195. You differ from Mr. Biss on that point?—Yes. I have had a very much larger experience than Mr. Biss in regard to them. He has not had the practical experience of extensive manufacturing accounts that I have had.

196. If we interpret clause 108 to mean that separate accounts are to be kept in the books for each mine, should it be done?—I say that, according to the usual commercial practice and interpretation of that question, it has been done. An account is kept under each one of these heads for each mine, and the other general accounts are divided at the end of the year.

197. After the division is made are they debited to the separate accounts?—Yes.

198. If I interpret the law to mean that separate accounts are to be kept for each mine, is it possible to do that?—Yes, and it has been done.

199. You have got three sets of accounts, have you not?—There are separate accounts for each of the two mines right through.

200. Do you show, for instance, the allocation of the unexpended capital to each mine in your books?—No.

201. Then there are not separate accounts for each mine as far as that is concerned?—Those are funds in hand, and you cannot allocate them to either mine.

202. That is exactly what I want to get at. Is it possible to do this?—Not in respect to that particular item. That is not deemed to be an account. It is not treated as an account in dealing with the working of the mines——

203. But somebody has to find the interest on it?—Yes, the two mines have.

204. Is it not possible to allocate that to each mine, and get rid of your general Debenture Account?—So it is. The interest is charged to each mine.

205. Would you comply with the law, then, by balancing up your Debenture Account and allocating the money to each mine?—What advantage would that be?

206. You would comply with the law?—I do not think it would be complying with the law any more than it is now. There is provision for a dozen mines, and there is one fund to carry on all the mines together. There might be two mines, or there might be a dozen. If you locked up all the capital in those two mines, what about the third?

207. Whilst there are two mines only, those two mines have to find the interest on the unexpended balance?—Exactly, and that is what I have done here.

208. How could you get at that interest unless, either in your mind or in the books, you allocated the unexpended capital?—The capital expenditure on each mine is definitely shown in the balance-sheet. The unexpended capital is the cash in hand, and you cannot say to which mine it belongs.

209. The interest to be paid by each mine belongs to that mine?—Certainly.

210. How do you get at the amount of that interest?—The total interest paid must be in proportion to the total capital invested in the two mines, and the proportion of the interest charged to each mine according to the capital invested in each mine.

211. Then, in your mind's eye, you have the capital according to the expenditure that has already taken place, and you charge interest on that?—Yes. You cannot divide up the debentures against each asset, because there are other assets besides the mines.

212. I made a remark that we had some evidence last year that the capital had been allocated, on the 31st March, in the way suggested by the Minister. You were present at the meetings of the Mines Committee during the whole of the time?—Yes.

213. You heard the Auditor-General give evidence?—I heard only a portion of his evidence.

214. He gave evidence, and I asked him among other things about this allocation, "Had you good grounds for certifying a balance-sheet which showed a reduction of liability of the Point Elizabeth Mine from £80,000 to £59,000? Had you good grounds for certifying the alteration?" He replied, "I had." I then asked, "What were the grounds?" And he answered, "That the Minister had chosen to allocate"?—The Minister only *signed* the balance-sheet. I did it, and the Minister signed.

Mr. J. Allen: I was justified, then, in saying that evidence was given to that effect?

Hon. Sir J. G. Ward: Further on, Mr. Allen, in referring to this, asked, "That was an arbitrary thing to do, was it not?" And Mr. Warburton replied, "I cannot say. It was an allocation by the Department"——

Mr. Heyes: He spoke of the Minister as representing the Department, I take it.

Hon. Sir J. G. Ward: Furthermore, the words used by the Auditor-General originally were "by the Administration."

Mr. Warburton: I should explain that I always regard the official acting for the Minister as the hand of the Minister.

215. *Hon. Sir J. G. Ward.*] Did the Minister in charge of the Department at any time direct you to alter an allocation that was made by your Department, Mr. Heyes?—No. There was no suggestion of any interference. The balance-sheet was drawn up, and the Minister had nothing to do with it until he signed it.

216. Has the Minister attempted to get you to alter the accounts in any way?—No, he has never made such a suggestion.

J. K. WARBURTON, Controller and Auditor-General, examined. (No. 7.)

217. *The Chairman.*] Having heard Mr. Heyes, the Committee would like to hear what you have to say in reference to the dispute between the two offices, Mr. Warburton?—I shall first read my minute, which has been called a "tag," to the accounts: "The Hon. the Minister of Mines.—'The Coal-mines Act, 1905,' in section 108 of the provisions for State coal-mines, requires that, with respect to *each coal-mine* worked by the Minister, he shall cause a balance-sheet to be prepared, together with a statement of accounts, and such balance-sheet and statement of accounts to be submitted to the Audit Office for audit. There should accordingly be submitted two balance-sheets, one for the Point Elizabeth Mine and one for the Seddonville Mine. The balance-sheet submitted,