expenses in that account than had been imprested to the Postmaster-General for the purpose of such payments. I raised the question with the Post Office and the Treasury in January last.

4. Have you the correspondence?—Yes. [See Exhibit L.]

5. You might just roughly explain to us the point of this query and difficulty?—The point of it is that there has been a violation of section 74, subsection (4), of the Public Revenues Act. The Postmasters had paid more than the moneys imprested for the purpose of the payments up to the 31st December by £39,037 1s. 9d.—that is, more than had been imprested to the Postmaster-General for the purpose.

6. These imprests are given upon requisitions to which is attached a voucher, I believe?—Yes.

7. And the voucher states the vote of service?—Yes.

8. I do not understand how the Postmaster can pay more money than he legally can pay under the vote, considering that the Audit Office must pre-audit all the vouchers?—In the case of the Post Office I cannot pre-audit. The Postmasters have a large amount to pay of money-orders and Savings-Bank withdrawals, and there is a large amount of cash in the hands of the Postmasters. They receive money under all kinds of headings. The Postmasters have to pay for services, which should be paid only out of imprests, out of any money they have in hand. They are unable to tell whether there is money enough imprested for the payments. It is for the Postmaster-General to see that he has money enough imprested to make these payments through the agency of the Postmasters. The Postmaster-General, therefore, makes a requisition to the Treasury from time to time, estimating what his requirements may be. If the Treasury, as appears by this correspondence, delays in supplying the money promptly on the application of the impresteee, then the payments exceed, as here, the amount imprested for the purpose.

9. Instead of getting money from the Postmaster-General for the payment of services charged against the different votes, the money coming in from time to time to the Postmasters—the cash receipts—have been used for the purpose, thus anticipating the receipts on imprests?—Yes. If the Postmasters are not stopped from making these payments immediately the imprest money runs out, then, of course, there must be an overpayment, and that overpayment can only come out of other moneys.

10. Is this something new?—No; it has been going on for years.

11. This has been the first note that has been made of it?—Yes.

12. Is it practicable to so arrange the imprests that the Postmasters can always have sufficient imprest money to pay out for the charges coming under the head of "Parliamentary votes"?—If the votes are sufficient, I should say so. The difficulty appears to me to be that the Treasury has not promptly supplied the amount of the requisitions of the Post Office.

13. It is not a question of spending more than the vote, but of spending the money before it has been obtained from the Paymaster?—Yes.

14. The votes have not been exceeded?—They have not been exceeded. They could be, but they have not been.

15. Is there any danger in this, such as possibility of fraud?—No; I am not prepared to say that I know that there is any danger of fraud.

16. Is it a practice which does any harm to any officer or department?—It does in principle. I have said to the Treasury that it is, in principle, at least, a serious breach of trust.

17. That is, taking trust moneys to pay for Government services?—Yes.

18. And replacing them from imprest moneys received afterwards?—Yes.

19. Could this be done: Money is received on account of the Savings-Bank—a deposit—and money is required for some miscellaneous expense of the Telegraph Department—repairs, say: could the money be used for something like this without it going to the other account?—Take an example: If a Postmaster in charge of a money-order office where a deposit was made of £50 had no other money in his office, and he was authorised to make payment of £50 on account of expenses such as you describe, he would use that £50 for it. He does that because he cannot keep the account. He does it on the assumption that the Postmaster-General has the money imprested to him to make good the deposit.

20. In other words, he does not ear-mark the money received?—No; it all goes into one cash-box. The Head Office makes the adjustment.

21. Can you suggest any way by which this irregularity can be avoided?—It seems to me it could be avoided by the timely supply of the money from the Treasury.

22. Do you mean actually sending the cash?—No. When the Post Office here applies to the Treasury for an imprest the money should be promptly supplied.

23. And the small local offices could send forward the money they have?—No; the Head Office makes its own arrangements for the payments out of moneys imprested. If any local offices have more money received under all heads than they need it is remitted to the Head Office. The Head Office knows approximately how much is necessary to keep the imprest account in funds sufficient to make these payments under subsection (4).

24. But if the imprest moneys were sent partially, would it not mean that either the local offices would hold more money than was necessary, or that they would not have enough, so that money would be continually being sent from the Government and back again?—No; the local office would not apply for more money than the Postmaster-General had directed to be paid. He, for instance, makes all payments for the Public Trust Office and Advances to Settlers Office. There is never any deficiency there, because the Post Office refuses, in the case of the Public Trust Office, to authorise any payments unless the money is first supplied.

25. You think there would be no inconvenience about having the imprest made in plenty of time for sending the money down for all payments?—The payments are to be made, and if they cannot be made out of money imprested they cannot be made directly.