

120. What is your opinion upon the view entertained by the Audit Department?—I am clearly of the opinion that the amount could be charged to General Imprest. Obviously the purpose of the Legislature in framing the special provision in the Public Revenues Act was for unforeseen expenditure being made in London. In other words, there is a safeguard clause in the Public Revenues Act which allows moneys to be paid out of General Imprest which are not otherwise provided for in requisition.

121. Is that the position in reference to this draft?—That is the position in connection with this draft.

122. Will you read out to the Committee the clause in the Act that you refer to?—Yes. "All sums transferred to the Foreign Imprest Account shall be charged, so far as possible, against the votes, but moneys may be issued by way of general imprest, of which the balance unaccounted-for shall not at any time exceed sixty thousand pounds." In connection with imprests issued in the colony, the law is stringent that all the expenditure issued by way of imprest shall be charged against votes for services for which the money had been provided; but in connection with the London Imprest Account I assume the Legislature considered the imprestee there was at such a distance from the seat of Government that extra precautions were necessary in the methods by which he could pay moneys, and they provided that the moneys issued to him should be charged, so far as possible, against the services for which they were issued, but that there should be a sum of £60,000 placed at his disposal out of which he could pay any moneys in connection with the services not provided for and not charged against the votes.

123. *Mr. J. Allen.*] On his own responsibility, you mean?—On his own responsibility.

124. Not on the responsibility of the Government; that is the point?—Well, of course, the Agent-General is a Government officer holding one of the highest positions in the Government of the colony. I suppose he may be considered an Ambassador or Minister away from the seat of Government.

125. *Hon. Sir J. G. Ward.*] In a memorandum, dated the 13th June, 1902, the Auditor-General says, "In any case, the expenditure is unauthorised, and it is therefore suggested that the Treasury should provide forthwith for the payment by bank order." The Minister for Native Affairs, in the absence of the Treasurer at that date, replied on the following day: "The Treasury is not aware whether Major Pilcher has absolutely drawn upon the Agent-General, nor of the amount of the draft if he has so drawn. Under these circumstances the Treasury is not in a position to issue a bank order as suggested. The Treasury intimated to the Agent-General that if a draft for £3,000 (meaning not exceeding £3,000) drawn by Major Pilcher was presented it should be honoured, and the amount charged to General Imprest, in which account there is an ample balance to provide for the amount of the draft in terms of section 63 of 'The Public Revenues Act, 1891.'" The reason for not giving the bank order, as suggested by the Audit Department, is given in that letter?—Yes, that would be the reason.

126. Then, in view of the fact that you were not able to advise the amount—that you were not in a position to state the amount in a bank order—you adopted the Auditor's suggestion, as contained in clause 63 of the Public Revenues Act?—Yes.

127. Did you anticipate any exception being taken to that course?—No.

128. You have heard the evidence regarding the date of the payment of the draft, as disclosed by the correspondence that has since taken place?—Yes.

129. What was your opinion at the time as to the position the colony might be placed in in consequence of the Home Auditor taking time to cable out here and to wait for instructions from here?—I consider that the credit of the colony was in grave peril. The draft, so far as I understood, would be only a three-days draft, which would mean payment six days after it had been sighted; and, of course, I am perfectly unaware when the draft had been sighted in London. It might have been sighted five days before, or six days before, the arrival of this cable from the Audit Officer in London. I therefore considered that the credit of the colony was in very grave peril by reason of the action—the unprecedented action—of the Audit Officer in cabling out for instructions. All the statements and dates that Mr. Warburton has given the Committee, in consequence of which he considered there was no jeopardy at all in the matter, have, of course, been ascertained by him after the event. At the time there was no knowledge on his part or on my part as to the due date or even the currency of the draft; it might easily have happened that the draft was a demand draft instead of a three-days draft.

130. It was not known here at the time that it was a three-days draft?—No.

131. I understand you to say that the course followed by the Audit Officer in London, of cabling out here, was unprecedented?—Yes. I have no remembrance of any previous communications between the Audit Officer in London and the Controller.

132. If the responsibility devolving upon the London Audit Officer were to be transferred from him to the Audit Office in the colony, so that he should take instructions from Wellington, would that, in your opinion, be a desirable condition of affairs for the carrying-on of the important financial operations that from time to time must come under the direction of the London Audit Officer?—I should say it would be most dangerous to the interests of the colony. The administration would be very difficult to be carried on satisfactorily under such conditions. It must be remembered that we are only in communication with England by the facilities of wire, which may at any moment be interrupted by a breakdown.

133. How long have you been Secretary to the Treasury, Mr. Heywood?—I forget the exact number of years, but it would be something like ten or twelve.

134. Has there been any trouble, under the system which has existed for controlling the financial operations of the colony in London, of a similar kind previously?—By the word "previously" do you mean prior to the present objection of the Audit Office?

135. Yes, and under the former Controller and Auditor-General?—I do not remember any difficulties under the former Controller.