asked verbally by Mr. Richardson if I would act. I am not quite sure that I did not receive a note from him. *Mr. FitzGerald.* 23rd Aug., 1877.

689. You were requested to act along with the other gentlemen?—Yes. Our business, I take it, was to inquire how far the Middle Island system would work consistently with the Northern Island system—whether it was possible to bring into operation a uniform system.

690. *Mr. Wood.*] Could you give the Committee any approximate idea of the extra cost of auditing these railway accounts. Two or three years ago there were no accounts of that kind to audit. What additional cost do you suppose has been thrown upon the Audit Department in consequence of the establishment of the railway system?—When the Northern lines were opened, there was a great desire on the part of the Government to economize as much as possible in the system of audit, therefore there was an arrangement made by which the Accountant's Office for Constructed Railways should be worked jointly with the Audit. It was agreed that the Commissioners of Audit should appoint a head clerk, who should be Audit Clerk, and that the Accountants to be appointed by the Public Works Department should work under him, so that the expenses of the three or four clerks who were employed were borne upon the estimates of the Public Works Department, half being paid out of the Consolidated Fund and half out of loan. That system went on until the Middle Island railways were taken over, when it was considered that the whole expense of auditing ought properly to be borne by the estimates of the Audit Office, and additional clerks were appointed to meet the increased work of auditing the lines that came under our control in Otago and Canterbury.

691. What is the cost of that—because in point of fact an additional establishment would have to be created?—There have been three additional clerks appointed with a salary of £125 per year. There may perhaps be one additional clerk required.

692. That is the extent of the increase?—Yes.

693. I think I understood you to say that upon the whole the weekly system had an advantage over the monthly system, in that there was less work attached to it?—I think so from my experience.

694. The accounts are sent in weekly upon certain forms?—Yes.

695. Surely it must take four times as long, or say three and a-half times as long, to make out four weekly returns as it would to make out one monthly return. It may not be so difficult to make out a weekly return as a monthly return, but certain forms having to be filled, and a certain number of columns to be filled, it makes very little difference whether the amounts are small or large?—I think when the trouble involved in the ascertainment of arrears is taken into account, no one with any practical experience of the matter will deny it will take a much less time to balance weekly accounts than it will to balance monthly accounts.

696. I should have thought these accounts were not sufficiently complicated to lead to any difficulty in balancing?—Many of the accounts are very small.

697. But it is only a question of receiving moneys and paying them into the bank. It is not like the complications of companies' accounts, in which half-a-dozen different accounts have to be kept, and balances may come out in an entirely inexplicable manner from some prime element or another having been entered in a book. The work on a railway is all done on particular forms, and I cannot see, except there is carelessness, how there can be any difficulty?—There is complication in this respect, that the accounts have to be supported by the abstracts, and the abstracts have to be supported by the way-bills. May I be allowed to mention one point in connection with weekly accounts which I neglected to allude to when under examination by the Chairman. By the system of monthly accounts the audit is greatly delayed—delayed to such an extent as to seriously impede inquiries as to mistakes in the accounts. Take, for instance, the Christchurch office. The balance-sheet of the monthly accounts cannot be made up much before the 20th of the month following. It then comes up here, and before it can have been gone through thoroughly, two months will have elapsed; and if mistakes are discovered it is imperative to ask officers to explain small errors in their accounts which occurred two or three months previously. They have no recollection of the matter, and they have to go searching through the accounts for a considerable time perhaps before they can find the particular transactions in respect of which there have been errors, the result being a very great waste of time; whereas, if we have weekly accounts, we are able to detect errors so expeditiously that the officers are able to answer any inquiry with the aid of memory. I may mention, too, that the audit in all the Government accounts has been greatly advanced by the weekly system. Formerly, many of the accounts were two years in arrear, now the average certainly is not more than two months.

698. I understood there was another advantage in weekly accounts—that it provided a speedy means for the detection of defalcations and falsification of accounts?—Yes.

699. Have there been many defalcations in the New Zealand public service?—On the whole I think there have been marvellously few.

THURSDAY, 23RD AUGUST, 1877.

Mr. Back. 23rd Aug., 1877.

Mr. BACK examined.

700. *The Chairman.*] You are in the Audit Office?—I am not now connected with the Audit Office. I am Accountant for Constructed Railways.

701. Do you see the accounts that come up from the different districts?—No; they go to the Audit Office. When checked, the results are forwarded to me.

702. *Mr. Larnach.*] You are Accountant in the Railway Department?—Yes.

703. Then you should be able to give us an opinion as to the working of the weekly and monthly systems. What is your opinion?—My experience was entirely of weekly accounts, therefore I have not had an opportunity of observing the relative merits of the systems.

704. The position you hold is a responsible and important one?—It is.

705. Might I ask you what your experience had been before you joined the Government service?—I was for some considerable time in the houses of Thomson and Co., Burnett, Edwards, and Co., and