

Credit, Public Works Fund—

	£	s.	d.
Permanent-way materials (sleepers)	848	18	9
Midland Railway, Otrira Section	2,688	3	1
	<u>£3,537</u>	<u>1</u>	<u>10</u>

30th August, 1898.

G. J. CLAPHAM.

29th April, 1898.

GEO. FELTON,
Stores Manager.

Charge to Vote, Railways. Item, Auckland.—A. C. FIRE, 27th July, 1898.

WORKING RAILWAYS, Dr. to LANDS AND SURVEY DEPARTMENT, Invercargill.

Name of section: Hurunui-Bluff.

Department: Stores.

August 1, 1898. 34 matai sleepers, at 2s. each £3 8 0

A. M. HEATON,
For Stores Manager.

9th August, 1898

Charge to Vote, Railways. Item, Hurunui-Bluff.—A. C. FIRE, 13th August, 1898.

PROPOSED TRANSFER, No. 175, 3rd September, 1898, of £17,867 11s. 4d. from Vote for Working Railways to Public Works Votes.

The Treasury.

Audit Office, 15th September, 1898.

THE two transactions in March last—one purporting the sale of property by the Department of Working Railways to the Public Works Department for £15,000 paid at the time, and the other purporting the sale a few days afterwards of the same property by the Public Works Department back to the Department of Working Railways for £15,000 not yet paid—have clearly resulted in making the expenditure of the Department of Working Railways, to the amount of £15,000 during last financial year, a charge of £12,000 on the public-works vote for Midland Railway, and of £3,000 on the public-works vote for permanent-way. The Working Railways Department transferred the property for money—money which was required, appropriated, and spent during the financial year for the working-expenses of the railways—and then took back the property immediately afterwards without paying for it, or having yet paid for it.

That the Public Revenues Act does not contemplate transactions of this nature, that they are not provided for by any Appropriation Act, and that the abstracts of the revenue and expenditure of the Public Account, which comprise such transactions, cannot completely be an index to the real purposes of the expenditure of public money appears to be beyond all question; and if the transaction by which the property was returned to the Department of Working Railways on the 11th March had been known to the Audit Office to have been contemplated before the time when, on the 5th March, the transfer was passed in respect of the sale by the Working Railways Department that transfer would certainly not have been passed.

The Audit Office would have declined to pass the transfer on the ground that the transaction was to be not really a sale, but an arrangement by which the Department of Working Railways might, by depositing the property without actually parting with it, or any intention of parting with it, obtain an advance of £15,000 out of the public-works votes.

The proposal now, that the Department of Working Railways shall pay back the money, will, if carried out, transfer in the Public Accounts railway expenditure which took place to the amount of £15,000 during last financial year into expenditure of that department during this financial year, and the expenditure during last financial year of £12,000 out of the Midland Railway vote, and £3,000 out of the vote for permanent-way, into an appropriation for this financial year, in addition to whatever may be voted for those services for the year. The result would be similar to that of the proposal made in July last in the papers of which I append a copy—namely, the proposal to transfer back from the vote for working railways to the vote for additions to open lines the amount of £14,589 1s. with which the working railways vote was credited during last financial year.

The question, however, for the Audit Office is not the result of the transactions, but whether they are authorised by or within the law. On that question there was, on the 5th March last, as will appear from a reference to the further papers* of which I append a copy, so much doubt in the mind of the Audit Office respecting the legality of the transaction purporting the sale in the first instance by the Department of Working Railways to the Department of Public Works that the Audit Office could pass the transaction only on the condition that it should be reported to Parliament.

The fact now known to the Audit Office—of the delivery back of the property by the Department of Public Works a few days after the transaction without receiving back from the Department of Working Railways the price at which that department purchased the property from the Department of Public Works—greatly increases the doubt which was entertained respecting the transaction when, without any ground for anticipating that the property would so soon be taken back by the Working Railways Department, the Audit Office challenged the transfer; and there is, consequently, all the more reason for the Audit Office to carry out its duty, which has been delayed, of submitting the case to Parliament as a case in which there is doubt, now strengthened so much, whether the transaction was as a matter of legal interpretation within the law, and in order that the Audit Office may receive such instruction in the matter as Parliament may see fit to issue.

* "Further papers" are the correspondence preceding Mr. J. C. Gavin's memorandum of the 9th September.