of the law where they happen in that or in any other respect. I understand that Parliament would desire, and every one who wants an Audit certificate would desire, to hear any objection the Audit has to make, if the audit is to be worth anything.

70. That is your ground for putting on this tag? You find in your interpretation of the law that the law is an ass, and you reported it?—I do not know that in this case the law is an ass, for in principle it is a very serious breach of trust. I wrote that memorandum in January, and put my certificate to the account on the 11th May, and between the 12th January and the 11th May I had not a word from the Treasury, and have not had a word to this date—no reply whatever.

71. Did you expect one? This was published in the account: what did you expect from the Treasury after that? You did all you could do by reporting it to Parliament—you could do nothing more. You could not withdraw it?—I could not withdraw it.

72. You say the Secretary to the Treasury had not discussed this matter with you?—I do not recollect him mentioning the matter, or acknowledging it even in conversation. I do not think he has mentioned it since.

73. Have you ever discussed it with me?—No, I do not think so.

74. There has been nothing said about this except what you see in the documentary evidence? I want you to be careful?—Yes. The only discussion was as to another item which does not affect this. It was an item as to the investments.

75. *Hon. the Chairman.*] Was that the first time within your knowledge that miscellaneous expenses were exercised in that way by the Post Office?—No. In the tabled papers it will be seen that on the 31st December, 1895, there was an excess of £31,254 9s. On the 31st December, 1896, there seems to have been a credit of £17,298 1s. 2d.

76. Any prior to that year?—I believe there were some, but I could not speak from anything but impression.

77. *Right Hon. R. J. Seddon.*] It has not simply happened during the last seven years?—I could not speak with certainty.

78. *Hon. the Chairman.*] When you were Accountant to the Post Office, would such a state of things have come under your notice?—I believe there were times—I speak only from impression—when the Post Office payments for services exceeded the amount available even in my time.

79. *Mr. Montgomery.*] Is this going on now?—I cannot tell until I audit the accounts from time to time. I complete the audit every quarter. On the 31st March there was an overpayment of somewhere about £2,000—I cannot recollect the exact amount, but about that. In that amount there would be no very great harm. The amount might represent payments not advised to the Head Office by the close of the quarter.

80. With reference to these tags, as they are called, I presume when the law is not respected for any reason whatever you have to report it to Parliament?—Whenever I see anything which I think it is my duty to report I report it.

81. Whatever the difficulties in the department may be?—Yes.

82. *Right Hon. R. J. Seddon.*] You do not consider the report an impeachment?—No; my only object is to point out whether the law has been complied with or not. If I gave a certificate that I have examined an account and that it is correct, that implies that, as far as my knowledge goes, I consider there is nothing wrong in that account.

W. Gray examined.

83. *The Chairman.*] You are Secretary to the Post and Telegraph Department?—Yes.

84. You hold no other offices under the Crown?—No.

84A. *Right Hon. R. J. Seddon.*] You have heard Mr. Warburton's evidence, Mr. Gray?—Yes.

85. He makes a charge against your department for using trust moneys, and so forth, contrary to law. Will you give the Committee the facts connected with this matter?—Having overspent the imprest, there was no doubt a technical breach of the law; but I may say in explanation that this has been going on under the imprest system since 1888, and there have been debit balances on many occasions varying from £700 up to £39,000 for the quarter ended the 31st December last. In March quarter, 1889, it was about £19,000.

86. *Mr. Tanner.*] It has more than doubled to come up to £39,000?—Yes. Before 1888 we made payments out of Post Office moneys, but without imprest. The Treasury refunded the amounts after we paid them, on receipt of the paid accounts. Imprests are paid to the credit of the Post Office Account, Wellington, but the amounts are not distributed over the colony. The Postmasters make payments out of the moneys collected which they may have in hand. The imprest moneys remain at the bank at Wellington, and, as the paid vouchers diminish the imprest balance, a requisition is sent to the Treasury so as to keep up the imprest to the estimated expenditure.

87. Do you say that the old system was a convenient one?—Yes, I think so. The payments were made out of receipts. I do not see that there was any need for the alteration.

88. *Mr. Fraser.*] It includes the paying-out of all moneys?—Yes; the payments are made out of receipts.

89. *Right Hon. R. J. Seddon.*] It is practically the same as a bank which is receiving deposits. One person deposits an amount, and some one else comes in with a deposit-receipt and wants to draw out his money?—Yes. Whatever payments have to be made are paid out of moneys in hand, and if there is not sufficient the Postmaster telegraphs to the Postmaster-General, and the amount applied for is placed to his credit at the bank.

90. You have heard Mr. Warburton's evidence: is such a contingency at all possible as that on a given day there might be a sudden demand?—I think not.

91. Has anything happened in any post-office of the colony which would lead you to think it likely there would be such a demand?—No. Postmasters are able to meet all authorised payments.