MINUTES OF EVIDENCE.

TUESDAY, 7TH AUGUST, 1833.—(Mr. Moss, Chairman.)

Mr. JAMES EDWARD FITZGERALD, Controller and Auditor-General, examined.

The Chairman having informed Mr. FitzGerald as to the order of reference, the witness stated that he had no suggestions to offer as to any amendment of the Act.

1. *The Chairman.*] Have you any remarks to make in connection with your memorandum on the imprest of £192,000?—I have drawn up a statement with regard to that memorandum, but I have no suggestions to make as to any alterations in the law.

2. That, I presume, would be your statement in connection with it?—The imprest only.

3. *Hon. Major Atkinson.*] But not in any way with reference to amendment of the law?—No. I see no necessity for any amendment being made in the Act. I mean, of course, with regard to the practical working of the Act. I do not mean if the Committee think there should be a different object gained than that which is gained by the Act. I should be happy to express my opinion on that subject, if any amendment is suggested.

4. *The Chairman.*] As to what you consider the object of the Act?—*Which section?*

5. The general object of the Act. You state in your memorandum that the whole object of the Revenues Act was to abolish the pre-audit system of payment?—That was the Act of 1878. It had, in fact, been done long before. That system was adopted in—I forget what year; there were several Acts passed after the Act of 1867, and, whichever Act it was, it was finally decided that there should be a pre-audit of accounts, and all that was incorporated in the Act of 1878.

6. In your memorandum this is how you put it: "I cannot but point out that the same course might be adopted by the Government at any time and for any purpose, and the whole expenditure of public moneys be changed from that of *direct* payment to one of *imprest* payment, and from one of pre-audit to the old system of audit after payment, a system which it was the whole object of the Revenues Act to abolish"?—Yes; it was contemplated at the time when the pre-audit system was first introduced by Sir Julius Vogel that the great mass of payments, all except a very few, could be made direct from the Treasury; but it was found in practice that there were certain things which could not be so met, payment of wages, especially of the Armed Constabulary Force; and since then, in later years, the introduction of the railway system has greatly enlarged the number of payments that have to be made necessarily by imprest, and which cannot be made direct from the Treasury. Therefore, the imprest system has grown steadily upon the system of direct payment which it was the original intention of the Act should be the normal system of payment of public moneys. I should think quite a third of the whole payments of the colony are now made by imprest.

7. And consequently before audit?—All before audit necessarily. The whole of the railways, which amount to approaching half a million, and the whole of the Constabulary, are entirely paid by imprest, and cannot be paid otherwise.

8. Is it not the custom in some of the colonies to pay before audit, and to hold the head of the department responsible, if the accounts afterwards prove incorrect?—New Zealand is the only country in the world that I know of that ever attempted to pay after audit. All countries pay before audit.

9. Holding the head of the department responsible?—The officer, whoever it may be, in whose hands the money is placed. In Victoria all moneys are paid by a system of Sub-Paymasters in districts. In Sydney the great bulk of the payments are paid virtually in the same way. In South Australia they have a special system of payment, different from all others. They authorize the officer who is responsible for the payment to draw cheques upon the Treasury, and those cheques are paid over the counter in the Treasury, the same as in a bank; and the officer who draws the cheques is held responsible for not drawing any except for expenditure he is authorized to incur. The advantage of that system is very great, as far as the public is concerned, because the public get their money instantly; but the disadvantage is that the Government have to pay the cheques, whether they are good or bad, for the public credit, whether the goods or services are authorized or not. But I was informed that they hardly ever had any question of importance as to the cheques. Those are, in fact, the three great systems now in force in all these colonies.

10. Do you think it very important that the pre-audit system should be maintained?—I was always strongly opposed to it; and there were numbers of memoranda of mine written at the time pointing out the difficulties that would occur; but I have in a great measure changed my opinion by the practical working of it. I find there is not that delay in making the payment after audit that I thought there would be; and it is also obvious that without a pre-audit there can be nothing in the shape of a practical control, because the principle of the control is that the money shall be issued by the Controller, but, if the audit comes after the payment, the money must have been issued in the first instance. Therefore, I think the question of pre-audit is bound up with the question of control. There is no control in any colony except this and Victoria; but the control in Victoria is more like the control which takes place in England, which is a control of the issue of the