221. You do not question, upon your Audit Inspector's report to you, the accuracy of the accounts in any way?—He examines and reports to me the facts of the receipts and expenditure. I have not audited these accounts yet. He has examined them, and I believe he finds a correct statement of transactions according to the books.

222. What do you usually do? Do you accept the report of the Audit Inspector, whose examination of the books——?—No. He is merely authorised to inspect and report to me as to the facts. I audit.

223. Would you audit upon the Audit Inspector's report to you, without personally going through the books?—Yes, I would. I could not go through the books personally.

224. As a matter of practice, you must accept the report of the Inspector as your guide for your auditing?—Yes; I do that as to the facts that the expenditure has taken place and is properly vouched, and that there are proper certificates for everything.

225. Then, upon the report of the Audit Inspector regarding the accounts in question, was there anything to suggest any impropriety in connection with any of them?—No impropriety, I should say. The only objection I am raising is that the balance-sheet is not a balance-sheet for each mine—that is to say, a complete balance-sheet for each mine.

226. You accept the examination of the Audit Inspector, who goes through the accounts to enable you to make your examination as Controller and Auditor-General and give your certificate. You say there has been nothing whatever to suggest any impropriety or inaccuracy in connection with the accounts in that report of the Inspector?—Oh, yes, I had some conversation with him before I wrote that minute.

227. That is, upon the point of the balance-sheet. I am talking about any impropriety or inaccuracy in the accounts. I want to know whether there was anything reported to you by the Audit Inspector to suggest that there was anything inaccurate or improper in the accounts as examined by him in the books of the Department?—There was no impropriety exactly, but the balance-sheet submitted to me was on the face of it not the balance-sheet which was required.

228. Could you, as Auditor-General, certify to a balance-sheet unless an Audit Inspector went through the books in the first instance to give you the necessary information?—I do not think it would be physically possible.

229. You are not expected to—you do not personally examine?—No.

230. In this case was anything reported to you by the Audit Inspector to show that there was any inaccuracy or impropriety in any way whatever in connection with the coal-mines?—The first question I asked him when he brought this to me, after examining the items and informing me that they were properly vouched, was, "Where are the two balance-sheets which I am required to audit?"

231. That is a different point. Did the Audit Inspector who examined the accounts of the State Coal-mines Department report any inaccuracy or any impropriety to you in connection with the accounts?—I do not know whether he did or did not. He would report any inaccuracy if there were any.

232. Did he report?—He did not report any inaccuracy. I do not think it is his business to report any inaccuracy, except so far as there may be want of vouchers or certificates. He reported no inaccuracy in the expenditure shown in that balance-sheet or in the revenue shown in the balance-sheet.

233. But we have it in evidence that as the result of his inspection he ticked off every item of these accounts in the books?—He may have. I have no doubt he did. That is what I understood him to have done.

234. If there was anything wrong would it not be his duty to report it?—What do you mean by "wrong"?

235. I want to find out whether there was anything reported to you as inaccurate in connection with any of the separate coal-mine accounts as kept by the Department. I shall ask you about the balance-sheet presently?—Take, first of all, the Capital Account. He reported to me that the Capital Account had not been allocated to each mine. That was not accurate; that was not a compliance with the law.

236. That was the unexpended amount of the Capital Account?—Well, the whole of it. It was money raised, £140,000, and it could only be raised for one or the other of the mines, or both.

237. There can be no flexibility in your own actions as Controller and Auditor-General: if a section of an Act provided for the impossible, you could not recognise that fact in any way?—I think I should if it provided for the impossible. I should probably report to Parliament that I did not see how it was possible to carry out the law.

238. In the meantime you could not give a certificate if the law were not complied with?—If an account were placed before me as near as it could possibly go to the law, I should add to my certifying remarks a statement that the account did not comply with the law, but that it was impracticable to comply with the law, and that the account went as near as possible to compliance.

239. In this case, excepting the non-production of two independent balance-sheets as required according to your reading of clause 108, you have no reason to suppose there was anything wrong in connection with these accounts? You must be guided by the report of your Inspector as far as details go?—I do not think there is anything wrong. I think the transactions are all right. I do not think any wrong transaction has taken place.

240. *Mr. J. Allen.*] Do you think it is impossible in this case to comply with the law as you interpret it?—I do not.

241. You think it is easy to keep a separate account for each coal-mine and to produce a separate balance-sheet?—I think so.

242. *Mr. W. Fraser.*] Who is the person to decide whether a balance-sheet is in accordance with law—you or the official head of any Department?—It lies with me, and I do not think there is any appeal against my judgment in the matter.