Mr. Allen: What about the inscribed stock?

Mr. Morrison: You have no right to discuss the inscribed stock here. What we have to consider at present is, whether the interest at 3½ per cent. on the £500,000—viz., £5,657 10s. 6d.—was correctly received by the Treasury and paid into the proper account, or whether it should have been paid to the Public Trustee.

Rt. Hon. R. J. Seddon: As far as I am concerned, if this were a "go-as-you-please" business I should not have raised this question. It would not be to my interest as Treasurer to do so; but I say we are not here trying the Public Trustee as to how he has invested this £500,000. He has received the money, and it is to be held by him for the redemption of the securities. I say we are not here to try the Public Trustee, for that is what Mr. Allen is trying to get at. He can do that either in the Committee or in the House; but it is not the question which is before us now.

13. *Mr. Fraser.*] What Mr. Allen said would be quite right if this Public Accounts Committee were to be of any real service in inquiring into the Public Accounts of the colony; but it has been settled by Chairman after Chairman that we have no right to inquire into anything except what is absolutely placed before us. So it is only "beating the air" to contend as he does that we should inquire into the disposal of these moneys. I think the Public Accounts Committee should have power to inquire into everything connected with the Public Accounts; but we are in this unfortunate position: that our powers are restricted, and we have to be bound by that restriction, and it is no use now to try and follow up that inquiry. But what I want to know is whether the Audit Office has taken its stand in this matter on the strict letter of the law. Is that so, Mr. Warburton?—Yes.

14. How is the Government going to pay the interest on this sum in future? Is it to be paid by the Public Trustee or is the Government going to pay it?—I have not considered that question.

15. I think it a right question to ask, who is to find the interest in the future? This £500,000 worth of 3½-per-cent. debentures were given to the bank in exchange for preference shares. The bank sold these debentures and has regularly paid to the Government the interest on the £500,000, thus enabling the Government to pay to the holders of said debentures the interest due to them. Whence will the Government derive this interest in the future? Do you hold that the Public Trustee would be entitled to pay the interest or would the Government have to pay it?—I have not considered that point.

16. Is it not a fact that the law would have to be altered to allow of this interest being paid? The Government has paid the interest in the past; but how about the future? Does the law enable the Public Trustee to deal with the revenue from the money which has been paid to him as interest on the amount originally advanced—does it enable him to use it in payment of the interest?—There is no statutory authority for him to do anything else than keep it for the redemption of the securities.

17. Then it would be necessary that the law on this point should be altered to enable the Government to get the interest from the Public Trustee?—That is not a point which I have considered.

18. You would rule that in order that it could be done there should be an alteration of the law?—That is a matter for further consideration.

19. That is to say, you only act in strict accordance with the law?—Yes.

Mr. J. Allen (to the Chairman): Then you refuse to put my question?

The Chairman: Yes. I have ruled that Mr. Allen is debarred from putting his question because it involves a question which is not pertinent to the correspondence which the Committee has to consider at present. Does any member of the Committee wish to ask any further question?

Mr. J. Allen: It is no use asking questions. The Committee is a perfect farce. We cannot get the information we want. I wanted to know what had become of the £500,000 after it had been paid to the Public Trustee—how he had invested it—but I am precluded by your ruling from putting the question. You allowed Mr. Fraser to put a question with regard to the interest, which is exactly of the same sort as that which I put.

Rt. Hon. R. J. Seddon: I have nothing further to ask Mr. Warburton, but I should like to hear Mr. Heywood as to his reason for disputing the decision of the Audit Office.

James Barnes Heywood, Secretary to the Treasury, in attendance and examined. (No. 2.)

20. *Rt. Hon. R. J. Seddon.*] If the £5,657 10s. 6d. had been paid to the Public Trustee, he would immediately have had to give a cheque and pay it back to the Treasury, would he not?—That was the course which it was understood would be pursued: if we paid the money to the Public Trust Office it would at once be handed back to the Treasury.

21. By what authority?—I have nothing to do with the administration of the Public Trustee's office. He manages his own business.

Rt. Hon. R. J. Seddon: He occupies the position of the shareholders, which carries with it the obligation of paying the interest on the £500,000 advanced by the colony. He holds the £500,000, so that when the time comes he can redeem the shares.

22. *Mr. Fraser.*] That is merely splitting straws. At all events the *modus operandi* would have been that you would have paid a cheque to the Public Trustee and he would have paid back a cheque to you?—Yes; that would be so with regard to this sum of £5,657 10s. 6d. That is the amount which the bank had to pay, and we were only recipients from the bank of these moneys.

23. Then how would you pay it to the Public Trustee?—It was not our intention to pay it to the Public Trustee, but the Audit Office said it would have to be so paid. My opinion is that the £500,000, having been paid to the Public Trustee, the liability to pay further moneys in connection with the transaction, so far as we were concerned, closed. The Public Trustee has nothing more to do with the £500,000 than to find the money at the time the stock falls due. He has no