

tion, arranged under their proper heads." It follows, as the books were not made up prior to 1908, that this rule has not been observed. Clause 50 of the regulations provides that "Once at least in every year the accounts of the corporation shall be examined, and the correctness of the balance-sheet ascertained by the Controller and Auditor-General, who shall present a report each year to Parliament stating the result of such audit."

No audit took place of the accounts until about the year 1914, when Mr. A. G. Beere audited the accounts extending over a period of more than thirteen years—that is, from the 24th June, 1899, to the 2nd September, 1912. (For his report see Exhibits AA, BB, and WW.) He also audited them again as at the 21st July, 1916. This was completed towards the end of August, 1917 (see Exhibit XX). These appear to be the only occasions on which the Mangatu No. 1 books have ever been audited.

There has never been any audit of the accounts of Nos. 3 and 4, and, of course, these two blocks are not affected by the Mangatu No. 1 Empowering Act. That Act, indeed, does not affect the trustees for No. 1, but only the committee; but the trust deeds for all three blocks contain the following clause: "The trustees shall keep accounts at such bank at Gisborne as the committee shall from time to time determine, and shall keep proper books of accounts, and report to Mangatu No. 1 (3, or 4, as the case may be) once at least in every year upon all matters connected with the management of the trust estate dealt with herein."

Mr. W. F. Marsh, the Commissioner of Crown Lands, in his evidence stated that he made frequent applications for a balance-sheet and accounts, but without success; but we refer more fully to this matter later on. (See copies of correspondence between Messrs. Marsh, Jackson, and Pavitt—Exhibit H3).

6. *The Receipts and Expenditure in connection with the Waitangirua Station.*

We have found it more convenient to include in this paragraph, dealing with Waitangirua, matters which would strictly come under paragraphs 4 (relating to past management) and 9 (relating to moneys paid to persons other than beneficiaries), and also to refer further to the method of accounting.

The Waitangirua Station consists of 12,110 acres, and the trustees' farming operations thereon commenced in May, 1908. No separate books of account were kept for the station, but its transactions were incorporated with the Mangatu No. 1 accounts. To accurately record the working of this farm a stock account should have been kept, and at least every twelve months an account should have been taken of the number of cattle, sheep, and horses at a fixed price per head. Nothing of this sort was done.

On the 24th November, 1914, Mr. W. H. Skinner, a former Commissioner of Crown Lands, wrote to Mr. Jackson as follows: "There are certain remarks and suggestions in the auditor's covering letters (Mr. Beere) that seem to me should be attended to and acted upon where possible. This particularly applies to what Mr. Beere says about that part of the trust estate being worked by the trustees as a station. Separate books and bank account certainly should be kept of all the receipts and outgoings dealing with the station, and, as one of the trustees, I now make formal request that this should be done, and also that a valuation be made annually of stock on the station; such valuation, after being certified to by the valuer appointed, to be attached to the balance-sheet for the information of audit and trustees." (Exhibit N3.)

Mr. Jackson in his evidence stated that he believed Mr. Tait, the station-manager, kept such an account, but we have had no other proof that this was so; and Mr. Tait's farm-books fail to show it, though there is evidence that a shearing-tally was kept for one or two years.

Regulations 47 and 48 under the Mangatu No. 1 Empowering Act, 1893, set out what accounts are to be kept, and specially mention expenditure; but these regulations have not been adhered to, and the accounts do not fully disclose the expenditure.

With regard to the bank account, we found that the Mangatu No. 1 Account was used for the Waitangirua Station until the end of August, 1913; after