and showed a debit balance.

94. Christmas is rather an awkward time?—Yes.

95. With that exception, there is nothing to complain of?—There was a slight delay in the September quarter. We requisitioned on the 25th September, and the amount was not lodged until the 12th October.

96. You have kept within the appropriations—there has been no exceeding of votes?—No; the votes have not been exceeded in consequence of the imprest having been exhausted. There is a little trouble at the end of the financial year.

97. You are paymaster for the other departments?—Yes. [See Exhibit O.]

98. There has been neither inconvenience, loss, nor expenditure beyond what was voted?—No.

99. And you are of opinion that the old system which obtained prior to 1888 would be much more convenient?—That is my opinion. There would be no need for imprest then.

100. Can you give us any idea why they started the imprest?—I believe it was the decision of the Treasury and Audit that payments made without pre-audit should be made out of imprest.

101. You agree with the Auditor-General on that point of post-audit?—Yes. Post-audit does not lessen the responsibility of departments. The Audit Office has still the final audit.

102. Has the Auditor-General made this correspondence the subject of controversy?—No. It was a great surprise to me to find such a certificate attached to the balance-sheet. My opinion is that it should not have been put there. If there was an evasion of the law the Controller should have called attention to it before.

103. No attention was called to this under Mr. FitzGerald?—No; no attention was called to it by him.

104. You were not warned beforehand, or asked to rectify it by making other provision?—No.

105. The first you heard of it was when you saw the tag?—I heard that the Auditor-General was making inquiries, but in what direction I did not know. The first I did know of it was on seeing the certificate.

106. Do you think that is conducive to harmony between two departments?—If the Controller had queried the September instead of the December accounts I would not have been so much surprised. The treatment of the December accounts was scarcely what was to be expected.

107. Mr. Warburton was in the Post Office Department?—Yes.

108. In the Accounting branch?—Yes, he was Controller and Accountant.

109. Was he there at the time these other transactions were going on?—Yes, some of them; I think he admitted he was. He left in 1891. The £19,000 debit in 1889 occurred when he was there.

110. He was eighteen months Auditor-General before he took action, and took it suddenly, by this tag?—That would be about the time, I think.

111. Was the feeling between you while he was connected with the Post Office always of the most cordial character?—So far as the business was concerned, yes; there was a little feeling otherwise.

112. *Mr. Fraser.*] Did you say that the Auditor had never remonstrated with the department in any way at all?—Not beyond what he read out to you to-day. That was in January last, after the end of the calendar year. I believe some of his officials had been making inquiry whether the Treasury had been promptly satisfying our requisitions, but his memorandum of the 12th January was the first I knew of it officially.

113. He wrote in January to you?—Yes.

114. And you replied on the 17th January: there was nothing between those dates?—Nothing whatever. Some of this correspondence I had not seen before.

115. *Mr. Tanner.*] Did Mr. Warburton, when filling the position of Controller and Accountant in the Post Office, in his official capacity call attention to this practice?—No, not to my knowledge.

116. He must have been aware of the practice?—He admitted to-day that he knew of it.

117. He never made any objection or called any attention to it?—No.

118. And the law was the same then as it is now?—I would not say that. It was practically the same. There was a direct instruction [see Exhibit P] from the Treasury and the Audit Departments from 1888 with regard to our imprests, but I think it was not until 1891 that reference was made to Post Office imprests by Act.

119. It was an instruction in 1888, 1889, and 1890, when he held office in the Post Office, which was afterwards crystallized into law in 1891?—Yes. The law, of course, was technically evaded, as Mr. Warburton says, but it was not until last December quarter's accounts that he took any official notice of the evasion.

120. *Right Hon. B. J. Seddon.*] But was it not an evasion in 1887, 1888, and 1889?—Certainly it was.

121. *Mr. McLean.*] There seems to be a very large number of accounts in the office?—Yes.

122. They have increased?—Yes.

123. Have you ever had any complaint about the increase of work from the Post Office officials?—No; it is all in the day's work, and as business increases the staff is increased. When you come to divide the business over so large a number of offices—the chief offices excepted—the extent of work at each office is not unduly heavy.

124. Do these miscellaneous expenses apply only to Post Office work?—To nearly every department. We do not make payments for the Railway Department; but nearly every payment for other departments, not exceeding 10s., is paid by the Post Office, provided the payment is expressly approved.

125. *Mr. Duthie.*] You mentioned that your accounts close on the 31st December, whereas the accounts of the colony close on the 31st March, and that you thereby had to meet payments on account of other departments for which you were not recouped. Would it not be more convenient to close on the 31st March, the same as the others do?—Our yearly transactions close on the 31st December, for the reason that if they closed at the end of the financial year there would be a difficulty in getting the returns, &c., ready for Parliament, which meets a couple or three months afterwards. The accounts are made up to the 31st December because the Savings-Bank year ends on that date.

126. Is there any reason why the Savings-Bank should not close on the 31st March—the colony's year closes on the 31st March?—Yes; the Savings-Bank interest has to be calculated, the accounts balanced, and the balance-sheet sent to the Audit Department to be audited; and you will observe that the Auditor did not affix his certificate to last year's balance-sheet until the 11th May, nearly five months after the close of the year.

127. You must recognise the importance of the Audit Department, and it very much disturbs the accounts of the colony to have your accounts closed on a different date?—I do not think that. Our Savings-Bank yearly accounts close on the 31st December, and I do not think it would be so convenient to close them on the 31st March as on the 31st December.

128. Do you think there is any difficulty for members of the House and the public to understand the accounts?—These accounts are very plain.

129. But the dates are very awkward?—I do not think there would be any difficulty in understanding them.

130. There are the different securities to be followed up, and when we get your statement there is difficulty in reconciling it with the other accounts. In justice to Mr. Warburton, as he left your department in 1891, he might not have known there was an Act in force in regard to this matter?—He knew there was an Act in force.

131. You know of your own knowledge that he knew of this point?—I can only assume that an officer in Mr. Warburton's position would know there was such an Act in force.

132. How long was he Public Trustee?—He left the Post Office for the Public Trust Office in 1891. I think he became Controller and Auditor-General in 1895.

133. In reference to these imprests, you admit there was a slight delay, but there must have been a continuous delay?—No; in 1896 we had a credit balance of £17,000 at the end of the year.

134. What was due the previous year?—In December, 1895, it was £31,000, and in December, 1894, it was £4,000.

135. What was the delay in 1895 due to?—We applied for £32,000 on the 19th December, and it was not paid over until the 8th January.

136. That was before the Christmas holidays. These deficiencies have generally been due to the Treasury?—I think in a general way they were.

137. You put it as mildly as possible for the Treasury?—I think I put it fairly.

138. You treat this matter lightly, but it is a very serious matter as far as the public are concerned. It is all due to the Treasury?—Those I have read out are.

139. Are there any for which you are to blame?—Yes; there was a debit balance of £4,000 at the end of 1894 for which we had not applied for imprest.

140. If the delay was due to the Treasury we should have it cleared up, and you should not excuse them?—I do not excuse them.

141. If it is the Treasury's recurring fault we should know it?—I have given you the items as I have them here. At the end of 1888 we were in credit; in December, 1889, we were in debit £314; in December, 1890, we were in debit £3,407; in December, 1891, 1892, and 1893, we were in credit; in 1894, at the end of the year, we were in debit £4,947; at the end of 1895 we were in debit £31,250; in 1896 we were in credit; and in 1897 we were in debit £39,000.

142. *Right Hon. R. J. Seddon.*] Go back to the £19,000 in 1889: when did you make the requisition for that?—We applied for £23,000 on the 1st April, 1889, and it was paid the same day.

143. How can you blame the Treasury if you only applied for it on the 1st April?—I did not blame the Treasury.

144. What is a reasonable time? The question is whether you could give the Treasury a longer time in which to find the money?—In the last few cases quoted we did. There must generally be about £20,000 floating between Wellington and post-offices. We only requisition the Treasury when the vouchers are actually paid, and when we are brought down to a minimum balance.

145. If you applied for a larger sum, and gave the Treasury a longer time, would it cause any inconvenience?—No, it would not cause any inconvenience to us.

146. It is only when you run down that you put in a requisition?—That is so, as the imprest is reduced to a minimum balance.

147. The longest time from the requisition being made to the Treasury and its being met is from the 17th December to the 10th January?—Yes, so far as I am aware.

148. *Mr. Montgomery.*] You could prevent this, could you not, by asking for the money in plenty of time?—If we did not wait until balance at a minimum, but applied periodically—say, at the middle of each month—we probably could manage it.

149. Why not do it?—There is no reason why we should not.

150. Do you not think that the Auditor should report any practice in reference to these particular accounts that is contrary to law?—Yes.

151. This is contrary to law, is it not?—Yes.

152. And therefore you think it quite right to report it?—Yes.

153. He has only reported it to the House by laying it on the table?—It is not a report to the House.

154. *Mr. Fraser.*] It is not a special report?—No.

155. *Mr. Montgomery.*] You do not suggest there is anything wrong in putting a tag on to these accounts?—The only thing I have to say is that if the Auditor-General thought it his duty to do so he should have done it before.

156. Or might have warned you?—Yes; he had several opportunities. In the June quarter last year the imprest was exceeded, and also in other quarters. I am not taking exception to the Controller calling attention to the overpayment, but consider that he did not do this at the right time.

157. *Mr. McNab.*] Could you supply the Committee with a copy of that regulation or instruction you referred to which was issued before 1891?—Yes. [See Exhibit P.]

158. *Mr. Tanner.*] Under what Act was it made?—The Act of 1878, I think.

159. Of course, it would be gazetted?—I am not clear that it was gazetted.

160. Are not all regulations under Acts gazetted?—If it were an arrangement between the Audit, the Treasury, and ourselves it probably would not be gazetted.

161. *Mr. Fraser.*] What check does this system of imprest afford? You said just now that you could avoid the possibility of evasion of the law by asking for what you want at the middle of each month?—So far as the payments are concerned, there is no greater check under imprest than there is without.

162. Your opinion is that it affords no check?—That is my opinion. The imprest moneys are paid in and lie at Wellington. The payments are made by Postmasters out of their collections, and when the accounts reach Wellington they are audited in the usual way. There is a final audit, of course, and that lies with the Auditor-General. No payments are made unless they are contracts, or approved either by the Minister or a permanent head.

163. Well, you admit there is a breach of the law, but you do not consider the present system affords any check at all?—Yes, there was a technical breach of the law. The complete system of pre-audit has broken down, because the greater part of the expenditure is made out of imprest, which is not pre-audited; but paying out of imprest affords no additional check.

THURSDAY, 22ND SEPTEMBER, 1898.—(Hon. W. J. M. LARNACH, Chairman.)

JAMES B. HEYWOOD examined.

1. *Hon. the Chairman.*] You are Secretary to the Treasury, are you not?—Yes.

2. Do you hold any other official positions?—Yes; I am Paymaster-General, Receiver-General, and Registrar of Consols.

3. There is a note, or tag, placed by the Auditor-General on the balance-sheet of the New Zealand Post Office accounts; I do not know if you have seen it?—Yes, I have seen it.

4. Can you give some explanation as to your view of the matter?—I do not exactly know what I am asked to speak about. Am I to express an opinion on the tag?

5. I think the Committee desires to have your opinion in connection with the Auditor-General's memorandum in reference to any accounts that come under your control?—These accounts are not under my control at all. The Treasury is only connected with them in the matter of finding funds for the Post Office, out of which these payments for services of their own and other departments are made.

6. *Right Hon. R. J. Seddon.*] There are two points that we want elucidating. One is as to whether the present practice has been going on for some years, or whether it is an immediate change made by the Postal Department in paying out funds prior to receiving the imprest?—Well, of course, I shall not be able to speak on that matter with an absolute knowledge of my own. I have nothing to do, and the Treasury has nothing to do, with the book-keeping of the Post Office; but I can only say that, so far as I am aware, this system has been going on ever since it was inaugurated by the Post Office in 1888.

7. *Hon. the Chairman.*] Without any imprest?—No; the imprests are made by the Treasury to the Post Office, but some payments are made by the Post Office prior to getting the money.

8. *Right Hon. R. J. Seddon.*] Anticipating the imprest, in other words?—Yes. I have no doubt the Secretary to the Post Office has explained the system on which they make these payments. I shall be glad to give the Committee a second-hand idea of the matter, if they have not already got the first one.

9. There is another point as to instructions having been issued by the Treasury prior to the Act of 1891—between 1888 and 1891—as to these payments specially provided for in the Act. There was an instruction that they were not to do this?—Prior to 1891 the Post Office could only by law make payments out of any imprest moneys that might have been given to them; but in 1891 the Act specially provided for their being able to make payments by Act, as it were. Prior to that they were only in the general condition of an imprestee, but since 1891 they have been enabled by Act to pay moneys out on behalf of the different departments.

10. Then, to use these moneys for the purposes they had been using them before they received the imprest—prior to 1891—was as illegal as it is since 1891?—Purely illegal. I think the Controller points that out.

11. The law in 1891 was more favourable to the Postal Department doing what they have done than it was prior to 1891?—I do not say the law was more favourable before 1891. Since 1891 they are enabled to pay moneys out of imprest.

12. Prior to that they were made imprestees?—In the Act of 1891 it specifically states how they can pay moneys. Prior to 1891 they could do nothing of the sort. The Act of 1891 gave them special powers to pay moneys for the departments out of imprests, as the wording of the Act expresses it.

13. There is a soft impeachment made by the Postal Department that the Treasury is responsible for the department not having the moneys with which to pay, and on that ground it is said that they had to encroach upon and pay out of funds coming into the Post Office from other sources. There are two instances given: one was a requisition which was sent in on the 25th September, and was not paid until the 12th October?—That would be in the December quarter of 1897.

14. Yes; I would like to see if there was not a reason for that delay. In another case there was a requisition sent in on the 17th December, which was not paid until the 10th January?—I think, with regard to the December requisition, you will be astonished to learn that we had already paid the Post Office prior to the 31st and during the month of December £55,000.

15. *Mr. Duthie.*] That is not the point you were asked about?—It is very vital. The Post Office applied for £33,000 on the 17th December, and they applied for £11,000 on the 30th December. As I say, we had already paid them £55,000.

16. *Mr. Montgomery.*] When had you paid these amounts?—During the month of December, outside of the requisitions mentioned. I am anxious to show the Committee that the Treasury had already supplied the Post Office with £55,000. Their expenditure is only from £30,000 to £40,000 per month. It is seldom over £40,000, and we had already given them £55,000, and we also had a debit balance against them of £21,000. So that if you put these sums together it becomes a very large sum of money that they were asking us for.

17. *Right Hon. R. J. Seddon.*] When the requisition came in from them they were already indebted to the Treasury?—They were indebted to us in the sum of £21,000, and still the Post Office wanted £44,000 more.

18. It was not because there was any negligence on the part of the Treasury or unnecessary delay in meeting the requisition?—No; there was no negligence or unnecessary delay. Of course, the Committee will understand that these are sums of money that are not kept in one's waistcoat-pocket.

19. *Mr. Duthie.*] Do you mean that this money was not available?—No.

20. *Mr. Fraser.*] What do you mean by the department being indebted to the Treasury?—They had not given us the vouchers to enable us to give them credit.

21. *Right Hon. R. J. Seddon.*] What was the necessity for the large amount they wanted that month? The ordinary amount was about £30,000?—Yes, between £30,000 and £40,000 a month. The Post Office had not given us vouchers, and a large amount had already been received by them. I rather think it ought not to be put in that way, because the Post Office claims for the average money they have paid—to a very large extent they do so.

22. They use their funds, first of all, and then apply for an imprest to cover it?—They see what they want, and apply for that amount approximately. I do not say it is always so.

23. *Mr. Graham.*] In this tag it says, "Examined and found correct, except that the payments charged to the Miscellaneous Expenses Account exceeded by £39,037 1s. 9d. the amount of the imprest advances which the Post Office had received for the purpose, and out of which alone the payments could lawfully have been made, and that consequently the payments have been made to that amount out of Post Office funds not applicable thereto." Is it correct that the payments exceeded the imprest advances by £39,000?—I have nothing to do with that except to find the funds.

24. At whose request do you find the funds?—At the request of the Post Office.

25. The imprests are made to the Post Office by the Treasury?—Yes.

26. Would it not be your duty to ascertain whether the amount is covered by the imprest advances asked for by the Post Office?—No.

27. You issue imprest advances without seeing that such imprests cover the amount of payments made?—That is so.

28. Do you think that is right?—I do not see how it can be done otherwise.

29. The accounts being paid out of imprest, and you having to give authority for the imprest, is it not your duty to see that the imprest covers the amount asked for?—I think you have got hold of the wrong proposition. All we have to do, on the requisition having passed through the Audit Office, is to issue the money. Whether it is to cover payments for which they can give us vouchers or not is entirely outside our knowledge until the events happen afterwards.

30. You have authority to issue the money whether the payments are covered or not?—We issue imprests to cover payments. The imprest does not give them authority to pay, but enables them to pay. It is shown that they have paid moneys out of Post Office funds, and not out of imprest.

31. Which the Auditor-General contends they have no right to do?—That is so.

32. And you have no opinion as to that—whether it is right or not?—I think it is not right.

33. Then, you agree with the Auditor-General?—The Post Office must have made payments outside of imprest moneys.

34. Do you think the Auditor-General was right in calling attention to what was being done?—According to law, certainly.

35. That the Postmaster has no authority by law for paying miscellaneous or other expenses without the authority of the Treasury?—Payments could be made out of imprest money.

36. Then, the Auditor-General is perfectly right? He has stated the fact and the law connected with it?—That is so. He must have ascertained what is in the balance-sheet.

37. The amount being right, you think he is right in stating that the payments are illegal?—Yes.

38. *Right Hon. R. J. Seddon.*] Had you any warning about this tag, or was it a sudden development? You stated in your evidence that this had been practically going on since 1888: was any notice given of this by the Audit Department to the Treasury?—No; I was not aware they were going to put any tag on.

39. Are you aware that during the present Auditor-General's term of office that it has been going on for some time, and that he must have been aware of it?—I think he must have passed several quarters' accounts, likewise overdrawn, without calling attention to it.

40. *Mr. Graham.*] You think he must have been aware of that?—I do not know; it was his duty to be aware of it.

41. *Right Hon. R. J. Seddon.*] This is a sudden development, then, he having passed several quarters' accounts while this practice was going on?—You can get the date when he took office as Auditor-General, and I think the amounts were overdrawn in June and September of 1897.

42. At all events, the payments were overdrawn?—Yes.

43. Now, is there any risk, Mr. Heywood, of an illegal spending of moneys by the Postal Department—any danger of fraud, or anything of that sort, in payments on imprest accounts?—Not the slightest.

44. There are times, even as between the Postal Department and the Treasury, when there might be a little delay in complying with the requisition?—It must necessarily occur in connection with a system such as this. I do not uphold the system; I think it is radically wrong—this system of the Post Office being allowed to make their own payments. It is a most improper departure from the ordinary rule of the Treasury.

45. What do you think ought to be the system? What would you recommend?—To go back to the system that obtained before 1891. It was 1888, I think, when the change was made.

46. Can you give the Committee any other reason for making the change?—Well, I never did thoroughly understand what the reasons were. The Treasury made it, as far as I remember, upon pressure from the Post Office in connection with the payments to their contractors. Speaking from memory, I think there had been one or two complaints on the part of their contractors that they had not got their payments at the due date—at the end of the quarter; and I think the Post Office advanced arguments to the Government of the day to the effect that it would be a favourable condition of affairs to the public generally if they were allowed to make the payments themselves instead of by the existing method of the Treasury making the payments. The system of payment by the Treasury is that of issuing cheques direct to the various claimants when the vouchers for such payments had been passed by the Audit Office. This is the system of pre-audit, which is the system of the colony. The system of the Post Office is the system of audit after payment, which is antagonistic to the existing Treasury system.

47. *Mr. Duthie.*] Which do you think is the more desirable for the public convenience and the Audit?—Well, I am satisfied with the Treasury system. I think, considering the enormous amounts of money which have to be paid by the Treasury, the public are very well satisfied with the system, and it is one of very great safety and value to the finances of the colony; and I might take the opportunity also of advancing the fact that it is much easier to finance, because, as I said before, to have to find suddenly a huge sum of money for the Post Office presents a more difficult finance than the ordinary filtration of smaller amounts through the Treasury in the ordinary course. It is easier to make payments in a gradual way in the course of a month than to find a very large sum of money in a lump sum.

48. The Auditor-General is strongly in favour of post-audit. He says it is better that the responsibility should be on the heads of departments?—The matter was very much discussed at the time by the late Controller, who had visited all the other colonies and inquired into the different systems of account-keeping. The Government of the day adopted the proposal of the Controller, and it was admitted that the system of pre-audit was far better.

49. *Right Hon. R. J. Seddon.*] The system of pre-audit had the approval of the late Auditor-General, after he had examined the systems obtaining in other places?—Yes. He had a mission to make himself acquainted with the various systems of account-keeping.

50. Is there any limit to the Postal Department in making their demands for imprests? Suppose they sent for £100,000 suddenly, have you any right to refuse them, or to ask what it is wanted for?—No; I should not take upon myself to ask what it was wanted for, except that if it reached £100,000 I might hesitate to pass it, as being of abnormal proportions.

51. There was £33,000 odd requisitioned for in December, although for the same month you had met demands for £55,000?—Yes.

52. That is £88,000 and £11,000—it is not far from £100,000?—No.

53. I ask you that because it might cause great inconvenience. They might requisition for a large sum of money when you were not aware that it was going to be asked for, and it might disorganize the finance and make it difficult?—That is so. That is the outcome of this particular system.

54. *Mr. J. Allen.*] When was the £55,000 that was paid in December requisitioned for?—I could not give you the dates, although I have no doubt that a portion of it was requisitioned for in the month of November, because £30,000 was paid on the 2nd December. In all probability that was requisitioned for in November, but that is an assumption of mine. I would like to show you the amount

issued from 1888 up to the end of 1898. The gigantic amount that has been issued by the Treasury to the Post Office for the ten years is £3,650,800 11s. 6d. The first year, 1888–89, £253,781 10s. 8d.; 1889–90, £311,878 2s. 8d.; 1890–91, £301,120; 1891–92, £346,252; 1892–93, £349,380 12s. 6d.; 1893–94, £368,465 19s. 2d.; 1894–95, £396,824 17s. 6d.; 1895–96, £427,662 2s. 6d.; 1896–97, £448,419 6s. 6d.; 1897–98, £448,016. I think, roughly speaking, that the appropriations for the Post Office last year were only about £360,000, so that they must have paid large sums of money for other departments. In support of my own idea as to the existing system of the Post Office making these direct payments being detrimental to the finance of the Treasury, I have taken out the debit imprest balances against the Post Office since 1888 [see Exhibit M], and I think it is not an unfair assumption to say in connection with these debit balances, as they are transferred to the Post Office Account, that the Treasury is losing interest on these moneys outstanding with the Post Office; and, reckoning the interest at the rate the bank was paying us at the time, I find that up to the 31st March last, upon that basis, the Public Account (the Treasury) has lost £6,620 for interest on these debit balances outstanding in the Post Office for the period from the June, 1888, quarter to the 31st March, 1898.

55. *Right Hon. R. J. Seddon.*] In other words, in addition to the inconvenience caused by the sudden requisition for large amounts, there is also this loss of interest?—The possible loss of interest.

56. *Mr. Duthie.*] But the Post Office would get credit for that amount?—Exactly, but it is lost to the Treasury.

57. *Mr. Graham.*] But not a loss to the colony?—No, I do not think so.

58. *Mr. J. Allen.*] I want to know the reason of these debit balances: is it caused by the Post Office paying for other departments of the colony?—No, not necessarily for that, but because they have not sent in vouchers for credit at the end of these particular periods.

59. What is the difference between the vote and the amount the Post Office expends: is that caused by the Post Office paying for other departments?—We are not dealing with the votes or appropriations. The £360,000 is in connection with their appropriations, and the £448,000 I quoted just now is against the total votes or appropriations.

60. What is the reason for that?—That is because the Post Office had been paying moneys for other departments—making payments on behalf of the Treasury for other departments.

61. Are there always debit balances, or is this a special one?—There is always a debit balance.

62. *Mr. Fraser.*] The Post Office pays away large sums in withdrawals from the Savings-bank: is it authorised to pay those without imprest?—Mr. Gray could tell you all about that.

63. You said the Post Office owed a balance of £21,000 to the Treasury in consequence of the vouchers not coming in?—Yes.

64. If the Post Office had paid these particular amounts before making the requisition, using its own funds—I understand you to say that had been the custom for years—then these debit balances would not have accrued?—I said that the Post Office had to find out how much they had paid in order to get a requisition to recoup them, or else they had to take an approximate amount of what they judged would be their payments. Of course, if they had rendered the twenty-one thousand pounds' worth of vouchers there would not have been any debit balance.

65. There must always be a debit balance, because the vouchers must go in some time after the requisition satisfying the payments?—As a rule, there must always be a debit balance. I think there has been only one occasion when there was not a debit balance. Yes, on the 31st March, 1891; and March, 1898, winds up with a quarterly balance of only £37. [See Exhibit M.]

66. It was shown that the debit balance of £21,000 was not an abnormal but a customary thing. Why was the requisition not satisfied?—I do not know of any reason why it should not have been satisfied. My own idea about it is that probably it was reported to me that they had had £55,000, and they were probably not urgent in asking for the further amounts. Of course, it is difficult for me to be able to tell you at this date. I should only be too pleased to tell you the actual causes for these delays if I could. It is a matter for which we should desire to supply the Post Office with the moneys at the earliest possible moment we can. There is no reason why we should not.

67. There is really no answer. You do not say yours is a satisfactory answer?—No, I cannot say my answer to this question is a satisfactory one; but it is the only one I can give at this moment, pending any investigation I might afterwards make. They had, as a matter of fact, got £55,000 in the month of December, and that would probably be what we were looking at if we took the matter into consideration at all. When you ask me why the requisitions were not satisfied at this particular moment, I can only give you a general sort of reply by saying that there must have been very fair grounds for doing what we did. There could not have been any neglect on the part of the Treasury in the matter.

68. My reason for asking these questions is that I inquired if the Post Office had been over-running the constable, or asking for more than it was entitled to ask for?—No, I do not think that would be so.

69. Was there any complaint by the Post Office on the ground of inconvenience between the time of the requisition being made and its being met as to non-compliance with the requisition?—I have no record of it, but at the moment I would not say they have not done so verbally. I have no record of anything of the kind.

70. I suppose, as a matter of fact, the Post Office authorities followed the usual practice and expended their own moneys until they got what they had requisitioned for?—That would undoubtedly be the case.

71. *Right Hon. R. J. Seddon.*] And the Audit Department did not object to this being done before?—No.

72. *Mr. Duthie.*] I would like you to be a little more definite. In your evidence you said, and repeated it, that you had no right to seek an explanation or to refuse, under the system of accounts, any supply to the Post Office?—That is so.

73. And you say your non-compliance with the requisition of the 17th December could not be due to negligence on the part of the Treasury?—Quite so.

74. Then you set up as a reason that you had already supplied £55,000, and that they had a debit balance of £21,000 not accounted for?—Yes.

75. In answer to a question from Mr. Seddon that the money was so held back, you answered in the affirmative?—In not supplying the requisition the moneys were held back; but whether it was because of the £55,000 already given I am not prepared to assert absolutely. As I told you, I can only generalise. The fact of having had the £55,000 was probably the cause of their not being supplied with the £33,000, but as to whether it was the fact nobody can say.

76. Of course, you are aware that it is through the failure to make these payments that this inconvenience has arisen, and that it is the cause of the tag. If that money had been paid within a reasonable time there would have been no tag to this account?—I think there would have been, because £33,000 would not have satisfied £39,000. Of course, they applied for £11,000 on the last day.

77. We will keep to this failure to meet the requisition of the 17th December. I want to get your reason for that. If it is not the sole cause of this tag it is the main cause of it?—I think so.

78. You have explained to us that you have no right to seek an explanation or to refuse the money, and you say it could not be due to neglect?—I assert that it is not due to neglect at all.

79. You set up these payments of £11,000 and £33,000, and say that the prior payment of £55,000 influenced you in not complying with the requisition?—I say it might have done so. I cannot at this date distinctly say why these requisitions were not satisfied.

80. Then, you must take the responsibility for their not being satisfied—the responsibility is solely yours?—I will accept the responsibility for it—I cannot help that.

81. Is it usual to make such delays with regard to the Postal Department?—No, I should say it is not the custom; but there have been delays in many instances.

82. Then, this is an exceptional delay?—No, I do not think so.

83. I would like a little more information on that point, because it is a question as to what extent the Postal Department does not get the money in the usual time. What time do you usually take?—We satisfy the request of the Post Office within a few days, as a rule.

84. This is fourteen days. You are aware it was the end of the financial year in the Postal Department?—Yes, I should have been aware of that if it had been brought before me.

85. Do you not think you were to blame, considering that they were closing their funds for the year?—The matter of the funds and the closing of the year had never been considered by the Treasury.

86. The position is that you admit responsibility and cannot give any justification for it?—I cannot tax my memory with the reasons which delayed these requisitions.

87. You had knowledge before that this question would come on?—Yes.

88. And you have not been able to discover any reason?—No, I have not.

89. *Mr. Montgomery.*] You say that the requisition is usually satisfied in a few days. What has to be done to satisfy the requisition?—The department has to pass the several accounts before they are issued; they are then audited and passed for payment, and then go back again to the Controller.

90. What is done with the requisition?—It is issued to the Controller, to be passed by him and returned to the Treasury, where an order on the bank is issued and a cheque drawn, and then the moneys are paid over.

91. But is the requisition of the Post Office accompanied by vouchers?—No; one voucher is given for the whole amount.

92. You say the Treasury has to go through the various accounts?—They have to be entered.

93. There is only one voucher for the £33,000—what do you mean by entering that to the various accounts?—There may be four, five, or six different accounts to be charged.

94. Would that be the total of it, or one sum?—The £33,000 would represent the total of the various sums charged against the various votes.

95. What would be the form of the requisition?—It is in the form of a requisition requiring, say, £33,000 for payments of the Post Office. Then the directions for the charge would be: so-much against the vote for salaries, so-much for mail-services, so-much for inland-mail services, and so-much against miscellaneous or other votes of the department.

96. You do not suggest that it would be the mere entries in the books that would cause the delay?—I do not say the delay would be there at all.

97. Could you ascertain before our next meeting what the delay in this particular case was caused by?—I do not think it could be ascertained.

98. You have told us that in your opinion such anticipations of imprests as are made by the Post Office are illegal?—I think they can only pay money out of imprests.

99. They are illegal, are they not, in your opinion?—I should think so.

100. Do you think a Post Office can carry on without making such illegal payments?—You see, I have nothing to do with the management of the Post Office. I should say, as a matter of public convenience, it would be necessary for them; but it is not my department, and I have nothing to do with matters of that kind.

101. I mention it because you told us that the present system of post-audit was wrong?—Yes, I did.

102. Is the post-audit practised in the Post Office?—I should say so, distinctly.

103. Is there any reason for having these two separate systems of post- and pre-audit in the accounts of the Post Office?—Not so far as my idea is concerned.

104. Now, what is the limit so far as the Post Office is concerned? So long as they attach this requisition to the vote of some department over which they have some control they can requisition for any amount that is covered by the votes?—Yes. The limit of the requisition would be the available balance of the vote. That is the unfortunate feature, and one of the causes why we are not always able to satisfy the wants of the Post Office.

105. And when you said you would hesitate if the request amounted to £100,000, did you suggest that you would hesitate if the balance of the votes unexpended amounted to that?—Well, I should hesitate to issue the money without some explanation as to why such abnormal sums were asked for. Other than that I should not consider it my duty to make any inquiry about it. If it was covered by the vote, and if it passed the audit—these requisitions have to be audited first—it is my duty to issue the money.

106. It is not your concern whether the requisitions are large or small, provided they are legal requisitions?—That is so.

107. And, therefore, the fact of having paid other requisitions, large or small, could not influence you in delaying a legal requisition?—Not on that aspect of the case.

108. *Hon. J. G. Ward.*] Have you stated in your evidence what the total annual appropriations of all the departments issued by the Treasury by way of imprest are for 1898?—No, but I can tell you what it is.

109. What is the amount?—Close upon three millions of money.

110. Is the Treasury in the habit of considering the loss of interest upon any imprests issued to any of the other departments?—No.

111. So that I understand the assumed loss of £6,000 odd in the case of the Post Office to which you refer would be exceptional if you were to refer to that as a loss to the Treasury?—Yes. My idea in referring to that is simply because these large sums being in debit to this account is a loss to the interest-earning of the Public Account. If we were paying the Post Office requirements in the ordinary course the outgoing would not be represented by this large debit balance.

112. If that system were in operation, I take it you would also require to credit the Post Office, or any other department, with interest on amounts paid into the Treasury?—No. If you talk about that, we are losing more money by revenue being paid to them not speedily reaching the Public Accounts.

113. At any rate, you are not in the habit of debiting loss of interest to any of the departments?—No. The figures referring to loss of interest were merely computed in support of my contention in regard to the present system as against the old system—that is all.

114. Were there any representations made by the Audit Department before this tag was appended to the Postal Account?—No, I do not remember any.

115. Do you agree with the opinion expressed by the Auditor-General in that tag?—Yes, I think he is correct there.

116. *Right Hon. R. J. Seddon.*] Have you looked up the details on the requisition as to what votes are charged in the £33,000?—No, I have not.

117. You could not tell what votes were charged or what was the condition of the votes?—No.

118. It is the duty of the Audit and Treasury to see that the votes are in credit to which these payments are charged?—Yes, it is part of the control.

119. Would the end of the year in the Postal Department make any difference in the financial year as to the votes?—No, not necessarily.

120. Are there occasional delays in getting things through the Audit?—I should say not in respect to the postal requisitions.

121. You have not looked up the requisition to see the date on which it was sent by the Treasury to the Audit Department?—No, I have not looked up that. The Post Office would send the requisition to the Audit Office themselves. It comes from the Audit to us.

122. Say a requisition was made on the 30th December, when would it reach you? What time was business being attended to on that date?—I should say I was in the office on that date.

123. How long are the offices closed at the new year?—They were closed from the Friday until the Tuesday.

124. And the requisition was met on the 10th?—Yes.

125. Money is an object in respect of these requisitions, is it not?—Yes, that is a very important factor.

126. *Mr. McNab.*] Supposing at any period of the year a requisition came from the Post Office for moneys in the Treasury, and it so happened that the money was not in the Treasury at the time, although it might be there in a week or two after; what provision have you for meeting demands like that?—None at all, unless we have the money.

127. Have you no provision for getting the money?—We might borrow it.

128. On Treasury bills?—Yes.

129. At the time this requisition came in, had the full amount of Treasury bills been issued?—Certainly not.

130. There was plenty of margin?—Yes, plenty of margin.

131. *Mr. Duthie.*] You do not suggest that you were short of money to pay the amount of this requisition?—No.

132. Or short of available money?—No.

WILLIAM GRAY, Secretary, Post and Telegraph Department, further examined.

133. *Mr. Duthie.*] I think you have been put in a false position by the evidence given this morning. However, you have heard the evidence of Mr. Heywood pretty generally, and the point I would like to ask you about is this: It is suggested that there was a failure on your part to remonstrate in reference to this requisition not being complied with before the end of the year, at least. Mr. Heywood says it was the custom to pay the amount in a few days, and that this was an exceptional time, and the suggestion is that there was neglect on your part. I want to know why you submitted to this long delay?—We did apply, by telephone, between the date of the requisition and the end of the month, and after.

134. Did you get a reply?—Yes, but I could not say what the reply really was. It did not come to me, but to one of the officers. It was, I think, to the effect that the requisition was receiving attention.

135. *Right Hon. R. J. Seddon.*] Who was the officer?—I do not remember his name.

136. Then, how do you know what the reply was?—I was informed afterwards by the accountant.

137. When?—Since the Audit Department brought the matter up, at the beginning of January.

138. *Mr. Duthie.*] That is all you have to say for yourself in respect of getting that money?—I do not admit that we were at all at fault in connection with the delay.

139. That is not charged against you; but the defence of the Treasury is that the custom was to pay in a few days, and they say this was an exceptional delay. Well, you did not make any remonstrance, and, therefore, it appears that you were in default?—We asked repeatedly for the money by telephone—in an informal way.

140. That is a very unreliable way of getting information?—It is a very convenient way.

141. Yes; and disputes arise very often through using the telephone?—Yes, that is so.

142. *Mr. Fraser.*] Without making any official remonstrance, have you not been in the habit, when there was any delay, of using your own moneys until such times as you received the imprest?—Undoubtedly.

143. And you proceeded, as in the past, to do that again?—Yes, certainly.

144. It did not inconvenience your office?—No.

145. *Right Hon. R. J. Seddon.*] In other words, the non-compliance with the requisition had not caused you any anxiety?—No, except that being near the close of the year we wished to have the money in our hands.

146. In 1895, I see, there is £31,250 in the same position?—Yes.

147. There is only a difference in degree between that and the other amount. In respect of pre-audit, Mr. Heywood says that is the most convenient system?—Of course, it is the Treasury which controls. That is not my opinion. I see no disadvantages in post-audit as against pre-audit.

148. The question is, would it cause you any inconvenience?—Yes, great inconvenience.

149. In what way?—In delaying the payments. For instance, a Dunedin claim would be sent to the General Post Office for authorisation, then to the Treasury and Audit Office, and again to the Treasury for issue of cheque and return of voucher to Dunedin. Under the present system, if the claim was one authorised to be paid it would not be sent to Wellington until paid.

150. We pay out three or four millions, and your account is only £448,000?—The Railways Department, as well as the Post Office, pays out of imprest on post-audit.

151. Mr. Heywood says the Railways Department only pay salaries that way?—Mr. Heywood should know.

152. Everything is paid on post-audit in the Post Office, including salaries?—Everything in connection with expenditure.

153. Mr. Heywood said there was some delay in your sending in vouchers. He said that while the Treasury paid you £55,000, there was £21,000 due and not accounted for—that you owed the Treasury £21,000?—That is probably so. There is generally a floating balance of about £20,000 between the General Post Office and the post-offices, over and above the paid vouchers actually in the hands of the Treasury for credit.

154. That is, like Mahomet's coffin, hung up?—They are amounts which have been paid but have not been received for credit. They may have been paid before imprest moneys are actually supplied.

155. On what do you frame your requisitions?—On probable requirements. At certain periods of the year our payments are larger than at others. Our requirements are much larger at the end of a quarter than, say, in April or May. As the paid vouchers come in for credit, a rough total and balance are struck, and on that, and probable payments for the month, a requisition is sent to the Treasury for further imprest.

156. Then, do you receive communications from the different offices saying "We shall require so-much"?—No; the requisition is based on the paid vouchers, and payments to be made.

157. Why has the amount for Postal requirements been exceeded by £100,000?—On account of payments for other departments.

158. Do you requisition for moneys to the Treasury to pay amounts for other departments?—Yes; and the imprests charged against the Postal and Telegraph votes.

159. Do you estimate that yourself?—Yes; the departments do not communicate with us at all.

160. In fact, you become, in respect of these amounts, the Treasurer for the time being, for the department?—Yes; we are the paymasters for the time being.

161. How are you aware of contracts under way by the Public Works Department if the Minister does not communicate with you? What are the departments you principally pay for?—We do not pay public-works contracts, but we pay for nearly every department up to 10s., as well as much larger amounts.

162. But for the last three months there has been practically outstanding £100,000 more in requisitions than would be necessary for purely postal requirements?—That is for the year ended 31st March, 1898. The excess would be for payments made for other departments.

163. Do you not think it would be more convenient if you had something authoritative informing you what was wanted before you made the requisition?—I scarcely think so. Originally, it was arranged that we should be the paymaster for all sums under 10s., and these contingent payments are made as the vouchers reach post-offices, provided the vouchers bear the authority of the executive officer to pay; but the system has gone far beyond this now, and in the case of exceptionally large claims—hundreds of pounds—payment is specially authorised by the Treasury.

164. Would these small sums of 10s. make up that large amount?—No, there are many other payments.

165. *Mr. Duthie.*] You have been questioned on the advantage of post-audit as compared with pre-audit?—Yes.

166. It has been given in evidence that under the system of post-audit there is more responsibility thrown on the department, and that under pre-audit they are disposed to rest upon the Audit Department?—That may be; but that scarcely applies to us, because, as a matter of practice, our accounts are really audited before going to the Audit Office.

167. Is that so: that a department would feel there was more responsibility, and would exercise more care in payments if it had to submit to a post-audit?—I do not know; it all depends upon the officer. Government officers should be just as careful in the matter of expenditure under post-audit as under pre-audit.

168. Is it not possible that if he had any doubt he would send the account up to the Audit Office?—I dare say that would be so.

169. *Mr. Montgomery.*] You say your own accounts are really audited before going to the Audit Office. What do you mean by that?—They are subjected to a species of semi-audit in the Accountant's Branch. The extensions are not checked, but the claims are examined to see whether they are in conformity with the authority to pay, and other matters looked into before payment made.

170. You do not suggest that they are audited before they are sent up to the Audit Department?—No, not completely, there is still the final audit of the Audit Office. In answer to Mr. Duthie I would like to say that we are just as careful under post-audit as pre-audit.

171. As a matter of fact, your requisitions are rather framed on what you have paid than on what you are going to pay?—Yes, and the balance of imprest moneys.

172. Because a good part of your requisition has already been spent as a rule?—Yes.

173. Before the requisition is issued even?—Probably it is so, if you take this floating £20,000, of which we have no absolute knowledge at the time.

174. Then, in so far as that is illegal, which I presume it is, the Treasury is not to blame?—No.

175. You having spent the money before you have sent the requisition in, any blame attaching on account of it being illegal must attach to the Post Office?—Yes, that is so.

176. May I ask if that is going to be amended in the future?—I suggested that it might be by requisitions being made in the middle of the month, irrespective of the unexpended balance of imprest moneys. Then arises the question whether the Treasury would satisfy such requisitions in the absence of credit vouchers.

177. Your requisition is only limited by the amount of your votes?—Our own requirements are presumed to be within the votes.

178. And the Treasury cannot stop it because you have a credit balance?—The Treasury would not be aware of the debit balance.

179. I meant a debit balance with the Treasury?—If the votes are overdrawn, the Treasury would naturally challenge the requisition—if the votes to which the imprest was to be charged were exhausted.

180. We have heard a great deal about debit balances between you and the Treasury; perhaps you might explain what you mean by a debit balance?—So far as my evidence goes they refer to the debit balances in the statement I read the other day, showing when the amounts imprested were overdrawn.

181. I understand these are the balances as compared with the amount of money you have on imprest?—That is so.

182. And have nothing to do with the question of votes at all?—No.

183. And the Treasury have nothing to do with these—it is not their concern that you have spent more than your imprest money?—They do not know in the meantime.

184. These amounts you have spent are more or less imprest moneys?—Yes.

185. But that cannot affect your requisition to the Treasury—or their trying to stop it?—No.

186. *Right Hon. R. J. Seddon.*] Do you state on the requisition for money wanted for other departments what department it is charged to?—We do not.

187. Then, every requisition you send in is really for moneys to be charged to Postal votes?—Yes; all moneys, whether for ourselves or for other departments, are charged against our votes.

188. Then, to that extent you must necessarily have had more moneys imprested during the year than what you had voted for you?—Yes; but the payments for other departments must also be set against the imprest advances.

189. Take the gross amount, you must have sent in requisitions beyond obtained moneys?—Either that, or, for the time being, spent moneys outside the imprest.

190. Whichever it is, the Audit Department cannot possibly know how much you are going to pay for other departments?—No.

191. In answer to Mr. Montgomery's question, as to the check of the Treasury and their refusal to pay; if you had outside, say, £100,000 or £50,000 imprested and unaccounted for, that would be a very good ground for the Treasury to stop supply?—Yes.

192. And you think the average amount floating would be about £20,000 in round numbers?—Yes.

193. If it exceeded £20,000, then the Treasury would be justified in stopping supply?—It might. We would have to increase our imprest requisitions.

194. *Hon. J. G. Ward.*] How long has the system of post-audit been in operation in your department?—I think since 1888.

195. Has the Controller and Auditor-General taken any exception to that system?—He approved it—this imprest system.

196. Since the system has been in operation, when the final audit of the accounts for the year came to be made, have any grave irregularities been found in the post-audit system by the Auditor?—None whatever.

197. And are you of opinion that pre-audit would be inconvenient to the public?—I am certain of it.

198. *Mr. J. Allen.*] Did you mean, when you replied to Mr. Seddon, that if the debit balance exceeded £20,000 the Treasury would be justified in inquiring into the requisition, or were you referring to a requisition that exceeded by £20,000 the total vote for the class?—If the vote were exceeded by £20,000, then it would be a justification for the Treasury not to supply a further requisition until it had ascertained how the money had been spent; not because of the floating balance of £20,000.

199. Would it cause any inconvenience if the Treasury were to say, "Until you have accounted for the other moneys you shall not have more"?—It would practically stop payment.

200. *Right Hon. R. J. Seddon.*] You are still positive that you got no warning whatever before the "tag" appeared?—Positive.

REGISTER OF EXHIBITS.

Exhibit A.—Sections 135 and 352, "The Mining Act, 1891."

Section 13, "The Mining Act Amendment Act, 1892."

Section 34, "The Mining Act Amendment Act, 1895."

Section 10, subsection (4), and section 71, "The Mining Act, 1891."

- " B.—Circular to Audit Inspectors.
- " C.—Correspondence of the Audit Office with the Hon. the Minister of Mines and the Receivers of Gold Revenue at Collingwood and Cromwell.
- " D.—Correspondence *re* Caxton Special Claim and Lady Onslow Special Claim: The Audit Office, the Hon. the Minister of Mines and Warden Stratford.
- " E.—Supreme Court Judgment: *Cuff v. Jordan*.
- " F.—Correspondence *re* Uitlander Special Claim: The Audit Office, Mr. G. E. Alderton, and the Receiver of Gold Revenue, Whangarei.
- " G.—Paper handed in by the Controller and Auditor-General on the failure of the Mines Department to comply with an Audit requirement.
- " H.—Abstract of Licensed Holdings, Greymouth.
- " I.—Letter from Controller and Auditor-General to Warden Stratford.
- " J.—Letter from Controller and Auditor-General to Chairman *re* Surcharge on Mr. Moresby.
- " K.—Form of License to work Special Claim under "The Mining Act, 1891."
- " L.—Paper handed in by Controller and Auditor-General on claims upon the Government paid by the Post Office.
- " M.—Post-office Account: Statement of Quarterly Balances handed in by the Secretary to the Treasury.
- " N.—Letter from the Controller and Auditor-General to the Chairman *re* Pre-audit and Post-audit.
- " O.—Payments made by the Post Office on behalf of other departments, handed in by the Secretary to the Post Office.
- " P.—Memoranda under which the Post Office made payments out of moneys imprested by the Treasury prior to the passing of "The Public Revenues Act, 1891."
- " Q.—Memorandum from the Secretary to the Treasury on allocation and payment of goldfields revenue to Local Bodies and Natives.

EXHIBIT A.

"THE MINING ACT, 1891."

Section 135.

135. Any person holding a license under the provisions hereinbefore contained, or under the provisions of any Act heretofore in force, and the executors, administrators, or assigns of any such person, shall be entitled at any time to surrender the same, on condition that all arrears of rent due up to the date of surrender are paid.

Section 352.

352. The Receiver of Gold Revenue shall sue in the Warden's Court or in any other Court of competent jurisdiction for all rents, fees, or dues owing to Her Majesty, and unpaid for a period of thirty days, in respect of any mining right under this Act.

"THE MINING ACT AMENDMENT ACT, 1892."

Section 18.

18. Section three hundred and fifty-two of the principal Act is hereby repealed, and it is hereby enacted that—

"Any Receiver of Goldfields Revenue within any mining district, or the Receiver of Land Revenue for the land district, shall respectively have and be deemed to have had continuously since the date of the commencement of 'The Mining Act, 1886,' within their respective districts, full power in their own names respectively to sue in the Warden's Court, or in any other Court of competent jurisdiction, for all rents, fees, or dues owing to Her Majesty and unpaid for a period of thirty days in respect of any mining right, lease, or license granted or issued under this Act or the principal Act, or under any Act repealed by that Act, or by 'The Mining Act, 1886,' respectively."

"THE MINING ACT AMENDMENT ACT, 1895."

Section 34.

34. Whenever any rent or license-fee payable under the principal Act or this Act is in arrear for one month it shall be the duty of the Mining Registrar of the district to send notice thereof to the person in default; but the non-sending or non-receipt of such notice shall not in any way relieve such person from any forfeiture or other penalty consequent on non-payment of such rent or fee.

"THE MINING ACT, 1891."

Section 10.

10. The holder of any claim, special claim, licensed holding, lease, license, water-race, dam, reservoir, machine- business- or residence-site, or grant, certificate, permit, or order, held, occupied, or enjoyed under any Act of the General Assembly in force previous to the commencement of this Act, or any regulation issued thereunder, in any district in which this Act is in operation may surrender and yield up the same; and in such case such owner shall be entitled to obtain a title to the land comprised in such claim, licensed holding, lease, or license, or to such water-race, dam, or reservoir, or to such machine- business- or residence-site under this Act, which title shall have the same force and effect as though it had been originally granted under this Act.

Section 71, Subsection (4).

(4.) That the licensee may at any time, by writing under his hand addressed to the Warden, surrender the whole or any part of the land comprised in his license, and such surrender shall be indorsed by the Warden on such license, and therefrom the rental payable shall be proportionately reduced. But no licensee shall be entitled to make such surrender in part more than twice during the currency of his license.

EXHIBIT B.

CIRCULAR TO AUDIT INSPECTORS.

Arrears of Rents, &c., under the Mining Acts.

In the circular of the 18th March, 1897, to Audit Inspectors, as to arrears of rents, &c., under "The Mining Act, 1891," attention was drawn to the provisions of section 352 of that Act, instead of to the provisions which were substituted by the Amendment Act of 1892, and added by the Amendment Act of 1895.

By the Amendment Act of 1892 the power of the Receivers of Gold Revenue to sue for all rents, &c., owing for more than thirty days is continued with a wider scope, but without any express and imperative direction to sue. The Receivers are left more at liberty to exercise a discretion than the Act of 1891 appears to have allowed; and the Amendment Act of 1895 imposes on the Mining Registrar of each district the duty of sending a notice of any rent or license-fee which is in arrear for one month to the person in default.

Thus, immediately that the amount payable on account of any rent or license-fee has remained unpaid for thirty clear days from the due date of payment, it is the Mining Registrar's duty to send out such notice; and if, after the lapse of such an interval of time from the date of sending the notice as is reasonably sufficient to enable the party to receive it and pay what is owing, the amount still remains unpaid, the Receiver is then, in the exercise of discretion, to consider what, under all the circumstances, is the best course to take in the interests of the revenue. Where there is reasonable ground for concluding that proceedings will result in recovering the arrears the Receiver would sue; but it would be better that the lease or license should simply be forfeited if proceedings could not be taken with the hope of any good result.

Occasion should be taken of the next inspection of the office of each Receiver of Gold Revenue to direct the Receiver's attention to the foregoing provisions of the Mining Acts with respect to overdue rents, &c.

Audit Office, 6th September, 1897.

J. K. WARBURTON,
Controller and Auditor-General.

EXHIBIT C.

The Hon. the Minister of Mines.

WITH reference to the appended copy of the correspondence of the Audit Office with each of the Receivers of Gold Revenue at Collingwood and Cromwell respecting the acceptance of the surrender of a licensed holding on payment of the rent to the date of surrender, instead of to the end of the current half-year, I have the honour respectfully to suggest the issue by your department of a circular to all Wardens and Receivers, explaining what rent the law is interpreted to make payable in cases of surrender.

Audit Office, 25th June, 1898.

J. K. WARBURTON,
Controller and Auditor-General.

AUDIT query, No. 278, of 19th May, 1898, to the Receiver of Gold Revenue at Cromwell on account for the week ending 5th March, 1898.—On 3rd March, 1898, you gave receipt No. 11836 to T. McCracken for £1 6s. 8d., being rent on Licensed Holding No. 67691 from 27th August, 1897, to 27th October, 1897. Please explain why a less sum than £4, the full half-year's rent, was accepted.

J. K. WARBURTON,
Controller and Auditor-General.

MR. WARDEN MCCARTHY accepted the surrender of Licensed Holding No. 67691 conditionally upon rent being paid thereon up to 27th October, 1897, consequently I accepted the balance owing up to that date, which was £1 6s. 8d.

Cromwell, 26th May, 1898.

JAMES FLEMING,
Receiver of Gold Revenue.

AUDIT query, No. 282, of the 18th May, 1898, to the Receiver of Gold Revenue at Collingwood on account for the week ending 22nd January, 1898.—On 18th January, 1898, you gave receipt No. 3993 to Mr. J. P. Hayes for £1 13s., "being rent by judgment on Joseph Jacobsen's late Licensed Holding No. 56 from 6th April, 1897, to 27th July, 1897, date of cancellation." Please explain why the full half-year's rent of £3 15s. was not collected.

J. K. WARBURTON,
Controller and Auditor-General.

ON the 6th April, 1897, Joseph Jacobsen's rent, amounting to £3 15s., became due for the ensuing half-year. On the 27th July he surrendered his license, but did not pay the rent. The rent was sued for by me in the Warden's Court on the 23rd September, 1897, and judgment was given for £1 13s., and 9s. costs, being rent due from 6th April to 27th July, 1897, the date of surrender. A distress warrant was issued for the recovery of the amount of judgment, and returned as no effect. Mr. Hayes paid the amount on the 18th January, 1898, as my receipt shows.

Collingwood, 23rd May, 1898.

S. J. DEW,
Receiver of Gold Revenue.

THE RECEIVER.—Please quote the section of "The Mining Act, 1891," or its amendments under which surrender was accepted on 27th July, 1897, without the half-year's rent, due on 6th April, 1897, being paid; and also state why judgment was given for £1 13s. instead of £3 15s., the amount owing.

27th May, 1898.

J. K. WARBURTON,
Controller and Auditor-General.

I KNOW of no section under the Mining Act or its amendments under which the surrender was accepted. A precedent was established by the late Warden, Mr. Greenfield, Receiver of Gold Revenue, Collingwood, in W. Cutten, in June, 1896, when he gave judgment for rent due up to date of surrender, and the present Warden appears to have followed it.

Collingwood, 2nd June, 1898.

S. J. DEW,
Receiver of Gold Revenue.

EXHIBIT D.

The Hon. the Minister of Mines.

FROM the Warden's (at Reefton) "Abstract of Licenses for Special Claims issued" it appears that Caxton Special Claim No. 316 was surrendered on 6th August, 1897, and rent paid only to 22nd June, 1897; and that Lady Onslow Special Claim No. 356 was surrendered on 21st January, 1898, and rent paid only to 18th December, 1897. I beg to request that you will ascertain and let me know why the last half-year's rent was not collected before acceptance of surrender.

Audit Office, 27th July, 1898.

J. K. WARBURTON,
Controller and Auditor-General.

FORWARDED to the Warden at Reefton for any information he may be able to afford in reply to the question of the Controller and Auditor-General.—H. J. H. ELLIOTT, 30th July, 1898.

RECEIVED 4th August, 1898.—H. A. S.

To the Under-Secretary for Mines.

As the question is one upon law—namely, as to how the Warden administers the Mining Act under certain circumstances—I must decline to answer it unless authority is quoted showing the right to ask the question. I neither admit nor deny the assertions contained in the last paragraph of this letter. A judicial officer is not answerable to the Audit Department for his judicial acts, and is not a collector of rents.

H. A. STRATFORD,

7th August, 1898.

Warden, Reefton.

SIR,—

Greymouth, 8th August, 1898.

As I am not answerable to the Audit Department for my administration of "The Mining Act, 1891," nor for my judicial acts, I decline to answer the Auditor-General's question (in memorandum quoted in the margin) as to why I cancelled a license for a special claim, No. 356, on 21st January, 1898, before the Receiver of Gold Revenue had collected the rents. As you are aware, section 18, "Mining Act Amendment Act, 1892," empowers the Receiver to sue for arrears of rent whether the license exists or is cancelled, and section 71, subsection (4), "Mining Act, 1891," empowers a licensee to surrender his license at any time he chooses to do so; and when the Mining Registrar places before the Warden the surrendered license, he (the Warden) is compelled by order of the statute to indorse the surrender. There is no uncertain sound about that order—it is imperative; and there has never been a Supreme Court decision otherwise interpreting that section [71, (4)].

The Auditor-General, as protector of the revenue, cannot prevent licensees availing themselves of that provision no more than he can call in question or demand reasons for the judicial acts of the Judges, Magistrates, and Wardens. Probably his course would be to ask his own officer (the Receiver) to set the law in motion to recover the rent.

With regard to the asset, he has no business; and I should be most happy to suggest to him the proper method, were I not afraid that a friendly hint would be misunderstood and treated hostilely by a person who, without any provocation, tried to drag me through the mire in Parliament last year, until the Government interfered on my behalf and protected me. He has evidently been reading the case of *Cuff v. Jordan* (a decision by Judge Conolly) on the interpretation by section 135, "Mining Act, 1891," and has jumped to a conclusion that the Mining Act is perfect.

I have, &c.,

The Hon. the Minister of Mines.

H. A. STRATFORD.

Controller and Auditor-General.

THE Warden's reply is, "That in his judicial capacity he is simply carrying out the law."

12th August, 1898.

A. J. CADMAN.

The Hon. the Minister of Mines.

THE surrender under subsection (4) of section 71 of "The Mining Act, 1891," is subject to section 135, which prescribes that the surrender shall be "on condition that all arrears of rent due up to the date of surrender are paid"; and the granting of the surrender, in accordance with the opinion that the Warden "in his judicial capacity is simply carrying out the law" when he grants a surrender before "all arrears of rent due up to the date of surrender are paid," is calculated to make the person who obtains the surrender without being informed of the liability feel ill-disposed towards the administration when the demand is made, or the proceedings taken, for such unpaid arrears.

Of course, the Receiver can sue for the unpaid arrears whether the surrender has been granted or not; and I would respectfully submit that my reference to you on the subject was prompted not in any idea of interference with a Warden in carrying out the law in his judicial capacity, but by a conviction that the arrears were by law payable before surrender, and that if they were so payable it was the duty of the Audit Office to ascertain why they had not been paid.

J. K. WARBURTON,

Audit Office, 16th August, 1898.

Controller and Auditor-General.

EXHIBIT E.

CUFF v. JORDAN.

Mining Law—"The Mining Act, 1891," Section 135—Surrender of License—"All Arrears of Rent due up to the Date of Surrender."

The licensee of a special claim is required to pay rent in respect of such claim half-yearly in advance; and if he should desire to surrender his license at any time within the interval between two half-yearly days of payment he must pay the arrears of rent due at the date of the surrender. He is not entitled to a deduction or refund in respect of the unexpired portion of the half-year during the currency of which he surrenders.

THIS was a case stated on an appeal from a decision of R. S. Bush, Esq., Warden of the Gold-mining District of Hauraki, in a proceeding at Thames, in which the respondent, suing as the Receiver of Gold Revenue of the district, was complainant, and the appellant was defendant.

The appellant was the registered owner of a special claim held under a license dated the 20th of August, 1896, and known as the Lima Special Claim. Under this license the sum of £25 was payable as rent on the 20th of August and the 20th of February in each year in advance. The rent for the half-year beginning on the 20th of February, 1897, had not been paid. On the 19th of May, 1897, the appellant tendered to the respondent a surrender of his license, together with the sum of £12 10s. as the proportion of rent for the current half-year due up to the date of the surrender. The respondent refused to accept the surrender and the amount tendered, and instituted the present

proceedings to recover the six months' rent due on the 20th of February, 1897. At the hearing before the Warden it was contended for the appellant that the combined effect of section 71, subsection (4), and section 135 of "The Mining Act, 1891," was to enable a licensee to surrender the whole or part of his claim at any time, the rent to be apportioned and payable only for the portion of the half-year which had elapsed prior to the date of surrender. The Warden decided that the words "all arrears of rent due up to the date of surrender," in section 135, meant the whole of the rent payable in advance for the current half-year, and gave judgment for the respondent for £25, the amount of the claim.

Cotter, for the appellant: Under subsection (4) of section 71 a licensee may at any time surrender the whole or any part of the land comprised in his license, and therefrom—that is, from the actual date of the surrender—the rental payable shall be proportionately reduced. If, therefore, the licensee can surrender ninety-nine hundredths of the land, why not the whole of it upon the same terms? The intention of the Legislature is therefore clear that if any portion of a claim is surrendered the rent is to be abated proportionately; and this provision will help in the interpretation of section 135, under which section any licensee may surrender his license on condition that all arrears of rent due up to—not at—the date of surrender are paid. The words in section 135, "up to the date of surrender," show that the rent to be paid is to be proportional to the time of occupation. Compare Regulation 29 of the mining regulations under the Mining Act of 1891, which applies only to the surrender of the whole or any part of claims for mining under the foreshore, and provides that the rent payable shall be proportionately reduced as from the date when the next payment of rent shall become due. The respondent was therefore not entitled to charge any rent beyond the actual date of the surrender; and if the Legislature had intended differently the same language would have been used in subsection (4) of section 71 as in Regulation 29.

Tole, for the respondent: When the whole claim is surrendered there can be no apportionment, because the whole license ceases, but subject to the payment of arrears. Subsection (1) of section 71 mentions the rent as payable half-yearly "in advance," and subsection (2) speaks of it as "due and payable." Subsection (4) does not say that the rent does not begin from the due date—it says that the rent must be proportionately reduced; and the word "therefrom" in this subsection must be construed to mean from the due date when the rent next becomes payable. Under section 135 the licensee is entitled to surrender at any time, but only provided, as a condition precedent, that all arrears of rent due up to the date of surrender are paid. The rent in question was due and payable on the 20th of February, 1897. After that date it was in arrears, and the amount might have been sued for on the 21st of February; and if paid no portion of it could have been recovered back by the licensee. Rent in arrear and unpaid for the space of thirty days may be distrained for under Regulation 25, (b), of the mining regulations. Immediately after the 20th of February, 1897, the unpaid rent became a debt, and a debt cannot be subject to apportionment. The intention of the Legislature is shown by the concluding words of subclause (b) of Regulation 25, to the effect that the Warden may determine the interest of the licensee without releasing him from liability in respect of rent then due. This interpretation is also supported by the wording of Regulation 24.

Cotter in reply.

Conolly, J.: Mr. Cotter's argument is an ingenious one, but I cannot adopt the view which he takes, that section 135 has beyond doubt the meaning he attributes to it if you give effect to all the words. Mr. Cotter contends, and very rightly contends, that in reading an Act every possible application should be given to the words. Now, this right to surrender is granted on condition that all arrears of rent due up to the date of surrender should be paid. I have to read all these words, "all arrears of rent due up to the date of surrender." The date of surrender was the 19th of May. What arrears of rent were due by that date? Surely the rent due on the 20th of February. From the 20th of February the rent, £25, was in arrear, and, therefore, before the surrender could take effect that sum would have to be paid; and that the Warden has found.

Appeal dismissed, with £5 5s. costs.

Solicitor for the appellant: *A. P. Harper* (Thames).

Solicitor for the respondent: *Crown Solicitor* (Auckland).

[Supreme Court, in Banco, Auckland, 24th September, 1897. *Conolly, J.* N.Z. Law Reports.]

EXHIBIT F.

SIR,—

Whangarei, 23rd July, 1898.

In reply to your repeated applications to me for rent alleged to be due on the Uitlander Special Claim, Puhipuhi, I wish now to reduce to writing what I have already told you, and this I would request you to forward to Wellington. I applied for the Uitlander on behalf of an English mining corporation, and paid the first half-year's rent. I never occupied the ground; no man ever went on the ground on my behalf; and I never bothered any further about the property, as the people in England changed their minds when they became acquainted with our mining-laws, and refused to touch mining in New Zealand. Consequently, I never bothered about the property in any shape or form, and apparently the department which is supposed to see that ground is manned never bothered either, and the ground was not, as the law prescribes, forfeited for non-working. When I was suddenly informed that I was liable for accrued rent I, with others, immediately stated our case to the Bay of Islands County Council, the local body which benefits from goldfields rents, and that body immediately wrote to the Minister of Mines recommending that these rents be not enforced. I thought that would end the matter, and I cannot understand why I should be "chivvied" any further in this affair. Have not dozens of companies who held ground been relieved from liability on account of rent simply because they have no assets? Then, why

"chivvy" the individual who was fool enough to lend his name on behalf of a company? Last year the Government ordered the destruction of my vineyard, a property worth over £1,000; now, apparently, they wish to "chivvy" me for a sum for which I am not morally if legally liable. Kindly let me know if this claim is to be persisted in, because, as a last resort, I will lay the case before Parliament.

I have, &c.,

The Clerk of the Warden's Court, Whangarei.

G. E. ALDERTON.

SIR,—

Audit Office, 6th August, 1898.

Utlander Special Claim, Puhipuhi, 100 acres, granted to G. E. Alderton—Annual rental, £50, from 23rd December, 1896.—Mr. G. E. Alderton's letter, of which a copy is appended, appears, though addressed to you, to have been forwarded to me without any communication from you or from any one else. The letter details the circumstances of his possession of the special claim, protests against being called upon to pay the rent, and threatens that if the demand for the rent is pressed he will lay the case before Parliament. All this, however, is nothing to the point. If the rent is legally payable and you fail in your duty to collect it, or to take action to enforce payment of it, the Audit Office must surcharge you with the amount. It is a debt due to the Crown, and neither the Government nor the local body to whom the rents go has power to authorise the remission of the debt.

The first half-year's rent of the claim was paid on the 13th February, 1897, and Mr. Alderton will not be entitled to surrender of the title unless he should pay—to 22nd December, 1897, £12 10s.; to 22nd June, 1898, £25; to 22nd December, 1898, £25: total, £62 10s.

I am, &c.,

The Receiver of Gold Revenue, Whangarei.

J. K. WARBURTON,
Controller and Auditor-General.

EXHIBIT G.

THE reference which the Audit Office certificate to the Public Accounts makes to the failure of the Mines Department—namely, "But as regards the receipts of gold revenue, the Audit Office is unable satisfactorily to verify them, through the failure of the Mines Department to comply with a requisition for a certified statement of the amounts collectible as such revenue."

THE question is one of the failure of the Mines Department to comply with an Audit requirement, and is not a dispute between the Audit Office and a Warden. The Audit Office is unable to obtain from the Mines Department itself a complete compliance with the requirement.

A Warden, being a district officer of the Mines Department, does not see his way to do as the head of his department would appear to expect, according to the circular instructions issued with a view to a compliance by the department with the Audit Office requirement; and, so far as the Audit Office has the means of judging, the Mines Department does not itself settle the difficulty with its officer, by either adopting the officer's objection or meeting it, but strives to have this internal departmental difficulty treated as a dispute or controversy of the officer with the Audit Office.

Dealing, however, with the question as the inability of the Audit Office to obtain from the Mines Department a compliance with the Audit requirement—that is to say, with the difficulty raised by the officer as the difficulty raised by the head of his department—I will explain what the requirement of the Audit Office on the Mines Department was, and by what circumstances and considerations the Audit Office was influenced in suggesting that the requirement should be effected by a signature to the statutory abstract.

The four circulars, of which copies are supplied, have been issued by the Mines Department. The first three were issued before I became Controller and Auditor-General; and it will be observed that those three circulars instructed the Wardens and Mining Registrars to furnish the monthly abstracts as required by section 76 of the Mining Act, and supplied a form for the purpose, and that in the circular of the 30th March, 1895, the abstracts were impliedly acknowledged to be in use for the work of auditing the accounts of the Receivers of Gold Revenue.

Then, I found that the three offices of Receiver of Gold Revenue, Mining Registrar, and Clerk to the Warden's Court were in every case, with hardly an exception, filled by one and the same person; that the abstracts were prepared by and generally signed by this person; and that consequently the Audit Office was treating as a check on the Receiver of Gold Revenue what practically was no more than a comparison of the Receiver's account of collections with his own statement of what he had to collect. This was clearly idle. In the judgment of the Audit Office it was, under all the circumstances, necessary to any effectual check on the Receiver that his collections should be verified by an independent statement of the titles under which the collections were made—that is, by a statement certified by the officer who issued them. The Mining Department accordingly was required to arrange that such a statement should be furnished.

In view of the fact that the abstract, which it is the duty of the Warden in compliance with section 76 to cause to be furnished to the Minister, had been used without objection for the work of auditing the accounts, and of the fact that by using these abstracts the work of preparing any additional statement might be avoided, the Audit Office requirement was made in the form of the suggestion that such abstracts should be signed by the Wardens. This suggestion was that which was conveyed in my memorandum adopted by the circular of the 24th September, 1896, from the Mines Department to Wardens. All but one of these officers have acted as the circular is understood to have expected of them. It would appear that the objecting officer takes exception not to any of the four circulars from the head of his department, but the last. He objects that there is no

statutory obligation on him to sign the abstract, and that he sufficiently performs his statutory duty by causing the abstract to be furnished.

I have explained to the Mines Department that all the Audit Office requires being a statement signed by the Warden of the titles issued by him, and the officer being unable to sign and thus make the statutory abstract serve the purpose of such statement, the Mines Department can in his case comply with the requirement by obtaining from him a statement separate from and independent of any statutory abstract or statement.

The statutory abstract would not, indeed, have been mentioned in making the requirement on the Mines Department if this abstract had not already been in use for the work of auditing, and the Audit Office had not considered how the requirement could be made to press most lightly or not press at all.

It is submitted that the Mines Department might, with a disposition or determination to remove obstacles raised by its own officer to a compliance by the department with an Audit Office requirement, have told the objecting officer that he was expected to perform all his statutory duties according to his judgment, and that it would be sufficient for him to furnish, independently of and in addition to anything that he was required by statute to furnish, a return signed by him such as would enable the department to give effect to its desire of satisfying the Audit Office.

To satisfactorily carry on the business of the departments they must expect their officers to furnish statements or returns and to perform many duties not provided for by statute. Administration would be very difficult or impracticable if services which were not made statutory duties could not be expected of the officers. And the question involved here is the precedent that the refusal of one department to comply in any way with an Audit requirement may set up for the attitude of other departments towards the Audit Office.

J. K. WARBURTON,
Controller and Auditor-General.

CIRCULARS ISSUED BY MINES DEPARTMENT.

THE WARDEN,—

Mines Department, Wellington, 11th March, 1887.

I have to call your attention to clause 120 of "The Mining Act, 1886," and to request that you will be good enough to furnish the necessary information as per enclosed forms.

T. H. HAMER,
Acting Under-Secretary.

ABSTRACT of LICENSED HOLDINGS during the Month of _____, 18 _____, together with Memorandum of Transfers, Forfeiture, &c., during same Period. _____ Office, _____, 18 _____.

Date.	Number of License of Lease.	To whom granted from.	Or transferred to.	Date of Forfeiture.	Locality and Area.	Annual Rent.
						£ s. d.

THE attention of Wardens and Mining Registrars is directed to the circular issued from this department on the 11th March, 1887, requesting that the information required by section 120 of "The Mining Act, 1886," may be furnished as therein provided. It will be observed that the section referred to is re-enacted by section 76 of "The Mining Act, 1891;" and, as the monthly abstracts of licenses issued have not been regularly received from Wardens' Courts throughout the colony, the Hon. Minister of Mines has directed that special attention be called to the omission.

If the forms supplied with the circular of 1887 are exhausted a fresh supply can be obtained on requisition to the Stationery Storekeeper, at Wellington.

UNDER-SECRETARY FOR MINES.

Mines Department, Wellington, 25th October, 1895.

To the Warden or Mining Registrar.

I AM instructed by the Hon. Minister of Mines to direct your attention to Circular No. 3 of the 25th October last, requesting that section 76 of "The Mining Act, 1891," as to the transmission of monthly abstracts of licenses issued, may be complied with; and I have to state that the work of auditing the accounts of the Receivers of Gold Revenue is delayed, owing to the returns not having been sent, as required by the section of the Act above quoted.

The Minister of Mines hopes that, after this second intimation as to the requirements of the law, there will be no further neglect on your part in respect to furnishing the required information.

H. J. H. ELLIOTT,
Under-Secretary.

Mines Department, Wellington, 30th March, 1896.

I FORWARD herewith for your information copy of a memorandum from the Controller and Auditor-General, and have to direct your attention to section 76 of "The Mining Act, 1891."

H. J. H. ELLIOTT,
Under-Secretary.

Mines Department, 23rd September, 1896.

The Under-Secretary, Mines Department.

THE abstracts which are transmitted monthly to the Minister on the form Mining No. 84 by the Wardens are so often signed by the Mining Registrar—that is, by the Receivers whose cash receipts the abstracts are designed to check, instead of by the Wardens—that I should be glad if you would call the attention of each Warden to the matter, and point out that to promote an effective audit his responsibility for the abstract being a true abstract of all the licenses issued by him should be acknowledged by his signature at the foot of each sheet.

Audit Office, 14th September, 1896.

J. K. WARBURTON,
Controller and Auditor-General.

EXHIBIT H.

ABSTRACT of LICENSED HOLDINGS issued during the Month of August, 1898, together with Memorandum of Transfers, Forfeiture, &c., during same period.

Greymouth Office, 5th September, 1898.

Date.	Number of License or Lease.	To whom granted.		Date of Forfeiture.	Locality.	Area.	Term.	Annual Rent.
		From	To					
Nil.								
						A. R. P.	£. s. d.	
B. HARPER, Receiver Gold Revenue, <i>pro.</i> Warden.								

EXHIBIT I.

Audit Office, Wellington, 2nd February, 1897.

AN Audit query, No. 755, having been forwarded to you on the 12th December, 1896, which has not yet been returned with the required explanation, your attention is called to the sections of "The Public Revenues Act, 1891," cited below. Any delay in completing the Audit of the Public Accounts, occasioned by neglect in replying promptly to the Audit queries necessary for their explanation, will compel the Audit Office to enforce the provisions of these sections. All queries must be answered by return of post when possible.

The Mining Warden, Greymouth.

J. K. WARBURTON,
Controller and Auditor-General.

31. It shall be the duty of the Audit Office to audit all accounts relating to the receipt, custody, or expenditure of the public moneys, and it shall be the duty of the Receiver-General, the Paymaster-General, and of all Accountants and other persons, to afford all such information as the Audit Office at any time requires, and to answer all such questions as may be addressed to them or any of them by the Audit Office touching any public moneys, or any account thereof, or any other matter which may enable the Audit Office to fulfil the duties imposed thereon by this Act.

86. Every person refusing or neglecting to make any return, or furnish any account, vouchers, or other papers which he is required to make or furnish under the provisions of this Act, shall be liable to a penalty not exceeding twenty pounds.

EXHIBIT J.

SIR,—

Audit Office, 13th September, 1898.

I have the honour respectfully to submit, with reference to the evidence which last week I gave to your Committee, that the amount surcharged on the Receiver of Gold Revenue at Paeroa would go to Natives, or largely to Natives, and which to-day was challenged before the Committee as incorrect, by what I assumed to be undoubted evidence, that less than £8 of the amount would go to Natives, that my evidence appears after all to have been literally correct.

I have just had a portion examined of the arrears forming the surcharge of £781 10s. 4d., and I find that, though this portion is less than one-third of the whole amount of such surcharge, the share which would go to the Natives of this less than one-third portion is £137 19s.

I submit, and append a copy of, the certificate of the Chief Clerk of the Audit Office, the officer who has himself made the examination of the accounts for the purpose of ascertaining whether they did not prove what the Audit officers had previously led me to believe—namely, that the gold revenue from the goldfields of the Thames went largely to Natives, and from other parts of the colony almost if not quite entirely to the local bodies, and that the arrears forming the surcharge on the Receiver at Paeroa are accordingly largely payable by the Government to Natives.

It would appear that I was too ready to admit that I might have been wrong and to correct my evidence, though I explained that the point was not affected, the point that the arrears were owing to the Crown as goldfields revenue, which the Crown was collecting on behalf of others.

I have, &c.,

J. K. WARBURTON,
Controller and Auditor-General.

The Chairman, Public Accounts Committee,
House of Representatives.

COPY OF CHIEF CLERK'S CERTIFICATE.

Mr. Warburton.

In order to verify my statement of the arrears of rents forming the surcharge against Mr. Moresby, I took a few of the leases from which arise the arrears to the amount of over £100, and I referred to the cash-books in which the previous half-years' rents were brought to charge, and found them marked by the Receiver as "Native Revenue."

13th September, 1898.

L. ROSKRUGE,

Chief Clerk.

When Paid.	Special Claim.	Name of Licensee.	Name of Claim.	Amount.
	No.			£ s. d.
28 June, 1897 ...	146	T. Henderson ...	Waitekauri Proprietary ...	16 0 0
26 June, 1897 ...	216	E. V. Ralph ...	Waihi Grand ...	20 16 8
28 June, 1897 ...	226	W. G. Nicholls ...	Ruapehu ...	20 16 8
5 July, 1897 ...	269	A. McLoghrey ...	Crown Woodstock Junction ...	1 1 3
20 July, 1897 ...	312	J. S. White ...	Locksley ...	5 0 0
2 July, 1897 ...	329	W. Elliott ...	Norma ...	8 6 8
2 July, 1897 ...	330	J. Thorne ...	Gothic ...	8 6 8
16 June, 1897 ...	367	J. H. Fleming ...	Fusilier ...	15 10 0
16 June, 1897 ...	368	J. H. Fleming ...	Privateer ...	15 5 0
30 June, 1897 ...	396	R. Worth ...	Glamorgan ...	7 16 3
15 July, 1897 ...	405	J. Kennedy ...	Gabriel's Gully ...	8 1 1
12 July, 1897 ...	474	S. Campbell ...	Persimmon Extended ...	10 18 9
				£137 19 0

EXHIBIT K.

LICENSE TO WORK SPECIAL CLAIM UNDER SECTION 66 OF "THE MINING ACT, 1891."

I, the undersigned, , Warden of the Hauraki Mining District, do hereby grant to of [Address and occupation in full] (hereinafter called "the licensee"), sole and exclusive license and authority to enter upon and occupy the parcel of land described in the First Schedule hereto, and delineated in the plan hereon, for the purpose of mining for gold, and erecting machinery and constructing works connected therewith, and doing all lawful acts incidental or conducive thereto: To hold the said license and authority for the term of twenty-one years from the day of , 189 , as a special claim under the provisions of "The Mining Act, 1891," and the amendments thereof, subject to the terms and conditions set forth in the Second Schedule hereto.

In witness whereof I have hereunto subscribed my name and affixed the seal of the Warden's Court of the Hauraki Mining District, this day of , 189 .

Signed by the said , and sealed with the seal of the said Warden's Court, in the presence of
Consented to, this day of , 189 .

Minister of Mines.

FIRST SCHEDULE.

ALL that area in the Hauraki Mining District, in the Land District of Auckland, in the Colony of New Zealand, containing by admeasurement acres roods perches, more or less, situate in the Survey District, being part of Block , on the public map of the said district, deposited in the office of the Chief Surveyor at Auckland, as the same is delineated on the plan drawn hereon, edged red, and called or known as Special Claim.

SECOND SCHEDULE.

(1.) The licensee shall pay half-yearly in advance to the Receiver of Gold Revenue for the district within which the special claim described in the First Schedule hereto is situated, an annual rental amounting to the sum of five shillings for the first year and ten shillings afterwards on Crown land, and one shilling on Native land for each acre, and for every fractional part of an acre, comprised in such license. The first payment of rent to be payable on the date whereon the Minister of Mines consents to the granting of the said claim; and the next payment shall become due and be made on the day of , 189 , and thereafter the half-yearly payments shall be made on the day of and day of in each year. [And, in case of Native land, where the rent is one shilling an acre.] And the licensee shall, in addition to such rent, in each year of the aforesaid term, take out as many Miners' Rights, each of the value of twenty shillings (20s.), as there are or may be men employed during such year in mining, either on wages, or as tributors or contractors, on the land comprised in this license; and all such Miners' Rights shall be taken out in the name of the licensee.*

(2.) The licensees shall carry on mining operations in an efficient and workmanlike manner, and shall employ in such operations for the first two years from the date of the grant hereof a

* This is struck out in claims on Crown lands, but left in in claims on Native land.

number of men, being not less than one man to every full area of three acres of the lands hereby held, and for the remainder of the term of this license one man to the area of every two acres. But if, in the opinion of the Inspector of Mines, or the Warden, the full number of men cannot be reasonably or advantageously employed, then, subject to the provisions of section 71 of "The Mining Act, 1891," such number shall be so employed as the Warden or Inspector after due inquiry shall fix and determine from time to time.

(3.) Subject to the sanction of the Warden, and to such terms and conditions as he may impose, every holder of a miner's right or other registered right shall have the right of ingress, egress, and regress to, from, and across the land comprised in the said license; and, subject as aforesaid, the holder of any such registered right shall have the privilege of entering upon the said land for the purpose of constructing tunnels, shafts, water-races, tail-races, storm-channels, sludge-channels, roads, tramways, or flood-races over, under, or through such land, provided that the mining operations of the licensee are not injuriously affected thereby.

(4.) The licensee, his heirs, executors, administrators, and assigns, will and shall at all times during the continuance of this special-claim license prepare and keep a proper plan or section of all workings, showing the actual condition of the mines and premises held under such license, and shall when required so to do produce such plan or an authentic copy thereof to the Minister or any Inspector of Mines or other person appointed in this behalf by the Minister; and shall and will at all times during the continuance of the said license furnish to the Warden true and accurate half-yearly returns, showing the amount of capital expended, and the average number of men employed on or about the mines and premises held under such license.

(5.) All miners and others having mining claims on either bank of any river, creek, or watercourse included in or passing through the land comprised in the said license shall have the right to deposit tailings and débris from their claims or from any workings or mining operations, and to discharge water and refuse therefrom into any such river, creek, or watercourse without being liable to the licensee, his heirs, executors, administrators, or assigns, for damages, trespass, or compensation, or to any claim or demand whatever for so doing.

(6.) The said licensee shall not assign, transfer, or set over into any other person or persons, company, or corporation whatsoever, the land included in the said license, or any part thereof, without the consent in writing of the Warden for the time being in charge of the mining district in which the special claim was granted.

(7.) And it is hereby provided that if the rent payable under the said license shall be in arrear and unpaid for the space of twenty-one days next after any of the days hereinbefore fixed for the payment thereof, or in case of the breach or non-performance of any of the covenants or conditions herein contained, the Receiver of Gold Revenue in the name and on behalf of Her Majesty the Queen, or any other person authorised in that behalf, may enter upon the premises so licensed as a special claim and distrain the machinery, tools, buildings, or other property of the licensee therein or thereon; and the said Receiver of Gold Revenue may in the name and behalf of Her Majesty the Queen proceed against the licensee, his executors, administrators, or permitted assigns, in any Court of competent jurisdiction, for the recovery of such rent, and all costs and expenses connected therewith.

(8.) And, further, if the licensee, his heirs, executors, administrators, or permitted assigns, fail or neglect to perform any condition contained or implied in the said license, application may be made by any person to the Warden for the forfeiture of the said license and all rights held or enjoyed therewith. A copy of such application shall be served personally on the licensee or in such other manner as the Warden shall direct, or, at the discretion of the Warden, may be posted on some conspicuous portion of the land held under the said license for such time and in such manner as the Warden may direct.

(9.) Subject to the conditions contained in the foregoing Second Schedule, all rules and regulations for the time being in force as to the mode of application for licensed holdings, and the marking and maintenance of the boundaries of the same and otherwise, shall extend and apply to the special claim described in the First Schedule of the foregoing license.

(Special Conditions.)

(1.) This license is granted subject to the condition that machine, business, or residence sites may be granted by the Warden in respect of land comprised in this license: Provided that such site shall not be required for mining purposes, or the granting thereof calculated in any way to interfere prejudicially with mining operations.

(2.)

Warden.

EXHIBIT L.

CLAIMS UPON THE GOVERNMENT PAID BY POST-OFFICE.

MEMORANDUM for the Controller and Auditor-General.—The Post-Office Account, 2nd September 1897: On examination of the above account I was instructed by you to raise the point in connection with the item "Miscellaneous Expenses,"—viz., Are the advances from the Treasury to the Postmaster-General made to meet anticipated expenditure, or, rather, are they not made only to recoup what has already been paid away?—W. G. HOLDSWORTH, Audit Office, 10th January, 1898.

MR. HOLDSWORTH.—Yes. Let me know. J. K. W., 10th January, 1898.

STATEMENT herewith.—W. G. HOLDSWORTH, 11th January, 1898.

STATEMENT OF TRANSACTIONS between the TREASURY and POSTMASTER-GENERAL in connection with the item "Miscellaneous Expenses," as shown in the Quarterly Accounts of the Post-Office Account, as under:—

					£	s.	d.
	Balances, 31st Dec., 1895...				Dr. 31,250	4	9
1896.							
Mar. Quarter...	By advances ...		140,127	6	9		
Mar. " ...	To expenses ...	105,042	15	3	Cr. 3,834	6	9
June " ...	By advances ...		81,200	0	0		
June " ...	To expenses ...	99,179	6	6½	Dr. 14,144	19	9½
Sept. " ...	By advances ...		96,131	8	6		
Sept. " ...	To expenses ...	101,262	3	2½	Dr. 19,275	14	6
Dec. " ...	By advances ...		146,107	0	0		
Dec. " ...	To expenses ...	109,533	4	4	Cr. 17,298	1	2
1897.							
Mar. Quarter...	By advances ...		124,980	18	0		
Mar. " ...	To expenses ...	137,810	8	6	Cr. 4,468	10	8
June " ...	By advances ...		80,280	0	0		
June " ...	To expenses ...	108,855	6	7	Dr. 24,106	15	11
Sept. " ...	By advances ...		105,165	1	10		
Sept. " ...	To expenses ...	112,373	5	10	Dr. 31,314	19	11

AUDIT QUERY No. 28.—The Secretary, General Post Office: The amount of the balances outstanding in favour of the Post Office on account of these payments indicates that the Treasury too often fails to provide for them in due course. It is requested that, if the case is as thus indicated, it may be stated what action has been taken by the department in the matter; or, if such is not the case, it may be explained how it arises that balances so large should often be due to the department.

—J. K. WARBURTON, Controller and Auditor-General, 12th January, 1898.

The Controller and Auditor-General.—Applications for imprests are made often in advance of actual requirements, but it is not always possible to determine what these may be until the end of a quarter. When the imprest requisitions are not promptly satisfied, renewed applications are made to the Treasury. This is frequently done.—W. GRAY, 17th January, 1898.

The Treasury.

Audit Office, 28th January, 1898.

If the Post Office, in paying claims upon the Government lawfully payable at the direction of the Postmaster-General out of moneys imprested to him for the purpose, pays such claims to an amount greater than the balance in his hands of the moneys so imprested, the amount by which the payments exceed such balance comes for a time from the Post Office funds, which are largely, if not entirely, trust funds, and which lawfully cannot be used for the purpose; and thus, in principle at least, a serious breach of trust is committed.

On the 31st December, 1895, the Post Office had, according to the Post Office Account, paid the claims to an amount greater than the amount of the balance of imprest moneys by £31,250 4s. 9d.; on the 31st December, 1896, by £17,298 1s. 2d.; and on the 31st September, 1897, by £31,314 19s. 11d.; and if, as there is reason to fear, the payment of these sums is such a breach of trust as has been indicated, the question arises whether it is not practicable for the Post Office at once to strictly comply with the law, and to cease to pay any claims whatever for which the Treasury has not previously imprested moneys.

The Post Office is perhaps in the difficulty of being unable always to estimate with precision what amount of moneys should be imprested. But if this difficulty, which does not at the close of the financial year result in showing that too large an amount of the claims has been paid at that date, could be allowed to account for exceptional cases of the payment by the Post Office of claims exceeding in amount the imprests available at the time, and these cases should be regarded as the unavoidable contingencies of the operation of a beneficial provision of the Public Revenues Act, the condition would have to be that the Treasury should, as soon as any case had been ascertained to have thus arisen, immediately pay to the Post Office the amount necessary to correct the irregularity. Such difficulty of making a precise estimate obviously will not account for so large an excessive payment of the claims as from £17,000 to £31,000, while, on the other hand, the Post Office explains its action, in the case of the failure of the Treasury to provide in due course for the imprest payments, to be that "when the imprest requisitions are not promptly satisfied renewed applications are made to the Treasury. This is frequently done."

If the Post Office has been taking the unlawful course, it would not be to the point to urge that the result has been of mutual benefit, or that the interests of the Post Office have not suffered. The objection to the course lies in any risk that there may be of a contrary result, as well as in the want of lawful authority. The Post Office often has a large uninvested balance, and in general looks to, or depends upon, the Treasury for the necessary securities; so that, notwithstanding what may have been the fortunate circumstances of the past, it can easily be conceived that the exigencies of the Treasury might happen to be such as to require an exercise of self-denial. The Post Office ought not to make such excessive payments, and it appears to be the duty of the Treasury, as the department charged with the administration of the Public Revenues Act, to take such notice of any faults of the kind as should put an end to them and prevent their recurrence.

J. K. WARBURTON,
Controller and Auditor-General.

EXHIBIT M.

POST OFFICE ACCOUNT.

STATEMENT of QUARTERLY BALANCES from June Quarter, 1888, to March Quarter, 1898.

Period.	Quarterly Balance.	Total.	Average.	—
	£ s. d.	£ s. d.	£ s. d.	
June quarter, 1888	30,280 0 0			
September "	18,263 0 0			
December "	28,256 0 0			
March quarter, 1889	81 10 8			
		76,880 0 0	19,220 0 0	At 3 per cent., £576.
June "	12,454 0 0			
September "	10,491 0 0			
December "	16,087 0 0			
March quarter, 1890	1,979 0 0			
		41,011 0 0	10,252 0 0	At 3 per cent., £306.
June "	30,436 0 0			
September "	23,182 0 0			
December "	17,238 0 0			
March quarter, 1891	...			
		70,856 0 0	17,714 0 0	At 3 per cent., £531.
June "	20,477 0 0			
September "	26,206 0 0			
December "	42,618 0 0			
March quarter, 1892	4 13 8			
		89,305 0 0	22,326 0 0	At 3 per cent., £669.
June "	14,050 0 0			
September "	25,123 0 0			
December "	28,929 0 0			
March quarter, 1893	1,804 0 0			
		69,906 0 0	17,476 0 0	At 3 per cent., £522.
June "	24,901 0 0			
September "	34,158 0 0			
December "	41,959 0 0			
March quarter, 1894	6,958 0 0			
		107,976 0 0	26,994 0 0	At 3 per cent., £810.
June "	6,709 0 0			
September "	45,599 0 0			
December "	31,743 0 0			
March quarter, 1895	11,478 0 0			
		95,529 0 0	23,882 0 0	At 2½ per cent., £285.
June "	37,044 0 0			
September "	42,108 0 0			
December "	28,569 0 0			
March quarter, 1896	3,986 0 0			
		111,707 0 0	27,927 0 0	At 2½ per cent., £697.
June "	35,601 0 0			
September "	22,997 0 0			
December "	55,598 0 0			
March quarter, 1897	4,854 0 0			
		119,050 0 0	29,762 0 0	At 2½ per cent., £742.
June "	36,972 0 0			
September "	19,029 0 0			
December "	21,261 0 0			
March quarter, 1898	37 18 3			
		77,299 0 0	19,325 0 0	At 2 per cent.
		£859,519 0 0		Total ... £6,620.

EXHIBIT N.

SIR,—

Audit Office, 24th September, 1898.

Pre-audit and Post-audit.—I have the honour respectfully to submit a copy, which may be acceptable to your Committee, of a memorandum conveying what I conceived to be some of the merits of the system of auditing after payment before I was asked by the Committee for an opinion respecting the system of auditing before payment.

I have, &c.,

The Chairman of the Public Accounts Committee.

J. K. WARBURTON,
Controller and Auditor-General.

AUDIT, PRE-AUDIT, AND POST-AUDIT.

WHETHER the Audit Office passes a voucher or not, the responsibility of the administration ought to remain the same.

The expenditure of the administration must naturally be confided, and cannot but be confided, to the care of its officers. These officers being employed directly in the service of the administration, must be assumed to consider it their principal duty to study, with a view of promoting, the best interests of that service, and to be incapable of knowingly authorising any payments which in their judgment the Audit Office, with all the information, should be unable to pass.

Under the system of post-audit, the system of auditing after payment, the administration is under the necessity of justifying its payments at the audit, and this obligation must operate effectively to keep the administration alive to its responsibility by the fear of having, as the consequence of failure to justify the payments, to make good the amount of them.

Under the system of pre-audit, the system of auditing accounts for payment before the payments are made, the administration has not, of course, the great motive for prudence which is but the natural effect of having to justify the payments after they are made; and if, consequently, the responsibility of the administration should not operate so effectively to secure to the public service a justifiable expenditure, that security which the responsibility of the administration should give for a justifiable expenditure would be either weakened or lost. The justification might then be left to depend almost, if not entirely, on the failure of the Audit Office to detect irregularity. The passing by the Audit Office of the vouchers for expenditure before the payments are made is in practice apt to beget an assumption that this passing beforehand is the main justification in any event, and the tendency of such an assumption must be to weaken or destroy whatever security the responsibility of the administration ought to afford.

A department of administration has the special knowledge necessary to and the best means of judging whether every particular item of the expenditure of the department can be justified. The Audit Office, on the other hand, has but a general knowledge, and cannot be expected to detect all cases of irregularity. Where, then, the audit follows the payments, the administration is uncertain what payments the auditor may question, and naturally does not make any payments which in its judgment the auditor ought not to pass. The judgment and discretion of the administration are thus exercised to secure, independently of the Audit Office, just and regular expenditure. Where, however, the audit of expenditure precedes the payment, and the auditor passes what practically are but proposals to pay, the administration may be content to make all the payments that the auditor may pass—that is to say, may be less careful of being able to justify the payments on any other ground than that the auditor has not objected to them. The powerful motive of self-defence is wanting.

But, in any case, the responsibility of the administration remains, and its officers must have the care of the expenditure, not less because they are assumed to be incapable of proposing to make or of approving of any unjustifiable payments, than because the Audit Office is a check against irregularity.

J. K. WARBURTON.

EXHIBIT O.

PAYMENTS made by the POST OFFICE on behalf of other Departments.

ALL boarding-out orders issued by the Education Department.

All payments of the Justice Department for bailiffs' mileage-fees.

Interest on debentures issued under the Naval and Military Settlers' and Volunteers' Land Act, and the Native Land Purchase Act.

All gas accounts throughout the colony, payment being required promptly to obtain discount.

All amounts of 10s. and under, except for Railway Department.

Any claim which the department concerned may require to be promptly paid in any part of the colony—with the approval of the Treasury.

Interest on New Zealand Consols throughout the colony.

All payments at the Chatham Islands for every department.

All Imperial pension-warrants which the Treasury may desire paid through the Post Office.

Payment to Maoris for the Native Land Purchase Department, without limit to amount, for which money separately imprested.

The expenses of general and by-elections in about half the electorates of the colony, to enable prompt payment of casual employes and contingent expenses.

The wages of labourers on co-operative works, especially when distant from settled country, on behalf of both the Public Works and Lands and Survey Departments.

Payments for the Mines Department in compensation for water-race rights, &c.

Any large payment for any department which may desire the Post Office to act as its agent—if specially authorised by the Treasury.

Payments under special arrangement not covered by imprest moneys.

Payments throughout the colony on behalf of the Public Trust and Advances to Settlers Departments, including advances on mortgages, all expenses (outside Wellington), and all payments on account of the distribution and administration of estates.

26th September, 1898.

W. GRAY.

EXHIBIT P.

SIR,—

General Post Office, Wellington, 24th September, 1898.

As requested by the Committee, I have the honour to enclose copy of memoranda under the terms of which the Post Office made payments out of moneys imprested by the Treasury prior to the passing of "The Public Revenues Act, 1891."

The Chairman, Public Accounts Committee,
Parliament Buildings, Wellington.

I have, &c.,

W. GRAY, Secretary.

The Controller and Auditor-General.

WITH a view to saving clerical work and expense, the Hon. Colonial Treasurer is considering a proposal to alter the present system of paying claims on the Consolidated Fund in respect of services rendered by or to the Post and Telegraph Department. It is proposed,—

(1.) That the whole of the charges of the department shall be defrayed, in the first instance, out of the funds in the possession of its officers, from whatever source for the time being derived.

(2.) That as often as may be arranged, probably daily, the Head Office of the department shall make demands on the Treasury for reimbursement of the moneys expended in defraying such charges, such demands, subject to audit and control, to be immediately satisfied out of the Public Account.

It is hardly necessary to mention, with regard to No. 1, that the funds will consist of postal and the other revenues, collected by the department, and of moneys paid into the Savings-Bank, or received for money-orders issued; or that, with respect to No. 2, audit and control will follow the payments made by the Post Office. It is not proposed to make any alteration in the mode of the Post Office collecting and paying into the Public Account postal and other revenues.

The above proposal is submitted to you by the direction of the Hon. Colonial Treasurer for your opinion whether legislation is required before effect can be given to it; also for any remarks you may think fit to make.

7th March, 1888.

JAMES C. GAVIN.

No. 65. (T. 88-378.)

I THINK there may be some doubt whether the provisions of the Revenues Acts are not technically violated by the proposed mode of payments. It is, at all events, one evidently not contemplated by the Act, if not forbidden by it.

But all the difficulty may be avoided, and the object of the Colonial Treasurer obtained, by issuing to the Postmaster-General from time to time on imprest out of the Public Account, which would be discharged by the payments he made. The vouchers sent in for claim on the Public Account would be treated as credit instead of payment vouchers. There would be no additional trouble beyond a few entries periodically. The great objection to the scheme—that it contemplates money being paid outside the Governor's warrant—would be avoided; and the new system would be on all-fours with that by which the Railway, Defence, and other departments are paid.

8th March, 1888.

JAMES EDWARD FITZGERALD.

The Hon. Colonial Treasurer.

I SEE no objection to issuing money from the Public Account on imprest to the Postmaster-General. I propose that the Postal Department shall keep the books containing the details of expenditure, and that the Treasury shall only keep an "Appropriation Account."

9th March, 1888.

JAMES C. GAVIN.

Approved.—To take effect from the 1st April.—H. A. A.

EXHIBIT Q.

8th October, 1898.

Mr. Warden Kenny represented that complaints were being made by local bodies of delay in paying over goldfields revenue, and that allocation and payment thereof would be facilitated if the system in force at the Thames and Ohinemuri were pursued at Coromandel and Te Aroha, at which latter places the practice was for the Receivers to allocate the revenues in their cash-books, and the Treasury, after receipt of the cash-books, to pay over the amounts. Mr. Kenny stated that he had in his office at the Thames all the information requisite for allocating, but the Receivers had not, and consequently confusion was caused. It was therefore decided to pursue the same system in each of the districts, and to imprest the Warden (subsequently the Receiver at the Thames) with the whole revenue from the goldfields, and that he should thereupon proceed to allocate and pay over the moneys to the rightful parties. The Justice and Audit Departments concurred in the proposal, and instructions were forthwith issued to the offices concerned.

Local bodies and the Natives are now promptly paid, and the system appears to be working well.

JAS. B. HEYWOOD.

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