

1887.
NEW ZEALAND.

SPECIAL AUDIT OF ACCOUNTS OF THE LAKE COUNTY COUNCIL, (REPORT ON THE).

Presented to both Houses of the General Assembly pursuant to Section 188 of "The Counties Act, 1886."

To His Excellency Sir WILLIAM FRANCIS DRUMMOND JERVOIS, G.C.M.G., C.B., Governor of New Zealand, &c., &c.

MAY IT PLEASE YOUR EXCELLENCY,—

Your Excellency having been pleased to direct that a special audit be made by the Audit Department of the accounts of the Lake County Council, in compliance with the prayer of the petition of certain ratepayers of that county, and the Controller and Auditor-General, acting under your Excellency's authority, having instructed me to undertake the duty, I have the honour most respectfully to submit to your Excellency the following

REPORT.

1. I arrived at Queenstown on the 6th December, and at once introduced myself to the Chairman of the County Council, writing him the following letter:—

"SIR,—

Queenstown, 7th December, 1886.

"I have the honour to inform you that, in compliance with the petition of certain ratepayers of the County of Lake, His Excellency the Governor has directed that a special audit be made of the accounts of the County Council, and, in terms of section 33 of 'The Public Revenues Act, 1878,' has requested the Controller and Auditor-General to audit the said accounts accordingly.

"Under the powers conferred by Part III. of the Act above cited, and by the authority of the Controller and Auditor-General, I am about to enter upon this duty.

"I shall be glad if you will place at my disposal such information as may be necessary to the satisfactory performance of my task, and with the assurance that I shall receive from yourself and the County Treasurer the most cordial co-operation and assistance.

"I have, &c.,

"C. C. Boyes, Esq.,

"Chairman, Lake County Council."

"C. T. BATKIN,

"Assistant Controller and Auditor.

2. I desire, at the outset of my report, to acknowledge the assistance I received from the County Chairman, who kindly placed at my disposal a room in the county chambers, with all requisite appliances, and evinced at all times a desire to supply me with any information at his disposal.

3. The County Chairman having expressed a desire to see the petition addressed by the ratepayers to your Excellency, I permitted him to read that document, and at his request I allowed it to be read by the County Treasurer also, withholding however an examination of the signatures.

4. I had scarcely entered on my examination of the accounts, and while as yet undecided how far back it would be necessary to extend it, when I discovered three of the frauds in respect of

which the late County Clerk now stands committed for trial. One of these frauds dated back to April, 1884, and a general scrutiny of the accounts led me to the conclusion that irregularities had commenced at an even earlier date. This conclusion, strengthened by circumstances connected with the absence of the rate-book of the years 1880-81 to 1883-84, determined me to extend my examination to the accounts of the financial year commencing on the 1st April, 1880. In view also of the absence of almost the whole of the revenue vouchers since that date, and of the fact that the county offices were practically open day and night to any one who chose to enter, I determined at once to obtain possession of the whole of the county books and papers, so as to prevent any further removal of documents or possible tampering with the books of account. I made known my wishes to the Chairman, who most readily assented to my wish, and at once placed the keys of the strong-room in my hands. I assured Mr. Boyes of my perfect confidence in himself and in the present County Clerk, Mr. Black. I now desire to repeat that assurance, and to add that the circumstances which led to the adoption of the course which appeared to me to be necessary in this matter, in no way, and at no stage of my inquiry, had any reference to either of those gentlemen.

5. In treating of the accounts of the period covered by this report, it appears desirable to divide the subject into two parts, viz. :—

- (1.) The period embraced by the six financial years 1880-81 to 1885-86, during which the accounts of the county were in the hands of the late Clerk, P. B. Boulton; and
- (2.) That for the half-year 1st April to 30th September, 1886, during which the accounts have been managed by the present County Clerk and Engineer, Mr. John Black.

6. The county books of the period 1880-81 to 1885-86 comprise: "Rate-books," "Rate-collector's Sheets," "Rate-collector's Book," an "Accounts-book," "Petty-cash-book," "Cash-book," "Journal," and "Ledger."

7. The "Rate-books" of the years 1880-81 to 1883-84 were bound in one volume, and the rate-books of the years 1884-85 and 1885-86 in another. The first of these volumes, containing particulars, in the form prescribed by the Rating Act, of the rates for four years, has disappeared.

8. The first intimation of the disappearance of this book seems to have been given by the County Auditor (Mr. Livingston), who, in a letter addressed to the County Chairman, under date the 14th June, 1886 (Appendix A), informed him of the circumstance. In his report, dated the 1st July, 1886, on the accounts of the year ended on the 31st March, 1886, the County Auditor again referred to the matter in the following terms: "There is a matter occurring during the half-year to which I must specially refer—viz., the disappearance of the rate-book for 1880-81, 1881-82, 1882-83, and 1883-84. In my last report I called your attention to the fact that uncollected rates, 1881-82 and 1882-83, amounting to a very large sum, had been written off by minute, and expressed a hope that before doing this the Council had taken certain precautions which I had several times previously recommended. I find that during the past half-year the uncollected rate 1883-84 has also been written off, and, so far as I could learn, without any steps having been taken to discover whether the total correctly represented the items then unpaid. I regret to say that, on asking for the rate-book on my recent visit, your Clerk (Mr. Black), after diligent search, assisted by the late Clerk (Boulton), was obliged to admit that it had never been in his custody, and was not to be found."

9. The first reference to the missing rate-book which appears in the minutes of the Council occurs on the 5th July, 1886, in connection with the Auditor's report above referred to, then under consideration. The minute is as follows: "Missing Rate-book.—Mr. Boulton, who was in attendance, explained that he had not had the rate-book for at least a year. It is possible that it had been burnt when clearing out the office of old papers. . . . Mr. Douglas thought that the disappearance of the rate-book was a very serious matter, and one that should be sifted to the bottom. Messrs. Jenkins, Butement, McDougall, and Aspinall having expressed themselves similarly on the subject, Mr. McDougall moved, and Mr. Jenkins seconded, 'That Mr. Boulton be requested to find the lost rate-book, 1881-82 to 1883-84, with a view to having it placed on the Council table at its next meeting; failing which, this Council then consider what further steps shall be taken for its recovery.' Mr. Daniel did not altogether agree to Mr. McDougall's resolution, as Boulton had admitted that he had no hopes of finding the book, as he had already looked in every likely place; and he contended that under the circumstances it would be better to deal at once in the matter. After further discussion the motion as put was carried."

10. A meeting of the Council was held on the 2nd August following, when, as stated in the minute-book, "The following resolution with reference to the missing rate-book was carried, on the motion of Messrs. Douglas and Jenkins: 'That, seeing our late Clerk, Mr. Boulton, has failed to produce the lost rate-book, and has not explained in any way satisfactorily for its disappearance, this Council take the opinion of Mr. Turton [the County Solicitor] as to its power to proceed criminally against Mr. Boulton, or in what other way it can act.' Mr. Turton having been requested to give his opinion, he subsequently attended, and stated that he had gone into the matter, and in his opinion Mr. Boulton should be asked to hand over the missing rate-book within a given time, failing which he could be prosecuted for doing away with it. The Council having unanimously agreed to act on Mr. Turton's opinion, the following resolution was then passed, on the motion of Messrs. McDougall and Aspinall: 'That Mr. Turton's opinion *re* lost rate-book be acted upon, and that Mr. Boulton be informed that, unless said rate-book is returned to our present Clerk (Mr. Black), within twenty days from this date, Mr. Turton will be instructed to proceed against him criminally.'"

11. At a meeting of the Council held on the 6th September, as is reported in the minute-book, "A letter from the late Clerk was also considered, in which he stated that he could not, after further search, find the missing book, and had no knowledge of its whereabouts. It was resolved, on the motion of Messrs. Douglas and Aspinall, 'That it be left to the Chairman and Mr. Turton to carry out the resolution of Messrs. McDougall and Aspinall passed at the meeting held on August 2nd, 1886, with reference to lost rate-book, and to do everything necessary in connection therewith.'"

12. At the time of my arrival in Queenstown an opinion seemed to be common that the missing rate-book had not been destroyed, but had been removed by Boulton to his residence at Mid Rivers, near the head of the Lake, and that the County Treasurer, Mr. Daniel, if not concerned in its removal, was at least privy to its concealment. The County Chairman and County Solicitor seem to have shared in this opinion, for I found that at their suggestion the police had placed a detective in the house of Mr. Daniel, who keeps an unlicensed hotel at Glenorchy (the head of the Lake), with instructions to make an occasional visit to Boulton's house, with a view to the discovery of the book. The officer, was, however, unable to obtain any clue to the place of keeping of the book, and he was therefore, after some weeks, withdrawn. The police, appearing, however, to believe that the book was on the premises either of Mr. Daniel or of Boulton, finally executed warrants for the search of their respective premises, but without finding the missing book.

13. By a precept, dated the 14th December, I summoned Boulton to appear before me at Queenstown on the 17th, to give evidence as to the accounts of the Lake County Council, and to bring with him the missing rate-book, and all other books, papers, and documents the property of the Lake County Council in his possession or under his control. He stated, in his evidence on that occasion (Appendix B.-1), that he had burned the rate-book at the County offices, with other papers, in or after the month of April, 1886. (His tenure of office ceased on the 31st March, but his services were retained in a temporary capacity until the 30th April.) I took the evidence of Mr. Daniel, the late Treasurer, on the subject (Appendix B.-2), and that of Mr. Black, the present County Clerk (Appendix B.-3); also that of Mr. Finch, a carpenter recently in the employ of Mr. Daniel (Appendix B.-4), and who was reported to possess information on the subject; but without any practical result. On the 11th January proceedings against Boulton were taken by the police, at the instance of the County Council, for the destruction of the rate-book, and he now stands committed for trial on that charge amongst others.

14. Returning to the subject of the county accounts, I found that the late Clerk held also the office of Collector, and, while still apparently holding that office, the Council on the 2nd February, 1885, appointed Mr. Thomas Gilmour as Collector of the county revenue. Mr. Gilmour held this office till June, 1886. Printed forms called "Rate-collector's Sheets" were supplied to him for the purpose of accounting in detail to the Clerk for rates collected. These sheets were used by Gilmour when paying his collections to the Clerk (see Gilmour's evidence, Appendix B.-5), but none of them could be found by me, nor could I find the lodgment-slips for moneys paid into the bank, by which, as stated by Gilmour, the Rate-collector's sheets handed in by him were always accompanied. I found a bound volume of these Rate-collector's sheets, the first four or five pages of which were filled up in the handwriting of Boulton, the rest of the book being blank.

15. *The Accounts-book.*—Prior to the 3rd October, 1881, accounts awaiting payment were scheduled on loose sheets, and submitted to the Council for approval at the ordinary meetings. On the date referred to the system of loose sheets seems to have been abandoned, and the accounts since that time have been (professedly) scheduled in the book known as "the Accounts-book," showing on the one page particulars of the accounts thus:—

Cash-book Folio.	Accounts.	Presented.	Passed.
66	Marr—Rabbit-poisoning 	£ s. d. 6 6 0	£ s. d. 6 6 0

On the opposite page of the book the votes and works authorized are set forth thus:—

- "Refund of rates—Wakatipu Hospital, £5;
- "Formation of road at Beach Bay—Public Works Committee to deal;
- "By-road near Brunswick Mill to be repaired"—

the entries being a rescript in brief of the resolutions of the Council recorded in the minute-book. The practice of showing the votes and works authorized as above described gradually fell into disuse, and was finally discontinued in October, 1883, since which date the accounts presented, whether for works or other payments, have been scheduled in the book under the one head of "Accounts presented and passed for Payment." The practice of stating the particulars of each claim has, however, been abandoned, and the schedule is now a list of names and amounts only. Considering its importance, the book, till within the last year and a half—say up to March, 1885—is signally imperfect and unreliable. It frequently happens that the same claim is authorized a second or even a third time. The schedules are frequently unsigned by the Chairman, and in many instances are not totalled, so that further items may at any time have been added; and such totals as are given are frequently erroneous owing to items interpolated (none of which are initialled) and other alterations made in the body of the schedule. In a memorandum at foot of the schedule of accounts for March, 1885, the County Auditor has objected strongly to the practice of interlining items in the schedules; and since that date the practice has ceased.

The passing of the several schedules of accounts as recorded in the minutes is usually set forth in terms as follows: "Accounts as per folios 63 and 64 of 'Accounts-book' were duly passed for payment." Many discrepancies in dates and folios are, however, observable, and in some instances the passing of the accounts for payment is not referred to in the minutes at all, and I found no instance in which the total amount of the accounts passed for payment was specified in the minutes.

The book presents a more orderly appearance during the past two years, owing to repeated representations on the subject made by the County Auditor. The cash-book folios are filled in with more regularity, either in ink or pencil, but are still far from complete. The Auditor has, however, indicated that the items in the cash-book have been compared with those in the accounts-book, by

noting opposite to each sum authorized the number and date of the audit half-year within which it was paid.

16. I compared the payments of the years 1885-86, 1884-85, and 1883-84 with the schedules of accounts passed, with the results specified below. As regards the antecedent period I found the schedules so incomplete and unreliable that I was compelled to abandon the task as fruitless. In the accounts of the year 1885-86 I found only one payment (a sum of £10) which did not appear in the accounts-book. I found, however, in that book eight sums authorized but not paid: one of these was a sum of £10 payable apparently to a person other than the recipient of the £10 previously referred to. The name of the latter had, however, been written in pencil over the original name, and I presume the alteration must be regarded as the correction of a clerical error. Of the remaining seven sums, three were repetitions of claims authorized on a previous occasion, three were probably included in larger sums subsequently authorized, and one represents a small sum which I could not find had been paid. In the accounts of the year 1884-85 a comparison of the payments entered in the cash-book with those authorized in the accounts-book exhibited a far less satisfactory result. The payments authorized but apparently not paid numbered twenty-six. In nine instances the sums are evidently repetitions of amounts previously authorized. As regards the others, I can only suppose that they must be represented by other sums paid to the same person. On the other hand, the claims paid but not authorized in the accounts-book numbered fifty-seven. Of these, eleven are for salary paid to the Chairman and officers of the county, two are for advances to the Clerk for petty-cash purposes, and the remainder are payments to divers persons, the majority being for labourers employed on the roads.

17. As respects the year 1883-84, I made the same comparison as in the two subsequent years above referred to. As the result of that comparison, I found that, out of 388 payments made during the year, only 179 were specifically authorized by means of the accounts-book. On the other hand fifty-six payments had been authorized for which no corresponding payments could be found in the cash-book. Many of the sums so authorized are, however, merely repetitions of claims authorized on previous dates.

18. It is observed that up to October, 1883, the payments to labourers employed in the repair of roads were not authorized in the accounts-book, on the ground, presumably, that the resolution of the Council authorizing the performance of the work implied an authority for the payment of the men employed.

19. In the course of my comparison of the sums paid with the sums authorized, I observed that in a large number of instances the authority of the Council to pay was not obtained till after the payment had been made; and, in order to determine to what extent this practice had prevailed, I made a careful examination of the payments made during the financial years 1884-85 and 1885-86, with the following results:—

Year 1884-85.—Of the claims authorized by the Council—				£	s.	d.
On the 5th May, 1884,	1	was paid on the 8th April, amounting to ...	388	17	8	
"	20	were " 1st May " ...	184	11	3	
" 9th June, 1884,	7	" 21st May " ...	801	11	11	
" 7th July, 1884,	3	" 23rd June " ...	818	11	2	
"	6	" 4th July " ...	93	11	4	
" 6th Oct., 1884,	1	" 2nd Sept. " ...	15	0	0	
"	30	" 1st Oct. " ...	198	19	7	
" 26th Nov., 1884	1	" 14th Oct. " ...	17	0	0	
"	5	" 3rd Nov. " ...	241	15	0	
Year 1885-86.—Of the sums authorized—				£	s.	d.
On the 1st June, 1885,	2	were paid on the 7th April, amounting to ...	100	0	0	
"	1	" 17th April " ...	12	4	0	
"	2	" 20th April " ...	30	0	0	
"	3	" 9th May " ...	32	12	6	
"	2	" 22nd May " ...	50	0	0	
" 25th Nov., 1885,	5	" 14th Nov. " ...	36	14	2	

I may remark that the large payments made in the year 1884-85 in anticipation of authority were mainly sums due to contractors—a class of payments necessarily of an urgent character, and which may be held to be covered in each case by the *quasi* authority subsisting in the contract.

20. *The Petty-cash-book*, used to record petty payments of various kinds, the principal items being for postages and telegrams.

21. *The Cash-book* has been kept with some approach to neatness, but is sadly wanting in many important particulars. Page after page occurs in which the date of the year is not entered, so that it is frequently necessary to turn half-a-dozen leaves in order to ascertain to what year the entries relate. On the receipt side no ledger folios are entered in the cash-book till the 1st October, 1880, and on the expenditure side not till the 1st October, 1881, so that for that period it became necessary on every occasion to refer to the index in order to trace the transactions into the ledger. Many of the folios entered in the index are erroneous, and several accounts in the ledger are not indexed at all. The entries in the cash-book supply no information beyond the designation of the ledger account to which they are posted—this designation being frequently erroneous and wanting in uniformity—the name of the payee and the amount thus:—

	£	s.	d.
Roads—D. McKinlay	...	...	...
Roads—J. McDonald	...	...	...
Surveys—R. Parks	...	...	...
Travelling allowances—R. Pritchard	...	...	...
	5	0	0
	13	10	0
	50	0	0
	18	0	0

—so that for any details of the service or date of performance it becomes necessary to refer to the voucher. Until the 1st April, 1881, the rates brought to account in the cash-book are not specified in detail, but are simply stated as “Rates—Collector, £ ,” the sum credited representing an aggregation of sums paid into the bank at various dates by the then Collector. I endeavoured to reconcile for one half-year the sums paid into the bank by the Collector with those brought to charge by the Clerk. The sums paid in were, however, classified by the Collector under the heads of the seven ridings comprised in the county, and the lodgments, being for small sums, were correspondingly numerous. After seeking in vain for some occasion of agreement as a starting-point, I came to the conclusion that the task would occupy more time than the object would justify, and I accordingly abandoned it.

The dates of entries in the cash-book, both of receipts and payments, I proved, as a rule, to be utterly unreliable. The fact will occasion no surprise when I state that the late Clerk, in his evidence before me, admitted that it was written up “not oftener than twice or thrice in the half-year, and on one occasion at least not till the end of the half-year” (Appendix B.-1). The circumstances detailed in paragraph 75 of this report, under the head of “Defalcations of the Late Clerk,” warrant the assumption that the receipt side of the book was written up to fit the payments into the bank. That the credit side was mainly written up from the bank pass-book is proved by the regularity with which the entries as a rule follow the order of that book. It is not uncommon to find the name of the month on the first line of the page, and, though the page is filled with entries of payments made, the day of the month is not inserted opposite to any one of them.

22. *The Journal* is used simply for the purpose of making transfers and adjustments essential to the balancing of the accounts at the end of each half-year. The entries in this book are made during the visit of the County Auditor; and having seen them made, and the balance-sheet constructed accordingly, he has left it to the Clerk to carry the entries properly into the ledger. In certain instances this has not been done, and the ledger totals differ from the balance-sheet to the extent of such omissions. The journal folios in many instances are not entered in the ledger, nor the ledger folios, except in a few instances, in the journal. The visit of the Auditor is necessarily a hurried one, and, though, as a rule, he appears to have devoted far more time to the accounts of this county than their dimensions would justify, he has on some occasions been unable, after seeing the journal entries made, to wait and see that they were carried into the ledger, and it is apparent that, as soon as the Auditor had left, the Clerk took no further trouble in the matter.

23. The last book to which I have to refer is *the Ledger*. It has been the practice of the Clerk to open an entirely new series of accounts in the ledger under each head of receipt and expenditure at the commencement of each financial year; and without any justification, either of necessity or convenience, the practice has been persisted in year after year, notwithstanding the repeated protestations of the County Auditor, who has taken the trouble in some cases to write in the heading of some of the accounts, in pencil, for several successive pages, in order to indicate that those accounts should be continued on those pages, and not removed at the beginning of the year to an entirely new section of the ledger. The Clerk, however, continued the old practice. As one of the results, the index to the ledger is filled with a multitude of folios—under the head of “Rates” there are nineteen folios—written sometimes in black ink and sometimes in red; while, owing to a want of prevision in making the earlier entries, the later folios are “squeezed in” in small figures written between the lines. Several of these folios were erroneous, and in some cases accounts were omitted altogether. The accounts of the county are made up in half-yearly periods, as required by the Act, the ledger being ruled off and each period balanced separately. The figures given in the annual balance-sheet are not therefore to be found in the ledger. The several points adverted to above are individually trifling, but in the aggregate they add appreciably to the labour of audit.

24. The system under which payments on account of roads are posted in the ledger is very involved, and renders all reference extremely difficult. The practice is as follows: An account is kept under the heading “Roads,” and to this account all expenditure for roads and works not performed under contract is posted from the cash-book direct. For works performed under contract a ledger account with the contractor is opened in most cases. This account is first credited with the amount of the contract, and all payments made under that contract are posted from the cash-book thereto. At the end of each half-year the total sum debited to each of these ledger accounts during the period is transferred in one sum in each case to the general “Roads Account,” the contractor’s account being balanced by carrying forward the unpaid balance of the contract. I need hardly point out how laborious the process of reference from the ledger to the voucher becomes under this system.

25. No separate ledger accounts have been kept showing the expenditure made in respect of sums granted out of votes of Parliament for special works, of grants under the Roads and Bridges Construction Act, or of the sums paid over to the county for expenditure on designated roads in or leading to the deferred-payment lands. The whole of the expenditure made under these heads has been posted or transferred to the general account for roads.

26. Having thus described the system of accounts and the general aspect of the books in use by the county, I will now report on the several heads of receipt and expenditure, treating first of the receipts, and beginning with the item

27. *Rates*, including rates on Crown lands,—the receipts under the last-named head having averaged for the four years during which the Crown and Native Lands Rating Act has been in force a sum equal to about one-fifth of the sum collectable from ratepayers within the county. A statement accompanying this report (Appendix C.) shows the amount of the rate struck for each of the past six years, the total sum collectable, the sums collected year by year in respect of each year’s rates, the uncollected balances, and the sums written off; and I supply hereunder a general statement of the sums collectable, collected, and written off in respect of each year’s rates since the date of constitution of the county. In this statement, in order to secure a just comparison, all rates under the Crown and Native Lands Rating Act have been omitted.

Rate.		Total Sum collectable.	Total Sum collected.	Written off.			
				Amount.		Percentage of Sum collectable.	
		£ s. d.	£ s. d.	£ s. d.		£ s. d.	
Rate of 1877-78	...	1,720 10 11	1,601 16 2	118 14 9		6 18 0	
Rate of 1878-79	...	1,724 10 0	1,632 15 0	91 15 0		5 6 0	
Rate of 1879-80	...	1,586 18 6	1,444 0 6	142 18 0		9 0 0	
Rate of 1880-81	...	1,354 9 3	1,107 1 9	247 7 6		18 5 0	
Rate of 1881-82	...	1,351 10 0	958 12 6	392 17 6		29 1 0	
Rate of 1882-83	...	1,318 19 9	830 15 9	488 4 0		37 0 0	
Rate of 1883-84	...	1,149 10 11	769 13 8	379 17 3		33 0 0	
Rate of 1884-85	...	1,129 0 7	1,013 11 11	115 8 8		10 5 0	
Totals	...	11,335 9 11	9,358 7 3	1,977 2 8			
Rate of 1885-86	...	898 16 8	833 1 10	*65 14 10		7 6 0	

* This sum has not been "written off;" it is simply the uncollected balance.

It will be observed that the uncollected rates of the five years 1877-78, 1878-79, 1879-80, 1884-85, and 1885-86 approximate proportionately in amount, and show an average loss of $7\frac{1}{2}$ per cent. of the sum collectable, while the average loss in respect of the apparently uncollected rates of the four years covered by the missing rate-book amounts to $29\frac{1}{4}$ per cent. of the sum collectable. The total of the apparently uncollected balances of the four years amounts to £1,508 6s. 3d.; but, supposing the rates of those years to have been collected as closely as those of the previous and subsequent years, the proportion uncollected would have amounted to £388 1s. 8d. It seems reasonable to assume that the rates of those years were collected in the same proportion as in other years, and if this hypothesis be conceded it follows that rates of the years 1880-81 to 1883-84 to the amount of £1,120 4s. 7d., in addition to the sums for which proceedings have been taken against the late Clerk, have been collected, and remain unaccounted for.

28. I examined the rate-books of the years 1884-85 and 1885-86. The totals of each page were written in in pencil, instead of in ink as they should be. The sums receivable and received were in many instances altered. The names and residences of the persons liable and the description of the property rated had frequently been altered, and names and amounts were interpolated. In a few instances the rate had apparently been partly or wholly remitted on grounds noted in the book as "Reverted to Crown," "Only 50 acres," "Valuation incorrect," &c. In many cases besides those in which, as above stated, the name of the person liable had been altered, there was evidently an intention to transfer the liability to another person, as was indicated by notes such as—"Enter to [another person]," "Now [another person]," "Gone; now [another person]," "Hotel sold to [another person]," &c. It appears that no rates have ever been collected from the ratepayers at Martin's Bay. The place is distant and otherwise inaccessible, and the rates are so small in amount that it would not pay to collect them; and the County Council, as I was informed, balance the account with the ratepayers by declining to make any expenditure within the district.

29. The practice of the county in regard to the collection of its rates seems to have been characterized by singular apathy, considering that the amount collectable has been steadily diminishing from the date of the establishment of the County Government to the present time. A reference to the tabular statement above will show that the falling-off as expressed in the first three figures of the totals has been from 172 to 158, 135, 131, 114, 112, and in the past year to 89, or about one-half the sum collectable in 1877-78, and that during the last three or four years the county has had a large overdrawn account at the bank. The minutes of the Council show that the subject of the uncollected rates was from time to time considered at its meetings, the question on three occasions being prominently brought before it by its bankers' demand for a reduction of the overdraft. Resolutions were passed, notices appear to have been issued, and legal proceedings directed to be taken. That a considerable amount of rates was collected by these means there can be no doubt. The efforts so made seem, however, to have been spasmodic, and the pressure directed to be brought into operation seems to have been only partially applied. In certain rough lists of uncollected rates of the three years 1880-81 to 1882-83, which I found in the county offices,—and which at considerable pains I succeeded in balancing (within a trifling sum) with the total uncollected rates of the respective years, as shown in the ledger, thereby establishing their general accuracy,—I found rates for two or three years due by the late Clerk; and in another list of "Ratepayers not to be sued" I found the names of two members of the County Council. In his evidence before me (Appendix B.-6) the County Chairman stated, in answer to my inquiries, that Mr. Daniel, the late Treasurer, "sometimes received rates, but in how many cases I do not know. I have frequently seen pencil memoranda in the missing rate-book in Boulton's handwriting: 'See F. H. Daniel,' or 'Refer to F. H. Daniel;' and, on asking Boulton for an explanation, he said that these were rates for which Mr. Daniel was responsible. The notes were made as memoranda that in the event of the rates being put into the Solicitor's hands the parties against whose names these notes were placed were not to be sued." In the minutes of the Council of the 2nd February, 1885, it is recorded that Mr. Turton, the County Solicitor, stated with reference to the uncollected rates that "some had been initialled by the late Chairman (Mr. Daniel), who undertook the responsibility of collecting them." In his evidence given before me on the 11th January (Appendix B.-1) the late Clerk stated that "it has often happened that sums due to the county for rates have been paid to Mr. Daniel in

making settlements of his private or business accounts" (Mr. Daniel, I may remark, is an auctioneer); and the County Chairman, in continuance of his evidence above quoted (Appendix B.-6), stated, "I can confirm the statement made to you by Boulton, that Mr. Daniel has on occasions settled his private accounts with his clients by deducting therefrom moneys due to the county for rates." Mr. Boyes further stated that "it was the case that, in some instances, on a second demand being made for rates, the ratepayers produced their receipts showing that the rates had been paid. These receipts were sometimes signed by Boulton and sometimes by Mr. Daniel. I learned these facts through their being reported to the Council by the County Solicitor."

30. I found in the accounts two instances only in which rates paid had been refunded. One was the case of the Wakatipu Hospital, to which a refund of £5 had been made in 1881-82. In this case the refund was practically a grant-in-aid, and should properly have been made in that form. The other case was a refund of £1 17s., made in the year 1882-83, but on what grounds I was unable to ascertain.

31. I had lists of the uncollected rates of the years 1884-85 and 1885-86 compiled from the rate-book, and found that they coincided with the balances as shown in the ledger, with the exception, in the case of the year 1884-85, of a few shillings, due apparently to fractions of a penny not taken into account.

32. The next principal item of revenue collected by the county is that of *Licensing-fees*. They consist of fees on publicans', accommodation or bush licenses, conditional and night licenses, wholesale licenses, extensions and transfers, slaughterhouse and hawkers' licenses. Taking the several license-books I checked the sums stated on the butts of each into the cash-book, and found them all brought to account with the exceptions hereafter noted. I noticed on the butt of each publican's and accommodation license issued since June, 1883 (with two exceptions), the contraction "Cert." in the handwriting of the County Auditor, showing that he had compared the butt with the certificate of the Licensing Committee. In one case he had noted that the certificate was "irregular," and in another that the fee had not been paid within the time (fourteen days from date of certificate) required by law.

33. The exceptions to which I have referred in the preceding paragraph are as follow. In respect of the fee of £20 payable in respect of the following licenses, a part of the fee has been remitted, namely,—

License No. 50: T. Goodwin, £10.

License No. 52: Llafranchi, £10.

License No. 53: P. Bell, £15.

License No. 54: W. Soper, £15.

Fee on transfer of license: Mrs. Goodwin, £2.

The remissions in question were each sanctioned by special resolution of the Council—in the cases of Goodwin and Bell on the 4th July, 1881; in the case of Soper on the 1st August, 1881; and in the cases of Llafranchi, £10, and transfer-fee, Mrs. Goodwin, £2, on the 5th September, 1881.

34. I observe in the minutes of the 23rd November, 1881, in reference to an application for a similar remission in another case, that "The Chairman [Mr. Daniel] stated that the Auditor had strongly condemned the practice, hitherto allowed by this Council, of refunding license-fees, and that if it were continued he must report such illegality to the Government." I may remark that no such observation occurs in any of the Auditor's reports which have come into my hands. The illegal payment was probably referred to in the Auditor's report on the accounts of the half-year to the 30th September, 1881, which report, with others, appears to have been destroyed.

35. Refunds were made in the year 1880-81 in respect of slaughterhouse licenses to the amount of £27 10s. The County Auditor, in his report of the 31st May, 1881, on the accounts of the year 1880-81 (Appendix A), pointed out that the Counties Act gave no authority for making such refunds, and that by section 199 a reduction of fees could only be effected in the manner prescribed in section 177. The Council appears to have acted on this suggestion, for at the meeting of the 6th February, 1882, it reduced the fee payable from £5 to £2 10s. The whole of the fees illegally refunded will be surcharged to the Council.

36. The fees received for the *Registration of Dogs*, described in the county accounts as the "Dog-tax," were collected by the police up to December 1880. After that date, and up to the end of the calendar year 1881, the tax was collected by persons appointed for the purpose in each riding. For the calendar years 1882, 1883, 1884, and 1886, the right to collect these fees was sold by public tender, for the sums of £128, £165, £180, and £60 respectively—the county providing collars and labels. For the intermediate year 1885 the tax was collected by the County Collector, the total sum received for that year being represented by the sale of 297 tickets at 5s., equal to £74 5s. A reference to the reports of the County Auditor (Appendix A) will show how constantly he found reason to complain of the delay in payment of the sums due in respect of this tax for the years 1883, 1884, and 1885, the remarks made in his reports being supplemented by minutes made at the end of each half-year in the cash-book. That these remarks were not uncalled-for, the following table, showing the dates on which the several sums are credited in the cash-book, will sufficiently attest:—

Date when credited.			Tax of Years				
			1882.	1883.	1884.	1885.	1886.
			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1882—February	...	...	32 0 0	...	...	...	...
April	...	...	50 0 0	...	...	...	...
1883—January	...	...	46 0 0	...	...	...	...
January	...	...	...	41 5 0	...	...	...
1884—January	...	...	...	60 0 0	45 0 0	...	...
June	...	...	...	10 0 0	...	...	...
July	...	...	...	53 0 0	...	...	...
1885—January	...	...	...	0 15 0	49 5 0	...	...
September	...	...	...	...	...	38 10 0	...
November	...	...	...	...	50 0 0	...	...
1886—May	...	...	...	...	35 15 0	...	15 0 0
July	...	...	...	...	...	27 8 4	45 0 0
October	...	...	...	...	...	8 6 8	...
Totals of contract payments	...	...	128 0 0	165 0 0	180 0 0	...	60 0 0
Total payments by Collector	...	...	...	...	...	74 5 0	...

37. It need scarcely be pointed out that, in purchasing the right to collect an impost of the character of the dog-tax, the profit of the purchaser would depend largely on the promptitude with which the tax was collected. That it was a successful speculation on the part of the purchaser may be gathered from the fact that for successive years the tax was sold to the same person, and in each year except the last at an enhanced price. The payment of the several instalments of the purchase-money should under these circumstances have been required to be made by, say, the 1st October in each year. It seems, however, to have been left to the purchaser to pay at his convenience, with the result that for the year 1882 the ultimate payment was not made till January, 1883; for the year 1883, not till January, 1885; and for the year 1884, not till May, 1886; while for the year 1885, during which the Collector—the former purchaser—was the paid officer of the Council, the balance of his collections was not paid in till October, 1886.

38. *Receipts from Forest Reserve.*—The Forest Reserve, or, as it is more commonly called, “the Cardrona Nursery,” is a plantation reserve of one hundred acres situate about six miles from Pembroke. It was established in the year 1881. It is managed by a Forester resident on the estate, and is under the general supervision of a member of the County Council resident in the district, who appears to take an active interest in its care and management. The receipts of the institution from the date of its establishment to the 31st December, 1886, have been as follow :—

Year.	Government Grants.	Sales of Plants and Trees.	Total.
	£ s. d.	£ s. d.	£ s. d.
1881–82	150 0 0	...	150 0 0
1882–83	200 0 0	26 15 3	226 15 3
1883–84	100 0 0	34 10 6	134 10 6
1884–85	150 0 0	8 3 10	158 3 10
1885–86	...	16 8 0	16 8 0
1st April to 31st December, 1886	...	26 16 11	26 16 11
Totals	600 0 0	112 14 6	712 14 6

The expenditure for the same period has been,—

Year.	Labour.	Seeds, &c.	Tools and Materials.	Sundries.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1880–81	...	10 0 0	...	11 18 0	21 18 0
1881–82	83 0 6	14 2 0	39 7 2	...	136 9 8
1882–83	75 16 0	17 4 6	14 14 4	9 11 0	117 5 10
1883–84	184 9 0	11 6 9	19 5 7	12 0 0	227 1 4
1884–85	328 16 8	8 6 0	23 7 6	18 18 9	379 8 11
1885–86	154 9 0	5 16 5	10 11 3	8 0 0	178 16 8
1st April to 31st December, 1886	217 15 3	...	...	...	217 15 3
Totals	1,044 6 5	66 15 8	107 5 10	60 7 9	1,278 15 8

I could find no record whatever in the county offices of sums due for trees and plants, and I accordingly called on the Forester for a statement of these amounts. In answer to my inquiry I received his day-book showing the sales of plants and trees from the year 1882 to the 31st December, 1886. From this book I find that—

	£	s.	d.
The total value of trees and plants sold and issued to the 31st December, 1886, was	428	9	7
Adding to this the amount of sums credited in the county books as received from persons not appearing in the Forester's book ...	14	7	6
And sums short-charged amounting to	0	7	3
	<hr/>		
The total sales amount to	443	4	4
Deducting therefrom the receipts as shown in the county accounts (see above)	£112	14	6
And certain sums stated by the Curator to have been paid, but not accounted for in the county accounts	0	16	6
	<hr/>		
	113	11	0
	<hr/>		
There remains an uncollected sum of	329	13	4
Deducting from this the value of trees issued to local bodies (apparently free of charge)	100	0	6
	<hr/>		
There remains due on the 31st December, 1886, a sum of ...	£229	12	10

In regard to the trees and plants issued to local bodies, church, school, and hospital committees, cemetery trustees, and others, I observed that in several instances the institution supplied was located in the adjoining county. It may be open to question whether the Lake County, with a large overdraft at its bankers, has acted prudently in supplying trees free of charge to public bodies even within its own borders. The proceeding is justifiable from the point of view that these bodies represent the ratepayers out of whose funds the nursery is maintained; but the supply of trees raised at the expense of the ratepayers of the Lake County to the public bodies of another county appears to be an unreasonable exercise of liberality, and is the more objectionable when it is found that the plants supplied were not issued with any view to the important object of forest-planting, but were supplied for purely ornamental purposes.

As regards the balance of £229 12s. 10d., it is remarked that the amount includes sums due by the late Clerk for trees, some supplied as far back as 1882, amounting to £21 1s. 9d., and sums due by Mr. Daniel, till recently the County Treasurer, for trees supplied as far back as 1884, amounting to £22 15s. 6d.: a large proportion of each item being for "Trees sent to town for sale by auction." I supplied the present Clerk with a detailed statement of these and other sums due, and suggested that he should take immediate steps to recover the amounts.

39. *Punt Receipts*.—I found in the accounts of the year 1880–81 sums amounting to £155 9s. 6d. credited under this head, and in the accounts of the year 1881–82 a sum of £6 15s., the latter being described as a subsidy received from the settlers in aid of the Kawarau punt. I found no vouchers or other means of checking these receipts. No similar receipts are brought to account in any subsequent year. The only punt now the property of the county is one at Kawarau Falls. This punt is worked by a ferryman on the understanding that he is to ferry all passengers, stock, and goods over the river in terms of a tariff fixed by the County Council, and that he keeps the punt in proper order and repair. On these conditions he is entitled to retain the fees.

40. A few trifling sums are brought to account as "Depasturing Fees," "Rents," and "Miscellaneous" (sales of stores), amounting for the whole six years to £34 13s. 6d. Depasturing fees and rents are no longer received. The subject of stores I have dealt with at the end of this report.

41. The receipts referred to in the foregoing paragraphs comprise the whole of the revenue collected by the County Council. I will now refer to that which is collected by or received from the Colonial Government, beginning with the

42. *Gold Revenue and Gold Duty*.—The revenue under these heads is remitted by the Treasury direct to the County Account at the bank, each remittance being advised to the County Chairman in a printed form adapted to the purpose. These advice notes form the voucher for the receipt when brought to account. In auditing these receipts I found that the advices of remittances from the Paymaster-General were complete up to the 31st March, 1882, but from that date to the 30th September, 1885, the whole of them had been removed from the file, and, it is presumed, destroyed. I thereupon obtained from the Treasury a statement of all sums remitted to credit of the county from the 1st April, 1879, to the 31st March, 1886. I had previously discovered three cases in which the Paymaster-General's remittances had not been brought to account (referred to hereafter under the head of "Defalcations of the Late Clerk"). A comparison of the statement received from the Treasury with the cash-book showed that, with the three exceptions referred to, the whole of the sums remitted had been duly credited. One of these exceptions was a remittance of £48 15s. 10d., representing £44 7s. 10d. gold revenue, and £4 8s. gold duty. In other respects the receipts under these heads are correctly credited in the county accounts. The totals are as follow:—

Financial Year.				Gold Revenue.			Gold Duty.			Total.		
				£	s.	d.	£	s.	d.	£	s.	d.
1880-81	...	...	...	746	16	4	1,328	11	10	2,075	8	2
1881-82	...	...	...	952	19	10	1,233	11	6	2,186	11	4
1882-83	...	...	...	770	7	9	1,146	18	6	1,917	6	3
1883-84	...	...	...	967	1	5	1,224	6	5	2,191	7	10
1884-85	...	...	...	1,009	10	10	1,410	3	3	2,419	14	1
1885-86	...	...	...	314	17	10	247	17	4	562	15	2
Totals	...	...	...	4,761	14	0	6,591	8	10	11,353	2	10

The foregoing figures represent the sums remitted by the Treasury. The sums brought to account by the county for the year 1884-85 are £48 15s. 10d. short of the sums above stated.

In addition to the above a sum of £1,000 was remitted by the Treasury on the 23rd November, 1885, as an advance on account of gold revenue and duty. The amount has been erroneously brought to account in the balance-sheet for 1885-86 as an "Advance on Roads Account." In the Treasury advice, as in the correspondence on the subject, the amount is expressly stated to be an advance against gold revenue and gold duty, and it should have been so described in the balance-sheet.

43. The several sums remitted under the heads of "20 per cent. Land Revenue," "Surplus Land Fund," "Subsidies on Rates," and "Rates on Crown Lands," are all correctly brought to account, and shown under their proper heads. The totals are as follow:—

Year.	20 per cent. Land Revenue.	Surplus Land Fund.	Subsidies on Rates.				Rates on Crown Lands.
			Under Financial Arrangements Act.		Under Local Bodies' Finance and Powers Act.		
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
1880-81 ...	853 13 8	1,399 0 2	1,148 17 6	...	...	...
1881-82 ...	...	...	1,531 16 9	...	...	...
1884-85 ...	...	...	...	...	...	453 8 2
1885-86 ...	...	...	...	675 3 1	...	...
Totals ...	853 13 8	1,399 0 2	2,680 14 3	675 3 1	453 8 2		

44. The fees and fines of the Resident Magistrate's Court as remitted by the Treasury have been duly credited.

45. The items of revenue above referred to, collected either by the county itself or by the Colonial Government on its behalf, constitute the county revenue available for appropriation by the Council, and form the measure of its powers to borrow moneys by way of overdraft.

46. The items of receipt to which I next refer represent moneys paid over to the county for specific purposes. They comprise receipts from sales of deferred-payment lands, grants under Acts of the Legislature, and grants out of sums voted for public works.

47. The several remittances in respect of deferred-payment lands have been duly credited under the proper head, the totals being as follow:—

				£	s.	d.
Year	1881-82	...	...	530	0	0
"	1883-84	...	...	809	7	4
"	1885-86	...	...	257	17	10
				£1,597	5	2

I shall refer to the subject of these receipts in a later part of this report (paragraph 71).

48. *Grants under the Roads and Bridges Construction Act.*—The remittances made to the county under this Act, with the dates on which they are brought to account in the county accounts, are,—

Number of Grant.	Remitted.			Credited by County.			Shown in Balance-sheet.
	Date.	Amount.		Date.	Amount.		
28	1884. June 16	£ 1,284		1884. June 17	£ 1,284		1883-84
178	March 31	805		April 1	805		1884-85
	August 29	750		August 29	750		
304	1885. September 23	1,000		1885. September 24	1,000		1885-86
	October 23	125		Not credited in accounts.			
			£3,964				£3,839

The last-mentioned remittance (£125) was used by the late Clerk to make good certain rates collected by him and misappropriated (see paragraph 75 of this report). For remarks as to application of these grants, see paragraph 55.

49. The grants made out of special votes of Parliament during the period under review were,—

1880-81.	Balance of the sum of £9,912 11s. granted for the	£	s.	d.	
	construction of the Kawarau Bridge ...	3,819	11	0	
1881-82.	Payment of half cost survey, Macetown Road ...	136	9	5	
1884-85.	Grant, Cardrona Road ...	1,500	0	0	
1885-86.	Subsidies in aid—				
	Skippers Road, and road to Invin-				
	cible Mine... ..	£60	18	8	
	Arrow to Macetown and Criffel				
	Road	117	5	6	
	Forming road Scheelite District ...	150	0	0	
	Track to Phoenix and Scandinavian				
	Reefs	64	14	10	
			392	19	0
	Improvement, Skippers Road		130	0	0
	Advance for maintenance of roads		1,000	0	0

These several sums have been duly brought to account, with the exception of the item “Improvement, Skippers Road, £130.” That sum was remitted by the Treasury to credit of the County Fund at the bank on the 8th June, 1885. It was not brought to account in the county accounts, and the money was made use of by the Clerk to replace license-fees to a corresponding amount which he had previously misappropriated.

50. In addition to those above referred to, grants have from time to time been made in aid of the Cardrona Nursery, referred to in paragraph 38. These grants, amounting in all to £600, have been duly credited to that account.

51. The several items referred to in the preceding paragraphs make up the receipts of the county available for expenditure for the six years covered by the special audit.

52. One item of receipt not available for expenditure remains to be remarked upon. I refer to the “Contract Deposits.” These receipts represent sums deposited with tenders for contracts, the amount in each case being about 5 per cent. on the amount of the tender. No proper record seems to have been kept of the contract deposits received. In the minute-book recording the proceedings of the Public Works Committee I found from time to time lists of tenders received, accompanied, in some instances, by a list of the deposits received therewith. The only contract deposits brought to account in the cash-book were those accompanying accepted tenders. It is presumed that the deposits made by the unsuccessful tenderers were duly returned to them, but no evidence on this point could be found. The deposits made by the successful tenderers were, as a rule, paid to credit of the County Account at the bank, and, as the County Account has for some years been largely overdrawn, the deposits were by that process practically expended as soon as lodged. I need not point out the impropriety of this practice. I discovered a number of instances in which the deposits of successful tenderers, though stated in the minutes to have been received, had not been paid to the County Account, and several cases in which, though the minutes recorded the contract entered into, no reference was made to the receipt of a deposit. I made a careful examination of both these classes of cases, and of the expenditure made in respect of each contract, with a view to discover whether in each case a deposit had been received, and, if so, by what means it had been refunded. I found, as regards the four largest contracts, that a large deposit had been made with each, and that very considerable sums in excess of the contract had been paid and charged as “extras.” I ascertained that the actual sum payable as extras on each contract was but small, and, on inquiry of the respective contractors, I found, as I anticipated, that the deposit in each instance had been refunded in the form of a payment for extras. Particulars of these cases will be found in Appendix D, with the evidence thereon of the contractors concerned (Appendix B.—7, B.—8, B.—9). I need hardly say that, as these deposits had never been brought to account in the county accounts, the refund of the amounts out of county funds was a fraud. In regard to the remaining cases I found that, as respects the two largest, the payments made were not in excess of the amount of the contract. In one case, that of La Sœur, Contract No. 90, for “widening road at Deep Creek, Shot-over”—amount of contract, £47—I found that a payment of £20 in excess of the contract had been made and charged as “extras.” I was unable, before leaving Queenstown, to obtain any satisfactory explanation of this payment. I, however, requested the County Chairman to cause inquiry to be made in regard to it, but, up to the present time, without any satisfactory result. In the other cases, all for contracts of under £40, the sum (deposit) involved was so small (in no case exceeding £2) that I did not feel justified in spending time on their investigation.

53. I now turn to the expenditure side of the account.

The expenditure of the county consists mainly of payments for roads and bridges, a large proportion of the work being performed under contract, and the remainder by day-labour. During the period covered by this part of my report all roadworks were carried out under the supervision of an Inspector of Works, a special inspector being engaged in addition for the superintendence of the large works executed under the Roads and Bridges Construction Act. I compared the amounts of the several contracts entered into as recorded in the minute-books with the contractors' accounts as kept in the ledger, and found them (except in a few cases) to agree. I was unable in the exceptional instances referred to to identify the contract as described in the ledger with the contract as designated in the minute-books, owing in some instances, probably, to the contract having been transferred to another person. I carefully checked all payments made against the sum contracted for as stated

in the ledger, and found that they agreed in all cases, allowance being made in certain instances for "extras" specially authorized. In cases where the contract was of small amount and paid in one sum no separate account with the contractor was opened in the ledger, the payment being charged direct to the general account for roads. In these cases I did not, for lack of time, check the sums paid against the sum contracted for. I took care, however, in examining the vouchers to see that each was certified as correct by the Inspector of Works, and, as each of these payments during the past two or three years at least was specifically approved by the Council by means of the accounts-book (already described), I passed them without further question. As regards the payments for the antecedent period, during which, as already stated, the accounts-book was most imperfectly kept, I did not feel justified in devoting the time which a rigid audit would have required, but contented myself with the certificate of the Inspector of Works.

54. In my remarks on the system of accounts in use in the county, I have stated that no separate accounts were kept showing the expenditure made in respect of moneys granted by the Government for particular works. In some of the annual balance-sheets attempts have been made to distinguish the expenditure made for certain works. It is, however, very incomplete, and the sums stated in each case must have been picked out of the General Roads Account by some process which I was unable to follow.

55. I endeavoured to check the sums stated in the several balance-sheets as expended under the Roads and Bridges Construction Act, viz. :—

				£	s.	d.
In balance-sheet 1883-84	...	...	...	2,773	6	3
In balance-sheet 1884-85	...	...	...	3,547	4	0
In balance-sheet 1885-86	...	...	...	1,370	10	5
				£7,691	0	8

The purposes and amounts of the several grants as defined in each by the Public Works Department were,—

				£	£
Grant No. 28.—Road, Arrow to Cardrona	...	...	...	774	
Road, Deep Creek to Skippers Point	...	...	...	956	
Road, Arrow Bridge to Kawarau Bridge...	...	...	...	359	
				—	2,089
Grant No. 178.—Road, Arrow to Cardrona	...	...	...	562	
Road, Queenstown to Skippers	...	...	...	188	
				—	750
Grant No. 304.—Road, Arrow to Cardrona	...	...	...	375	
Road, Queenstown to Skippers	...	...	...	750	
				—	1,125
				£3,964	

For purposes of expenditure, these sums may be classified as follows :—

				From Grant			Total.
				No. 28.	No. 178.	No. 304.	
No. 1.—Arrow to Cardrona	...	...	...	£ 774	£ 562	£ 375	£ 1,711
No. 2.—Queenstown to Skippers	...	...	...	956	188	750	1,894
No. 3.—Arrow Bridge to Kawarau Bridge	...	...	...	359	...	...	359
Totals	...	...	...	2,089	750	1,125	3,964

The expenditure has been as follows :—

—	Contracts.			Extras.			Advertis- ing, &c.			Surveys.			Land- purchase.			Inspection.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
No. 1 ...	2,669	16	8	147	2	10	9	4	6	270	0	0	...	...	...	5	0	0	3,101	4	0
No. 2 ...	3,261	9	8	300	7	11	17	5	0	15	0	0	59	0	0	...	...	...	3,653	1	9
No. 3 ...	130	2	0	...	...	...	...	...	...	...	...	...	...	...	...	23	17	0	153	19	0
Salary of Sub-Inspector, not distributed							...	...	...	...	...	...	...	...	...	344	10	0	344	10	0
Totals ...	6,061	8	4	447	9	11	26	9	6	285	0	0	59	0	0	373	7	0	7,252	14	9

* This item includes a contract of £14 18s. 9d. for gravelling, which, as I was informed by the late Inspector, was no part of the work on the main road.

† This sum includes an item of £17 for a culvert on a section of the road made by the Government.

‡ This sum includes an item of £10 expended on an altogether different road—Wanaka to Wilkin River.

§ The item £23 17s., for inspecting the performance of a contract amounting to £130 2s., seemed so extravagant that I made special inquiry of the late Inspector of Works on the subject. He informed me that the contract-price

Many sums paid to labourers for piecework are properly chargeable to the Roads and Bridges Construction Act Account; but I was unable to distinguish them with certainty, and I have therefore confined my statement of expenditure (above) to the works executed under contract. It will be observed that the expenditure in respect of the grant of £359 for the work from the Arrow Bridge to the Kawarau Bridge appears to have been only £153 19s. The amount which should have been expended in terms of the Act is £480. It is quite possible that sum was expended. It will be seen that the total sum expended under the Act as shown in the county balance-sheets was £7,691 0s. 8d., while the total as made up above (including contract expenditure only) is £438 5s. 11d. short of that amount. This difference is probably made up by payments for day-labour and piecework, and may represent the apparent deficient expenditure in respect of the grant of £359 above referred to. It is at all events clear, that as the grants in this case were made under section 18 of the Act (which requires the local body to provide one-fourth only of the total expenditure), and amounted in all to £3,964, the county, in expending a sum of £7,252, has on the whole more than fulfilled its obligations under the Act.

56. In the expenditure for surveys I found an apparent overpayment of £25 to Mr. James Mollison, particulars of which will be found in Appendix E hereto. Mr. Mollison being, as I understood, in Sydney, I was unable to obtain any explanation of the peculiar discrepancies existing between the payments charged to him in the county books and those for which he has given credit in his account. Apart, however, from this disagreement as to details, the sum-total credited in his account is less by £25 than the amount for which the county holds his receipts. I supplied the County Solicitor with a statement showing the discrepancies, and, as negotiations are still pending, I believe, between the County Council and Mr. Mollison in connection with certain items struck out of his account, there seems reason to hope that the overpayment to which I refer may be satisfactorily adjusted.

57. Under the head of "Grants in Aid" payments have been made from time to time to the Wakatipu Hospital, the Arrow Hospital, and to the Queenstown, Arrow, Skippers, and Cardrona Libraries. These payments are sanctioned by sections 190 and 191 of "The Counties Act, 1876," respectively. I find, however, no legal authority for a payment of £100 made in the year 1880-81 to the Lake Acclimatization Society, or for a payment of a similar sum made in 1883-84 to the Cardrona Prospecting Association. These payments will accordingly be surcharged to the members of the Council by whom they were in each case authorized. In regard to the payment to the Acclimatization Society, I observe that the County Auditor, in his report of the 18th June, 1879 (Appendix A), informed the Council, in reference to a previous grant of a like kind, that such payments were illegal.

58. The item "Refunds" has been dealt with in my remarks on the receipt side of the account.

59. The remaining items of the county expenditure may all be classed under the head of "Administrative." They are shown in the accounts under the heads of—

"Salaries." These include the salary of the Chairman (appropriated annually at the time of his election), the County Clerk, the Inspector and Sub-Inspector of Works, and the Rate-collector. These salaries have all been paid in accordance with the votes of the County Council. The payments have been made monthly, and, with the exception of those to the County Clerk, with perfect regularity and exactness. In the case of the Clerk, during the whole of the six years to which this part of my report refers, with the exception of the last four months, his salary was overdrawn by from one to six months. In another part of my report (paragraph 82) I have referred to this matter at some length.

60. Under the head of "Travelling Allowances of Members" I found a considerable number of overpayments, and some which are contrary to law. "The Counties Act Amendment Act, 1877," section 2, authorizes the payment of travelling allowances to members of the County Councils in the following terms: "The Council may from time to time vote such reasonable sums as it shall deem sufficient to defray the travelling expenses of Councillors coming from a distance to attend the meetings of the Council, and no Councillor voting upon any such question shall thereby become liable to any penalty mentioned in the first part of this section." The words "from a distance" are ambiguous. They may be interpreted colloquially, but, as a measurement on which the payment of money is made to depend, they should not have been admitted into an Act of Parliament; and the County Council, adopting its own interpretation of the term, appears to have concluded that, as none of its members resided in the county chambers, they all came "from a distance," and were entitled, on that ground, to claim travelling allowance. The resolution of the Council fixing the scale on which these allowances are now paid was passed on the 23rd November, 1881, and is in the following terms: "That travelling allowances be granted to members, such allowance to be at the rate of 2s. per mile one way each attendance at meetings, except to members resident within a radius of ten miles from the county offices, to whom a sum of one pound be voted for each attendance."

61. In his reports of the 23rd November, 1885, and the 1st July, 1886 (Appendix A), the County Auditor called the attention of the Chairman to two cases in which, in his opinion, travelling allowances had been paid in contravention of the law. The cases referred to were those of the present Chairman and the late Treasurer, both of whom were at the time residing in the Town of

for the work was not much more than half the value of the work done; that it was done in exceptionally bad weather, causing repeated stoppage of the work, during the whole of which time (5th June to 4th August, 1883) the overseer was obliged to be present in order to see that the contract, which was for metalling, was faithfully carried out. The Inspector admitted that the expenditure seemed large, but he considered that under the circumstances it was unavoidable.

¶ This was the only contract I could find in connection with this grant.

¶ The sums making up this total include four sums charged as "extras"—viz., £61 10s., £66, £71, and £75 4s.—which were in reality the contractors' deposits, misappropriated by the late Clerk.

Queenstown. The Auditor's report of the 1st July, 1886, called forth a letter from the Chairman to the County Auditor, dated the 8th July, to which the Auditor replied on the 3rd August following. Copies of these letters will be found in Appendix A hereto. The question appears to have been discussed in the County Council, the members generally upholding the existing practice; and payments to the Chairman, the only member at present resident in town, continue to be made as heretofore. The term "from a distance" must, I conceive, be held to signify such a distance as would necessitate the use of a conveyance, or, in other words, the incurring of expense in traversing it. Under this interpretation the County Chairman, who resides within two hundred yards of the Council Chamber and thus incurs no expenses in attending the meetings of the Council, is not legally entitled to travelling allowance.

62. The sums overpaid to the Chairman and members of Council for attendance at meetings of the Council amount in the whole to the sum of £120 8s., and a letter has been addressed to each of the gentlemen overpaid requesting that the amount in each case may, under penalty of surcharge, be paid forthwith to credit of the County Fund Account. The sums overpaid and illegally paid are as follow:—

	£	s.	d.	£	s.	d.
Councillor Boyes, Chairman—						
Overpaid: 10 meetings at £1	10	0	0			
Illegally paid: 8 meetings at £1	8	0	0			
Councillor Daniel—				18	0	0
Overpaid: 8 meetings—6 at £1, 2 at £3 10s. ...	13	0	0			
Illegally paid: 13 meetings at £1... ..	13	0	0			
				26	0	0
Councillor McBride—20 meetings at £1				20	0	0
Councillor Jenkins—17 meetings at £1 4s.				20	8	0
Councillor Butement—6 meetings at £1				6	0	0
Councillor Pritchard—9 meetings at £1 4s.				10	16	0
Councillor McDougall—4 meetings at £4 16s.				19	4	0
				<u>£120</u>	<u>8</u>	<u>0</u>

63. The expenditure charged under the head of "Licensing Expenses" is in many instances illegal. "The Licensing Act, 1881," section 109, provides that the Council shall pay "the actual cost of the travelling expenses incurred by any member of a Licensing Committee or the clerk thereof in attending any such meeting;" but it makes no provision for the payment of persons acting as clerks. Many of such payments have, however, been made, amounting in the whole to £34 6s. The County Auditor has repeatedly called the attention of the Council to the illegality of these payments; see his reports of the 23rd November, 1885, and 1st July, 1886, (Appendix A). Further sums, amounting to £32 11s., charged under the head of "Licensing Expenses," are not authorized by law. The purpose of this expenditure, as described in one of the vouchers, was "to obtain signatures to petition for abolition of Licensing Committees, and to amalgamate the various districts, &c." The expenditure is altogether illegal, and it will, in common with the sum of £34 6s. previously referred to, be surcharged to the members by whom it was authorized.

64. Under the head of "Elections" the sums paid to the Returning Officers presiding at elections of members of the Licensing Committees appear in some instances to be very large, and it is remarkable that on each occasion the largest payments were those made to the late Clerk. As, however, the regulation of these charges rests entirely with the Council, I did not feel myself at liberty to question them.

65. *County Conferences.*—In the accounts of the year 1881–82 a sum of £65 is charged under the head of "County Conference, Wellington." The amount represents a payment made to Mr. Daniel, the then Chairman, for attending a conference of delegates from certain County Councils held in Wellington in the month of June, 1881. It appears by the minutes of the Council of the 4th April, 1881, to have been "*Resolved*, 'That this Council view with favour the proposals of the Manawatu County Council, and herewith agree in sending a delegate to the proposed conference at Wellington. This Council to communicate with the Corporations of Arrow and Queenstown with a view to represent them at the conference, and likewise ask them to contribute towards the cost of delegation such amount as they may deem proper, the cost being about £65.' The Chairman was elected to represent this Council at the County Council conference to be held in Wellington in the early part of June next." The sum of £65 appears to have been paid to Mr. Daniel on the 16th May, 1881. I could find no minute of the Council or other authority for this payment. In the accounts of the year 1885–86 a sum of £160 is charged under the head of "County Conference, Wellington." The amount represents two sums of £80 each, paid to two members of the Council for expenses incurred in proceeding to Wellington as a deputation to the Government on the subject of the proposed Local Government Bill. The minutes show that, at a meeting of the Council held on the 13th April, 1885, "The Council then sat in Committee of the Whole to consider the most advisable steps to be taken to secure a fair share of revenue under the proposed Local Government Bill; and it was finally resolved, on the motion of Messrs. Jenkins and McBride, 'That this Council send two of its members to wait on the Ministry at Wellington *re* local revenue; and that a special meeting be convened, to be held on the 20th instant.'" (No meeting is recorded as held on that date.) It is recorded further, at a meeting of the Council held on the 1st of June, 1885, that "The Chairman (C. C. Boyes, Esq.) gave the following report of the delegation to Wellington *re* local government proposals, &c. The sum of £80 each was passed for payment to the delegates in payment of the expenses incurred by them whilst on their delegation to Wellington and back." The County Auditor, in his reports of the 23rd November, 1885, and 1st July, 1886 (Appendix A),

declined to pass these payments on the ground that they were illegal. There can be no doubt that in both of these cases the expenditure was made without authority of law; and the amounts will accordingly be recovered by surcharge from the members liable.

66. The expenditure for "Inspection of Slaughterhouses" calls for no remark. The illegal refunds made in reduction of the fixed fees for slaughterhouse licenses have been noticed in my report (paragraph 35) on the receipt side of the account. I need only add, here, that the sums so refunded, amounting to £27 10s., will be recovered as a surcharge.

67. The expenditure for "Collection of the Dog-tax" comprises charges for the printing of dog licenses and for the supply of collars and labels. The items call for no remark.

68. The charges for legal expenses appear to be reasonable, and, so far as I could judge, necessary.

69. The items printing, stationery, incidental, office expenses, and postages and telegrams, complete the administrative expenditure. Under the head of "Printing" a double payment of £5 appears to have been made in the year 1884 to Mr. J. T. M. Hornsby, the items of the account and date of supply being evidently identical. It is understood that Mr. Hornsby has left the district, and the amount is now probably irrecoverable. A similar double payment of £1 15s. appears to have been made to Patchett and Son in 1885. The present Clerk has been put in possession of the facts, and will endeavour to recover the overpayment. Under the head of "Stationery," two double charges are made to Messrs. Fergusson and Mitchell. These charges are fraudulent, the money not having been paid to that firm. Particulars of these cases will be found in Appendix F. They are included in the charges for which the late Clerk now stands committed for trial.

70. Under the head of "Incidental" several further charges, amounting to £10 13s. 4d., occur in connection with the petition for amalgamating the licensing districts, and for which sums amounting to £32 11s. have been charged to "Licensing Expenses," as stated in my remarks under that head. This sum will also be surcharged to the members liable. A part of the incidental expenses, and all charges for postages and telegrams, have been defrayed by means of petty-cash advances made to the Clerk, in sums generally of £10 at a time. These advances have been debited in the cash-book as made, and the sums expended have been transferred by journal entries at the end of each half-year to the accounts to which they properly belong. I was unable to spare time to make a critical examination of the petty-cash account. I observed, however, that the principal charges were for postages and telegrams. For these services the expenditure appeared large, considering that the cost of post cards—used for sending notices to ratepayers—was not defrayed by means of petty cash. I could find no file of telegrams received, nor any regular press copy-book of telegrams despatched, so that there seemed to be no means of checking even approximately the sums charged therefor. The expenditure for postages and telegrams for the six complete years covered by my audit was as follows, viz.:—

		£	s.	d.			£	s.	d.
Year 1880–81	...	29	13	6	Year 1883–84	...	38	2	3
1881–82	...	28	8	0	1884–85	...	23	19	6
1882–83	...	41	7	7	1885–86	...	37	10	2

while for the half-year ended the 30th September, 1886, the expenditure under this head amounted to £13 5s. 3d. I notice, as a remarkable circumstance, that the advances made for petty cash during five of the above six years were expended to the last penny. The only occasion on which at the end of the year the Clerk had a balance in hand was the year 1881–82, at the end of which period the balance-sheet shows a sum in hand of 7s. I may add that the petty cash-book has been initialled by the Chairman as correct at the end of each half year.

71. In my remarks on the receipt side of the accounts, I have stated (paragraph 47) that the total sums received by the county as thirds of the purchase-money of lands in the deferred-payment blocks amounted to £1,597 5s. 2d. These sums are credited to a separate ledger account. No separate account is, however, kept of the sums disbursed under the head named, and, as the funds partake in some measure of the character of trust funds—being strictly and solely applicable to such works for opening up the blocks as are approved by the Waste Lands Board—the practice of mixing the expenditure with that made from other sources is an exceedingly improper one. It would have been extremely difficult, if not impossible, for one so little acquainted with the district as myself, to pick out, from the mass of vouchers representing the roads and works expenditure, the sums disbursed in respect of the deferred-payment blocks; and, as I could find only one of the schedules of roads approved by the Waste Lands Board, it was obviously useless to attempt the task. Reports which had reached me satisfied me of the desirability of an inquiry into this matter; and an examination of the minute-book, in which I found a record of complaints on the subject, confirmed that opinion. I therefore requested the Chairman, in a letter dated the 27th January, to furnish me with the information necessary. To that letter I have received a reply from the County Clerk, informing me that he is unable to supply any information as to the sums expended, with the exception of those for the half-year ended on the 30th September, 1886.

The complaints to which I have referred, as recorded in the minute-book, relate to the diversion of a considerable portion of the "deferred-payment thirds" to the extension and improvement of the Glenorchy Jetty. The settlers interested protested strongly against the expenditure, and the Waste Lands Board specifically declined to sanction it. The work was, however, carried out, at a cost of £163 17s. 2d.

Had the County Council been in possession of a credit balance, it would have been difficult, under a system of accounts which places all expenditure for works under one head, to determine whether the expenditure on the Glenorchy Jetty was made out of the deferred-payment thirds or out of its general revenue. As, however, the county is now, and has for some years been, carrying on its works by means of an overdrawn account, it is obvious that if the deferred-payment thirds were not applied to the extension of the Glenorchy Jetty they have been used for a purpose quite

as illegal—the reduction of the county's overdraft at the bank. Copies of the correspondence and minutes on this subject will be found in Appendix G hereto.

72. *Vouchers*.—The vouchers by which the receipt side of the accounts should be supported are in almost all cases missing. The remittance advices of the Paymaster-General from the 1st April, 1882, to the 30th September, 1885, have been removed from the file, and could not be found.

The rate-receipt books (butts) have all been removed with the exception of one half-used book, the butts in which represent a small part of the rates brought to account between the 1st October, 1884, and the 31st March, 1885.

Wholesale Licenses : One issued out of some book not to be found.

Billiard Licenses : Three issued. Book not to be found.

Conditional Licenses : One issued out of book not to be found.

Dog-tax Receipts, 1885 : Vouchers not to be found.

Forest-tree Sales : The lists referred to in the County Auditor's reports as Lists A and B could not be found. I however obtained from the Forester his sales-book, and compared the same with the cash-book, with the results set forth in my remarks on the Cardrona Nursery.

For the punt receipts (1880–81) no vouchers could be found, nor could those for the small sums classed as rents and miscellaneous.

On the expenditure side of the account the number of vouchers missing is eighty-five. Of these, eight are vouchers for advances made to the Clerk for petty-cash purposes, two are for payments of salary to the late Chairman, five are for travelling allowances paid to members of the County Council, eight are for sums which it is certain were fraudulently charged by the late Clerk—the amounts not having been paid to the persons charged—and which were subsequently recovered at the instance of the County Auditor from the Clerk himself. There is every reason to believe that the vouchers by which these several charges were supported at the time were forgeries, and that, having served their purpose, they were withdrawn from the files and destroyed. Three others represent the sums fraudulently charged to Messrs. Fergusson and Mitchell, for which proceedings have been taken, and the remaining fifty-nine are for payments charged to various persons in sums varying from 7s. to £200.

73. I found the files of vouchers in great disorder, and many of them much dilapidated owing to want of care in the packing of the several files. Having arranged them in order, I examined the whole series from the 1st April, 1880, to the 31st March, 1886, and made lists of all vouchers missing and of all questionable payments. I found a number of vouchers without certificate and without the approval of the Chairman. Salary abstracts were very rarely certified, and in some cases the period for which the salary was paid was not stated. The vouchers for payments on account of roads and works were the most numerous, and at the same time the most businesslike of all. They seemed to have been carefully prepared, the work on which the men were employed and the dates from and to which the payments were made being clearly set forth. They were, with few exceptions, evidently prepared by the late Inspectors of Works, and properly certified by one or both of those officers. It is remarkable that the four vouchers by means of which in the cases of the contracts Nos. 1 and 2, Cardrona, and Nos. 3 and 4, Skippers, the contractors' deposits were refunded under the guise of "extras" were not prepared by either of the Inspectors of Works, three of them being in the handwriting of Boulton, the late Clerk, and the other in that—mainly—of Mr. Daniel, the late Treasurer. Three of them were certified by the Inspector of Works, one of the three at least having been so certified after payment, and the fourth was not certified at all. Apart, however, from these cases, which in all their characteristics are exceptional, whatever irregularities have been committed in connection with the roads and works vouchers seem to have commenced after they had left the Inspector's hands. In examining the several receipts I found that the space in the form designed for the date was frequently left blank, the omission to write in the date being in all probability held to be justified by the fact that a date was generally written on the duty-stamp at foot; and the formula provided for the cancellation of the stamp was thus made to do duty for the date of the receipt. Accepting the dates of receipt in whatever way given, it was found they rarely agreed with the dates of payment (where entered) in the cash-book. In some cases there was an agreement, but in a large number they differed by many days, weeks, or even months.

I was informed by the County Auditor that discrepancies between the dates of payment as given in the cash-book and the dates of receipt borne by the voucher were explained by Boulton as due in general to the abstract having been sent out for signature. The Auditor stated that he was continually complaining of the Clerk's inaccuracies; but on this, as on other points, his remarks were received with indifference, and he at length abandoned remonstrance as fruitless.

Many cases have occurred in which the Clerk has given receipts for moneys as the agent of the payees, and cases have occurred in which, the receipt being signed with the mark of the payee, the mark has been attested by the Clerk himself. In a few instances the abstract filed as a voucher is not receipted at all. There are many vouchers which would be valueless as evidence of payment in a Court of law, and a large number which would not pass muster in any department of the Government service.

74. *Stores*.—The county has no system of store accounts, and, consequently, no proper check on the disposal of tools, implements, and materials. I found occasional receipts brought to account for sales of miscellaneous stores, but the sums appeared to be small when compared with the expenditure under that head.

75. *Defalcations of the Late Clerk*.—The defalcations of the late Clerk, so far as they have been discovered, comprise the following:—

June, 1883.—Contract deposit of P. Henderson and Co. not brought to account in county accounts, but cheque used to make good license-fees and rates previously received and misappropriated, the amount of the deposit being afterwards refunded to the contractors by a fraudulent payment out of county funds as a payment for "extras"	£	s.	d.
	66	0	0

	£	s.	d.
Aug., 1883.—Contract deposit of Courtney and Co. not brought to account in county accounts, but cheque used to make good rates previously received and misappropriated, the amount of the deposit being afterwards refunded to the contractors out of county funds as a payment for "extras" ...	75	4	0
Aug., 1883.—Contract deposit of Welsh, Davis, and Co. not brought to account in county accounts, but money used to make good rates previously received and misappropriated, the amount of the deposit being afterwards refunded to the contractors out of county funds as a payment for "extras" ...	71	0	0
Feb., 1884.—Contract deposit of Romans and Brodie not brought to account in county accounts; cheque cashed by Boulton, and money misappropriated, the amount of the deposit being afterwards refunded to the contractors out of county funds as a payment for "extras" ...	61	10	0
April, 1884.—Gold revenue and gold duty remitted by Treasury to County Fund Account; amount not brought to account in county accounts, but lodgment used to make good rates previously received and misappropriated ...	48	15	10
June, 1885.—Grant for Skippers Road remitted by Treasury to County Fund Account; amount not brought to account in county accounts, but lodgment used to make good license-fees previously received and misappropriated ...	130	0	0
Oct., 1885.—Balance of grant to county under Roads and Bridges Construction Act remitted by Treasury to County Fund Account; amount not brought to account in county accounts, but lodgment used to make good rates previously received and misappropriated ...	125	0	0
July, 1885.—Amount charged as paid to Fergusson and Mitchell, but not so paid; cheque cashed at bank, and proceeds not accounted for ...	5	16	0
Aug., 1885.—Amount charged as paid to Fergusson and Mitchell, but not so paid; cheque cashed at bank, and proceeds not accounted for ...	12	5	0
Aug., 1883.—Amount charged as paid to Fergusson and Mitchell, but not so paid; cheque cashed at bank, and proceeds not accounted for ...	1	15	0
Feb., 1884.—Amount of rates paid to Clerk by County Solicitor, and not accounted for ...	2	0	0
Total ...	£599	5	10

The above constitute the cases for which legal proceedings have been taken, and for which the late Clerk has been committed for trial. That rates to a very considerable amount have been received by the late Clerk and not accounted for there is abundant evidence to show. Receipts for rates paid to him and not accounted for in four cases, and to the amount of £8 17s. 7d., were produced to the present Clerk immediately after his accession to office; and within a short time thereafter twelve similar cases came to light representing rates to the amount of £18 15s. 4d., together with a sum of £1, the amount of a contract deposit not accounted for. On being confronted with these receipts the late Clerk paid the sum of £8 17s. 7d. to the County Treasury, and the sum of £19 15s. 4d. was deducted from the last payment of his salary. From certain rough lists in Boulton's handwriting of the uncollected rates of the years 1880-81, 1881-82, and 1882-83, supplemented by a list of the uncollected rates of the year 1884-85, taken from the rate-book of that year, I prepared a list of the uncollected rates of the four years referred to within the Queens-town Riding, and requested the police to inquire of the persons specified whether the sums for which they appeared to be liable had been paid and whether they could produce receipts. The sergeant engaged in the duty was occupied for two or three days, and at the end of that time he reported that the persons he had been able to see, some twenty or twenty-five in all, alleged that they had paid all rates due. In many cases they were "unable to find the receipts," in others they "always destroyed them," and in some they "would search for them and send them in;" the practical result being that receipts for sixteen payments of rates were produced (by eight persons), of which only ten had been brought to charge in the cash-book. The remaining six, signed by Boulton, amounting to £10 0s. 8d., were not entered.

I have no doubt that a more extended inquiry in this direction (especially as regards the rates of 1883-84, as to which, owing to the destruction of the rate-book, there was no record) would have resulted in the discovery of a large number of such cases. I did not, however, feel justified in pursuing these inquiries, for the reasons that the time of the local constables was fully occupied in the performance of their own proper duties; that the examination of the county books, to see if each amount for which a receipt might be produced had been brought to account, would have required a large sacrifice of my own time; and because the prosecution of the Clerk on each case would have involved a loss of time and money altogether incommensurate with the object to be attained.

In the evidence of Gilmour, the Collector (appointed on the 2nd February, 1885), (Appendix B.-5), he states that "On several occasions I found, on applying to ratepayers for rates both of 1884-85 and 1885-86, that the money had already been paid to Boulton. I saw the receipts in the 1884-85 cases; but in the cases of 1885-86 he gave no receipt, alleging that he no longer had power to give receipts, but that I would give them. I complained of being sent to collect rates which had been already paid."

Other cases of fraud in connection with the rates came under my notice. In one case a ratepayer had a claim of £7 or more against Boulton, and, after repeated applications for payment, consented, on the suggestion of Boulton, to write off the debt on the understanding that he (Boulton) would pay a sum of £6 10s. due by his creditor for rates. A careful examination of the cash-book

satisfied me that the rates referred to were never paid. I have already pointed out, in my remarks on the subject of the uncollected rates, that the amount of the *apparently* uncollected rates for the four years for which the rate-book is missing exceeded the average of the uncollected rates for the three precedent and one following year by a sum of £1,120, and, looking to the number of frauds in connection with the rates which have been discovered, I think it may confidently be assumed that a large proportion of that sum has been collected and misappropriated. The interpolations in the minutes of the 6th July, 1885, whereby it was intended to stop further applications for rates in arrear; the destruction of the rate-book for four years, and of the half-yearly returns of uncollected rates initialled by the County Auditor, whereby all authentic record of the rates payable and unpaid in respect of that period has been lost; and the burning of the rate-receipt-books and the Rate-collector's sheets, which similarly swept away the record of rates paid, afford strong presumptive evidence that frauds in connection with the rates extending over the whole of those four years have taken place to an extent which nothing but the entire destruction of all these documents could conceal.

76. But, in addition to the frauds connected with the rates, frauds have taken place in other branches of the county revenue. The County Auditor has on several occasions reported that license-fees received by the Clerk had not been accounted for: three such cases occurred in the half-year ended 31st March, 1886, and it was only on the 7th December, 1886, that the Clerk made good the amount. Two cases, which, owing to the falsification of the records, had previously escaped detection, came to light in the course of the hearing of the charges upon which the Clerk has been committed for trial. One of these represented a fraud of £2 in connection with one of the license-fees embezzled. In the case of the fraud of £130, the license-fee of J. B. Kerr stated by Boulton to have been received was entered by him as £10; but it was proved by the evidence of two witnesses, and of the license itself, that the fee paid was £12. The other case disclosed in Court was a sum of £1 for a transfer-fee on a publican's license. No such sum is shown in the county accounts, and no proper receipt could have been given for it. There is, however, no doubt that it was paid, for the Crown Prosecutor informed me that he had acted for the licensee in arranging the transfer, and had himself paid the fee to Boulton.

77. Frauds of other kinds have in many instances been attempted, but have been discovered and frustrated by the County Auditor, who, in addition to reporting them to the Chairman, has required and obtained the refund of the money. The following instances will illustrate the class of cases referred to:—

			£	s.	d.
Half-year to March, 1882.—	Travis (labour)	...	10	11	6
	Collins (labour)	...	4	3	4
Half-year to September, 1882.—	Woodhead (labour)	...	12	0	0
	McLennan (labour)	...	13	10	0
	Warbrick (labour)	...	12	0	0
	Reid (labour)	...	13	1	0
	Chard (labour)	...	12	0	0
Half-year to September, 1883.—	Henderson and Co. (Appendix D)		43	16	7
Half-year to March, 1885.—	Cunningham (Appendix B.—13)	...	10	16	8
	Stephenson (labour)	...	3	1	4

The double charges of £1 15s., £5 16s., and £12 5s. made in the case of Fergusson and Mitchell, are analogous in all respects with the foregoing, except as to the recovery of the money. In each of these cases the sum represented an apparent double payment to the person charged; but in most of the cases it is certain, and in the others there is every reason to believe, that the payments so charged were not made to the persons named, that the vouchers were fraudulent, and the receipts forged (see Auditor's reports, 1st July and 30th December, 1886). The moneys, on the demand of the County Auditor, were repaid by Boulton, who then removed the vouchers from the file and destroyed them. Other cases of the like nature occurred as those of Homer and Gantley, but I omitted to take notes of the particulars. In my remarks on the Cardrona Nursery (paragraph 38) I have pointed out that Boulton was indebted to the Council in the sum of £21 1s. 9d. for trees supplied to him; £11 of that amount being, as stated in the Forester's book, for trees sent to Boulton to be sold by auction. He is also indebted to the Council for rates of several years on the property in his occupation. In the evidence of W. J. Powell and W. Murrish he is accused of holding back the wages due to the labourers on the roads, some of which it is alleged are unpaid to this day (see Appendix B.—10–12).

78. Up to October, 1885, it was the practice of the Clerk to put together into one cheque a number of sums, sometimes as many as ten, payable to different persons (the names of the persons and the amount payable to each being set forth sometimes on the face and sometimes on the back of the cheque). He then cashed the cheque at the bank, and applied the proceeds or a part thereof at some subsequent date to the payment of entirely different sums due to entirely different persons. The bank at which the County Account was kept, by request it is believed of Boulton, entered in the pass-book the names and amounts set forth on the cheque as though each of the sums specified had been a separate cheque. The cases of Fergusson and Mitchell (Appendix F) afford an illustration of the practice. Under such a system the tracing of any sum from the entry in the cash-book into the hands of the payee became almost impossible. The butts of the cheque-books show that for some years by far the larger number of payments were dealt with in this way, and, as a consequence, the date of receipt upon the voucher, unless filled in by the Clerk himself, seldom coincided with the date of payment in the cash-book.

The practice of the Clerk in regard to the drawing of cheques and of cashing them himself as above described seems at length to have occasioned so much scandal that the Council had to take steps to put a stop to it. It appears from the minutes of the Council that on the 7th September, 1885, "Mr. Daniel, in consequence of a complaint from the Bank of New Zealand, moved, 'That in

future all cheques be filled up for each individual's amount, and no cheque be made out for more than the one." I may remark that Mr. Daniel was the County Treasurer, and it seems strange, as the holder of that office, that, if he thought the practice of placing several amounts in one cheque improper, he did not, as the officer responsible by law for the proper management of the county accounts, at once direct its discontinuance, instead of invoking the assistance of the County Council. The step is the more remarkable because all these objectionable cheques were signed by Mr. Daniel himself as Treasurer (see his evidence, Appendix B.-2), and also countersigned by him, either as Chairman or, after his vacation of the chair in November, 1884, as a member of the Council. In the evidence given by Mr. Daniel, the late Treasurer (Appendix B.-2), it will be seen that he "was quite aware that in numbers of instances cheques were drawn for a sum of money representing the claims of several persons specified on the face or on the back of the cheque, and that Mr. Boulton cashed these cheques." Mr. Daniel goes on to admit that "by signing such cheques I assented to the practice."

79. The minute-book does not state whether the motion of the 7th September above quoted was adopted by the Council. It appears, however, to have been given effect to, for the practice of including in one cheque sums payable to several persons appears from the cheque-books to have ceased about this date. The Clerk seems, nevertheless, to have continued to cash the cheques intrusted to him, and to use the proceeds as he thought fit. The following is a case in point: The county had taken a piece of land at Kingston for a line of road, and had agreed, after some negotiation, to pay to the owner a sum of £33 7s. 9d. The payment was authorized, as shown by the "accounts-book," on the 7th September, 1885. The cheque drawn for the amount was cashed on the 16th September, as shown by the bank pass-book, and the amount was entered in the cash-book as paid on the 18th. The Clerk admitted to me that he had cashed this cheque (see his evidence of the 18th December, Appendix B.-1), and it was not till the 28th November—and only after repeated applications, both verbally and in writing, by the owner's solicitor—that the amount was paid.

80. It would seem that the powers of both the Chairman and the Treasurer were found insufficient to put a stop to the practice referred to, for on the 5th October, 1885, the authority of the Council was again invoked, and, as appears by the minute-book, "It was also ordered, That in future all county cheques be made payable to order, and that, in cases where it is not convenient for payees to be present for their payment at the county offices, a written order from them authorizing payment of the amount shall be sufficient to obtain payment of such amount, and these orders shall be forwarded by the Treasurer to the bank where the cheques are payable and be equivalent to the indorsement of the cheque by the payee." With a view, I presume, to give effect to this order, the Clerk had a form of authority printed on the back of the forms of abstract used in the county office, whereby the agent appointed thereunder was authorized to receive the sum named in the abstract, "or to receive and indorse county cheques made payable to my order for such amount."

81. The steps taken by the Council largely restricted the opportunities for fraud of which the Clerk had taken advantage under the previous system. Irregularities nevertheless occurred under the improved system. In the case of W. Murrish, who applied to me as to an I O U which he had received from Boulton—and still held—in part payment of wages due to him by the county, and who stated to me (Appendix B.-12) that there was one month's wages which Boulton said he had paid, but which Murrish believed he had not received. I took occasion when at the bank to examine the cheques issued for payments to this man for a period of six months, embracing the month in question. I found one of these cheques (payable to order) was indorsed by Boulton with a minute beneath signed by the teller, stating that the indorsement was made in terms of an authority exhibited to him. On inquiry for this authority the teller replied that it was indorsed on the relative voucher. I therefore looked up the voucher, and found the authority a blank. I can suggest no explanation of this matter but that either the authority exhibited to the teller was a genuine one written upon some voucher for a previous payment, or that it was a forged authority written upon a fabricated voucher, which, having served its purpose as in other instances, was afterwards destroyed. In other cases vouchers for wages payable to labourers on the roads were receipted by Boulton under authority signed with a cross which Boulton himself had attested as a witness. It is easy to perceive the facilities for fraud afforded by this practice.

82. The license permitted to the Clerk in the use of the county funds is strikingly exemplified in connection with the payment of his own salary. Up to the 31st March, 1879, his salary was drawn regularly, and at due dates, the salary for February being the last payment then drawn. In the half-year 1st April to 30th September 1879, the Clerk drew nine monthly payments of salary—viz., two in April, two in May, two in June, one in July, and two in August—the last payment representing his salary for the month of November. In the half-year 1st October, 1879, to 30th April, 1880, he drew five monthly payments, and thus reduced his overdrawn salary from three months' to two. In the half-year 1st April to 30th September, 1880, he drew seven payments, and thus again became three months in advance. In the half-year 1st October, 1880, to 31st March, 1881, he again drew seven payments, and was thus paid for four months in advance. In the half-year 1st April to 30th September, 1881, he drew six monthly payments—viz., two in April (becoming five months in advance), two in May (becoming six months in advance), and one each in June and July, continuing six months in advance; but as he drew no salary in August or September he finished the half-year only three months in advance, being then paid up to the 31st December. As a result, no doubt, of the continued representations of the County Auditor the Council directed the Clerk during this half-year to refund two months of the salary overdrawn, and authorized him to retain the remaining month's pay overdrawn as a bonus. On the 30th September, in compliance with the order of the Council, he refunded the amount, £41 13s. 4d., accordingly; and, having thus adjusted the account in preparation for the visit of the Auditor, he on the 3rd October following, that is to say, on the third day after making this refund, drew the two months' salary

again; and nine days after—that is, on the 12th October—he again drew two months' salary. He drew one payment only after this within the half-year, and thus at the close of that period he was paid exactly to date. In the half-year ending on the 30th September, 1882, he drew seven payments; in the ensuing half-year, five; and from that time the payments were made with tolerable regularity, though generally one month in advance.

83. The direct losses sustained by the county through the frauds of the County Clerk have been largely supplemented by indirect losses arising through his neglect to collect promptly the moneys due to the county, and to delay in paying moneys collected into the bank. For some years past the county has been indebted to its bankers for an overdraft, generally to the full extent sanctioned by law, and has, of course, been paying interest thereon; yet the Clerk has permitted moneys due to the county to remain outstanding for months and even years after they were collected or became due. I refer to the dog-tax of the calendar years 1883 and 1884, farmed for those years to a contractor for the sum of £165 and £180 respectively (the final sums due on these contracts, which should have been collected in each case within the year, were not collected till July, 1884, and May, 1886, respectively, the first being seven and the last seventeen months overdue); to the same tax for 1885, in respect of which a memorandum by the County Auditor in November, 1885, points out that, while dog tickets to the value of £74 5s. had been sold up to the 30th September, only £38 10s. had been paid in by the Collector (I may add that the ultimate balance of these receipts was not paid in till the 23rd October, 1886); to the sums due for trees supplied from the Cardrona Nursery, many of which sums now outstanding have been owing since 1882, and are now probably irrecoverable; to large sums received by Boulton himself and retained in his hands for months: as an instance, I may mention sums amounting to £315 received by him for license-fees in June, 1882, and not paid into the bank till the 30th September (see County Auditor's report of the 27th November, 1882, Appendix A); and it is certain that the large amounts of rates which he brought to account and balanced by means of the contractors' deposits and the Paymaster-General's remittances—viz., £165 19s. on the 16th August, 1883; £48 15s. 10d. on the 9th April, 1884; and £125 on the 21st October, 1885—were in each case the collections of a long-antecedent period.

84. As instances of losses in connection with payments, I may refer to the case of Mr. Mollison, a surveyor, to whom a sum of £150 was paid on the 19th January, 1883, on a voucher (No. 147) signed apparently by Mr. Mollison himself, but for which in his account Mr. Mollison has given credit for £125 only, and as the account has been settled on that basis the county has made a loss by overpayment of £25; to the overpayments of £5 and £1 15s. for printing referred to in paragraph 69; and to overpayments made to members of the Council for attending meetings, as set forth in paragraph 62. I was informed by one of these gentlemen that the abstracts for members' allowances were prepared by the Clerk, and he believed that the members as a rule accepted without question whatever sum he handed them, and signed receipts accordingly. It is, however, evident that the Clerk kept no proper record of the sums due to members, and in the case of Councillor Jenkins (Appendix H) it is all but certain that the sum charged was made use of by the Clerk himself.

85. It is to be regretted that the provisions of "The Counties Act, 1876," section 116, requiring that, "Before any officer intrusted by the Council with the custody or control of moneys by virtue of his office enters thereon, the Council shall take sufficient security from him for the faithful execution thereof," should have been neglected in the case of the late Clerk. That the provision referred to was not unknown to the Council is evident, for in the minutes of the 28th May, 1877, at which time the Clerk was appointed, it was directed that he should provide security to the amount of £250. No efficient steps were, however, taken to insure compliance with this direction, and no security was obtained.

86. I will now state as briefly as possible the proceedings taken against the late Clerk. I had, as already stated, satisfied myself within a day or two of entering on my inquiry that the Clerk had defrauded the county of the three sums of £130, £125, and £48 15s. 10d. remitted from Wellington. In the course of a few days I had discovered other cases. As the next sitting of the Court took place on the 18th December, I endeavoured to complete my audit by that date, and thereupon to take proceedings against the Clerk. I soon realized, however, the necessity of extending it to an earlier period than I had originally deemed necessary, and, as the initiation of proceedings would have necessitated the production of the cash-book in evidence, and the consequent impounding of it by the Court as an exhibit in the case, thereby disabling me from completing the audit, I had no alternative but to postpone proceedings till the next sitting of the Court (the 10th January). By the closest application to the task, and by deferring for the time all questions which did not involve a reference to the cash-book, I had so far completed my investigations as to be in a position to proceed with the prosecution of the Clerk. Accordingly on the 11th January I laid informations against him on seven charges of embezzlement, the police at the same time proceeding against him at the instance of the county authorities for the destruction of the rate-book. As other cases of apparent fraud were in course of investigation, the accused was remanded till the 20th at Arrowtown, and there again remanded till the 28th at Queenstown. Having completed my audit as far as was then practicable, and set on foot certain inquiries to be made in my absence in reference to the apparent frauds above referred to, I left Queenstown on the 18th January in order to proceed to Invercargill, Riverton, and the Bluff for the purpose of auditing the Harbour Board accounts at those places. Having performed this duty, I returned to Queenstown on the 26th January, and on the 28th and 29th the charges against Boulton were heard. The accused pleaded "Not guilty," but reserved his defence. He was accordingly committed for trial on each of the charges. I then addressed myself to the investigation of the Clerk's proceedings in connection with the contract deposits, which I had deferred till my return from Invercargill. I clearly established the fact that in four cases to the amount of £273 14s. these deposits had been misappropriated. I took the evidence of the contractor concerned in respect to each case, and by a careful examination of the books and records I was able to place in the hands of the Crown Prosecutor very complete

evidence of these frauds. As I was unable to await the next sitting of the Court, I placed these cases in the hands of the police. In a letter dated the 2nd March the Crown Prosecutor informs me that the Clerk has been committed on these charges also. The Crown Prosecutor further states that additional indictments have been framed in respect of two of the previous cases, so that the charges now number fourteen in all.

87. In concluding my observations on the county accounts for the six years from the 1st of April, 1880, to the 31st March, 1886, I think I may say that, with the exception of the rates and certain small contract deposits, the receipt side of the accounts may be looked upon as completely elucidated. On the expenditure side I think it more than probable that frauds may yet remain undisclosed. Amongst the vouchers for payments to labourers I observed several which appeared of doubtful character. As, however, no useful purpose would have been served by prolonging my investigation, I determined to pass them by.

88. *Accounts of the Six Months, 1st April to 30th September, 1886.*—On my arrival in Queens-town I found that no entries had been made of the transactions of the half-year, 1st April to 30th September, 1886, either in the cash-book or the ledger. The rates received to date had been entered up in the rate-book. Records of other receipts had been kept on loose sheets. The records of expenditure consisted of the paid vouchers, and payments out of petty cash entered up in the petty-cash-book. The minute-book was written up to the 4th October, 1886. One meeting had been since held, the minutes of which were not entered.

The county had, it appears, arranged to commence the keeping of the county accounts in the amended form required by sections 19 and 20 of "The Counties Act Amendment Act, 1885," on the 1st April, 1886, and for that purpose had obtained a new cash-book arranged in a form designed by the County Auditor, together with a rate cash-book. The present County Clerk, Mr. Black, who only entered on the office in the month of April, and had had no experience as to the keeping of county accounts, explained that the system contemplated differed so entirely from that previously in use that he was doubtful how the new books were to be commenced, and for that reason had determined to await the arrival of the County Auditor before entering the transactions of the half-year therein. Under the supervision of Mr. Livingston this work was accomplished, and the accounts were then duly audited and certified as correct, with the customary exception of travelling allowances paid to a member of Council not coming from a distance.

89. Although these accounts had but just passed through Mr. Livingston's hands, I felt it to be my duty, in obedience to your Excellency's instructions, to subject them to the same special audit as I had made of those of the antecedent period. I made, therefore, a complete audit of the receipts and payments as shown by the several vouchers and recorded in the several books of account. I found that payments of travelling expenses to the amount of £8 had been made to a member of the Council without authority of law, and that in three cases these allowances had been overpaid to the amount of £12 in all. Payments not sanctioned by law had been made, to the amount of £12 5s., to Clerks to Licensing Committees. As regards the sums improperly paid as travelling allowances, applications have, as previously stated, been made for the refund of the amounts. The other payments will be recovered by surcharge. I found that sums amounting to £3 10s. received by the late Clerk as fees on hawkers' licenses issued had not been accounted for within the half-year. I learned, however, on inquiry, that the sum had been paid by Boulton on the 7th December, 1886. An overpayment of 7s. made in the previous half-year was still awaiting adjustment. Notes as to both the last-mentioned sums had been made by the County Auditor in the cash-book.

90. I observed that the overdraft at the bank at the end of the half-year (£3,281 5s. 11d.) exceeded the amount of the previous year's ordinary revenue (£3,014 17s. 4d.) by the sum of £266 8s. 7d., and was to that extent illegal. The subject of the overdraft was brought before the Council at a meeting held on the 3rd January last, by a letter from the bank requesting that the amount might be reduced. At the same meeting a memorandum from the County Solicitor was read, in which that gentleman, in answer to a communication from the County Chairman, pointed out that the limits within which the county could borrow by way of overdraft were considerably restricted by the Act of 1886. The county is therefore fully apprised of its position in this matter, and will no doubt be careful in the future to keep its overdraft within the statutory limit.

91. I have stated that the county had procured a new cash-book with a view to bringing its accounts for the financial year 1886–87 into the form required by sections 19 and 20 of "The Counties Act Amendment Act, 1885." The design had, however, as regards the first half of the year been very imperfectly carried out. The Council had evidently made no such classification of the works performed as is required by subsection (3) of section 19 of the Act, and the particular items of expenditure which will be ultimately chargeable to the respective ridings will require therefore to be determined hereafter. The omission is at the present moment of slight importance, since the mode prescribed by the Act for determining the income of the several ridings for any financial year requires that the year shall have closed before the terms of the equation on which the computation rests can be obtained. The Act referred to has now been amended by that of 1886, which came into operation on the 1st January, 1887. The accounts of the county for the financial year ending on the 31st March, 1887, will nevertheless require to be made up in terms of the Act of 1885, and at the close of the financial year will need to be entirely reconstructed.

The provisions of the Act of 1886, sections 145 and 146, for determining the income of the ridings, while simplifying the production of the first term of the equation, by providing that the *estimated* instead of the *actual* revenue of the county shall be taken, still defers to the end of the year the production of the second and third terms, by basing the computation of the surplus on the actual expenditure, and the income of the riding on the actual receipts. The elements of the computation are on the whole less simple than in the Act of 1885, for, while in that Act the income of each riding was measured proportionably by the "general rates" only, under the Act of 1886 it is to be measured by the "general rates and goldfields revenue received from such ridings."

92. With the exceptions above referred to I found the accounts of the half-year, 1st April to

30th September, 1886, to be correct; that the entries in the books were supported by proper vouchers, and were in agreement with the bank account; that the sums received and disbursed were in accordance with law; that the balance-sheet was a correct summary of the several transactions; and that the bank and cash balances were correctly stated.

93. The mode of drawing cheques on the County Fund Account during the tenure of office of the late Treasurer, Mr. Daniel, has in my opinion been illegal. "The Counties Act, 1876," section 105, provides that "No such money shall be drawn out of such bank save by chèques signed by the Treasurer of the Council, and countersigned by two Councillors from time to time appointed by the Council for that purpose;" but during the period from November, 1881, to December, 1886, all cheques on the County Fund Account have been signed by two persons only. During the period from November, 1881, to November, 1884, Mr. Daniel combined in his own person the offices of Chairman and Treasurer, and in those capacities he signed all cheques twice—once as Chairman and once as Treasurer—the signature of one other member "appointed by the Council for that purpose" being added. In November, 1884, Mr. Daniel vacated the office of Chairman, but continued in that of Treasurer; and from that date to the end of December, 1886, when he ceased to hold the latter office, he still signed all cheques twice—once as Treasurer and once as a member of the Council—the third signature being (as appointed by the Council) that of the present Chairman. In a district where intercommunication is so difficult as in the Lake County, and where the members of the Council reside at considerable distances from each other and from the county offices, the practice adopted had much to recommend it on the score of public convenience. Its propriety was, I believe, discussed between the county officers and the manager of the bank, and the arrangement appears to have been adopted in good faith as a sufficient compliance with the Act. I regret I am unable to assent to that view, for the reason that it enabled the County Account to be operated on by two persons, while the Act certainly required that the number should be three. If it be admitted that three signatures were necessary—and the Council by its practice has asserted that necessity—it follows, I think, that those signatures must be the signatures of three different persons, since the repetition of a signature can add nothing to the value of the same signature already attached to the same document. In this case the Act required one signature and two counter-signatures; but, as the object of a counter-signature is to authenticate the signature, it is obvious that the counter-signature of the person by whom the cheques were signed was of no value as attesting that signature. I may state that since the 8th January last the practice of the county in this matter has been amended, all cheques being now signed by the Treasurer, Mr. Butement (appointed on that date), and countersigned by two other members appointed for the purpose.

94. I have stated in preceding paragraphs that certain illegal expenditure will be surcharged to the members of Council responsible for the several payments. A schedule of these surcharges will be found in the appendix hereto (Appendix I). In regard to some of these items it may be that the object of the payment was in itself desirable, and it may have been considered that on that ground no objection on the part of the ratepayers was to be apprehended. In other cases payments have been made which admit of no such extenuation. The Council must have been aware that it had no powers except such as were derived from the Counties Acts and the Acts incorporated therewith, and that the county funds were placed at its disposal to be administered in accordance with those Acts. It has been shown that on many occasions the County Auditor objected to payments as being made without legal authority; but the Council, relying apparently on the impotence of the system of county audit or on the probable apathy of the ratepayers, continued the practice, and in some instances made repeated illegal payments of the particular character objected to.

In petitioning your Excellency to order a special audit of the county accounts the ratepayers have, in effect, protested against all illegal payments and all irregularities connected with the accounts. They demand that every transaction shall be tested as to its legality, and admitted or rejected in conformity with that standard. The department whose decision has been invoked has no discretionary authority; it has only to consider whether the transactions submitted to it are sanctioned by law, and to give its judgment accordingly.

95. I subjoin copies of reports of the County Auditor (Appendix A). The reports marked A.-1 were all that could be found among the county records. The others had been removed, and, it is supposed, destroyed. I have, however, obtained from Mr. Livingston copies of two of those missing, marked A.-2, which are all he is able to supply. I found in the minutes that discussions had occasionally taken place in the Council with reference to reports which, it was alleged, had not been laid before the Council; and so doubtful was the Auditor himself of his reports reaching the Chairman's hands that on one occasion at least he resorted to the expedient of enclosing his report to the manager of the bank, with the request that that gentleman would hand it to the Chairman in person. It would appear probable, then, that many of these reports were first suppressed and afterwards destroyed. A perusal of these reports will show that the attention of the Chairman was called to the illegal expenditure from time to time made; to the imperfections in the system of the county accounts, with suggested improvements; to the delay in collecting and accounting for the county revenues; and to the persistent and grave irregularities committed by the Clerk, with suggestions for preventing their recurrence. In addition to this I found a large number of notes in the cash-book, and minutes on the vouchers, made for the guidance and instruction of the Clerk. There is, indeed, scarcely a subject touched on in this report in which I have not been forestalled by the reports and minutes of the County Auditor. It is due to Mr. Livingston to point out that sums amounting to upwards of £150 fraudulently misappropriated by the late Clerk (see paragraph 77) have at various times been recovered, owing to his refusal to acknowledge the transactions or to pass the accounts till those sums were repaid. Moreover, it may with certainty be said that but for the Auditor's care the ratepayers would have been defrauded to an even larger amount than that which represents their present loss. The indescribable intricacies by which the ordinarily simple operation of payment by cheque has been complicated and obscured, as exemplified, amongst hundreds of others, in the cases of Fergusson and Mitchell

(Appendix F), and the ingenuity by which lodgments of one character have been made to represent receipts of a wholly different kind, might well baffle the scrutiny of a necessarily hurried audit.

96. In a preceding part of this report I have referred to the difficulties presented by the want of accuracy of the late Clerk in respect of dates and folios, by the unconnected character of the accounts in the ledger, and by the peculiar construction of the roads and works accounts. To these difficulties were added those which I experienced in obtaining information as to many transactions antecedent to the date of the entry into office of the present Clerk. I have already expressed my obligations to the County Chairman for the courtesy I met with at his hands; and I have much pleasure in acknowledging the readiness at all times evinced by Mr. Boyes, and by the County Clerk, Mr. Black, in supplying me with any information in their possession. There were, however, many matters in connection with the accounts as to which the Chairman was not, and could not be expected to be, conversant, and with which the County Clerk, a comparative stranger to the district and unacquainted with the history of the transactions recorded in its accounts, was equally uninformed. In all such cases I was compelled to acquire by laborious research much necessary information which under more favourable circumstances I might have obtained from the county officers.

97. I have stated more than once that in regard to several matters which came under my notice I felt bound to forego further investigation; and to that extent my task may be held to have been incompletely fulfilled. I have, however, I believe, accomplished all that was possible within the time at my disposal and with the means at my command.

I now most respectfully submit this my report for your Excellency's consideration.

Audit Office, Wellington,
23rd March, 1887.

C. T. BATKIN,
Assistant Controller and Auditor.

APPENDICES.

APPENDIX A.

I.

COPIES OF REPORTS OF COUNTY AUDITOR.

SIR,—

Queenstown, 7th May, 1878.

I have the honour to forward to you the abstract of receipts and payments for the year ending the 31st March, 1878, laid before me for audit.

You will observe that I have not certified to the correctness of all the transactions embraced in the accounts, and I have now to specify the exceptions. (1.) The portion of travelling-expenses paid to members for the period prior to the passing of "The Counties Act Amendment Act, 1877:" That Act is not retrospective in its operation, and I cannot find, nor have the Council's officers, in answer to my objection, advanced, any authority for making these payments. (2.) Refunds of rates: The only authority for remission (or, possibly, by inference, for repayment in certain cases) of rates is contained in section 115 of the Counties Act and section 42 of the Rating Act. But, as the Council's officers admitted that they were unable to produce evidence bringing the refunds under the operation of these sections, I am unable to certify that this portion of the expenditure is in accordance with law.

I have to report that in examining the rate-book I found that in a number of instances a sum less than the amount due by the ratepayer had been accepted. It is due to the Clerk and Collector to say that in this they appear to have acted under instructions. Such remission of rates, however, it appears to me, is not authorized by law. All other transactions I have certified as correct, and I beg to say that they have been carefully and correctly recorded in the books of the office.

I have, &c.,

H. LIVINGSTON,

Auditor.

The Chairman, Lake County Council, Queenstown.

SIR,—

Dunedin, 18th June, 1879.

I have the honour to forward to you the abstracts of receipts and expenditure for the year ending the 31st March, 1879. I have only to state that the reservation in my certificate applies to the sum of £50 given as subsidy to Acclimatization Societies, for which I find no authority in the Act.

I have, &c.,

H. LIVINGSTON,

Auditor.

The Chairman, Lake County Council, Queenstown.

SIR,—

Dunedin, 30th December, 1880.

I beg to return the abstract for half-year ending the 30th September last, and the vouchers sent to me therewith. It appears impossible within a reasonable time to obtain Gorman's signature. The amount being small, I have decided to depart from the rule in such cases, and have signed the abstract, but on the condition that, unless the signature is obtained before the close of the current half-year, the money must be paid into bank before the 31st March, and credited to the account to which it has been charged.

I have, &c.,

H. LIVINGSTON,

Auditor.

The Treasurer, Lake County Council.

SIR,—

Dunedin, 31st May, 1881.

I have the honour to report to you that, in auditing your Treasurer's books for the year ending the 31st March last, I found certain transactions which I am obliged to exclude from my certificate, and which I beg to enumerate below, with my remarks thereon.

1. The sum of £79 11s. expended in celebrating the opening of Kawarau Bridge; 2. The sum of £100 expended as subsidy to the Acclimatization Society: In regard to these transactions I have to remark that such expenditure is not authorized by the Act, and is therefore *ultra vires* of the Council.

3. The sum of £27 10s., slaughtering-license fees refunded to the licensees: I would point out to you that the Counties Act does not authorize such refunds, and that, by section 199, a reduction of fee can only be effected by by-law made in accordance with section 177.

4. The full fee imposed by the Act on registration of dogs has not in all cases been charged: to this extent, therefore, your accounts are imperfect.

5. The salary of your Clerk has been overdrawn by two monthly payments. Although it would appear this has not been done altogether without authority, I cannot find that the sanction of the Council as a whole has been obtained, which is necessary to constitute it legal expenditure.

6. I have to direct your attention to the loose manner in which depasturing-fees on commonages have been collected. There is nothing to show that the sums actually received have been paid in, or that they have been charged in accordance with the Council's regulations. In relation to this subject, I would direct your attention to the 116th and following sections of the Act.

7. I find that your Clerk has omitted to pay in the sum of £5 received on issue of a bush-license. This imperfection in your accounts should be rectified at once, if it has not already been done.

There are one or two suggestions which I have before verbally made to previous Chairmen of your Council, and which I would now respectfully ask you to take into consideration, as has been done by a number of County Councils. First, as regards the receipt of revenue from licenses—for instance, publicans'. It would afford, I am certain, great satisfaction to your Clerk and Treasurer, as well as facilities for a satisfactory audit, if some means could be devised of showing that all receipts from such sources had been duly accounted for. While leaving to you the selection of a plan for accomplishing this end, I would suggest, as the result of my experience, that all license-forms and their duplicates should be signed across the face by the Chairman at any time before issue, as well as by the issuer at the time of issue and in the proper place; and that the Inspector should be directed to report the circumstance of any license being exhibited to him without such Chairman's signature. From the forms to be so treated there might, however, be excepted dog-licenses, which are accounted for to the Auditor. But even in these it is advisable that some supervision should be exercised—for instance, by the Chairman taking a note of all books received from the printer before handing them to the Clerk, to be accounted for by him as documents having a money value. As an example, I find that of the books superseded by the passing of the recent Act there is one which cannot be found.

In regard to another considerable source of income—viz., rates—a fairly complete check on the correctness of the receipts would be afforded by the simple expedient of laying before the Council at each statutory meeting a list of rates uncollected on the 31st March previous, the total of which should accurately agree with the sum shown in the list of assets which has been previously examined and certified to by the Auditor.

A very desirable improvement in the conduct of your business—at least, from my point of view—would be the opening of an Accounts Book, as used by many local bodies. In this book are entered in the order of receipt all accounts against the Council up to the date on which the Finance Committee meets. It is laid before the Council with the corresponding vouchers already made out; and the Chairman's signature entered at the end of the list for that meeting, with such sums struck out as the Council may refuse to pass, constitutes the Council's warrant to the Treasurer to pay. It is for you to consider how far such a plan is necessary; but, for myself, I must mention that in many cases it is impossible at present for me to discover whether or not expenditure has been made by the Council's directions.

I have, &c.,

H. LIVINGSTON,
Provincial District Auditor.

The Chairman, Lake County Council, Queenstown.

(Memorandum.)

22nd November, 1881.

I HAVE to call your attention to the largeness of the amount of rates uncollected on the 30th September last. In my last report I recommended that a detailed statement of rates in arrear should be laid before the Council at the annual meeting for considering the balance-sheet: I would now make the same recommendation as regards the half-yearly balance-sheet. The "County Account" in your ledger may be referred to as a check upon the totals of these statements. I have also to bring under your notice that there has been great laxness in the paying-over of moneys collected for dog-tax, but a small portion of the sum received so far back as March last having been paid into bank. Sections 117 to 125 of the Counties Act, as you are, no doubt, aware, bear on this subject. I have further to report to you that, from the very peculiar manner in which the depasturing regulations have been carried out, I am unable to check the correctness of the returns.

H. LIVINGSTON,
Provincial District Auditor.

The Chairman, Lake County Council.

SIR,—

Dunedin, 27th November, 1882.

I have now the honour to forward to you the abstracts of receipts and expenditure for the half-year ending the 30th September, 1882, which has been detained awaiting receipt of the enclosed vouchers.

The exceptions referred to in the certificate are the following:—(1) Number in cash-book, 74; 8th May, 1882; Woodhead, roads; £12: (2) number in cash-book, 98; 31st May, 1882; McLennan, roads; £13 10s.: (3) number in cash-book, 99; 31st May, 1882; Warbrick, roads; £12: (4) number in cash-book, 281, 23rd June, 1882; Reid, roads; £13 1s: (5) numbers in cash-book, 84 and 85; 15th May, 1882; Clerk, refund, £12: (6) 15th May, 1882, Clerk, refund, 16s.: (7) Clerk, overpaid salary, £20 16s. 8d: (8) an overpayment of £1 to Smith, voucher 294; and during the previous half-year an overpayment to Collins of £4 3s. 4d.

Nos. 1, 2, 3, 4 are sums twice drawn from bank for the same services, which have not been repaid: there are others which have been repaid. Numbers 5 and 6 are amounts which were twice drawn for the same services during the previous half-year, but repaid during that half-year. Your Clerk now avers that he made a mistake in considering them twice drawn—that they were really distinct services, and that therefore he did not require to repay them. He has now cancelled the repayment by drawing a cheque for the amount. No. 7 is one month's salary drawn beyond the amount due. I called your attention some time ago to a similar transaction, and I regret to see the same irregularity still continued even since the close of the half-year.

I have to bring under your notice neglect in paying moneys into bank immediately after receipt, as directed by the Act. I give as an example one large sum, £315, received for license-fees about the end of June or beginning of July, and not paid to bank till 30th September. I observe that no fees have been received for depasturing-licenses. This may be in accordance with the Council's wish, but I consider it right to mention the fact.

4—B. 10.

I have repeatedly, both in writing and verbally (see copy memo. dated 22nd November, 1881, attached hereto), directed your attention to the very large sum standing in your books as uncollected rates. If you will turn to the "County Account" in your ledger you will find the following balances carried forward: 1877-78, £116 2s. 3d.; 1878-79, £87 18s.; 1879-80, £94 16s. 6d.; 1880-81, £278 18s. 6d.; 1881-82, £569 12s.: total, £1,147 7s. 3d. You will observe that these amounts are initialled by me, which was done after very careful examination of the collector's returns and the rate-book. I must, however, repeat that without the Council's assistance it is impossible to apply an efficient check on the collection of rates. In other words, I have in these balances supplied the Council with the sum uncollected of each rate: it is for them to demand detailed statements, and to use the proper means for enforcing payment. None of rate 1882-83, I may mention, was collected during the half-year.

It must be evident to you from the foregoing, and it is an unpleasant task for me to point it out, that there is something radically defective in the method of conducting your business. It is most unsatisfactory that time after time exception should be taken to your accounts. I trust that something will at once be done to obviate such a necessity for the future.

I have, &c.,

H. LIVINGSTON,

Provincial District Auditor.

The Chairman, Lake County Council, Queenstown.

(Memorandum.)

Queenstown, 31st July, 1883.

I AM glad to say that I have been able to certify to the correctness of your half-year's accounts without any reservation. There are, however, one or two questions of routine on which I desire to say a few words.

First, in regard to appropriation of moneys by the Council. I have seen that every voucher bears the signature either of your Chairman or of the Engineer. This is not sufficient to show that the Council have authorized payment. What I would recommend is this—and it is the plan in use by all large and well-conducted public bodies: An Accounts Book should be kept, say with the following columns:—

No. of Voucher. | Date of Presentation. | Name. | Particulars. | Amount. | Refused or postponed. | Remarks.

In this book should be entered, strictly in order of the date of receipt, every voucher. The book, with the vouchers, should be laid before the Finance Committee, and afterwards before the Council. The Chairman of the Council should enter in the proper column any claim refused or held over. The total of the "Refused" column taken from the "Amount" column will leave the expenditure authorized by the Council; and I may point out to you that no expenditure is legal unless passed by the whole Council. At the close of the meeting the book should be signed by the Chairman and, say, the Chairman of Finance Committee. The vouchers should, of course, be signed by the Chairman or Engineer as formerly.

In regard to sales and receipts from forest reserve, will you be good enough to obtain from the chairman of committee half-yearly a list of all sales made since the first, not in detail, but showing date of sale, purchaser, and amount. I can then check the amounts passing through your books.

I find in the accounts an overpayment of £6 10s. on Jones's contract. The error has since the 31st March been rectified. I have therefore merely noted it without making any reservation in the certificate. All such payments should be checked both by the Engineer and Clerk.

You will see at page 907 of the ledger a statement of rates uncollected on the 31st March, 1883, amounting to £1,981 10s. 9d. I think it is within the limits of my office (and I am borne out by a reason known to you, but which I need not mention) to urge upon you the necessity of considering the subject of rate-collection. I may point out to you that rate 1882-83, amounting to £1,318 19s. 9d., was due on the 4th July, 1882, yet on the 31st March, 1883, there remained uncollected £919 15s. 6d. Even of rate 1881-82 there was at that date £505 17s. uncollected. The Clerk will lay before you detailed lists of arrears. They are not quite correct, but sufficiently so for the Council's use.

I have, finally, to say that all the errors pointed out in my report last half-year have been rectified except two. One is an overpayment to Smith of £1. Being a clerical error, the Council may either, by minute, abandon the sum, or debit the Clerk with it. The other is one of the cheques twice drawn (Chard, £12). I have agreed to let this stand over till next half-year at the request of the Clerk, who hopes to be able to show that the transaction is correct; failing which he agrees to pay the money into bank.

H. LIVINGSTON,

Provincial District Auditor.

The Treasurer, Lake County Council.

(Memorandum.)

24th November, 1883.

I AM unable to sign your balance-sheet owing to a number of vouchers being a-wanting. The Clerk will, however, lay a copy before you. I have to draw your attention to sections of the Counties Act directing that forms of receipt numbered with consecutive numbers shall be furnished to the collector, and accounted for by him. Will you have the kindness to see that this proviso is carried out, and that no receipts are given except on such forms. Your Clerk has promised to pay in the £12 referred to in my last memorandum.

H. LIVINGSTON,

Auditor.

The Chairman, Lake County Council.

SIR,—

Dunedin, 23rd November, 1885.

I am unable for want of two vouchers to forward your accounts in time for the meeting on the 25th instant, but, as I furnished you when in Queenstown with an unsigned copy of the balance-sheet, I may now place my report in your hands.

The reservations from my certificate are the following:—(1) County Conference—that is, delegation to Wellington—£160; (2) salaries of clerks to Licensing Committees: For neither of these is there any authority in the Counties and Licensing Acts. (3) A portion of the expenditure for travelling-expenses of members: The Counties Act authorizes only “travelling-expenses of members coming from a distance.” (4) That several of the license-fees were not received within the time specified by the Act, and the certificates were therefore void. Besides these I have to direct your attention to several irregularities in the keeping of your accounts. Your Clerk has overdrawn his salary by one month: you will see by the ledger that only six instalments have been drawn, but nevertheless this statement is correct. I have again and again, in past years, brought similar irregularities under your notice.

I have specially to direct your attention to one of the still awaiting vouchers (Trotter, £33 7s. 9d.) as bringing up a class of very grave irregularities, which I have repeatedly before reported to you. Even so recently as the 31st March, 1885, I took exception in the certificate on your balance-sheet to a transaction of the same nature, but of even a worse form. In the present instance the cheque was cashed a considerable time since, but the money apparently not paid over to the owner, who, at all events, has not yet signed a voucher for it.

On your last balance-sheet I noted that there was still due from the collector of dog-tax, for the years 1883 and 1884, the sum of £85 15s. No portion of this was paid up to the 30th September last, though, strange to say, the same collector has paid in a part of the current year's receipts, and furnished corresponding returns. I must ask for a special examination into this, and that the collector be asked to explain. I have also to point out that the collector should under the Act pay his collections into bank—not to your Clerk.

I observe that during the half-year ending the 30th September last there was written off in your books, uncollected rates, 1881–82, £392 17s. 6d.; and rates, 1882–83, £488 4s. I trust that before authority for this was given the Council acted on my recommendation and obtained and examined detailed lists showing these totals. I regret to say that past experience of the conduct of your business impels me to bring this subject specially before you.

I have, &c.,
H. LIVINGSTON,
Provincial District Auditor.

The Chairman, Lake County Council.

SIR,—

Dunedin, 14th June, 1886.

I have the honour to forward to you as promised copy from the draft in my possession of the balance-sheet for the half-year ending the 30th September, 1885, which, as you are aware, the late Clerk declares to be lost, and which I may remind you was not published as required by the Act. The note on the back was on the original copy furnished to you, and shows the amount of rates 1881–82, 1882–83, and 1883–84, uncollected, for which years the rate-book has disappeared. I shall refer to this in my report to you. I have here a copy of the balance-sheet for the half-year ending the 31st March, 1886, awaiting signature. Will you instruct the Clerk to construct and send to me a balance-sheet for the year ending the 31st March, 1886, from the one enclosed, and the copy for next half-year which I left with you. I will return it signed as soon as possible.

I have, &c.,
H. LIVINGSTON,
Auditor.

The Chairman, Lake County Council, Queenstown.

SIR,—

Dunedin, 1st July, 1886.

I have the honour to return to you, with my certificate attached, the copy of yearly balance-sheet received from your office by to-day's mail and also the half-year's balance-sheet.

The exceptions and reservations in the certificate to the latter are:—(1.) A portion of the travelling-expenses of members does not come within the definition in the Act, “actual travelling-expenses of members coming from a distance.” (2.) A sum of money has been paid to a member of Council contrary to the provisions of the Local Bodies' Contractors Act. (3.) A fee for slaughtering-license (£2 10s.), issued and paid 27th February, 1866, has not been paid in. (4.) Several sums have been paid to the late Clerk on vouchers assigned to him by mark (x) “witnessed” by himself. (5.) Several vouchers (laid by me before the Chairman) have been discharged by signatures which are apparently not those of the persons to whom the money was due.

The exceptions and reservations to the half-yearly balance-sheet are the foregoing and the following:—(6) Expenditure, “County Conference, £160;” (7) salaries of licensing-clerks: For these there is no authority in the Counties and Licensing Acts. (8) That several of the publicans' license-fees were not received within the time specified in the Act, and the certificates were therefore void.

There is a matter occurring during the half-year to which I must specially refer—viz., the disappearance of the rate-book for 1880–81, 1881–82, 1882–83, 1883–84.

In my last report I called your attention to the fact that uncollected rates, 1881–82 and 1882–83 (amounting to a very large sum), had been written off by minute, and expressed a hope that before doing this the Council had taken certain precautions which I had several times previously recommended. I find that during the past half-year the uncollected rate 1883–84 has also been written off, and, so far as I could learn, without any steps having been taken to discover whether the total correctly represented the items then unpaid. I regret to say that, on asking for the rate-book on my recent visit, your Clerk, after diligent search, assisted by the late Clerk, was obliged to admit that it had never been in his custody and was not to be found. I must also refer to the fact that the balance-sheet was not published last half-year, and that the document itself has disappeared, which, as you are aware, is the cause of the delay in certifying to the present half-year's accounts.

I must ask you to read my last report in connection with this one, and may remind you that I left with you a correct statement of dog-tax due.

In the belief that a better state of affairs has now been brought about, I do not wish to advert to the past, but hope that this may be the last of a long series of adverse reports, any one of which, you will pardon my saying, would in any other county in my district have caused the proper remedy to be instantly applied.

I have, &c.,

H. LIVINGSTON,
Provincial District Auditor.

The Lake County Chairman, Queenstown.

SIR,—

Dunedin, 30th December, 1886.

I have the honour to forward to you the enclosed abstract, with audit certificate attached. As you are aware, the document was retained pending inquiry into a very suspicious transaction. I have now to report to you on the subject.

In your accounts for half-year ending 30th September, 1885, on page 165 of the cash-book, voucher 127, there appears as paid to a Dunedin firm the sum of £5 16s., and on page 169, voucher 227, the sum of £12 5s. These two sums, you will observe, amount to £18 1s. In the half-year ending 30th September last there occurs a payment to the same firm of £18 1s. The cheques for the first two sums were cashed on the 25th July, 1885, and 12th August, 1885, respectively, and receipted vouchers were presented to me when auditing your books. These vouchers have now disappeared, and the firm referred to inform me that the amounts were never paid to them, and that the only voucher signed by them since a date not later than 1884 was the voucher for £18 1s., the only sum then owing to them by the Council, a cheque for which they received on 11th June, 1886. This cheque has also been cashed. I find it impossible to resist the conviction that the signatures to the missing vouchers were not genuine, and I leave the matter in your hands for investigation.

The search for these vouchers led me to the discovery that a large number of vouchers for several financial periods have been abstracted—by whom I cannot of course say. It is very remarkable and a just ground of complaint by me personally that the Council in the circumstances of the last twelve months should have permitted such perfect facilities to exist for tampering with the records of the office.

I have, &c.,

H. LIVINGSTON,
Provincial District Auditor.

The Chairman, Lake County Council.

II.

SIR,—

Dunedin, 31st May, 1883.

During the course of my approaching audit of your accounts I shall require the following documents: (1) Detailed statement of rates for the year 1880–81 unpaid on 31st March, 1883; (2) ditto for the year 1881–82; (3) ditto for the year 1882–83: the total of each statement to agree with the amounts shown as a balance in the ledger "County Account."

I have the honour to request that you will give instructions to have these statements prepared at the earliest opportunity.

I have, &c.,

H. LIVINGSTON,
Provincial District Auditor.

The Chairman, Lake County Council, Queenstown.

(Memorandum.)

Gore, 6th August, 1883.

I REGRET to say that, through an oversight on my part, the memorandum left with you requires a postscript. In going over the accounts I found a day-labour voucher a-wanting—"Warbrick," for, I think, £13. Mr. Boulton promised to find it; but, owing to time at the end being taken up with last period's errors, I omitted to ask him for it again. That must be taken as an exception to the certificate, unless you can examine the voucher and see that it is correct. It occurs in the first three months, and is marked by me thus in the cash-book: "No Vr." (*i.e.*, "No Voucher"). All Warbrick's vouchers should be produced and compared with cash-book.

I have, &c.,

H. LIVINGSTON,
Auditor.

The Treasurer, Lake County Council.

CORRESPONDENCE AS TO TRAVELLING EXPENSES.

DEAR SIR,—

Lake County Council, Queenstown, 8th July, 1886.

Your report, dated the 1st July, 1886, attached to the balance-sheet was considered by this Council at its last meeting, and I am instructed to apply to you for more explicit detail as to your exception No. 1 in the report—viz., "A portion of the travelling-expenses of members does not come within the definition of the Act, 'Actual travelling expenses of members coming from a distance.'" I extract from the minute-book a copy of the resolution under which this Council agrees to payment of its members attending meetings of the Council. The resolution is dated the 23rd November, 1881, and reads thus: "That travelling-allowances be granted to members, such allowance to be at the rate of 2s. per mile, one way, each attendance at meetings, except to members resident within a radius of ten miles from the county office, to whom a sum of £1 be voted for each attendance." Are the Council to understand that they have no discretionary power whatever in defining members' expenses? If you will kindly give me your views on this matter you will greatly oblige.

I have, &c.,

H. Livingston, Esq., Provincial District Auditor,
Dunedin.

C. C. BOYES (*pro* J. B.).

SIR,—

Dunedin, 3rd August, 1886.

I have to acknowledge receipt of your letter of the 8th ultimo, requesting "more explicit detail" as to the exception taken in my report to a portion of the expenditure for travelling expenses of members. Your letter also quotes a resolution of the Council on the subject of travelling-expenses, and asks if "the Council are to understand that they have no discretionary power whatever in defining members' expenses."

It is not the part of an Auditor to lay down the law; but I may say that the Act of 1877—by using the words "reasonable sums"—gives to the Council a discretionary power as to the amount of travelling-expenses to be allowed; and the limitation of this amount belongs rather to the rate-payers (*i.e.*, electors) than to the Auditor. The latter, I think, would be justified in interfering only in an extreme case. But in your expenditure for the period covered by my report there is a sum paid as travelling-expenses to a member who did not "come from a distance to attend meetings of the Council"—whose residence, in fact, is within two or three hundred yards of the Council Chambers. I have no hesitation in saying that the Council had no power whatever in that case to pay travelling-expenses. Speaking generally, the Council have no powers except those conferred on them by the statute under which they are constituted, and no "resolution" can supplement or override these powers.

I have, &c.,

H. LIVINGSTON,

Provincial District Auditor.

The Chairman, Lake County Council, Queenstown.

APPENDIX B.

EVIDENCE GIVEN BY PERSONS EXAMINED.

No. 1.—Mr. BOULT examined, 17th December, 1886.

I USUALLY made out two pay-in slips. I burnt some when I left office. I usually destroyed them after half-yearly audit. Butts of rate-books—some were burned by me, some put with other waste paper to light fires. As to security: I did not find any. I was never called upon, after my first appointment, to do so. Collectors' sheets were established during O'Meara's tenure of office. O'Meara paid his collections to me. I suppose old collectors' sheet books were burned. Old papers were destroyed without other authority than my own. Gilmour for some time paid his collections to me; but, in consequence, I think, of objections raised by County Auditor, he afterwards paid to bank direct. I collected no rates outside office except such as were handed to me. Mr. McDougall sometimes received rates from persons in his district. Other members of Council followed the same practice. Moneys so received were paid either to myself or Gilmour. Mr. Daniel did the same. He never handed me any large sum. In my view the functions of the Treasurer were confined to the supervision of the accounts of the county. I considered myself bound to obey any direction of the Treasurer as to the management and keeping of the county accounts. Statements (half-yearly) of the uncollected rates for 1881-82, 1882-83, 1883-84: These statements, I think, were not commenced till March, 1883. I presume these statements are in the office. I do not remember destroying them. As to missing vouchers: I can give no reasons for their disappearance. I may have burned them undesignedly. I admit want of care in this matter. Vouchers for payment were entered in accounts book and submitted to Finance Committee, by chairman of which they were initialled and then laid before Council. When passed for payment by Council, the Chairman initialled the book. I drew out cheques, which were signed by the Chairman and the Treasurer, and signed at top of cheque by myself. Bank was advised by the Chairman or Treasurer as to the persons authorized to operate on the County Fund Account. As to salary drawn in anticipation: The Treasurer was cognizant of the proceeding. I believe the Auditor's reports are all in the office. Licenses were signed by the Treasurer as a rule, but in some instances by myself. The rate-book of 1880-81, 1881-82, 1882-83, 1883-84, was burned by me at the County offices. I had no authority to do so. I believe it was burned in or after April, 1886. I had no special motive in destroying it. I burned it with other papers which were "lumbering" the office. I did not consult with Mr. Black. I resigned by letter of [date unknown], as on one month from date. My resignation was accepted on the 2nd February, 1886, "as from this date." The book was burned in the Clerk's room (front) before Mr. Black's arrival in Queenstown. At the meeting of 1st March, 1886, fourteen days' leave was granted (of which I availed myself). Mr. Boyes (Chairman) was to make arrangements for performance of the work of my office during my absence. Mr. Boyes was granted £1 ls. per day* for performing the duties of Clerk during my leave of absence. The first inquiry as to the missing rate-book was made by the County Auditor, who reported its absence to the Council. The interpolation in the minutes of the 6th July, 1885, as to rates of 1884-85, and 1881 to 1884, was not written in when the other part of the sentence was written, but was written at the time of entering the latter part of the minute. When the offices of Chairman and Treasurer were combined in one person (as in Mr. Daniel's case) cheques were signed twice by Mr. Daniel and once by some other member of the Council. I did not consider it necessary—though admitting the Treasurer's authority in connection with office-books and papers—to consult the Treasurer before destroying books and papers. As to the £2 paid by Mr. Turton on the 29th February, 1884, being rates recovered from Craig: I cannot point out the amount in the cash-book; I can supply no explanation. The cash-book, from 1st October, 1879, to 31st March, 1886, and the ledger, are the account-books of the Lake County Council. They contain, or ought to contain, entries of all receipts and payments, and of all lodgments made to the County Fund Account. They are all in my handwriting.

17th December, 1886.

P. B. BOULT.

* Mr. Boyes declined to receive this payment.

18th December, 1886.

Mollison's case : I am strongly impressed with the belief that I paid the sum of £50, credited by Mollison, in cash, but am not sufficiently certain to make a positive statement to that effect. Martin's Bay settlers : These people never paid any rates. Applications were made, but without result, and it was not worth while to send a collector for the amount. Trotter's case : I cashed Trotter's cheque for the purpose of paying other claims on the Council, the cheques for which had not been signed. I adopted the same practice on many other occasions. Mr. Daniel performed no duties as Treasurer except the signing of cheques. He took no steps to ascertain that moneys were paid to the bank as required by law, or to see that in other respects the business of the County Treasury was properly performed. As to collections of revenue : I did not, as a rule, write up the cash-book with any regularity—not oftener than twice or thrice in the half-year, and on one occasion at least not till the end of the half-year. It was the case on two or three occasions that I had collected rates and had neglected to account for them till, on a second application, the ratepayer produced his receipt. I sometimes made use of moneys in my hands representing county revenue to pay sums due to creditors of the county whose claims had been approved by the Council, but whose cheques were not signed at the time of the payment. As to the rate-book : The rate-book was burned in the day-time ; I think it was in the afternoon. Mr. Daniel was not cognizant of the act at the time, nor did he become aware of it till, in common with other members of the Council, he was informed of its loss by the report of the County Auditor. Mr. Daniel never made any formal demand on me for the book. I informed him personally yesterday, for the first time, that I had burned it, as I had already stated to the Council. I had no motive in burning the book but a desire to clear the office of what I looked upon as superfluous and useless paper.

P. B. BOULT.

11th January, 1887.

I have no books or papers the property of the Lake County Council in my possession to my knowledge, or under my control. I am not aware of any books or papers the property of the Lake County Council being under the control or in the possession of any other person not being an officer of the County Council. The lists A and B, forest-tree sales, are, I presume, in the office. The last time I used them I left them in the office. In regard to a sum of £3 12s. paid to Mr. Daniel by Mr. McDonnell, of Arrow, and which, I am informed, Mr. Daniel says he paid to me, I have no recollection of receiving it. It has often happened that sums due to the county for rates have been paid to Mr. Daniel in making a settlement of his private or business accounts. The rates due by Mr. Eichardt I undertook to pay as a mode of adjusting a debt due to Mr. Eichardt by me. I paid a portion of the amount—I do not remember how much. In regard to a sum of £48 15s. 10d. credited in the pass-book on the 9th April, 1884, and entered by me in the cash-book, page 133, as a lodgment against rates to that amount, I can supply no explanation. As regards a sum of £130 credited in the pass-book on the 12th June, 1885, as a remittance from the Paymaster-General, and against which I have credited in the cash-book, page 164, license-fees to a corresponding amount, I can supply no explanation. As regards a sum of £125 credited in the pass-book on the 24th October, 1885, and debited in the cash-book, pages 174, 175, in seven sums as lodgments against rates, I can supply no explanation. I believe the rates credited in page 133 of the cash-book, and amounting to £48 15s. 10d.—I can say certainly that they were paid to me. The several (six) sums credited as license-fees on page 164 were also paid to me (amount, £130, signed "P. B. B.") The several sums credited in pages 174, 175 of the cash-book as rates, amounting in all to £125, were paid to me. As regards a sum of £9 12s. charged in page 114 as a payment to W. Jenkins for travelling-allowance, I assert that I paid the sum in question, but I am unable to explain the insufficiency of the voucher. As regards a sum of £1 15s. entered as paid to Fergusson and Mitchell on page 116 of the cash-book, the amount has been paid to the best of my knowledge, but I am unable to explain the insufficiency of the voucher. As regards a sum of £5 16s. entered in the cash-book, page 165, and a further sum of £12 5s. entered in the cash-book, page 169, both charged as payments to Fergusson and Mitchell, I am unable to offer any explanation or to account for the absence of the vouchers. I may have paid the money by private cheque or by money-order. When I was in Dunedin I called on Messrs. Fergusson and Mitchell, and believe I paid them then. I never obtained money on or issued a cheque in payment of an account without that cheque bore the signature of one member of the Council at least in addition to my own signature. Mr. Daniel used to leave in my charge filled-up cheques signed by himself on occasions when he was leaving the district. I used to have pages of such cheques. I sometimes got cash for these at the bank, and frequently used them in this partially-signed state in payment of accounts which the bank held for collection, leaving it to the bank to obtain the second member's signature. Mr. Daniel never, to the best of my recollection, left a blank (county) cheque in my possession.

P. B. BOULT.

This evidence was given, and the signature thereto made, in my presence after the said evidence had been read over to Mr. Boulton.—CHAS. C. BOYES, Chairman Lake County Council, 11th January, 1887.

No. 2.—Mr. F. H. DANIEL examined, 10th January, 1887.

I do not remember when I was appointed Treasurer, whether before or after Mr. Boyes's election as Chairman. I think it was after. I held the office till the end of the electoral year (November), 1886. My functions as Treasurer consisted in the signing of licenses, the signing of cheques, and the signing of the half-yearly balance-sheet. I was not responsible for the finance of the County Council. I do not remember when I was first or subsequently appointed to sign cheques. I had signed no cheques previously. I do not know whether under the Act the appointment of Treasurer carried with it the authority to sign cheques. I took up the office and carried

it on in the same way as was done by my predecessor. The Clerk instructed me what was necessary to be done. I performed no other duties as Treasurer than those I have described. I did not prepare the annual estimate of receipts and expenditure. That was done by the Clerk. I signed it as Treasurer. I looked it over to see, as far as my knowledge enabled me, that it was correct. I was not aware that I was required as Treasurer to keep full and true accounts of the receipts and expenditure of the county. I did not keep any such accounts. The accounts were kept by the Clerk. I had not charge of the books and vouchers during my tenure of the office of Treasurer. They were in the charge of the Clerk. The Clerk was before my term of office both Clerk and Treasurer. In the latter capacity he had charge of the accounts and vouchers, and he retained that charge when I took the office of Treasurer. I never gave him any authority to do so. I presume he held them as a matter of course. I was not aware that I had to take charge of them. If I had supposed he was committing any irregularity I should have reported it to the Chairman. I should not have considered that as Treasurer I had any authority to take the books and papers out of his hands. Did not take any steps to see that the Clerk was keeping his accounts properly, except after the visit of the County Auditor. I used then to look over the books in company with the Clerk to see how improprieties pointed out by the Auditor had arisen, and to point out to the Clerk the necessity of attending to the Auditor's instructions. It was my duty to sign all cheques on the County Fund account. I think that every abstract on which a payment was made should bear upon its face a certificate—in the case of public works by the Inspector of Works, and in other cases by the officer responsible—that the work has been satisfactorily done or the service performed. I never looked over the Clerk's vouchers after payment had been made. I considered that the duty of the Auditor, and left it to him. I never issued any instructions to the Clerk as to the keeping of the accounts, or as to the certifying of abstracts, beyond requiring him to conform to the Auditor's instructions. Accounts for authorization were laid before the Council by the Clerk. Of late years these accounts have all been previously considered and approved by the Finance Committee. They were entered in a schedule, which was laid, with the claims, before the Council. I consider that it rested with the Finance Committee to say whether claims were properly due and payable. Salaries and travelling-allowances were not laid before the Finance Committee until of late years. They are now all laid before the Committee as well as before the Council. Payments were made under contract without submitting the account beforehand, the acceptance of the contract being an implied authority for the payment. Other expenditure similarly sanctioned by previous resolution was similarly made. Before certifying an abstract I satisfied myself as far as I could that the proposed payment was correct. Before signing cheques I satisfied myself that the proposed payments had been duly authorized by the Council. I would have either the accounts book or the abstract before me when I signed cheques, and I then compared the one or other with the cheque and saw that they agreed. I was quite aware that in numbers of instances cheques were drawn for a sum of money representing the claims of several persons specified on the face or on the back of the cheque, and that Mr. Boulton cashed these cheques. I stated to Mr. Boulton that I considered the practice objectionable, but he represented to me that it was convenient; and by signing such cheques I assented to the practice. I was not aware until the past year that the proceeds of these cheques, instead of being applied to the payment of the claims to satisfy which they were drawn, were frequently applied to wholly different purposes. I know now that this was the practice. I did not examine the Clerk's account to see that the sums which he received were duly paid into the bank and properly entered in his books. I was unable to do so, being frequently absent from town. I did find out that in one or two cases he had not paid money promptly to the bank, and I complained to him on the subject. I am unable to explain how it is that payments were frequently made on uncertified abstracts. In regard to members' travelling-allowances, the Clerk usually prepared a list of the sums due, and the cheques were signed according to the list. The abstract for a salary or other service payable by time should show the period for which the payment is made. I am not aware that in many cases the period for which the payment was made is not so stated. As to the missing rate-book, I was first informed of its loss by Mr. Boyes, the Chairman, who told me that the Auditor had reported to him to that effect. I took no steps in the matter, except, I think, that I spoke to the Clerk on the subject. He said it was mislaid, and he did not know where it was. I made no remark about it. I left the matter to the Chairman. I have never seen the book since it was laid upon the Council table in connection with some discussion as to uncollected rates. I was told by Pauline that he saw Boulton arrive at his farm on horseback carrying a large book on the front of his saddle. I have never heard of any other person having said he had seen the book. Boulton told me, on the day that he was examined by Mr. Batkin, or the day after, that he had burned the book. I believe that statement to be correct. As to rates written off, I remember the Council authorizing the writing-off of certain uncollected rates. The rates so ordered to be written off were made up from certain lists laid before the Council, which the members carefully went through, striking out the names and amounts of certain rates held to be uncollectable, and which were then ordered to be written off. It will be seen that the minute-book confirms my remembrance of what took place (See afternoon sitting). I also remember authority being given to write off the rates of the Martin's Bay settlers. I have no recollection of the Council authorizing the writing-off of the whole of the uncollected rates of the years 1881 to 1884 and of the year 1884-85. I believe the words "of rates, 1884-85," written over the line in the minutes of the 6th July, 1885, and also the words, "also of uncollected of years 1881 to 1884," have been interpolated. I am unable to say whether those words were there when the minutes were read and confirmed at the ensuing meeting. I have on one or two occasions received rates (when passing through a country district), but I never collected them. I paid all rates so received by me to the Clerk as soon as I came to town. I did not give receipts for them in any case except in the case of Mr. McDonnell, of Arrowtown. The sum I received from Mr. McDonnell was £3 12s. It was, I think, for rates of 1882-83. I received a sum of £1 0s. 8d. from a Mr. Cunningham, of Kingston

about two years ago. I gave the amount to Gilmour, the collector. I also received rates from Ewen Cameron: these I paid to the collector. Both these cases were rates, I think, of 1882-83. Any cheques paid to Boulton for salary during the time I was Treasurer must have been signed by me. I was not aware till now that I signed cheques for more than one salary per month. I was in the habit, when leaving the district for any length of time, of affixing my signature to cheques, leaving them in the cheque-book, and leaving to the other member authorized to sign to complete the cheque as occasion required. I was informed by Boulton at the time he told me of the burning of the rate-book that he had also burned the butts of the receipt-books. It was my duty to sign all licenses. I know of none being issued which were not signed by me. When the offices of Chairman and Treasurer were combined in my person I signed each cheque twice. Cheques were always signed by a member besides myself. No Auditor's reports were ever received by me which were not laid before the Council. I occasionally looked at Boulton's petty cash and petty-cash book.

10th January, 1877.

FRED. H. DANIEL.

No. 3.—MR. JOHN BLACK, Engineer and County Clerk, examined, 12th January, 1887.

As to the missing rate-book, I never saw the book. Mr. Boulton did not burn it—if he burned it at all—in my presence. No papers were burned in my presence except some obsolete electoral rolls, circulars, and printed forms of no value. No manuscript papers of any kind were destroyed. We—Boulton and I—read everything, and only destroyed what appeared to be absolutely useless. Boulton never spoke to me about the book until its loss had been reported by the Auditor. He then remarked to me one day in a casual sort of way that it had disappeared mysteriously; but he offered no explanation on the subject, and I did not pursue it. My offices are those of Engineer, Clerk, and Collector. I took office on the 1st April, 1886. Mr. Boulton remained in the office till the end of April to assist me in entering on my duties. His time was chiefly occupied, however, in balancing his account to the end of March, 1886, my responsibility only commencing on the 1st April. The practice of the office now is: As to receipts, I collect all revenue of the county except such as is remitted from Wellington. The receipts given for rates are not at present numbered consecutively as a whole, but are numbered to agree with the several liabilities for rates as entered in the rate-book. I had overlooked the provisions of section 120 of the Act (1876) until lately. It is now too late to alter the practice as regards the present year, but I will take care that the law is strictly complied with in future. Publicans' licenses should, I believe, be signed by the Treasurer; but, owing to the late Treasurer, Mr. Daniel, living at Glenorchy—some thirty-five miles away by road—I have signed two or three "*pro* Treasurer." The present Treasurer, Mr. Butement, is more frequently in town, and no difficulty is likely to arise in future. The dog-tax is farmed: the sum paid was £60. As to expenditure, all payments, without exception, are now submitted for the consideration of the Finance Committee, the same being scheduled in the accounts book. They are first marked by me as correct. When approved by Finance Committee (such approval being signified by a mark on each invoice) they are laid before the Council, and when approved in Council the schedule in the accounts book is signed by the Chairman. Wages to be paid are detailed in a wages-sheet showing the work in hand, the time and place where each man was employed, the rate of his wages, and the sum due to each man for the month. This is certified by myself as Engineer. Wages are now paid by the calendar month, by crossed cheques sent to each individual. The voucher is sent at same time, with a request that it may be receipted and returned. Cheques are payable to bearer. At last meeting of Council Messrs. Boyes (Chairman) and Douglas were appointed to sign cheques in conjunction with the Treasurer, Mr. Butement. Payments, which now mainly consist of wages, are entered in the cash-book monthly. Receipts for rates are entered in the rate cash-book as they occur. The cash-book is not at present written up beyond the 30th September. I propose to write it up as soon as I return from a journey to Wanaka, on which I start to-day, and after that to enter and post it monthly. My duties as Engineer frequently call me away from the office—sometimes at a moment's notice—and I am occasionally absent for a week at a time. This circumstance prevents that immediate attention to the accounts which I should otherwise like to give.

12th January, 1887.

JNO. BLACK.

No. 4.—FREDERICK FINCH, Queenstown, examined, 8th January, 1887.

I have never seen the missing rate-book. I built Mr. Daniel's house. I have heard persons say that it (the rate-book) might be at Glenorchy or it might have been burnt. I have never to my knowledge seen the book, and do not know anything about it. I have never conversed with Mr. Daniel on the subject of the book. I have heard Mr. Daniel say that he wished it could be found. I have never heard him express any opinion as to where it was. I have never spoken to Mr. Boulton about the book. I heard some one say as I was passing Eichardt's Hotel that an affidavit had been made that the book had been burned. I have not heard the matter referred to since.

F. FINCH.

No. 5.—THOMAS GILMOUR examined, 21st December, 1886.

I was first appointed on the 2nd February, 1885. I was informed that I should be required to find security for £250, and I thereupon submitted the names of persons as bondsmen. I heard no more about it. My salary was £100 a year. I received no instructions except from Mr. Boulton, who gave me a list of the outstanding rates of 1884-85. I did not go back beyond that period. I received a supply of rate-collector's sheets, in which I made lists of the sums collected, and accounted for the same every time I came to town. No period of accounting was specified in any instructions I

received. At first I always paid my collections to Mr. Boulton. He instructed me to do so. Two or three months after my appointment Mr. Ross, the Manager of the Bank of New Zealand, told me to be careful about paying money to Boulton, and recommended me to get a pass-book, in which I was to get Mr. Boulton's receipt for all sums paid to him. I adopted that course, both with respect to rates and dox-tax, until the arrival of the County Auditor, who advised me to pay no more money to Boulton, but to pay to the bank direct. I followed that advice, making out three pay-slips—one for the bank, one for myself, and one which I handed to Boulton with the rate-collector's sheet. The pay-sheet always agreed with the rate-collector's sheet, except on one occasion, when by mistake I paid into the bank nearly £4 too much. That sum I have never recovered. I have spoken to the present Clerk on the subject, who promised to see to it. On several occasions I found, on applying to ratepayers for rates, both of 1884-85 and 1885-86, that the money had already been paid to Boulton. I saw the receipts in the 1884-85 cases, but in the cases of 1885-86 he gave no receipt, alleging that he no longer had power to give receipts, but that I would give them. I complained of being sent to collect rates which had been already paid, and told him that he had no right to receive rates of 1885-86. I do not know whether Boulton accounted for the rates of 1884-85. For those of 1885-86 Boulton gave me an I.O.U. I took this I.O.U. to the Chairman, Mr. Boyes, and got him to indorse thereupon the names of the ratepayers concerned—namely, Gunn, Forbes, J. McBride, and Robert Hunter. I left the I.O.U. with the Chairman, and struck the names of those persons out of my list. I believe the amount was stopped out of Boulton's salary. I resigned the appointment of Collector in November, 1885, but the Council requested me to stay on till the following June. I did stay till June. About August following I saw a statement in the paper that certain ratepayers—McIntosh (£13 10s. 11d.), O'Kane (£2 7s. 5d.), and Bradley (£2 1s. 7d.)—had been applied to for rates which they had already paid. I thereupon wrote to the Council requesting that I might be allowed to appear before the Council—which had threatened in my absence to take proceedings against me—and explain matters. I thereafter did appear, and produced to the Council the rate-collector's sheet and the duplicate bank-slip, and the present Clerk produced the bank-book showing that I had accounted for the rates and paid the money to the bank about three months prior to the Council sending out the notices. The Council thereupon exonerated me from all blame. The amount involved was about £18, and the date was about April and May, 1886.

THOMAS GILMOUR.

No. 6.—C. C. BOYES, Esq., County Chairman, examined, 15th January, 1887.

As to the loss of the rate-book, I was not aware of it till the County Auditor reported it to me verbally. I thereupon questioned the Clerk on the subject. He said he did not know where it was, nor could he account for its disappearance. As to the writing-off of the uncollected rates of 1881 to 1885, I was not aware of it till I saw Mr. Livingston's report. I laid that report before the Council meeting, where it was discussed at some length, the general opinion being that those rates had never been ordered to be struck off, and that the words in the minute-book which so directed had been interpolated. That also is my impression. It was only the rates of the Martin's Bay settlers and those of persons known to have disposed of their property, or to have left the district, or who were dead; together with a few who were rated twice for the same property. There was no wholesale writing-off of rates. The lists for each riding were carefully gone through by the member for the riding, and the Council dealt with each case on its merits. I think the usual steps were taken to recover the rates of 1884-85, notwithstanding the alleged writing-off. I think the words now appearing in the minute-book authorizing the writing-off of the uncollected rates of 1881 to 1885 could not have been in the book, or, at all events, were not read by the Clerk when the minutes were confirmed at the ensuing meeting. If they had been read I am certain they would have challenged attention; but nothing of the kind took place. The minute-book itself contradicts the alleged direction, for in a later part of the minutes of the same day's proceedings—that is to say, at the "afternoon sitting"—it is recorded that "a sub-committee, consisting of the Chairman, Messrs. Butement, McBride and Daniel, were appointed to revise the rate-book, 1884-85, and to write off any uncollectable amounts." The result of this committee's proceedings was the writing-off of the rates of the Martin's Bay settlers and the other cases to which I have already referred. Cheques were first made payable to order about October, 1885. It arose out of Trotter's case. The circumstances of that case were so unsatisfactory that I laid a written statement of the matter before the Council, and recommended that all cheques should in future be made payable "to order" instead of "to bearer." The Council adopted my recommendation, and passed a resolution on the subject on the 5th October, 1885. The practice has continued in operation to the present time. I was not aware until the Bank of New Zealand made a complaint on the subject—on which the Council passed the resolution recorded in the minutes of the 7th September, 1885—that moneys payable to several persons were included in one cheque. I was not aware that the Clerk was in the habit of cashing cheques payable to other persons till informed of it by Mr. Daniel when I became Chairman. I then cautioned the Clerk that the very first case that I found out I would report to the Council. The case of Trotter, to which I have referred already, was the first I discovered, and I at once reported it to the Council, as already described. I do not know that Mr. Daniel ever collected rates: he sometimes received them; but in how many instances I do not know. I have frequently seen pencil memoranda in the missing rate-book in Boulton's handwriting, "See F. H. Daniel," or "Refer to F. H. Daniel," and on asking Boulton for an explanation he said that these were rates for which Mr. Daniel was responsible. The notes were made as memoranda, that, in the event of the rates being put into the solicitor's hands, the parties against whose names these notes were placed were not to be sued. It was the case that in some instances, on a second demand being made for rates, the ratepayers produced their receipts showing that the rates had been paid. These receipts were sometimes signed by Boulton and sometimes by Mr. Daniel. I learned these facts through their being reported to the Council by the County Solicitor. I can confirm the statement

made to you by Boulton that Mr. Daniel has on occasions settled his private accounts with his clients by deducting therefrom moneys due to the county for rates. I cannot at present recall the names of the persons so settled with. As to certifying to accounts, I think all charges for roads and works should be certified by the Engineer or Inspector of Works. Office supplies have always been certified by the Clerk. All other charges should, I think, be certified or approved by the Chairman. All claims are examined by the Finance Committee, and when passed are initialled before they are laid before the Council. I do not find it necessary to travel as Mr. Daniel did to inspect roads. When I was first appointed Chairman I told the Council that I should not travel to inspect roads unless I was directly requested by the Council in any case to do so, but that in such cases I should expect to receive travelling-allowance. The only occasions on which I have received travelling-expenses (except for attendance at the Council), are two in number—viz., in January, 1885, when I was requested by the Council to visit Kingston to arrange with Trotter as to compensation for a road-line; and in March, 1886, when Mr. Daniel and myself were instructed to visit Mr. Baird's property, and arrange as to the compensation to be paid him for damage to his land by drainage from the road. I do not take any steps when signing cheques to see that they are correct in amount, or are in payment of claims duly authorized by the Council. I consider that to be the duty of the Treasurer, who is, or should be, responsible for the finance department of the county, and for the proper management of its accounts. Since I have lived in Queenstown I have never signed cheques unless they had been previously signed by the Treasurer, mine being only a countersignature. During Mr. Boulton's time I did look to the points named. From the time when Trotter's case occurred I never signed a cheque without seeing that it agreed with the abstract intended to be paid. I know nothing as to the voucher 206, Romans and Brodie, £74 5s. 6d.

CHARLES C. BOYES, Chairman.

No. 7.—GEORGE HENRY ROMANS examined, 31st January, 1887.

I am a contractor residing at Arrowtown. I was the contractor, in partnership with Mr. Robert Brodie (since dead), George Heller, of Arrowtown, and Peter Henderson, also of Arrowtown, for the contract known as Cardrona No. 2. The amount of the contract was £1,194 11s. 5d. The first two payments are credited in our pass-book with the Bank of New Zealand [bank pass-book produced] at Arrowtown as—21st April, 1884, L.C.C. vehr., £388 8s. 2d.; 23rd May, 1884, L.C.C. vehr., £368 2s. 7d. The third payment, £437 2s. 2d., was received by Mr. Brodie in Queenstown, and the cheque was cashed by him at the bank in Queenstown. The amount of our deposit with this contract was £61 10s. It was paid by a cheque signed by our firm, "Romans and Heller," on the Bank of New Zealand, Arrowtown. Cheque produced, which I obtained from the bank at Arrowtown on my way here, is the cheque given by us in payment of that deposit. It was enclosed with the tender, and the tender was put into the tender-box by myself. I cannot say positively what the amount due to us for extras was on this contract. I think about £6. The sums entered in our cash-book as received on Tuesday, the 2nd September, for our share—equal to two-fourths—of the contract deposit refunded and extras was £33 16s. Our share of the deposit being £30 15s., the difference of £3 1s. must have represented our share of the extras. The deposit and the sum due for extras was received by Mr. Brodie, who handed us £33 16s. as our share. I have now no means of ascertaining what the extras for which we were paid consisted of, nor do I know the precise amount. The evidence afforded by my cash-book satisfies me that the amount was £6 2s. There may, however, have been a further sum of £1 14s. included in the settlement, that sum having been paid to us at the same time as the £33 16s. in refund of moneys which we (Romans and Heller) had paid to H. Honeychurch, a mason, on behalf of the partnership of Romans and Brodie. I am not prepared to swear to the exact amount of our claim for extras, but I could swear that they did not exceed £15. The voucher No. 206, for £74 5s. 6d., is signed, to the best of my belief, in the handwriting of the late Mr. Brodie. I was also a partner in the contract of Peter Henderson and Co., of Arrowtown, for No. 1 Cardrona contract. My firm, Romans and Heller, had one-third share in this contract. The other partners in the contract were Peter Henderson and R. Pritchard. The amount of the contract was £1,290 1s. 10d., and the amount of the deposit was £66. There were a few extras on this contract—I think about £7 10s.; I am sure they were under £10.

GEORGE HENRY ROMANS.

This evidence was taken and signed in my presence.—H. L., 31/1/87.

I remember distinctly that the amount of the deposit was £66, because each of the three partners in the contract had to provide a sum of £22. The amount of our contract deposit has been refunded to us, but I cannot say without reference to my papers when or how it was repaid.

GEORGE HENRY ROMANS.

This evidence was taken and signed in my presence.—H. L., 31/1/87.

1st February, 1887.

I produce cheque No. F. 116985, dated 23rd June, 1883, on Bank of New Zealand, Arrowtown, for £66. This is the cheque which was enclosed with our tender for the contract known as No. 1 Cardrona. It is drawn by Romans and Heller, and was paid out of their account. I also produce bank pass-book of the account of George Romans and Co. with the Bank of New Zealand at Arrowtown. This account embodies all the transactions (receipts and payments) in connection with the contract of P. Henderson and Co. for No. 1 Cardrona, with the one exception of a sum of £80, the last sum received from the county, which sum was lodged to credit of our bank account in connection with the Contract No. 2 Macetown. The sum of £80 represented £66, the amount of our contract deposit refunded, and a sum for extras, the precise amount of which I am unable to remember, but which I believe did not exceed £7. The extras referred to consisted of six or seven small culverts, all of which I built myself with the assistance of a mason, and we used generally to complete two a day. The balance of £7 odd, making up the £80, was some small balance remain-

ing due upon the contract. We never received a sum of £43 16s. 7d. charged to us in the county books on the 17th September, 1883, either on that or any other date. The first payment made to us in respect to this contract, No. 1 Cardrona, was £131 9s. 10d., credited in our pass-book on the 11th October, 1883. After seeing the butt of the cheque No. 442, of 23rd June, 1884, I am satisfied that the sum paid to us for extras was £6 17s. 4d., and that the sum of £7 2s. 8d. which made up the £14 (the amount of the cheque) was the balance due to us on the amount of the contract.

GEORGE HENRY ROMANS.

This statement was made and signed in my presence.—H. LIVINGSTON, 1/2/87.

No. 8.—Mr. WM. DAVIS examined, 2nd February, 1887.

I was one of the firm of Welsh, Davis, and Hutton, contractors for the work on the Skipper's Road known as "Contract No. 4, Skipper's." Our tender for that work was accompanied by a marked cheque on the Bank of New Zealand at Arrow for the sum of £70, and a bank-note for £1, £71 in all. I produce the cheque (No. 119194), dated the 3rd August, 1883. The cheque is signed by William Welsh, and was paid out of his account. The amount of our contract was £1,634 11s. 10d. The payments to us, as credited in our pass-book, are: "1885—March 18, To Davis, £436 15s.; April 14, Lake County voucher,* £292 1s. 10d.; July 7, County Council cheque, £777 15s.; August 6, county order, £100 13s. 7d." I received a further sum of £24 for maintenance-money, which was not lodged to the bank account. The cheque for £777 15s. was the final payment under the contract, and included the sum of £71, the amount of our deposit. The amount of extras on our contract was £124 13s. 7d., as set forth in the Voucher No. 202. There was a further sum of £1 paid to us for taking away a landslip. There were no other extras whatever. The sum of £72 added to the sum of £705 15s. in Voucher No. 121, and stated to be for extras, was not for extras—the sum was received by me as the refund of our deposit. This deposit was in the hands of the county from August, 1883, to July, 1885. The signature to the receipt on the Voucher No. 14, for £492 1s. 10d., is not in my handwriting. It might have been signed by Hutton.

WILLIAM DAVIS.

This statement was made and signed by William Davis in my presence.—H. LIVINGSTON, 2/2/87.

No. 9.—Mr. DANIEL ENRIGHT examined, 2nd February, 1887.

I live at Arrow. I was one of the partners in the firm of Courtney and Co., the contractors for the work known as the "No. 3 Skipper's Contract." The other partners were Courtney, Gibson, and Carrick. The amount of the contract was £1,503 7s. 10d. The amount of our deposit was £75 4s. It was made by a cheque on the Bank of New Zealand at Arrow, drawn by Jas. F. Healey, and was lodged with the tender about the 4th August, 1883. The total sum due to us under the contract was paid to us in the vouchers marked—No. 52, £357 7s. 8d.; No. 86, £327 15s.; No. 150, £435 18s. 4d.; No. 180, £300; and No. 6, £82 6s. 10d: total, £1,503 7s. 10d. We also received a sum of £28 13s. 6d. for extras, and £75 in refund of our deposit. This sum of £75 was 4s. short of the sum due to us, and is represented by the receipt signed Gibson and Co., acknowledging the receipt of that sum, together with £28 13s. 6d., on the 26th or 27th June, 1884, at foot of the voucher numbered 99 and 108. There were no other extras than those for which we claimed, and were paid £28 13s. 6d. That sum covered all our charges for cement, culverts, retaining-walls, and an 18in. culvert extra to the contract. We never received the refund of our deposit in any other way than in the sum for which we gave a receipt on the voucher marked 99 and 108. The signature to the receipt is not in my handwriting. I suppose it was signed by one of the partners to the contract, but I do not know which. I produce the cheque for £75 4s. paid in with our tender for the contract.

DANIEL ENRIGHT.

This statement was made and signed in my presence by Daniel Enright.—H. LIVINGSTON, 2/2/87.

No. 10.—Mr. W. J. POWELL examined, 13th January, 1887.

I was formerly Inspector of Works for the Lake County Council. I held that office from the first meeting of the Council up to the end of March, 1886. I had the superintendence of all roads and works. All works of any magnitude were done under contract. There were certain works for which funds were provided by the Government: over these works I had no control. The Kawarau Bridge, for instance, was superintended by Mr. Foster. The works under the Roads and Bridges Construction Act were done under the superintendence of my brother, Mr. Thos. Powell, subject in some measure to my control, he being Sub-Inspector. The signature to the Voucher No. 41 for my salary for October, 1883, is certainly not mine. I have, however, received my salary for that period. In regard to Voucher No. 206 (2/84), for £74 5s. 6d., paid Romans and Brodie for extras on Contract No. 2, Cardrona, I know nothing of the payment. I do not know where any "extras" could have been expended: I know every inch of the road. If any such sum had been due, the claim should have been certified either by my brother or myself. It is certified by the Chairman (Mr. Daniel). I know of cases in which moneys due to men working on the roads have not been paid to this day. Homer's is one of these cases. Homer was working at the Diamond Lake. He told me that Boulton came to him one day, and asked him to give him (Boulton) an order to receive the wages due to him, and that he would then send him the cheque. Homer thereupon signed the authority on the back of the Voucher 212 of 1/86. Boulton did not send him the cheque. The amount was £9 12s. There was due to him at that time £17 4s. on Voucher 181 (1/86), on which I had myself obtained Homer's receipt when at Diamond Lake, and which I handed to Boulton in the office, Captain Wing, I think, being present, with the request that he would send the cheque to Homer. There was also due to Homer at that time money on another voucher: the amount I do

* £200; the balance of this sum was credited to the private accounts of Welsh and Davis.

not remember. Homer desired some time after to tender for a contract, "Glenorchy to Precipice Creek." I wrote out the tender for him. On the day before the tenders were to be sent in he went to Boulton, and told him that, as he had to make a deposit with his tender, he must have the money due to him (Boulton acknowledged to him that he had drawn the money) by ten o'clock on the following morning; otherwise he would go before the Council and report the matter. Boulton thereupon gave him £20 on account. Homer related these facts to me on the same day. The balance due to him had not been paid when I spoke to him last about a month ago. A man named Murrish holds Boulton's I.O.U. to this day for wages due to him, which Boulton has received. I have heard of many similar cases. I have seen Mr. Daniel give his own cheque in payment of wages due to labourers on more than one occasion: I do not know whether he had previously drawn the money.

W. J. POWELL.

As to the sums applicable to roads on or leading to the deferred-payment blocks, these works were sometimes done by contract and sometimes by day-labour. I am unable to say whether the sums received by the county from deferred-payment lands were spent on the roads as authorized by the Waste Lands Board. I have heard complaints from the settlers on some of these blocks—the Dart settlers, the Crown Terrace, the Nokomai, and the Kingston. The people from the two first named came before the Council and complained on this subject.—W. J. POWELL.

1st February, 1887.

I was formerly Inspector of Works to the Lake County Council. As regards the voucher No. 26 (No. 1 Cardrona), I cannot say whether the alteration in the total was made before or after I certified it. I know nothing of the sum of £43 16s. 7d. specified on the voucher. As to the voucher No. 5, for £300, I had no positive knowledge whether or not that sum was due: I know the work was progressing and the contractors wanted the money. I cannot now recollect why or on what evidence I certified the voucher. I cannot say why it was not certified by Mr. Thomas Powell. In regard to Voucher 127-128, P. Henderson and Co., £80, I am almost positive there were no extras on this contract. I am unable to state why I certified this voucher; I can only suppose it was put before me after the payment was made. My signature is evidently written after and over that of Mr. Daniel, and the date under my name has been written by Boulton. If this voucher had been presented to me for certificate, with the note, "Passed by Council at meeting 7/7/84," now appearing thereon, I should have felt justified in signing the certificate without further inquiry. The figures "8/4/84" following my name on Voucher No. 5 are not in my handwriting.

W. J. POWELL.

This statement was made and signed by W. J. Powell in my presence.—H. LIVINGSTON, 1/2/87.

1st February, 1887.

In regard to Voucher 126, for £437 2s. 2d., paid to Romans and Brodie on their contract, No. 2 Cardrona, certified by me, but not having the signature of my brother thereon, I cannot say positively under what circumstances I signed this voucher. The voucher was signed by me after and over the receipt of Romans and Brodie. The voucher is signed by the Chairman. If the voucher was laid before me for signature with the minute it now bears, "Passed by Council, 7/7/84," I should have certified it without hesitation. Mr. Boulton often laid before me vouchers for my signature after payment had been made. I was never asked to sign the voucher No. 206, for £74 5s. 6d. I never saw that voucher till it was placed before me by the Assistant Controller and Auditor.

W. J. POWELL.

This statement was made and signed by W. J. Powell in my presence.—H. LIVINGSTON, 1/2/87.

1st February, 1887.

I was formerly Inspector of Works to the Lake County Council. The contract for Skipper's No. 3 was let to Gibson, Enright, Courtney, and Carrick. As to the voucher No. 99-108, for £103 13s. 6d., and which bears my signature as Inspector of Works, I do not know why it was not signed by my brother. I cannot say under what circumstances I signed this voucher. The date following my signature is not in my handwriting. If this voucher was presented to me with the minute it now bears, "Passed at meeting of Council, 9th June, 1884," and bearing, as it now does, the signature of the Chairman, I should have signed it without doubt of its accuracy. I know there were extras on this contract: I cannot say what those extras would amount to; my brother would know all about it.

W. J. POWELL.

This statement was made and signed in my presence by W. J. Powell.—H. LIVINGSTON, 1/2/87.

No. 11.—Mr. THOMAS POWELL examined, 1st February, 1887.

I was formerly Inspector of Works performed for the county under the Roads and Bridges Construction Act. I remember all the contracts executed under that Act. The contract No. 1 Cardrona was let to Peter Henderson and Co. The amount was £1,290 1s. 10d. The deposit was about £65. I know nothing of any payment of £43 16s. 7d. made to Messrs. Henderson and Co. on the 17th September. The voucher I certified on the 15th September was for £175 6s. 5d., and that sum should have been paid to them. The sum of £43 16s. 7d. added to the voucher was not so added when I certified the voucher. The sum for which I certified was £157 4s. 4d., as stated in my writing in three places on the voucher. The particulars given in the voucher No. 5 are not in my writing, and I have never seen the voucher till now. The same statement applies to the voucher No. 127-128. I never saw it before. There were no extras to the amount of £80 as stated in the voucher, nor any agreement for extras, except for a few small culverts put in under the recommendation of Mr. Ussher. The vouchers Nos. 5 and 127-128, signed by my brother, but not by me, were so signed, I suppose, because I was absent from town. As to the contract No. 2 Cardrona, let to Romans and Brodie, the amount was £1,194 11s. 5d. The voucher No. 126, certified by my brother, I never saw till now. This was the final payment on the contract.

The work was all properly done, and the contractors were entitled to the amount. The voucher No. 206 not certified either by my brother or myself, I know nothing about. Had this voucher been presented to me for a certificate, I would not have signed it, because the money was not due. In all cases in which I have certified for extras I have always given particulars. The only extras on this contract were a few culverts, of the value of £10 or £12, for which I must have given a detailed certificate. The contract No. 3 Skipper's, was let to Courtney and Co., The contract is known as "Enright's Contract." The vouchers certified by me are all correct. The voucher No. 6 is not certified by me or by my brother; but it seems to be the final payment under the contract, and I may have sent down a certificate that the work was fully completed, and thereupon the payment would be made. As to the sum of £103 13s. 6d. paid apparently for extras, I do not think the extras amounted to £30. I remember them well. They were for retaining-walls, and an 18in. culvert. I recommended certain culverts to be built as extras; but the Chairman would not allow the work to be done, and it was not done. The contract No. 4 Skipper's was let to Welsh, Davis, and Co. The amount was £1,634 11s. 10d. The vouchers 236 and 14 are correct. The voucher No. 121, certified my brother, I have never seen till now. The sum stated at the head of this voucher as the total amount of the contract is incorrect: it should have been £1,634 11s. 10d. There were extras to this contract. The particulars of those extras are set forth in the voucher No. 202, £124 13s. 7d. I do not think the extras could have exceeded that sum. I am doubtful if they came to so much. I am sure they could not have come to £72 more.

THOMAS POWELL.

This statement was made and signed in my presence by Thomas Powell.—H. LIVINGSTON, 1/2/87.

No. 12.—WILLIAM MURRISH examined, 14th January, 1887.

I was for a long time—for many years—in the employ of the Lake County Council. I have had great difficulty at times in getting wages due to me. When I called for them at the office, the Clerk, Mr. Boulton, would say he had not got them ready, but would have them ready the next time I came. I seldom applied for them within a week or a fortnight of the time they were due, and sometimes not for a month after. I was paid sometimes by cheque, sometimes in cash. In January or February last the County owed me two months' wages: one month was for January, and one was for a month as far back, it might be, as August. When I applied for the money due to me, perhaps, in October, Mr. Boulton said "I will give you this one," and this went on up to January, at which time there was due to me my wages for the month of, I think, August, and those for the month of December—£19 4s. in all. In January, when I applied for these, Mr. Boulton gave me £15 in cash on account. In April, when Mr. Boulton was leaving the office—I think on the last day—I applied to him for the sum still due to me. Mr. Boulton gave me £1 4s. in cash, and an I.O.U. (produced) dated the 30th April, 1886, for £3, which sum I have never been paid. I receipted the vouchers, as a usual thing, before I brought them to the office. That is a common practice with the men. I have heard of cases where similar difficulty has occurred with other men—Homer, George Anderson, and others. I once told Mr. Daniel in the office that it was strange a man could not get wages due to him, and he said he would give me his own cheque for the amount. I said "that would do properly;" but he did not give it me, and I went away.

WILLIAM MURRISH.

I never indorsed a cheque in the office, and left it with Mr. Boulton.—WILLIAM MURRISH.

No. 13.—MICHAEL CUNNINGHAM examined, 17th January, 1887.

I remember having a contract in June, 1884, for maintenance of the main road, Queenstown to Arrow. The amount was £65. I received the amount in six monthly payments. I never received two payments at one time. On one occasion I came to town for my cheque. Mr. Boulton said he had no cheques, or something to that effect. He told me that Malaghan, or any one in town, would cash my voucher. I took the voucher into town. I went to Malaghan's. They had paid all their cash into the bank, which was then closed, and could not cash my voucher. I met Monson, the butcher, in the street, and I asked him would he cash it. He did cash it, and I allowed him 10s. for doing it. I only received six monthly payments—not seven—on this contract. The signature on the voucher No. 146 is not in my handwriting. I never authorized anybody to sign my name to any voucher. On a previous occasion I had a sum of £63 owing to me by the county. It was more than three months overdue. I came to town to get the money. I had previously applied for it three or four times. I wanted the money because people were pushing me for money. I found the Council was sitting, and I determined to complain to the Council. I went into the Council Chamber, and sat down. Mr. Boulton was writing at the table. He beckoned me to come to him. He said to me, "Come here till I pay you your money." He then paid me the money in the Council Chamber. He gave me six £10-notes, and three £1-notes. Mr. Hornsby, the editor of the *County Press*, was sitting at the table. He did not ask me to sign any voucher, and I did not sign one. The seven vouchers (Nos. 231, 23, 74, 135, 199, 80, and 165) are all signed by me. The five vouchers for the contract of £65 (232, 233, 56, 102, and 189) are all signed by me. The one No. 146 is not my writing.

M. CUNNINGHAM.

NOTE.—The foregoing evidence relates to an alleged payment of £10 16s. 8d. charged in the cash-book as paid to M. Cunningham; who, it will be seen, denies the payment. The contract was for maintenance of a road for six months, payable in monthly instalments. Seven of these payments (£10 16s. 8d. each) were charged. Only six were, however, paid to the contractor. The seventh was ultimately refunded by Boulton at the instance of the County Auditor. The voucher by which the alleged payment was supported to the Auditor has disappeared.—C. T. B.

APPENDIX C.

STATEMENT showing Particulars and Amounts of the several Rates struck from 1880-81 to 1885-86 inclusive, the Estimated Sums Collectable the Sums collected in each Financial Year in respect of each Rate, the Balances outstanding at the end of each Year, and the Amount of each Rate written off.

	Rates of the Years								Total.
	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.	—		
Date when rate struck ..	5 July, '80	30 May, '81	3 July, '82	22 Oct., '83	5 Aug., '84	6 July, '85			
Date when payable ..	10 July, '80	10 June, '81	4 July, '82	22 Oct., '83	11 Aug., '84	20 Aug., '85			
Amount of rate ..	1s. in the £	1s. in the £	1s. in the £	3d. in the £	3d. in the £	3d. in the £			
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
Estimated sum collectable ..	1,354 9 3	1,351 10 0	1,318 19 9	1,149 10 11	1,129 0 7	898 16 8	..	7,202 7 2	
Add rates on Crown lands ..	..	..	226 14 1	226 14 1	224 7 6	202 16 2	..	880 11 10
Total sum collectable ..	1,354 9 3	1,351 10 0	1,545 13 10	1,376 5 0	1,353 8 1	1,101 12 10		8,082 19 0	
Collected in 1880-81 ..	995 19 9	..	..	..	..	..	995 19 9	
Balance uncollected ..	358 9 6								
Collected in 1881-82 ..	72 10 0	663 6 0	..	..	..	..	735 16 0	
Balances uncollected ..	285 19 6	688 4 0							
Collected in 1882-83 ..	28 18 0	182 7 0	399 4 3	..	..	..	610 9 3	
Balances uncollected ..	257 1 6	505 17 0	1,146 9 7						
Collected in 1883-84 ..	8 15 0	96 16 6	368 17 6	393 9 3	..	..	867 18 3	
Balances uncollected ..	248 6 6	409 0 6	777 12 1	982 15 9					
Collected in 1884-85 ..	0 19 0	16 3 0	289 8 1	602 18 6	312 4 5	..	1,221 13 0		
Balances uncollected ..	247 7 6	392 17 6	488 4 0	379 17 3	1,041 3 8				
Collected in 1885-86 ..	..	..	..	..	857 4 1	431 7 2	1,288 11 3	
Balances uncollected ..	247 7 6	392 17 6	488 4 0	379 17 3	183 19 7	670 5 8			
Collected in 1886-87—1st April to 30th September, 1886 ..	..	..	..	..	68 10 11	604 10 10	673 1 9	6,393 9 3
Balances uncollected ..	247 7 6	392 17 6	488 4 0	379 17 3	115 8 8	65 14 10	..	1,689 9 9	
Written off—									
31st March, 1884 ..	£250 16 6								
Collected afterwards ..	3 9 0								
6th July, 1885 ..	247 7 6	..	..	..	..	..	247 7 6	
	..	392 17 6	488 4 0	379 17 3	115 8 8	..	1,376 7 5	1,623 14 11	
Balance uncollected on the 30th September, 1886 ..	..	..	..	..	..	..	..	65 14 10

APPENDIX D.

THE following statements set forth briefly the nature of the frauds committed in connection with the contract deposits. The evidence of the several contractors in respect of these deposits will be found in Appendix B, 7, 8, 9.

Contract No. 1, Cardrona, let to Peter Henderson & Co. (see evidence of Mr. G. H. Romans of 1st February, 1887); amount, £1,290 1s. 10d.; deposit, £66. The tender for this contract was accepted on the 25th June, 1883. It was accompanied by a deposit of £66 in the form of a cheque on the Bank of New Zealand at Arrow. On the 26th June, 1883, Boulton entered in his cash-book fees and rates as follows: Licenses (accommodation)—Dyson, £25; Gantley, £25; Johnston, £10; license, Hawkins, Fordham, £5; rates, E. McGuirk, £1: total, £66; and paid the cheque for £66, above referred to, to credit of the county fund account at the bank, as a lodgment for the amount. The deposit made under the contract was never brought to account in the cash-book. On the completion of the contract it became necessary to refund the deposit to the contractors, and, in order to provide the means, Boulton, in conjunction with Mr. Daniel, the then County Chairman and Treasurer, prepared a voucher for £80, described in the handwriting of Mr. Daniel as “Extras, as per agreement, £80.” To satisfy the amount two cheques were drawn—one for £14, and one for £66. The cheque for £14 represented a sum of £7 2s. 8d., the final balance due on the contract, and £6 17s. 4d., the actual amount due for “extras,” both sums being so described on the butt of the cheque. The sum of £14 was accepted by the contractors in settlement of these charges, and the cheque for £66 was accepted as the refund of their deposit. As the deposit had never been credited in the county accounts, the payment of the amount out of county funds was a fraud. The several sums entered in the cash-book as paid to P. Henderson and Co. under this contract were:—

			Voucher.	£	s.	d.
1883.						
17 Sept.	On account of contract	...	207	43	16	7
22 Oct.	"	...	26	131	9	10
1 Nov.	"	...	34	200	15	0
26 Nov.	"	...	35	201	0	0
20 Dec.	"	...	87	248	2	9
1884.						
12 Feb.	"	...	144	201	11	7
8 April.	"	...	5	300	0	0
23 June.	"	...	127	80	0	0
				1,406	15	9
	Deduct payment refunded	...		43	16	7
	Total	...		1,362	19	2
	Representing—		£	s.	d.	
	Amount of contract	...	1,290	1	10	
	" actual extras	...	6	17	4	
				1,296	19	2
	Amount of deposit refunded as "extras"	...		£66	0	0

The alleged payment of £43 16s. 7d., charged as made to the contractors on the 17th September, 1883, was objected to by the County Auditor, on auditing the accounts of the half-year, as money not properly payable, and at the end of each of the following half-years, March, 1884, and September, 1884, the Auditor noted in the cash-book that the amount was to be recovered. The amount was not, in fact, paid to the contractors at all. (See evidence of Mr. Romans.) The sum formed part of a cheque for £70 18s. 7d., £65 18s. of which was retained by the bank in settlement of certain accounts held by it for collection, and the balance of £5 0s. 7d. was paid, in cash, presumably to the late Clerk. The alleged payment of £43 16s. 7d. was repaid to the county fund on the 1st October, 1884. The voucher (No. 207) by which the alleged payment was supported at the time of the audit has disappeared. The presumption is, that it was, as in many similar cases, altogether fabricated, and that, having served its purpose of deceiving the Auditor, it was withdrawn from the file and destroyed.

Contract No. 2 Cardrona, let to Romans and Brodie (see evidence of Mr. G. H. Romans, 31st January, 1887); amount, £1,194 11s. 5d.; deposit, £61 10s. The tender for this contract was accepted on or about the 13th February, 1884. It was accompanied by a deposit of £61 10s. in the form of a cheque on the Bank of New Zealand at Arrow. The deposit was not brought to account in the county accounts. The cheque is indorsed "Philip B. Boulton, County Clerk," and was cashed in notes and gold. There is no evidence as to the Clerk's disposal of the money. On the completion of the contract the deposit became payable to the contractors, and in order to provide the means a voucher was prepared by Boulton for "Extras on contract, £74 5s. 6d." This voucher was certified by Mr. Daniel, the then Chairman. The extras on this contract are believed to have amounted to £12 15s. 6d. The evidence of the contractor and of the then Inspector of Works limits the amount to under £15. The balance of the cheque for £74 5s. 6d.—viz., £61 10s.—was accepted by the contractors as the refund of their deposit, which they did not receive in any other way. The receipt for £74 5s. 6d. was signed by Robert Brodie, one of the contractors, since dead. The cheque for the amount was not paid direct to the contractor, but was lodged by Mr. Daniel to the credit of his private account at the bank. The contractors, however, acknowledged the receipt of the money, and it is supposed therefore that it was paid to them by Mr. Daniel's private cheque. As the deposit had not been credited in the county accounts, the payment of the amount out of county funds was a fraud. The sums entered in the cash-book as paid to Romans and Brodie under this contract were:—

			Voucher.	£	s.	d.
1884.						
8 April.	On account of contract	...	60	388	17	8
21 May.	"	...	90	368	11	7
23 June.	"	...	136	437	2	2
— Sept.	"	...	144	74	5	6
	Total	...		1,268	16	11
	Representing—		£	s.	d.	
	Amount of contract	...	1,194	11	5	
	" extras	...	12	15	6	
				1,207	6	11
	Amount of deposit refunded as "extras"	...		£61	10	0

Contract No. 3 Skipper's, let to Courtney and Co. (Courtney, Enright, Gibson, and Carrick); amount, £1,503 7s. 10d.; deposit, £75 4s. (See evidence of Mr. D. Enright.) The tender for this contract was lodged about the 4th August, 1883. It was accompanied by a deposit of £75 4s. in the form of a cheque on the Bank of New Zealand at Arrow. On the 16th August, 1883, Boulton brought to account in the cash-book rates received to the amount of £165 19s., and used the deposit cheque of £75 4s., with other moneys, referred to in the case of Contract No. 4 Skipper's, for making the necessary lodgment to the county account at the bank. The deposit made under the contract was not brought to account in the county accounts. On the completion of the contract

the deposit became returnable to the contractors, and in order to provide the means Boulton prepared a voucher for extras specified in two sums of £75 and £28 13s. 6d.—in all, £103 13s. 6d. This voucher was certified by Mr. Daniel, the then Chairman and Treasurer, and also by the then Inspector of Works. The evidence of the contractor (D. Enright) shows that the only sums due to the contractors at the date of payment of the £103 13s. 6d. were a sum of £28 13s. 6d. for “extras,” and £75 4s., the amount of their deposit. The sum paid them on the voucher for £103 13s. 6d. was received by them in settlement of those two amounts. The sum of £75 was 4s. short of the sum due in respect of their deposit, but was accepted by the contractors in full refund of their deposit, which they never received in any other way. As the deposit had never been credited in the county accounts, the refund of the amount out of the county funds was a fraud. The several sums entered in the cash-book as paid to Courtney and Co. in connection with this contract were :—

1883.				Voucher.	£	s.	d.	£	s.	d.
1 Dec.	On account of contract	...	...	...	52	...	...	357	7	8
20 Dec.	"	...	...	...	86	...	...	327	15	0
1884.										
12 Feb.	"	...	...	...	150	...	...	435	18	4
14 March.	"	...	...	...	179	...	...	300	0	0
8 April.	"	...	...	...	6	...	...	82	6	10
4 June.	"	...	...	...	99	75	0 0			
10 June.	"	...	...	...	108	28	13 6			
								103	13	6
	Total	...	...	...	...	...	...	1,607	1	5
	Representing—									
	Amount of contract	...	...	...	1,503	7	10			
	" actual “extras”	...	...	...	28	13	6			
								1,532	1	4
	Amount of deposit refunded as “extras”	...						£75	0	0

Contract No. 4 Skipper's, let to Welsh, Davis, and Co.; amount, £1,634 11s. 10d.; deposit, £71 10s. (See evidence of Mr. W. Davis.) This deposit was lodged, with the tender, about the 4th August, 1883, and was in the form of a cheque on the Bank of New Zealand at Arrow for £70, and a £1-note attached thereto. The cheque and note were paid into the county fund account at the bank, not as a contractor's deposit, but in further satisfaction of the rates, amounting to £165 19s., brought to account on the 16th August, 1883, referred to in the case of Contract No. 3 Skipper's. The deposit made under the contract was not brought to account in the county accounts. On the completion of the contract the deposit became returnable to the contractors, and in order to make the refund, Boulton prepared a voucher in which the payment is described as “third and final payment—balance, £705 15s.; extras as attached account, £72 (no account is attached to the voucher): £777 15s.” This payment was accepted by the contractors in settlement of the balance due on the contract and in refund of their deposit of £71, which was not refunded in any other way. The sum as a whole was £1 in excess of the sum due, but the fact appears to have escaped notice. The “extras” on this contract, as stated by the contractor, amounted to £124 13s. 7d.; but this sum was paid to them on separate vouchers and at subsequent dates. There were no other “extras” than those included in the sum of £124 13s. 7d. The contract deposit of £71 not having been credited in the county accounts, the payment of the amount out of county funds was a fraud. The sums entered in the cash-book as paid to Welsh, Davis, and Co. in connection with this contract were :—

1885.				Voucher.	£	s.	d.
2 March.	On account of contract	...	...	...	236	436	15 0
1 April.	"	...	...	...	14	492	1 10
6 July.	"	...	...	...	165	777	15 0
	Total	...	...	...	...	1,706	11 10
	Representing—				£	s.	d.
	Amount of contract	...	...	...	1,634	11	10
	" overpaid	...	...	...	1	0	0
						1,635	11 10
	Amount of deposit refunded as “extras”	...				71	0 0
	1 August. On account of “extras”	...	...	...	£100	13	7
	5 October	...	...	...	24	0	0
	Total sum due for “extras”	...	...			£124	13 7

APPENDIX E.

OVERPAYMENT TO MOLLISON.

The following statement shows the apparent overpayment to Mr. Mollison, referred to in paragraph 56. The sums due to Mr. Mollison are set forth in his account, dated December, 1884, as—

	£	s.	d.	£	s.	d.
"Surveys, &c., (as detailed)				298	14	0"
From this sum certain items objected to by the	81	8	0			
Council were deducted—viz.	4	4	0			
	3	18	6			
				89	10	6
				209	3	6

Against this sum there have been payments as per cash-book as follows:—

1883.						
19 Jan. V. 147 (receipt signed "James S. Mollison")	150	0	0			
6 April. V. 19 (" " " " "James S. Mollison,						
per T. R. C.")	15	0	0			
22 May. V. 75 (receipt signed "James S. Mollison,						
per T. R. C.")	8	8	0			
				173	8	0
				35	15	6

Against this balance Mr. Mollison was paid on 16th October, 1885 (V. 44) 60 15 6

He has therefore been overpaid 25 0 0

on a claim prepared as follows:—

Surveys, &c. (as detailed)	209	3	6
"Contra."			
1883. 20 January. By cheque	75	0	0
18 April. " cash	50	0	0
1884. 20 August. " cheque	23	8	0
	148	8	0

(Paid as above stated, 16th October, 1885) 60 15 6

The differences between the sums paid to Mr. Mollison as stated in the cash-book and those received by him as credited in his account are remarkable, and the peculiarities of the case are enhanced by the statement made by the late Clerk, who, on my asking him for an explanation, informed me that he believed the £50 credited in Mollison's account was paid to him in cash as there stated; that he had some recollection of paying the amount in cash, which he took out of the safe, but did not know what the cash was, or why the amount was so paid.

APPENDIX F.

THE CASES OF MESSRS. FERGUSSON AND MITCHELL.

As illustrations of the manner in which the disbursements of the County Treasury have been complicated by the malpractice of the late Clerk, I subjoin a description of the operations which took place in respect of the payments charged and made to Messrs. Fergusson and Mitchell, of Dunedin.

Under date of the 18th August, 1883, an entry is made in the cash-book, folio 116, as follows: "By stationery, Fergusson and Mitchell, ⁶⁰/₁₈₈, £1 15s." The voucher for this alleged payment is missing. The cheque drawn for this amount was No. 210, of the 18th August, 1883. It comprised a number of other sums, set forth on the back as follows:—

	£	s.	d.
Wise Caffin	1	12	0
Brown	6	8	0
Fergusson and Mitchell	1	15	0
Otago Times	3	10	0
Morning Herald	3	1	6
Evening Star	5	12	0
Fleming	1	11	0
Boyne	0	16	6
Government Storekeeper	2	1	0
Rates (town)	3	0	0
Robertson and Co.	5	6	5

The cheque being for a total sum of £34 13 5

The amounts in detail as above are debited in the bank pass-book on the 16th August, page 60. The cheque was cashed at the bank, but the sum charged to Fergusson and Mitchell was not paid to them.

Under date of the 4th December, 1883, an entry is made in the cash-book, folio 123, as follows: "Stationery, Fergusson and Mitchell, $\frac{2}{6}$, £1 15s." The voucher for this payment is missing, but in lieu thereof an unreceipted invoice of Messrs. Fergusson and Mitchell for a thousand envelopes, stamped, is now filed with the vouchers. This invoice does not bear the distinctive mark by which the County Auditor invariably indicated that a voucher had been examined and passed by him. The cheque issued in payment of this sum was No. 257, dated the 29th November, 1883. It was debited in the pass-book on the 10th December, 1883, page 2. It bears on the back the stamp of Messrs. Fergusson and Mitchell, with the date 7th December, and that firm acknowledge the receipt of the amount.

Under date the 2nd or 12th (the figures are illegible) December, 1884, an entry appears in the cash-book, folio 150, as follows: "Stationery, Fergusson and Mitchell, $\frac{8}{8}$, £7 7s. 6d." This sum of £7 7s. 6d. includes a sum of £1 15s. for a thousand envelopes, stamped, being a second supply of the like envelopes to those forwarded on a previous occasion, and paid for on the 4th December, 1883. Only two parcels of these goods were supplied; but the amount, £1 15s., has been thrice charged in the cash-book, as above shown. It has been paid twice, rightly, to Messrs. Fergusson and Mitchell, and once, fraudulently, to the Clerk.

The sum of £7 7s. 6d. was paid to Messrs. Fergusson and Mitchell, not, as stated in the cash-book, on the 2nd (or 12th) December, 1884, but, as shown in their own figures on the stamp, on the 28th May, 1885, and is credited in their books on the 29th. The date of receipt on the voucher, filled in in the handwriting of Boulton, is the "19th December, 1884." The cheque drawn for payment of this sum was No. 14, of the 26th November, 1884. It is debited in the bank pass-book as paid on the 12th December, 1884 (page 33). It, however, never passed into the hands of Messrs. Fergusson and Mitchell, for on examining the cheque at the bank I found it had been indorsed by the teller, "C. voucher, Arrow," showing that it had been received by the bank in payment of a voucher sent them from their branch at Arrow to collect from the County Council. On referring to their records the bank informed me that the voucher in respect of which this cheque was received by them would be found to bear the stamp of the Bank of New Zealand at Arrow, with the mark, "C. $\frac{2}{4}$." I examined the file of vouchers for the half-year embracing the month of December, 1884, and found the voucher (No. 116) referred to, bearing the stamp and mark as described. It represents a sum of £7 due to Samuel Warbrick for twenty days' wages for work done on the road from Kawarau to the Victoria Bridge. The receipt is signed across the stamp "Samuel Warbrick," to which has been added in the handwriting of Boulton, and in much blacker ink, the figures "6/12/84." By the side of the stamp is written, in the same pale-brown ink as in the signature of Warbrick, the signature, "Thomas Kinross." Across the body of the voucher is written with a red pencil and in a large hand—the writing of Boulton—the words, "a/c T. Kinross." The voucher is, moreover, indorsed, "Thomas Kinross."

As Messrs. Fergusson and Mitchell were not paid by means of the cheque No. 14, drawn in their favour, the question arises, how were they paid? This question is answered in a telegram, dated 6th January, 1887, which I received from them in reply to an inquiry made on the subject. In that telegram they state that they were paid on the 28th May, 1885, by a cheque which they "received from Boulton in Dunedin;" that the cheque was described in their lodgment-slip as "Lake County, Queenstown;" that the bank at Dunedin sent it to their branch at Queenstown for collection. The records of the bank at Queenstown show that such a cheque was received; that the teller held it as a part of his cash for several days—till the 5th June, in fact, on which date it disappears from the records, having then, presumably, been paid. This cheque was evidently irregular, and could not for that reason be debited to the county account. It was, no doubt, held by the teller awaiting emendation or, possibly, the return of Boulton from Dunedin. It never was debited to the county account, and the presumption is that, on its being presented to Boulton, he redeemed it by payment of the amount, and thereupon destroyed it.

The question next arises, If the cheque drawn for Messrs. Fergusson and Mitchell was applied in settlement of the claim of Warbrick, what became of the cheque drawn for the payment of his claim? The cheque so drawn was No. 40, dated the 1st December, 1884. On its face it is stated to be in payment of—

					£	s.	d.
"Meredith	...	...	...	...	...	2	12 6
Woodhead	...	...	...	...	...	10	16 0
Warbrick	...	...	...	...	...	7	0 0
Ah Quay	...	...	...	...	...	4	4 0
The total being					...	£24	12 6"

On examining the cheque at the bank I found it pinned on to cheque No. 39, also of the 1st December, 1884, and bearing on its face a statement that it was in favour of the following persons: viz.,—

					£	s.	d.
"G. Tucker	...	...	...	...	...	4	2 6
P. Feehley	...	...	...	...	...	3	4 0
M. Tobin	...	...	...	...	...	8	8 0
P. Doyle	...	...	...	...	...	2	2 0
Keeling	...	...	...	...	...	0	14 0
McHardy	...	...	...	...	...	4	3 4
The total amount being...					...	£22	13 10"

The transactions above described illustrate a practice which the late Clerk seems to have carried on for years. It is obvious that under such a system the following of the payments charged in the accounts into the hands of the respective payees would have been an interminable task. As, however, my time was limited, I pursued these inquiries so far only as the cases referred to seemed to suggest the probability, or were required to prove the existence, of fraud.

APPENDIX G.

THE following minutes and correspondence relate to the application of a portion of the deferred-payment thirds to the extension of the Glenorchy jetty. (Minutes of Council, 3rd August, 1885).—"Mr. Butement thought it was very necessary to have the Glenorchy jetty extended and widened, as there was a great deal of traffic on it, and repairs needed to it. The Clerk stated that the Land Board had approved of a portion of the deferred-payment thirds accruing from the blocks at the head of the lake being spent on improving the jetty in question, Ordered, that the Inspector bring up at next meeting an estimate of the cost of the proposed work and shed; and it was also resolved, on motion of Messrs. Butement and Douglas, that the Glenorchy jetty be extended, so as to make it suitable for the district." (7th September).—"The Inspector reported that it would take a sum of about £140 to extend the Glenorchy jetty as required." "In reference to the extension of the Glenorchy jetty, the Clerk stated that the expense of the same could be taken from the deferred-payment thirds of that portion of the district. It was resolved, on motion of Messrs. Daniel and McBride, 'That tenders be called for improvements to the Glenorchy jetty, as reported upon by the Inspector, the Works Committee to be authorized to deal with them.'"* (25th November, 1885).—" (Inward correspondence.) From Mr. Mason, on behalf of some deferred-payment settlers at head of lake, protesting against any portion of deferred-payment thirds money being expended on repairs to the Glenorchy jetty, the money being required for road-work proper within their blocks." "The letter from settlers at head of lake, expressing dissatisfaction at the Council apportioning a part of the deferred-payment thirds accruing from their blocks, was ordered to be received, the Chairman stating that he thought the settlers were now more satisfied in the matter, the jetty being used by all alike." (4th January, 1886).—" (Inward correspondence.) From the deferred-payment settlers of Dart and Earnslaw blocks *re* expenditure of their deferred-payment thirds on the extension of Glenorchy jetty, and objecting to the same." "Mr. Cockburn, one of the deferred-payment settlers at the head of the lake, appeared in support of their objection to any portion of their rents (deferred-payment thirds) being expended on repairs to the Glenorchy jetty, as proposed by the Council, and which has been the subject of considerable correspondence. He contended that such a course was illegal and opposed to the intention of the Act, and, if persisted in, the settlers would hold the Councillors individually liable for the amount so expended. The jetty in question was no convenience to the petitioners, and was placed in a wrong situation and where it would soon be silted up, when fresh sums would be required for another. Mr. Butement said that the settlers were not unanimous: the principal contributor of the rents in question (Mr. Fearn) was a supporter of the Council's action. His own opinion was that the expenditure was a judicious one, and should be contributed to by the settlers who now complained, as they used the jetty in common with others. Mr. Daniel thought the question to consider was whether it was legal to expend the deferred-payment thirds on the jetty—whether a jetty could be considered a road or forming part of one. The amount to be taken was some £60, and he thought, in order to heal up the grievance of these settlers, that it would be better rather to forego that sum, and pay for the extension of the jetty out of the general funds. Mr. Aspinall was in favour of legal advice being taken on the matter. A motion was proposed by Mr. Daniel, seconded by Mr. Douglas, 'That the work be paid for out of the general funds;' but, the rest of the Council being adverse to it, it was withdrawn. Finally, after further discussion, it was determined that the Council adhere to its former resolution on the matter, and that the settlers be informed accordingly." (1st February, 1886).—"Messrs. Mason and Cockburn waited upon the Council as a deputation from the deferred-payment settlers at head of lake in regard to the proposed expenditure of a portion of the deferred-payment thirds on the extension of the Glenorchy jetty. Mr. Mason read a lengthy report on the subject, questioning the legality of the expenditure from the funds in question. He also denied that the Waste Lands Board had given its approval to the same, and he produced a letter from the Board to that effect. The Clerk stated that he had himself handed the plans to the Board whilst in Dunedin last July. He thought that the denial in question referred to another and later amount lying with the Board, and which had not yet been apportioned. After considerable discussion, the matter was held over, and the Council adjourned until 2 p.m."

I find no further minutes on this subject.—C. T. B.

Earnslaw District, Glenorchy, 7th October, 1885.

At a meeting of deferred-payment settlers in the Earnslaw District, held this day, the following resolutions were passed: (1.) That the expenditure of moneys intended for the making and repairing of roads in deferred-payment blocks in which we reside is much needed. We therefore protest against any portion of this money being expended, as proposed by the County Council, on repairs and additions to the Glenorchy jetty, as wholly illegal and contrary to the intention and wording

* NOTE.—The tender of J. McBride and Co., for £150 19s. 4d., was accepted at a meeting of the Public Works Committee, 28th September, 1885. Present: Messrs. Boyes (Chairman), Daniel, Douglas, McBride.

of the Land Act, and not in our interest. (2.) That if the wording of the Act could in any way be so construed as to enable the Council to expend money on a jetty at all, then that jetty, to be of the greatest service to us, should be built at the head of the lagoon between the rivers Dart and Rees, and not at Glenorchy. (3.) That the whole of the money now in the hands of the Council is much needed in repairs of bridges, now and for a long time past in a dangerous state, the reducing of gradients and the making of roads laid out by the Government to our sections, but not yet in any way made passable for a dray, notwithstanding the money which should be expended for this purpose is in the hands of the Council.

William Mason. E. F. Haines.
 Andrew Fraser. James George.
 Charles Haines. Henry Birley.
 George Cockburn.

SIR,—

Earnslaw District, Paradise, 30th November, 1885.

The deferred-payment settlers in this district met on the 7th of last month to take into consideration what steps should be taken by them to prevent the wrongful expenditure of money by the Lake County Council, intrusted to them by the Government for the purpose of constructing roads within or to open up the blocks for the benefit of deferred-payment selectors, as set forth in clause 127 of "The Land Act, 1885," and previous Acts now repealed; when the following resolutions were unanimously adopted: (1.) That the expenditure of money intended for making and repairing of roads in deferred-payment districts in which we reside is much needed. We therefore protest against any portion of this money being expended, as proposed by the County Council, in repairs and additions to the Glenorchy jetty, as wholly illegal, and contrary to the intention and wording of the Land Act, and not in our interest. (2.) That if the wording of the Act could in any way be construed as to enable the Council to expend money on a jetty at all, then that jetty, to be of the greatest service to us, should be built at the head of the lagoon between the two rivers, and not at Glenorchy. (3.) That the whole of the money now in the hands of the Council is much needed in repairs of bridges now and for a long time past in a dangerous state, the reducing of gradients and the making of roads laid out by the Government to our districts, but not yet in any way made passable for a dray, notwithstanding the money which should be expended for this purpose is in the hands of the Council. [Signed by deferred-payment settlers.]

These resolutions were at once sent to the Chairman of the County Council, and up to the present time we have not received a reply, but we see in the *Lake Wakatipu Mail* of the 27th a report of the meeting of the County Council held on the 25th November, in which the following paragraph appears: "With regard to letter from residents of Earnslaw District, it was stated, as there was money still coming in for roads, &c., the residents were satisfied." It does not appear by whom this statement was made; but I am authorized by the deferred-payment settlers who signed the resolution to say that the statement made at the Council is utterly untrue and without foundation.

As you will see by these resolutions, we object to our money being expended at the will of the County Council on a jetty at Glenorchy.

The circumstances are these: The jetty has been placed in the wrong position, and is fast silting up, therefore requires extension; but, as the Council have no funds accruing from rates, and a large overdraft at the bank, they were in difficulty as to how they should find money for this purpose; when it was suggested, and the suggestion adopted by the Council, that, as there was a considerable sum lying to the credit of deferred-section blocks at the disposal of the Council, the money required for this extension of Glenorchy jetty should be taken from these funds, notwithstanding some of the deferred-section holders who had been more than two years on their land had no road whatever over which they could take a wheeled vehicle of any kind to their sections.

This conduct on the part of the County Council caused the deferred-payment settlers to meet and protest against the course intended to be pursued in the expenditure of this money; but, as the only notice taken of our protest is the paragraph above alluded to, I am directed to state our grievance to you, with a hope that, under clause 127 of "The Land Act, 1885," which makes it absolute that "the plans of proposed roads shall in all cases receive the sanction of the Land Board of the district," you will be able to direct that the money handed over to the County Council by the Government should be rightly expended on roads to and on deferred settlers' blocks, in which the money has been raised and paid by settlers residing on the lands within these blocks, and not on a jetty at Glenorchy, a township ten miles away from most of the blocks referred to, and no more for their convenience than the jetties at Queenstown and Kingston are.

A copy of this letter has been sent to the Chairman of the Lake County Council.

I have, &c.,

J. P. Maitland, Esq., Commissioner of Waste Lands.

WILLIAM MASON, Chairman.

SIR,—

Eden Grove, Paradise, Glenorchy, 18th December, 1885.

I have, on the part of the deferred-payment settlers of Earnslaw District, to acknowledge receipt on 17th December of your letter dated the 4th, in which this paragraph appears: "It is an absurdity for you to deny the utility or, in fact, the absolute necessity of the jetty to you, and the Council certainly think it but only fair that the settlers should be called upon to pay a portion (in this case, £60) of the amount, £130, of the contract for repairs to it." The deferred-payment settlers have never said anything of the kind. What they say, and what the Council appear to have lost sight of, is that they would pay twice for this jetty-accommodation if the deferred-payment

thirds accruing from lands at the head of the lake are taken for this purpose. We pay our county rates, and it is from these rates we should pay, and have hitherto paid, our share to these jetty repairs and for the benefits we have derived from the various jetties within the county. The deferred-payment thirds are specially reserved by the Government and handed over to the Council for a special purpose. When we learned it was the intention of the Council to divert these funds into another channel, and thus make us pay twice over for any portion of county work, we found it necessary to take the steps we have taken. We have, as you know, applied to the Waste Lands Board for protection, which would not have been done had we received your letter before seeing the report in the *Wakatipu Mail*; but after these explanations I trust the Council will see the justice of our claim to have this money expended only as directed by the Waste Lands Act, and save us the trouble of taking any further steps to stop this wrongful expenditure of these funds, as they are and will be all required to make the roads intended to be made with these moneys. The difficulty and inconvenience of getting deferred-payment settlers together has caused me to send your letters and a copy of this reply for their approval to every one of the settlers who signed the resolutions forwarded to the Council.

P. B. Boulton, Esq., Clerk to Lake County Council.

I have, &c.,

WILLIAM MASON.

SIR,—

Crown Lands Department, Dunedin, 5th February, 1886.

In reply to your letter of the 2nd instant, I have to state that the following road-lines were approved by the Land Board, as requested by you in your letter of 23rd July last: viz., Road north of Sections 6, 7, 14, and 15, Block II., Nokomai, £39 13s.; road north of Sections 52 to 56, Block I., Lower Wanaka, £26 8s.; Glenorchy, £60; road north of Section 8, Block III., Dart, £50; road from Section 31, Block I., Earnslaw, to 4 Block II, Dart, £23 19s. 1d.; road 8 to 16, Block I., Earnslaw District, £57 17s. 9d: total, £257 17s. 10d.

I have, &c.,

D. MACGOWAN, Secretary, Land Board.

P. B. Boulton, Esq., Clerk, Lake County Council, Queenstown.

(Telegram.)

Dunedin, 3rd March, 1886.

LAND Board this day declined to view Glenorchy jetty as portion of road through deferred-payment land, or opening up same.

DUN. MACGOWAN,

(In absence of Commissioner of Crown Lands.)

The Clerk, Lake County Council, Queenstown.

RETURN showing the State and Value of Work executed in performance of the Contract for the widening and extending of the Glenorchy jetty; James McBride and Co., contractors.—Date agreed upon for completion, 21st November, 1885; date of actual completion, 10th January, 1886; total amount of contract, £150 19s. 4d.; total estimated value of work now executed, £163 17s. 2d.; amount already advanced on account, nil; amount of advance now recommended, £163 17s. 2d. Detail of the estimated value of "work executed:" Amount of contract as per tender, £150 19s. 4d.; timber in bracing jetty, 950 superficial feet at £1 2s. 6d., £10 2s. 6d.; ironwork, 60lb. at 8d., £2 5s. 4d.; half-day's labour and material for cleats, 10s: total, £163 17s. 2d.—1st March, 1886.

SIR,—

Queenstown, 27th January, 1887.

I have the honour to request you will be good enough to supply me with a statement showing the several sums received from the Treasury in respect of deferred-payment lands since the 1st April, 1880, the roads upon which the same were designed to be expended, as sanctioned by the Waste Lands Board, the sums actually expended in each case upon the roads so specified, the amount, if any, expended upon roads or works otherwise than in accordance with the approval of the Waste Lands Board, and the amount, if any, as yet unexpended, specifying the roads to which any such balance is authorized to be applied.

I have, &c.,

C. T. BATKIN,

C. C. Boyes, Esq., Chairman, Lake County Council.

Assistant Controller and Auditor.

(Telegram.)

8th March, 1887.

KINDLY forward as early as possible information asked for in my letter 27th January as to expenditure of deferred-payment thirds.

C. T. BATKIN,

Assistant Controller and Auditor.

C. C. Boyes, Esq., County Chairman, Queenstown.

SIR,—

Lake County Council, Queenstown, 9th March, 1887.

In reply to your memorandum of 27th January and telegram of 8th March, I beg to send you the only information I am able to procure with reference to deferred-payment money. I am unable to find any details with reference to the various roads on which the money has been expended, with the exception of the last amount, £118 10s. 8d., which was spent in the Dart and Earnslaw Districts.

I have, &c.,

C. T. Batkin, Esq., Assistant Controller and Auditor, Wellington.

JNO. BLACK, C.C.

DEFERRED-PAYMENT BLOCKS.

		Cash-book.	£ s. d.	£ s. d.
1881. 13 July	By cash, vote from Government: Block 7, Kawarau District, £233 11s.; Block 8, Shotover District, £80 2s.; Block 10, £154 14s.; Block 16, £15 9s.; Block 19, £24 3s.; Block 1, Earnslaw, £22 1s.: total, Shotover and Earnslaw Districts, £274 8s.	59	...	530 0 0
30 Sept.	To balance to county account ... ..	...	530 0 0	
			530 0 0	530 0 0
1883. Nov.	By cash, grant from Government: Block 7, Kawarau, £285 9s.; Blocks 8 and 10, Shotover, £362 4s.; Block 1, Earnslaw, £101 15s. 10d.; Block 2, Dart, £27; Block 2, Nokomai, £24 13s. 6d.; Block 7, Middle Wakatipu, £8 5s.	121	...	809 7 4
1884. 31 Mar.	To balance to county account ... ..	...	809 7 4	
			809 7 4	809 7 4
1885. Aug.	By cash, deferred-payment one-thirds: Earnslaw, £133 19s. 1d.; Dart, £57 17s. 9d.; Nokomai, £39 13s.; grant from Government, Lower Wanaka, £26 8s.	169	...	257 17 10
30 Sept.	To balance to county account ... ..	...	257 17 10	
			257 17 10	257 17 10
1886. 5 May	By cash: Deferred-payment one-thirds	4	...	118 10 8
30 Sept.	To balance to county account ... ..	...	118 10 8	
			118 10 8	118 10 8

NOTE.—It will be seen that the foregoing statement is an account of receipts only.—C. T. BATKIN, Assistant Controller and Auditor.

APPENDIX H.

TRAVELLING-ALLOWANCES charged to Councillor JENKINS.

Under the head of "Defalcations of the Late Clerk" (paragraph 84) I have referred to a sum charged as paid for travelling-allowances to Councillor Jenkins. The payment appears in the cash-book (folio 114) under date the 12th July, 1883, as follows: "Travelling-allowances, W. Jenkins, £9 12s. The voucher for this payment is in the handwriting of Boulton. It is not certified by the Chairman, it is not receipted, nor does it bear the distinctive mark made by the County Auditor on all vouchers passed by him in support of the county accounts. The inference is that the receipted voucher by which the entry in the cash-book was upheld at the time of the audit has since been withdrawn, and the unreceipted document above referred to filed in its stead. The cheque issued in respect of this payment was No. 196, of the 12th July, 1883, the relative butt in the cheque-book being inscribed as follows:—No. 196, July 12, 1883.—Licensing: Mackin, Shotover, £4; Fleming, Matuki, £1 1s. Roads: Collins, £3 12s. Travelling-allowances: F. McBride, £6; A. H. D.,* £5; Jenk, £9 12: total, £29 5s. The cheque, which I examined at the bank, included the several sums above referred to as set forth upon its face. On the back of the cheque the teller had noted as follows: Voucher, £7 17s. 6d.; cash, £21 7s. 6d.: total, £29 5s. The reference, "Voucher, £7 17s. 6d.," implies that that was the sum of one or more vouchers paid to the bank on behalf of its clients by the person who cashed the cheque. In answer to my inquiries, Mr. Jenkins stated that the sum had never passed through his books, nor through the bank to his credit, and that to the best of his belief he had not received it. The voucher states that the payment was for "eight meetings," at £1 4s. each, "from 9/1/82 to 2/10/82." An examination of the sums paid to Mr. Jenkins shows that on the 4th September, 1882, he received payment for all the meetings he had attended, including the one held on that date. The minutes of the Council show that only one meeting took place between the "9/1/82 and 2/10/82"—viz., the one held on the last-named date. Moreover, the payment which followed that of the £9 12s. on the 12th July, 1883, was a sum of £18, paid on the 14th March, 1884, for fifteen meetings, from the "2nd October, 1882, to the 3rd March, 1884, inclusive." This payment, it will be observed, covers the whole of the period from the 4th September to the date of payment, as if, in fact, the alleged payment of the 12th July, 1883, had not been made.

* The initials of Councillor Douglas.

APPENDIX I.

Schedule of amounts surcharged :—					£	s.	d.
Slaughterhouse fees refunded ...	...	...	...	...	27	10	0
License fees remitted ...	...	...	...	...	40	0	0
License fees refunded ...	...	...	...	...	12	0	0
Grant to Lake Acclimatization Society ...	...	...	...	...	100	0	0
Grant to Cardrona Prospecting Association ...	...	...	...	...	100	0	0
Travelling allowances to members of Council ...	...	...	...	...	120	8	0
Payments to Clerks of Licensing Courts ...	...	...	...	...	34	6	0
Payments <i>re</i> Kingston Petition ...	...	...	...	...	43	4	4
County conferences ...	...	...	...	...	225	0	0
Expenditure on opening Kawarau Bridge ...	...	...	...	...	98	13	6
Expenditure on extension Glenorchy Jetty ...	...	...	...	...	163	17	2
Sums improperly paid as extras on contracts ...	...	...	...	...	273	10	0

[*Approximate Cost of Paper.*—Preparation, nil; printing (1,400 copies), £34 3s. 3d.]

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1886.