# MINUTES OF EVIDENCE.

WEDNESDAY, 25TH SEPTEMBER, 1901.

Mr. JAMES KEMMIS WARBURTON in attendance and examined. (No. 1.)

1. *Rt. Hon. R. J. Seddon.*] You are Controller and Auditor-General?—Yes.

2. A correspondence took place between you and the Colonial Treasury respecting the issue of the half-million local loan?—Yes.

3. What was your first knowledge with respect to that loan?—Seeing the draft prospectus.

4. When was that?—I do not recollect on what precise date the draft was brought to me, but it was brought before the loan was issued.

5. Did you look through the prospectus?—I did.

6. Have you had any other prospectus before you which might lead you to assume that a mistake was made in respect to this matter?—I do not recollect any.

7. What occurred between you and Mr. Heywood when this prospectus was shown to you?—I pointed out that it was not satisfactory as to its proposal to pay the rate of 4 per cent. interest per annum under the terms of the prospectus. I did so because such proposal did not appear to me to be satisfactory.

8. Did you say so to Mr. Heywood?—So far as I recollect I did. It was in the course of an unofficial conversation between us at the time.

9. Was there any particular alteration suggested by you in the prospectus?—I am in doubt whether there was any. I think there may have been one.

10. If a prospectus is produced and your alterations are shown in it, would you say that prospectus is incorrect?—No, not if my alterations are shown upon it.

11. Do you positively state that you suggested alterations?—No; I only say as far as I recollect. As I say, this took place in an unofficial conversation, and I cannot recollect precisely what was said.

12. If your recollection is at fault in that case might it not be at fault in other respects also?—I am not sure of all that took place. I may have pointed out that the securities should be on the public revenues of New Zealand as stated in the prospectus. But nearly all this took place in a private conversation, and it is very difficult to recollect all that took place during such a conversation in regard to the prospectus. The Secretary to the Treasury is the Colonial Treasurer's channel of communication with the Audit Office.

13. Can you give us any date on which this conversation took place? Was it some time before the 11th April?—Oh, yes; considerably before the 11th April.

14. Do you know the date on which the tenders were to be in?—By the 23rd April, according to the prospectus, and they were opened on that date.

15. Did anything occur in the unofficial conversation between you and the Secretary to the Treasury on the 11th April which caused you to send in the memorandum of that date, which is numbered 2 in these papers?—I had not received a satisfactory reply to the suggestion as to the provisions being wrong. I raised the question on the 11th April in order to make clear what the position of the Audit Office was to be at the opening of the tenders. I do not recollect any conversation with the Secretary to the Treasury on that date.

16. Did you say positively to Mr. Heywood that if that was continued you would object?—I did not express a decided opinion. I said the proposal was unsatisfactory to me, and that was about the sum of my remarks on every occasion; and even after this memorandum of the 11th April was written, and some time after the tenders were accepted, I certainly said that, as far as I could see, it was demonstrable or clear to me that the Act would not authorise the payment of the interest proposed to be paid.

17. This was after the tenders had been accepted?—Yes, after the tenders had been accepted.

18. Do you not think, Mr. Warburton, if you held this view at that time—that the issue of the prospectus would commit the Government to an illegal act—it was your duty to look into the matter and take action prior to the colony being committed?—I think that I should probably have been charged with an interference in the administration. I do sometimes offer suggestions to the Administration, but I do so only by way of suggestion. The issuing of the prospectus and its terms were administrative acts.

19. Nothing occurred between the conversation between you and Mr. Heywood on the 11th April and the opening of the tenders?—I do not know that anything occurred between those dates. I think I repeated the suggestion. That is the impression upon my mind.

20. To whom?—To the Secretary to the Treasury.

21. You received a reply to your letter of the 11th April. The reply is dated the 13th April, and is to this effect: "The question has been considered, and the Colonial Treasurer has been advised that there is nothing in the point raised by the Audit Office"?—Yes.

22. You understood that the advice of the Solicitor-General was taken?—I presumed that the Colonial Treasurer was advised by the Solicitor-General, or by the Crown Law Office.

23. Did you look into the matter again, and still think you were positively right?—No; I wrote the letter on the 18th April.

24. You were not positive on the point?—I had not received the advice tendered to the Government.