

The Auditor of Public Accounts, in his "Queries and Observations on the Financial Accounts of the Colonial Treasurer for 1865-6," states that "explanation is required to be laid before the Audit Committee as to the charge of £17,050, made on account of conveyance of mails by sea, this being the second time the item has appeared as Postal Expenditure." To this the Accountant of the Treasury replies, that "the sum of £20,000 charged in the account was remitted in November, 1865, to the Secretary of State on account of the balance due by the Colony to the Mail Service *via* Suez at that date. It is true that the sum of £17,050 was nominally at credit of the reserved fund for this service, but as no cash on account of that fund was in the public chest, the payment was made out of the revenue of the year and charged accordingly." Upon this the Auditor appended the following observations:—

"The Auditor states in explanation that in the Statement for the financial year 1862-3, the sum charged to the Ordinary Revenue on account of the Suez line by transfer to the Reserve Fund is £13,300. In the Statement for the year 1863-64 the sum similarly treated is £13,000, making altogether £26,300. The Surplus Revenues in each of the above years were diminished by corresponding sums.

"Out of this reserve of £26,300 it is found that £1,250 was remitted to England in the month of December, 1863, and £8,000 in the month of February, 1865, thus leaving in the Reserve Fund a balance on this account of £17,050.

"In the Reserve Fund for the year 1865-66 there are no transactions on either side of the accounts as regards the Suez line.

"So far the accounts are not objected to. But on reference to the Ordinary Revenue Account of the year 1865-66, there will be seen at page 13 an entry of £20,000 for contribution to the Suez line, of which sum £17,050 were arrears of former years.

"It thus appears that instead of these arrears being paid out of the balance of £17,050 which the Treasurer held in his charge as a reserve for the purpose, it was again charged against the Ordinary Revenue, and the Surplus Revenue thus diminished by a corresponding amount, while the £17,050 remained in the Reserve Fund.

"The explanation of the Colonial Treasurer is that there was no cash on account of the Reserve Fund in the public chest, and therefore the payment was made out of the Ordinary Revenues of the year and was charged accordingly.

"To this the Auditor objects that the Colonial Treasurer in his statement of balance for 30th June, 1865, shows that there was a balance of £35,196 3s. 9d., in his charge to the credit of the Reserve Fund, of which balance £17,050 belonged to the Suez line; but whether the Colonial Treasurer had the necessary cash in hand or not, it is quite clear he had no right to charge the Ordinary Revenue twice with the same sum.

"16th August, 1867.

"CHARLES KNIGHT."

Which observations were replied to in a Memorandum by the Assistant Treasurer:—

"In the Memorandum presented by the Auditor-General respecting the amount placed to Reserve Fund in 1865, and not taken into account in making a payment of £20,000 for arrears in respect of contribution to the Suez line in 1866-7, it is quite superfluous to say that the facts as stated by him are strictly correct. On the other side the fact equally remains that the payment of 1866-7 required to be made, and that the money could only be found out of the revenue of the year, which is only charged with an actual payment, leaving the Reserve Fund just where it was, to be hereafter dealt with as may be thought expedient. The first setting aside of the amount may have been open to objection, but the actual payment of 1866-7, that is to say all the transactions that affect the account of that year, it is submitted are not so.

"Treasury, 17th August, 1867.

"J. WOODWARD."

Upon full consideration of this subject your Committee are of opinion that the Colonial Treasurer was not justified in charging the Ordinary Revenue a second time with the item of £17,050 for contribution to the Suez line, while the same amount remained to the credit of that item in the Reserve Fund Account. As the Surplus Revenues have been affected thereby your Committee recommend a re-adjustment of the account.

Your Committee would further most strongly endorse the opinion of the Audit Committee of 1866, to the effect that the Reserve Fund Account be at once and finally closed.

Your Committee desire to call the attention of the House to the state of the Surplus Revenue Account with the Provinces; overpayments appear to have been made during the year 1865-6 to the Provinces of Marlborough, Otago, and Southland, and the account upon 30th June, 1866, stood as follows:—

				£	s.	d.
Balance due by Marlborough	..	..	..	7,403	8	5
" " Otago	..	..	..	40,270	15	1
" " Southland	..	..	..	8,489	4	6