

1905.
NEW ZEALAND.

ALLEGATIONS MADE BY F. M. B. FISHER, ESQ., M.H.R.:

REPORT OF INQUIRY MADE BY THE CONTROLLER AND AUDITOR-GENERAL IN REGARD TO
AN ALLEGED PAYMENT TO CAPTAIN SEDDON IN CONNECTION WITH ORGANIZATION OR
REORGANIZATION OF DEFENCE STORES; TOGETHER WITH MINUTES OF EVIDENCE.

Laid on the Table by Mr. Speaker.

SIR,—

Audit Office, 30th August, 1905.

In obedience to the request of the House of Representatives, conveyed to me by the resolution of which a copy was forwarded to me with your letter of the 10th instant, that I should inquire and report in terms of the petition of J. B. Heywood, Secretary to the Treasury; R. J. Collins, Assistant Secretary to the Treasury; and T. F. Grey, Acting Under-Secretary for Defence, and that such inquiry should include the whole period of Captain Seddon's employment in the public service, I have the honour most respectfully to state that I have inquired accordingly, and to report that, in my opinion, the certificates in question are correct in substance and in fact—that during the whole period of Captain Seddon's employment in the public service—from the 31st March, 1903, to the 30th June, 1905—no voucher was ever issued and passed through the Treasury for a payment to him for the organization or reorganization of Defence stores, that no such voucher exists, and that no such payment was ever made; and I beg leave to submit a copy of the correspondence and minutes of evidence.

I have, &c.,

J. K. WARBURTON,

Controller and Auditor-General.

The Hon. the Speaker of the House of Representatives.

CORRESPONDENCE, MINUTES OF EVIDENCE, ETC.

SIR,—

House of Representatives, Wellington, 10th August, 1905.

I have the honour to forward herewith copy of a resolution passed by the House of Representatives this day, together with copy of the petition referred to in the resolution.

I have, &c.,

The Controller and Auditor-General.

A. R. GUINNESS, Speaker.

No. 64, 1905.—EXTRACT FROM THE JOURNALS OF THE HOUSE OF REPRESENTATIVES, THURSDAY, THE
10TH DAY OF AUGUST.

Resolved, That the Controller and Auditor-General be requested to inquire and report in terms of the prayer of the petition of J. B. Heywood, Secretary to the Treasury; R. J. Collins, Assistant Secretary to the Treasury; and T. F. Grey, Acting Under-Secretary for Defence, presented this day; such inquiry to include the whole period of Captain Seddon's employment in the public service.

A true extract.

H. OTTERSON,

Clerk of the House of Representatives.

On the motion of the Right Hon. R. J. Seddon.

1—H. 33c,

PETITION.

The Honourable the Speaker and Members of the House of Representatives.

The petition of James Barnes Heywood, Secretary to the Treasury; Robert Joseph Collins, Assistant Secretary to the Treasury; Thomas Francis Grey, acting for Under-Secretary of Defence.

1. It was recently alleged in Parliament that a payment of the sum of £76 4s. 9d. out of public moneys, for reorganizing Defence stores, had been made through the Chief Postmaster at Christchurch to Captain Seddon, an officer in the Permanent Forces of the colony, the date of such payment being the 9th June, 1904, and the number of the voucher 15819.

2. Your petitioners were asked by memorandum from the Right Hon. the Colonial Treasurer (who is also Defence Minister), to inquire and state whether such payment had been made.

3. From the books and records of the Defence Department and the Treasury your petitioners satisfied themselves that there was no such voucher or payment, and gave certificates accordingly; the Chief Postmaster at Christchurch also, by memorandum, stated that no such payment had been made by him.

4. In the course of their investigations your petitioners discovered a voucher for a payment by the Chief Postmaster at Christchurch to one Richard Sneddon, of the sum of £76 4s. 9d., the date of payment being the 9th June, 1904, and the number of the voucher 15819.

5. Thereupon it was stated in Parliament that in the previous allegation a mistake had been made as to the identity of the voucher; but that a payment of between £70 and £80 had, in fact, been improperly made to Captain Seddon in Christchurch for reorganizing Defence stores, and that a voucher for the payment existed, and had been seen.

6. At the request of the Right Hon. the Colonial Treasurer and Defence Minister your petitioners again made further search, and, after satisfying themselves on the point, gave certificates that no such voucher had been made and passed through the Treasury, and that no trace of any claim by or payment to Captain Seddon of any sum whatever for the reorganization of Defence stores could be found.

7. These certificates were laid before Parliament, but the allegation of the payment and voucher was reiterated, and it was also stated that it was not fair for the Premier to ask your petitioners to make a report upon such a matter, knowing perfectly well that it would prejudice their case to report in a manner adverse to the Premier.

8. Your petitioners feel strongly that such a statement involves a grave reflection on their integrity, as well as their independence. The system in force in connection with the issue of public moneys is so complete that if any such voucher or payment had been issued or made it could not fail to be discovered, even though the voucher itself had been destroyed. There was therefore no room for honest mistake on their part in the certificates they gave. They consequently feel that the statement in question amounts to a charge of deliberate dishonesty.

Your petitioners therefore humbly pray that, in order to give them an opportunity of vindicating themselves, the Controller and Auditor-General, who is an officer of Parliament, be directed to inquire and report to your honourable House whether the certificates in question are correct in substance and in fact, and whether any such voucher exists or was ever issued and passed through the Treasury, or any such payment was ever made.

And your petitioners as in duty bound will every pray.

JAS. B. HEYWOOD,

Secretary to the Treasury.

ROBERT J. COLLINS,

Assistant Secretary to the Treasury.

T. F. GREY,

Acting for the Under-Secretary for Defence.

DEAR SIR,—

Audit Office, Wellington, 14th August, 1905.

I shall be obliged if you will attend on me at my office here to-day at 11.30 a.m., and afford me all the information you have respecting the payment which is alleged to have been made to Captain R. J. S. Seddon, and as to which I am requested by the House of Representatives to inquire.

Yours, &c.,

J. K. WARBURTON,

Controller and Auditor-General.

F. M. B. Fisher, Esq., M.H.R.

EVIDENCE.

MONDAY, 14TH AUGUST, 1905.

FRANCIS MARION BATES FISHER, member of the House of Representatives, sworn and examined.

Witness: I have alleged that a payment of about £70 was made to Captain R. J. S. Seddon in excess of his salary and travelling-allowances; that the payment was made in Christchurch; and that it was for reorganization of Defence stores. In support of this allegation I have submitted three affidavits, duly sworn by men who declare that they handled the voucher by which the payment was made. These affidavits I deliver to you sealed, as they were handed to the Speaker of the House of Representatives. These affidavits read as follows:—

First Affidavit.

1, William John Larcombe, of the City of Christchurch, in New Zealand, a clerk in the General Post Office at Christchurch, make oath and say as follows:—

1. That I am a clerk employed in the General Post Office, at Christchurch.
2. That at some date in the year 1904 there passed through my hands a voucher, made out in favour of R. J. S. Seddon, for the reorganization of the Defence stores at Wellington.
3. That such voucher was for an amount exceeding £70.
4. That I showed the said voucher to Joseph Willis, a clerk in the Chief Clerk's room at the Christchurch Post-office.
5. The amount of such voucher was charged against the Defence vote, but I cannot remember which part of such vote.
6. That at the time I showed the said voucher to the said Joseph Willis we both remarked on the fact of such voucher being made payable in Christchurch.

W. J. LARCOMBE.

Sworn at Christchurch, this 4th day of August, 1905, before me—C. E. Salter, a solicitor of the Supreme Court of New Zealand.

Second Affidavit.

1, Joseph Willis, of the City of Christchurch, in New Zealand, a clerk in the General Post Office, make oath and say as follows:—

1. That I am a clerk employed in the Chief Clerk's Office in the General Post Office, at Christchurch.
2. That some time during the year, 1904, I saw a voucher, made out in favour of R. J. S. Seddon, for the reorganization of the Defence stores at Wellington.
3. That such voucher was for an amount exceeding £70.
4. That the said voucher was shown to me by William John Larcombe, a clerk, employed in the Chief Clerk's room in the Post-office at Christchurch.
5. I distinctly remember that the amount of such voucher was charged against the Defence Vote, but which part of such vote I cannot remember.
6. That at the time such voucher was shown to me by the said William John Larcombe we both remarked on the fact of such voucher being made payable in Christchurch.

J. WILLIS.

Sworn at Christchurch, this 4th day of August, 1905, before me—C. E. Salter, a solicitor of the Supreme Court of New Zealand.

Third Affidavit.

1, Thomas Walter West, of the City of Christchurch, in New Zealand, a clerk in the General Post Office, make oath and say as follows:—

1. That I am a clerk employed in the office of the Chief Postmaster at Christchurch.
2. That some time during the year, 1904, I saw a voucher, made out in favour of R. J. S. Seddon, for the reorganization of the Defence stores.
3. That such voucher was for an amount exceeding £70.

T. W. WEST.

Sworn at Christchurch, this 4th day of August, 1905, before me—C. E. Salter, a solicitor of the Supreme Court of New Zealand.

These affidavits were made voluntarily, and without pressure or suggestion from me. I submit to you the names of the following officers from whom I believe that valuable information can be obtained: John Frame McBeth, Chief Postmaster, Christchurch; Richard Brabazon Morris, Chief Clerk, Post-office, Christchurch; David Hobson Lundon, clerk, Post-office, Christchurch; Kenneth McKay Rodger, cadet, Post-office, Christchurch.

FRIDAY, 18TH AUGUST, 1905.

THOMAS WALTER WEST SWORN and examined.

Witness: I am a clerk, employed in the office of the Chief Postmaster, at Christchurch. Some time during the year 1904 I saw a voucher made out in favour of R. J. S. Seddon for the reorganization of the Defence stores; such voucher was for an amount exceeding £70. The voucher was for a payment made by Treasury cheque, from the Paymaster-General. It was, to the best of my belief, paid to the signature of R. J. S. Seddon. I cannot positively say what my duties in the Chief Post-office were at the time when I saw the voucher; but, to the best of my belief, I was employed then as a clerk to the Chief Postmaster. As such clerk it would fall to my duty to deal with the vouchers for the payments made by Treasury cheques to be countersigned by the Chief Postmaster. The practice in dealing with such vouchers is that the envelope in which the vouchers are received from the Treasury is opened by me—the Treasury stamp indicates the con-

tents. The vouchers I then place on a letter-clip in numerical order of the cheques. On the payee presenting the cheque it is taken by me from the payee, and, after I find the relative voucher, I hand the cheque to the Chief Postmaster and the voucher to the payee for the payee's signature. The Chief Postmaster relies upon me to see that the vouchers are properly receipted by the persons presenting the cheques. The Chief Postmaster very seldom sees the vouchers or is informed by me of the name of the person presenting the cheque. After the voucher is receipted it is taken by me and placed on a letter-clip. The next step is to take it from the letter-clip when it is to be returned to the Treasury, and to enter the number and amount in a Treasury Voucher-book, and to enclose them in an envelope which I address to the Paymaster-General, Treasury, Wellington. Though Mr. McBeth and I sit in the same room where the cheques are presented and countersigned and the claimant receipts the voucher, Mr. McBeth does not know the persons presenting the cheques, unless they are frequent visitors or he asks particularly who the persons are. I am absolutely positive of this being the case. I do not recollect the payment by myself of the voucher I saw made out in favour of R. J. S. Seddon. It may be that I was out of the room at the time of the payment. But the payment would then be made by the countersigning officer. If he made it he would place the voucher after payment in a letter or paper tray which stands in front of him. It would be removed from that tray to my clip by myself, or by one of the clerks in the Chief Clerk's room, and the clerk would place it on my table for me to deal with. I have no recollection of having mentioned the payment to any one in the Post-office, though I may have done so. And the first mention I made of it to Mr. Fisher was on his application to me for the information, when he was in Christchurch, after the report was published in the newspapers of the particulars which he gave of the voucher, which turned out to be the voucher for the payment to Richard Sneddon, as authorised for Messrs. J. and A. Anderson (Limited), Christchurch. This was on Monday evening, 31st July. After the report in the newspapers I discussed the matter with Messrs. Larcombe and Willis. But, with these exceptions, I repeat that I have no recollection of having mentioned the matter to any one. I do not recollect the month of the payment of the voucher I saw. I believe it to have been in the early part of the calendar year 1904. All the particulars I can give of the voucher are that it was for a payment made at the Christchurch Post-office by a Treasury cheque to be countersigned by the Chief Postmaster, or other countersigning officer of the Chief Post-office, and that the amount was for a sum exceeding £70. My impression is that the amount did not exceed £80, and that, though I cannot say positively, it is such an amount as is recorded in the Chief Postmaster's Treasury Voucher-book as No. 93470 for £76 5s. I do not distinctly recollect how the voucher was charged, but believe it was charged against the Defence vote. I am familiar with the distribution of votes, and am satisfied that it was a Defence vote. With regard to the telegram of the 1st August from Mr. McBeth, the Chief Postmaster, to the Hon. the Premier, that there has never been at any time payments to Captain Seddon, and he has never been in my office, I do not think that Mr. McBeth, from what I know of him, is in a position to positively state what is stated in that telegram. I am certain that his memory cannot be relied upon to enable him to say positively what the telegram states as to a transaction so long ago. No; I am in no doubt as to Mr. McBeth's memory. In giving this evidence I wish to say that I have the greatest respect for Mr. McBeth, and, if my evidence is at any time to be given to the public, I would wish it to be given with this explanation if it cannot be withheld. In giving this evidence it is only in reply to questions which I am bound to answer.

WILLIAM JOHN LARCOMBE sworn and examined.

Witness: I am a clerk employed in the General Post Office, at Christchurch. At some date in the year 1904 there passed through my hands a voucher made out in favour of R. J. S. Seddon for the reorganization of the Defence stores at Wellington; such voucher was for an amount exceeding £70. I showed the said voucher to Joseph Willis, a clerk in the Chief Clerk's room at the Christchurch Post-office. The amount of such voucher was charged against the Defence vote, but I cannot remember which part of such vote; that at the time I showed the said voucher to the said Joseph Willis we both remarked on the fact of such voucher being made payable in Christchurch. I was at the time when the voucher passed through my hands a clerk in the Chief Clerk's room of the Chief Post-office. The voucher passed through my hands from the fact that Mr. West was out of his room—Mr. West being the clerk who ordinarily dealt with the vouchers. In this case the Chief Postmaster would deal with the payee himself—he would take the receipt, countersigning the cheque, and then place the receipted voucher in a basket on his table. That basket is for all correspondence taken in to him to sign, and which it was my duty to clear. I first saw the voucher after it was receipted and placed in that basket. I very distinctly recollect that under the head of "Particulars" in the voucher were the words for "Reorganization of the Defence stores at Wellington," and that the amount of the voucher was charged to the Defence vote. The vote did not interest me; but my attention was drawn to the vote by Mr. Willis, who was a Volunteer. He pointed out the vote to me when I had drawn his attention to the voucher. I took the voucher from the Chief Postmaster's room to the Chief Clerk's room to show it to Mr. Willis before I placed it on Mr. West's table in the Chief Postmaster's room. I did not afterwards see the voucher, and I took none of the particulars of it as to date, number, or precise amount. But when Mr. West returned to his room I mentioned the voucher to him, and told him to go and have a look at it. It was a receipted voucher for a Treasury cheque countersigned by Mr. McBeth. I do not remember the month when this happened, but I think it was in the early part of the calendar year 1904. From that date, whenever it was, the matter of this voucher was not mentioned by me outside the office till the 31st July. It was alluded to between us inside the office now and again. On the 31st July Mr. Fisher called on me to ask me if the voucher mentioned by him in the House of Representatives had anything to do with a voucher for a payment to Captain R. J. S. Seddon, and I said No, it had nothing whatever to do with it. He

then asked me if I remembered a voucher passing through the Post-office at Christchurch payable to R. J. S. Seddon for reorganizing the Defence stores. I said I did; that I would be quite prepared to swear the same before a Judge of the Supreme Court. I told him that was all I could do for him. He appeared satisfied then, and during the week I made my affidavit; but I do not recollect what led up to it. I have no doubt—I am perfectly satisfied—that the amount exceeded £70. I cannot swear that it did not exceed £80; but my impression is that the amount was about £76. As to Mr. McBeth's telegram to the Hon. the Premier, Mr. McBeth's memory is so bad that he could not recollect the payment if he had made it. With regard to the record of Treasury vouchers paid at the Chief Post-office—the record now before me—speaking generally, the voucher in question must have been entered in it. That was the ordinary course. I would refer to that record for any payment made at Christchurch with confidence that I should find it there. Though I cannot precisely fix the limit of the amount at £80, or even £90, I know it is under £100. But I can positively state that a payment by Treasury cheque of between £70 and £100 was made to R. J. S. Seddon at Christchurch for reorganizing the Defence stores at Wellington.

JOSEPH WILLIS sworn and examined.

Witness: I am a clerk employed in the Chief Clerk's office in the General Post-office at Christchurch. At some time during the year 1904 I saw a voucher made out in favour of R. J. S. Seddon for the reorganization of the Defence stores at Wellington; such voucher was for an amount exceeding £70. The said voucher was shown to me by William John Larcombe, a clerk employed in the Chief Clerk's room in the Post-office at Christchurch. I distinctly remember that the amount of such voucher was charged against the Defence vote, but which part of such vote I cannot remember; that at the time such voucher was shown to me by the said William John Larcombe we both remarked on the fact of such voucher being made payable in Christchurch. I understood Mr. Larcombe's motives in showing me the voucher to be the facts that the amount was payable to Mr. Seddon, the Premier's son, that the payment was for reorganizing Defence stores at Wellington, and that such payment was made at Christchurch. The voucher seemed to be, as I thought, peculiar in that the payment should have been made at Christchurch at all. Mr. Larcombe and myself have in the course of our duties to be continually in the Chief Postmaster's room. When the vouchers are paid and receipted by the payees they are placed in a basket on Mr. McBeth's table, in cases where Mr. McBeth's clerk (Mr. West) is out, and Mr. McBeth takes the receipts. It could then only be the receipted voucher which Mr. Larcombe would handle. The voucher was receipted by R. J. S. Seddon. I cannot recollect whether the receipts of R. J. S. Seddon was for a Treasury cheque countersigned by Mr. McBeth. I remember Mr. West's comments on the voucher. He came into our room—the Chief Clerk's room—from the mail-room, and Mr. Larcombe told him to go and have a look at the voucher for a payment made to Captain Seddon. Mr. West went to see the voucher and came back again, and we together commented on the peculiarity of the payment. From that time to this I have not seen the voucher. I do not recollect the month when the payment was made, but as I only entered the Chief Clerk's room after the 7th January, 1904, my impression is that it was since that date. Still, it may have been before that date. The voucher, when receipted, would in ordinary course be entered in the record now before me of the Treasury vouchers paid at Christchurch by cheques countersigned by the Chief Postmaster. I would refer to this record with confidence for the Treasury number and the amount of any such payment made at Christchurch. My only doubt would be from the possibility of an omission to enter the vouchers; but I think such possibility remote. I have no doubt that the amount exceeded £70. I cannot say how much in excess of £70 the payment was, but I feel sure that it was under £100. The fact of the payment to Captain Seddon was not mentioned by me outside the office till Mr. Fisher asked me to find the payment. He asked if there was such a voucher; if I knew anything of it. I told him I saw it—that it was for over £70 for reorganization of Defence stores. I do not know how he came to ask me the question. He afterwards wrote from Wellington, asking whether I could supply further particulars. This was before he brought the matter up in the House at all. As he said that the payment was made in June and was for about £76, I looked up the record of Treasury vouchers in the Chief Post-office, and from that record gave him the number and amount of the voucher nearest to the amount that he quoted. The date of the payment is not entered in the record, and I must have given him the date as between the 9th and the 14th June, 1904, because there were no vouchers written up between those dates. The vouchers returned to the Paymaster-General on a given date are often for payments made many days before. With regard to the telegram of the 1st August from the Chief Postmaster, Mr. McBeth, to the Hon. the Premier—that "There has never been at any time payments to Captain Seddon, and he has never been in my office"—Mr. McBeth has a very bad memory, and is absolutely unable to say whether Captain Seddon was ever in his office, or if ever such a payment was made. I have served under Mr. McBeth since he went to Christchurch, and during the last nineteen months have been in close contact with him. I have been in and out of his room several times daily, and Mr. McBeth does not know me. Five weeks ago Mr. Morris, the Chief Clerk, came out of the Chief Postmaster, Mr. McBeth's, room, saying to me and Mr. Larcombe, "I just remarked to Mr. McBeth what a handy thing it was to have a man in the office who could write shorthand and use the typewriter. Mr. McBeth's reply was, 'Oh, yes—Mr. Larcombe; I recommended him for an increase of salary some time ago.'" This was in spite of the fact that Mr. Larcombe does not write shorthand or use a typewriter, and that Mr. McBeth has seen me doing both on many occasions. It is a common remark, made in my hearing in the office, that Mr. McBeth's memory is bad.

SATURDAY, 19TH AUGUST, 1905.

JOSEPH WILLIS further examined.

Witness: I would like to add to the evidence which I gave yesterday that the affidavit which you have shown me as handed to you by Mr. Fisher was given to him by me voluntarily, and that such was the case I would explain that I interviewed Mr. Salter, the solicitor, myself during the absence of Messrs. Fisher and Taylor in Dunedin. The whole thing was done by me while they were away from Christchurch. I would like to add also that I have no grievance whatever either against the Postal authorities or against the present Government, and that I have not applied for an increase of salary for the last eight years. My reasons for making these additions are the reports which were published of what was said in the House—that my affidavit was forced from me by Mr. Fisher, and, again, that I was suffering from a personal grievance against the authorities owing to a refusal to grant me an increase of salary.

WILLIAM JOHN LARCOMBE further examined.

Witness: I wish to explain the circumstances under which I gave to Mr. Fisher the affidavit you have. I gave it to him voluntarily. Mr. Fisher had left for Dunedin before I thought of giving him the affidavit. He did not apply to me for it, and I repeat that it was given to him voluntarily. My object in making it after I had informed him of what I knew of the voucher was to satisfy him that what I said was correct. Then, there was a report in the newspapers that it was said in the House we were men with grievances. Well, speaking for myself, I have no grievance either against the Postal authorities or the Government. If an inspection of vouchers is necessary by any one of us, I shall be satisfied if it is done by Mr. Willis—perfectly satisfied.

THOMAS WALTER WEST further examined.

Witness: I would like to say that in making all my statements with respect to the voucher, whether by affidavit or otherwise, I have no grievance whatever against the Government or the Postal Department. It has been said that I have such a grievance, and that my present action in this matter is prompted by it. Such is not the case, and my reason for making this statement now is that my denial of any grievance may now be recorded. Further, as to Mr. McBeth's memory: I recollect that when he was making up his confidential report on his officers I was in his room, and he turned to me every now and then to ask what branches some of his officers were employed in. If an inspection of vouchers should be required, I shall be perfectly satisfied to depend on Mr. Willis for the examination. Then, I wish to say that the affidavit made by me, which you have shown me, was voluntarily made by me. I was not in any way pressed by Mr. Fisher into giving it. I wished to give Mr. Fisher to understand that I had no doubt in my mind as to the existence of the voucher, and it was to prove this to him that I voluntarily made my affidavit.

MONDAY, 21ST AUGUST, 1905.

DAVID HOBSON LUNDON sworn and examined.

Witness: I am a clerk in the Chief Post-office, Christchurch. From the 1st April, 1903, to January, 1904, I was employed in the Chief Postmaster's own office particularly, and in the Chief Clerk's room. Since the end of January, 1904, my general duties have been in the mail-room and in the Post-Office Savings-Bank Branch; but occasionally, from January, 1904, I was at work in the Chief Postmaster's room. My work in the Chief Postmaster's room was principally to deal with the vouchers received from the Paymaster-General for payments to be made in Christchurch. In dealing with these vouchers I did as follows: On the Treasury cheque being presented by the payee for countersignature, I looked up the voucher bearing the number corresponding to that of the cheque, then took the payee's receipt for the amount on the voucher, and then submitted the cheque to the Chief Postmaster. I did not submit the voucher with the cheque. This was my practice, without exception. Never on any occasion did he, to the best of my recollection, ask the name of the payee. He appeared to me to be satisfied that I would see to the payment being made properly to the payee, and he countersigned the cheque. He now and then asked me, when a payee was leaving the room with his countersigned cheque, who he was. A week after I had given the name he could not recollect it. A doctor in Christchurch, for instance, was particularly noticeable from the difficulty he had in moving about, and was a frequent visitor to the Chief Postmaster's room. On three occasions at least the Chief Postmaster, Mr. McBeth, asked me the doctor's name. As regards the voucher in question, the first intimation I had of it was from the newspapers. I cannot recollect any particular voucher, but I do recollect seeing a voucher receipted by R. J. S. Seddon. I do not recollect the amount of it, or what service it was for. I cannot recollect the date. The only thing I recollect, besides the voucher receipted by R. J. S. Seddon, was what appeared to me to be the youthful handwriting. I had no communication whatever with Mr. Fisher. I did not know him before yesterday, the 20th, when I met him for the first time. I knew nothing of the question raised about the voucher till I saw it reported in the newspapers as mentioned in the House. When I saw this report I recollected that I had seen the signature of R. J. S. Seddon to a voucher. I had absolutely no idea at the time that Mr. Larcombe or Mr. Willis or Mr. West were concerned or knew anything about the voucher. The Post-Office Savings-Bank Office, where I work, is in a different street, about three minutes' walk from the Chief Post-office, where Messrs. Larcombe, Willis, and West work, and I seldom meet those officers. About a week after I read the newspaper report I met Mr. Larcombe, and in the course of a general conversation the voucher incident cropped up, and I voluntarily remarked

to him that I myself recollected seeing the signature of R. J. S. Seddon to a voucher in the Chief Postmaster's room. As I left the Chief Postmaster's room in January, 1904, the voucher I saw must have been one receipted in or before that month. I do not think it was during my occasional employment in that room after January, 1904. I do not know how the voucher I recollect was charged. The voucher would be headed with the name of the Department, and the charge would be in the left-hand bottom corner. With regard to the Chief Postmaster's record of Treasury vouchers: These vouchers, when receipted, are placed on a file by the clerk in the Chief Postmaster's room, who deals with them in the manner which I have described already, and they are kept there until they accumulate to about the number which would make a parcel for the Treasury. Then, before posting them, the number and the amount of each voucher is entered in the Treasury Voucher-book now before me. Any voucher paid in Christchurch on the Chief Postmaster's countersignature to a Treasury cheque would be entered in that book. I would confidently rely upon this book as containing an entry of every voucher received from the Treasury and paid on a cheque countersigned by the Chief Postmaster. I am sure that the voucher which I saw receipted by R. J. S. Seddon was a Treasury voucher, paid by a Treasury cheque, for the reason that only such vouchers are dealt with in the Chief Postmaster's room.

RICHARD BRABAZON MORRIS sworn and examined.

Witness: I am Chief Clerk in the Chief Post-office at Christchurch. I have been there in that position since November, 1903. The voucher for payments to be made in Christchurch on Treasury, to be countersigned by the Chief Postmaster, or, in his absence, by an officer of the Chief Post-office, are, on their arrival from the Treasury, brought into my office with all other correspondence, which I open. But when it is ascertained, as can easily be done, that the envelope contains Treasury vouchers, the envelope is placed in a basket unopened, to go into the Chief Postmaster's room, where it is opened either by the Chief Postmaster or his assistant. The vouchers are then arranged in the numerical sequence of the number of the corresponding cheques, and placed on a file, the said file being kept on a table used by the Chief Postmaster's assistant. When the payee of the voucher presents the cheque, which is usually done to the Chief Postmaster's assistant, he turns up the corresponding voucher, hands the voucher to the payee for his receipt, and the cheque to the Chief Postmaster for countersignature. The Chief Postmaster does not always see the voucher, or ask the name of the payee, being satisfied, or having an assurance, that a proper discharge has been given. I do not see how the Chief Postmaster can be sure as to any payee having received a payment at his office, for there are sometimes several persons in together. The receipted voucher is then placed in a receptacle for it on the assistant's table. These paid vouchers are not sent back to the Treasury daily, unless the number is exceptionally large for any one day. As a rule, they are sent back once or twice a week. But before they are sent back the Chief Postmaster's assistant enters the number of each voucher returned and the amount of it under the date of the day of returning it. From my knowledge of the use of the Chief Postmaster's book in which the vouchers are thus entered, I should regard it as a reliable record of the paid vouchers returned to the Treasury. I should say that if a voucher alleged to be paid on a Treasury cheque countersigned at the Chief Post-office were not found entered in this record, it would not have been paid. I am satisfied that every paid voucher of the description I am speaking of is entered in those books—or books in continuation of them. With regard to what you have just read to me of Mr. Willis's evidence, as to the circumstances under which he supplied information to Mr. Fisher respecting the voucher, my answer to your question as to what I know of the matter is that Mr. Willis's evidence accords with what he told me on the afternoon of Thursday, the 17th instant, before he left Christchurch to give the evidence. Before I saw the newspaper report of what had taken place in the House on the question of the voucher, I knew absolutely nothing about it. When the names of the officers were published who made the affidavits as to the existence of the voucher, I said to Mr. Larcombe, "Surely you are making some mistake." To which he replied, "Oh, no; I am not. As a matter of fact, I mentioned it to my wife at the time when I saw the voucher." I do not recollect myself ever seeing or hearing of a voucher payable at Christchurch to R. J. S. Seddon—that is, of hearing of such a voucher before the newspapers reported what had been said in the House about it. I have already explained how difficult it would be for Mr. McBeth to recollect the particular persons who pass in and out of his room to have their cheques countersigned. Besides, he has not a very retentive memory. With respect to the four officers—Messrs. Larcombe, Willis, West, and Lundon—who have given evidence to you on the matter of this inquiry, I would answer the question as to their character and conduct in and out of the office, as far as I know, that they are all most exemplary in these respects, and that I had complete confidence in them as trustworthy men. In their capacity of assistants in my office I reposed every confidence in them, and their work was of a confidential nature.

TUESDAY, 22ND AUGUST, 1905.

The Controller and Auditor-General received the letter and affidavit, of which the following are copies:—

SIR,—

Wellington, 21st August, 1905.

I have the honour to enclose herewith my declaration with regard to the allegations by Mr. Fisher, M.H.R., that I received a payment of between £70 and £80 for reorganizing Defence stores, and have further to state that I will be pleased to give evidence at any time should you so desire.

I have, &c.,

The Controller and Auditor-General, Wellington.

R. J. S. SEDDON, Capt.

I, Richard John Spotswood Seddon, of Wellington, Captain, do hereby solemnly and sincerely declare as follows:

1. During the whole period of my employment in the public service of New Zealand I have never received from the Imperial or New Zealand Government any payment whatever in Christchurch.

2. I have never performed any services in or about reorganizing Defence stores.

3. I have never received in Christchurch or elsewhere any payment of between £70 and £80, or any other sum, for reorganizing Defence stores, either from the Imperial or New Zealand Government.

4. I have read the statements made by Mr. Fisher, M.H.R., with respect to a voucher for a payment to me of between £70 and £80, and I say that I never saw, received, or signed any such voucher or received any such payment.

5. I have never at any time or in any place received any sum or sums of money whatever from the New Zealand or Imperial Governments to which I was not legally and properly entitled under the terms of my engagement as a servant or officer of either of the said Governments.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of an Act of the General Assembly of New Zealand intituled "The Justices of the Peace Act, 1882."

R. J. S. SEDDON.

Declared by the said Richard John Spotswood Seddon, this 15th day of August, 1905, before me—D. M. Findlay, a solicitor of the Supreme Court of New Zealand.

WEDNESDAY, 23RD AUGUST, 1905.

JOHN FRAME McBETH sworn and examined.

Witness: I am the Chief Postmaster of Christchurch, and I have been there in that position since January, 1903. As regards the claims against the Government for which receipts are taken by me or at my office, the claims payable by Treasury cheques to be countersigned at my office are on their arrival opened by myself or the Chief Clerk, and placed in a clip in my room. They are left there, arranged in the numerical sequence of the corresponding cheques, till the payees present such cheques. On presentation of the cheque the voucher to which it relates is by me generally or by a clerk in room handed to the payee to be signed—that is, receipted—and on being receipted the cheque is countersigned and delivered to the payee. The voucher is then put on the left-hand corner of the clerk's table in my room. These vouchers are, after being receipted, forwarded or sent back to the Treasury once or twice a week, being first entered in a rough record of Treasury vouchers returned. I myself very rarely enter the vouchers in that book. I have not entered any for fully a year and a half. The work of entering them is left to the clerk. I think the book is a reliable record of all the vouchers received from the Treasury and paid by Treasury cheques countersigned by me, or the officer acting for me in my absence on leave. The only other claims against the Government for which receipts on the vouchers are taken at my office are the claims paid out of the balance in my hands of the cash in my Post Office Account. No imprestee or other person has ever left at my office a voucher to be receipted there. If an imprestee had asked me to make a payment for him with his cheque and get the voucher receipted for it, I should have done so. But this has never happened. As to the question whether there exists or was ever passed through my office a voucher for the payment to R. J. S. Seddon for organizing Defence stores, I heard nothing of the matter till the newspapers reported what had been said in Parliament. I do not recollect any such voucher. I am certain there was not. I do not know Captain R. J. S. Seddon personally; I do not know him by sight. I am, however, quite satisfied that he was never in my office. This is what I telegraphed to the Hon. the Premier. I cannot account for the allegation by Messrs. Larcombe, Willis, and West, that there was such a voucher in my office. They were good officers. They behaved themselves well in the performance of their duties, and I never knew anything against their private conduct. Their private conduct was, so far as I know, excellent in every way.

KENNETH MCKAY RODGER sworn and examined.

Witness: I am a clerk in the Chief Post-office, Christchurch. I have at different intervals since April, 1903, dealt with the vouchers received from the Treasury for payments to be made in Christchurch on Treasury cheques, countersigned by the Chief Postmaster or by the officer acting for him in his absence. To my knowledge the practice of dealing with these vouchers has been the same all along. When the Treasury envelope containing the vouchers arrives in the mail from Wellington, it is opened by me when I am doing duty as clerk in the Chief Postmaster's room. It might occasionally be opened by the clerk when the package is small and there is doubt as to the contents. When I open the envelope I place the vouchers in their order on the file, so that when the cheques are presented the vouchers are easily obtained. If the Chief Clerk opens the envelope he puts the vouchers in the Chief Postmaster's basket, and I gather them from that basket to deal with them as if I had opened the envelope. I do not remember the Chief Postmaster ever opening the envelopes. But he may have done so. When the person presenting the Treasury cheque calls I take the cheque from him or her. Then I get the voucher receipted, and while the receipt is being written I get Mr. McBeth to countersign the cheque. Mr. McBeth did not ask the names of the persons. He asked no questions. He trusted me, I think. It did not appear to me that Mr. McBeth knew the persons who passed in and out of his room on this business. The cheque being countersigned, I examined the signature of the person receipting the voucher, and on being satisfied that everything is in order I hand over the cheque to the person who presented it. The vouchers receipted are filed till they are returned to the Treasury. But before they are

returned they are entered in the book provided for the purpose—a book such as the one before me. The number of each voucher returned and the amount of it are entered in this book, with the date on which returned. I should expect to find an entry in that book of any voucher paid at Christchurch on a cheque countersigned by the Chief Postmaster. An omission is possible. One voucher might stick to another without being noticed. An omission might have happened of a voucher in this way while I was dealing with them; still, I should expect to find an entry of any such paid voucher as might be inquired about. I have never seen a voucher in the Christchurch Post Office for or receipted by R. J. S. Seddon, and I first heard it said there was such a voucher after reading in the papers about what was said in Parliament. I have not heard anything more, and I do not know anything more than what has been reported. Mr. McBeth's memory is not, to my knowledge, very good. I do not think it at all possible that he could recollect the persons who come in and out of his office to get Treasury cheques countersigned.

JOSEPH WILLIS re-examined.

The Controller and Auditor-General: You have now seen, according to the Chief Postmaster's record of Treasury vouchers for payments made by Treasury cheques countersigned by him, all the vouchers which must have included the voucher for R. J. S. Seddon if it had been paid at Christchurch on a cheque so countersigned and correctly entered in that book. You have seen every voucher entered in that book from the 1st April, 1903, to the 30th June, 1905, for amounts from £70 to £100, and every voucher so entered for amounts from £40 to £70 for the period from December, 1903, to the 2nd September, 1904, inclusive. None of these entries is the entry of a voucher for R. J. S. Seddon?

Mr. Willis: As regards the entries in that book, I have seen the vouchers, and certainly none of these is the voucher I saw for R. J. S. Seddon. But I found some discrepancies in the entries. For instance, there was one in particular where a voucher for £7 0s. 4d. was entered as for £70 4s. 0d. There were also several mistakes in the entries of the numbers of the vouchers. This, combined with the slipshod method of dealing with these vouchers in Christchurch, makes me doubt the accuracy of those books as a record of the vouchers for the payments made in Christchurch. As a matter of fact any of those vouchers could easily have been taken away. The public—people—are continually about the table upon which these vouchers are lying loose.

The Controller and Auditor-General: But if a voucher were missing—were taken away or lost—if the Chief Postmaster's record omitted a voucher, that voucher would still be in the Audit Office books; and the Audit Office finds that the Chief Postmaster's record contains an entry of every voucher entered in the Audit Office books so far as that record and those books have been compared. There are only two mistakes in the record—one of 1d. entered as 9d., and the other of £7 0s. 4d. entered as £70 4s.?

Mr. Willis: I know nothing of the Audit Office books. I can only say that I still swear that I saw a voucher for R. J. S. Seddon, exceeding £70, for the reorganization of Defence stores at Wellington. I held such voucher in my hands for several minutes, commented upon it with Messrs. Larcombe and West, and I am certain that, so far as I am concerned, I could not possibly have made a mistake. For this reason I would ask that the vouchers entered in the Chief Postmaster's record from the 1st December, 1903, to the 31st August, 1904, may be checked by the Audit Office books, as I understand the vouchers from £70 to £100 have been checked. I feel that you and the Audit Officer, Mr. Innis, have been exceedingly kind, and have assisted me to the very utmost. I believe that you have done everything in your power to satisfy me.

THURSDAY, 24TH AUGUST, 1905.

JOSEPH WILLIS further examined.

The Controller and Auditor-General: The Chief Postmaster's record of the vouchers for the payments made at Christchurch by Treasury cheques countersigned by him has now been checked with the Audit Office books as you wished yesterday with respect to the vouchers from £40 to £70, and it is found that no voucher has been omitted from the record which could be the voucher you described.

Mr. Willis: I am still dissatisfied. What you say only goes to confirm me in my belief that there is some way by which such a payment can be made without your office being cognisant of the fact. To me there seems one very grave defect in your books—that is, the fact of the name or names of the persons to whom payments are authorised, and the particulars of the services for such payments not being recorded in any way. The record kept in the Chief Post Office, Christchurch, is just as incomplete. The Treasury cheque-books and cheques are also apparently useless in this respect. Then the whole case rests upon the original voucher, and I am convinced that there has been some trickery with the voucher that I saw. From what I have seen of the vouchers shown to me as the originals of the Audit Office entries of vouchers for the payments made at Christchurch, the possibilities of fraud are very great. I believe that, considering the importance of the issues resting upon this inquiry, the scope should be extended still further. I would ask that all the vouchers paid at the Christchurch Post-office within the period may be shown to me. I wish to see the voucher for every payment below £40 and above £100.

FRIDAY, 25TH AUGUST, 1905.

JOSEPH WILLIS further examined.

The Controller and Auditor-General: The payment was not below £40 nor above £100.

Mr. Willis: That is right. But there was a voucher for a sum exceeding £70, and for the services of Captain Seddon as I have already stated, and, as that voucher has not yet come to light, it must have been manipulated in some way, or else there is some way in which your office could be evaded. I believe that if the whole of the vouchers are checked and the names and amounts published, we may possibly discover a fraud.

The Controller and Auditor-General: The voucher has been exhibited to you for every payment made at Christchurch during the period that could, if the voucher were genuine, be the voucher in question—that is, every such voucher as shown by the Chief Postmaster's record; and the Audit Office has proved from its own books that there has been no voucher for the amount omitted. So that all the other payments made at Christchurch within the period, during which you say the payment must have been made, cannot possibly in my judgment include the voucher.

Mr. Willis: But you are not anticipating fraud, and believe that the system has not been tampered with or failed in any way, whereas I and three others actually handled for several minutes and commented upon a voucher which your books show, according to you, to have no existence. This shows that there is evidently something wrong.

The Controller and Auditor-General: The Audit Office has shown you all the vouchers for all the payments within the amount of the voucher in question according both to the Chief Postmaster's record, as verified by the Audit Office books, and the Audit inspection of each voucher has been such as to leave no ground for suspicion or doubt as to its genuineness.

Mr. Willis: There I think you are wrong, because I am satisfied that in the examination made by the Audit officer and myself any deception or manipulation of the voucher could not have been detected by us.

The Controller and Auditor-General: This resolves itself into a question as to the genuineness of the vouchers exhibited to you?

Mr. Willis: Either that or else there is some defect in the system of recording the payments. I would for this reason ask to see the entry in the Treasury books of every payment according to the Chief Postmaster's record without limit as to the amount.

The Controller and Auditor-General: This would go only to show that the Treasury books were right or wrong according as they agreed or differed with the Audit Office books and the vouchers exhibited.

Mr. Willis: There is a possibility of error. Then, as I have said, the whole thing rests on the original voucher, and I think a voucher could very easily be tampered with.

The Controller and Auditor-General: With reference to your conversations with Captain Fisher, M.H.R., Mr. Morris, the Chief Clerk, if I recollect aright, mentioned what he had heard from you of an interview which took place between Mr. Fisher and yourself on his arrival at Christchurch, after he gave the particulars of the Sneddon voucher, but which you do not appear to have described in your evidence?

Mr. Willis: I did not think the interview of sufficient importance. The circumstances are briefly these: On the Monday, 31st July, I met Mr. Fisher in Cathedral Square. He asked me, "Was that voucher for Sneddon?" I replied, "I believe it was." There was no time for further conversation. But after 5 o'clock in the afternoon I called at his office, and waited for his arrival. On entering he informed me that he had come to the conclusion that there was only one thing to do in the circumstances. Pointing to several telegrams which he proposed to send, he said, "I have decided to make the *amende honorable*. I am telegraphing to the Premier and his son offering a full and ample apology." I then asked him his reasons for taking such a course. He said, "Oh, that voucher was Sneddon's." I answered that there was still a Seddon voucher, and he said, "Are you sure?" and it was then that I pointed out, as I explained a few days ago, that he had made a mistake in quoting, in the heat of the debate, the number supplied by me of what was the nearest voucher to the amount he gave me. I again assured him that there was a voucher for R. J. S. Seddon, and that besides my own knowledge Messrs. Larcombe and West had that very morning reminded me of its having gone through our office. He asked me did I think Larcombe and West would be prepared to come forward and testify so. I did not know, and suggested his calling upon them. In the presence of Mr. Taylor and myself, Messrs. Larcombe and West, in reply to a question from Mr. Fisher, stated they distinctly remembered a voucher for R. J. S. Seddon for a payment exceeding £70 for reorganization of Defence stores, and that they were prepared to tell the truth before any tribunal in the land.

The Controller and Auditor-General: I understand that you wish all your evidence to be published.

Mr. Willis: Yes. I am exceedingly anxious that it should be published, and so are Messrs. Larcombe and West that their evidence should be published.

The Controller and Auditor-General: Yes, they left me with that impression.

Mr. Willis: I wish the evidence to be published because nobody could judge of the matter without seeing the whole of the evidence.

RICHARD JOHN SPOTSWOOD SEDDON, Captain, of Wellington, sworn and examined.

1. *The Controller and Auditor-General.*] Have you ever received in Christchurch any payment for your services to the New Zealand Government or Imperial Government?—No.

2. Have you ever receipted in Christchurch a voucher for money payable out of the Public Account by a Treasury cheque countersigned by the Chief Postmaster there, or payable by any cheque so countersigned?—No. I have never been in the Chief Postmaster's room in my life to my knowledge.

3. Have you ever, during the period of your employment in the public service, been engaged in or about the reorganization of Defence stores in Wellington or elsewhere?—No.

4. Have you ever inspected Defence stores?—No. It has not been any part of my duty to do so.

5. Have you ever received any payment for reorganizing Defence stores?—No.

6. Have you ever received any payment for inspecting Defence stores?—No.

7. What was the date from which you were employed in the public service after your return to New Zealand from South Africa?—I cannot recollect the exact date, but it was early in 1903.

8. The date from which your salary as captain of the Forces in New Zealand is recorded in the Audit Office as commencing is the 31st March, 1903. What has been your practice in keeping the money paid to you for your public service?—As a general rule, it is my practice to deposit it to the credit of my account in the Bank of New Zealand, and I submit to you for inspection all the accounts that I have had with any of the banks.

9. What money have you received from the New Zealand Government except for salary, travelling-allowance, and travelling-expenses?—Nothing but the usual sessional allowance of a private secretary. I have never at any time or in any place received any sum or sums of money whatever from the New Zealand or Imperial Government to which I was not legally and properly entitled under the terms of my engagement as a servant or officer of either.

10. What banks in Christchurch have you dealt with?—The only bank I have ever dealt with in Christchurch is the Bank of New Zealand, and my only dealing with that bank was to draw money from it by my cheques on my Wellington account. I submit the copy of a letter which I wrote on the 14th instant to the manager of the Bank of New Zealand, Wellington, and the reply from the manager of that bank in Christchurch. If there is any further information that you would care to have from the bank I shall be pleased to obtain it, or give you authority to obtain it. I would like to point out, as regards my signature and the allegations made that the voucher in question was signed by R. J. S. Seddon, that it will be seen by reference to any Treasury voucher for money received by me that I never signed myself "R. J. S. Seddon." I further state that I never signed myself "Richard" in full, and my signature has always had the "J" in it. It has always been "R. J. Seddon" to receipts for money from the Treasury.

[True copy.]

(Confidential.)

DEAR SIR,—

Wellington, 14th August, 1905.

Referring to my conversation with your office to-day, I should be much obliged if you would kindly furnish me with a certificate signed by yourself certifying—

- (1.) That I have no account with your branch in Christchurch;
- (2.) That I have never deposited at any time any moneys in your Christchurch branch to be credited to my Wellington account; and
- (3.) That during the month of June, 1904, I never deposited to any one's account any sum of money at Christchurch.

I state the month of June because it would mean a great deal of trouble to you to go through a longer period, and, as you are no doubt aware, June is the month specified in connection with the alleged payment to me of a sum of between £70 and £80.

I require the certificate so as to enable me to give evidence before the Controller and Auditor-General should I be called upon to do so.

I should be obliged if you will kindly comply with my request as soon after the receipt of this as possible.

Thanking you in anticipation,

I have, &c.,

R. J. SEDDON, Captain.

The Manager of the Bank of New Zealand, Wellington.

(Confidential.)

DEAR SIR,—

Bank of New Zealand, Christchurch, 18th August, 1905.

In answer to the inquiries contained in your letter of the 14th instant, addressed to our Wellington manager, I beg to certify as follows:—

- (1.) That you have no account with this bank in Christchurch;
- (2.) That you have never deposited at any time any moneys at this branch to be credited to your account at Wellington;
- (3.) That you did not during the month of June, 1904, deposit to any one's account any sum of money at Christchurch branch.

I have, &c.,

B. M. LITCHFIELD, Manager.

Captain R. J. Seddon, Wellington.

SATURDAY, 26TH AUGUST, 1905.

JAMES O'SULLIVAN sworn and examined.

1. *The Controller and Auditor-General.*] What is your name and official position?—James O'Sullivan, Defence Storekeeper for the whole colony.

2. What are the duties of your position?—To control the receipt and issue of military stores throughout the colony.

3. Are there in Wellington or elsewhere in the colony, or have there been since the 31st March, 1903, any Defence stores of which you have not or have not had control?—None whatever.

4. Since what date have you filled your position as Defence Storekeeper?—I have been practically in control of the stores since 1st October, 1898.

5. What reorganization of Defence stores has there been since the 31st March, 1903?—None. I take "reorganization" to mean a change in the system and the appointments of officers.

6. What about inspection of the stores?—Every officer commanding the district is responsible for the stores in his district, and he furnishes returns monthly in some cases, but annually in all

cases, to me. There could not be any inspection unknown to me of stores in Wellington or elsewhere.

7. Could there have been any reorganization of the stores unknown to you?—No.

8. If a claim against the Government for such a service as the reorganization or inspection were made, what would be its ordinary course so far as you are concerned? Would it necessarily come to you?—I think it would, if it were for such a service in Wellington; but I should see the record of the claim in any case wherever such a service was performed as the reorganization or inspection involving a special charge.

9. Do you know anything of such a service performed by Captain Seddon, for which he might make a claim against the Government or be paid, as the reorganization or inspection of Defence stores?—I do not. He did not perform such a service.

10. Can you give me any information whatever respecting the allegations that there was a voucher for a payment to R. J. S. Seddon for the reorganization of Defence stores?—No. I have had no communication or business of any kind with Captain Seddon since the 31st March, 1903.

THOMAS FRANCIS GREY sworn and examined.

11. *The Controller and Auditor-General.*] What is your name and official position?—Thomas Francis Grey, acting for the Under-Secretary for Defence.

12. How long have you filled this position?—From the 1st October, 1902, to the 30th September, 1904, and again from the 1st July, 1905, to the present date.

13. What have been your duties in that position as regards claims against the Government for services to the Defence Department?—All claims come before me. But I was absent on leave from Christmas Eve, 1904, to the 30th January, 1905, and the claims coming to the office during that period would not, of course, come before me.

14. Would the claims coming to your office during the period from the 1st October, 1904, to the 30th June, 1905, when you were not filling the position of Acting Under-Secretary, come before you?—Yes, they would, because I was the countersigning officer—or, rather, certifying officer—for the whole period, with the exception of the period of my leave of absence already mentioned.

15. If there had been any reorganization or inspection of Defence stores for which a claim were made against the Government would you be aware of it?—Yes, fully aware of it.

16. Do you know whether there has been any such reorganization or inspection as would have justified, or could have been made the ground for, a claim against the Government?—No. There has neither been reorganization nor any such inspection.

17. If a claim had been made by Captain Seddon for such a service during the period of his employment in the public service from the 31st March, 1903, would you have seen it?—Yes, certainly, with this exception: that I should not see the claims during the period of my leave of absence. But if such a claim had been made in that interval I should, no doubt, have been told of it on my return.

18. Do you know whether Captain Seddon was employed during the period of his public service in or about such a service as the reorganization or inspection of Defence stores?—He was not so employed.

19. I shall be glad if you will explain what steps you took to satisfy you in respect of the certificate which you gave to the Hon. the Defence Minister, of the 3rd August, 1905, that a careful search of all Defence and Treasury books had been made, and no trace of claim nor payment to Captain Seddon of any sum whatever for the organization of Defence stores can be found?—I personally searched all the Defence books of account. I also searched the register of records, and I could find no trace of any such claim having been received or approved for payment. In a case like this, of the alleged payment or voucher, if such payment had been authorised it would have been approved by Cabinet, or at least by the Defence Minister. But taking precedents into consideration, Cabinet alone would approve of such a payment, and there is no such approval recorded. Moreover, my memory convinces me that, except during my absence on leave, no such approval was recorded, and, as stated before, if it had been I should have been made aware of it on my return. The search of the Treasury books mentioned in my certificate was made by the Defence Office Accountant.

ROBERT HENRY WILLIAMS sworn and examined.

20. *The Controller and Auditor-General.*] What is your name and official position?—Robert Henry Williams, and I am Assistant Accountant in the Defence Department.

21. How long have you filled that position?—I was appointed to the position three years ago.

22. Have you seen and dealt with all the claims against the Government which were received by, or passed by, the Defence Department during that period?—Yes, with the exception of twelve days during which I was absent on leave, and when I should not see the vouchers. But I should see the entries on my return.

23. Can you state positively that you know that there was not a claim sent to or authorised for payment by the Defence Department since the 31st March, 1903, for the reorganization or inspection of Defence stores?—I can say that no such claim has been received or authorised.

24. The Acting Under-Secretary (Mr. Grey) states that he gave his certificate of the 3rd August, 1905, to the Defence Minister, that a careful search of the Treasury books had been made, and that such search was made by you, and that you found there no trace of receipt of claim nor payment to Captain Seddon of any sum whatever for the reorganization of Defence stores. What was the nature of your search of the Treasury books?—I examined the Treasury books from the 1st April, 1903, to date for all charges that would have been approved by the Defence Department. I went over every item for every such charge, and found no trace whatever. The result of my search of the Treasury books was to show that they agreed with the books of the Defence Department. I looked particularly for a payment to Captain Seddon for such a service as the one in question, and the Treasury gave the name of the claimant, the particulars of the service, and the amount.

ROBERT JOSEPH COLLINS sworn and examined.

25. *The Controller and Auditor-General.*] What is your name and official position?—Robert Joseph Collins, Assistant Secretary to the Treasury, and Accountant.

26. How long have you been in the Government service?—I have been forty years in the Government service, of which twenty-seven years have been served in the Treasury.

27. Have you filled the position of Accountant to the Treasury since the 31st March, 1903?—Yes; I have been Accountant for fifteen years.

28. But you have, have you not, been absent on leave since that date?—Yes; six months, to England, with the New Zealand rifle team, and occasionally a few days.

29. How is a payment which is authorised to be made to any particular person, and to be so made as a charge to the Public Account, entered in the books of the Treasury?—On receipt of the voucher in the Treasury it is numbered, the numbers being in consecutive order from No. 1 upwards for the year. No two vouchers bear the same number. The voucher is entered in the Treasury Abstract-book under the vote and item. The number of the voucher, the name of claimant, particulars of service, date of service, and the amount are so entered. Then the vouchers are entered in requisition or schedule, giving the number of each voucher, the amount of it, and the vote or other authority for the payment. The requisition, together with all the vouchers in support of it, is sent to the Audit Office, from which the vouchers are returned on the Audit Office being satisfied that they are correctly entered in the requisition. The bank order necessary to the payment of these vouchers is issued by the Audit Office and sent to the Treasury. The requisition is filed in the Audit Office as its record of the payments passed. On the return of the vouchers to the Treasury, cheques are prepared in favour of the different claimants, and are entered up under the name of the branch of the bank on which they are drawn. A copy of such is sent to the relative bank as the authority to pay the cheque on the countersignature of the officer named therein. A register is kept in the Treasury of the address to which each cheque is sent. Such register gives the number of the voucher, the number of the cheque, and the name and address of claimant. The cheque is posted direct to the claimant or his agent, except in the case of payments of salaries, when the cheque is sent to the officer in charge of the office; or on payments to Natives, when the cheque is posted with the voucher to the countersigning officer. The voucher for acquittance is sent to the countersigning officer, who, after obtaining the acquittance and countersigning the cheque, returns the voucher to the Treasury, where it is filed in numerical sequence.

30. But before a voucher is passed for payment by the Audit Office and sent on to the Treasury to be put into requisition, what is the course of dealing with the voucher?—All claims against the Government are entered on Treasury voucher form and sent to the Department on account of which the expenditure is incurred. The claim is then stamped by the Department with the date of receipt and entered in the alphabetical register, as required by Treasury regulations. This register shows the date on which each claim is received by the Department, giving the name of the claimant, service, and amount of claim, the date on which it is sent on for audit, and the dates on which, if returned for correction or otherwise, it is so returned and resent for audit. If cancelled, it would be noted in the register. The claim, if found to be correct, is charged by the Department to the proper vote and item, then signed by the Under-Secretary or other officer authorised by the Minister for that purpose, and sent on to the Audit to be examined and passed. The Audit shall pass such voucher and send it to the Treasury, being first satisfied (1) that the voucher is in due form, and that the computations therein are correct; (2) that the payment is authorised by the Minister for the time being administering the Department for which the service is performed, or by some person duly appointed by him to authorise the same; (3) that the expenditure is charged upon the voucher against the proper vote and fund provided by Parliament for the same.

31. Then, the course of a claim against the Government would be the entry of it in several registers?—Yes; there are at least four records kept in which every claim is entered—one in the Department against which the claim is made and which would authorise it, one in the Audit Office, and two in the Treasury. So that if a voucher were lost or destroyed it would still appear in the records of the issue of the money out of the Public Account. Even if the payment was recalled, the record would still exist.

32. Now, what is the course taken with a voucher for a payment made by an imprestee?—In the matter of a payment out of imprest moneys the voucher or receipt taken by the imprestee is forwarded by him to the Treasury in support of his Imprest Account. After being noted in the Treasury it is passed on to the Department against which the payment is chargeable, for approval and authorisation. The voucher is then subjected to precisely the same treatment as a direct-payment voucher. It is sent on to Audit for examination. After passing Audit is entered in Treasury Abstract-book and Audit Office Requisition. The requisition, together with the vouchers in support of same, is sent on to the Audit Office before credit can be given to the officer, being the imprestee, out of whose account the payment is made. In this case there is a record in each Department as before of the payment having been made. On the Audit Office passing the requisition the vouchers are returned to the Treasury and filed.

33. Is care taken in the Treasury invariably to call over the entries of the vouchers after such entries are made, to insure accuracy?—Yes, it is the rule to do so.

34. Have you examined the entries in the Treasury books to see whether any of them was for a payment for the reorganization or inspection of Defence stores?—Yes, I have.

35. Were there any entries of such payments?—No.

36. Did you find entries of payments to Captain Seddon or R. J. Seddon or R. J. S. Seddon?—Yes.

37. Did you take a note of all such entries?—Yes. The result of my investigation disclosed the only payments made to him during the period commencing on the 31st March, 1903, were in

respect of salary, travelling-allowance, travelling-expenses, sessional allowance, and a couple of small amounts due to him for service in South Africa.

38. Let me see these vouchers?—I produce them.

39. How have you proved these to be all the vouchers for payments to him?—By the registers already described, and by having the entries verified by another Treasury officer.

40. I observe that the largest payment was of an amount of £32 17s. 6d. Were any of these payments made or authorised to be made at Christchurch?—No. All these amounts were paid to him in Wellington.

41. It would follow, then, that no payments out of the Public Account were made to him at Christchurch?—Yes. I am satisfied that no such payment was made to him in Christchurch for any service.

42. In your memorandum to the Right Hon. the Premier of the 3rd August, in which you report that a complete search had been made in the Treasury books, and there is no record of a payment to Captain Seddon of between £70 and £80 for the organization of Defence stores as having been made and passed through the Treasury, or of any other sum for the service mentioned above, have you since taken any steps to confirm that report and to make a search of wider scope?—Yes. I have personally examined the entries in the Treasury Abstract-books, and, in order to confirm the accuracy of the investigation, I had a list made out from the bank ledgers of all Treasury cheques issued and paid at Christchurch of sums between £50 and £90 during the two years ended the 31st March, 1905, and found that none of these cheques were issued for payment to Captain Seddon. I also referred to the alphabetical register kept in the Defence Office, and made out therefrom a list of all claims authorised by that Department for payment to Captain Seddon, compared it with the list compiled from the Treasury books, and found them to agree.

43. Then, you are satisfied that no voucher, passed for payment to Captain Seddon for reorganization of Defence stores, could have been dealt with by the Treasury and escaped your search?—Yes. If any such voucher had been issued it would have been impossible for it to escape discovery, as the entries would be sufficient to identify and disclose the payment.

44. Could there be a payment made out of the Public Account before it is entered in a requisition sent to and approved by the Audit Office?—Certainly not, as no moneys can be withdrawn from the Public Account except by means of the bank order which the Audit Office signs as required by the Public Revenues Act.

MONDAY, 28TH AUGUST, 1905.

ROBERT JOSEPH COLLINS further examined.

1. *The Controller and Auditor-General.*] Through how many hands of Treasury officers does a claim for payment of money out of the Public Account pass in the course which the claim must take through the Treasury?—Under the Treasury routine, vouchers for payment pass through the hands of at least nine different officers, from the time the vouchers reach the Department till they leave it again. There would also be the clerks of the Department who authorised the voucher as well as those of the Audit Office who passed it, so that a voucher would have to pass a scrutiny of at least a dozen different officers before payment is made.

2. But do not the officers deal with the vouchers in such a mechanical manner that they would be unlikely to recollect a voucher or claim for any particular service or sum?—A voucher of the exceptional character of the alleged one could not fail to escape observation or remark, and would in the course of its transit through the Treasury or Audit Office naturally be commented upon by the clerks dealing with it, and the existence of such a voucher could not therefore be easily forgotten by them.

3. Now, the Chief Postmaster himself pays claims against the Government out of the balance of cash in his hands on Post Office Account; and the moneys which he applies to these payments may not be moneys issued out of the Public Account at the time?—If a payment was made by the Chief Postmaster out of post-office moneys, it would be found charged in the Treasury books. The post-office otherwise would not receive credit for the moneys so expended.

BURNET MURRAY LITCHFIELD sworn and examined.

4. *The Controller and Auditor-General.*] What is your name and occupation?—Burnet Murray Litchfield, manager of the Bank of New Zealand at Christchurch.

5. How long have you occupied that position?—I have been in charge since January, 1900.

6. Do you know, or does the bank record, the names of the persons to whom money is payable at Christchurch, by cheques of the Paymaster-General, countersigned by the Chief Postmaster or other Government officers there?—No. I do not know, and the bank does not record the names of the payees.

7. Does the Treasury not advise you of the particulars of each such cheque?—The Paymaster-General furnishes schedules of his cheques drawn on Christchurch, giving the number, countersignature, and amount. On a cheque being countersigned in accordance with the schedule it is payable to bearer, and cashed by the bank to the presenter.

8. There are occasionally payments to be made by Treasury cheques countersigned by the bank. In the case of these, would not the bank record the names of the payee?—Yes.

9. What is the course of the bank's procedure with a voucher for a payment by Treasury cheque to be countersigned by the bank?—The proceeds of the cheque are passed to the credit of the payee in accordance with the Treasury instructions accompanying the voucher.

10. Then, the bank is appointed to countersign only in cases where that is the procedure?—Yes.

11. Can you inform me whether there was during the period commencing with the 31st March, 1903, and ending the 30th June, 1905, any Treasury cheque to be countersigned by the bank for a payment by voucher to Captain Seddon or R. J. S. Seddon?—There was no payment made by such a cheque on such a voucher during that period.

12. Inform me, if you can, of all his transactions or dealings with the bank at Christchurch during that period?—He kept no account with the bank at Christchurch. He deposited no money there. He may have cashed a cheque or cheques at the counter unknown to me.

13. Have you questioned the bank's tellers on the matter? If so, please state the result?—I have questioned the tellers. They have no recollection of having made any payment to Captain Seddon. I may add that he had a private credit under which he could have drawn money between the 7th December, 1904, and the 7th January, 1905, but which he did not draw upon at the bank in Christchurch.

14. The question has been raised whether there was a payment made by a Treasury cheque countersigned by the Chief Postmaster at Christchurch since the 31st March, 1903, on a voucher receipted by R. J. S. Seddon for the reorganization of Defence stores. Can you give me any information on this question?—None whatever.

R. B. VINCENT sworn and examined.

15. *The Controller and Auditor-General.*] What is your name and official position?—Richard Barrett Vincent, Clerk in Charge of the Pay and Revenue Branches of the Treasury.

16. In what course of the progress of a claim against the Government does such claim come before you?—The claim first comes before me as a voucher passed by the Audit Office for payment.

17. Now, will you describe your dealing with such voucher?—The claims, after being handed in, are passed over by me to a clerk, whose duty it is to examine them with a view to the appointment of the proper countersigning officer of the Treasury cheques to be issued for the payments, and also as to the authority in every case for the payment to any agent indicated by the voucher. After that is done he hands them back to me, distinguishing those which are not in order from those which are. I then deal with those which are in order by going through every voucher, and distribute them to the several book-keepers. They sort them for the purpose of entering them against the votes or accounts to which the payments are charged, and then pass them to the requisition-writer, who numbers them consecutively. Having numbered them, the requisition-writer returns them to the book-keepers for entry against the votes, &c., and then, as the book-keepers enter them, writes up the requisition by carrying into it the number of each voucher and the amount of it under each vote or account charged. When the work is complete it is checked and examined by the amounts in the requisition being called over with the amounts entered in the books; so that there can be no discrepancy between the two. The requisition and vouchers are then sent back to the Audit Office for examination, and when the Audit Office has passed the requisition, the vouchers and requisition are returned to the Treasury. The vouchers are then handed by me to the cheque-writers, who fill up the cheques for each payee. When all that is done, the cheques and vouchers are handed over to the clerks, who keep in the Treasury what is called the Bank Ledger of the Public Account Disbursement Account. These clerks then enter each cheque under the branch of the bank on which it is drawn, showing as the date of payment the date of entry in the Treasury Abstract-books, and then hand the vouchers and cheques over to the despatch clerks, who enter them in address ledgers showing all the separate branches of the banks as in the Treasury bank ledgers. After they are all entered up they are placed in envelopes addressed to the payees, and the vouchers are sent to the countersigning officers.

18. Do all these operations in the Treasury take place under your eye and supervision?—Yes. All the officers are under my immediate control, and I am responsible.

19. Then, a claim on its passage through the Treasury to the countersigning officer is seen and examined as to its particulars by several officers of the Treasury?—Yes. It passes through the hands of eight or nine.

20. Is such the invariable course?—Yes.

21. Would it be possible for a Treasury cheque to be issued for payment of a claim and the claim filled up and returned to the countersigning officer without being entered or recorded in the Treasury?—No; it would be quite impossible. The cheque would have to be for a payment out of the Public Account, and the money necessary to the payment could not be used for it without the bank order which the Public Revenues Act requires from the Audit Office.

22. Would you know, if a voucher such as has been alleged to exist for a payment to Captain Seddon for the reorganization of Defence stores had come to the Treasury, whether it had come?—I have no hesitation in saying that if such a voucher had passed through my hands I should have recollected it, it being my practice to scan the particulars of all exceptional vouchers; and except, of course, during my absence on leave, such a voucher would undoubtedly have passed through my hands.

23. Describe as fully as you can the part which you took in the investigation which was made for the purpose of the certificate which was given by the Assistant Secretary to the Treasury to the Right Hon. the Premier on the 3rd August—"that a complete search has been made in the Treasury books, and there is no record of a payment to Captain Seddon of between £70 and £80 for the organization of Defence stores as having been made and passed through the Treasury, or of any other sum for the service mentioned above"?—My first connection with the case was when Mr. Collins, the Assistant Secretary, sent for me one morning, and told me that a statement had been made in the House the night before that a voucher for £76 4s. 9d. had been paid to Captain Seddon in Christchurch, and that the number of the voucher for that payment was given. He directed me to turn up the voucher. I did so, and found it to be the Sneddon voucher. Subsequently I was instructed to make a thorough search in the Treasury books. I did so, and failed

to discover any entry of a payment for reorganization of Defence stores, or for any sum between £70 and £80 in favour of Captain Seddon. In order to make sure that there was no such payment, I examined the Treasury bank ledgers, in which all cheques that are issued on the Public Account Disbursement Account are entered, for cheques issued on the Christchurch branch of the bank from the 1st April, 1903, to the 31st March, 1905, for all amounts between £50 and £90. I then traced from the Despatch Ledgers the names of the payees of all those cheques. Not one of them was for Captain Seddon. I reported to the Assistant Secretary that the last examination was conclusive as to any payment between £50 and £90.

24. What is the course of dealing in the Treasury with the claims for payments on account of Imperial war expenditure?—Exactly the same as for other vouchers, except that they are received approved for payment from the Imperial War Branch of the Treasury instead of from the Audit Office.

TUESDAY, 29TH AUGUST, 1905.

J. B. HEYWOOD sworn and examined.

1. *The Controller and Auditor-General.*] What is your name, your official position, and your duties in the Treasury?—James Barnes Heywood, Secretary to the Treasury, Paymaster-General and Receiver-General, and Imperial Paymaster-General.

2. How long have you been in the public service, and how long Secretary to the Treasury?—Since 1871, and Secretary since August, 1890.

3. Does the certificate of the 3rd instant, given by the Assistant Secretary to the Treasury to the Right Hon. the Premier, that there is no record of a payment to Captain Seddon for the organization of Defence stores, embrace the Imperial war expenditure of the Treasury?—Yes.

4. What is the course followed in the payment of claims against the Imperial War Expenditure Account, so far as that course differs from the treatment of claims against the New Zealand Government?—The examination by the New Zealand Audit Department is dispensed with.

5. Have you authorised the payment of any claim against that account for the reorganization of Defence stores?—I have not.

6. Do you authorise all payments made out of Imperial funds?—I do.

7. Did any claim for such service come before you?—No such claim has ever come before me. Nor has any such claim been received in the Imperial Pay Office.

8. Could such a claim, nevertheless, have been paid out of an imprest advance?—No such payment has been made out of an imprest advance.

9. Will you explain briefly the Treasury system of dealing with claims for payment of money out of the Public Account?—Vouchers passed by the Audit Office are entered in the Treasury Abstract-book, and are passed into requisition, and then on to the cheque-writers. The cheques and vouchers are compared. The requisition is forwarded to the Audit Office with the bank order to be signed for the total of requisition. After examination in the Audit Office the bank order, having been found to be correct, is returned to the Treasury for transmission to the bank. The cheques are then put under cover to the respective payees. The Abstract-book, of course, contains the name of the payee, and the nature of the services rendered or supplies delivered. The voucher having been numbered, this number is placed in the Abstract-book alongside the particulars of the claim. It is also quoted in the requisition to the Audit Office. The names of the payees and their services or supplies as entered on the abstract are carefully called over to make it a good reference.

10. Now, will you describe the course which was taken by the officers of the Treasury to justify a conclusive certificate on the question whether a voucher for the payment out of the Public Account to a particular person for a particular service has passed through the Treasury?—Search was carefully made by the Treasury officers of all payments made to Captain Seddon, and charged to the vote or votes for Defence services, and to the Imperial War Expenditure Account, and no trace of a payment for the reorganization or organization has been found. The ordinary course would be to search the Abstract-books. In this case, however, besides the Abstract-books, the whole of the vouchers for payments to Captain Seddon were carefully examined.

11. Have you, since Mr. Collins gave the forgoing certificate, satisfied yourself as to its accuracy?—Yes, I have, by personal examination of the vouchers.

12. Why was the certificate not given by you?—I understand there was urgency in preparing the paper for presentation to the House, and I did not get back to my office in time to give the certificate.

13. Was the certificate justified, and would it have been given by you if you had been in the office at the time?—It would have been given by me if I had been in the office at the time. In my opinion, the certificate of Mr. Collins is the best evidence of the accuracy of the statement made in it, inasmuch as Mr. Collins is and has been for so many years the Accountant to the Treasury, and therefore the most thoroughly reliable officer to give such a certificate.

14. Is the withdrawal of money from the Public Account possible, or can the Public Account be charged with expenditure without the bank order of the Audit Office?—It can not.

J. M. BABINGTON sworn and examined.

15. *The Controller and Auditor-General.*] What is your full name, military rank, and your position in the Government service of New Zealand?—James Melville Babington, Major-General, commanding Defence Forces of New Zealand.

16. How long have you held that position?—From the 5th December, 1901.

17. Is Captain Seddon an officer of those Forces under you?—Yes.

18. Would he perform any military duty unknown to you?—Yes. He is not under my direct orders.

19. Is the organization or reorganization of Defence stores a military duty?—It ought to be, but it is under the control in New Zealand of the Under-Secretary for Defence, who is not at present a military officer; but even if he were a military officer, he would not under the present organization be under my control.

20. Do you know whether Captain Seddon has, during the period of his service since the 31st March, 1903, performed any such service?—No.

21. Do you know anything of any claim made by him for the performance of such service?—No.

Memorandum for Mr. Warburton.

Audit Office, 29th August, 1905.

AGREEABLE to your instructions to make search for a payment of between £70 and £80 alleged to have been made to Captain R. J. S. Seddon at Christchurch for the "reorganization of Defence stores," I beg to report that I have done so.

The details and manner of search I append for your information, for, as you are aware, the scope of the inquiry has been enlarged from time to time.

The first examination that I made was in accordance with your letter of instruction—i.e., "the vouchers for issue out of Public Account between the 1st April, 1903, and the 30th June, 1905, of moneys which could be applied to such a payment."

Search No. 1.

The examination was made on the following lines:—

1. The basis of my search was the Treasury Issue Requisition, which, in terms in sections 45 and 46 of "The Public Revenues Act, 1891," is the only means of withdrawing moneys from the Public Account, under authority of the bank order signed by yourself, for, if the amount had been paid out of moneys in the Public Account, it must have appeared in the requisition. Accordingly I took the requisition embraced in the period 1st April, 1903, to 30th June, 1905, and abstracted all amounts, and the corresponding voucher-numbers, for £70 to £80 inclusive, which were charged to the following votes: Consolidated Fund—Defence Department, Permanent Militia and Volunteers, Stores and magazines, South Africa contingents, Defence miscellaneous; Public Works Fund—Contingent Defence; Deposit Account—Imperial Government South Africa contingents—these being all the votes administered by the Defence Department.

2. I then asked the Treasury that the vouchers comprised in my abstract should be produced to me. This was done, and nothing was found confirmatory of the allegation.

The scrutiny of the vouchers was made as follows: (a) The Treasury number, to see that no erasure, substitution, or obliteration had been made; (b) the name of Department of origin, and to whom due at head of voucher; (c) the date of service, and particulars of service in body of voucher; (d) that the voucher had been passed by Audit—i.e., bearing the Audit payment stamp and initials of the Assistant Controller and Auditor; (e) the name of claimant; (f) that the vote charged was in agreement with the service, and that the Department approving was in accordance with the vote; (g) who countersigned the cheque; (h) and, finally, that the signature at the foot of voucher and the person named in body of voucher agreed, or, if not, that there was either a general authority quoted on face of voucher or a special authority on the back.

Search No. 2.

I next took the credit requisitions, provided for by section 52 of "The Public Revenues Act, 1891," whereby all moneys accounted for by imprestees are finally charged to the proper votes, for the period 1st April, 1903, to 30th June, 1905, and abstracted all amounts of £70 and over charged to the same votes as in search No. 1. This was necessary for the reason that the imprestees, under Vote Permanent Militia and Volunteers, usually schedule a number of payments together, the covering voucher being charged in detail with the votes and items comprised in the subvouchers. The Treasury was then requested to produce all these vouchers, which was done, my examination being as full as in search No. 1, with this addition: that I not only examined the covering voucher, which gave the amounts and votes charged on subvouchers, but I examined every subvoucher of £70 to £80.

Search No. 3.

From a typewritten list of payments, for which cheques were countersigned by Postmaster at Christchurch, all sums between £70 and £80 (from voucher No. 88789 of 1903-4 to voucher No. 61477 of 1904-5) were abstracted, and the vouchers required from the Treasury. This examination was as close as before, with this addition: I satisfied myself that the direction to Mr. McBeth to countersign the cheques was at the foot of voucher, and, further, made for your information a list comprising number of voucher, amount, vote, claimant, and service.

Search No. 4.

Under your instructions, Mr. Willis and myself made from the Post Office Book a list of all amounts from £70 to £100, with the accompanying voucher numbers. The method adopted was this: Mr. Willis took the books and called the voucher numbers and amounts to me, which I took down. We then reversed—I called to him from the books and he checked my list, and together with myself initialled each sheet. He also in your presence expressed himself satisfied that it was a correct abstract.

We then went to the Treasury, and every voucher was produced that was on the list, with the exception of two—i.e., £80 7s. 11d. and £78 14s. 3d.—but as these were outside the scope of the inquiry, being payments of 1902-3—that is, prior to the 1st April, 1903—Mr. Willis was content to let them go. Since then, however, I have satisfied myself as to both—the voucher-number being wrong in the first case, and in the second, in abstracting from the Post Office book, Mr. Willis and myself both misread the number as "120763" instead of "763."

There were two further inaccuracies in the Post-office book. The first—voucher No. 24653, £7 0s. 4d. is shown in the book at £70 4s., evidently an error in entering. This I have since verified, and find that a cheque, No. 6383, in favour of Strange and Co., Christchurch, for £7 0s. 4d., was countersigned by Mr. McBeth, and, further, that the issue requisition shows voucher No. 24653 to be for £7 0s. 4d., and is charged to Railway vote. The second is voucher “3556,” for £91 7s., following No. 42826 of 1904–5. The error here is in the number, which should be 43934. This has arisen through the clerk in Christchurch entering the departmental instead of the Treasury number.

Mr. Willis was given every opportunity to scrutinize the vouchers, and my examination was on similar lines to search No. 3—if anything, more particular—and I can affirm positively that Mr. Willis saw every voucher, with the exception of the first and fourth, mentioned above.

Search No. 5.

Upon the completion of search No. 4 Mr. Willis was evidently not satisfied, and, under your instructions, he and I made a list from the Post Office books, in a similar manner to the last, of amounts £50 to £70, but the date was from the 1st January, 1904, to the 2nd September, 1904. The examination of the vouchers was on exactly the same lines as the last. The only discrepancy found in this list was that the Post Office had entered a voucher “36873” instead of “36875.”

Search No. 6.

Under your instructions an abstract from issue requisitions was made (1st April, 1903, 30th June, 1905) by Mr. Bybles, Mr. Ward, and myself of all amounts of £80 to £100 charged to Defence votes, &c. This was supplementary to search No. 1, and was carried out in exactly the same way, Mr. Ward examining all vouchers from 1st April, 1903, to 31st March, 1904, and I those from 1st April, 1904, to 30th June, 1905.

Search No. 7.

An abstract of amounts £40 to £70 from 1st December, 1903, and between £40 and £50 from 1st January, 1904, to 2nd September, 1904, made by yourself from the Post Office books. This was checked by Mr. Willis and myself in the same way as list for search No. 4. The vouchers were produced by the Treasury, and the examination was similar to searches Nos. 4 and 5.

Search No. 8.

Under your instructions Mr. Bybles, Mr. Ward, and myself made abstracts from the issue requisitions of all amounts of £40 to £70 charged to Defence votes and Deposit Account, South Africa contingents from 1st December, 1903, to 31st August, 1904. This was supplementary to searches Nos. 1 and 6. The vouchers were all seen by me, and examined in the same manner as in previous searches.

Search No. 9.

I have also examined the balances outstanding at 31st March, 1905, of imprestees holding money under the Defence Department, and also the Treasury Cashier's balance, and all vouchers comprised in those balances have been exhibited to me, and no payment is disclosed to Captain Seddon.

Search No. 10.

In accordance with your instructions, Mr. Ward and myself checked an abstract from the Post-office books, made by yourself, of all amounts of £40 to £70, from 1st April, 1903, to 1st January, 1904, and 1st September, 1904, to 30th June, 1905, thus making in conjunction with searches Nos. 4, 5, and 7 a complete examination of all vouchers of £40 to £100 paid by means of cheques, countersigned by the Postmaster, Christchurch, for the period 1st April, 1903, to 30th June, 1905.

There were found several slight discrepancies in this examination: Voucher 26257 of 1903–4, for £69 8s., should be 36257; voucher 89626 of 1904–5, for £52 18s. 7d., should be 89625; voucher 8746 of 1905–6—the amount in Post-office book is apparently £53 7s. 7d., but should be £53 1s. 7d.

Search No. 11.

Under your instructions I have carefully examined the Treasury Abstract Books for the years 1903–4, 1904–5, and June quarter, 1905–6, for any payment to Captain Seddon or any other person for the “reorganization of Defence stores,” and paid out of any of the votes as per search No. 1, and can find no trace of any such payment.

Search No. 12.

Under your instructions I then examined the Alphabetical Register of Abstracts kept by the Defence Department in terms of Treasury Regulation No. 62, and found no trace of any payment to Captain Seddon.

It will thus be seen that all vouchers for payment out of Public Account anywhere in the colony and charged to the various Defence votes, and Deposit Account, Imperial Government, South Africa contingents, have been scrutinised for the following periods and amounts: £40 to £70, 1st December, 1903, to 31st August, 1904; £70 to £80, 1st April, 1903, to 30th June, 1905; £80 to £100, 1st April, 1903, to 30th June, 1905. I have also seen and carefully examined all vouchers for which cheques were countersigned by the Chief Postmaster, Christchurch, from £40 to £100 during the period from 1st April, 1903, to 30th June, 1905; and, in conclusion, I can say positively that no payment has been made to Captain Seddon for “reorganization of Defence stores” or for any other service of an amount of between £40 and £100 either at Christchurch or anywhere else, within the dates of the various examinations.

D. C. INNES.

SIR,—

Audit Office, 29th August, 1905.

I have, in accordance with your instructions, made a very careful examination of all the statements showing the miscellaneous payments made by the Chief Postmaster at Christchurch from the 1st April, 1903, to the 30th June, 1905. There was no trace of any payment to Captain R. J. S. Seddon, or to any one of the name of Seddon; and there was no payment for reorganization or inspection of Defence stores in the above-mentioned statements.

The Controller and Auditor-General

I have, &c.,

W. G. HOLDSWORTH.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1905.

