

1902.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF THE) ON PAPER No. B.-19A OF 1901—"THE PUBLIC REVENUES ACT, 1900"
CORRESPONDENCE RELATIVE TO DEBENTURES FOR £500,000.

Report brought up 19th September, 1902, and ordered to be printed, together with Minutes of Evidence.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 3RD DAY OF JULY, 1901.

Ordered, "That a Committee, consisting of ten members, be appointed to examine into and report upon such questions relating to the Public Accounts as they may think desirable, or that may be referred to them by the House or by the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; five to be a quorum: the Committee to consist of Mr. J. Allen, Mr. Fisher, Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, Hon. Sir J. G. Ward, and the mover."—(Rt. Hon. R. J. SEDDON.)

Ordered, "That Paper 138B, 'The Public Revenues Acts Amendment Act, 1900' (correspondence in a case, under section 9, of a difference of opinion between the Audit Office and the Treasury relative to Four-per-cent. Debentures of Loan for £500,000, raised under the provisions of the 'Aid to Public Works and Land Settlement Act, 1900'), be referred to the Public Accounts Committee."—(Hon. Sir J. G. WARD.)

REPORT.

PAPER B.-19A (HELD OVER FROM SESSION 1901)—“THE PUBLIC REVENUES ACT, 1900”: COR-
RESPONDENCE RELATIVE TO DEBENTURES FOR £500,000.

THE Public Accounts Committee, to whom was referred (last session) the abovementioned Paper,
having then taken evidence thereon, is now of opinion “that no report is necessary.”

GEO. FISHER, Chairman.

Friday, 19th September, 1902.

MINUTES OF EVIDENCE.

WEDNESDAY, 25TH SEPTEMBER, 1901.

Mr. JAMES KEMMIS WARBURTON in attendance and examined. (No. 1.)

1. *Rt. Hon. R. J. Seddon.*] You are Controllor and Auditor-General?—Yes.
2. A correspondence took place between you and the Colonial Treasury respecting the issue of the half-million local loan?—Yes.
3. What was your first knowledge with respect to that loan?—Seeing the draft prospectus.
4. When was that?—I do not recollect on what precise date the draft was brought to me, but it was brought before the loan was issued.
5. Did you look through the prospectus?—I did.
6. Have you had any other prospectus before you which might lead you to assume that a mistake was made in respect to this matter?—I do not recollect any.
7. What occurred between you and Mr. Heywood when this prospectus was shown to you?—I pointed out that it was not satisfactory as to its proposal to pay the rate of 4 per cent. interest per annum under the terms of the prospectus. I did so because such proposal did not appear to me to be satisfactory.
8. Did you say so to Mr. Heywood?—So far as I recollect I did. It was in the course of an unofficial conversation between us at the time.
9. Was there any particular alteration suggested by you in the prospectus?—I am in doubt whether there was any. I think there may have been one.
10. If a prospectus is produced and your alterations are shown in it, would you say that prospectus is incorrect?—No, not if my alterations are shown upon it.
11. Do you positively state that you suggested alterations?—No; I only say as far as I recollect. As I say, this took place in an unofficial conversation, and I cannot recollect precisely what was said.
12. If your recollection is at fault in that case might it not be at fault in other respects also?—I am not sure of all that took place. I may have pointed out that the securities should be on the public revenues of New Zealand as stated in the prospectus. But nearly all this took place in a private conversation, and it is very difficult to recollect all that took place during such a conversation in regard to the prospectus. The Secretary to the Treasury is the Colonial Treasurer's channel of communication with the Audit Office.
13. Can you give us any date on which this conversation took place? Was it some time before the 11th April?—Oh, yes; considerably before the 11th April.
14. Do you know the date on which the tenders were to be in?—By the 23rd April, according to the prospectus, and they were opened on that date.
15. Did anything occur in the unofficial conversation between you and the Secretary to the Treasury on the 11th April which caused you to send in the memorandum of that date, which is numbered 2 in these papers?—I had not received a satisfactory reply to the suggestion as to the provisions being wrong. I raised the question on the 11th April in order to make clear what the position of the Audit Office was to be at the opening of the tenders. I do not recollect any conversation with the Secretary to the Treasury on that date.
16. Did you say positively to Mr. Heywood that if that was continued you would object?—I did not express a decided opinion. I said the proposal was unsatisfactory to me, and that was about the sum of my remarks on every occasion; and even after this memorandum of the 11th April was written, and some time after the tenders were accepted, I certainly said that, as far as I could see, it was demonstrable or clear to me that the Act would not authorise the payment of the interest proposed to be paid.
17. This was after the tenders had been accepted?—Yes, after the tenders had been accepted.
18. Do you not think, Mr. Warburton, if you held this view at that time—that the issue of the prospectus would commit the Government to an illegal act—it was your duty to look into the matter and take action prior to the colony being committed?—I think that I should probably have been charged with an interference in the administration. I do sometimes offer suggestions to the Administration, but I do so only by way of suggestion. The issuing of the prospectus and its terms were administrative acts.
19. Nothing occurred between the conversation between you and Mr. Heywood on the 11th April and the opening of the tenders?—I do not know that anything occurred between those dates. I think I repeated the suggestion. That is the impression upon my mind.
20. To whom?—To the Secretary to the Treasury.
21. You received a reply to your letter of the 11th April. The reply is dated the 13th April, and is to this effect: "The question has been considered, and the Colonial Treasurer has been advised that there is nothing in the point raised by the Audit Office"?—Yes.
22. You understood that the advice of the Solicitor-General was taken?—I presumed that the Colonial Treasurer was advised by the Solicitor-General, or by the Crown Law Office.
23. Did you look into the matter again, and still think you were positively right?—No; I wrote the letter on the 18th April.
24. You were not positive on the point?—I had not received the advice tendered to the Government.

25. Did you satisfy yourself further, or let the matter stand aside?—I considered the matter from time to time, and I came eventually to the conclusion that the Act would not allow the rate of interest proposed by the prospectus to be paid from the 1st April.

26. Look at No. 4 of this paper. It says: "The question was asked under the misapprehension that the opening of the tenders in the presence of the Controller and Auditor-General might imply his satisfaction as to the point raised." Is it a misapprehension, or what was the cause of sending that letter?—I pointed out the doubt which the Audit Office had to the Colonial Treasurer, and I thus practically remarked that the question was one of administration.

27. That was what you intended by letter 4?—And to make it clear that my position as Controller and Auditor-General was only that of a witness to the opening of the tenders.

28. During the opening of these tenders, did you mention this question to me or in my presence?—No.

29. Some time after the tenders were received scrip was issued?—Yes.

30. When you were asked to sign the scrip, did you raise this question?—No; there was nothing in the scrip to which I could take exception on the point.

31. Did it not fix 4 per cent. as the rate?—Yes.

32. Were you not aware that the prospectus remained unaltered, and you were present at the opening of the tenders?—There was nothing raised as to this point.

33. We had the prospectus with us at the opening of the tenders?—I should think so. I have no doubt that it was so.

34. Do you recollect referring to the prospectus?—I have no doubt I did.

35. At all events, the scrip itself had 4 per cent. on each?—I think I can admit that.

36. Did it not follow that we must issue debentures to which the tenderer was entitled?—No doubt the prospectus so far bound the Government to issue the debentures—that is, the Government had committed the colony.

37. If there was anything to stop the colony doing an illegal act, it should have been done before the issue of the debentures?—Not by the Audit Office. I think the Government should be informed by the Audit Office when the debentures are issuing, and they come to the Audit Office for countersignature. The doubt was pointed out to you, and the only answer I got was from yourself: "The question has been considered, and the Colonial Treasurer has been advised that there is nothing in the point raised by the Audit Office."

38. Did you ever raise the question as to how the interest was to be paid?—No; that question never came before me until the debentures with the coupons attached were presented for countersignature.

39. Did you know of that when you signed the coupons?—I was not aware that the debentures would come before me with the coupons attached. I was aware the debentures would in the ordinary course come before me for countersignature, but sometimes they are issued with the coupons and sometimes without.

40. You were aware that the colony had to pay this 4 per cent.?—Yes.

41. At what date did you notify that you refused to sign these debentures?—I am not sure of the exact date.

42. There is a letter of yours (No. 6) dated the 29th July: would that be the date?—I think that would be about the date when these coupons were presented to me. The matter in relation to which that letter was written is contained in No. 5, which is dated the 27th July, so that it would be about the 29th July.

43. Then, the rebuttal was contained in the letter of the 29th July?—I pointed out there that the coupons would result in yielding to the purchaser a higher rate than 4 per cent. per annum on the purchase-money, contrary to the provisions of section 10 of "The Aid to Public Works and Land Settlement Act, 1900."

44. Did or did not the Secretary to the Treasury see you about this?—I think it likely he did. I spoke to him about this communication.

45. You see the opinion of the Law Officer of the Crown is given on the 12th of August?—Yes.

46. Between the 29th July and the 12th August did or did not the Secretary to the Treasury see you in reference to this matter and urge upon you to sign the debentures?—I do not recollect that he did.

47. No recollection as to ascertaining the opinion of the Solicitor-General upon this question between these dates?—No. The first intimation I had was your note of the 15th August, 1901, (No. 12): "Determination of His Excellency the Governor with reference to the question as to the lawful payment of interest from 1st April is attached, and the debentures are again submitted for your countersignature."

48. Will you say positively that between the 29th July and the receipt of my letter of the 15th August no one saw you nor urged upon you to give way upon this point?—No one, according to my recollection.

49. Were you not aware at that time of the opinion of the Solicitor-General?—No.

50. In no way?—No. It came upon me, as I have said before, as a surprise.

51. Are you positive about this? Probably you do not recollect it. I want to be perfectly fair to you, so I ask you the question?—I am making no complaint of unfairness now. I am stating what occurred, to the best of my recollection. I say I had no knowledge at that time of the advice of the Solicitor-General. Some one may have said to me, "The question has been considered," as you say in your note, but I had no knowledge of this advice of the Solicitor-General.

52. You say you did not discuss this matter in that interim?—I have said on several occasions to the Treasury I was satisfied as to the law, and the law was against them.

53. Was that between the 29th July and the 15th August?—I would not be sure as to the date, but probably it was.

54. You said just now that you did not discuss the question with any one: you are practically contradicting yourself?—I am not. If I appear to be so it is because I misunderstood you. I say I may have talked about this matter at times, but it is impossible to recollect what I said. My recollection is that I expressed my opinion that the law was clear on the point, and was against the proposal to pay this 4-per-cent. interest from the 1st April, according to the terms as set forth in the prospectus.

55. Then, between the 29th July and the 17th August Mr. Heywood may have mentioned this matter to you. I do not know that he mentioned it to me; I may have mentioned it to him. I am quite sure that any remark made by me was made without any knowledge of the opinion of the Solicitor-General, or with any idea that he had given that opinion.

56. Was it ever pointed out to you the great danger to the credit of the colony if the debentures were not issued, and the serious position in which the Government was placed?—That may be so, but I had to raise the objection of the Audit Office that the law was against the proposal.

57. The gravity of the situation was not shown to you?—I do not say the urgency was not. It probably was. If I recollect aright, when your note of the 13th August, No. 12, was forwarded, the remark was made that the despatch of the debentures was urgently required.

58. Anything said that if this was not done the interest in London could not be paid on the due date?—I think there was a remark to the effect, on this occasion, of regret if the debentures were too late for the mail, and I was about to countersign them when I observed another fault in them. They came to me on the mail-day too late, I think, to be countersigned, in any case, on that day.

59. You had received the Governor's Warrant at that time. My question was with regard to the 13th?—It was on the 15th. I see that I have misread the "15th" as the "13th."

60. You say you discovered another error, and then you raised further objection after the Governor's Warrant had been issued?—I had arranged with the Secretary to the Treasury to have these countersigned that day; but then I read the debentures with the Act, and discovered a discrepancy.

61. Why did you not discover that error before, and call attention to it when making your first objection? What caused you to overlook this?—I had not before read the debentures with the Act, I presume.

62. Do you not think it is very inconvenient, after objections have been raised on one point and that has been settled, to raise another objection? Would it not be better that all objections should be taken at once?—Yes, and if an error of that kind had been expected the form would no doubt have been examined sooner.

63. In respect to the second objection, what was the objection taken?—I think it is expressed here in No. 13, page 6: "It is declared by these debentures that, according to the Act by which their issue is authorised, the principal and interest are chargeable on the Consolidated Fund of the colony." Subsection (3) of section 11 of the Act provides, however, as follows: "The sum of money named in any such debenture, scrip, or other security, together with all interest payable in respect thereof, is hereby declared to be a charge upon and to be payable out of the public revenues of New Zealand."

64. At all events, you had not noticed it before?—I was under the impression that I had pointed out that fault in the form when it was drafted, but it appears from what the Secretary to the Treasury says that I was in error on that point. It appears the draft shown to me was not of these debentures, but of some debentures under the Land for Settlements Act.

65. Section 12 of the Loan Act provides: "No person from whom any part of the aforesaid moneys is raised, or who is the holder of any debenture, scrip, or other security in respect of such moneys, shall be concerned to see or inquire whether or to what extent the powers conferred by or under this Act have been previously exercised, or are intended to be exercised; and all moneys raised or purporting to be raised, and all debentures, scrip, or other securities created or issued, or purporting to be created or issued, under this Act shall, so far as concerns the holder or lender, be deemed to have been lawfully raised, created, or issued within the powers of the Act created in that behalf?—Of course, when the debentures are issued and countersigned by the Audit Office the colony is liable.

66. At all events, this is sufficient: "No person from whom any part of the aforesaid debentures"—and so on—"shall be concerned to see or inquire whether or to what extent the powers conferred by or under this Act have been previously exercised, or are intended to be exercised." Does not the Act make good the debentures?—Yes, I think it does—for the holder or purchaser; the debentures would be lawfully issued so far as concerns him.

67. Does it not give the debenture-holder full security?—I think so; but that would not justify me in countersigning if the form of debenture is contrary to the law in respect of the security.

68. At any rate, this second objection caused further delay?—Yes, that is so.

69. Coming to section 3, subsection (1) of the Aid to Public Works and Land Settlement Act, the following words appear: "They shall bear interest at such rate (not exceeding 4 per cent. per annum), and be for such amounts, and have such currency (not exceeding seven years from the date of issue), and be in such form (with or without coupons), and be payable, both as to principal and interest, at such times and places, and be transferable and negotiable in such manner, as the Colonial Treasurer prescribes." Was it not under the first part of that subsection that the payment of 4 per cent. per annum was allowed by law?—It was under section 10 that I took exception.

70. To the maximum rate of interest?—Yes.

71. Who fixes the form of debenture?—I presume the Colonial Treasurer would arrange that.

72. Is not that made clear by subsection (1) of section 3 in these words: "In such manner as the Colonial Treasurer prescribes"? What you objected to was what was put there by the Colonial Treasurer?—I took exception to two points—to the rate of interest and to the form of debenture declaring the charge to be on the Consolidated Fund, instead of on the public revenues of New Zealand.

73. Would you give us any authority you have in contravention of the authority given to the Colonial Treasurer to fix the form of debenture: there is definite legal power given him here to do so?—I objected to countersign the debentures because they declared that the security was on the Consolidated Fund, whereas they should have declared that it was upon the public revenues of New Zealand. I was not prepared to countersign them under those circumstances without calling attention of the Colonial Treasurer to the error, so that he could have the form altered if necessary.

74. At all events, as far as the debenture-holder was concerned, he was safe under the form chosen by the Colonial Treasurer?—Yes, he was safe if I had countersigned it.

75. He could not suffer in any way by this being charged to the Consolidated Fund instead of to the public revenues?—I do not think so, but that does not justify me in passing over faults in the form of debenture. It is better, as the Solicitor-General has observed, that the debenture should accord textually with the Act.

76. Then, that authorised you to hang up the loan?—I had no idea of that kind. It was a question of whether the Colonial Treasurer would have the form of debenture corrected. I thought that if he had that error pointed out to him he would have the form corrected and printed anew.

77. After he had signed the debentures?—I think so. I should have done so.

78. They had been signed by the Colonial Treasurer?—Yes, but they were not debentures until they had been countersigned by me.

79. At all events, they had been printed and signed by the Colonial Treasurer, and yours was the last act?—Yes.

80. You think that the difference in the form of the debenture warranted you in stopping these debentures?—I think so.

81. You received notice of the Warrant of the Governor?—On that second point?

82. Yes?—Yes; the notice is from you, dated the 24th August, and says, "I again submit the debentures for countersignature. They are urgently required." I received that notice between the 24th and 26th August.

83. That is dated the 24th August?—Yes.

84. Do you say you did not get it on that date?—I could not say. At all events, there can only be a difference of a day or two.

85. When did you send these papers to Parliament?—Two or three days after the 26th; on the 28th, I think; yes, it was on the 28th.

86. There is a letter of yours dated on the 26th, written by you after you had received the Governor's Warrant?—Yes, after I had received the Warrant of the Governor.

87. Between the time you received the Warrant and the time of the papers being sent to the Speaker did you receive any reply from the Colonial Treasurer to yours of the 26th?—No; except that some additional papers were brought up to me to be copied and included in the correspondence—some papers, I think, being correspondence between the Governor and the Solicitor-General.

88. You never received a reply from the Colonial Treasury to your letter of the 26th August?—No; I rarely receive replies to these covering-letters.

89. When did you write the first covering-letter after you received the warrant of the Governor?—While I was writing this letter of the 26th I was countersigning the debentures. It was in the intervals of countersigning that I wrote the letter piece by piece.

90. In any previous papers has there been a letter sent by you reviewing the circumstances such as you have here?—Yes, there had been previous letters of the kind.

91. I want to know whether in all these cases you send a letter reviewing the Governor's action, and the action of the Solicitor-General, and the action of the Government?—In every case I send a covering-letter. All these were sent in in exactly the same way. In every one of the five other previous cases there are covering-letters.

92. Will you give me one of those covering-letters?—There is a very important one at page 19 of B.—19 of this session, and there are several others in the same paper.

93. At all events, that letter is practically a review of the papers and the decisions, and still further giving reasons for your contention?—Yes. The Auditor-General has a right to address Parliament on a subject when he is putting papers relating to that subject before Parliament.

94. You send these papers to Parliament immediately?—Within two or three days—as soon as they can be copied.

95. If you had received a letter in reply from the Treasury, would you have attached it to the correspondence laid before Parliament?—The Government knew I was preparing these papers for presentation to Parliament. At a quarter-past midday I sent them a copy of the papers, and informed them that they were going to the House.

96. Supposing the Treasurer had sent a reply, would you have sent that to Parliament?—If the Minister had expressed a wish I would have done all I could to comply with it.

97. On what date were papers laid on the table of the House?—I think it was on the 28th August.

98. Was the Treasurer in Wellington at the time?—The Minister would be.

99. Are you sure the Colonial Treasurer was in Wellington at the time?—He was away, I

believe. You, as Colonial Treasurer, were away, but there was a Minister here acting for the Colonial Treasurer.

100. Is there any Acting-Colonial Treasurer?—I do not know. Documents come up daily to the Audit Office signed by one Minister for another.

101. If the Colonial Treasurer was at Greymouth, and you wrote to him on the 26th August, and laid the papers on the table of the House on the 28th August, what chance was there for him to reply?—The papers were given to the Secretary to the Treasury.

102. That was at midday on the day on which you laid the papers on the table of the House?—Yes.

103. And the Colonial Treasurer could not have an opportunity of replying?—There is nothing in the Act which requires the Auditor-General to give notice to the Treasury of his laying papers before Parliament.

104. I merely mentioned it, seeing had you done so it would have only been a matter of courtesy. There is no absolute time fixed for the Auditor-General laying papers on the table of the House?—They are to be laid on the table forthwith, but if the Colonial Treasurer or another Minister, either direct or through the Secretary to the Treasury, expressed a wish for a delay, I do not think the Audit Office would object. A clerk took three copies of the papers, one of which he took to the Treasury, and he was instructed to inform the Treasury that the other two copies were about to be forwarded to Parliament in the usual course.

105. You gave notice to the Treasury at the time that the papers had been sent on?—Yes; that is the usual course.

106. Then, if the Treasury expressed a wish for delay, you would have had to recall the papers from the Speaker?—I think so. I have recalled papers before, from one House, at any rate.

107. *Mr. J. Allen.*] I would like to know what opportunity has the Auditor-General to put before the Crown Law Office his opinion about a case submitted for the Crown Law Officer's judgment, under section 9 of the Public Revenues Act of last year?—In the case in question the opinion of the Solicitor-General, in No. 8 of the papers before the Committee, was not communicated to the Audit Office until the 15th August, 1901.

108. That is not an answer to the question. The question is, has the Audit Office any opportunity of placing its case before the Crown Law Office when a case is being submitted, under section 9 of the Public Revenues Act of last year, for the opinion of the Crown Law Officer?—I do not recollect any statutory provision for it.

109. Have you on any occasion submitted your side of the case to the Crown Law Office?—I have on some occasions discussed a case with the Solicitor-General.

110. Before he has given his opinion?—Before he has given his opinion, I have discussed with him my view of the case.

111. Is there any statutory provision for submitting your case to the Crown Law Office?—No; I have only the authority of the Government to consult the Crown Law Office.

112. *Rt. Hon. R. J. Seddon.*] A constant authority?—Yes, a constant authority, I understand.

113. *Mr. J. Allen.*] Have you a constant authority to submit your side of a case to the Law Officers, or is there statutory authority?—I do not recollect any statutory authority.

114. Then, when a case similar to this is submitted to the Crown Law Office, how is it submitted?—In different ways. In one case I have just been speaking of the Solicitor-General consulted with me, and the matter was settled; and I reported to Parliament that the course taken was satisfactory to the Audit Office.

115. Did he come to you?—Yes, he came to me.

116. Did he come to you in this case?—No. I knew nothing of the opinion until it was sent to me with the order of the Governor.

117. Did you have an opportunity of putting your side of the case to the Crown Law Office before they gave an opinion?—I had an opportunity when I wrote No. 6. I might then have consulted him on the point I was raising.

118. Did you know when you wrote paper No. 6 that the matter was going to be submitted to the Crown Law Office?—No; I presumed the Crown Law Office had been consulted previously.

119. Then, is the case submitted to the Crown Law Office by the Treasury alone?—No. 7 shows that.

120. You did not submit any case?—I have not in this matter.

121. Is the opinion of the Solicitor-General founded on a case as submitted by the Colonial Treasurer alone in this instance?—Yes; except so far as my previous memoranda may have been before him—No. 6 and No. 2.

122. Have you any reason to know that these were before him?—No.

123. Do you communicate direct with him your side of the case?—When I think there is occasion for it I do. The Solicitor-General's opinion contained in No. 8 is given without any reference to me, and without hearing what objections I had to raise, or anything from me except what is contained in papers 2 and 6.

124. You stated to the Colonial Treasurer, before the shorthand-writer came in, that if the Auditor-General had had an opportunity of putting his opinion before the Solicitor-General the Solicitor-General would have given a different opinion?—That is my belief. I said that it was my belief he would have.

125. Look at page 3, No. 5, of these papers?—Yes.

126. Was this half-million loan raised locally?—Yes.

127. What is this No. 5—this "Narration of Debentures"?—It shows a large number of debentures which were issued with value.

128. What is the amount?—£255,000.

129. More than half the loan?—Yes.

130. What is No. 8 of the list?—That is payable in London.

131. Interest also was payable in London?—Yes.

132. Can you say whether the applications for debentures came from London?—I could not say.

133. By whom were the debentures to be signed?—By the Colonial Treasurer.

134. Are they signed by him?—They are signed by Mr. Mills. I think nearly all of them, with the exception of three, were signed by Mr. Mills, but I am not quite sure.

135. By section 3 of the Act of 1900 they were to be signed by the Colonial Treasurer?—Yes.

136. Is Mr. Mills Colonial Treasurer?—No. I believe the Interpretation Act provides for the signing by a Minister acting for the Colonial Treasurer.

137. Do you know what its provision is in this respect?—I could not quote it without seeing the Act itself.

138. Did you make any calculation as to what the rate of interest would be for the first year on these debentures?—No. I should have to take the debentures separately.

139. How do you know they would realise more than 4 per cent.?—Because they were to bear interest from the 1st April, and the tenders were not opened till the 23rd April, and the principal was not to be wholly paid before, I think, the 4th June. The prospectus says, "The issue-price will be at the rate of £100 in money for every £100 expressed in debentures, payable as follows: Deposit of 5 per cent. on application; first instalment of 45 per cent. on Tuesday, 7th May, 1901; second instalment of 50 per cent. on Tuesday, 7th June, 1901." Still, the full rate of interest at 4 per cent. was to be paid from the 1st April, according to the prospectus and the debentures.

140. What would be the result on the first year?—The result, according to these terms, would be about £2,000 in excess of the amount that 4 per cent. per annum on the whole issue would yield. I am only giving round figures. It would be necessary to go into the details to arrive at the exact amount.

141. What does section 10 of the Aid to Public Works and Land Settlement Act of last year provide, reading it down to, say, the sixth line?—"No debenture, scrip, or other security created or issued in respect of any moneys raised under this Act shall be sold or otherwise disposed of by the Colonial Treasurer, the Agent-General, or the aforesaid agents, at a price that will yield to the purchaser a higher rate of interest by the year than four pounds for every hundred pounds of purchase-money in the case of short-dated debentures."

142. What is the meaning of the term "by the year"?—It is the English expression for "per annum."

143. It was your contention that in the first year there would have been more interest paid than was allowed by the law?—Yes. During the whole period of the loan there would be a larger amount paid than the rate of 4 per cent. per annum for that period would yield.

144. I ask you whether it was for the first year?—The answer is the same, for the whole period, or for the first year.

145. *Mr. Guinness.*] It would only happen in the first year?—Yes; the amount would be the same.

146. *Mr. J. Allen.*] On the fourth page of the correspondence, last paragraph but one, whose opinion is that?—The Solicitor-General's.

147. What does he say in that paragraph—at the beginning of it?—"I desire to guard myself from being supposed to hold that these concessions and discounts may lawfully be granted without limit. They may be so excessive as to amount to an unlawful evasion of the Act. It is a question of intention and degree, and each case must be determined on its own facts."

Rt. Hon. R. J. Seddon: I object to your stopping there. I ask that the whole paragraph be read.

Mr. J. Allen: Well, read the whole paragraph.

Witness: "In the present case what has been done is in strict accordance with the established usage and practice. Indeed, I may point out that the Audit Office itself raised no objection to the half-million 3½ per-cent. loan issued in November, 1896, although there, as here, the minimum price of issue—£100 per cent.—gave the maximum rate of interest allowed by the Act. There was no margin, and yet the usual concessions of interest and discount were allowed, just as in the present case."

148. What does he mean by "the established usage and practice"? Do you know of such a practice?—No. The only case is the case mentioned here. That over-allowance was not observed by the Audit Office.

149. If you had observed it what would you have done?—Done as I have done here—pointed the error out on the first opportunity I had of doing so.

150. In a future case would you make a similar objection, notwithstanding the Governor's warrant?—I would, because I consider the statute clearly fixes the limit.

151. Is it your opinion that, with regard to the degree or limit to which this may be done, that is a matter which the Solicitor-General shall decide?—No; I do not regard it as competent for him to settle that matter.

152. Who is to settle the limit?—That is to be settled by the objection of the Audit Office.

153. I understand that the Audit Office will object to any similar case?—Yes; but the Government can apply under section 9 of the Public Revenues Act of last year for a Governor's warrant to charge the interest as if authorised by the Act.

154. If they proceed under that section is it to be the opinion of the Crown Law Office which is to decide the limit to which this can be done?—That office would advise on the question.

155. It is, then, a matter of the opinion of the Crown Law Office what that limit shall be in his advice to the Governor?—I think it is for the Minister to approve of the advice of the Solicitor-General, and then to apply for the order on that advice.

156. Then, is it for the Ministry to decide and advise the Governor what the limit shall be?—I should think it would be for the Solicitor-General to advise.

157. As the Solicitor-General advises here, the textual wording of the Act, according to your opinion, at any rate, need not be observed?—Yes. The first sentence of the Solicitor-General's opinion is, "In my opinion, the objection raised by the Audit Office is not sound."

158. I am referring to the particular paragraph you read. I will ask you this: You see there are these words, "They may be so excessive as to amount to an unlawful evasion of the Act": who is to decide that?—I presume it is for the Minister to decide that for himself before applying to the Governor.

159. "A slight breach of the Act is legal; a large breach is illegal": is that what the opinion of the Solicitor-General means?—That appears to me to be his meaning.

160. One question about the Consolidated Fund and the public revenues of the colony: What does "The Aid to Public Works and Land Settlement Act, 1900," say shall be the securities on which these debentures shall be charged?—Section 11 subsection (3) of that Act provides, "The sum of money named in any such debenture, scrip, or other security, together with all interest payable in respect thereof, is hereby declared to be a charge upon and to be payable out of the public revenues of New Zealand."

161. Where do you find "the public revenues of New Zealand" defined?—I am not able to say; I could not say without a little study. Indeed, I doubt whether I could then say.

162. You cannot answer the question?—No.

163. What do the debentures, and scrip, and so on, say they are payable out of?—I have stated that in No. 13: "It is declared by these debentures that according to the Act by which their issue is authorised, the principal and interest are chargeable on the Consolidated Fund of the colony."

164. Is the Consolidated Fund the same thing as the public revenues?—The Solicitor-General says it is.

165. We want to get out how you formed your opinion that there is a difference?—There is a difference between Consolidated Fund and the public revenues.

166. What is it?—There is a difference in expression, at all events.

167. Is one security better than the other?—Yes; that is, I think, if of greater amount. The Consolidated Fund is one of several funds which go to make up the Public Account. I pointed that out in my letter of the 26th August, in which I say, "It may, however, here be observed that section 2 of the Public Revenues Act of 1896 provides as follows: "The Public Account shall comprise not only the Consolidated Fund and the Public Works Fund, as provided by section 7 of the principal Act, but also every separate fund or account which, by any Act of the General Assembly heretofore or hereafter passed, is directed to be paid into and form part of the Public Account." Now, I have remarked upon that, that "as by this amendment of section 7 of the Act of 1891 the Consolidated Fund does not comprise all receipts but the produce of loans, it is the more desirable that the debentures for a loan raised on the security of the public revenues of New Zealand should declare the security in textual accord with the relative Loan Act." It is very doubtful in my mind whether, in view of the fact that the Land for Settlements Account, to which a large amount of public revenues is paid, is a separate account from the Consolidated Fund, the public revenues and the Consolidated Fund are the same thing.

168. *Rt. Hon. R. J. Seddon.*] You do not say that it should go to the Consolidated Fund?—Therefore it is not proper to state on the debentures that they are secured on the Consolidated Fund.

169. *Mr. W. Fraser.*] Are the Public Account and the public revenues two different things?—The Public Account contains all these things.

170. Is there no difference between the Public Account and public revenues: are they synonymous?—No; the Public Account contains all the public money that is paid in.

171. *Rt. Hon. R. J. Seddon.*] It is, in fact, the banking-account of the colony?—Yes.

172. *Mr. J. Allen.*] Then, in your opinion, there is no distinction between the two?—It is very difficult to say that any moneys in the Public Account are not public revenues.

173. Do you consider it synonymous with the Consolidated Fund?—No; I objected to it as an error in the form of the debenture.

174. *Rt. Hon. R. J. Seddon.*] As to the debenture-holder, has he been prejudiced by the words "Consolidated Fund" being used instead of "public revenues"?—I think that is a matter for the consideration of each debenture-holder.

175. Do you think he is prejudiced?—I think if I were a trustee investing money in Government debentures, and that discrepancy were pointed out to me, I should not be so well satisfied as I should be with the debentures if there were no such discrepancy.

176. *Mr. J. Allen.*] Do you think that "public revenues" includes the Consolidated Fund?—Yes, I think so.

177. Then the security is better under the words "public revenues" than under the words "Consolidated Fund"?—I think so, in the sense that the amount is larger.

178. Can you point out what is the increased security?—If the Land for Settlements Act contains public revenues that security would not be included in the Consolidated Fund.

179. Does not the revenue from the Land for Settlements Act go into the Public Account?—It goes into the Public Account, but not into the Consolidated Fund.

180. Then, you hold that the revenue from the Land for Settlements Act is not a security expressed on these debentures?—The debentures do not declare it to be.

181. Is there any other account besides that under the Land for Settlements Act which does not go into the Consolidated Fund?—There are about half a dozen, I think.

182. I will ask you about one—the Government Advances to Settlers: does that come into the Consolidated Fund?—No.

183. Is that public revenue?—I am in doubt whether it is or not. I should like to consider the matter.

184. *Mr. W. Fraser.*] Your objection, I take it, was that the words “Consolidated Fund” were not in accordance with the textual expression in the Act rather than on account of the security being affected?—Yes, that was my objection. I think, myself, that those who take the debentures of the colony are satisfied generally with the credit of the colony.

185. Did you think that objection sufficiently strong to warrant you in refusing to sign the debentures and thereby possibly cause confusion?—Yes, I did so, for I thought the Colonial Treasurer should be informed of it in order that he might have an opportunity of correcting the form of debenture.

186. Was there time to correct that error in the form of debenture without such delay as might possibly have affected the credit of the colony?—I think that is a question more for the Administration to answer.

187. I want to ask you whether you were sure, when you raised the objection, that there was time for the Treasury to make the correction without impairing the credit of the colony. That was the responsibility which you took upon yourself?—I raised my objection on the 16th August, 1901, and the order of the Governor was sent to me on the 24th August.

188. Eight days after?—Yes.

189. But the question is whether there was time in those eight days to have the form of debenture corrected and reprinted?—I do not think I would have been justified under any circumstances in countersigning those debentures without representing the error in the form to the Colonial Treasurer.

190. *Rt. Hon. R. J. Seddon.*] Could the debenture-holders possibly be prejudiced, whether it was Consolidated Fund or revenues of the colony? Section 12 of “The Aid to Public Works and Land Settlement Act, 1900,” provides: “No person from whom any part of the aforesaid moneys is raised, or who is the holder of any debenture, scrip, or other security in respect of such moneys, shall be concerned to see or inquire whether or to what extent the powers conferred by or under this Act have been previously exercised, or are intended to be exercised; and all moneys raised or purporting to be raised, and all debentures, scrip, or other securities created or issued, or purporting to be created or issued, under this Act shall, so far as concerns the lender or holder, be deemed to have been lawfully raised, created, or issued within the powers by this Act conferred in that behalf.” So far as your textual objection is concerned, that is more than covered by that clause, is it not?—If I had countersigned the debentures, the debentures would have been good security; but I would explain that if I, as a trustee investing in these debentures, observed that they expressed their security differently from the Loan Act, I should not be so well satisfied as I would be if the debentures accorded, as the Solicitor-General thinks it better they should accord, textually with the Act. It is declared by these debentures that the principal and interest are a charge on the Consolidated Fund of the colony. Now, the Act does not declare anything of the kind.

191. Would any words on the face of the debentures override the statute law?—I could not say whether it would without seeing the wording. I could not answer an abstract question like that satisfactorily.

192. But, supposing the debenture gave better security than the Act provides, would it prejudice the position?—If it was clear that the debentures expressly included the provision in the law it would be satisfactory.

193. It would not alter the law?—No; but in any case I should point out the discrepancy.

194. Now, if between the time of your first and second objection, or after the second objection, something arose which would prevent the debentures reaching London in time to pay the interest on the first coupons, would not that prejudicially affect the credit of the colony?—It depends upon circumstances.

195. You were told that such a thing might arise?—I do not know that I was told that. I was told they were urgently required to go by the mail.

196. Was it not your objection that stopped them?—I do not think I could have signed them in time. I might have been able to sign them, but I do not think I could. It was on a Saturday afternoon, the 24th August, I think. They came to me on mail-day, and it was a question whether I could have signed them or not in the time.

197. Was there any surprise expressed by the Treasury, when they went for them, that they had not been signed?—There may have been surprise.

198. Did you not sign some of them in the meantime?—No.

199. Have you ever signed debentures with the words “Consolidated Fund” on the face of them?—I may have, but I do not recollect.

200. Will you say that you have never signed debentures with the words “Consolidated Fund,” and not “public revenues of the colony,” on the face of them. I could not say whether I have or have not; I do not recollect.

201. Coming back now to the question raised in this case, have you not in many cases consulted the Solicitor-General?—Yes, it is my practice to do so when I think occasion requires me to take advice; and the Government never interferes with me in consulting him.

202. When you received the letter of the 13th April (No. 3) stating, “The question has been considered, and the Colonial Treasurer has been advised that there is nothing in the point raised by the Audit Office,” could you not have gone to see the Solicitor-General upon the question?—I could have done so, but I was not in a position to ask for advice then.

203. You had raised the objection?—I did not raise an objection. I had asked whether the point raised had been considered.

204. Before you sent the definite objection contained in letter No. 6, or after sending it, could you not have consulted the Solicitor-General?—I could, but I was so sure on the law then that I did not think there was any necessity to consult him.

205. You have said that you are of opinion that if you had had a chance of seeing the Solicitor-General, you believed you would have convinced him that you were right and he was wrong?—No, I said I believed he would not have given that opinion, because he referred to some cases in support of his argument which did not support it.

206. That is the basis on which you formed your opinion. Have you seen the Solicitor-General since your letter has appeared?—No, not upon that point, or this matter.

207. Supposing that you had seen the Solicitor-General and that he still stuck to his opinion, your statement that you could convince him he was wrong would be a fallacy?—I should think that I had been mistaken if he were to give the same opinion.

208. You said that you would object to any debentures with the same conditions. Since the Governor's Warrant was issued have you signed any debentures with the same conditions?—Under this Act?

209. Yes?—I do not think I have signed anything beyond the half-million of these debentures.

210. With the same conditions?—There have been no other issues under this prospectus beyond the half-million loan.

211. You are positive of that?—I am positive there are no more of the half-million debentures under these conditions.

212. Carrying interest at 4 per cent. before the date of issue?—There is a case before me now of debentures under another Loan Act, but I have not yet considered it.

213. If we show you that you signed them with this condition what would you say?—I should say that the Audit Office may inadvertently have passed it.

214. Once this point was settled by the Law Officer of the Crown and by the Governor against you, surely in the face of that you must acknowledge that your contention is wrong?—No. The law requires no interpretation. It is demonstrable whether a higher rate would be paid than the Act allows.

215. Why did you change your ground? In your letter (No. 6) you confined your objection to coupons bearing interest from the 1st April, 1901. In your answer to Mr. Allen you said that it was over the whole period. Why did you change your ground?—I did not change my ground. The amount in excess of the interest at the rate of 4 per cent. for the first half-year is the amount in excess of interest at that rate for the whole period.

216. Why did you not raise that point when the objection was raised?—The objection was really the same with regard to the whole period as with regard to the first half-year.

WEDNESDAY, 2ND OCTOBER, 1901.

Mr. JAMES BARNES HEYWOOD in attendance and examined. (No. 2.)

1. *Rt. Hon. R. J. Seddon.*] You are Secretary to the Treasury and Paymaster-General?—Yes.

2. In the beginning of the year the Government raised a loan of half a million of money?—Yes.

3. Was there not a prospectus prepared for that loan?—Yes.

4. Were you instructed by me to show that prospectus to the Controller and Auditor-General?—I do not remember whether you advised it should be done. I rather think you did, but I am not quite sure on the point.

5. Did you show it to the Controller and Auditor-General?—I am not quite sure whether I did or not.

6. Just to refresh your memory with regard to this prospectus, do you remember a conversation between you and me in which I said that I thought it would be advisable, in all the initial stages of these cases, that the Controller and Auditor-General should know what we were doing?—I think you made some observations of that sort.

7. At all events, the prospectus was shown to him and he was consulted with regard to it?—The prospectus was handed to him for any observations he might desire to make upon it.

8. In other words, he saw the prospectus?—He did.

9. You were asked a question as to whether you took it to him, or whether it was somebody else: supposing Mr. Warburton says you were the person who showed him the prospectus, is that correct?—If he says so I should think it is correct. I am not quite clear whether I showed it to Mr. Warburton or to Mr. Gavin.

10. Did anything come up at this interview about the prospectus respecting the prior date of the receipt of the interest before the deposit of the purchase-money?—If I remember correctly, the prospectus was left for consideration, and upon returning the prospectus attention was drawn to the doubt of the Audit Office as to whether the terms of the prospectus did not infringe the reading by the Audit Office of the provisions of the Loan Act.

11. In what particular was the suggested infringement?—That the concession made in the way of interest being paid from the 1st April, the instalments being paid subsequent to that date, the purchaser would receive a higher rate than the 4 per cent. authorised by the Act.

12. What would be your position: could you divest yourself of your official position when discussing the question with the Controller and Auditor-General?—No, not in the least.

13. Then, in discussing this question with the Controller and Auditor-General, were you there officially or privately?—I was there officially.

14. And if the Controller and Auditor-General said that what took place was in the course of an unofficial conversation that would not be a right construction?—I could not have a conversation there on the subject unofficially.

15. Have you been often directed by me without any official memorandum to see the Controller and Auditor-General upon different matters?—Oh, yes.

16. It is a frequent occurrence?—It is usual to do so if there is any doubt about the subsequent action of the Audit Office.

17. Then, when matters of the kind have arisen, instead of giving a written order, or putting it on record, I have said to you, "You had better see the Controller and Auditor-General"?—Yes.

18. And in speaking about this matter of the prospectus you were there in your official capacity as Secretary to the Treasury?—Yes.

19. Was there any alteration in the prospectus suggested by the Controller and Auditor-General?—I think not.

20. Was there anything said at that interview which you had with the Controller and Auditor-General that the securities should be on the public revenue, and not on the Consolidated Fund?—I do not think so.

21. When was that first pointed out?—I think that was pointed out in connection with another issue.

22. Was the first you heard of that when you received the memorandum from the Controller and Auditor-General that he had been directed by the Warrant of His Excellency the Governor to agree to countersign the debentures, notwithstanding the payment of the interest from the 1st April, before the payment of the deposits?—I think the Audit Office drew the attention of the Treasury to the wording of the debentures, as regards the charge against the public revenues of the colony, some little time before the receipt of the Governor's Warrant.

23. There is a letter here dated the 15th August, No. 12: "Determination of His Excellency the Governor with reference to question as to the lawful payment of interest from 1st April is attached, and the debentures are again submitted for your countersignature." You sent that letter to the Controller and Auditor-General?—Yes.

24. Then you received the following communication from the Audit Office on the 16th August: "It is declared by these debentures that, according to the Act by which their issue is authorised, 'the principal and interest are chargeable on the Consolidated Fund of the colony.' Subsection (3) of section 11 of the Act provides, however, as follows: 'The sum of money named in any such debenture, scrip, or other security, together with all interest payable in respect thereof, is hereby declared to be a charge upon and to be payable out of the public revenues of New Zealand'; and it is also declared in the prospectus of the loan that 'these debentures are secured on the public revenues of the colony.' It would appear that, in view of such discrepancy between the declaration in the debentures and the provisions of the Act and of the prospectus of the loan, the Audit Office would not be justified in countersigning the debentures. This objection to the form of the debentures was mentioned about two or three months ago, when a proof of the form was shown to the Audit Office": is that correct?—As I say in No. 14, "I think the Controller is referring to the Land for Settlements Act debentures." I think it was to those debentures that reference was made two or three months ago when a proof of the form of debenture was shown to the Controller and Auditor-General.

25. You are of opinion that the Controller and Auditor-General is incorrect or under a misapprehension in saying he drew your attention two or three months ago to this matter?—I am quite clear about that.

26. Now turn to page 2, No. 2, which is a letter from the Audit Office dated the 11th April, 1901: did anything transpire between you and the Audit Department in reference to the proposed payment of interest as from the 1st April, between that time and the time that you discussed the prospectus with him?—When the Audit Office expressed their doubts in regard to the legality of paying the interest in terms of the prospectus I immediately consulted the Solicitor-General upon the point, and he went carefully into the matter, and assured me there was nothing in the point raised by the Audit Office.

27. It was after you and the Audit Office had discussed the question that you consulted the Solicitor-General?—Yes.

28. And he advised you there was nothing in the contention of the Audit Office?—He did.

29. Did you communicate that reply to the Audit Office prior to the letter which you wrote? I see you sent a reply on the 13th April. I wish to be fair to the Audit Office in this respect, and I ask you, did you orally convey that opinion to the Audit Office?—I am not clear that I did so. I am not at all sure on that point. Some considerable time has elapsed since these occurrences took place, and I do not wish to state anything which I should not be justified in stating. I am not clear upon that matter, but I understood that the Controller was under the impression the Treasury felt it was correct.

30. At all events, you answered it by letter No. 3, of the 13th April: "The question has been considered, and the Colonial Treasurer has been advised that there is nothing in the point raised by the Audit Office." That reply was sent with the advice of the Solicitor-General?—Yes. Of course, that was the reply to the objection which was then raised. The objection had not reached a definite stage before the letter of the 11th April.

31. You sent a request to the Controller and Auditor-General, and said you would be pleased if he would be present at the opening of the tenders?—Yes.

32. To that you received the reply contained in No. 4, of the 18th April: "The question was asked under the misapprehension that the opening of the tenders in the presence of the Controller

and Auditor-General might imply his satisfaction as to the point raised. He will, however, be merely a witness to the opening of the tenders which may be opened in his presence." Beyond that, did you receive anything further from the Audit Office?—No.

33. Could you fix the date, or somewhere about it, when the prospectus was placed before the Controller and Auditor-General?—No, I could not.

34. At all events, between that date and the 11th April had tenders been called for the loan?—The prospectus was issued just prior to the 2nd April.

35. Did Mr. Warburton attend and render very valuable assistance in dealing with the tenders?—Yes; Mr. Warburton was present at the opening.

36. Did he take exception at that time, or mention anything about this, or indicate in any way that he was going to raise the question as to the payment of six months' interest as from the 1st April?—I do not think he did.

37. There was a minor question or two about the prospectus raised when the prospectus was looked at?—At the time of the opening of the tenders?

38. Just to recall to your memory, was there anything said in respect to the right of persons to make applications—as to preference?—I think there was some mention of that sort, and some expression as to the domicile of the cheques, and to a few other matters of that sort.

39. I am only asking this to show the prospectus did come up at the meeting?—Yes.

40. I think Mr. Warburton had got a copy of the prospectus?—Yes. He brought with him a copy of the prospectus attached to a form which he used while assisting at the opening of the tenders.

41. Nothing transpired which would lead to the impression that I, as Colonial Treasurer, should infer that the Audit Office would object to countersigning the debentures on account of the payment of the six months' interest, commencing on the 1st April?—I am not aware. You were present, and could answer better than I could.

42. I am not giving evidence. Had you received from the Audit Department, before you got this letter of the 11th April, a decided opinion upon the matter?—I had not.

43. Were the scrip-certificates sent to the Controller and Auditor-General?—Yes; they were sent up for his countersignature.

44. On what date were they sent up?—From time to time as they were issued.

45. The countersigning of the certificates would practically result in an absolute committal?—Yes, decidedly. The terms of the scrip stated the scrip would be changed for debentures as soon after issue as practicable.

46. Then, any person knowing the prospectus and signing the certificates must have known that was a committal of the colony to the debentures bearing interest from the 1st April?—That would be my opinion of the position.

47. If the Controller and Auditor-General stated he did not receive the advice tendered to the Government by the Solicitor-General, to the effect that the payment of the first six months' interest was legal, would that be correct?—You mean the opinion expressed in No. 8; if so, that would be correct.

48. In No. 3?—In connection with his first objection?

49. Yes?—I have already stated that I have an impression that the Audit Office were aware that the Solicitor-General did not think there was anything in the point raised, but whether I am correct in my information or not I cannot say. The matter was put in writing, and on the 11th April we got the objection of the Audit Office, and on the 13th April the answer was given in writing.

50. Could there be any other interpretation of No. 2 than that was a notification that the Solicitor-General had advised the Government that the debentures were legal?—This must be the interpretation of that minute.

51. When the Controller and Auditor-General informs the Treasury that he will not sign what is the next step taken?—The next step is to consult the Solicitor-General as to whether the contention of the Treasury, as opposed to the objection of the Audit Office, can be upheld by law; and if the Solicitor-General advises the Treasury that their contemplated action is good at law the result is that the course indicated to be pursued in such cases by the Public Revenues Act has to be followed—that is, the opinion of the Solicitor-General is submitted to His Excellency the Governor, who considers the matter, and decides whether he shall agree to issue his Warrant.

52. As a rule, do the facts within your knowledge go to prove to you that the Controller and Auditor-General is likely to change his opinion after the Solicitor-General has given his advice?—As a matter of experience, I think there is little chance of his opinion changing.

53. Gauged by past experience?—Gauged by past experience.

54. Then, you consider the objection taken by the Controller and Auditor-General, and given to you on the 11th April (letter No. 2), as being final?—No, sir, not at that point. I do not consider that would be final.

55. Which is the communication that you consider would make the objection final?—That would be on No. 6, when the narration of the debentures had been sent to the Controller, together with the debentures, for his countersignature.

56. Did you receive anything further from him on the matter prior to His Excellency the Governor being asked to issue his Warrant?—I received his objection on the 29th July, No. 6.

57. Did you take that to be final?—Oh, yes; that is the objection upon which we asked the Solicitor-General to advise us.

58. You referred that to the Solicitor-General?—Yes, on the same day.

59. When did he so advise?—On the 12th August following.

60. Now you have got the advice of the Solicitor-General, I ask you, from your experience of

the finances of the colony as Secretary to the Treasury, do you concur in that opinion?—I do, undoubtedly, upon the reading of the law as regards the use of the word "price."

61. You disagree with the opinion of the Controller and Auditor-General—the Solicitor-General's opinion speaks for itself?—Yes.

62. Now, taking No. 6, the opinion of the Controller and Auditor-General, what is your reply to his contention—your reply as a financier?—Well, in No. 6 the Controller seems to confine himself to the interest which would be yielded upon the payment of the first coupons—that it would result in yielding to the purchaser a higher rate than 4 per cent. per annum on the purchase-money, contrary to the provisions of the Act. That objection is very much enlarged and the position is altered almost completely in the *résumé* of the whole matter by the Controller in his letter No. 29, where he does not confine himself to the interest payable on the first coupons. But, dealing with his contention as regards the first coupons, which he states "will result in yielding to the purchaser a higher rate than 4 per cent. per annum on the purchase-money, contrary to the provisions of section 10 of "The Aid to Public Works and Land Settlement Act, 1900," I was then clearly of opinion that in using the word "price" in that section the Legislature intended to use the words "price of issue." It seems to me quite obvious that if the price yielded to the purchaser must be limited to the interest named in the Act there would be clearly, at times, no possibility of floating a loan at all. Therefore my opinion is that, so long as the "price of issue" does not exceed the rate named in the Act, the concession, or recoupment, or whatever term may be used to express the inducements which are allowed in the contracts entered into with the would-be purchaser, are clearly within the law.

63. What has been the practice and custom?—The practice and custom, as far as I am aware, has been of a similar nature to that pursued by the Treasury in the present instance—that they invite tenders by the aid of a prospectus setting out various inducements to investors.

64. Have there been any debentures with similar conditions attached thereto during the time that Mr. Warburton has been Controller and Auditor-General, and when the law was the same, to which exception has not been taken?—Yes, several.

65. What construction do you put upon these words which are used by the Solicitor-General, and which appear in the last paragraph but one on page 4 of the paper: "I desire to guard myself from being supposed to hold that these concessions and discounts may lawfully be granted without limit. They may be so excessive as to amount to an unlawful evasion of the Act"?—I should put the construction upon that paragraph to mean that if the concessions or discounts were made to an extent which on their face would be excessive, and therefore improper, they should not be allowed. It is a question of intention and degree. I am a layman, and cannot pretend to construe the law, but I have been told that the law does not take heed of very small matters, and that that is a common axiom of the law. I believe there is such an axiom as *Deminimis non curat lex*, and no doubt some lawyers who are present are aware of this maxim. That is supposed to govern this question of intention and degree—that where a matter is very trivial the law will not necessarily take cognisance of it.

66. At all events, the custom has been to offer slight inducements in the payment of interest?—Yes.

67. And that has never been questioned?—I look upon the raising of a loan as upon the disposal of a commodity which you want to place before the public. It is very much on the same lines as a wholesale dealer in a mercantile business would take. If you want the money and there are plenty of people with money, you will get it on easy terms; but if you want money and there are only one or two individuals who have it for sale, then you will have to pay more for it; and if you put in terms of inducement in your prospectus the purchasers will be more likely to come along. That is the principle which governs all these matters. It is very much the same throughout all the world, as is obvious to those who have studied the matter.

68. The refusal of the Controller and Auditor-General to countersign these debentures of serious moment?—It was of very serious moment.

69. Will you explain to the Committee how?—Well, from various causes, principally from congestion of work in the Printing Office, the debentures were very much delayed in their issue, and the interest on the first coupon was falling due. A large proportion of the money for interest was payable in London, and therefore it was of the greatest concern to the Treasury that the debentures should be issued in sufficient time for the purchasers to transmit the debentures to London. This objection raised by the Audit Office imperilled the possibility of the debentures reaching London in time for presentation of the first coupons upon their due date. I may further add that the action of the Audit Office in this matter absolutely caused many debentures not to reach London on their due date.

70. Was there time for these debentures to be countersigned before the departure of the mail after the Governor's first Warrant was issued?—Yes, there would have been.

71. Were you led to believe, directly or indirectly, that the Controller and Auditor-General was going to sign these debentures after the first Warrant was issued?—I was distinctly of opinion that he was signing them.

72. What led you to that belief?—I had no idea of any other objection. The objection raised was met by the Governor's Warrant, and therefore I concluded they would be signed.

73. Do you recollect informing me that you understood he was signing them?—I distinctly remember telling you that.

74. You had reason to believe that the Controller and Auditor-General was signing the debentures so as to get them away by the mail?—I was distinctly under the impression that he was signing the debentures, or about to sign them, and we made arrangements that one of our clerks should help him while countersigning them.

75. You thought it was all right, and that you would get them away by the mail?—Yes.

76. What was the first you knew of the cause of delay?—The question of the variation in the terms of the debentures from the terms of the prospectus as to the interest being charged on the Consolidated Fund instead of on the public revenues.

77. On what date were they sent for countersignature?—Apparently on the 29th July. That is the date I should say they were sent up, but I have not a memorandum of the exact date. It would be about the 29th July, or a day or two before. I am not quite sure without referring to the papers.

78. When was the Governor's Warrant sent to him?—It appears to have been sent on the 13th August. [See No. 12.]

79. The first notification you got that he raised further objection was by the letter dated 16th August?—Yes.

80. Have you any recollection as to the date the mail closed—would it be on that date?—I could not charge my memory with that. It is not exactly the date from here, but the date they would reach Australia, as they were going by that route.

Hon. Sir J. G. Ward: Saturday was the 17th August, and there was a mail to leave Australia for London six days after.

81. *Rt. Hon. R. J. Seddon*.] At all events, the first you knew of the second objection was by the notification on the 16th August?—Yes.

82. Was anything said, to your recollection, that you wanted to get these debentures signed so as to be sent away by the mail?—Oh, yes. The Audit Department were told that there was a great necessity for their being immediately countersigned, so that they could be sent away.

83. And there was time for that to have been done?—Yes.

84. After the first Warrant was sent up?—After the first Warrant was sent.

85. You knew first by this letter of the 16th August, which raised the question of "Consolidated Fund" being on the debentures instead of "Public revenues of the colony," of the objection raised?—Yes.

86. Had you heard anything, or been led to believe during the controversy on the other question, that this further objection would be raised?—I could not charge my memory that this was pointed out to me.

87. Were you taken by surprise?—I was taken completely by surprise.

88. Is there another instance of a case in point where the Government has determined one point in respect to a matter in dispute that objection should be raised in respect to another point?—I have no recollection of anything of the sort.

89. Would it be very inconvenient to have objections taken at different times and under different headings?—I should say it would be most inconvenient.

90. In your opinion, months before the question of these debentures arose, had the same point been mooted by the Audit Department: if the Controller and Auditor-General says so, is that correct?—We had the Controller raising objection to some similar debentures under a different Act.

91. Did he pass those debentures?—No; I think they were altered.

92. To what debentures do you allude?—To the debentures under the Land for Settlements Consolidation Act. I think the alteration was made prior to this question cropping up.

93. Then, it was not a new thing for the Controller and Auditor-General to raise this question with regard to debentures?—No; he had drawn attention to it before, but I did not consider he would deem it of such grave importance as to make an objection to the debentures submitted to him under the Aid to Public Works and Land Settlement Act. I did not consider there was any likelihood of his making any grave objection to the words in which the debentures had been written. The Land for Settlements Consolidation Act debentures were altered because we had plenty of time to do it. He pointed out the discrepancy, and so I had the alteration made.

94. How came it to be overlooked in these other debentures? Was it because you did not think it was of any great importance?—No; those particular words were overlooked. The wording of those debentures in that particular direction was the wording which had been used in the issue of previous debentures. We followed the same wording as had been used for some time past in other debentures.

95. Did the Controller and Auditor-General insist upon the alteration in the previous debentures under the Land for Settlements Act?—He did not insist upon the objection. He pointed out the discrepancy, and I was pleased to accept the suggestion from him, and the debenture form was altered.

96. The first form was continued as far as these debentures were concerned?—Yes.

97. And the matter was overlooked?—Yes.

98. *Mr. W. Fraser*.] By the Treasury or by the Audit Office?—By the Treasury.

99. *Rt. Hon. R. J. Seddon*.] These words were in the prospectus which was before the Controller and Auditor-General during your interview?—The wording of the Act was written in the prospectus; but, as Mr. Warburton mentions, "It would appear that, in view of such discrepancy between the declaration in the debentures and the provisions of the Act and of the prospectus of the loan, the Audit Office would not be justified in countersigning the debentures."

100. In the prospectus the wording was "public revenues"?—Yes; the wording according to the Act was in the prospectus.

101. The first you knew of this point being raised as to the difference between public revenues and Consolidated Fund was when you received this letter of the 16th August, and too late to get the correction made?—Yes, too late to get the correction made.

102. Who draws up the form of debentures? Are they submitted to the Law Officers?—They are submitted to the Law Officers.

103. Does this slight discrepancy between the wording of the Loan Act and the wording

of the debentures in any way detrimentally affect the security?—Not in the slightest degree, in my opinion.

104. On what do you form your opinion?—There is a provision in most Loan Acts, and in this Loan Act, section 12, to this effect: "No person from whom any part of the aforesaid moneys is raised, or who is the holder of any debenture, scrip, or other security in respect to such moneys, shall be concerned to see or inquire whether or to what extent the powers conferred by or under this Act have been previously exercised, or are intended to be exercised; and all moneys raised or purporting to be raised, and all debentures, scrip, or other securities created or issued, or purporting to be created or issued, under this Act shall, so far as concerns the lender or holder, be deemed to have been lawfully raised, created, or issued within the powers of this Act conferred in that behalf." I think that entirely secures the holders from any error that may have been made in the debentures, if there was any error, which I do not admit.

105. Then, if you were a trustee or a person investing money you would not consider that the difference between the two would in the slightest degree affect the security?—Not in the slightest degree. The Committee would be surprised if they saw the variety of terms which are used on the face of debentures. They are most varied.

106. That is, with the law as it is at present, and taking debentures of the past?—Yes. There is a wonderful variety in the expressions, but they all mean the same thing.

107. This question of form is not important?—The question of form is important, but the express charge of the debenture against the public revenues of the colony is not important. It is not for the debenture to charge the revenue; it is the Act which charges the revenue.

108. Then, in spite of everything that may appear on the face of the debenture, it is the Act itself which charges it on the public revenues?—Yes, quite so.

109. Is there any Act of the General Assembly defining the term "public revenue"?—I do not think there is.

110. Using the term "Consolidated Fund" as against the term "public revenues," are there moneys which would be chargeable upon the one which would not be chargeable upon the other—say, if you put a Receiver in charge?—The answer to that is that if you put a Receiver in he would be guided by his own interpretation of what the public revenues were.

111. The point I want to get at is this: Is the security weakened by "Consolidated Fund" being used in lieu of "public revenues of the colony" in the debentures?—I am clearly of opinion that the intention of the Legislature was to charge it to the Consolidated Fund.

112. As regards the position of the Solicitor-General, is the same rule adopted as during the time of the late Controller and Auditor-General?—I think so.

113. Is the law the same and the practice the same as when we had Mr. FitzGerald as Controller and Auditor-General?—I suppose you mean, is the practice the same for the Solicitor-General to be consulted?

114. I can only ask you a general question. For how many years has the law been that, in case of dispute between the Controller and Auditor-General and the Treasury, the Solicitor-General settles the point?—I never looked that up absolutely, but it must go back to a very early date of the Public Revenues Act. It must have been before 1878, at all events. The Act of 1878 is the principal Act, and it would be most probably before that.

115. What was the practice when Mr. FitzGerald was Controller and Auditor-General and you were Secretary to the Treasury? On the Solicitor-General's advice being given was this repeated issue of Governor's Warrants required?—No. The contentions between the Audit Office and the Treasury were very few and far between. In fact, my memory does not serve me to recall any instance of a Governor's Warrant or papers being laid on the table of the House owing to a contention between the two offices. I have no recollection of that being done.

116. *The Chairman.*] It is a question of whether these questions were pursued to such extreme refinement?—Certainly not.

117. *Rt. Hon. R. J. Seddon.*] In other words, if Mr. FitzGerald had satisfied himself on consultation with the Law Officers that he had taken a wrong view he would give way?—I will not say that.

118. Did he force matters to the bitter end?—No, certainly not. Mr. FitzGerald was a man of very broad ideas, and had the welfare of the colony and the conduct of public business at heart. He considered the good of the country and the benefit to the public interest in matters of opinion of his own before pressing to a conclusion those opinions which he might hold to be contrary to public policy.

119. *The Chairman.*] You mean his primary function was to facilitate rather than impede?—Yes; that is it.

120. *Rt. Hon. R. J. Seddon.*] Has the course taken by the Controller and Auditor-General in this matter embarrassed the administration of the colony?—I think so, very materially, as we have not been able to fulfil contracts into which we entered in the proper businesslike way in which we ought to have carried them to a conclusion.

121. Has the Controller and Auditor-General the same facility for consulting the Law Officer that you have in respect to these matters?—I always understood so.

122. Is there any recommendation or suggestion you could make to alter the law that would be a preventive against these repeated references to the Governor and to Parliament?—No, sir; as long as the Controller and Auditor-General interprets the law in his own way, and adheres to such interpretation, I see no other course that can be followed.

123. Then, in your opinion, there must be some tribunal to decide between the Audit Office and the Treasury, or otherwise the administration would be embarrassed?—Administration would be absolutely and entirely stopped, and business could not be conducted properly.

124. Take this case in point: Supposing there had been no power to get a Warrant, and after

we issued the scrip we could not issue the debentures, would not that force default upon the colony?—Yes; without special legislation being passed.

125. It required an authority to intervene to decide the matter, or special legislation or default?—Yes.

126. Supposing this happened during the recess, and there was no power to get legislation, there must be default?—There must be if there was no Governor's Warrant issued.

127. Touching the laying of these papers on the table of the House, did you receive any notice about that, and when?—A typewritten copy of the papers was brought down to the Treasury by a clerk, as had been done on previous occasions. I do not think there was any intimation that the papers would be laid on the table on the day on which the copy was brought to the Treasury; but, of course, the Act provides that the papers shall be forthwith sent to the Speaker of the House of Representatives.

128. Did you receive notice on the same day that they were laid on the table of the House?—Yes.

129. There is a letter here reviewing the whole case on the 26th August: has it been customary to have the Governor's decision reviewed?—In looking up former Warrants and correspondence relating to laying papers on the table of the House, it would appear that the Controller has written a final letter to the Colonial Treasurer at the time he was transmitting the papers to the Speaker, and in the case of the five Warrants such letters simply drew the Treasurer's attention to the fact that he was laying the papers before Parliament. There was no particular point raised in most of the other letters. But this letter has a peculiar feature of its own. It is a change of front in the objection of the Audit Office, and traverses the whole of the Governor's Warrant, and really it should have been submitted to the Solicitor-General for his opinion upon it if there had been time, but the papers were being transmitted to the Speaker at the time I got this letter.

130. There was no time for the Colonial Treasurer to give an answer between the time when you received a copy of the papers and the time of their being laid on the table of the House?—No.

131. Will you point out to the Committee where this changes the feature of the objection?—This letter does not confine the objection to the first coupon. This objection is based upon the fact that the Audit Office is of opinion that the interest of 4 per cent. per annum running over the whole period of the currency of the loan would be exceeded so far as the purchaser is concerned, owing to the concession made in the contract between the Treasury and the purchaser.

132. Has it been the custom in the issue of loans that the payment of interest commences at a date prior to the tenders being accepted?—It is not an uncommon custom; but there is a great deal more than that in the question of the first coupon. The interest is allowed upon the full payment of the face value of the debenture, whereas the purchaser in ordinary cases pays his instalments at various dates, and therefore he gets a concession in that way. There is no concession which is entirely apart from the concession which is made where interest is dated before any instalment is made.

133. *The Chairman.*] Has it ever been mentioned in the prospectus as to the instalments the tenderers were to pay?—It was mentioned in it.

134. *Rt. Hon. R. J. Seddon.*] Debentures with the same conditions have been approved by the present Controller and Auditor-General?—As to interest running before any instalment or deposit has been paid? I would like to see the prospectuses before making an answer, for I am not sure upon the point.

135. Does it materially change the situation as from the kind of objection which was first taken, and spreading it over the whole period as now?—The effect from the Audit point of view would be the same; but I read No. 6 memorandum to be confined to the objection as to the amount of interest placed upon the first coupon, whereas in No. 9, a letter of the 26th August, I take the Controller's exception to be that the rate of interest to the purchaser is beyond the limit allowed by the Act in consequence of the general result of the contract entered into.

136. In the loan of 1879 there was a margin of 1 per cent. in excess of the first coupon spread over the whole period, and that brought it to less than the interest then stated?—Is that a long-dated loan?

137. Yes?—This is a very short-dated loan.

138. I will put it this way: Would it be possible to take a good margin of interest and spread it over the whole of the coupons for the full period of the loan, and there would be no excess at all?—If there is a margin it would be quite possible, but there is no margin in this case. They are issued at the limit rate. Therefore, according to the interpretation of the Audit Office of the "price" named in the section quoted, one penny-piece given to a man would put him beyond the limit.

139. It has been suggested that you should pay this out of "Unauthorised"—that it would be all right if the debentures had been issued and approved if we paid this out of "Unauthorised"?—I should be very much astonished if the Audit Office passed it. If their interpretation of the law is that the payment of interest will yield to the purchaser more than 4 per cent., it seems to me wherever we charged the money the Audit Office would not allow it.

140. *The Chairman.*] The same objection would meet you at every point?—Yes.

"The Public Revenues Act, 1901."—Correspondence relative to debentures for £500,000.

WEDNESDAY, 10TH OCTOBER, 1901.

JAMES BARNES HEYWOOD in attendance, and further examined. (No. 3.)

1. *Rt. Hon. R. J. Seddon.*] Does "public revenues of the colony" include "Consolidated Fund"?—The Consolidated Fund consists of public revenues. The consolidated revenue is a portion of the Public Account.

2. Is there any difference of security under the term "public revenues" and under the term "Consolidated Fund"—in other words, is one a better security than the other?—Well, the public revenues of the colony are usually considered to be moneys consisting of revenues which are paid into the Consolidated Fund Account. There may be, and in fact there are, receipts which are a portion of the public revenues of the colony—receipts in connection with the Colonial Exchequer which are outside the Consolidated Fund.

3. Where does the revenue from the Land for Settlements Act go?—Into the Land for Settlements Account.

4. Does it not go into the Public Account?—It goes into the Public Account.

5. Is not this a security for the debenture-holders under this loan which we are now considering?—If the guarantee is on the public revenues of the colony.

6. Take the Advances to Settlers Act: does the revenue under that Act go into the Consolidated Fund?—No.

7. Then, it goes neither to the Public Account nor to the Consolidated Fund?—No.

8. An account separate in itself?—Yes.

9. Irrespective of whether the debenture states that it is public revenues, or Consolidated Fund, or Public Account, the debenture-holder is secured by the Act?—The position of the debenture-holder is secured by the Act.

10. Irrespective of what may appear on the form of debenture?—So I should read the Act to mean.

11. This is not the first time that "Consolidated Fund" has appeared on the face of the debenture form?—That was the common expression used in charging debentures of former years.

12. It has not been taken exception to previously?—No.

13. Have you any suggestion to make, Mr. Heywood, that would prevent this constant repetition of reporting to Parliament, and delay, and, in this case, inconvenience and loss?—No, sir, I know of no suggestion that I could offer, except a more liberal interpretation by the Audit Office.

14. There has always been an intervening power as between the Treasury and the Audit Office so as to enable cases of this sort to be dealt with?—Yes; the Attorney-General's opinion is sought for if the matter is one of law, and then the matter is settled by Governor's Warrant if necessary.

15. You have heard a suggestion that the Controller and Auditor-General might have recourse to legal advice independent of the Law Officers of the Crown: what is your opinion on that suggestion?—I am scarcely in favour of that, but should not like to give a decided opinion without considering the bearings of such an important innovation. I may say, however, I think that, as the Solicitor-General occupies the position of the highest officer to whom the Government can appeal on questions of law, it would scarcely be compatible with the dignity of the Government, or with the high position of the Solicitor-General, to have a conflict of advice in a matter which is purely a matter of one department having one opinion and another department a contrary opinion.

16. Would it not carry with it the danger of an irresponsible person advising on a question of importance?—It would possibly have that effect. In fact, the whole scope of such an innovation would require very careful consideration before being entertained.

17. At all events, the present practice has been in force for many years?—Yes.

18. Has there ever been a case previously where the Crown has not been able to meet its coupons at due date through the action of the Controller and Auditor-General?—Not that I am aware of. I never heard of such a thing.

19. This is the first case?—Yes.

20. Was there a mail missed through the Controller and Auditor-General not countersigning these debentures?—Some of the debentures due in London on the 1st October could not have reached London on the 1st October owing to the delay consequent on the want of countersignature of the debentures.

21. What was the effect of that?—That the interest could not be paid on the due date.

22. Is this the first time of that occurring, in your recollection?—Yes.

23. Of not being able to meet the interest on the due date, being caused by the debentures not being countersigned in time to go by the mail?—Yes.

24. Was the Governor's Warrant sent to the Controller and Auditor-General in time for him to countersign the debentures?—The first Warrant?

25. Yes?—I think so.

26. When the first Warrant was sent up to him to countersign the debentures what caused the delay then, and what was the reason given by the Controller and Auditor-General for not acting under the Warrant of the Governor?—The debentures being made a charge on the Consolidated Fund instead of upon the public revenues of the colony.

27. In other words, instead of countersigning the debentures he raised another objection on another ground?—Yes; an entirely new ground.

28. Had the Controller and Auditor-General indicated to you after the issue of the Governor's first Warrant that he would object to countersign the debentures?—No.

29. He had not so signified?—No.

30. Then, you were taken by surprise at the second objection at that stage?—Yes.

31. *Mr. Guinness.*] In submitting the question in dispute to the Law Officer of the Crown, do you only hand to him the actual documents as shown in this correspondence?—Only the documents, with any observations that may be considered by the Treasury to be a guidance to the Solicitor-General.

32. Do you submit to him only the written documents or facts stated in this correspondence, or do you supply him with verbal information about, or in connection with, the matter in dispute?—Nothing more than is shown in the correspondence.

33. How is it that the Solicitor-General, in the opinion given by him, second paragraph on page 4 of these papers, knows anything about the price of the loan of 1879, and also of that of 1899?—That information was obtained from the Treasury at his request.

34. There is nothing in the correspondence to show it has been supplied to him—you see what I mean?—I do not quite gather the meaning of the question. I may help you by saying that any information which the Solicitor-General asks for, consequent on the correspondence being submitted to him, is always given to him by the Treasury to guide him as to the facts of the case.

35. Then, are we to understand that, this correspondence having been submitted to him, he asked whether there were instances before of loans being issued in this way?—Yes, he did ask that. You will understand I was correct in stating that only this correspondence was submitted to him. These other matters were subsequent.

36. *Mr. W. Fraser.*] I want to clear up this point about default in payment of interest on due date. I understand you to say, in answer to the Premier, that default was made by the colony not paying interest on the due date?—So far as I could gather from the mail notices, the interest-coupons could not be presented on the due date in London.

37. That is not my question. I want to know whether you say they were not paid?—I can only speak as far as the mail notices show.

38. Do you know of your own knowledge that default was made in the payment of interest in London on the due date?—Of course, I cannot tell that.

39. Have you heard that default was made?—No.

40. Then, for all you know, interest may have been paid on the due date?—I cannot conceive it was possible to do so.

41. You cannot speak from your own knowledge?—No; but it is not conceivable that it could have been paid.

42. You said just now that after the Governor's Warrant had been issued a new point was raised by the Controller and Auditor-General, which took you by surprise—a point as to the form of the debenture?—Yes.

43. Was that a new point? Had the question as to the form of the debenture ever been raised before?—It had been raised in connection with another debenture under another authority.

44. Are all debentures a charge upon the revenues of the colony?—Not as to the wording of the charge in the debentures.

45. What was the form of the debenture to which exception was taken by the Controller and Auditor-General?—It was charged against the Consolidated Fund.

46. In connection with what loan?—The loan under the Aid to Public Works and Land Settlement Act.

47. I want to know under what Act previous debentures had been issued to which the Controller and Auditor-General made objection?—The Land for Settlements Consolidation Act.

48. Is the debenture borrowing money under the Land for Settlements Act to be charged against the same security as those under the present loan?—Yes.

49. Then, the form of debenture should be the same in both cases?—It would be best presumably, but the Solicitor-General has given the opinion that the security would be the same.

50. Then, I want to know how it came to pass, if this objection was taken to the form of debenture two or three months prior to the issue of the Governor's Warrant, and that the form of debenture was altered in conformity with the request of the Controller and Auditor-General, that you can now say it is a new point when the same objection is raised to these debentures on the same point?—Because the wording of the debenture usually used was continued. The wording of the debenture was the same as that used in the form of debenture to which the Audit Office objected previously. It was submitted to the Audit Office in that form, but they did not then take any exception to it. It was only pointed out when the second objection was made.

51. To put it in another way: do you not think it probable that the Controller and Auditor-General, having taken that objection to a previous form of debenture, would take a similar objection to this form?—It never occurred to me. I had forgotten the fact that the words in this debenture were the same as those to which the Audit Office had objected previously.

52. Then, would it really be this: that the form of debenture in the loan under discussion was faulty through an omission which the Controller and Auditor-General had objected to previously?—I think I may say it was the omission; but it was the form used constantly for years past in other loans.

53. I think it is only fair to the Auditor-General to clear up this point; you urge the springing of a new point upon you, and I want to know whether that was a new point. It was only because you had forgotten about the previous objection?—It was a new point distinctly, because I did not anticipate that the question would be raised.

54. Did that constitute a new point?—As far as this debenture is concerned, clearly a new point. The Audit Office in its first objection is supposed to state all its objections in the matter before it, and therefore I may fairly say the second objection came as a surprise.

55. In answer to some question put by the Premier about the concession in interest, you

stated, if I recollect aright, that this concession would be offered as an inducement to the lender?
—Yes.

56. These concessions were not strictly legal?—I think they were quite legal.

57. Absolutely legal?—Yes.

58. Have you read the Solicitor-General's opinion on the matter?—Yes.

59. Does he say they are absolutely legal without limit?—No; he seems to say that the limit might be made so excessive as to become illegal.

60. Do you agree with that opinion, that the question of limit or degree has anything to do with the legality or illegality?—I think that is not at all a fair way to look at it. The margin allowed by custom and practice might be pushed to such an extent as to constitute an illegal transaction.

61. Do you not think, if these concessions have to be made, and that they are only slight as is stated, that it would be better to alter the law to enable the concessions to be made in legal form rather than evade the law?—I have a very strong opinion as to altering the law.

62. What do you mean by that?—I have the opinion that in connection with the raising of loans the law should not have such restrictive provisions in it.

63. Do you believe that the law should be altered?—The Solicitor-General is of opinion that the action taken in raising this loan has been legal, and therefore there is no necessity to alter the law.

64. I am asking you, do you consider the law should be altered to enable these concessions to be made?—I think there should not be a possibility of doubt as to whether the Government of the day, when making concessions, should be able to make them legally.

65. Would that involve an alteration in the law?—If there are restrictive clauses in it they should be removed.

66. Do you mean that the law should be altered so as to give the Government absolute discretion as to the statements to be made?—I do.

67. And also that the Government shall have absolute discretion as to rate of interest at which a loan shall be raised?—Distinctly so.

68. Then, if there is any doubt about these points, you think the law should be altered to remove that doubt?—Yes; I think it would be most advisable.

69. If the law were altered in that direction the objections raised by the Controller and Auditor-General would not be raised?—No.

70. It would not be a possibility?—No.

71. Did I understand you to say that you were present when the debentures were being opened?—I was.

72. And that the Auditor-General took no objection to the form of debenture on that occasion?—He did not.

73. On what date were the tenders opened?—On the 23rd April.

74. Was not the letter of the 18th April an avowed expression of intention on the part of the Controller and Auditor-General that he might take exception to the concessions, when he says, "The question was asked under the misapprehension that the opening of the tenders in the presence of the Controller and Auditor-General might imply his satisfaction as to the point raised. He will, however, be merely a witness to the opening of the tenders which may be opened in his presence"?—Yes.

75. Is not that a guarded letter?—Yes, guarded.

76. Guarded from the interpretation that he approved of everything that had taken place?—It might be read so, of course.

77. *Mr. J. Allen.*] Could you tell us the date when the original form of debenture under the Land for Settlements Act was objected to by the Controller and Auditor-General?—I could not tell you the date.

78. Somewhere about?—I think it is mentioned in this correspondence—about a couple of months before this objection was raised.

79. Is the statement by the Controller and Auditor-General in his letter No. 13, on page 6, "This objection to the form of the debentures was mentioned about two or three months ago, when a proof of the form was shown to the Audit Office," correct?—I have no doubt that would be correct.

80. Then, it was two or three months before the 16th August?—Yes; quite possibly.

81. Was it May or June?—As I have said, I could not tell you the date.

82. Somewhere about, then?—It may have been. More likely June than May.

83. Then, was it in June that the debentures under the Land for Settlements Consolidation Act were submitted to the Controller and Auditor-General, and he objected that they contained the words "Consolidated Fund" instead of "public revenues of the colony"?—It would be about that time.

84. Who drafted the form of debenture under the Aid to Public Works and Land Settlement Act?—It was drafted in the Treasury, as usual.

85. On what date?—I could not tell you.

86. About the date?—I could not tell you.

87. Later than June?—I could not tell you.

88. Was it in the year 1900?—No; in 1901.

89. Before May, 1901?—I should like to have an opportunity of refreshing my mind on the matter by referring to the documents. I really do not carry the dates about in my head.

90. Was it before April?—I do not remember.

91. I understood you to say that in June, or about June, the Controller and Auditor-General objected to a similar debenture under the Land for Settlements Consolidation Act?—He objected to the form of debenture under the Land for Settlements Consolidation Act.

92. Why?—Because the wording therein was that the security was a charge upon the Consolidated Fund.
93. Instead of what?—On the public revenues of the colony.
94. Was this debenture under the Aid to Public Works and Land Settlement Act drafted at that time?—I do not think so.
95. Not drafted in June?—I do not think so.
96. Would it be drafted on the 23rd April, when the tenders were opened?—No.
97. Could the Controller and Auditor-General see it on the 23rd April?—No.
98. Could he have raised an objection then?—He could not have raised an objection to the form of debenture at that time.
99. When did he first see the debentures?—Probably between the 27th and 29th July.
100. Was that the first time that he saw them?—Well, I should say so. I am not at all sure whether he saw the debentures before then.
101. Are you sure he saw them between the 27th and 29th July?—That is quite clear if you will look at Nos. 5 and 6 of the correspondence.
102. This form of debenture was drafted on the 27th July?—Some considerable time before that.
103. Was it drafted in June, then?—Without reference to the papers I could not say whether it was in June or July. I should say it was more likely towards the end of June.
104. Did your memory fail you as to what took place in regard to the matter in June or July?—As to what?
105. As to the form of debentures. I am talking of the two forms of debenture—one under the Land for Settlements Consolidation Act and the other under the Aid to Public Works and Land Settlement Act. He objected to the first because it was not textually in accordance with the Act under which it was issued?—Yes.
106. Was the other debenture drafted on the same day?—Oh, no.
107. What difference in time was there between the drafting of the two forms of debentures?—I could not tell you without looking up the papers.
108. Was it a month?—I could not tell you offhand.
109. At all events, you say the Controller and Auditor-General objected to a similar form of debenture?—Yes; to a similar form of debenture issued under another Act.
110. Knowing the Controller and Auditor-General objected to that form, why did you prepare another in similar terms to that to which he objected?—I do not know why that was done. As I have already told the Committee, it was the form which had been used before, and these words were allowed to remain in.
111. What was the form objected to by the Controller and Auditor-General?—The debenture issued under the Aid to Public Works and Land Settlement Act.
112. Was an objection made to another form of debenture under another Act in exactly similar terms?—The terms were not similar, but that does not matter.
113. Not as regards security?—No.
114. What is the difference?—The form of debenture was somewhat similar to that under the Aid to Public Works and Land Settlement Act.
115. What was the security under the Land for Settlements Consolidation Act?—The security was a charge on the public revenues of the colony.
116. Under the Aid to Public Works and Land Settlement Act?—On the Consolidated Fund in the form of debenture.
117. Was the form in the previous case objected to by the Auditor-General altered?—Yes.
118. Was it in May or June?—I could not say.
119. Was it after that previous form of debenture was altered that the debenture under the Aid to Public Works and Land Settlement Act was drafted?—Yes.
120. Was that similar to the debenture under the Land for Settlements Consolidation Act?—Yes.
121. I ask you why, knowing that, did you draft the debenture making the security a charge on the Consolidated Fund, knowing that the Controller and Auditor-General had objected to a similar form?—I can only say the words were left in.
122. Why left in—that is what I want to know?—It was overlooked.
123. If it was overlooked, whose fault was it?—Oh, mine.
124. If delay took place eventually on account of that overlooking, for which you admit you were in fault, through whose fault was it that the debentures did not go to London in time?—The fault of the Controller and Auditor-General.
125. And were you aware that you were to blame at all?—I do not see that I was to blame.
126. Not for overlooking this error?—I do not consider it was an error.
127. You said it was you who were to blame?—I said I was to blame for these words being left in if it was considered wrong that those particular words should be used; but I do not think the words are wrong.
128. Were they in accordance with the Act?—No.
129. Were they right, although they were not textually in accord with the Act?—Yes.
130. In your opinion, is there any one to blame for those words being left in?—I do not think so.
131. Then, any words can be put into debentures, although they are not in accord with the Act?—I do not say that at all.
132. Do you consider you were not to blame for not drafting these debentures accurately after the Controller and Auditor-General had objected to similar ones?—I do not consider I was to blame in connection with that.

133. Then, is it of any use for the Controller and Auditor-General to object to the form of debenture if that objection is not to be taken any notice of later on by the Treasury?—Notice is bound to be taken of it later on if the Controller and Auditor-General sticks to his objection.

134. Did the Treasury take any notice of the Auditor-General's objection in drafting the new debentures?—It apparently did not.

135. Now, with regard to the question of Consolidated Fund and public revenues, you answered some question of Mr. Seddon's, and I understood you to say that the money under the Land for Settlements Act was public revenue?—Yes.

136. The money under the Advances to Settlers Act: is that public money of the colony?—It is public moneys of the colony, but it is not consolidated revenue.

137. You say the money under the Advances to Settlers Act does not go into the Public Account?—It does not.

138. Do you admit that the Advances to Settlers money is public money under the meaning of "The Public Revenues Act, 1891"?—It is.

139. If so, it is public moneys: does it not go into the Public Account?—It does not.

140. Then, what is the meaning of clause 6 of "The Public Revenues Act, 1891"? I will read the first paragraph of clause 6: "All public moneys are the property of Her Majesty, and shall, except as herein otherwise provided, be kept in one account at the bank, called the Public Account." Is that the law?—Yes.

141. Where does the Advances to Settlers money go if it does not go into the Public Account?—If you look up the Advances to Settlers Act you will find it is paid into its own account.

142. Is there any difference between the Land for Settlements money and the Advances to Settlers money?—Oh, yes; a great difference.

143. What is the difference?—The Land for Settlements moneys are by law a portion of the Public Account, whereas the others are paid into their own account outside the Public Account.

144. Well, we have got that far: the Land for Settlements is paid into the Public Account?—Yes.

145. Do I understand you to say there is no difference between Consolidated Fund and public revenues?—I think the Consolidated Fund does not contain the whole of the receipts which are paid into the Public Account, and which are in some places termed "revenue."

146. Are the receipts paid into the Public Account public revenues?—Oh, no; not all of them, certainly.

147. Is the Land for Settlements money public revenue?—The receipts derived from land-sales are public revenue.

148. Then, in placing on the debenture as the security "Consolidated Fund," when the Act stated it should be "the public revenues of the colony," it was not expressing the same security?—I think, myself, on carefully considering the matter now, that the words "Consolidated Fund" do not express as much as is expressed by the words "public revenues"; but the fact of the words being used in the debentures in no way limits the operation of the law as expressed in the Aid to Public Works and Land Settlement Act, which makes the payment of principal and interest a charge on the public revenues of the colony.

149. Is it not reasonable to suppose that money borrowed for Aid to Public Works and Land Settlement, and the interest thereon, would be charged to Land for Settlements revenues?—This loan has nothing whatever to do with the Land for Settlements Act.

150. But is it not reasonable to suppose it would be a charge upon the Land for Settlements revenue?—No, it is not reasonable to suppose that.

151. Not even if it is stated in the Act that the public revenues are the security?—The revenues derived from the Land for Settlements Act, being public revenues, would be treated as part of the public revenues of the colony.

152. And that portion of the security was omitted from the debentures, was it not?—Well, probably it would so far as the wording of the debentures is concerned, but it would not in any way weaken the effect of the Act.

153. Now, with regard to the concessions and discounts, and to the Solicitor-General's opinion, have you made any calculation as to how much was paid during the first year in excess of the 4 per cent.?—I have not.

154. Have you any idea how much it would be by the concessions?—No. I have not looked up the matter.

155. Would it be £2,000?—For the whole period?

156. For the one year?—The first year?

157. For the interest paid in excess of the 4 per cent.?—On the half-million loan for the half-year?

158. Yes?—I could not say.

159. What do you think is the limit which would be lawful by way of concession?—I have no opinion as to the limit.

160. Would £1,000 over the 4 per cent. be lawful?—Quite lawful.

161. Would £2,000 over the 4 per cent. be lawful?—Yes.

162. Would £20,000 be lawful?—I cannot express an opinion upon that subject.

163. Would £5,000 be lawful?—I could not express an opinion without going into the matter.

164. Would £2,500 be lawful?—I should like to say that I consider it lawful for concessions to be made in accordance with what the market required in order to secure a successful raising of the loan.

165. You consider that, notwithstanding what the statute provides?—Yes.

166. Do you consider it right to evade the statute even to a limited extent?—I do not think there is any evasion of the statute.

167. Then, do you consider that an excess of £20,000 would be lawful?—I consider that £20,000 might be lawful.

168. A £20,000 concession lawful?—Yes, if it were necessary to the successful raising of the loan.

169. Is there any limit to the extent to which the statute may be evaded?—I consider there has been no evasion of the statute.

170. Do you agree with the Solicitor-General?—Yes.

171. Then, you agree with these words: "They may be so excessive as to amount to an unlawful evasion of the Act"?—Yes.

172. You say now there is no limit?—No, I do not say so.

173. Was it in strict observance of the law to pay more than 4 per cent. for one year?—I consider the action taken was in strict conformity with the law.

174. Was more than 4 per cent. paid in the first year?—Yes.

175. Would you say how much more?—No more than 4 per cent. as far as we were concerned, but the result to the purchaser would yield him more than 4 per cent.

176. How much more?—I could not say.

177. You have not worked it out?—I have not worked it out. Of course, it would have to be worked out actuarially.

178. Do you agree with this portion of the Solicitor-General's opinion—in the first paragraph on page 4: "The Audit Office is, of course, only doing its duty in insisting on the strict observance of the law in the issue of public moneys"?—I do not think any objection can be taken to that.

179. That it should be "in strict observance of the law"?—Yes.

180. Did the Audit Office express its opinion that this was not in strict observance of the law?—Yes.

181. And the Controller and Auditor-General was doing his duty in making that statement?—Yes.

182. You say that in submitting this case to the Solicitor-General this correspondence here was all that was submitted to him by the Treasury?—Yes.

183. No other correspondence but this?—No.

184. And the only other information given was what was asked for by the Solicitor-General?—Yes.

185. In what position is the Controller and Auditor-General in submitting these matters to the Solicitor-General? Does he submit his case at all in the same way?—I do not know what the Controller and Auditor-General does.

186. When these matters are submitted to the Solicitor-General, do you think the Controller and Auditor-General should submit a case as well?—I think the objection raised by the Audit Office should be a full and complete one in the first instance, and that the objection is always considered by the Treasury to be a full and complete one. Then such objection is submitted to the Solicitor-General.

187. Is the opinion of the Solicitor-General submitted to the Controller and Auditor-General before action is taken?—No. If the Solicitor-General disagrees with the Controller we submit the matter to the Governor for his Warrant.

188. Could you suggest any better method of submitting these matters to the Solicitor-General, so that the Audit Office could be heard more than it is at present?—I could not. We have frequently submitted opinions of the Solicitor-General to the Audit Office when they were opposed to the opinion expressed by that office, and they have never produced any favourable results. The opinion of the Audit Office remains unchanged, and if it is a question of law we have to go for the Governor's Warrant.

189. *Mr. W. Fraser.*] On this occasion was the advice of the Solicitor-General submitted to the Controller and Auditor-General before the Governor's Warrant was asked for?—No.

190. It was not done on this occasion?—No.

191. I understand you to say that on previous occasions the opinion of the Solicitor-General had been submitted to the Controller and Auditor-General before any decision was come to by the Treasury?—Yes; we have done so.

192. It was not done on this occasion?—No.

193. *The Chairman.*] You say this opinion of the Solicitor-General was not submitted to the Controller and Auditor-General before the Governor's Warrant was asked for?—Yes.

194. I ask you to look at No. 17, on page 6, which says, "I think the Solicitor-General's opinion will enable you to see your way to countersign the debentures, which are urgently needed"?—That was the opinion with regard to the second objection that was submitted to the Controller and Auditor-General.

195. *Rt. Hon. R. J. Seddon.*] Is there any limit to the manner or ground upon which the Controller and Auditor-General may submit his objection?—Not that I know of.

196. Can the Controller and Auditor-General, before he objects, consult the Solicitor-General?—I always understood he could.

197. Then, the answer is that he can submit his opinion in any manner or on any ground he chooses, and take the opinion of the Solicitor-General as to whether the grounds are defensible?—Yes, that is my opinion.

198. Whether the ground is as to the legality or otherwise of the transaction, the Controller and Auditor-General can submit it to the Solicitor-General before he lodges his objection?—I think so.

199. You say there have been cases in which the opinion of the Solicitor-General has been submitted to the Controller and Auditor-General?—Yes.

200. Do you remember any case in which the Controller and Auditor-General has discussed

the question at issue with the Solicitor-General?—I know it has been done, and I have been trying to remember a case, but I fail to remember one. I know there have been cases, although I cannot point to any particular one just now.

201. Well, my memory is better than yours. Can I remind you of a case in which the Controller and Auditor-General gave way, although supported by the Solicitor-General, in respect to the floating of a loan at Home, and we had to give the Controller and Auditor-General a guarantee that we would submit the matter to the House?—Yes, I remember that.

202. Was there any discussion between the Controller and Auditor-General and the Solicitor-General in respect to that case?—Oh, yes.

203. Turning to letter No. 6 of this correspondence, is it not quite clear from that letter that the Controller and Auditor-General did see the debentures? Does he not make this point: "The coupons attached to each of these debentures propose to pay 4 per cent. per annum"?—Yes.

204. So that gives proof positive that he had seen the debentures on that date?—Yes.

205. Could he not have seen on the face of the debentures that the words "Consolidated Fund" were used, and not "public revenues"?—Yes.

206. Has there not been an omission on his part in not calling attention to it? Either he did not notice it, or, having noticed it, he did not take objection to it?—That would be the interpretation of his action.

207. If he objected on the ground that the words "Consolidated Fund" were there in lieu of "public revenues," would not that objection have been at once submitted to the Solicitor-General?—Yes.

208. And the whole issue would have been raised?—Yes; in the one objection.

209. In the face of the Controller and Auditor-General having objected prior to that in the case of the Land for Settlements Act, was it not reasonable to suppose that one of two things occurred—namely, that he did not intend to raise the objection in this case, or that he had not noticed the point?—That would, of course, be the interpretation.

210. At all events, the fact is proof positive that the debentures were before the Controller and Auditor-General prior to the final notice of objection?—Yes.

211. Was it on receipt of that final notice of objection that you submitted the matter to the Solicitor-General?—The second objection of the Audit Office was submitted to the Solicitor-General.

212. I am dealing with No. 6: was that taken as the final objection to the debentures?—Yes; it was taken as the only objection.

213. You were further led to believe when the Warrant was issued by the Governor that the Controller and Auditor-General was willing and going to sign the debentures?—Yes; I quite understood that.

214. Then, what is your opinion with regard to the second objection: was not the objection taken in the first instance in regard to the interest?—I do not gather the meaning of your question.

215. You just now stated to the Committee that you understood the Controller and Auditor-General was going to sign the debentures?—Yes.

216. After the issue of the Governor's Warrant?—Yes.

217. It was after the Governor's Warrant was issued that you received the second objection?—Yes.

218. Was that raised then as having been an oversight in the first instance of objection?—I should think it was an oversight on the part of the Audit Office in raising the second objection long after the first objection.

219. You see, it came very suddenly after you had issued the Governor's Warrant—on the very day that the Warrant was signed, as you will see if you look at No. 13, which was sent on the 16th August: on what day did you send the Governor's Warrant?—On the 15th August.

220. When did you receive notice of the second objection?—On the 16th August.

221. Then, did you think it was a sudden discovery made, or had the discovery been made previously?—I should take it the discovery was made on that date or thereabouts. I do not think for a moment that the Controller and Auditor-General could have been aware of that point when he was raising his first objection.

222. You do not think so?—No, I do not.

223. Look at No. 8, which is dated the 12th August: was there not plenty of time between the 29th July, when the objection was raised as to the interest, and that date to raise the second objection?—Yes.

224. If the discovery was made between those dates, what is your opinion?—I rather think the debentures themselves were not in the custody of the Controller and Auditor-General between the 29th July and the 15th August. It was probably for that reason the Audit Office had not noticed the point to which they took the second objection.

225. The Controller and Auditor-General had the debentures for two days. Look at No. 5 of the papers. That is dated on the 27th July, when they were sent, and they were returned on the 29th?—I do not know how many days he had them. They may have been sent on the 27th, or the 28th, or the 29th. I could not say the exact date on which he received them, but it was between the 27th and 29th July.

226. Would it not be reasonable, seeing there had been an oversight, as we presume, on the part of the Controller and Auditor-General, in not having pointed out that the form of debenture had the words "Consolidated Fund" instead of "public revenues," that, after the legal opinion had been given to him, he would have waived his objection?—I think that would have been reasonable, after the opinion of the Solicitor-General had been given to him.

227. Mr. Allen put a question to you as to whether there was anything contrary to the Act on

the face of the debenture, and whether that would not affect the security. In other words, although the debenture form stated "Consolidated Fund," I ask you whether the Act would not override the debenture form and give to the purchaser the whole of the security contemplated by the Act?—I should say it would clearly do so.

228. In other words, the Act of the Legislature would be paramount to the act of the Colonial Treasurer in putting these words into the form of debenture?—Yes.

229. And would not the debenture-holder have the security of the public revenues?—That would be so.

230. Is there not a clause in the Aid to Public Works and Land Settlement Act—clause 12—which would meet mistakes of this kind?—Yes.

231. Which says that, notwithstanding anything that may appear in the form of debenture, it shall not affect the security?—Yes.

Mr. Warburton : I merely wish to remark that I regard Mr. Heywood's memory to be in fault as to what took place on the 15th August, when the debentures were sent to me. The 15th August was the day of the despatch of the mail *via* San Francisco. The debentures came to me on that day, and he was then informed by me that they were too late for the mail of that day. He observed it was a pity they were too late. He arranged then that a clerk should come to me on the following morning, the 16th, to attend to me while I was signing the debentures. There was no mail on the 16th, and when the clerk came I read the body of the debenture form through, and then observed that there was a discrepancy between the wording of the debenture and the Act as to the security. That is my recollection as to the circumstances on that date. I have no questions to ask Mr. Heywood.

232. *Rt. Hon. R. J. Seddon.*] I should like to ask Mr. Warburton on what date he received the debentures and coupons dated the 27th July?—I could not say. It would be between the 27th and the 29th; probably the 28th.

233. In a matter so serious as this you would take time to consider it?—On that particular point I had considered it, but I had not read the debentures through in regard to this other point. The other matter had been the subject of a conversation before.

234. Coming back to the question of recollection, if Mr. Heywood had informed the Colonial Treasurer that you were going to countersign the debentures, that would strengthen his recollection of what had taken place? If he stated to a third person that you were going to countersign the debentures it would naturally mean either that he had misunderstood you or that his recollection is right?—I do not think that is possible.

235. *Mr. J. Allen.*] With regard to these debentures which were submitted to you, you do not recollect the exact date on which they were submitted?—No. It was between the 27th and 29th July.

236. Did you read the debenture through?—No.

237. Why not?—It did not occur to me that the debenture form might be wrong. I had previously pointed out a similar mistake where the Act said the security was the public revenues, and the debenture had the words "Consolidated Fund."

238. Was the form submitted to you for your perusal?—The debentures were submitted to me for countersignature in this particular instance. The question of the interest was before me, and it did not strike me that there would be any further error.

239. You did not notice this one?—No.

240. When did you first notice it?—When the first Governor's Warrant was given to me, and the clerk came to me who was appointed to attend me in countersigning the debentures. That was the first time that I read them through. Seeing the words "Consolidated Fund," I made a remark somewhat to this effect: "The Act provides that the security shall be on the public revenues of the colony."

241. Whilst the form of debenture was different?—Yes.

242. That was the first time you noticed it?—Yes.

243. Did you inform the Treasury immediately?—I wrote the memorandum of the 16th August at once.

244. *Rt. Hon. R. J. Seddon.*] Were you not to blame for not noticing the omission of such important words?—If I had observed them I should have called attention to them.

245. You heard Mr. Heywood admit it had escaped his attention, and he was asked whether he was not to blame for that?—Yes.

246. You omitted to see them?—Oh, yes; we do not observe everything.

247. Then, if one is to blame, you also are to blame for not having noticed this?—There is no doubt if that error had been suspected the debenture form would have been read carefully through, and compared with the Act.

248. *Mr. W. Fraser.*] Would it not obviate all difficulties of this nature if the draft of the prospectus of the loan and the draft of the form of debenture were submitted to the Audit Office before printing and publishing?—The Audit Office would do its best to keep the prospectus and form of debenture in order. I think that course would be a security against error.

249. Would it not also be frequently a security against loss of time and delay?—Yes; it would be a security against that.

250. *Rt. Hon. R. J. Seddon.*] Was not the prospectus sent to you?—It was, in what I think a private way.

251. You have heard Mr. Heywood state he was sent to show it to you by my instructions?—I heard him say so, but that is the first time that I heard it.

252. (To Mr. Heywood :) What is your recollection of what took place when you sent the debentures to be countersigned?—I distinctly inferred that the Controller and Auditor-General was going to countersign them. Possibly the best way to get at that would be to ask the accountant and the clerk to attend the Committee. Their recollection would be clear.

253. Do you recollect informing me that the Controller and Auditor-General was countersigning them?—Oh, yes; I recollect saying that.

254. (To Mr. Warburton:) May it not have been that you discovered this mistake in the debentures after you told Mr. Heywood that you were going to sign them?—The clerk came up next morning, and, of course, Mr. Heywood may have assumed, when the clerk was coming to attend me, I was going to countersign them. It was found very shortly after that the issue of the debentures was informal, and on the Saturday morning Mr. Heywood suggested I might, notwithstanding, pass the debentures. There was a suggestion that he might go to the Solicitor-General for his opinion upon the further objection, but then I could not countersign them.

255. (To Mr. Heywood): Have you any recollection of Mr. Warburton telling you they were too late for the mail?—I do not remember any such statement.

256. In a matter of such importance, do you think such a statement would escape your attention?—No. As far as my memory serves me, I was under the impression they would be countersigned, and I conveyed that impression to you.

257. Were you not very much concerned in getting these debentures away by the mail?—I was most anxious to do so.

258. Did you not inform me that unless they went by that mail the interest on the coupons could not be paid on the due date?—Yes.

259. Then, if you were told by the Controller and Auditor-General that it was too late to send them by the mail, you would recollect that being said?—Yes, certainly, or otherwise I would not have told you I expected them to be countersigned.

260. *Mr. Guinness.*] If they were signed on the 16th August would they be too late for the Frisco mail?—Yes; that mail left on the 15th.

261. Why did you not get them signed on the 15th?—Because of the second objection by the Audit Office.

262. You said he did not raise that objection until the 16th: how do you explain that?—I do not remember. I suppose we were waiting to get the debentures back.

263. *Mr. W. Fraser.*] On what day did the clerk go to the Audit Office to assist in the countersignature of the debentures?—Arrangements were made that the clerk should go up on the 15th.

264. Did he go on the 15th?—That I could not tell you without asking him. If the Controller says he did not go on the 15th I should accept that, if it agreed with the recollection of the clerk.

265. Then, if the clerk did not go until the 16th the debentures could not have gone by the mail which left on the 15th?—No, certainly not. I was under the impression that the clerk went up on the 15th.

266. There is a conflict as to recollection between the Controller and Auditor-General and the Secretary to the Treasury as to what occurred on the 15th August. The Controller says he intimated it was too late for the debentures to go by that mail, and that the clerk was sent from the Treasury on the 16th?—*[Mr. Warburton]* I think the explanation may be that Mr. Heywood was referring to a mail which went by Suez on the 17th.

267. *Rt. Hon. R. J. Seddon* (to Mr. Heywood.)]: Was it possible, considering the time when the second Warrant was obtained and the time when the debentures were sent Home, that the interest on the first coupons could be paid on the due date?—I do not think it was possible in connection with some of the debentures, because they had to go to Australia first, and be sent from there to London, and that would take so much more time.

268. If that be the case, there was a delay in the colony meeting its obligations: could you find out whether the debentures reached London in time?—I found out at the time that they could not reach London by the due date. Whether they arrived in time, and the interest was paid on due date, I could not say, because I have no advice from the Agent-General as to whether they were paid in time.

269. Could you not wire to the Agent-General?—I could.

270. *Mr. J. Allen* (to Mr. Warburton.)] Could you tell us at what hour on the 15th you got the debentures?—It would be about the middle of the day—about 1 o'clock—too late to sign them in time for the mail. My recollection is clear that I pointed out there was no time to sign them for that mail, and an arrangement was made to send a clerk up next day. That recollection is confirmed by the memorandum of the Secretary to the Treasury of the 15th August: "Determination of His Excellency the Governor with reference to the question as to the lawful payment of interest to 1st April is attached, and the debentures are again submitted for your countersignature. The debentures will be sent to the Agent-General for delivery only upon the surrender of the relative scrip representing the aggregate amount of each parcel of debentures." The scrip is the security issued to the debenture-holders before the debentures are issued.

271. Could they get their interest upon presenting that scrip?—That is for the Treasury to say. The scrip was the security for their money until the scrip was exchanged for debentures.

FRIDAY, 25TH OCTOBER, 1901.

JAMES EWAN SMITH in attendance and examined. (No. 4.)

1. *Mr. Guinness.*] What is your position?—I am a permanent clerk in the Treasury.

2. Do you remember taking debentures to the Controller and Auditor-General about the 15th August to countersign?—I took none. The Secretary to the Treasury desired me to go up to the Controller and Auditor-General to get his countersignature to debentures. I went up on the afternoon of the 15th August. As near as I can fix it, I think that date is right. On the afternoon of the 15th the Controller and Auditor-General told me he was not prepared to sign them then.

3. What time in the afternoon was that?—About 3 o'clock. I went back and told my chief I had no doubt the debentures would be signed, as there was no objection taken to them. I went up again on the morning of the 16th. They were ready to be signed, when the Auditor-General took up a debenture and compared the wording with the Aid to Public Works and Land Settlement Act, and found on the face of the debenture that the words "Consolidated Fund" were used instead of "Public revenues of the colony," as laid down by the Act. He said he would write to the Secretary to the Treasury and let him know that he would decline to sign the debentures. He wrote to that effect on the evening of the 16th August. That is all I know.

Mr. Warburton: I do not want to ask the witness any questions; but I should like to inform the Committee that I have here a notice from the Public Petitions Committee, dated the 13th August, requiring my attendance before the Committee at 10 a.m. on the 15th August. I attended that Committee, and did not leave these buildings until after 1 o'clock. It was only in the afternoon, after luncheon, that I arrived at my office, and I then found lying on the table the debentures, and the Governor's Warrant directing me to countersign them. I put in this paper, as it confirms my recollection of the matter. It would be impossible for me, under these circumstances, to make any arrangements before between 2 and 3 o'clock, or do more than I did. I informed the Secretary to the Treasury that it was too late that day to countersign the debentures.

4. *Rt. Hon. R. J. Seddon* (to Mr. Warburton).] This is a correction of your evidence previously given when you said you had not seen the clerk from the Treasury until the morning of the 16th August?—What I said in my previous evidence was that the Secretary to the Treasury sent in a clerk between 2 and 3 o'clock on the afternoon of the 15th, and arranged that he should come in on the morning of the 16th and attend me when countersigning the debentures.

5. *Mr. Graham.*] Why was it too late on the afternoon of the 15th to countersign them?—There were about six hundred debentures to be checked and countersigned.

6. *Captain Russell.*] They would have to be recorded?—Yes; but it would only take about twenty minutes to do that. The mail was to close at 2 o'clock, but if the Treasury had reported that the matter was of any urgency the Audit Office would have worked overtime in order to get the thing done. The fact that the debentures were left on my table during my absence seems to me to show that there was no great urgency. When there was no special demand that they should be countersigned I did not assume that they were urgent.

7. *Mr. Graham.*] You did not see them when the messenger brought them on the 15th?—I did not see them until after luncheon, after I had attended upon the Public Petitions Committee. I took them up and walked down to the Treasury, and said, "I think these are too late."

8. You had had no instructions that they were a matter of urgency?—No. As far as I recollect, it was said when I went down that it was a pity they were too late.

9. *Rt. Hon. R. J. Seddon.*] To whom did you say that?—To Mr. Heywood.

10. (To Mr. Heywood:.) Did he speak to you?—[*Mr. Heywood.*] I was astonished to hear him say he spoke to me. I am pretty well convinced in my own mind that he did not see me; but, of course, my memory may be at fault.

11. *Mr. W. Fraser.*] Why did your clerk go back to the Audit Office on the 16th?—I suppose, because it was too late on the 15th.

12. Did the clerk inform you that Mr. Warburton said it was too late on the 15th?—I do not recollect.

13. He says he reported to his chief: who is his chief?—I am. He may have told me, although I had an idea that I was away when he got back. It is impossible for me to remember everything of that kind which took place at this distance of time. I do not pretend to remember everything that took place at the time. The statement, however, was made to me that the debentures would be signed, and I distinctly remember telling the Colonial Treasurer it was all right, that they would be countersigned. That impression could only have been conveyed to me by the clerk after he had taken the debentures to the Audit Office—by his telling me that he had taken the debentures to the Audit Office, and was under the impression that they would be signed.

14. *Mr. J. Allen.*] After he had reported to you?—I told you I do not remember whether it was on that day or on the morning of the 16th. He told me some time, but I think in the first instance of his coming back I was away. After I had sent him to the Audit Office with the debentures I had gone away with the impression that they would be countersigned. Whether that occurred after he came back or not I do not pretend to recollect.

15. *Mr. Guinness.*] You heard Mr. Smith say he did not take the debentures to the Audit Office?—I dare say it is so. It might have been another clerk. I do not recollect.

16. *Rt. Hon. R. J. Seddon.*] Are debentures knocked about like so much waste-paper that they would be left lying about on the table of the Controller and Auditor-General?—Certainly not. I think it could be ascertained who took them up.

17. *Mr. Graham.*] How did they get on the table of the Controller and Auditor-General?—I should like you to ask the Accountant. He would have the management of that part of the business.

ROBERT JOSEPH COLLINS, Accountant to the Treasury, examined. (No. 5.)

18. *Rt. Hon. R. J. Seddon.*] Will you state to the Committee what you remember about this matter?—It is my practice to take all debentures up to the Audit Office for signature, and if Mr. Warburton is not there I hand them to a clerk named Georgeson, or the Chief Clerk, Mr. Roskruege. With regard to these particular debentures, I took them up on the morning of the 15th August, and the debentures were received in Audit at 1 p.m. on that day. It was just before luncheon-time, and, to the best of my recollection, I handed them to Mr. Warburton himself, and he noted on the papers that they were received on the 15th August at 1 p.m. Of course, I am speaking from memory. In no instance are debentures taken up and left on the table of the Controller and Auditor-General. They are always handed either to Mr. Warburton himself or to some other responsible officer. As a rule, I always take up the debentures, and did so on this occasion.

19. You say something was noted on the debentures?—On the “narration” of the debentures there was a note made by Mr. Warburton to the effect that the debentures were received on the 15th August at 1 p.m.

20. Could that be produced?—Yes. It is in the possession of the Treasury.

Mr. Warburton. That note might be consistent with my going back in the afternoon of that day. I have no doubt of my recollection in this matter—that I did not receive them until after 1 o'clock.

21. *Rt. Hon. R. J. Seddon* (to Mr. Collins).] Your recollection is that you delivered these debentures personally to Mr. Warburton?—To the best of my belief, I did so.

22. *Mr. Graham.*] You are not positive on that point?—I wish the Committee to understand distinctly that debentures are not left about on tables.

23. Can you tax your memory so as to be able to say whether you saw Mr. Warburton?—I have been up to Mr. Warburton on several occasions with debentures, but I could not speak positively with regard to these particular ones. To the best of my recollection, I handed these debentures to Mr. Warburton.

24. *Rt. Hon. R. J. Seddon.*] How do you come to make the statement that Mr. Warburton made a note on the papers?—I was aware it was done—that it was noted on the papers that they were received on the 15th August at 1 p.m.

25. *Mr. W. Fraser.*] Who noted them?—Mr. Warburton.

26. Did you see him make the note?—I could not say at this distance of time; but the note was made, and is in his handwriting.

27. Would it not be consistent if Mr. Warburton noted at 2 o'clock that they were received at 1 o'clock?—Not if they were handed to a responsible officer at 1 o'clock.

28. *Rt. Hon. R. J. Seddon.*] These papers would be handed over to Mr. Warburton himself or to a responsible officer?—Yes.

29. He would be able to prove whether he received them or not?—It would be a matter of memory. Mr. Warburton might be out of the office, and then I would hand them to Mr. Gavin or to some other responsible officer.

30. Whose duty is it to see to the printing of the debentures?—It is my duty, under the instructions of the Secretary.

31. Did you see to the printing of these debentures?—I did.

32. Can you tell the Committee when they were printed?—Between the 3rd and 4th June—printed in time for the date when the last instalment of loan was payable, and that was the 4th June.

33. Prior to that date had there been any discovery made or objection made to the words “Consolidated Fund” in lieu of “Public revenues of the colony” being on the face of the debentures?—Not prior to the 5th June.

34. *Mr. W. Fraser.*] To these debentures?—Not to the wording of any debentures.

35. *Mr. Graham.*] Had the Controller and Auditor-General signed the debenture forms prior to this date?—Certainly not.

36. *Rt. Hon. R. J. Seddon.*] When was the question first raised as to this imperfection on the face of the debentures?—About the middle of the month of June.

37. In the meantime these debentures had been printed and signed?—They were in course of signature.

38. Then, if it has been said that the discovery was made prior to the printing of the debentures, and we were requested to amend the form of debenture, and to print them as corrected, would that be correct?—It would not be correct. I can say that without doubt.

39. You say that about the middle of June was the first time that exception was taken to the wording of the debentures?—That is so; but it was not to the wording of these debentures. It was to the wording of other debentures under another Act—“The Land for Settlements Consolidation Act, 1900.”

40. Do you know anything about the time when the mail left?—The mail left on the 15th August, and it was the desire of the Secretary to the Treasury to get the debentures away that evening.

41. What was the latest time these debentures could have been signed and sent away?—If they had been signed that night they could have been sent away by the morning train.

42. Did any one report to you that they were not being signed?—There was no report to me, but I was aware of it. The matter lay between the Secretary, Mr. Smith, and the Auditor-General.

43. At all events, up to the morning of the 16th there would have been time for them to catch the morning train?—Yes.

44. It has been said by Mr. Warburton that he had no knowledge that there was urgency in the matter: do you know anything about the urgency?—I took them up on the 15th August for that purpose. They were hurried through owing to the urgency.

45. If you delivered them to Mr. Warburton, or to some other responsible officer of the Audit Office, would you state so?—I would say, “These are wanted to go by the mail.”

46. Have you any recollection that you did say so?—I have no absolute recollection, but I can hardly think that I did otherwise.

47. Did you discuss the matter with the Secretary to the Treasury as to the urgency?—Yes, several times.

48. *Mr. J. Allen.*] The same mistake with regard to the words “Consolidated Fund” being used instead of “Public revenues of the colony” was made in other debentures?—Yes.

49. What Act?—The Land for Settlements Consolidation Act.

50. When were those debentures printed?—I think, about the end of July.

51. When did the mistake in these debentures come under your notice?—About the middle of June. But there was no mistake. It was merely pointed out by the Controller and Auditor-General that there was a difference in the wording of the security stated on the debenture and that quoted in the Act.

52. The error was first pointed out in the middle of June?—I do not admit that there was an error.

53. The wording was not in accordance with the Act?—That is so, and it was pointed out to the Secretary.

54. Those debentures were not printed with the error in them?—No.

55. It was a draft debenture?—Yes.

56. In the middle of June?—Just so.

57. Did the same error as this occur in the debentures under the Aid to Public Works and Land Settlement Act?—Yes; but I do not say that it was an error.

58. Does the Treasury admit that the wording on the face of the debentures is not in accordance with the Act?—That is so.

59. The wording is not textually in accordance with the Act?—The wording is not textually in accordance with the Act, but the meaning is the same.

60. You knew in the middle of June that the Controller and Auditor-General had objected to debentures of the same nature, and with the same wording on the face of them?—I did.

61. If you knew that the Controller and Auditor-General had objected to debentures similarly worded to those under the Aid to Public Works and Land Settlement Act in the month of June, did not you think that he would to these which had the same textual objection?—I did not think he would.

62. Do you think he would object to one debenture and not to another similarly worded?—He did not object to them.

63. Then, why were they altered?—Because he pointed out the difference in the wording of the nature of security.

64. And he pointed it out in regard to the debentures under the Aid to Public Works and Land Settlement Act?—The fact is that he did not do so. The debentures were in his hand on the 25th July, but he did not make any objection.

65. Did he read them then?—I cannot say; but if he did not he ought to have done so.

66. When he noticed that the debentures under the Aid to Public Works and Land Settlement Act were printed in a form to which he had already called attention, did you not think that he would call attention to it again?—I did not think he would, for the matter was not of so much importance to require him to do so.

67. Do you take it that “Consolidated Fund” and “Public revenues of the colony” are the same?—They are the same; I have no doubt about that.

68. Is the Land for Settlements Account part of the Consolidated Fund?—No.

69. Is it part of the public revenues of the colony?—Yes.

70. *Mr. Graham.*] I think you said that the mail left on the 15th August, and that it was by that mail that you wished to send these debentures: it was also on the 15th August that you took them to the Controller and Auditor-General for his signature?—Yes.

71. Do you know at what time the mail closed?—It usually closes at 5 o'clock; and then there is a morning train by which a mail can be sent.

72. About what time did you take them up?—About 1 o'clock.

73. You do not know to whom you delivered them?—I do not remember for certain, but to the best of my recollection I handed them to Mr. Warburton.

74. Did you tell him they were wanted that afternoon?—Yes.

75. You heard Mr. Warburton say it was too late that day?—Yes.

76. Also that if it had been a matter of urgency the Audit Office would have worked overtime to get the work done. Did the Treasury take any steps to make him acquainted with the urgency of the matter, and to ask him to have them ready for the next morning's mail?—I cannot recollect having done so. I do not know for certain whether it was done.

77. If it was a matter of urgency to get the debentures away that day, was it not possible to have taken them to the Audit Office earlier: was there any reason why they could not have been taken up a day or two earlier?—No; because I think the Governor's Warrant only reached the Treasury on the morning of the 15th, and it was at once sent on to the Audit Office.

78. Could not that Warrant have been obtained earlier so as to give plenty of time: was there any difficulty in doing that?—If it could have been obtained earlier it would have been, because we were very anxious to get the debentures away.

79. Did you try to get it earlier?—The getting of the Warrant is in the hands of the Secretary.

80. You did not ask for this Warrant in time?—I have nothing to do with getting the Warrant.

81. You do not know whether the Warrant was asked for earlier?—No.

82. Is it not possible that it was not asked for earlier through some neglect or other cause in your office?—No; that is impossible.

83. *Mr. Guinness.*] You said you had the debentures under the Land for Settlements Act printed in June?—I said we had a draft of them printed.

84. In the middle of June, and that was sent to the Auditor-General?—About the middle of June.

85. And he then pointed out that the words “Consolidated Fund” were used instead of “Public revenues of the colony”?—He pointed that out to the Secretary.

86. Did you have the words altered?—Yes.

87. In consequence of what the Auditor-General pointed out?—I have no doubt that was the reason.

88. When did you start to print the debentures under the Half-million Loan Act?—Early in May. The last instalment of the loan was payable on the 4th June, and it was in order to have them ready by that date that we started to prepare the debentures about the middle of May.

89. When did you have the printing of these half-million-loan debentures completed which you took to the Auditor-General?—They were finally printed on the 3rd and 4th June.

90. You knew then that the Auditor-General objected to the form of the other debentures?—Certainly not on the 3rd or 4th June.

91. Did you know it within a week or two afterwards?—Between the 5th June and the 13th July. It would probably be about the middle of June.

92. Why did you not take steps to have the form altered in accordance with the suggestion of the Auditor-General?—I cannot tell you why it was not done.

93. Was it discussed?—Not that I know of.

94. Mr. Smith is an officer in your department?—Yes.

95. Did you send him to the Auditor-General on the 15th August?—I did not.

96. Who sent him?—The Secretary.

97. What were his instructions?—I merely know that Mr. Smith went there at the request of the Controller and Auditor-General.

98. Did you not hear what Mr. Smith said when he came back?—No.

99. Do you know when he went?—Not precisely. It was some time on the afternoon of the 15th August.

100. Do you know what he went for?—To assist Mr. Warburton in getting the debentures countersigned. He went there to check the narration, and to blot the signatures as Mr. Warburton signed the debentures.

101. When did you hear that the debentures could not be signed on the 15th—that Mr. Warburton could not, or would not, or did not sign them?—I heard in the afternoon that Mr. Warburton did not sign them, but that he would do so next morning.

102. Did you hear his reason?—No.

103. No recollection of any reason given by Mr. Warburton why he delayed signing them until next day?—No; I have no recollection of hearing that.

104. *Rt. Hon. R. J. Seddon.*] What is the day you told the Committee you went up with these debentures for signature?—On the 15th August.

105. From the middle or end of June to that date was there anything, so far as you are aware, that would lead you to suppose that exception would be taken to the debentures on account of the words "Consolidated Fund" being on the face of them?—No. I am not aware of any objection being taken.

106. You say the mail was to leave on the 15th August?—Yes.

107. And it closed at 5 o'clock?—That is the usual time.

108. But that does not mean that it is finally closed: you could get these debentures away up to the latest hour?—Yes; up to the time the steamer left. That would be about 7 or 8 o'clock. We could put them on board up to that time, or we could send them away by the next morning's train.

109. Did the clerk report to you that any objection was taken to the debentures?—No, he did not.

110. He is directly under your control?—Under the control of the Secretary.

111. He is in the office next to you?—Yes; but in this case he took his instructions from the Secretary, and reported to him.

112. You never heard it was too late for the mail?—I never understood that it was too late for the mail.

113. Or too late to sign them?—No.

114. How long would it take to countersign these debentures? You say that they were sent to the Audit Office for the purpose of countersignature at 1 o'clock: how long would it take to countersign them?—I know that Mr. Warburton writes very quickly. I should say he would sign them in a couple of hours.

115. Then, if the Controller and Auditor-General had wanted to facilitate us in sending the debentures away by the mail there would have been time enough to countersign them?—As far as I know, there would have been.

116. Had anything else to be done besides countersigning them which would require time?—Not that I am aware of. The Audit Office could tell you that.

117. Then, if Mr. Warburton got back to his office by 2 o'clock there would have been plenty of time to have got them away even by the mail which closed at 5 o'clock?—It would appear so.

118. *Mr. Guinness* (to Mr. Warburton).] What time does it take to sign and narrate these debentures?—It depends upon circumstances. In the case of some recent debentures it took two days and a half to examine and countersign them. In another case it took a whole day to examine them. If I knew that, when the debentures were delivered to me, they were all right, and I commenced to countersign them at once, I could countersign them in two hours, unless there was some interruption. What I stated is this: I remarked they were too late for the mail, and then an arrangement was made by the Treasury to have them countersigned next morning. If there had been any notice of urgency given to me I would have worked at night to have them done. On one occasion, when debentures for £300,000 were submitted to me in which there were illegal conditions inserted, I came back to the Audit Office on St. Patrick's Day and countersigned them. The Audit Office does not stand upon ceremony in matters of this kind.

119. *Rt. Hon. R. J. Seddon.*] Do you not think that in future there should be a letter sent with the debentures, or a receipt given for them by your department?—I think it would be better, and these troubles would not then arise. These communications between the offices should be in writing. However, I have no doubt about this matter: that I was not in my office before 1 o'clock on the 15th August.

120. Did you go to the office before you went home?—I am not sure. I may have gone into the Government Buildings and said to the messenger to put the papers which I had with me on my table. I did not leave the Parliamentary Buildings until after 1 o'clock, and I telephoned to my home that I would be late.

121. *Mr. W. Fraser.*] Would it not be possible, in cases where the holder of a certificate of scrip had not received his debentures, that he would be paid his interest on the presentation of the certificate?—It would be for the Treasury to answer that.

122. If the Treasury chose to arrange that the holder of a certificate of scrip should receive interest on the presentation of the certificate, could that arrangement be carried out?—I think so.

123. *Rt. Hon. R. J. Seddon.*] Could the Treasury commit the colony to the payment of interest on the presentation of a certificate when there is no coupon?—A large number of debentures are issued without coupons.

124. How do you suggest it could be done?—By taking off the first coupon.

125. Do you think that is a safe way to do business?—I think I could do it safely.

126. *Mr. W. Fraser.*] Do you know of its having ever been done?—I do not know.

127. *Rt. Hon. R. J. Seddon.*] Will you tell the Committee deliberately that you did not know there was urgency when these debentures were sent up to you on the 15th August?—I knew there was a desire to send them off, because, as I have stated in my evidence, the Secretary to the Treasury said he was sorry they were late; but, as far as I recollect, an arrangement was made by the Treasury to send up a clerk on the following morning to assist me, and therefore I did not think there was urgency.

128. Did not the Secretary to the Treasury say on the 15th that there was urgency?—It seems that if there had been urgency he would have reported it to you, and you would have taken steps to have the matter settled. I think the clerk's memory is wrong as to the dates. It was on the next morning that I said I would write to the Treasury, and I did write to the Secretary to the Treasury on the 16th August.

129. (To Mr. Heywood :) What is your recollection of what took place: did the clerk tell you on the afternoon of the 15th that these debentures would not be signed, as they were too late for the mail?—I do not recollect that he said so. I would not be ready to say he did not.

130. If he had told you it was impossible to catch the mail, would you have reported that to me?—I think I would have reported to you that there was no chance of the debentures getting away by the mail; whereas I did report to you that they were being signed, and there was every chance of their getting away.

131. On the question of urgency, Mr. Warburton says he did not know there was urgency: what is your recollection?—My recollection is that Mr. Warburton was perfectly aware of the grave urgency of their going by that mail.

132. What leads you to that conclusion?—Because it had been made obvious that there had been great delay up to that time, and there was grave urgency for the debentures to get to London in time to meet the coupons.

133. Was there any delay in sending the Warrant of the Governor to the Controller and Auditor-General?—There was not the slightest delay on the part of the Treasury. The papers will show that. The objection of the Audit Office was raised on the 29th July (No. 6 of the paper). On the same day the matter was remitted for the opinion of the Solicitor-General. On the 12th August the Solicitor-General gave his opinion. On the 13th August the Colonial Treasurer ordered a Warrant to be prepared. On the 14th August the Warrant was sent. On the 15th August the Warrant was referred to the Controller and Auditor-General. It appears from these dates that the utmost expedition was used, so far as the Treasury is concerned.

134. But is there not something between the 29th July and the 12th August? It must have taken the Solicitor-General a long time to give his opinion?—The delay was there, but I cannot say the reason. I am, however, aware personally that the Solicitor-General was engaged upon many important matters at that time. I asked him to give this matter his earliest attention once or twice, and he expressed his regret that he had not been able to do so, but would attend to it at the earliest possible moment.

Mr. R. J. Collins: The document which was sent with the debentures to the Controller and Auditor-General on the 15th August reads as follows:—

The Controller and Auditor-General.

DETERMINATION of His Excellency the Governor with reference to question as to the lawful payment of interest from 1st April last is attached, and the debentures are again submitted for you countersignature.

15th August, 1901.

JAS. B. HEYWOOD.

Then follows a pencil-note made by Mr. Warburton:—

Received 15th August at 1 p.m.

Then another minute from Mr. Heywood to this effect:—

The debentures will be sent to the Agent-General for delivery only upon the surrender of the relative scrip representing the aggregate amount of each parcel of debentures.

JAS. B. HEYWOOD.

[Document handed to Chairman, and passed to Mr. Warburton at his request.]

Mr. Warburton: "Received" is struck out with pencil. I do not know the reason why.

135. *The Chairman.*] Did you strike it out?—I did. It is all in my handwriting. I may say that this postscript of Mr. Heywood's was written at my request on the 16th August.

136. *Rt. Hon. R. J. Seddon.*] Why did you put this memorandum on the paper?—Probably, seeing the papers on my table when I got back, I would put that on, and that would be consistent with Mr. Collins saying it was laid there at 1 o'clock.

137. Would you do that in case of the paper being type-written?—Anything in pencil is not type-written. That is the general rule, unless I write a whole memorandum in pencil.

138. This postscript was not on the paper when it went up to you?—No. Thinking there was no fault in the debentures, I asked Mr. Heywood to write that in order that I might have his assurance, so that the Audit Office might feel it was doing right in countersigning debentures which, with the scrip, would have made a larger amount of security than this Act authorised.

139. Was this put on after the papers were sent back to the Treasury, or before the debentures

came to you?—That memorandum of the 15th came on the 15th—that is to say, I saw it after I came back on the afternoon of that day. The postscript was not on then.

140. When was that put on?—I think it was written on the following morning, when I intended to sign the debentures, and before I discovered that they were not in textual accordance with the Act.

CHARLES MOUAT GEORGESEN examined. (No. 6.)

141. *Rt. Hon. R. J. Seddon.*] What is your position?—I am a clerk in the Audit Office.

142. Have you any recollection of any debentures being brought to the Audit Office in the month of August—a large packet?—I remember seeing a large packet of debentures.

143. Did Mr. Collins give them to you? Have you any recollection of receiving a packet of debentures from Mr. Collins about the 15th August?—No. I did not receive them personally.

144. In Mr. Warburton's absence who receives these debentures?—Well, I do not remember a case where Mr. Warburton has been absent. He is very seldom absent from the office.

145. Have you ever received debentures in the absence of the Controller and Auditor-General?—I remember on one occasion Mr. Collins came with some debentures, and asked if Mr. Warburton was in. Mr. Warburton was not in, and I believe Mr. Collins took them away again. When he came back Mr. Warburton was there.

146. Then, you have no recollection of receiving any?—I do not remember.

147. Have you received them?—In an important matter like debentures, if they were brought to me I should simply say, if Mr. Warburton was not there, "You had better see the Chief Clerk." A large packet of debentures is a matter of great importance.

148. *Mr. Graham.*] Do I understand you to say that in the absence of the Controller and Auditor-General you did not receive any debentures on the 15th August?—I do not recollect receiving any on that date, and especially a large packet. I do not remember receiving any on that date.

149. *Rt. Hon. R. J. Seddon.*] Do you think that Mr. Collins would leave them on Mr. Warburton's table?—I am not constantly in the office, and there is such a rush at times it is very difficult to say what took place. Mr. Collins always asks for Mr. Warburton, and if Mr. Warburton is not there he takes them away again.

150. Is it possible that Mr. Collins would lay a parcel of debentures on Mr. Warburton's table in his absence?—I do not think so.

151. *Mr. Graham.*] Did you see a parcel of debentures on the table?—I do not remember having seen them on the table; but, of course, about that time there were debentures passing between the Audit Office and the Treasury.

152. You did not receive them yourself, and did not see them on the table?—I did not receive them.

153. And do not know how they got there, if they were there?—They must have been taken there by the Treasury.

154. Could they be put there without your knowing it?—Not unless they opened the door and put them there.

155. Could they do that without the persons in charge of the office knowing?—I know of no case in which debentures were laid on the table in that way.

156. But could this be done?—We would not know unless we heard the door opening, and then one of us would go in.

157. There is nothing to prevent a person leaving anything on the table without your knowledge if he opened the door quietly?—Of course he could, if he went in quietly.

158. *Rt. Hon. R. J. Seddon.*] Is Mr. Warburton in the habit of leaving the door open?—The door is never keyed. It is generally open, and a person might go in without my knowing it.

LOUIS ROSKRUGE examined. (No. 7.)

159. *Rt. Hon. R. J. Seddon.*] What are you, Mr. Roskrug?—Chief Clerk in the Audit Office.

160. What is the practice in respect to debentures passing between the Treasury and the Controller and Auditor-General?—They are sent up from the Treasury for the Controller to sign.

161. Are they sent up by an officer of the Treasury?—Yes.

162. Who is the officer who generally brings them?—Sometimes Mr. Collins and sometimes Mr. Smith.

163. Did you receive any of these debentures from Mr. Collins or Mr. Smith in August last?—What debentures are you speaking of?

164. The debentures under the half-million local loan?—No. I do not remember any of them being brought into the office by anybody from the Treasury. I think they were taken straight to Mr. Warburton.

165. Is it usual for these debentures to be put on the table in Mr. Warburton's office without your knowledge?—I think not.

166. You did not receive any?—I did not. I have had them in my hand, given to me by Mr. Warburton to put into the safe.

167. *Mr. Guinness.*] At what time in the day?—It might be in the afternoon or it might be in the morning, when Mr. Warburton could not deal with them.

168. We are speaking with regard to the half-million-loan debentures?—I think they were put into the safe in the afternoon, to be signed in the morning.

169. Did you see Mr. Smith, the Treasury officer, that afternoon?—No; I think not.

170. *Rt. Hon. R. J. Seddon.*] At all events, these debentures were not given to you by anybody?—No.

171. It is not likely they would be put on the table in Mr. Warburton's absence?—No; the habit is to hand them to somebody to take charge of them.

172. *Mr. J. Allen.*] Was Mr. Warburton there on the 15th August at 1 o'clock?—I could not call to mind whether he was or not.

173. Was he attending a Committee on the 15th August?—I could not say.