

D.—No. 1.

PAPERS

RELATIVE TO THE

CASE OF MR. MACANDREW.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY BY COMMAND OF
HIS EXCELLENCY.

WELLINGTON.

—
1867.

PAPERS RELATIVE TO THE CASE OF MR. MACANDREW.

No. 1.

Copy of a Letter from the TREASURER, Waste Land Board, to the Hon. the
COLONIAL TREASURER.

(143-60.)

SIR,— Treasury, Waste Land Board, Dunedin, 18th September, 1860.
I do myself the honor to forward the enclosed copy of letter from A. J. Elles, Esq., Receiver of Land Revenue, Invercargill, written by my request to explain the circumstances under which two cheques for the payment of land were received by him, as such cheques were subsequently dishonored when presented at the Bank for payment. As the enclosed report will fully state the circumstances under which the cheques were received, I have merely to add that I trust when those circumstances are taken into consideration it will be admitted that Mr. Elles could scarcely refuse the cheques, and at the same time took all the precautions he could by retaining the receipts for the payment of the land in his possession, until it should be known the cheques were duly honored at the Bank, and the plan was adopted by Mr. Elles in consequence of his being unable to comply with the general rule of the office, that not any cheques are received except those that have been marked at the Bank as correct.

It is now for myself to explain the reasons for the course I adopted on receipt of the cheques at this office. And, first, I beg to state that on the return of His Honor the Superintendent from Invercargill he called at my office and stated that he had drawn a cheque for £100 17s. 6d. sterling, for the payment of land at Invercargill, and requested that on my receiving the cheque I would bring it to him, when he would meet it. This I accordingly did, as also a subsequent cheque for £200 sterling, both of which His Honor promised to provide for by the end of that month (May last). And if I have erred in not immediately presenting the cheques at the Bank, I beg to state that I did so after mature consideration of the circumstances, not doubting that the Superintendent would fulfil his engagements. But in consequence of his not having done so I presented the cheques at the Bank, when I was informed that there had not been any funds to the credit of Mr. Macandrew for some time. I then returned the cheques and land receipts to Mr. Elles, informing that officer that if the parties were not on the spot to pay the amount that the entries should be erased and the land re-applied for; also, the local officer being informed of the circumstances I considered that the transaction should be closed, either by the amounts being paid or the land again open for application. I have however to state, as will be seen in the enclosed reports, that the first amount of £100 17s. 6d. sterling has been paid by Mr. Alexander Brown. The second amount for £200 sterling remains unsettled; and as the Chief Commissioner is of opinion that the circumstances should be referred to His Excellency's Government before again declaring the land open for application, I have to request that you will have the goodness to forward to the Chief Commissioner such instructions as you may deem necessary under the circumstances stated in this report. In conclusion, I beg to state, for your information, that the land in question applied for by Mr. Neil McKinnon is unsurveyed land, situated in the Districts of the Invercargill Hundreds.

I have, &c.,

CHAS. LOGIE,

Treasurer, Waste Land Board.

The Hon. the Colonial Treasurer.

Enclosure in No. 1.

Copy of a Letter from the RECEIVER OF LAND REVENUE to the TREASURER,
Waste Land Board, Otago.

SIR,— Office of Receiver of Land Revenue, Invercargill, 1st September, 1860.

At your request I do myself the honor to report on the subject of the cheque for £200, taken by me from Mr. Macandrew in payment of land, and subsequently dishonoured by the Bank, and in order that I may do so fully, I will bring the whole of the circumstances fairly before you, and enter somewhat into detail.

On the 30th March, Mr. Macandrew, who was then at Invercargill, called at my office, and informed me that he had just been reminded that he had a sum of £100 17s. 6d. to pay for land on behalf of a Mr. Alexander Brown, and that owing to a resolution of the Waste Land Board, he could not re-apply for it at the same price, and requesting me, under the circumstances, to take his cheque for the amount. With this request I complied, at the same time intimating to Mr. Macandrew that it was contrary to my usual practice to take cheques in payment of land, and that I would hold the receipt as security till the cheque was cashed, which was done, and by the very first opportunity, viz., on the 14th April, I remitted the cheque to you, enclosing at the same time the land receipts, and requesting you to hold them till the cheque was cashed; the receipt of the same was acknowledged by you in a private letter of 23rd April.

Shortly after this, I received a letter from Mr. Macandrew, enclosing a cheque for £200 for payment of land on behalf of a Mr. McKinnon, and requesting me to take it and retain as before the land receipt till the cheque was cashed.

It was only because there was no time for the parties concerned to communicate with Mr. Macandrew on the subject before the day on which the land required to be paid for, and because I knew

PAPERS RELATIVE TO THE

that Mr. McKinnon would inevitably lose his land if I refused the cheque, that I was again induced, very reluctantly, to depart from my usual practice. Moreover, your acknowledgment of the receipt of the first cheque, without remark, naturally led me to suppose that it was duly honored, and tended, in a great measure, to overcome my reluctance to take the second; the cheque for £200 was accordingly taken by me, and, together with the land receipt, forwarded to you, with a statement of the circumstances, by the first opportunity.

In a private letter, of date 21st May, received from you, you informed me that neither the cheque for £200 nor the former one had been cashed, and stating also that you had seen Mr. Macandrew, who promised that both should be paid by the end of the month.

To this, as you may remember, I immediately replied, requesting you to present the cheques on receipt of my letter; and, if not paid at once, to send them back with the receipts, that I might have the entry erased from the books.

To this, in your private letter of the 4th June, you reply, that you had presented the cheques for payment at the Bank; that there was no funds then at the credit of Mr. Macandrew, and enclosing the receipts and cheques; and stating that the land must be re-applied for, and if the parties were not on the spot to pay the money, that the entries should be erased. I may here observe that the amount of the first cheque was duly paid by the person in whose name the land was applied for.

On receipt of your letter I immediately erased the entry from my cash-book, and waited on the Local Officer of the Waste Land Board, who keeps the books of the Land Office here, and informed him of all the circumstances of the case, and requested him to erase the entry from his books, to which he replied that he would; but by mere chance, I subsequently ascertained that he had not done so, but without apprising me of his intention, had forwarded the quarterly accounts and copy of the cash-book with the entry not erased, giving me as his reason for doing so, that without the sanction of the Chief Commissioner, he did not consider himself warranted in making the erasure: a conclusion, I beg to submit, which he was rather late of arriving at, and of which, as I stated to him at the time, he was in common courtesy bound to have apprised me, after his previous promise to make the erasure.

On being made aware of the non-erasure, I immediately wrote to you, pointing out the discrepancy that would appear between the two statements of accounts, viz., that sent to the Chief Commissioner, by Mr. Pearson, and that sent to you by me.

I have just received your letter informing me that, up till the 27th ultimo, the amount was not paid. In justice to myself, I have given you a very detailed account of this very annoying transaction, and having done so, I must leave the matter in your hands.

I have, &c.,

A. J. ELLES,

Receiver of Land Revenue.

To the Treasurer of the Waste Land Board, Otago.

No. 2.

Copy of a Letter from the SPEAKER, Provincial Council, Otago, to HIS EXCELLENCY
THE GOVERNOR.

YOUR EXCELLENCY,—

Auckland, 1st January, 1861.

In laying before your Excellency the address of the Provincial Council, in conformity with their instructions, I would respectfully request to be heard by your Excellency, should Mr. Macandrew in his official communication have reflected upon the impartiality or honorable intentions of the Council in their painful investigations and more painful decision; or should he have made any statements affecting the conclusions at which the Council have arrived.

I feel confident your Excellency will justly appreciate my motives in being desirous of placing the Province, to which I belong, and the Colony, of which it is a part, in such a position that the enemies of Representative Institutions may find no cause of rejoicing in the presumed inapplicability of such Institutions to British Colonies.

I have, &c.,

For His Excellency the Governor.

J. RICHARDSON.

Enclosure in No. 2.

Copy of an Address to the GOVERNOR by the PROVINCIAL COUNCIL of Otago.

To His Excellency Thomas Gore Browne, C.B., Governor of the Colony of New Zealand, &c., &c., &c.
“MAY IT PLEASE YOUR EXCELLENCY,—

“In consequence of the facts disclosed by accompanying Report and Evidence taken before a Select Committee of the Provincial Council of Otago, on the Public Accounts, Funds, &c., from which it appears that His Honor James Macandrew, Esquire, the Superintendent of the Province of Otago, has had the use of a portion of the Public Funds for private purposes, and was for a considerable time aware that there was a deficiency in the Public Funds without having made the Members of his Executive acquainted therewith:

“We Members of the Provincial Council, humbly address your Excellency, and request you to exercise the powers vested in Her Majesty by the fourth clause of the Constitution Act, and to remove the said James Macandrew from the office of Superintendent of the Province of Otago.”

Sub-Enclosures in No. 2.

REPORT of SELECT COMMITTEE on the STATE of the PUBLIC ACCOUNTS, PUBLIC FUNDS, &c.
(Brought up by Mr. Gillies, 18th December.)

Committee—Messrs. T. B. Gillies, Frederick Walker, W. F. Tarlton, Thomas Dick, and the Speaker,
Major Richardson.

In the prosecution of the important duties which devolved upon your Committee, it became at once

apparent that in the course of their investigations they would have to deal with subjects of the utmost delicacy, bearing upon the conduct and character of officials of high position in the Government. This painful conviction rendered it necessary to advance with the utmost caution; and while scrupulously avoiding the semblance of disrespect and suspicion, to fulfil without hesitation and honestly the duties which the interests of the Province imperatively demanded. The evidence taken by your Committee they now lay upon the Table, together with their correspondence with His Honor the Superintendent in regard to the matters herein specially referred to.

Taking the Auditors' Reports with His Honor's explanations thereon, laid before the Council, as the basis of their examination, they found that there were three points which particularly deserved investigation.

1. In reference to the item referred to in the Auditors' Report—Immigration per "Gala," £1712, —Messrs. J. Macandrew and Co., the Immigration contractors, on 15th December, 1857, appear to have authorized all moneys falling due under that contract to be paid to John Gladstone and Co., or as that firm "may from time to time direct," and about the same date Messrs. Gladstone ordered these moneys to be paid to Messrs. James Macandrew and A. W. Morris, jointly, on their (Messrs. Gladstone's) account. This authority seems to have been recognized and acted upon by the Provincial Government until June, 1859, when Mr. Morris having applied to be relieved of this agency, Messrs. Gladstone and Co. appointed Messrs. James Macandrew and W. H. Reynolds to receive these moneys on their account "upon their giving their joint receipts for the same." This authority also was recognized by the Superintendent's letter of the 27th August, 1859, and was acted upon in every case of payment of these moneys until the "Gala" money became due.

On 25th February last, Mr. Macandrew, as Superintendent, issued a warrant for payment of the "Gala" money in favour of himself and Mr. Reynolds "for John Gladstone and Co.," and, in his capacity of agent for Messrs. Gladstone signed a receipt for that money, which the receipt states "is paid to James Macandrew and W. H. Reynolds on account of John Gladstone and Co., in terms of their and Messrs. James Macandrew and Co.'s authority." The Treasurer paid the money to Mr. Macandrew upon this receipt on the faith of Mr. Reynolds afterwards signing the voucher, which he refuses to do. His Honor the Superintendent, a few weeks ago, issued a new warrant for the amount in favour of James Macandrew and Co., and, in his character of sole partner of that firm, signed a receipt for the amount which he requested the Treasurer to substitute for the original warrant and voucher, and to deliver up the original, which however the Treasurer very properly declined to do. Evidence has been submitted to your Committee that the "Gala" passage-money had not in September last been paid to the parties authorized to receive it.

With regard to this matter, your Committee remark, that the payment of the "Gala" money to the receipt of Mr. Macandrew alone, when the warrant was drawn in favour of Mr. Macandrew and Mr. Reynolds jointly, appears to them to have been an irregular and improper transaction; while the substitution of another warrant, drawn in favour of J. Macandrew and Co., and receipted by that firm, when the warrant first issued had been already paid, and the receipt of Mr. Reynolds could not be obtained, they are obliged to characterize as only an evasion of the impropriety, which meets neither the moral nor legal necessities of the case.

2. In reference to the item—"Clutha Coal Field, £1000," it appears that on 7th May last His Honor the Superintendent ordered certain railway plant, required for the Clutha Coal Field, from James Paterson and Co., upon the terms that he would at once remit to the Provincial Agents in Britain, by Bill of Exchange, £1000 to be applied in payment of the plant ordered, on production by Messrs. J. Paterson and Co.'s correspondents in Britain to the Provincial Agents of an invoice and bill of lading. His Honor the Superintendent on that date issued a warrant in favour of James Paterson and Co. for the £1000, and, on His Honor's statement that the money was remitted, James Paterson and Co. signed a receipt for the amount. The money was drawn from the Bank by Mr. Logan, the Superintendent's clerk, and by him was handed to the Superintendent.

If this sum has been remitted to the Home Agents, the transaction is monetarily all right; but your Committee can find no satisfactory evidence of such being the case, although they have endeavoured to obtain the third of exchange, or any other evidence which His Honor might be able to afford. They find a copy letter in His Honor's letter-book to the Home Agents, dated 8th May last, saying that such a bill of exchange is enclosed; but this letter was still in the Superintendent's office about the 26th May, and the Superintendent's clerk does not know of its being posted, and never saw the alleged enclosure. Although the receipt of two letters, of subsequent dates (26th May and 4th July), are acknowledged by the Home Agents, there appears no acknowledgment of the letter of 8th May. One letter of the Home Agents, however, of 24th August, seems to have gone astray; and, strange to say, the duplicate of it, enclosed in the Agents' letter of 15th September, seems also somehow to have disappeared. That letter might possibly acknowledge the Superintendent's Bill of Exchange and letter of 8th May.

It appears to your Committee that, if it were necessary to remit to the Home Agents, the Bill of Exchange ought to have been obtained through the Treasury Department, and, at any rate, that the third of exchange should have been filed along with the warrant, as a voucher, instead of a receipt by James Paterson and Co., who never either granted the Bill of Exchange or received the money.

3. The Auditors' Report states that on the 30th June last the cash balance in the Bank was £1073 15s. 4d. less than the balance which appears by the books at the debit of the Treasurer. This statement has occupied the attention of the Committee to a considerable extent, as such a discrepancy, if unexplained, must naturally produce in the public mind suspicion and distrust as to the management and administration of the public funds. The explanation of His Honor, appended to the Report, has also engaged our notice. On application to the Treasurer for an explanation, he states, with a circumstantiality that carries conviction of the truth of the statement, that the whole of that sum was on the 30th June in the Superintendent's hands; that the Superintendent, knowing it to be public money, obtained it in two sums of £486 and £600 in February and March last, on urgent statements of temporary necessity. The statement of the Treasurer is corroborated by a letter to His Honor of

the 30th September, explanatory of 'the Auditors' Report, and by other collateral evidence. These loans are distinctly denied by His Honor to have been obtained from the public funds.

Your Committee confine themselves to a simple narration of what they have ascertained on this point; they will offer no suggestions on what appears to them a grave and serious breach of public trust, but leave it to the Council to deal with this matter as it shall think fit.

Your Committee beg to express their satisfaction with the mode in which the Government accounts are kept by the accountant, Mr. Street, with this exception, that in accordance with the recommendation of the Accountant's Report of July, 1859, and the recommendation of the Auditors, your Committee would strongly urge that in future all Bank transactions should pass through the Accountant's books. This would to some extent form a check on the improper use of the public funds. Your Committee would also recommend that there should be regular Government pay-days, that no Government moneys over £2 sterling should be paid except by the Treasurer's cheque in favour of the party entitled to receive the money, and that all Government moneys received should be paid daily into the Bank account if they amount to £10 or upwards. They would further express their conviction that, as an additional check, the Superintendent's warrants should, before payment by the Treasurer, be countersigned by a duly authorized member of the Executive, and that the Treasurer's cheques should be countersigned and entered by the Accountant before payment by the banker. Your Committee would further recommend such alterations in the Audit Ordinance as would better define the Auditors' powers and duties; and also that the relative duties of the Superintendent and of his Executive in reference to financial matters should be more clearly defined, either by resolution of the Council, or, if necessary, by a new Executive Ordinance.

In conclusion, your Committee would only add that this Report was adopted by the Committee unanimously.

Dunedin, 18th December, 1860.

THOMAS B. GILLIES,
Chairman.

MINUTES OF EVIDENCE.

WEDNESDAY, DECEMBER 12, 1860.

At a Meeting of the Committee on Public Accounts, &c. *Present*—Messrs. Walker, Tarlton, Dick, Gillies, and the Speaker; Mr. Gillies in the chair.

W. H. REYNOLDS, Esq., examined.

By the Chairman—Were you one of the Auditors appointed by the Council in April last to audit the Public Accounts? Yes.

When did you commence your duties? I cannot remember the exact time, but it was some considerable time after appointment.

Would you explain to the Committee the reason of the delay between your appointment and the commencement of your duties? The Superintendent's absence, and the vagueness of the instructions given by him to Mr. Morris, rendered it uncertain whether the audit was to be confined to the public accounts, or to embrace also those of the Road and Education Boards. Mr. Reynolds would wish to state that the Treasurer gave every facility for the examination of the accounts; indeed he requested us to audit in June, but we declined on the above grounds.

Did you, as well as Mr. Morris, apply to the Superintendent for instructions? I do not remember.

Do you remember when the Superintendent left, and how long he was absent? I think he left in May or June, and believe him to have been absent five or six weeks; of this, however, I am not certain.

Did any communication pass between the Auditors and the Superintendent between the commencement of the audit and the date of the first report? No written and official communication that I remember.

Will you inform us what are the circumstances, so far as you know them, which caused the remarks in Auditors' Report on Voucher 437 (immigration per "Gala")? This payment was under the Emigration contract between the Government and Messrs. James Macandrew and Co.; that firm gave the Government written instructions to pay all moneys due under the contract to J. Gladstone and Co., or order. Gladstone and Co. subsequently formally instructed the Provincial Government to pay such moneys due in Otago to James Macandrew and A. W. Morris, jointly; thereafter to James Macandrew and W. H. Reynolds, jointly. These instructions were recognized and acted on in every case except the "Gala."

Have you been requested by Mr. Macandrew to sign his receipt for the "Gala's" money? Yes, and also by the Provincial Treasurer and Accountant.

Why did you decline? The money had been already paid to Mr. Macandrew without my authority, and the evidence of its having been properly applied was refused.

Have you, since the date of the Auditors' Report, signed this receipt or received evidence of the proper application of this money? I have not.

By Mr. Walker.—Have you seen any written communication from Messrs. Gladstone and Co. to the Provincial Government, instructing the Provincial Government to pay the moneys due to them in Otago, under the Emigration Contract, only to the order of Mr. James Macandrew and Mr. W. H. Reynolds, jointly? I have seen such a document, but not when we were auditing the accounts.

By the Chairman.—With reference to Voucher No. 738 (Clutha Coal Field, £1000), will you state what you know of it? I know nothing of it, except that the warrant and voucher are vague and unsatisfactory in terms; and on application to the Treasurer for information, he could give us none, stating that the transaction to which it referred, was managed by the Superintendent personally.

Did you, either as Auditor or otherwise, seek information from the Superintendent on this point? I spoke to him privately on the subject.

Did you receive any information? I was told that the Auditors were overstepping their duties, that they had nothing to do with it.

According to remark No. 4 in your report there appears on the 30th June to have been a difference between the balance shown by the cash-book and the sum in the Bank of £1073 15s. 4d.

Did you make any inquiry about this? We did, and were told by the Treasurer that this arose in connection with the accounts at the South.

Did he give any further explanation? Yes, but I do not recollect what it was.

Was that explanation satisfactory to the Auditors? Certainly not to me.

Did you make further special inquiry of the Treasurer as to how he accounted for this deficiency? Yes, we did. He stated that part of it was in the chest, and part owing to sums of money unvouched for at Invercargill.

Were the balances on hand on account of Road and Education Votes included in this £1073 15s 4d? No.

Did you at any time in the course of the audit prior to 24th October, 1860, ascertain whether the balance, which, according to the cash-book ought to have been in the hands of the Treasurer, was actually in his hands? Yes, on or about the 24th October I believe the full balance, as shown by the cash-book, was in the Treasurer's hands. It is, however, impossible, under the present system, to ascertain this with accuracy.

You have stated in your report that you believe the full balance of the Provincial Account to have been lodged in the Bank on the 30th September. Do you believe this to have been the case prior to that date? Yes, I do.

Can you tell us what time between the 30th June and 30th September, the full balances were lodged in the Bank? No, I cannot.

Did you try the balance at any other time during the financial year? Yes, we made trial balances at various dates.

Did any discrepancy between the cash-book balance and the Bank-book balance, as reported by you on the 30th June, appear when those trial balances were made? Yes, always a discrepancy; sometimes more, sometimes less.

Did you ever ask the Treasurer what amount he had in his cash-box at any particular date; or did he ever volunteer such information? No; I never asked him, and he never volunteered.

Did he ever state to you officially whether any portion of the public funds were in the hands of any other person? Yes, he did.

In whose hands did he state they were? The Superintendent's.

In any other person's? Not to my remembrance.

Did he state the amount in the hands of the Superintendent? I believe so, but do not remember what it was.

Did he say how this money came into the Superintendent's hands? I believe he said that he had borrowed it; but my memory is not clear on that point.

By the Speaker.—You have stated that on inquiry from the Treasurer he mentioned that a portion of the apparent deficiency on the 30th June was in the chest. Did you examine the cash balance in the Treasurer's chest to ascertain the fact? No, because our audit did not commence till subsequent to 30th June.

When these discrepancies appeared in the trial balances, did you ascertain whether these balances were in the Treasurer's chest? No; we had no means of doing so, seeing the trial balances referred to a period previous to their being made.

Can you tell to what part of the Public Funds the money lent by the Treasurer to the Superintendent belonged? The Treasurer stated that the balance, or part of the balance, of the Road Board was in the Superintendent's hands.

Did the Auditors at any time count the cash in the Treasurer's chest? No.

JAMES KILGOUR, Esq., examined.

By the Chairman.—Were you one of the Auditors appointed by the Council in April last, to audit the public accounts? Yes.

When did you commence your duties? I do not remember, but it was considerably after the appointment.

How did this delay occur? Communications had to pass between us and the Superintendent with regard to our duties, which were ill-defined.

Did you, as well as the other Auditors, apply to the Superintendent for instructions? Yes.

Do you remember when the Superintendent left? No.

Was there any Deputy appointed? I don't think so.

Did any communication pass between you and the Superintendent between the commencement of the audit and your first report? No formal communication, except by Mr. Morris, on behalf of the Auditors.

Can you explain the remarks on Voucher 437, Immigration per "Gala," appearing in your report? I can give no further explanation than that afforded by the report.

Can you tell us what course was pursued with regard to the receipts for former payments under the Immigration contract? I believe they were usually signed by Mr. Macandrew and Mr. W. H. Reynolds; but the Treasurer stated that, on a former occasion, he had paid the money with only one signature, the other having been subsequently obtained, and he expected the same would have been done in this case.

With reference to Voucher No. 738, Clutha Coal Field, £1000, will you state what you know of it? Upon examining the voucher, a writing appeared across the face, showing the money had been paid without the Treasurer's cheque. Further, the Auditors thought it strange that money should be remitted home for Government purposes when there were ample funds in the Agents' hands. They also deemed it irregular that money should be paid for plant ordered, before its arrival here. Upon making inquiries from the Superintendent, no satisfactory information could be elicited.

There appears by remark No. 4 in your report to have been a difference between the balance shown by the cash-book and the sum in the Bank, amounting to £1073 15s. 4d. Did you ask for any explanation of this; if so, what was it? Yes, we did. The Treasurer stated that part was in the hands of Mr. Price, but could give us no satisfactory information about the rest. We also made trial balances at different dates, and found the balance correct at date of previous audit, but deficiencies, sometimes as much as £1800, at various subsequent dates.

By Mr. Dick.—At the previous audit, did you examine the accounts of the Road and Education Boards? No; but Mr. J. Gillies and myself then recommended to the Treasurer that the balances on these accounts should be lodged in the Bank.

By the Chairman.—Were the Road and Education account balances included in this £1073 15s. 4d.? No.

Did you at any time in the course of the audit, prior to 24th October, 1860, ascertain whether the balance which, according to the cash-book, ought to have been in the Treasurer's hand, was actually there? No; we endeavoured to do so, but could not.

You have stated in your report that you believe the full balance of the Provincial Account was lodged in the Bank on the 30th September; do you believe the full balance to have been in the Bank previous to that date? No.

Can you tell at what time between the 30th June and the 30th September the full balance was lodged? No, I cannot.

What is your reason for believing that this balance was not in the Bank prior to the 30th September? Because the Bank-book showed it.

Did you ever ask the Treasurer what amount he had in his cash-book at any particular date, or did he ever volunteer such information? No.

Did he ever state to you officially whether any portion of the public funds were in the hands of any other party? Yes; he said that part of the Road Board balance was in the hands of the Superintendent. I understood from the Treasurer that the sum was about £700. The Superintendent, however, told me that he had only about £400; the remainder being in the Treasurer's own hands.

Did the Treasurer say how this money came into the Superintendent's hands? Yes; he said he had got the loan of it.

When the discrepancies appeared in the trial balances, did you ascertain whether these amounts were in the Treasurer's chest? No.

Did the Auditors at any time count the cash in the Treasurer's hands? No.

By the Speaker.—You have stated that part of the sum deficient was said by the Treasurer to be in the hands of Mr. Price: do not the whole of the remittances to Mr. Price appear duly vouched for? There is no entry made of any part of the deficient sum represented as being with Mr. Price, while other remittances are duly entered.

By Mr. Walker.—From your experience in auditing the public accounts during previous years, can you say whether it is usual for a discrepancy to appear between the cash-book and the Banker's book? No, certainly not; on all previous occasions the accounts were correct on counting the cash balance in the Treasurer's hands.

By Mr. Dick.—After a Bank was opened, did you understand that all moneys were kept there, and had you any reason to believe that the Treasurer kept any moneys in his chest? I always understood that the whole Provincial balance was in the Bank.

THURSDAY, DECEMBER 13, 1860.

At a Meeting of Select Committee. *Present*—Messrs. Gillies, Richardson, Dick, Tarlton, and Walker.

CHARLES STREET, Government Accountant, produced warrant No. 738, dated May 7th, 1860. Contains as follows: "Service, works in connection with Clutha Gold Fields. Pay to James Paterson and Co., for Bill of Ex., the sum of one thousand pounds. James Macandrew, Superintendent."

Across the face of the warrant is written, apparently in Mr. Logan's hand—"In absence of the Provincial Treasurer, the Manager of the Union Bank of Australia is hereby authorized to pay the thousand pounds, for which the Treasurer's cheque will be issued when that gentleman arrives." On the voucher attached, it is stated, dated 7th May, 1860—"To Bill of Ex., one thousand pounds. Received on the 8th day of May, 1860, from John McGlashan, Esq., Provincial Treasurer, the sum of one thousand pounds sterling, in full payment of the above account. (Signed) James Paterson and Co."

By the Chairman.—On what date does this thousand pounds appear in your cash-book? On the 7th May, 1860.

Have you got the Bank-book? No, I do not keep it; Mr. McGlashan has it himself.

By Mr. Dick.—Was it through your hands the £1000 was paid? No.

By the Speaker.—Do all moneys pass through your hands? Almost invariably.

By Mr. Dick.—Do you know who received this £1000? No.

Have you seen the Bill of Exchange alluded to in Voucher 738? I have not.

Have you ever known of Bills of Exchange being purchased by Government except in this case? Not to my recollection; but in an old ledger I have seen an entry of purchase of a Bill of Exchange in Melbourne to defray part of Mr. Reynold's expenses when there on Government business; this was before the establishment of a Bank.

By the Chairman.—With regard to Voucher No. 437, Immigration per "Gala"—have you that voucher? No, it is locked up at present; I cannot get at it till to-morrow.

Do you remember whether you paid this sum? No, I did not pay it.

Do you happen to know who did make the payment? Mr. Macandrew brought the warrant and voucher himself to the Treasurer, and the Treasurer himself gave a cheque. I signed the voucher as witness to the payment.

Have you made payments on account of Immigration formerly? I think almost invariably.

To whom were the former Immigration payments made? To the party or parties to whom the

body of the warrant makes the money payable, except in cases where these parties give written authority to some one else to receive.

Was the receipt for the Immigration money signed by the parties named in the warrant? No, it was only signed by one of them.

By Mr. Walker.—Do you remember whether there were two names to whom the money was made payable in the warrant? Yes, there were two—Mr. Macandrew and Mr. Reynolds.

Is it usual in such cases to pay the money to the acknowledgment of only one person? Not without a written authority from the other.

By the Chairman.—Did you call the Treasurer's attention to this discrepancy? I did some time afterwards, and he sent me to speak to Mr. Reynolds on the subject.

What was Mr. Reynolds' reply? He declined to sign.

The Speaker.—Will you explain how Voucher No. 437 was "set right," as stated by the Superintendent? Subsequent to the audit, a new warrant, drawn in favour of James Macandrew and Co., was issued by the Superintendent, and a new voucher, signed by James Macandrew and Co., attached. The original warrant is in my possession.

By the Chairman.—In reference to Voucher 921A, Provincial Agent at Invercargill, £800, please explain this transaction? Captain Elles, as Receiver of Land Revenue, advances to the Agent at Invercargill a monthly sum of £800, for which he receives the Agent's drafts upon the Provincial Treasurer. These drafts are sent by Captain Elles to Mr. Logie, Treasurer of Waste Land Board, who presents them to the Provincial Treasurer, and the amounts are passed at once through the books.

Are there any amounts in Mr. Price's hands which do not appear by the cash-book to be at once credited to the Treasurer? There are not.

By the Speaker.—In accounting for an apparent deficiency in the balance on the 30th June, the Superintendent states it to arise "from the mode in which many payments in the country have been hitherto made." Can you throw any light on this point? The only case, to my knowledge, is that of the public works in the immediate vicinity of the town, in which from £250 to £300 might occasionally be out for two or three days.

How does the fact that "the disbursements at Invercargill have been paid before the warrants have been signed," account for the discrepancy between the cash and Bank balances? I do not understand how it can have anything to do with it.

By the Chairman.—The Auditors' Report recommends that all cheques drawn and deposits made should pass regularly through the cash-books—did you ever recommend this? Yes, I recommended that this should be done, in a report which I made before I entered on my duties; but the Treasurer declined to adopt my suggestions.

By the Speaker.—Have you a copy of the report you allude to? I have. (Copy produced. Appendix P.)

FRIDAY, DECEMBER 14, 1860.

At a Meeting of the Committee on the Public Accounts, &c., held the 14th December, 1860.

Present—Messrs. Gillies, Dick, Tarlton, Walker, and the Speaker; Mr. Gillies in the Chair.

A. W. MORRIS, Esq., examined.

By the Chairman.—Were you appointed by the Superintendent as Auditor of the Public Accounts under the Audit Ordinance, and at what date were you appointed? I was; the particular date I cannot tell, as I received no official notice beyond accidentally seeing it in the *Provincial Gazette*.

When did you commence your labours? After the 26th of July; a considerable time after my appointment.

Will you explain the reason of the delay between your appointment and your entering on your duties? We wished our duties defined, and the Superintendent being absent we could not obtain definite instructions until his return.

Did you and the other Auditors apply to the Superintendent for instructions, and did you receive any. If so, what were they? We did. I now produce the instructions we received, dated 16th and 26th July, 1860. (*Vide* Appendix A and B.)

Are the reports now produced and submitted to the Council the only reports given in by the Auditors? They are.

Can you give any information relative to Voucher 437, Immigration per "Gala," £1712? Nothing more than that at one time I was authorized by J. Gladstone and Co. to draw the immigration money jointly with Mr. Macandrew, and invariably signed the necessary receipts along with him. I received notice, either verbal or written, that I was conjoined with Mr. Macandrew in receipt of the money. On my intimating to Gladstone and Co. my desire to be relieved from this duty, Mr. Reynolds was substituted for me.

Can you give any information relative to Voucher 738, Clutha Coal Field, £1000? Our notice was attracted by a writing across the face of the warrant for this payment. The payment was charged to Clutha Coal Field, while the body of the warrant and voucher appeared to be for a Bill of Exchange. The transaction we could not understand, and applied to the Treasurer, who could afford us no information on the subject. I applied to the Superintendent for explanation, and he told me he would instruct Mr. Logan (Superintendent's clerk) to lay the necessary papers before us. On application to Mr. Logan immediately prior to the 4th September, he stated that he had no instructions from the Superintendent on the subject. We took considerable trouble to investigate the matter, but could obtain no satisfactory information.

Did you endeavour to ascertain the cause of the discrepancy between the cash-book balance and the Bank balance at 30th June, 1860? We did. The Treasurer's statement was that he had frequently large sums in his hands, and that the mode of keeping the Southern accounts caused an apparent deficit which did not appear by the books. I made several trial balances between 30th September, 1859 (the previous audit), and the 30th June, 1860. At the date of the previous audit there appeared to be a surplus in the Bank of £23 6s. 2d.;

stated that it was irregular altogether to have made out the warrant in favour of himself and Mr. Reynolds individually, and that he would issue a new warrant in favour of the contractors. He on the same day handed me the second warrant and receipt, saying he had recalled the first one, and requested me to give him up the first warrant, which I declined to do, as it had been before the Auditors.

By Mr. Dick.—In reference to Voucher 738, Clutha Coal Field £1000—can you give us any further information? I can give no further information. I may state with reference to this voucher that the warrant was presented while I was confined to bed unwell, and as I could not sign a cheque the warrant was presented to the Bank either by the Superintendent's clerk or by the accountant, with an explanation of the circumstances, and the money was paid and the cheque afterwards given. I do not however think that I would have objected to give the cheque on explanation of the object, as the lessee of the Clutha Coal Field had shortly before asked me to use my influence to get the materials from Great Britain as early as possible.

By the Speaker.—How do you know that the sum was wanted for the Clutha Coal Field? I made inquiry both of the Superintendent and the Accountant on my return to the office, and when I gave the cheque for the amount.

By Mr. Tarlton.—Do you remember any other instance in which warrants have been paid without your having first given a cheque for the money? I think that in a few other instances money has been paid by the Bank on the Superintendent's warrant in my absence.

By Mr. Dick.—The voucher attached to the warrant states it to have been for the purchase of a Bill of Exchange from Messrs. Paterson and Co. Is it customary for the Government to purchase bills on home, and are there no funds in the hands of the Home Agents? The Home Agents certainly had no funds in their hands for the purchase of the plant of the Clutha Coal Field, nor for any other purpose than Immigration. I do not remember any instance of the Government purchasing bills on home, nor am I aware of any previous occasion that the Government had for making a purchase to the extent of £1000.

Do our Agents at home never pay for anything but Immigration without a remittance? Yes, they have been instructed to pay a bookseller's account for books furnished for the schools, and an account due to Blackwood for the *Agricultural Journal*; but I do not remember any other instances. I wish to explain that the funds in the hands of the Home Agents were to be devoted to Immigration, as the sources of these funds were remittances made to them, and debentures sold by them expressly for the purpose of Immigration, and sums paid by immigrants towards their passages.

Do you know on whom the Bill or Bills of Exchange were drawn, or did you see them or know anything about them? I do not know. I am unable to give any further information than what the voucher affords. I did not see the Bills of Exchange, possibly for the reason I have already stated, that I was confined to my bed; the Superintendent called at my house, but I was too unwell to see him.

Is it the usual custom to remit by bank draft? I am not aware of any custom in the matter, as the purchase of the plant for the Clutha Coal Field is the only instance, so far as I remember, of the Government ordering goods from Britain, except in the instances already mentioned.

Why did you not afterwards insist upon getting the third of exchange, and attaching it to the voucher? It did not occur to me, nor was it suggested by the Auditors.

By Mr. Walker.—Paragraph No. 4 in the Auditor's Report states a discrepancy between the balances in the cash-book and the Bank-book, amounting to £1073 15s. 4d. Can you explain how this occurs? The whole of this sum was in the hands of the Superintendent at that time; but what, I observe, the Superintendent states in explanation of this discrepancy is substantially true as to the state of balances at other times.

The Auditors state in their evidence apparent discrepancies at various times, once as high as £1800. Were the amounts involved in these discrepancies always in the Superintendent's hand, or are they to be accounted for in any other way? The discrepancies occur during the whole time between 30th September, 1859, and 30th June, 1860. If there were any such discrepancies, they must have been apparent and not real, and caused in this way. For the public convenience, I have been obliged, much against my inclination, to advance sums of large amount in payment of wages before any warrants were issued, and merely upon the certificates of the heads of Departments. In paying the wages the course followed was this: Schedules were produced to me stating the names and sums due to each labourer, the sums were added up in pencil, and such of the labourers as did not appear for payment were scored out, and a warrant obtained for the amount of actual payments, the difference being returned to me. This practice exists even yet, but not to the same extent as formerly. The foregoing statement refers to labourers paid here (Dunedin); but in the case of those engaged at Invercargill, large sums had to be remitted, as is still the case. But since the appointment of a Government agent at Invercargill, he is debited with the sums remitted, which I pay on a letter of general authority from the Superintendent, who issues warrants when the accounts are transmitted by the agent.

Mr. Tarlton.—In what way did the Superintendent obtain the balances from you? The Superintendent obtained the money from me in two sums, upon an urgent statement that he had omitted to draw money from the bank during bank hours, and would repay on the following day. In the first instance, as he did not pay on the following day, I obtained a Bank cheque dated the day after the day I got it. On presenting that cheque to the Bank I was told there were no funds. In the second instance he told me that he was about to settle a £9000 transaction with Mr. Jones, and on getting the money would repay both sums. I happened to go into his room shortly before, and saw Mr. Jones in conversation with him, and did not doubt his statement. The money was not repaid then, but has, since the Auditors' first report, been repaid to me, except a balance of about £116 sterling.

The Speaker.—Will you state the respective amounts borrowed, and the dates of lending? £486 and £600, in February and March last.

In what form were these amounts paid to the Superintendent? In cash, as I happened to have as much money in hand at the time, having the Superintendent's letter of authority to keep £400 to £500 of cash by me, to meet demands by persons from the country, should I happen to be out of the way, or if they called after bank hours.

Mr. Tarlton.—Was the cash given to the Superintendent, on both occasions referred to, out of the Public Treasury? Yes.

Was the Superintendent aware, when he got it, that it was from the public funds? Yes.

Please explain how you know that he was aware of this? I told him at the time that I could not give it to him otherwise than from that source. He perfectly knew it.

The Speaker.—Can you give us any information about the balances on the 30th June, belonging to Education and Roads accounts? Where were they at that time? They were in my hands, not in the Bank. The day after the Auditors' Report (1st July) there was no balance in my hand on Education account, except a few shillings; and in regard to the Road Board balance, I made known to the Superintendent, on his entering office, that such a balance was in my hands, and on the Auditors wishing the sum to be placed in Bank, I suggested to the Superintendent that it should be placed at once in the Provincial account.

By Mr. Tarlton.—Have you lent the Superintendent on any other occasion any sums belonging to the public funds? On one occasion only, the Superintendent received from me the sum of £500, which he said he required to retire some obligation of Mr. Reynolds, which he said that gentleman had omitted to leave funds for on going from home, I think to Nelson; that sum was repaid on the following day. The witness on being referred to answers No. 33 and No. 53, explained that as the Superintendent had not repaid the whole of the money, he had applied part of the Road balances in liquidation of the amount deficient on Provincial account; also that as the Superintendent had been repaying the amount borrowed gradually, the Superintendent was owing only £400 at the time he stated so to Mr. Kilgour. This was at the time of the second audit. With reference to the Provincial Accountant's recommendation, that bank cheques and deposits should be entered through the cash-book, witness said:—I recollect Mr. Street showing me his report; I distinctly remember his saying to me that it was unnecessary this course should be followed in my case, as I had found security for my intrusions.

Chairman.—Would you state any circumstances that would show that the Superintendent knew that these moneys he asked and got from you were public moneys? I remonstrated with him at the time on the impropriety of the transaction, and very frequently since have done the same.

Mr. LOGAN, Superintendent's Clerk, examined by the Chairman.

Have you any documents relative to the payment of Emigration moneys? (Mr. Logan then produced documents C, D, and E, Appendix.)

In reference to the Bill of Exchange, £1000, Clutha Coal Field, do you know whether this was remitted? I produce a copy of a letter in the letter-book of the 8th of May, 1860. (*Vide Appendix F.*)

Did you see the Bill of Exchange therein referred to? I did not; the letter lay on my table for a considerable time, at least for a fortnight, and on placing it along with other documents before the Superintendent immediately before his proceeding to Wellington, about May last, he said he would attend to it, and I never saw it since.

Has any letter arrived from the Home Agents acknowledging the receipt of that letter of the 8th May? There has not.

Have any letters of later date been acknowledged by the Home Agents? Yes, my letters of the 26th May and 4th July have been acknowledged by Messrs. Crawford and Auld's letter of 26th September. (*Vide Appendix G.*)

Have you received the Despatch of the 24th of August above alluded to? I have never seen it.

Have you the copy of it referred to as having been enclosed? I have never seen it, and on asking the Superintendent who opened the letter of the 25th September, he stated that I had received all he had received along with other documents.

By the Speaker.—When the Superintendent instructed you to prepare the second warrants, substituting the name of James Macandrew and Co. for James Macandrew and W. H. Reynolds, what reason did he assign for such substitution? He said that Reynolds had nothing to do with it; it was not under the contract. I produce letters as to "Gala" being under the contract. (*Appendix H. and J.*)

In reference to that £1000 for the Clutha Coal Field, did you receive that money from the Bank? Yes.

To whom did you give it? To the Superintendent.

SATURDAY, DECEMBER 15, 10 A.M.

At a Meeting of the Select Committee on the Public Accounts, *Present*—Messrs. Gillies, Tarlton, Walker, Dick, and the Speaker; Mr. Gillies in the Chair.

JAMES PATERSON, Merchant, of the firm of J. Paterson and Co., examined.

The Chairman.—We find among the public vouchers the Superintendent's warrant to pay to your firm £1000 for a Bill of Exchange on account of the Clutha Coal Field, and a receipt by your firm for this amount. Has your firm received that £1000? No.

Has your firm granted any Bill of Exchange for that amount? No.

Then what is the nature of the transaction, so far as your firm is concerned? It was an order received by us from the Superintendent for some railway plant to be ordered by us from our agents at home, on account of which the Superintendent was to remit £1000 to the Government Agent at home, who was to pay to our agents the amount on production of invoice and bill of lading.

Have you any evidence of this transaction? I have the Superintendent's letter, which I produce. (*Appendix K.*)

Why did your firm sign a receipt when you had not received the money? Because we considered the money when remitted home to be the same as paid to ourselves.

Did you see the Bill of Exchange said to be remitted home, or any duplicate of it? No.

The Speaker.—Have you inquired from the Superintendent whether the money has been sent? Yes, at different times, and was always assured it had been duly sent.

Have you any advices from your agents as to the execution of the order? Our advices by last mail state that the order is in hand, and being got on with.

A. JACKSON, Esq., Manager of Union Bank, examined.

The Chairman.—Was the £1000, represented by Warrant 738, paid before the Treasurer's cheque was issued? Yes, upon authority from the Superintendent.

Have any other payments been made in the same way? I cannot remember any other instance.

To whom was the money paid? Apparently to Mr. Logan.

Have you issued any Draft or Bills of Exchange in the month of May on London, in favour of Crawford and Auld for £1000? No.

At a Meeting of Committee on Public Accounts, &c. *Present*—Messrs. Gillies, Tarlton, Dick, Richardson, and Walker; Mr. Gillies in the Chair.

E. B. CARGILL, Esq., examined.

Mr. Dick.—Are you aware whether the passage-money due on account of passage-money per "Gala," to Gladstone and Co., have been paid to them? I have reason to believe that it has not, as I hold a power of attorney, dated 25th September, 1860, to recover from James Macandrew and Co., that and other claims on account of the owners of the "Gala," Gladstone and Co., having given to the captain of the "Gala" the following authority:—"14th December, 1859. To the Commander of the ship 'Gala' of Glasgow. Sir—Referring to your charter for the conveyance of emigrants for us from Glasgow to Otago, and in accordance with the power given us by the charter party, we desire that you receive payment for the balance of the passage-money due in Otago in cash, and not by draft upon us. Your kind attention will oblige, Sir, yours obediently, (Signed) John Gladstone and Co."

PROVINCIAL TREASURER re-examined.

Mr. Dick.—Did you furnish the Superintendent with any remarks on the subject of the Auditors' Report? I did, and herewith hand a copy thereof. (Appendix R.)

Mr. Tarlton.—Have you received any answer to that communication? I have not.

APPENDIX TO MINUTES OF EVIDENCE.

[A.]

GENTLEMEN,—

Superintendent's Office, Dunedin, 16th July, 1860.

With reference to your letter to the Provincial Treasurer, intimating your desire to defer the auditing of the Provincial Accounts until your duties should be defined by me, I have the honor to state that all that is necessary is that you ascertain that the accounts are correctly stated, the payments duly authorized and properly vouched.

I have, &c.,

JAMES MACANDREW,
Superintendent.

To A. W. Morris, James Kilgour, W. H. Reynolds, Esqrs.

[B.]

SIR,—

Superintendent's Office, Dunedin, 26th July, 1860.

I have the honor to acknowledge the receipt of your letter of yesterday's date respecting your appointment as Auditor of the Public Accounts. In reply I have the honor to state that the appointment in question has respect to the accounts of the Provincial Treasurer solely.

The Road and Education Boards have powers conferred upon them by Ordinance to audit their own accounts, which I understand they have hitherto regularly done.

I have, &c.,

JAMES MACANDREW,
Superintendent.

To A. W. Morris, Esq.

[C.]

SIR,—

London, 15th December, 1857.

You will no doubt have been made acquainted, through my firm in Otago, that I had entered into an arrangement with Messrs. John Gladstone and Co., of this city, for the purpose of carrying out the Immigration contract entered into between my firm and your Government, and that they would undertake the management of the same according to the terms of the agreement.

I have arranged with the Agents of your Government to pay over to Messrs. Gladstone and Co., the moiety of passage-money due on this side, and have now to request that you will be good enough to make the several future payments due on your side also payable in such way as said firm may from time to time direct.

I have, &c.,

For Self and Firm,
WILLIAM H. REYNOLDS.

His Honor the Superintendent,
Province of Otago, New Zealand.

[D.]

SIR,—

White Lion Court, Cornhill, 15th June, 1859.

As the Immigration contract with your Provincial Government, which we hold jointly with

Messrs. James Macandrew and Co., is being further acted upon during the present season, we take the liberty to request that you will oblige us by making its payments of the moiety of passage-money in Otago to Mr. James Macandrew and Mr. W. Hunter Reynolds, on our account, upon their giving their joint receipts for the same. These instructions are intended to supersede those given in our letter of December, 1857, which empowered you to pay upon the joint receipt of Mr. Macandrew and Mr. A. Morris, and are rendered necessary by Mr. Morris' change of business arrangements, which has led him to ask us to appoint some other gentleman in his place.

We trust the "Alpine" will have a fine passage. Every care has been bestowed as usual to ensure as far as possible the comfort and health of the passengers.

With tender of our services at all times,

To His Honor the Superintendent of the Province of Otago.

We have, &c.,

JOHN GLADSTONE AND CO.

[E.]

GENTLEMEN,—

27th August, 1859.

I have the honor to acknowledge the receipt of your letter of the 15th of June last, requesting that the receipts for the passage money payable here, and hitherto taken from Messrs. J. Macandrew and A. W. Morris, be now taken from Messrs. J. Macandrew and W. H. Reynolds, on your account, upon their joint receipts for the same, which will be complied with.

Referring to correspondence by this mail with Messrs. Crawford and Auld, our Agents for this Province,

I have, &c.,

W. CARGILL,

Superintendent.

To John Gladstone and Co., London.

[E 2.]

Immigration Fund Account. Money Warrant. Province of Otago. 1859-60.

No. 437. £1712.

Dunedin, 25th February, 1860.

Service—Immigration—half of passage-money "Gala," 214 adults, at £8 each.

PAY to James Macandrew and W. H. Reynolds, for John Gladstone and Co., the sum of Seventeen hundred and twelve pounds.

JAMES MACANDREW,

Superintendent.

To the Provincial Treasurer, Otago.

Province of Otago.

Voucher No.—

The Department of Immigration, Dr. to James Macandrew and Co. account Immigration Fund. For the undermentioned expenses incurred for the public service:—1860. Feb. 24. To half passage-money of 214 adults, per "Gala," at £8, £1712.

I certify that the sums charged in the above account were actually expended as above stated, and that the expenses were necessarily required for the public service; that the rates charged are reasonable, and no more than would be paid by individuals for the like articles and service: and further, that the account is in every respect correct.

JOHN LOGAN,

Clerk to Superintendent.

Received on the 25th day of February, 1860, from J. McGlashan, Esquire, Provincial Treasurer, the sum of Seventeen hundred and twelve pounds sterling, in full payment of the above account, under the Government contract with them, and which is paid to James Macandrew and W. H. Reynolds, account John Gladstone and Co., in terms of their and Messrs. James Macandrew and Co.'s authority.

(Signed) C. H. STREET—Witness to the payment.

JAMES MACANDREW.

[F.]

GENTLEMEN,—

Dunedin, 8th May, 1860.

I have the honor to advise you that an order for Railway Plant has been transmitted through the house of Messrs. James Paterson and Co. here, to be shipped from the Clyde, by their correspondents Messrs. N. and N. Lockhart; and I enclose herewith first of exchange on London, say One thousand pounds, out of which sum please pay Messrs. Lockhart, on their handing to you the bill of lading and duplicate invoice of the shipment, the amount of said invoice if found correct.

I have, &c.,

JAMES MACANDREW,

Superintendent.

James Crawford, jun., Esq., John Auld, Esq., W.S., Edinburgh.

[G.]

SIR,—

Edinburgh, 25th September, 1860.

We wrote your Honor last on 24th August last, and of that Despatch we beg herewith to enclose a copy. On 20th instant we received Mr. Logan's letter of the 4th July, with relative list of guaranteed parties, Nos. 681 to 703, both inclusive, and on same date Mr. Logan's duplicate letter of the 26th May, with relative list Nos. 666 to 680, both inclusive.

* * * * *

CRAWFORD AND AULD.

To His Honor the Superintendent of the Province of Otago.

[H.]

SIR,—

Edinburgh, 15th November, 1859.

1. On the 7th instant we were favoured with your Honor's Despatches of the following dates, 4th, 17th, and 25th August, with relative correspondence with Messrs. Macandrew and Co. referred to.

We also received Mr. Logan's letter dated 27th August, with list of guaranteed parties Nos. 473 to 493 inclusive; and also duplicate list, Nos. 452 to 472 inclusive.

2. In terms of your Honor's instructions, and of which we acknowledge receipt on the 17th October, we now send you enclosed a list of emigrants by the ship "Gala," which sails from the Clyde on 16th November. By that ship we shall send you the usual classified list, as finally closed before the ship sails, with the relative list of bills, &c.

3. You will observe that with regard to the change of agency intended by Messrs. Macandrew and Co., referred to in your Honor's letters of 4th and 17th August, that matter is entirely superseded—the contract having now terminated by the despatch of two thousand adults.

We shall forthwith proceed, in accordance with your Honor's instructions, to call for tenders for carrying on the emigration. We shall endeavour to make the best arrangements in our power. We do not however expect a great reduction in the rate per head, for although we do not doubt that there are parties who will offer to perform the contract on considerably lower terms than hitherto, we shall reserve to ourselves the right to accept any offer though not the lowest. We should deem any deterioration in the quantity or the quality of the food, or in the general comfort of the emigrants, as in the highest degree injurious to the interests of the Colony; and we are aware that these, in a very great degree, practically depend upon the character and standing of the contractor.

The selection of a suitable contractor, and the entering into a contract, will plainly require some time; and, having respect to your Honor's statements, that it is desirable to have one or two ships between October and the first half of January, you will see that this would not be practicable under any new contract to be entered into, for want of time.

As the "Gala" carries a considerable number of emigrants, we trust that, though there was no ship in October, if it, with the addition of another in January, will be sufficient to meet the demand in the Colony for the most part, we must make separate arrangements for the proposed ship in January, irrespective of the new contract; and we trust to be able to do so satisfactorily immediately after the sailing of the "Gala." It must be kept in view, however, that it is not an easy thing to remove from the minds of emigrants the unwillingness they feel to leave this country at that season of the year, and which we fear, from the unhappy loss of the "Royal Charter," may be more strongly felt for some time. This therefore may affect the numbers that we shall send out in January.

4. We observe that carpenters are much wanted, and we are glad to find that so many of this class lately left for the Colony. There were in the "Alpine," twenty-one; in the "Sevilla," eighteen; in the "Gala," ten; total, forty-nine; besides several more who pay their own passages by these ships.

5. We shall keep in view your Honor's instructions to send out three ships to arrive in the Province in the months of August and September with emigrants, with a view to their being employed in road making.

His Honor the Superintendent, Otago.

We have, &c.,
JAMES CRAWFORD,
JOHN AULD.

[J.]

SIR,—

Edinburgh, 16th November, 1859.

1. We enclose herewith a copy of our Despatch to you, dated 15th instant, forwarded to you *via* Marseilles, also a copy of our Despatch of 17th October.

2. We now send you, 1.—Classified list of passengers per the "Gala," two hundred and eighty-three souls, equal to two hundred and twenty-one adults. 2.—Bills, 1st of Exchange per "Gala." 3.—Bills, 2nd of Exchange per "Sevilla."

From the number of assisted emigrants now left for the Colony, the whole conveyed under the contract is two thousand and thirty-four.

His Honor the Superintendent, Otago.

We have, &c.,
JAMES CRAWFORD,
JOHN AULD.

[K.]

GENTLEMEN,—

Dunedin, 8th May, 1860.

I have the honor to enclose herewith an order for railway plant, which I will thank you to order to be shipped from the Clyde by the first vessel for Dunedin.

I have instructed Messrs. Crawford and Auld, the Provincial Agents in Edinburgh, to pay the amount to your correspondent on presenting bill of lading and duplicate invoice to them. I remit £1000 to the Provincial Agents for the purpose: should the invoice amount to more than £1000, the balance will be paid to you here.

Messrs. James Paterson and Co., Dunedin.

I have, &c.,
JAMES MACANDREW,
Superintendent.

[L.]

SIR,—

Dunedin, 15th December, 1860.

We, the Committee on Public Accounts, &c., have the honor to inform you that in the course of our investigations, statements have been elicited which appear seriously to compromise your Honor in relation,—1st, To the payment of immigration funds on account of "Gala." 2nd, To the Bill of

Exchange on account of Clutha Coal Field. 3rd, To your Honor, in making temporary use of the public funds for your own private purposes.

Being desirous to avoid the publication of anything which may appear to implicate your Honor without affording you an opportunity of explaining any objectionable circumstance, we have the honor to inform you that we shall be happy to meet you at any time and place this day which you may appoint, and hear any explanations you may wish to afford.

T. B. GILLIES,	} Members of Select Committee.
J. RICHARDSON,	
W. F. TABLTON,	
T. DICK,	
F. WALKER,	

His Honor the Superintendent, Dunedin.

[M.]

Superintendent's Office, 15th December, 1860.

SIR,—

I have the honor to acknowledge the receipt of your communication of this day's date, informing me that I am seriously implicated or compromised in the statements which have been elicited during the investigation of the Committee on Public Accounts, and that I seem to have been applying the public money to my own private purposes, and requesting me to appear before the Committee to explain.

In reply, I beg respectfully to decline appearing before the Committee, and most indignantly to deny the allegations referred to.

If the Committee choose to furnish me with a copy of the evidence on which their assertions are founded, together with the precise charges themselves, I have no doubt of my ability to disprove them.

I have, &c.,

JAMES MACANDREW,

T. B. Gillies, Esq., M.P.C., Convenor of Committee on Public Accounts. Superintendent.

[N.]

Dunedin, 15th December, 1860.

SIR,—

We have the honor to acknowledge the receipt of your Honor's letter of this date, and regret that you decline availing yourself of the opportunity we were anxious to afford you of explaining statements which apparently compromised your Honor.

We have no charge to prefer against your Honor—it is not within our province to do so, neither do we consider ourselves at liberty to furnish a copy of the evidence given before the Select Committee, without the authority of the Council.

We respectfully and earnestly hope that your Honor will, on further consideration, give us, as we have solicited, the advantage of your explanation, before we submit our report to the Council.

We annex a Memorandum of the chief points on which the Committee desire information from your Honor.

We remain, &c.,

T. B. GILLIES, Chairman,	} Members of Select Committee.
J. RICHARDSON, Speaker,	
W. F. TABLTON,	
T. DICK,	
F. WALKER,	

To His Honor the Superintendent,
Dunedin.

[MEMORANDUM.]

1. Immigration per "Gala."—On what grounds was a new warrant, in favour of J. Macandrew and Co., substituted for the original warrant in favour of yourself and W. H. Reynolds jointly, seeing that on the face of the original warrant and voucher it expresses to be on account of J. Gladstone and Co., by virtue of their and Messrs. Macandrew and Co.'s authority?

2. Clutha Gold Field.—Can you furnish the Committee with any evidence of the fact of the remittance of the £1000 by producing the third of exchange, or otherwise, as we can find no evidence of the fact in any of the public records; and in reference to this point, an explanation would be desirable of the absence from your office of Crawford and Auld's letter of the 24th August last, and of the duplicate thereof, stated in another letter of the 25th September to be therein enclosed.

3. It appears in evidence that in February and March last you borrowed from the Provincial Treasury the sums of £486 and £600 of public moneys, which sums you had not repaid at the 30th June last, the date of the first audit. Any explanation of the above would be desirable.

T. B. G.
J. R.
W. F. T.
T. D.
F. W.

[O.]

SIR,—

Superintendent's Office, 17th December, 1860.

I have the honor to acknowledge receipt of your communication No. 2, of date December 15, informing me that, without the sanction of the Provincial Council, I cannot be furnished with a copy of the evidence taken by the Committee on Public Accounts, and handing a Memorandum of the chief points on which the Committee desire information.

Without knowing the precise evidence or grounds on which it is sought to inculcate me with respect to the matter in question, I am unable to enter into explanations which I might otherwise deem it necessary to do.

The only point in your Memorandum which I feel called upon to notice is No. 3, to the effect that I had borrowed several sums from the Provincial Treasury. In reply to this, I simply deny most emphatically having ever borrowed either the sum in question, or any other amount, from the Provincial Treasury. I admit having had one or two private transactions with Mr. John McGlashan, not, however, involving any funds in his hands as Provincial Treasurer. How these transactions should come to be dragged before the public is known only to those to whom Mr. McGlashan appears to have unwittingly confided his private affairs.

I will only add, further, that it is useless disguising the fact, that the appointment of your Committee has originated with a political party, bitterly opposed to me, with the sole view of carrying their ends, by casting doubts on my integrity as Superintendent of the Province, as to which, however, I am content that time shall tell.

I have, &c.,

JAMES MACANDREW,

Superintendent.

T. B. Gillies, Esq., Chairman of Select Committee on Public Accounts.

[P.]

GENTLEMEN,—

Dunedin, July, 1859.

I have the honor to lay before you the following report as to the system of book-keeping suited to the nature of the Provincial accounts:—

I would recommend that the accounts be kept by double entry, by means of three principal books, viz., cash-book, journal, and ledger.

Cash-book to contain an account of each day's transactions as they occur; all deposits in, and cheques on, the Bank account should pass through the cash-book, which has not hitherto been the case; and in fact every transaction, of whatever nature, should pass through the cash-book.

The journal to be posted either weekly or monthly from the cash book, classifying the various items, and placing them to their proper Dr. and Cr., in order to posting them into the ledger.

The ledger to contain a distinct account of each item provided for by the Appropriation Ordinances; it should be posted either weekly or monthly from the journal, and at the head of each account should show the amount appropriated to that particular item, so that it may be at any time seen whether the expenditure is within or in excess of the sum authorized.

Subsidiary books may be necessary, such as a Debentures Book and Immigrants' Bill Book, and such other subsidiary books as may be found necessary from time to time.

I would further recommend that all moneys paid (except very small sums) should be paid by cheque on the bank account, so that the bank account might afford, at all times, a check on the accuracy of the other books.

By the method above indicated, it appears to me that a complete view of the state of every account can be obtained at any moment, and the comparative expenditure on each branch of the service from year to year will be exhibited.

I presume it will be unnecessary here to enter into a detailed statement of the mode of keeping each separate account, as it must vary according to the nature of the account. Salaries and such payments will be balanced annually by revenue and expenditure, whilst the balances on debentures, immigration, immigration loans, and similar accounts, will be carried on from year to year, and shown in the annual balance sheets as liabilities to be met in a future year.

I trust the system indicated will be satisfactory to the Committee.

And remain, &c.,

C. H. STREET.

To the Committee on Provincial Accounts.

[R.]

SIR,—

Dunedin, 20th September, 1860.

I have perused the report of the Auditors, which you put into my hands yesterday without saying what you wished me to do respecting it, and which I now return to you. I have some remarks, however, to make upon it, although the whole of the points adverted to need no explanation from me to your Honor, whose own acts they properly are.

The payment for immigration by the "Gala" was made to your Honor on your representation that you had been authorized by Mr. Reynolds to receive it, who, you said, could not be found at the time, but would be sent down to sign the receipt in the course of the day. Mr. Reynolds, not having come, was applied to by the Accountant and myself, and did not absolutely refuse to sign at first, but excused himself always on some pretext or other, and, at the last, point blank refused to sign it, saying he had not authorized you to get the money. On the previous occasions of similar payments, Mr. Reynolds told me to give the money to you, and on the immediately previous occasions said to myself, "You might have given the money to Mac," meaning you, which I had declined to do without his signature. On this account, and as you were very urgent for the "Gala" money, I was induced to pay it to you.

2. The payment on account of the Clutha Coal Field was paid on a warrant issued from the Superintendent's Office in ordinary form, and, as I learnt on inquiry, in consequence of an arrangement for the iron works being procured from home, made upon communings which your Honor had with Mr. Lewis.

3. The transaction with Harrold is a compromise expressly authorized by your Honor; and I may add that, while in office as a member of the Executive, I considered the matter a fair subject for a compromise.

4. At 30th June last, the balance not in bank was in the hands of your Honor, who can explain to the members of the Executive how that was the case.

On the several other points it does not become me to offer any opinion, unless specially desired.

I have, &c.,

J. MCGLASHAN,

Provincial Treasurer.

To His Honor the Superintendent.

No. 3.

Copy of a Letter from the Hon. E. W. STAFFORD to His Honor the SUPERINTENDENT, Otago.
SIR,— Colonial Secretary's Office, Auckland, 4th January, 1861.

I have to acknowledge the receipt of your Honor's letter,* dated the 20th ultimo, and addressed to His Excellency the Governor, transmitting an Address signed by a majority of the Provincial Council of Otago, requesting His Excellency, for the reasons stated therein, to exercise the power vested in Her Majesty by the Constitution Act, and to remove you from the office of Superintendent of the Province of Otago.

It appears from the documents, and from the enclosures which accompanied them, that the Provincial Council of Otago accuses the Superintendent of that Province of having had the use of a portion of the Public Funds for private purposes, while your Honor, in your letter referred to above, imputes to Mr. McGlashan, the Provincial Treasurer, deficiencies as to Public Moneys.

The Government, therefore, considers it advisable that, with a view to the final action to be taken by His Excellency, an investigation into the transactions and circumstances in question should take place, and with that object, the Auditor of Public Accounts of New Zealand, Dr. Knight, has received a commission from the Governor to investigate and report on these matters.

His Honor the Superintendent of Otago, Dunedin.

I have, &c.,
E. W. STAFFORD.

No. 4.

Copy of a Letter from the Hon. E. W. STAFFORD to the SPEAKER, Provincial Council, Otago.
SIR,— Colonial Secretary's Office, Auckland, 4th January, 1861.

I have the honor to acknowledge the receipt of an Address signed by a majority of the members of the Provincial Council of Otago, in which it is stated that from the facts disclosed by the Report of a Select Committee on the Public Accounts, Funds, &c., it appears that His Honor Mr. Macandrew, the Superintendent of Otago, has had the use of a portion of the public funds for private purposes, and was for a considerable time aware that there was a deficiency in the public funds, without having made the members of the Executive acquainted therewith.

The Provincial Council, therefore, requests His Excellency the Governor, in exercise of the powers vested in him to that effect by the Constitution Act, to remove Mr. Macandrew from his office.

The Government has also received from the Superintendent of Otago, communications which impute deficiencies with respect to public moneys, as having existed for some time on the part of Mr. McGlashan, the Provincial Treasurer.

Under all the circumstances, it has been determined by the Government to institute an investigation into the matters in question, with a view to the final action to be taken thereon by His Excellency the Governor.

Accordingly, the Auditor of the Public Accounts of New Zealand, Dr. Knight, has received a Commission from His Excellency to investigate and report on the subject referred to, and he has also been directed to investigate and report on the accounts and transactions generally of the Receiver of Land Revenue for the Province of Otago. Dr. Knight will proceed forthwith to Otago for these purposes.

The Speaker of the Provincial Council, Otago.

I have, &c.,
E. W. STAFFORD.

No. 5.

Copy of a Letter from Mr. GISBORNE to Dr. KNIGHT.

The Superintendent of Otago to His Excellency the Governor, Dec. 20, 1860, with enclosures.

The Speaker of Provincial Council of Otago to His Excellency the Governor, Jan. 1, 1861, with enclosure.

The Receiver of Land Revenue, Otago, to Hon. Col. Treasurer, Sept. 18, 1860, with enclosure.

(No. 1.)
SIR,—

Colonial Secretary's Office, Auckland, 4th January, 1861.

Referring to the conversations which you have had with Mr. Stafford on the subject of the documents (in connection with Provincial Accounts) recently received from Otago, noted in the margin, I have the honor, by his direction, to enclose a Commission under the hand of His Excellency the Governor and Seal of the Colony, appointing you to investigate and report on the matters referred to in that Commission and in the documents attached thereto, and to request that you will be good enough to proceed to the South for this purpose with as little delay as possible.

The papers attached to the commission being official records, are requested to be returned with your reports.

I also enclose copies of the replies of this date sent from this office to the Superintendent of Otago and to the Speaker of the Provincial Council, Otago, respectively.

I have, &c.,
W. GISBORNE,
Under Secretary.

Dr. Knight, Auditor of Public Accounts.

Enclosure in No. 5.

By His Excellency Colonel THOMAS GORE BROWNE, Companion of the Most Honorable Order of the Bath, Governor and Commander-in-Chief in and over Her Majesty's Colony of New Zealand and its Dependencies, and Vice-Admiral of the same, &c., &c., &c.

* This letter was lost in the "White Swan." Mr. Macandrew has been requested to furnish a copy of it, but has not replied to this request.

WHEREAS the majority of the members of the Provincial Council of Otago, by an address to me the Governor aforesaid, signed by them, dated the Nineteenth day of December, One thousand eight hundred and sixty, did allege that, in consequence of the facts disclosed by a report and evidence taken before a Select Committee of the said Provincial Council on the public accounts, public funds, &c., of the said Province, from which it appeared to the said Committee that His Honor James Macandrew, Esquire, the Superintendent of the said Province, had had the use of a portion of the public funds for private purposes, and was, for a considerable time, aware that there was a deficiency in the public funds without having made the members of his Executive acquainted therewith, and such majority of members of the Provincial Council as aforesaid did request me to exercise the power vested in Her Majesty by the fourth clause of "The Constitution Act," and to remove the said James Macandrew from the office of Superintendent of the said Province, which said power has been duly delegated by Her Majesty to me the Governor as aforesaid, under the authority of the said Act. And whereas there are other matters relating to the public accounts and transactions within the said Province, particularly with regard to the mode of receiving payment for Waste Lands of the Crown, which matters are referred to in the papers hereunto annexed. And whereas it is expedient that authentic information concerning the aforesaid allegations, as well as upon the general state of the public accounts of the said Province, and the mode of receiving payment of the Waste Lands of the Crown, and upon all matters connected therewith respectively, should be obtained for my information and guidance:

1. Now therefore, I, Thomas Gore Browne, the Governor as aforesaid, do hereby appoint Charles Knight, Esquire, the Auditor of the Public Accounts of the Colony, to be a Commissioner to inquire and investigate of and concerning the premises, and of and concerning all matters referred to in the papers hereunto annexed, and of and concerning all matters in any way affecting or relating to the public accounts of the said Province, or the public accounts of the General Government of the Colony within the said Province.

2. And I do hereby direct the said Commissioner to proceed with diligence and care to investigate the whole subject of such accounts and matters as aforesaid, and all transactions relating thereto.

3. And I further direct that the said Commissioner shall keep a record of his proceedings, including full particulars of all matters investigated by him, and of the evidence taken thereupon.

4. And I do hereby authorize and empower the said Commissioner, as far as I lawfully may, in the name and on behalf of the Governor, to call for information on the subject of his inquiry from any whom he may deem capable of furnishing the same, whether orally or in writing.

5. And I hereby order all officers and persons engaged in the service of the Government of the Colony, or of the said Province, to be aiding and assisting the said Commissioner as and when he shall give directions.

6. And I further direct that the said Commissioner shall make to the Governor, as soon as he may be able, a full report in writing on the subject of the inquiry intrusted to him, both generally and with respect to such particular matters as may appear to him to require especial notice.

7. And I lastly authorize the said Commissioner to employ and remunerate such clerks and assistants as he may deem necessary for the proper discharge of the duties hereby committed to him.

Given under my hand, and issued under the Seal of the Colony of New Zealand, at the Government House, at Auckland, this Fourth day of January, in the year of our Lord One thousand eight hundred and sixty-one.

By His Excellency's command,
E. W. STAFFORD.

THOMAS GORE BROWNE.

No. 6.

REPORT of the COMMISSIONER appointed to Examine the PUBLIC ACCOUNTS of the PROVINCE of OTAGO.

Immigration per "Gala," £1712.

JAMES MACANDREW AND Co. entered into a contract with the Provincial Government for the conveyance of Immigrants from Glasgow to Otago, and employed Messrs. Gladstone and Co., of Glasgow, as their agents for the execution of the contract.

Several vessels with Immigrants were despatched by the agents. The last vessel under the contract was the "Gala," which sailed from Glasgow in the month of November, 1859. The owners of that vessel were James Watson and others; and the freight to be paid in the Colony was £1712.

On the 14th December, 1859, Messrs. Gladstone and Co. issued to the commander of the "Gala" the following authority—"Referring to your charter for the conveyance of emigrants for us from Glasgow to Otago, and in accordance with the power given us by the charter party, we desire that you receive payment for the balance of the passage money, due in Otago, in cash, and not by drafts upon us." And on the 19th of the same month Messrs. Gladstone and Co. sent written instructions to Messrs. James Macandrew and Co. to settle the balance of the freight in cash.

It would seem that James Watson and others, having accepted the order of the 14th December, now deal with Messrs. Macandrew and Co. as principals; accordingly, it is found that they have given Mr. E. B. Cargill a power of attorney to receive from James Macandrew and Co. their claims on account of the "Gala," while Messrs. Gladstone and Co. have ceased to make any further claims.

On the arrival of the "Gala" at Otago, the sum of £1712 was issued out of the Provincial Treasury in payment for Immigration by that vessel, and ultimately a receipt for that sum was obtained from the original contractors, Messrs. Macandrew and Co. Mr. James Macandrew states that of this sum only £1524 was payable to the ship—of which a portion was drawn by the master of the vessel, and the residue passed to the credit of the general account of the owners and that firm.

The owners of the "Gala" (James Watson and others) having received payment for only a portion of their claim, have lately sent out a power of attorney to recover the balance from James

Macandrew and Co. And it is presumed that the latter parties are liable, but on the other hand, that they have no claim on the Provincial Government, seeing that they have been paid the full amount and have given a receipt for it.

As a mere matter of account this would dispose satisfactorily of the "Gala" case, and no blame would attach to the Superintendent.

In the foregoing narrative, however, no allusion has been made to part of the transaction to which the Committee of the Provincial Council make grave objections.

It appears from the evidence that, on the arrival of the "Gala," the Superintendent first issued a warrant for £1712 in favour of James Macandrew and W. H. Reynolds, to whom the Provincial Government had undertaken, on the application of Messrs. Macandrew and Co., to pay all moneys due at Otago to Messrs. Gladstone and Co., for immigration purposes. This arrangement was entirely for the security of Messrs. Gladstone and Co. It had been formally assented to by all parties, and was virtually a security for payment of services rendered. It could not, therefore, be revoked by James Macandrew and Co. in the case of the "Gala." The Provincial Treasurer, in making payment, neglected to follow the directions of the warrant. He paid to Mr. James Macandrew (the Superintendent) and took his receipt only, and failed, after repeated applications, to obtain Mr. Reynolds' acquittance. The Superintendent, in order that the accounts might be fully supported, issued a warrant in favour of the firm of James Macandrew and Co. (of which he is a partner), and forwarded with it the receipt of that firm for the sum of £1712.

The Superintendent justifies the substitution of another warrant on the ground that the firm of James Macandrew and Co. were the original contractors; that they had received the instructions of their agents (Messrs. Gladstone and Co.), of the 19th December, above alluded to, and had already acted upon them; and that it was no longer necessary to have Mr. Reynolds' receipt.

But the Committee of the Provincial Council take a different view. They are of opinion that the Government was bound not to deviate at all from the undertaking it had entered into to pay James Macandrew and W. H. Reynolds, and they characterize the substitution of a new warrant as a mere evasion, which does not meet the moral and legal necessities of the case.

In connection with this case, which involves a liability of the Provincial Treasurer, in consequence of his not having followed the instructions of the Superintendent's warrant, it is necessary to observe that the bond given by the Provincial Treasurer, for the faithful discharge of his duties, was called for, but cannot be found among the Provincial records.

Clutha Coal Fields, £1000.

A warrant was issued in this case for payment of £1000 to Messrs. Paterson and Co. This sum, the Superintendent, by a breach of trust, withdrew from the Bank, and under a mere pretence, obtained from Mr. Paterson an acquittance for the amount.

It appears that a contract was entered into between the Provincial Government and Mr. J. G. Lewis, under the sanction of a vote of the Provincial Council, for laying down a railway from the Clutha Coal Field to the Clutha River.

It was agreed with the contractor that the Superintendent should apply £1000 out of the sum voted to the purchase of rails and chairs in England.

In accordance with this part of the agreement His Honor ordered a railway plant from Messrs. James Paterson and Co., of Dunedin; and on the 7th May, 1860, issued his warrant for payment of £1000 to Paterson and Co. for a Bill of Exchange. Instead of the money being paid to Mr. Paterson, as the warrant directed, it was withdrawn from the Provincial Account at the Bank by the Superintendent (through his clerk, Mr. Logan) in the absence of the Provincial Treasurer, avowedly for the purpose of a Bill of Exchange for remittance to the Provincial Agents in Edinburgh for due payment of the order. At the same time the Superintendent obtained from Mr. Paterson a receipt for the £1000 under the pretence that the amount had been remitted to England. Mr. Paterson states in his evidence that he gave the receipt on the 8th May, on the understanding that the money had been remitted to England, and would be paid over to their correspondents, Messrs. N. and N. Lockhart, in Britain, by the Provincial Agents on the due shipment of the railway plant. Mr. Paterson now complains, that although the order has been shipped, and the invoice and bill of lading transmitted to Otago, the remittance had not reached England on the 20th November, the date of their last advice. The Messrs. Lockhart state in their letter of advice that the Provincial Agents admit that they have letters from Mr. Macandrew dated September last; but no mention has yet been made of the money which Mr. Macandrew says he has sent on account of the railway plant. The Messrs. Lockhart characterize the case as one of the worst they ever knew in business, and earnestly wish they had never heard of it.

The Superintendent in explanation states that he purchased a bill in duplicate from James Thompson, Esq., of Melbourne, drawn by the National Bank of Scotland on Glyn and Co.; that he forwarded the original letter and Bill of Exchange from Wellington in July last, so as to go home by the August mail; that the second of exchange was posted in the month of November; that he has not yet received an acknowledgment from the Provincial Agents, and he fears the original letter miscarried; that he has written home to secure the bill from passing into other hands, and has little fear of the ultimate safety of the money.

The explanation of the Superintendent is unsatisfactory: the money was in his hands on the 7th May, and the bills not purchased till the month of July following; whereas the money ought to have been immediately applied in the purchase of a set of Bills of Exchange in favour of the Provincial Agents, and the third of the set deposited in the Treasury as a voucher. He offers no proof of the bills having been remitted to England; and the case is open to suspicion on the following grounds:—That the bills were purchased in duplicate; that the first of the set is supposed to be lost; that the second of the set was not posted until four months after the first; that the bills were not purchased of the Bank; that the first was posted at Wellington two months after the Superintendent had obtained a receipt from Mr. Paterson for the amount; moreover, the receipt from Mr. Paterson was improperly obtained, and in no way relieves the Superintendent from his liability to the Crown.

It is also to be observed that the money ought not to have been withdrawn from the Bank by the Superintendent. His Honor was not entitled to receive it on any grounds. According to the provisions of "The Executive Council Ordinance of 1854," the Provincial Treasurer is the proper officer to receive and pay all moneys on behalf of the Province. The Superintendent is under no bond for the security of the public, and it is clearly an evasion of the law to issue to him public moneys for payment of claims on the Provincial Treasury. The Provincial Treasurer should have remitted the money to England.

It is recommended that the Superintendent should be required to give security for the due appropriation of the money, or else to repay the amount into the Provincial chest, subject to the condition of its being refunded to him on producing a sufficient voucher.

Deficiency of the Public Moneys at the Bank.

By the regulations of the Provincial Government, the Treasurer was required to keep the Provincial funds at the Bank, with the exception of a sum for petty cash, which was not at any time to exceed £500. The petty cash was in charge of the Accountant, to whom it was issued by the Provincial Treasurer usually by cheques on the Bank, but sometimes in cash.

No formal instructions appear to have been issued for the regulation of the Provincial Treasury. The accounts were kept in an irregular and objectionable manner. The cash-book at no time exhibited the transactions as they actually occurred, and never showed the balance with which the Treasurer was really chargeable. Cash transactions of one quarter were frequently shown in the cash-book among those of the prior quarter, and sometimes among those of the succeeding quarter. The bank-book alone showed transactions chronologically arranged; but as large cash payments were made out of the petty cash (in one quarter amounting to £7500), the Accountant states he was unable from the books in the Treasury to determine the correct cash balance.

The Provincial Treasurer was also Treasurer of the Road Board and of the Board of Education. The balance of the Road Board funds sometimes exceeded £1400; from the 1st July, 1859, to the 29th September, 1860, it varied from about £900 to £700. The Provincial account money, and the moneys belonging to the Road and Education Boards were severally kept in separate bags deposited in the iron safe connected with the Treasury Office. The Auditors of the Road and Education Boards, when examining the accounts, did not ask for the exhibition of the money belonging to these Boards, and it was not exhibited to them. And the Provincial Auditors, when they examined the Treasury chest, never asked for exhibition of the other funds. During the period over which the present inquiry more particularly extends—that is, from 1st October, 1859, to the 30th September, 1860—the Provincial Auditors, from some misapprehension, did not verify the cash in the Treasury chest by counting it; so that there is no means of knowing what amount of funds were at any time in the hands of the Treasurer; and no check can be applied to any statement he may make as to the amount. Under this defective scrutiny he could at any time make good the Provincial Funds, by transferring the necessary amount from the Road Board balance, out of which few payments were at any time made.

The Superintendent being desirous to prove that to a considerable extent and for a long period Mr. McGlashan, the Provincial Treasurer had made use of public moneys, the following is the result of the Commissioner's inquiries.

According to the statements furnished by the Accountant of the Provincial Treasury, there were no deficiencies in the Treasurer's balance up to the 30th September, 1859.

	£	s.	d.
On the 31st December, 1859, the apparent deficiency was	...	365	7 2
On the 20th February, 1860	...	1010	9 5
On the 31st March, 1860	...	1324	11 10
On the 30th June, 1860	...	1251	0 3

And on the 30th September following there was none. The Accountant states that in determining these, he has given the Treasurer due credit for payments at Invercargill, and for advances on account of "wages, public works." It is necessary to observe this, because the Treasurer, in his explanations, has often alluded to these payments as increasing his apparent deficiency.

The Treasurer, in his evidence, states that the deficiencies were principally in the hands of the Superintendent, to whom he had lent the money, and the remainder was in his chest; or, if not there, that the deficiency was apparent, not real, and arose from his not receiving full credit for moneys issued.

Eventually the deficiencies were made good, and the balance for the September quarter, 1860, is found correct. £970 appears to have been recovered from the Superintendent. The remainder was supplied out of private funds, and out of cash stated to have been in the chest distinct from the petty cash in the hands of the Accountant.

Referring to the deficiency on the 31st December, 1859, amounting to £365 7s. 2d., the Treasurer at that time had no authority to retain petty cash in his hands, except for the wages of the men employed on the public works, for which he receives full credit in striking the above balance (£365 7s. 2d.). There are no means now of determining whether the deficient cash was in the chest, and the only evidence which throws any suspicion on this point is, that in the month of November, 1859, Mr. McGlashan paid £500 in discharge of his private acceptance at the bank. It will presently be seen that the deficiency on the 28th February following, after deducting the loan to the Superintendent, was rather more than £500, and that the explanations are not satisfactory.

Adverting now to the deficiency of the 28th February, 1860, amounting to £1010 9s. 5d., it appears from the evidence that on that day the Superintendent was indebted to the Treasurer in the sum of £486 13s. 11d. only. If this debt had been recovered at the time, the deficiency would have been £523 6s. 1d. The Treasurer, in his evidence, explains that a part of the latter sum would be in the chest, and possibly that sums may have been advanced for wages and not credited. In respect of sums not credited, it has already been stated that they are allowed for in the Accountant's statement, but as to the cash in the chest, no check can be applied to any assertion the Treasurer may make respecting its amount. The very day the deficiency occurs, the Accountant also held £500 in his hands

as petty cash. It is clear, therefore, that the sum of £523 6s. 1d. ought to have been deposited at the Bank and drawing interest, as the sum of £500 in the hands of the Accountant was the utmost amount authorized to be kept out of the Bank as petty cash. Besides this extra £523 6s. 1d., the Treasurer had the balance of the Road money in his hands, amounting to £353 4s. 8d., and the Education Board money, amounting to £105 12s. 3d. Whether the Treasurer abstracted any portion of the balances for his private use cannot be determined; but, in withholding from the account at the bank so large a sum as £523 6s. 1d. at the time when the Accountant held £500 as petty cash, the Treasurer has exposed himself to suspicion.

It remains next to consider the charge that the Superintendent had the use of the moneys found deficient on the 30th June, 1860, knowing them to be public funds.

The Provincial Treasurer insists that the loans to the Superintendent came from the Provincial Treasury; that the Superintendent knew it; that he remonstrated with him at the time, and told him that he could not give them otherwise than from that source.

Here we must inquire whether the Provincial Treasurer had an object to gain in making these assertions; for he could scarcely suppose it any mitigation of his offence that the moneys he had abstracted were lent to his official superior, with a view, it might be suspected, of entangling that officer and gaining his own selfish ends. And here the Treasurer's evidence furnishes a clue to his proceedings. We find that he feared to treat the loan as a private transaction, lest he should be unable to force the refund from the Superintendent.

The Committee of the Provincial Council maintain the complicity of the Superintendent on the grounds that the Treasurer supports his charge by a circumstantiality that carries conviction of the truth; yet, with the exception of the broad assertion that he told the Superintendent that the moneys were public moneys and could be no other, the whole of his circumstantial evidence goes scarcely more than to prove—what His Honor does not deny—that money was lent. What is not known, and cannot it seems be now proved, is, that the Superintendent positively knew, or had been warned, that the loans came out of public funds. Here the bare assertion of the Treasurer cannot be taken, after his own admission that he believed, if he had treated the loan as a private transaction, he would have been kept out of the money.

The Superintendent, in his public address to the colonists of Otago, solemnly avers that any transaction he may have had with Mr. McGlashan was not in his capacity of Provincial Treasurer, and did not involve any funds at the time in his hands as such. And here, he adds, it may be proper to state that the Provincial Treasurer is a solicitor in private practice, and, as such, with moneys of clients passing through his hands; and also that he was Treasurer to one or two public bodies (Road and Education Boards), with sometimes considerable funds in his hands.

The Superintendent here evidently wishes to draw a wide distinction between moneys belonging to the Provincial account and those belonging to the Road and Education Boards. The latter he would not treat as public moneys at all; and would seem to hint that the money lent to him was taken out of those funds. But these were as much public moneys as those belonging to the Provincial account; and if the only difference between the Treasurer and the Superintendent were, which of these funds the money was abstracted from, there would be no essential difference in question. The offence of him who, in violation of a public trust, appropriated either of them to his own private use, is unquestionable.

It seems from the foregoing, that the inquiry is narrowed to this: Can it be shown from facts established, and from the Superintendent's own evidence, that he must have been morally sure that he was receiving public moneys for his own private use.

First, as to the total amount borrowed. We have seen that on the 28th of February, 1860, the amount outstanding was £486 13s. 4d. About the 10th of March following, Mr. McGlashan lent the Superintendent a further sum of £600 in cash. Mr. McGlashan recollects giving it him from the following circumstances: He happened to go to the Superintendent's office, but finding Mr. John Jones there, he immediately retired. In a short time the Superintendent came into the Treasury office in a great fluster, and said he was just settling a £9000 transaction with Mr. Jones; that it was inconvenient for Mr. Jones to pay him the money that day; that he was to do it "to-morrow;" that he needed £600 that day, and that if he did not get it he would suffer a heavy loss; that if Mr. McGlashan would give him that sum, both it and the previous sum of £400 odd would be repaid the next day, when to a certainty he would be in ample funds. Mr. McGlashan believed his statement and gave him the money,—and as it was to be repaid the next day, and Mr. Jones was still with him, he got no voucher for it. The Superintendent did not pay it the next day, and stated in excuse that some papers to pass between him and Mr. Jones had not been completed. This excuse he several times repeated. Some time afterwards (Mr. McGlashan cannot say how long) he got a cheque from the Superintendent for the sum, dated 10th March; but Mr. McGlashan states that it is not the date on which he received the cheque. The impression on his mind is, that the Superintendent got the money on the date of the cheque, viz., 10th March, on which day a sum of £600 was received by Mr. McGlashan for Education purposes on the Superintendent's warrant. And here it may be observed that Mr. McGlashan kept no private account at the bank, and that the Superintendent was aware of it. Mr. McGlashan states that he kept his private funds in the office, and that he had generally £50 or £100 of his own in the chest.

On reviewing the evidence up to this point, it is found that the Superintendent in his letter to the Governor states that he had for years been finding the means for making up the Provincial Treasurer's deficiencies. In the month of June, 1859, the Superintendent assisted him with a loan of £500, holding, as collateral security, Mr. McGlashan's cattle for sale. This loan was repaid by Mr. McGlashan in November, 1859. On the 28th February we have seen that the Superintendent owed the Treasurer £486 13s. 4d. Now could the Superintendent on the 10th March following reasonably suppose that the Provincial Treasurer could, under these circumstances, at a moment's notice and at the public offices, lend £600 in cash out of his private funds? But further, it is found, that, apparently on the day on which the money was advanced, and at the time when the Treasurer held a

considerable balance of Education Funds in his hands, the Superintendent's warrant for £600 for Education purposes was issued to the Provincial Treasurer.

The whole of these circumstances are against the conclusion which the Superintendent seeks to establish, that the £600 was lent to him from private funds.

The Superintendent states in explanation that the Treasurer, whenever he required money on account of education, sent in a slip of paper, stating that the sum named therein was required by him as Treasurer of Education Board, and, as a matter of course, a warrant was invariably issued without further inquiry. The fact of the Treasurer having lent him a sum of money of the same amount and on the same day (if it was so) is a singular coincidence, but nothing more. The Superintendent further states, "As to my reasonably supposing that the Treasurer was in a position to advance this money at the time out of his private funds, it certainly does seem improbable now that the whole facts and circumstances of the case are disclosed; at the same time, however, I did not give the matter much consideration, being aware that he had private funds passing through his hands. Among others, I may state, that he showed me an authority to draw on a client in Edinburgh for, I think, £500, which I offered to negotiate, but which, I presume, he negotiated otherwise. I also understood that moneys were being lent at mortgage by Mr. McGlashan on behalf of clients. One person, who, if I recollect rightly, told me that he had been in treaty with Mr. McGlashan in this way, was Mr. Jones, of Jones and Williamson."

The evidence as to the mortgage and the power to draw on Edinburgh is not contradicted by Mr. McGlashan, except that he explains that in neither of the cases did any money pass through his hands.

Next, as to the facts which have been ascertained relative to the charge made by the Provincial Council, that the Superintendent was for a considerable time aware of there being a deficiency in the public funds without having made the members of his Executive acquainted with it.

The Superintendent admits that when, prior to the June audit, Mr. McGlashan revealed to him, as he says, the state of affairs, he ought to have taken action on the matter; but his excuse is, that his regard for Mr. McGlashan prompted him to shield him from ruin; that Mr. McGlashan has a large and helpless family dependent upon him for support; that his zealous and laborious services in Britain towards the interests of the Province, as the Secretary of the Otago Association, gave him strong claims for protection.

In connection with this part of the inquiry, the Superintendent seems anxious to put it in evidence that on several occasions he had made good Mr. McGlashan's deficiency. But if he had done so, he was the more bound to protect the public chest by issuing instructions for the whole of the public moneys being simultaneously verified quarterly by a Board of Survey, seeing, as he states, that the Treasurer would be likely to use the Road money and the Education money rather than allow his deficiencies to be exposed. Instead of doing so when he came into office, we find him borrowing large sums of money from the Treasurer.

In reference to the deficiency on the 30th June, 1860, reported by the Auditors on the 4th September following, and to the official letter of the 20th September, 1860, it appears in evidence that on and after the 28th October the Superintendent states officially in his memorandum on the Auditors' Report the deficiency of the 30th June, 1860, is easily accounted for, from the mode in which many payments in the country and at Invercargill had hitherto been made. Yet, at the time he wrote this, he knew that the Provincial Treasurer was a defaulter. The Provincial Treasurer had, in the official letter of the 20th September, 1860, accused him of having the deficient balance in his own hands. The Superintendent in his explanations endeavours to clear himself of an attempt to mislead, by asserting that his authority for what he stated was the Provincial Treasurer. But it is manifest that this, if true, could be no palliation, for it was impossible to mislead him as to the facts that the deficiency was real, and that he himself had been compelled, from the course taken by the Treasurer, to refund large sums of money to make it good. These facts are beyond all controversy, and the evidence shows that the Superintendent had an overwhelming interest in concealing them; and that his own pecuniary embarrassments alone prevented him doing so. He writes in one of his notes, "I think I will manage by hook or crook to get Proudfoot's bill cashed on Monday. I have made a great sacrifice in order to close this to me more unpleasant business than it can be ever to you, and it will certainly be strange if the sum named cannot be realized."

The notes in the handwriting of Mr. Macandrew are important, and place his conduct in a peculiar light, and manifestly show that he was actuated by other motives than a mere desire to shield the Provincial Treasurer. Unless he believed himself seriously mixed up with the Provincial Treasurer in the defalcation, he could never have used the expressions or would have taken the course he did. Thus, when he learned that the Provincial Treasurer had disclosed the affair to the Auditor, he writes, "What a pity it was that you did not entrust the whole of that affair to me. I could have polished it off as smoothly as you please. I spoke to Morris" (one of the Board of Audit, the appointee of the Superintendent) "and found that there was not the slightest necessity for all the stew in which you have placed both you and myself. There is no intention of reporting anything detrimental to you."

Adverting next to the official letter of the 20th September, in which the Superintendent is openly accused of having the deficient balance, it appears that the Superintendent neither suspended the Treasurer nor brought his conduct under the notice of the Executive Council.

The Superintendent's explanation is, that the letter referred to was written in a fit of indignation; that, knowing this, he put the letter into his pocket for a couple of days, until the writer should have time to cool down. That he then took the letter to Mr. McGlashan and pointing out the paragraph in question, asked if he intended that to be his official answer to a letter which he (the Superintendent) would address to him, calling for explanations on the various topics alluded to in the Auditors' report. Mr. McGlashan said it was not his official answer, and that it had better be withdrawn; that, when called on, his explanation of that part of the report would be "the payments at the South." The

letter, the Superintendent adds, was accordingly withdrawn, and the first he afterwards saw or heard of it was a copy given in by Mr. McGlashan in his answer before the Select Committee.

Mr. McGlashan, on his attention being called to the statements of Mr. Macandrew, says that they are a tissue of untruths, in some parts interwoven with incidents that occurred, but are of no importance; that the conversation regarding his letter of the 20th September is a pure fiction; that he never withdrew the letter, nor was he asked to withdraw it; that the Superintendent seems to have forgotten that he (Mr. McGlashan) had already told Mr. Morris and Mr. Reynolds that the Superintendent had the deficient money, and had shown him his cheques. He had, moreover, told the Superintendent that he had done so.

There seems no rational doubt, from the evidence, that the Superintendent's real motive in withholding the letter from the Executive Council was to save his own credit. He states himself, in one of his notes, when the Provincial Treasurer appears to have threatened to bring the matter before the Executive—"The party who told you that I had been paying other people told you a gross falsehood. I cannot pay you to-day; and if you take the proceeding you threaten, you only make it the worse for both of us. If you had only or would only leave me to manage matters, it would have been all right ere now, and would be so, indeed will be so still."

CHARLES KNIGHT,
Commissioner.

EVIDENCE TAKEN BY THE COMMISSIONER.

Mr. STREET, examined.

How long have you held the appointment of Accountant to the Provincial Treasury? Since July, 1859.

Has the cash in the Treasury Chest been counted by the Board of Audit since you have held your present office? No, it has not.

Had you access to the Provincial Treasurer's cash-box, and did you at any time count the cash therein? I had not. I never counted the cash; it was in no way my duty to do so.

Could the petty cash issued to you by the Provincial Treasurer, which was deposited at the Union Bank in your name, be drawn upon by the Provincial Treasurer? No, it could not.

I see by the Bank-book that the amount issued to you during the three months ending 31st March, 1860, amounted to about £7500? Yes; the amount was unusually large, owing to the absence of the Treasurer. The average quarterly amount is about £2500. Under the existing regulations the balance of petty cash is not allowed to exceed £20.

Was any portion of the petty cash issued to you under the warrant of the Superintendent? No; but there was a general order authorizing the Provincial Treasurer to issue petty cash to me to the extent of £500.

I understand from your explanations that moneys issued in one quarter are sometimes shown in the cash-book among the transactions of the prior quarter, and sometimes among those of the subsequent quarter. That in fact the cash-book does not show the transactions chronologically arranged; and never shows the balance with which the Treasurer is chargeable. The Bank-book alone shows the payments in the order in which they were actually made? It was so, but it is not so now.

I see by the Bank-book that several payments on account of Public Works at Invercargill are placed to the credit of the Provincial Treasurer? These sums are payments made to Mr. Logie, the Sub-Treasurer of the General Government, in repayment of receipts in aid of the Provincial Agent at Invercargill. When the Agent's accounts are forwarded to the Provincial Treasury he receives credit for the amount. But these transactions, as they appear in the books of the Treasury, in no way throw out the cash balance of the Provincial Treasurer.

I observe in the Bank-book a payment of £180 2s. 10d. for "Wages, Public Works"? The money was issued in payment of wages without the Superintendent's warrants. If it proved to be in excess of the amount required the balance was refunded to the Treasurer. This transaction would not be shown in the cash-book until the warrant for the amount had been issued. Any sum so paid, for which the covering warrant was not issued until the next quarter, would cause a deficiency in the Treasurer's balance to an equivalent amount. This system has been lately discontinued, and no payment is now made at the Treasury without an order from the Superintendent.

The Provincial Treasurer states, in reference to the sums paid to you on the 29th and 31st March, 1860, amounting to £1100, that he does not receive credit for them in your statement of deficient balances? The payments alluded to were duly passed to the credit of the Treasurer before the close of the quarter ended 31st March, 1860, and are taken into account in making up my statement of deficient balances which I have now handed in. No deficiency prior to 31st December, 1859.

					£	s.	d.
Apparent deficiency	31st December, 1859	...	...	...	365	7	2
"	" 31st March, 1860	...	...	...	1324	11	10
"	" 30th June "	...	...	...	1251	0	3
"	" 30th Sept. "	...	...	...	No deficiency.		

State the apparent deficiency on the 28th February, 1860? £1010 9s. 5d.

Do the balances which you state to be deficient include those of the Road and Education Boards? They do not.

I observe that your statement of deficient balances is guarded by the term "apparent deficiency." Do I understand from your explanations that the books in the Treasury were kept in such a manner that you cannot positively determine the correct cash balance? I have used the term "apparent" in reference to deficiencies, to express that the money was not in the Bank, and it was not possible to ascertain the correct cash balance as the books were then kept. I would state that each day's cash transactions are now shown, and the correct balance can at once be seen.

According to the statement furnished by Mr. W. B. Morris, one of the Auditors of Public

Accounts, the apparent deficiency of the Provincial balance, on the 15th of May, 1860, was £1877 16s. 11d. Will you state the apparent deficiency, after deducting from the balance of the Treasurer's cash-book the several issues of money for which the Treasurer had not at the time been credited? £1215 14s. 7d.

How were the deficiencies in the balances made good? By paying the parties named in the Superintendent's warrants in cash.

Furnish a statement of the cash payments to which you allude; to which add any funds given to you by the Provincial Treasurer in cash, without cheques having been drawn on the Bank account. Furnished accordingly, viz., cash payments, £365 19s. 8d; petty cash, £650; total, £1015 19s. 8d.

By whom were these cash payments made? By me out of cash given by the Provincial Treasurer.

Did you bring this cash to charge in your petty cash account? No, with the exception of the sum of £650 at the foot of the statement of cash payments.

Where then did you show the transactions? In the Treasurer's cash-book.

Did Mr. McGlashan give you no explanation as to what these moneys were? He gave no explanation.

Did you not inquire of the Treasurer as to what account these receipts were to be placed, whether to revenue account or otherwise? No, because he gave them expressly to make payments.

If he had drawn them from the Bank could you not have discovered this on reference to the Bank pass-book? At the time the Bank pass-book was not in my charge, and I seldom saw it.

Did you think these moneys were paid to you in order gradually to make up the deficient balances? I did think they were.

Did you keep a memorandum of them, or give Mr. McGlashan a receipt for them; and can you state the several amounts? I kept no memorandum of them, nor gave any receipt for them. The cash given me by Mr. McGlashan was in small sums, with the exception of the sum of £650.

In your petty cash-book there is a sum of £70 16s. 8d. brought to charge on 30th October, 1860; from whom did you receive the money? From Mr. McGlashan.

On the 3rd October, 1860, it appears by the Bank-book that you received £300; where will this be found to charge in your petty cash account? This money was not for petty cash. It was an advance for wages. The previous practice had been to show it in the Bank-book as a payment on account of "Wages, Public Works."

Mr. McGlashan states, that on the 24th October, 1860, he had made good the deficiency of the public balance partly out of the petty cash: did you pay over to Mr. McGlashan any portion of the petty cash which he could have used about the date referred to for the purpose stated? I think not.

Mr. JACKSON, Manager of the Union Bank of Australia, examined.

Has the Union Bank discounted for Mr. James Macandrew an accommodation bill of Mr. John McGlashan, which bill was retired by the acceptor, Mr. John McGlashan, and when? An acceptance of John McGlashan to James Macandrew and Co., at four months, £500, was discounted in June, 1859, and renewed at three months' date, discounted in November, 1859, which latter bill was retired in cash—paid in cash on account of acceptor four days after maturity, namely, on 11th February, 1860. I was informed by Mr. Macandrew that these bills were discounted for the accommodation of Mr. McGlashan, pending the disposal of cattle, which Mr. Macandrew stated had been placed in his hands for sale by Mr. McGlashan.

Did Mr. Macandrew exhibit to you documents showing that he held stock of Mr. McGlashan as collateral security? I have no recollection of having seen any document showing that Mr. Macandrew held stock belonging to Mr. McGlashan as collateral security.

Has the Union Bank discounted for Mr. James Macandrew a bill apparently for Mr. Glashan's accommodation, but which was retired by Mr. Macandrew, and when? The acceptance of John McGlashan to James Macandrew and Co., £500, discounted by me in June, 1859, and renewed in November, 1859, was the only bill transaction I have had with the two names, and this bill was, I believe, retired on account of Mr. McGlashan.

Has Mr. John McGlashan frequently had accommodation from the Bank? Mr. John McGlashan has never to my knowledge received any other accommodation from the Bank than the £500 bill transaction with Mr. Macandrew, already referred to.

Has Mr. John McGlashan kept a private account with the Bank within the last two years? He has never kept any private account with the Bank.

When foreign bills are drawn by the National Bank of Scotland are they usually issued in duplicate only? This Bank being agents for the National Bank of Scotland, the latter generally draw upon us in duplicate by letter of credit. Drafts of the National Bank of Scotland on their London Agents (Messrs. Glyn and Co.) drawn in sola, duplicate and triplicate are occasionally brought out to the Colony for negociation.

Mr. KILGOUR, examined.

You are one of the Auditors appointed in April last to credit the Provincial Treasurer's accounts. Will you state which accounts of the Provincial Treasurer you examined? We commenced the examination of the account in the month of July, 1860, and examined those for the period commencing 1st October, 1859, and ending 30th June, 1860. We examined also those of the succeeding quarter ending 30th September, 1860, which concluded the financial year.

Were you a member of the previous Board of Audit? Yes.

Up to what period of the Treasurer's accounts was the previous audit and examination completed, and the accounts found correct on counting the cash in the Treasurer's chest? The previous examination of the accounts was for the period ending 30th September, 1859, and was made by Mr. Gillies and myself, in the absence of Mr. Strode. As the balance in the bank was found to be in excess of the Treasurer's balance, it was not an occasion on which to examine the cash-box.

Were the Auditors aware, at the time of survey, that the Provincial Treasurer kept in the same chest, but in separate bags, the cash balances of the Provincial account, and those of the Road Board

and Education Board? We were aware that he was Treasurer of those Boards and held the balances in his hands.

Were the Auditors of the Treasurer's accounts also Auditors of the Road Board accounts? Yes.

Several trial balances of the Provincial Treasurer's accounts were made by the Board of Audit. On the 28th February they found an apparent deficiency of £1037 1s. 3d. Did you determine the Treasurer's cash balance on that day, or had you any means of doing so at the time you found the above apparent deficiency? No.

Will you refer to page 4 of the printed report of the Select Committee. It is there stated in your evidence that the Superintendent told you that he had only £400 of the Road Board balance, the remainder being in the Treasurer's hands. Is the report correct; and have you any doubt of the correctness of your memory on this point? On this point I am quite correct, and will adhere to my former answer.

Mr. JAMES PATERSON, examined.

Have you received any communication from your correspondents, Messrs. N. and N. Lockhart, advising you of the payment of £1000 on account of the railway plant for the Clutha Coal Fields? No.

Has the order been shipped, and the bill of lading and invoice handed to the Provincial Agents, Messrs. Crawford and Auld? By advices dated 28th October, I have been instructed that the order was completed and in the course of shipment.

Then your agents, the Messrs. Lockhart, could not in the usual course of business be in the receipt yet of the £1000? No.

In giving the receipt to Mr. Macandrew for £1000, you did so on the understanding not that the money had been remitted to your agents, but that it would be paid over to them by the Provincial Agents on the due shipment of the order? Exactly; and we have no complaint to make, as far as the transaction has yet gone.

* * The day after the above examination, Messrs. Paterson and Co. informed the Commissioner that they had received advices from Europe, 20th November, 1860, and that the money for the railway plant had not reached the Edinburgh agents at the date of shipment, 24th November, 1860. Extract from the letter which accompanied the invoice and bill of lading, dated 24th November, 1860:—"We have again seen Mr. Auld, who has letters from Mr. Macandrew, dated September, but he never yet has mentioned the money he said he was to send, or rather said he had sent, on account of the railway plant. This is one of the worst cases we ever knew in business, and earnestly we wish we had never heard of it. We have faithfully done our part in the full belief that we were to have been faithfully done to; but here we are brought to lay out about £800 for goods we were to be paid for in cash as soon as shipped. They are shipped in our name, and we have endorsed the bill of lading to you, which you will only deliver to the Provincial Government when you are paid the amount, and interest from the date of the bill of lading, with three and a half months' extra interest, so as the money may reach us here."

Mr. CHEYNE, examined.

This is a cheque which you presented at the Union Bank, which you have endorsed: who gave this into your hands, and to whom did you give the cash? I do not recollect, so many cheques pass through my hands; but on no occasion that I can recollect did the Superintendent, in the presence of Mr. McGlashan, hand me a cheque for £500 to be cashed at the Union Bank.

Mr. LOGAN, examined.

Will you produce for my information the Superintendent's letter to the Provincial Treasurer, authorizing the issue of £400 or £500 to the Accountant of the Treasury as petty cash? Furnished.

* * The letter directs the above sum to be retained as petty cash, to which Mr. Street was to have access.

Mr. REYNOLDS, examined.

Does the National Bank of Scotland usually issue its Bills of Exchange in duplicate? I believe they are always issued in triplicate.

Did Mr. Macandrew state to you that he had remitted the "Gala" money to Messrs. Gladstone and Co.? He said that he had remitted the money. I asked him then to show me the third of exchange, and I would have signed the receipt; which he declined to do.

Has Mr. Macandrew, in conversation with you previous to the discovery of the defalcations of the Provincial Treasurer, alluded to Mr. J. McGlashan being in pecuniary difficulties, and of his having assisted him out of them? No, not to my remembrance.

In reference to the remittance of moneys to Messrs. Gladstone and Co. for immigration purposes, were they made by Messrs. Macandrew and Co.? In the cases previous to the "Savilla," I satisfied myself that the moneys for immigration purposes had been satisfactorily adjusted with the ship; but in the case of the "Savilla," I had reason to believe that a Bill of Exchange which had been shown me as a bill for remittance to Messrs. Gladstone and Co. had been sent to Melbourne for negotiation. I have not been informed that Gladstone and Co. have received payment for that vessel. It was in consequence of this that I refused in the case of the "Gala" to sign receipts until such times as I had received the money along with him, and had lodged it at the bank to a separate account.

With whom did the Messrs. Gladstone and Co. correspond on the subject of the contract for immigration purposes? With Messrs. Macandrew and Co. and with myself. The ships were always consigned to J. Macandrew and Co. Messrs. Gladstone and Co. have given me instructions similar to those sent to James Macandrew and Co. respecting the payment of moneys due in New Zealand on account of the "Gala."

You are requested to hand in the original letter, in order that an extract may be made of the instructions alluded to. I can give no other answer than the one I have already given. With respect to the letter of Messrs. Gladstone and Co., I have not been able to lay my hands upon it as yet. I,

however, produce other letters, proving the correctness of my statement with regard to previous ships —(Copy of letter of authority, dated 19th December, 1859; also extract from letter, 17th June, 1859, from J. Gladstone and Co. to W. H. Reynolds, Esq.)

Mr. E. B. CARGILL, examined.

Mr. Cargill said—In reference to my evidence taken before the Committee of the Provincial Council, I may state that I hold a power of attorney from J. Watson and others, owners of the "Gala," to recover from James Macandrew and Co. the freight due on account of the "Gala." Messrs. Gladstone and Co. chartered the "Gala" to convey immigrants from Glasgow to Otago. They gave an authority dated 14th December, 1859, to the commander of the "Gala" to receive payment in cash for the balance of the passage-money due in Otago.

The commander of the "Gala" having failed to obtain payment from Mr. James Macandrew, power of attorney was sent out to me by James Watson and others to recover from James Macandrew and Co.

I make this statement for the purpose of showing that, up to the latest dates from Great Britain, the claim of James Watson and others, on account of the "Gala," has not been discharged.

JOHN HYDE HARRIS, Esq., examined.

Mr. Harris stated, in reply to the question whether the Board of Audit, during the time he was a member of it, verified on the last day of the financial year the correctness of the cash balance by counting the moneys in the Treasurer's chest, that as far as his recollection goes, the Provincial accounts were not audited on the last day of the financial year, but were subsequently, when convenient to the Provincial Treasurer, audited up to that date, and the cash balance was verified on the date of audit by counting the moneys in the Treasurer's chest. These moneys always agreed with the amount shown by the cash-book to be on hand on the day of audit.

Mr. MORRIS, examined.

On the 11th November, 1867, I paid £300 to Mr. Macandrew, which he stated he was going to pay to Mr. J. McGlashan to make up a deficiency of cash in his Provincial balance. I am enabled to state that the money was intended for Mr. McGlashan from the circumstances that I made a shorthand note in the cash-book opposite the entry. In this instance Mr. Macandrew neither gave a receipt for the money nor initialed the entry as he usually did. I charged Mr. Macandrew with the amount, and the charge has never been questioned.

His Honor the Superintendent, JAMES MACANDREW, Esq., examined.

1. It is requested that Mr. McGlashan's bond for the faithful discharge of his duties as Provincial Treasurer may be supplied for my information. Mr. McGlashan states that it is in the custody of the Superintendent? The Superintendent (Mr. Macandrew) never saw the document; and on inquiry of his clerk, Mr. Logan, it appears that it is not in the office, and was never seen by him; Mr. McGlashan, as Provincial Solicitor, must have prepared the deed, of which he will no doubt have a copy. Mr. McGlashan was in the office a few months before Mr. Logan, and most probably, as he was at the time virtually Superintendent, with everything under his charge, the document is in his own possession. When I assumed office there was no inventory or formal recognition or installation by the late Superintendent. I simply walked in, and took the office as I found it. Executive minute-book produced, copy of entry on 7th February, 1854:—"The Provincial Treasurer handed over to the Superintendent a bond by Edward McGlashan, Esq., M.P.C., for the faithful discharge of his trust, which was approved of. W. Cargill, Superintendent."

2. The original authority given by the contractors to pay J. Gladstone and Co. moneys due on account of immigration was virtually security for payment of services rendered, and could not be revoked by you in the case of the "Gala." It is necessary, therefore, that you should produce evidence to show that the sum of £1712, which you received from the Provincial Treasury, has been duly paid over, either to Messrs. Gladstone and Co. or to their order? Messrs. J. Macandrew and Co. produced to me a letter from Messrs. Gladstone and Co. under date 19th December, 1859, of which the following is an extract:—"The 'Gala' sailed from Glasgow last month with 214 adults for the Provincial Government. We will thank you to settle the balance of her freight in cash. It is at one-half of £14 5s per adult landed." The letter can be produced when required. (Letter produced and extract verified). I may state that in all cases previous under the contract the balances were settled by Messrs. Macandrew and Co. by drafts on Messrs. Gladstone and Co., at 30 days' sight. It will be observed that although £1712 was the sum due to the contractor, only £1524 was payable to the ship, which amount appears to have been paid by Messrs. Macandrew and Co. to the owners of the ship "Gala," a portion having been drawn by the master of that vessel, and the residue passed to the credit of the general account of the owners and that firm. It may be mentioned that the total transaction between Messrs. Macandrew and Co. and the owners of the ship "Gala," in respect of the voyage in question, amounts to £3000 or upwards, and that the whole of this amount may enter into the question now under discussion with equal propriety as any portion thereof. It may tend further to elucidate this matter to state that the difference between £1524 and £1712 was due to and appropriated by J. Macandrew and Co., in terms of their arrangement with Gladstone and Co., and that the former are in no way accountable to the latter for this sum.

3. The letter of Messrs. Crawford and Auld addressed to the Superintendent and dated 24th August, 1860, the duplicate of which was enclosed in their letter of the 15th September following, is requested? No letter of the date named, either original or duplicate, has ever reached me, which, as regards the duplicate, I am not surprised at (that being an occasional occurrence), but as to the original it must have miscarried.

4. Among the documents printed in the Report of the Select Committee on the Provincial Accounts is the copy of a letter addressed to Messrs. Crawford and Auld, Edinburgh, enclosing a Bill

of Exchange for £1000. You are requested to state when the original letter and the Bill of Exchange was forwarded to the Provincial agents, and whether the receipt of them has been acknowledged? The original letter and Bill of Exchange were forwarded from Wellington in July last, so as to have gone home by the August mail. There is no acknowledgment yet from the agents, and I am strongly inclined to fear that the letter must have miscarried. I have written home, however, to secure the bill from passing into other hands, and have little fear of the ultimate safety of the money.

5. Please to state when you sent the second of exchange, and of whom the bill was purchased, and produce the third of the set for my information? The bills in question were purchased from James Thompson, Esq., of Melbourne, drawn by the National Bank of Scotland on Glyn and Co., 30 days' sight, which drafts are only issued in duplicate; the second was posted in November last.

6. Mr. McGlashan states that when he had drawn a cheque for the sum of £500, in January, 1860, for the purpose of lending you that amount, you asked him either to go himself or send Mr. Cheyne to the Bank for the money. Do you admit the correctness of the statement? I deny the correctness of the statement.

7. Do you know whether Mr. McGlashan ever kept a private account at the Bank? I believe he never did.

Observations made by the Superintendent on Mr. McGlashan's Examination.

On Query No. 20.—Is it likely that if Mr. McGlashan had the Road and Education balances actually in the chest he would not have made use of them to balance his Provincial Treasury account at the Bank rather than expose the deficiency?

On Query No. 22.—The cheques in question were never intended for presentation at the Bank, but simply as vouchers, and I (Mr. Macandrew) was unaware that any presentation had taken place.

On Query No. 25.—Does Mr. Cheyne admit having copied the cheques from the original? What object could there have been in copying a cheque while the original was in Mr. McGlashan's possession?

*** *Vide* Mr. Cheyne's examination.—C. K.

On Query No. 33.—The deficiency on the 30th September is said to have been made up by payments received from Mr. Macandrew, by part of the Road money, and by petty cash. How could the latter be used to make up a deficiency of which itself must have formed a part, and what became of the £1000 borrowed from Jones, or what deficiency does this represent?

On Query No. —As respects Mr. Reynolds' answer, I simply deny the correctness of the whole of his statement. His denial of all knowledge of the facts to which Mr. Morris and Mr. Jackson depose, as well as many others of which I was cognizant as a partner in the firm at the time, together with the bitter personal animus towards me, of which he has given abundant evidence, would tend to show that little reliance can be placed on his statements.

On my Memorandum attached to the Auditors' Report (*vide* Council Papers):—

My statement as to the deficiency at 30th June, arising from payments at Invercargill, were made on the authority of the Treasurer himself, as told to me on asking him for an explanation as to a number of apparent deficiencies at various periods, as pointed out to me by Mr. Morris, one of the Auditors, by a memorandum exhibited by him. My statement to Mr. Kilgour, that the £400 due by me was part of the Road Board balance, was also made from the authority of the Treasurer. The probability is, that had I paid the money when I ought to have done so, the Road Board balance would never have been touched, on my account at least.

8. The Provincial Treasurer's letter of the 20th September, 1860, contains the unqualified charge that you held the deficient public balance of £1073 15s. 4d. in your hands: will you explain why (when the Provincial Treasurer thus publicly accused you) you did not at once suspend him from office, and bring his conduct under the consideration of the Executive? The letter referred to, which contains the positive assertion that £1073 15s. 4d. was in my hands, was written by Mr. McGlashan in a fit of indignation on his first perusing the Auditors' Report. Knowing, as I did, the peculiar temperament of the man, and the real circumstances of the case, I put the letter in my pocket for a couple of days, until the writer should have time to cool down to his right reason. I then took the letter to Mr. McGlashan; and pointing out the paragraph in question, asked him if he intended that to be his official answer to a letter which I shall then address to him to the effect that he would explain the various topics alluded to in the Auditors' Report (at this time I had not asked for Mr. McGlashan's explanation), having handed him the Auditors' Report upon the street, without note or comment, for his perusal. Mr. McGlashan shook his head, and said it was not intended as his official answer, and that it had better be withdrawn. He remarked also that he had not been called upon to give an official explanation, and that when so called on, his explanation of that part of the Report would be "the payment at the South." The letter was accordingly withdrawn, and the first I saw or heard of it was a copy given in by Mr. McGlashan in his answer before the Select Committee. Had Mr. McGlashan publicly made any such statement, or even held to it privately, I most certainly would have suspended him, and reported to the Executive.

9. In reference to your observation on Question No. 20 of Mr. McGlashan's examination, you are requested to state why (when you had been the means for years past, as you have stated, of maintaining the Provincial Treasurer in his office by making up his deficiency) did you not protect the Public Chest by issuing instructions for the whole of the public moneys in his charge being verified quarterly by a Board of Survey,—seeing, as you remark, that he would be likely to use the Road money and Education balance rather than allow his deficiencies to be exposed? On several occasions when I assisted Mr. McGlashan, I was unable to find the whole sum required from my own funds, and applied to Mr. Edward McGlashan (the two brothers not being on speaking terms at the time) to assist me to make up the difference, which he did, the amount being afterwards refunded by Mr. John McGlashan, through me. Mr. E. McGlashan, as surety to the Government for his brother, was very much concerned about the state of matters revealed by me. The consequence was that the two brothers got reconciled; the result, as I understand, being that (Mr. E. McGlashan having

come into considerable funds) the Provincial Treasurer's account was put all right. Such was my impression on assuming office. It is possible that had my impression not been that now stated, I might have taken the step indicated by the Auditor-General, with a view to protect the public chest; although at the same time, my regard for Mr. McGlashan, with a very large and helpless family dependent upon him for support—my sense of his zealous and laborious services in Britain towards the interests of the Province, as the Secretary of the Otago Association, might have, and probably would have, prompted me to have protected and shielded him from ruin, even at a sacrifice of a strict sense of duty,—the more especially as I firmly believed that his professions to me of the most poignant regret at having been so far led as to tamper with the public money, were genuine and sincere; so much so, that I felt assured of these moneys being perfectly safe in his hands for the future. I had not the slightest doubt when I took office and appointed Mr. Morris as my Auditor, that the balance would be correctly verified at the Audit. I admit that when prior to the June Audit Mr. McGlashan revealed to me the state of affairs, I ought to have action on the matter. So far I am to blame. My only excuse is that stated above.

10. On the 11th March, 1860, the Provincial Treasurer lent you £600 in cash. Respecting this loan I recall to your recollection the following facts:—You have stated in your letter to the Governor that you had for years been finding the means of making up the Provincial Treasurer's deficiencies. In the month of June you assisted him with a loan of £500, for which you took his acceptance. For this accommodation you stated to the Manager of the Union Bank that you held as collateral security cattle for sale belonging the Provincial Treasurer,—thus showing the pecuniary difficulties in which the Treasurer was placed. The acceptance was discounted at the Bank, but was not retired before due. It was renewed, and paid on the 11th February, four days after maturity. At that date you owed the Provincial Treasurer £486 13s. 4d. Could you on the 10th March following reasonably suppose the Provincial Treasurer, under these circumstances could, at a moment's notice, and at the public offices, lend you £600 in cash out of his private funds. But further it is found that, apparently, on the day on which the money was advanced, and at a time when he held a considerable balance of Education funds in his hands, your warrant for £600 for Education purposes was issued to the Provincial Treasurer. The whole of these facts are against the conclusion which you seek to establish, viz., that the £600 was advanced from private funds. Have you any explanations to offer? I was not aware that the Provincial Treasurer held a considerable balance, or any balance at all, of Education funds in his hands on 10th March, when he applied for £600 on account. Had I been so aware, the warrant would not have been given. The Treasurer, whenever he required money on account of Education sent a slip of paper into my room stating that the sum named thereon was required by him as Treasurer of Education Board, and, as a matter of course, I invariably signed the warrant without further inquiry (as Mr. Logan, my clerk, can testify). The fact of his having advanced to me a sum on the same day (if it was so) is a singular coincidence, but nothing more. It appears, however, from my cheque book, that there was no such cheque drawn by me then, but that it was three weeks previous to that date; and here I may remark that, during the months of February, March, and April, while I had a quarrel with the Union Bank, I had ceased drawing cheques for presentation, they were merely vouchers. As to my reasonably supposing that the Treasurer was in a position to advance this money at the time out of his private funds, it certainly does seem improbable now that the whole facts and circumstances of the case are disclosed. At the time, however, I did not give the matter much consideration, being aware that he had private funds passing through his hands. Among others, I may state that he showed me an authority to draw on a client in Edinburgh for, I think, £500, which I offered to negotiate, but which, I presume, he negotiated otherwise. I also understood that moneys were being lent out at mortgage by Mr. McGlashan on behalf of clients. One person who, if I recollect rightly, told me that he had been in treaty with Mr. McGlashan in this way was Mr. Jones, of Jones and Williamson. Although not bearing very materially perhaps upon the point at issue, yet it may tend to show the little importance which I at the time attached to these comparatively large transactions with Mr. McGlashan, when I state that a very large proportion of the monetary transactions of the Province has for years been, and were still, passing through my hands. This will to some extent be best understood by stating that, at the period in question, I had over £28,000 under discount at the Union Bank, and about £8,000, I think, of an overdraft at the same time. I merely allude to this as indicative of the little importance which I attached to the sums at the time, and the small consideration bestowed upon them by me as to the sources from whence Mr. McGlashan derived them. Of one thing I felt certain, that he had got fairly before the wind when I took office; and I had also good reason to believe that he had moneys of clients in his hands temporarily.

Mr. J. McGLASHAN, examined.

1. You are the Provincial Treasurer? Yes. I have been so since January, 1854.
2. Have you received written instructions regulating your duties as Provincial Treasurer? None as far as I recollect.
3. Have you given securities for the faithful discharge of the pecuniary trust confided to you? Yes.
4. In whose custody is the bond? In the custody of the Superintendent.
5. Was the cash balance in your hands as Provincial Treasurer regularly verified by the Board of Audit prior to the Provincial moneys being deposited at the Union Bank? Yes.

"Gala" Case.

6. Produce the voucher and warrant for the payment of £1712 on account of immigration per "Gala." Voucher and warrant put in accordingly.
7. This voucher should be supported by a reference to the contract under which the expense was incurred. Will you hand in the original contract? It is in the hands of the Superintendent.
8. It appears on reference to Council papers (C) that the agents of the contractors (James Macandrew and Co.) for the conveyance of immigrants by the "Gala" were Messrs. Gladstone and Co? Yes.

9. The warrant directs payment to be made to James Macandrew and W. H. Reynolds, the duly authorized agents of Messrs. Gladstone and Co. It is found that the receipt of James Macandrew only has been taken. Have you on any former occasion paid the money with one signature only, and afterwards obtained the other? I am quite uncertain whether previously any payment was made on the signature of one person only; but I am certain that Mr. Reynolds upbraided me on a previous occasion because I had refused to give the money on Mr. Macandrew's receipt alone. I have no explanation to offer in addition to what will be found stated in the printed Council papers, pages 8, 9, and 13.

10. Did you apply to Mr. Reynolds for his signature in the case of the "Gala?" Many a time.

11. Did Mr. Reynolds explain why he refused his acquittance? He said he would require to see Mr. Macandrew first: this answer he gave several times before he absolutely refused to sign a receipt for the money paid to Mr. Macandrew.

12. It is observed that a new warrant was afterwards issued in favour of James Macandrew and Co., and the acquittance of James Macandrew and Co. supplied as a new voucher. Produce these documents? I hand them in. I had repeatedly requested the Superintendent either to return the money or produce the acquittance of Mr. Reynolds. On the 10th of July and 2nd August last, I addressed letters to him on the subject, copies of which I now hand in.

13. Have you been furnished with the authority of J. Gladstone and Co. to pay to J. Macandrew and Co., instead of to James Macandrew and W. H. Reynolds, the amount of their claims on account of the "Gala?" I have not; but the Superintendent has assured me that he holds such a letter of authority. I am not aware of the contents of that letter.

Clutha Coal Fields.

14. Will you refer to the Appropriation Ordinance of 1859? Was the issue of £1000 to the Superintendent, on account of the Clutha Coal Fields, charged against the vote of £3000 for works in connection with the Clutha Coal Fields? Yes.

14A. The sum of £1000 to the Superintendent on 7th May, 1860, on account of the Clutha Coal Fields, was paid at the Bank on the authority of the Superintendent's warrant: did you afterwards issue a cheque for the sum? Yes.

15. You are the Treasurer of the General Road Board and of the Otago Board of Education? I am. But the Government has now taken the management of roads into their own hands, in anticipation of an alteration in the law. In consequence of that, the balance that was in my hands in the month of October last, was paid into the Provincial Account at the Bank.

16. Will you produce the Road Board Account? Handed in accordingly.

17. Where did you deposit the funds of the Road Board? I find that the balance in hand sometimes exceeded £1400. From the first July, 1859, to the 29th September, 1860, the balance varied from about £900 to £700. The Road Board balance and that of the Education Board were kept in an iron safe connected with my office and the Land Office.

18. Did the Board of Audit, on any occasion since the 24th September, 1857, when the moneys belonging to the Provincial Account were first deposited at the Union Bank, count the cash deposited in the chest alluded to; and, if so, did you state to the Board that the moneys deposited were moneys belonging to the General Road Board and Education Board? The Provincial Account money and the Road money and the Education Board money, were severally kept in separate bags deposited in the chest. The Provincial Auditors always asked for exhibition of the Provincial Account money, and it was exhibited. The Auditors of the Road Board and of the Education Board did not ask for exhibition of the money belonging to those several Boards, and it was not exhibited.

19. It is understood from your reply that after the 24th September, 1857, you continued to hold in the chest moneys belonging to the Provincial Fund Account? Sometimes to a small amount, and I was empowered to do so by the regulations of the service. I produce copies of three letters of instruction in regard to these matters, dated respectively 16th December, 1859, 13th January, 1860, 26th December, 1860.

20. I hand to you a statement of the Accountant of the Provincial Treasury, showing certain deficiencies in the balance of the Provincial Account at the bank; do you admit that these deficiencies existed, and will you explain how they occurred? I have no doubt the Provincial Accountant's report is correct; but with the exception of the sum of £1086 13s. 4d., that was in the hands of the Superintendent, I am positive all the public moneys not in the Bank were in the Provincial chest.

21. On some occasions moneys were issued without the Superintendent's warrant for payment of wages of men employed on the Public Works. It is stated by the Accountant that these issues were not shewn in your cash-book until after the Superintendent's warrant had been obtained. This would cause a deficiency in your balance. Can you point out an instance where such payments have not been inserted in the cash-book at the time when the balance was struck? I wish to explain that when I stated to the Provincial Council's Committee, that the discrepancies between the cash-book and Bank-book balance must have been owing to sums advanced for wages not credited, I, of course, alluded to any excess beyond the sum borrowed by the Superintendent, and had particularly in view the sum of £1877 16s. 11d. on 15th May (*vide* Report, p. 6), reported by them apparently deficient on that date; for I was certain that if, in point of fact, there was so large an apparent deficiency, it must have been owing, not only to the loan to the Superintendent, but to advances made on account of wages which had not been placed to my credit; and the Accountant's statement now before you shows that I was correct in that. I am quite certain that Provincial account money kept in the chest never exceeded £400; and I put in three letters authorizing a sum to be kept to meet wages. Letters dated 16th December, 1859, 13th January, 1860, 26th December, 1860. As an instance where such payments have not been inserted in the cash-book at the time of survey, I refer to the Accountant's pass-book with the Union Bank on the 29th and 31st March, 1860.

21A. It is stated in the evidence taken before the Select Committee that the payments unvouched for at Invercargill account for the deficiency. I have examined the accounts in your office, and find the

course adopted, in respect of the Invercargill payments, regular, and that you have taken credit for them before the vouchers were received? My statement to the Committee was so far erroneous. I could not conceive how it was that the Auditors could have found a deficiency of £1800 odd. On the Committee asking me about it, I answered that if it was the case, I could not account for it in any way, except by advances having been made for wages here or at Invercargill, for which I had not been credited.

22. I find from the documents you have placed in my hands, that on the 16th January, 1860, you drew from the Provincial Account a sum of £400 by cheque signed by the Provincial Treasurer. This sum you state was paid to Mr. Macandrew. It appears acknowledged by an I O U, for £400, signed "J. M." and dated 16th January, 1860. There is a notation on the I O U, dated the same day, in your handwriting, stating that the amount was to be repaid out of money of next trip of "Pirate." A subsequent notation states that £333 6s. 8d. was received on 21st January, 1860, towards payment of the I O U, thus leaving a balance unpaid of £66 13s. 4d. There is another document in your handwriting, dated 23rd January, 1860, stating that "Mr. Macandrew borrowed to-day £500 to enable him to retire an acceptance of Mr. Reynolds'." You now state that this sum of £500 was repaid, but that Mr. Macandrew immediately borrowed another sum of £420, viz., on the 1st February, 1860, thus making up a sum of £486 13s. 4d. For this amount you state that Mr. Macandrew, on the 20th February following, gave a cheque on the Union Bank of Australia. Referring then to the above sum of £500, I find that a cheque for the amount was drawn on the Provincial Account at the Union Bank, on the 23rd January, 1860, and paid on the same day to Mr. Cheyne, a clerk in the Treasurer's office. Do I understand you to say, that when you gave Mr. Macandrew the cheque (which is signed by you as Provincial Treasurer), he said "Go yourself, or send Cheyne," and that you sent Cheyne? I said to Mr. Macandrew, I cannot give it you, except by drawing on the Bank. He said then, "Go yourself for it, or send Cheyne."

23. Out of what funds did you pay the loan of £420 to Mr. Macandrew on the 1st February, 1860? It was given to him out of the £500 repaid, and I think on the day after, or a day or two after, the repayment.

24. Mr. Macandrew gave you a cheque on the Union Bank for the sum of £486 13s. 4d., dated 20th February, 1860. Did the Bank pay the cheque on presentation? No. It was immediately presented and the answer returned was, "No funds." It was presented repeatedly afterwards, and the same answer given.

25. Will you hand in the dishonoured cheque? I have it not. Mr. Macandrew destroyed it when I obtained from him a cheque for £836 13s. 4d.; but I have a copy of it in the handwriting of Mr. Cheyne, which I now give in.

26. The cheque being dishonoured would leave Mr. Macandrew indebted to you in the sum of £486 13s. 4d. Now on the 28th February, eight days after the cheque was dishonoured, the deficiency of your balance according to the Auditors' report was £1037 1s. 3d., or according to the Accountant's report, £1010 9s. 5d., thus leaving a sum exceeding £500 unaccounted for, besides the balance of the Road Fund, amounting to £853 4s. 8d. How do you account for the deficiency? Part of the £500 would be in the chest; and it is possible that sums may have been advanced for wages and not credited. The result reported by the audit was ascertained only at the date of their first audit.

27. You state that the cheque drawn by Mr. Macandrew on the Oriental Bank for £836 13s. 4d. was dishonoured on presentation. Have you any documents to show that Mr. Macandrew was indebted to you to that amount? I had a cheque for £600, in addition to the one for £486 13s. 4d. He destroyed both when he gave the cheque for £836 13s. 4d. I gave in a memorandum made at the time he gave the cheque last mentioned, and also a copy, in Mr. Cheyne's handwriting, of the cheque for £600.

Copy of Mem.—Due J. McG. £486 13 4

						600 0 0
						£1086 13 4
Cash	...	...				100 0 0
						£986 13 4
Sal.	...	...				100 0 0
						£886 13 4
Do*	...	...				50 0 0
						£836 13 4

28. Did you retain any moneys belonging to the Provincial Account besides the petty cash of about £400? I am not aware of having retained any Provincial money except the sum to the Superintendent, and about £400 of petty cash. There may at times have been sums received and not paid into Bank on the same day they were received; but the cheques for such sums, when paid by cheques, have been, I may say, almost invariably given by me to the Accountant immediately on receiving them, to be paid into the Bank.

29. You state in your evidence before the Committee of the Provincial Council, that in February and March last you lent the Superintendent £400 and £600. The £400 was drawn from the Bank. Where did you obtain funds for the £600? The £600 was given by me to the Superintendent in cash. I recollect giving it him from the following circumstances:—I happened to go to his room that day to have a conversation with him on public business. I found Mr. John Jones with him on opening the door, and therefore immediately withdrew, without talking to the Superintendent. In a short time he came into my office in a great fluster, and said he was just settling a £9000 transaction with Mr. Jones—that it was inconvenient for Mr. Jones to pay him the money that day—that he was to do it "to-morrow"—that he needed £600 that day, and that if he did not get it he would suffer a heavy

* The figures within the bracket are in Mr. Macandrew's handwriting.

loss—that if I would give him that sum, both it and the previous sum of £400 odds would be repaid to me next day, when to a certainty he would be in ample funds. I believed his statement and gave him the money; and as it was to be repaid next day, and Mr. Jones was still with him, I got no voucher for it. He did not pay it next day, and stated to me some papers to pass between him and Mr. Jones had not been completed. This excuse he several times repeated. Some time afterwards, I cannot say how long, I got a cheque from him for that sum, dated 10th March, but that is not the date on which I received it. On that day (10th March) I observe a sum of £600 was received by me for Educational purposes on the Superintendent's warrant; but whether the £600 was actually given to him on that date I do not recollect, although I have repeatedly reflected on the matter since. I discovered that the Superintendent's cheque and the drawing from the Bank of the £600 for Education are of the same date. But the impression on my mind is, that he must have got the money on the date of this cheque, viz., 10th March.

30. Did you at the time of these transactions with Mr. Macandrew keep a private account at the Bank? No, I kept my private cash in the office, and did so for the purpose of preventing confusion by having several accounts in the Bank in my name.

31. What amount of private funds had you generally in the office? There was generally a sum of from £50 to £100 of private money in the chest.

32. Could it have been within the knowledge of the Superintendent that you had no private account at the Bank? I think he knew I had no private account.

33. In your reply to query No. 21 on the deficient balances, you state that payments on account of Public Works have not been inserted in the cash-book at the time of survey, and you give two instances in proof. On comparing the cash-book with the Accountant's pass-book, it is found that you were allowed credit for the two sums alluded to, with the exception of the sum of £212, which, however, the Accountant has allowed you credit for in his statement. Have you any further explanation to offer on this point? I referred to the two payments at the end of March, in consequence of an answer I had received from the Provincial Accountant, but I find he has misunderstood the question that I put to him to enable me to answer correctly the Commissioner's query. I answered the question not from my own inspection of the books, but from what I thought was the Accountant's answer, which he has now explained to me, arose from a mutual misunderstanding.

34. Produce the Education Board account and point out where the £600 to which you refer will be brought to charge? Produced accordingly.

35. It appears from your statement that the loans to Mr. Macandrew outstanding on the 20th September last amounted to £836 13s. 4d. State when and how the repayments were made by Mr. Macandrew, and what is the sum now outstanding?

I retained in payment of the monthly salaries for September, October, and November	£150	0	0
I got a cheque from him by Mr. Logan, the Superintendent's clerk, for	120	0	0
And I got cash from him on the day of the Auditors' final report in October	400	0	0
	670	0	0
Leaving a balance of	166	13	4
	£836	13	4

He now disputes that balance, and says he is only owing £16 13s. 4d., alleging that in the note made out by us, a copy of which I have given in, we had omitted to deduct the first of the salaries, viz., that for May, in which he is correct; and that, besides the above sum, he paid me £100 since the date of the cheque, which is not the case.

36. Will you refer to page 4 of the printed report of the Select Committee, where you will find that Mr. Kilgour states in his evidence that you informed him officially that part of the Road Board balance was in the hands of the Superintendent? Mr. Kilgour has misunderstood my statement. I did not reveal to Mr. Kilgour how matters stood till near the date of the Auditors' final report, at which time the Superintendent was endeavouring to get some bill discounted at the Oriental Bank, as I understood. I told the Superintendent that it would be right then to tell Mr. Kilgour, and he consented to my doing so. I then mentioned to Mr. Kilgour that I had applied part of the Road money to make up the balance at 30th September. I may add that I requested the Superintendent also to see Mr. Kilgour, which he did.

Two days after the evidence in question, No. 35 to 37, was taken, Mr. McGlashan made the following statement:—

"I told the Superintendent and also the Auditors that I had applied part of the Road money to make good the balance of the Provincial accounts. The Superintendent requested me not to disclose the matter to Mr. Street. I so applied the Road money to afford the Superintendent further time to make good the sum in his hands. I was then suspicious, and am now morally certain from his conduct towards me since the appointment of the Select Committee, that had I replaced the balance in his hands out of my own money he would not have repaid me but left me to rank along with his ordinary creditors. It was on my application to the Executive that the Auditors of the Provincial Accounts were appointed to audit the Road Board account contrary to the usual practice (the Board being authorized to appoint Auditors), in order that all the accounts might be reported on by the same Auditors; and it was arranged by their report on each of them should be delayed till the whole of them had been audited and the balance of each placed in the Bank.

"J. MCGLASHAN."

37. Mr. Kilgour states that the Superintendent told him that he (the Superintendent) had only (£400 of the Road Board balance, the remainder being in the Treasurer's hands. Have you any explanation to offer on this point? Mr. Kilgour must have either have mistaken what the

Superintendent said or the Superintendent must have made an erroneous statement. He had no part of the Road money in his hands. In reference to the amount stated to be outstanding, £616 13s. 4d. was the balance of Provincial moneys in the Superintendent's hands.

38. The Auditors on the 24th October last found the full balance of 30th September, 1860, lodged at the Bank: state how the deficiency of the previous quarter's account had been made good? By the payments received from the Superintendent, part of the Road money in my hands, and the sum in my hands for petty cash.

*** NOTE BY THE COMMISSIONER.—The Road Board money was paid in on 24th October, so that it could not have been used for the purpose stated; and the petty cash remained in the hands of Mr. Street.

39. Did you make the repayments into the Bank or hand the money to Mr. Street? and did you explain to Mr. Street what moneys they were, and did you instruct him to treat them as petty cash? I am not quite sure if any of the money was paid into Bank. I did not explain to Mr. Street, so far as I remember, what moneys they were, but I may have done so. Some of the Superintendent's payments were, I think, known to Mr. Street to be applied as petty cash. All moneys I pay out of the chest are handed to Mr. Street.

40. Did you take a receipt from Mr. Street for each sum handed to him as petty cash? No? I received jottings from Mr. Street of sums wanted by him, which I keep till I see the vouchers, and then destroy.

41. Have you any other documents to hand in in support of your statement that the moneys were advanced from the Provincial accounts, and not from private funds? I have other two notes of the Superintendent; but as one bears "Tear this up and put it in the fire," and the other bears "Tear this up at once," I have scruples about giving them in without the Superintendent's consent, or a peremptory order on me to give them in. And I beg to explain that these and the other notes having been put into my drawers on receiving them, have been preserved without premeditation.

*** The whole of the questions from 1 to 41, with the replies, were left with the Superintendent for his remarks. His observations will be found under the evidence given by His Honor.

42. In the month of February, 1860, there was a deficiency in the Bank account, after allowing for the sums lent to Mr. Macandrew, of about £500. In that month you retired a bill at the Union Bank. Have you any explanation to offer? There were two bill transactions for the same amount, viz., £300. The first bill was for my accommodation; but, in respect of the second, I did not require the money, and allowed Mr. Macandrew to keep the proceeds, he (Mr. Macandrew) retiring the bill. I would wish, however, to refer to my papers, and then make a further statement.

Mr. McGlashan handed in a written statement on the 1st February, 1861, as follows:—

"The bill referred to was retired by Mr. Macandrew, not by me; this is the bill I have alluded to, the proceeds of which I gave to him; but, in mentioning the bill, I said its amount was £300. This is an error. I spoke to the best of my recollection; but never having imagined that the transaction would become a subject of public inquiry, I kept no regular record of it. Believing that I must have some documents under Mr. Macandrew's hands, showing that he got the sum less the discount, I have made a search but have only discovered the following jotting in a memorandum book, which jotting has so far revived my recollection as to enable me to state distinctly what is above said, viz., that he got the proceeds and paid the bill.

"M'And.'s I O U,	£488	Novr.
	12	Int.
	£500	Bill paid
		7th Feby."

The Provincial Treasurer's bond cannot be found in the Superintendent's office. Do you know where it can be found? That is a most untoward circumstance. The bond was delivered to Captain Cargill to be kept by him, and I have never seen it since. It was signed and delivered. Captain Cargill kept public papers in an iron chest that stood in a stone safe adjoining his own room, and if it cannot be found among the papers that were kept in that chest or safe, I have no idea where it can be found. The Superintendent's clerk, Mr. Logan, had charge I believe of Captain Cargill's official papers, and if he has never seen the bond the present Superintendent should be inquired at, whether he, as executor of the late Mr. Proudfoot, has seen it among Mr. Proudfoot's papers, who was private clerk to Captain Cargill when I entered into office.

You state in your public address that you effected a loan to enable you to close the Treasury Accounts, and that Mr. Macandrew knew nothing of it until the accounts were closed: was the sum of £650, which was given to the Accountant in cash and not by cheque on the Bank, paid out of the loan to which you alluded? I applied part of the Road money to supply Mr. Macandrew's deficiency, when I found from his repeatedly deceiving me that it was likely he would not repay me before 30th September, and I applied also some private funds for that purpose. I reserved the loan to make up any ultimate deficiency by Mr. Macandrew. Part of it was ultimately applied for that purpose, and the most part of the remainder I have since invested, having borrowed the money for three years.

Will you state the amount you raised by loan, and from whom you received it; and show that the money was not permanently used for making up the deficiencies of the public balances? The amount was £1000; the lender was Mr. John Jones; the date on which I got the money was 24th September, 1860, but I had arranged for it a month before that. Personally I have no objection to show that the money was not permanently or otherwise used for making the deficiency of the public balance (except the deficiency that remained after the last payment received from Mr. Macandrew; but as thereby I must necessarily disclose private affairs of another, which I am pledged not to do, I must decline doing it. I am not unaware of the suspicion I may incur in consequence. If entertained by those who are to judge me, it will be one of the misfortunes of my unhappy position. I shall therefore only hint that the social relations existing in this place are such, that it ought not to appear strange that I have come under such a pledge.

In reference to the petty cash, it appears that in each quarter the average amount issued is about £2500,—that it was regularly placed in charge of Mr. Street, the accountant. Was this the petty cash to which you allude frequently in your examination, or was there some other, and if so please to refer to the Bank-book and point out the items, where issued, and state what payments were made by you out of it? The practice was for Mr. Street to furnish me with notes similar to those now exhibited, and for me to give him for the sums in these notes a cheque, or cash, according to circumstances. In general I retained cash in my own hands to meet any emergency over and above the special payment of Mr. Street, and in case of necessary absence for a whole day, I usually handed cash to Mr. Street, who accounted to me for the payments he made out of it. It is impossible for me, from the great multiplicity of transactions and from my mind never having been pre-occupied with the matter, to give a more explicit answer.

The Superintendent's replies to questions Nos. 8, 9, and 10, having been brought under the notice of Mr. McGlashan, the latter answered:—That the statements by Mr. Macandrew are a tissue of untruths, in some parts interwoven with incidents that occurred, but are of no importance.

Thus the conversation he relates regarding my letter to him of 20th September, 1860, is a pure fiction. No such conversation ever occurred; nor did I ever withdraw that letter, nor was I asked to withdraw it. He seems to have forgotten that I had told Mr. Morris and Mr. Reynolds that he had the deficient money in his hands; that I had shown them his cheques; and that I told him I had done so. Whatever my peculiar temperament may be, the letter in question shows, I think, anything but intemperance or want of delicacy towards him. I left it to himself to state the circumstances to his Executive.

Mr. Macandrew's professions of benevolence towards me can deceive no one. The circumstances on which he claims credit for it are purely fictitious. In the real circumstances there has been displayed a feeling the very opposite: and there is a latent malignity in one of his statements, which is intended to wound where he knows my feelings are acute. If Mr. Macandrew made any statement to my brother that I was deficient in the public accounts, it was unauthorized by me, and was false. It is true that in the beginning of 1858 I was accommodated by my brother with a temporary loan of about £200, and that this was effected through the agency of Mr. Macandrew as a mutual friend. My brother was then, and subsequently, in the practice of accommodating him; and he proposed to ask my brother for a sum I then wanted. That is the only occasion on which I have any recollection of Mr. Macandrew acting as the medium between me and my brother. And here I beg to explain that I am owner and occupier of about 200 acres of land in the vicinity of Dunedin, as well owner of some live stock; and that having two sons in manhood I have not considered it incompatible with the zealous and faithful discharge of my public duties to engage, with the assistance of my sons and other servants, in the farming of my land, on which I reside, as a means of adding to the small income derived from office. From this cause I have occasionally required pecuniary assistance until crops were reaped or cattle sold; and hence the money transactions for my accommodation which Mr. Macandrew has thought fit to bring into view.

Occasionally I have consulted Mr. Macandrew when parties have wished me to give them information as to the purchase of land. About a year ago, a friend in Edinburgh authorized me to buy for him one of the "two thousand acre" sections then for sale at 10s. per acre, informing me of the immediate object he had in view in making the purchase, and authorizing me to draw upon him for the price (£1000). My own opinion being that the purchase would not be suitable for that object, I mentioned the matter to Mr. Macandrew, and think I showed him my friend's letter, and I consulted others also, and finally resolved not to make the purchase, and, of course, not to draw upon him, a course which my friend has since approved of. This is one of the cases which Mr. Macandrew refers to in proof of his statement, that I had private funds in my hands available for a loan to him, and without security. The other case he mentions is this:—A merchant in Dunedin (whose name the Commissioner may have) told me that he had some money to lend. Shortly afterwards, Mr. Jones, of Jones and Williamson, asked me if I could procure a loan of a few hundred pounds for a relative. I told him to write me, stating the sum wanted, and the particulars of the security offered, and I would send the letter to the gentlemen who wanted to lend on mortgage. That was done, and the proposal was rejected.

APPENDIX TO THE EVIDENCE.

Mr. MACANDREW to Mr. MCGLASHAN.

MY DEAR SIR,—

Will you meet me at my private office to-day at One, and bring all the documents with you.

Tuesday.

Yours truly,
J. M.

Same to Same.

MY DEAR SIR,—

Saturday morning.

I have not signed any of the Warrants for Salaries, &c., which were all written out yesterday, and I am going to the North Taieri to-day, they will not be signed till Monday, so that there is no use you going to town to-day.

I have made such arrangements as I think will put the other matter all straight upon Monday, irrespective of the documents now in Howorth's hands.

John McGlashan, Esq.

Yours truly,
JAMES MACANDREW.

Same to Same.

MY DEAR SIR,—

What a pity it that was you did not entrust the whole of that affair to me; I could have polished it off as smoothly as you please. I spoke to Morris to-day, and find that there was not the slightest necessity for all the stew in which you have placed both you and myself—there is no intention of reporting anything detrimental to you.

Yours truly,
J. M.

Same to Same.

MY DEAR SIR,—

I would have met you at half-past twelve punctually, but the fact is I am desirous of staving off an interview until it can be satisfactory. I am leaving no stone unturned, and will be able, I trust, to explain satisfactorily that it is no fault of mine that the matter was not arranged last week.

Yours,
J. M.

Same to Same.

MY DEAR SIR,—

I regret exceedingly that you should be so much annoyed about that little matter. The Oriental has promised to put me in funds, but I cannot well press them for it before they open, although Anderson told me he would meet my views as soon as he can get at the necessary documents from his boxes. I expect to see him every day—in any case I cannot be put off any longer than the opening day of the Bank. You can do nothing in the way of auditing your account for a day, or possibly two or three, and by the time the auditors are with you you may rely upon my doing the needful.

Yours truly,
J. M.

Wednesday.

Same to Same.

MY DEAR SIR,—

The party who told you that I have been paying other people told you a gross falsehood.

I cannot pay you to-day, and if you take the proceeding you threaten you only make it the worse for both of us. If you had only, or would only, leave me to manage matters, it would have been all right ere now, and would be so, indeed will be so still.

Yours truly,
J. M.

Same to Same.

MY DEAR SIR,—

I think I will manage, by hook or crook, to get Proudfoot's bill cashed on Monday. I have made a great sacrifice in order to close this to me more unpleasant business, than it can be ever to you, and it will certainly be strange if the sum named cannot at least be realized.

Yours,
J. M.I O U
5th November, 1859.

£488

J. M.

I O U
1st February, 1860.

£420

J. M.

I O U
16th January, 1860.

£400

J. M.

In Mr. McGlashan's writing	{	To be repaid out of money of next trip of "Pirate."			
		16th January, 1860.			
		£333 6s. 8d. received on 21st January, 1865, towards pay-			
		ment of the above	£400 0 0		
				333 6 8	
		Balance still due of		£66 13 4	

(Copy.)
No. 496.

To the Manager of the Union Bank of Australia, Dunedin.
or Bearer, Four hundred pounds, sterling.

PAY

£400

828
W. R. J.
Signed.JAMES MCGGLASHAN,
Provincial Treasurer.(Copy.)
No. 501.

To the Manager of the Union Bank of Australia, Dunedin.

PAY Mr. Cheyne, or Bearer, Five hundred pounds.

£500

828
W. R. J.
Signed.

23rd January, 1860.
J. MCGGLASHAN,
Provincial Treasurer.

(Copy.)
No.

20th February, 1860.

To the Manager of the Union Bank of Australia, Dunedin.

PAY Self, or Bearer, Four hundred and eighty-six pounds 13s. 4d.

£486 13s. 4d.

(Signed) JAMES MACANDREW.

(Original.)
No.Dunedin, Otago, New Zealand, 20th September, 1860.
The Oriental Bank Corporation.

PAY Self, or Bearer, Eight hundred and thirty-six pounds 13s. 4d.

£836 13s. 4d.

JAMES MACANDREW.

Endorsed, JAMES A. CHEYNE.

(Copy.)
No.

10th March, 1860.

To the Manager of the Union Bank of Australia, Dunedin.

PAY ———, or Bearer, Six hundred pounds, sterling.

£600

(Signed) JAMES MACANDREW AND CO.

MONEY WARRANT.

No. 738. For £1000. Dunedin, 7th May, 1860. Service—Works, Clutha Coal Fields. In favour of James Paterson and Co.

N.B.—To this warrant was attached a receipt for £1000, dated 8th May, 1860, signed by James Paterson and Co.

MONEY WARRANT.

No. 470. For £1712. Dunedin, 25th February, 1860. Service—Half of passage money per "Gala."

In favour of James Macandrew and W. H. Reynolds, for John Gladstone and Co.

N.B.—The sub-voucher is signed by Mr. Macandrew alone.

MONEY WARRANT.

(Corrected Warrant.)

No. 437. For £1712. Dunedin, 25th February, 1860. Service—Half of passage money per "Gala." In favour of James Macandrew and Co.

MEMORANDUM FOR AUDITOR-GENERAL.

THE only point in the whole matter now under inquiry which the Superintendent is desirous of exculpating himself with regard to, is the allegation that the deficiency in the Provincial Chest, on 30th June last, was in his hands. The only testimony which can possibly implicate him is that of Mr. McGlashan himself, and as there is no means of rebutting Mr. McGlashan's assertion by aught but assertion, the Superintendent is desirous of proving that to a considerable extent and for a long period Mr. McGlashan had taken use of public moneys. If this can be established the inference would be that the deficiency in June was in his hands. In order to establish this point it would be necessary to find out the balances which ought to have been in the Provincial Chest at the dates of the respective audits, and also of the balances in the hands of Mr. McGlashan at the same dates, as Treasurer to the Road Board and Education Board respectively. The Superintendent would then bring proof as to sums advanced by Mr. Macandrew to Mr. McGlashan about the same dates. These amounts, with the Road and Education balances, might be taken as the sum which Mr. McGlashan devoted to his own private use. In order to arrive at a satisfactory conclusion, it will be necessary to examine witnesses on oath; as, however, that cannot be done, the Superintendent would endeavour to get proof from Mr. Morris, formerly cashier to J. Macandrew and Co., Mr. Reynolds, formerly a partner in that firm, Mr. Jackson, of the Union Bank, and probably Mr. Edward McGlashan, who, however, from his relationship, it might be well to dispense with.

JAMES MACANDREW,
Superintendent.

22nd January, 1861.

It may be observed that the various memoranda passed between Mr. Macandrew and Mr. McGlashan, were written by the former under the influence of the strictest personal friendship, and intense desire to prevent Mr. McGlashan's exposure and consequent ruin.

J. M.

SIR,—

I have to request that you will call for Mr. Jackson, manager of the Union Bank, to prove that he discounted me bills for Mr. McGlashan's accommodation, which bills were retired by the acceptor; and that I exhibited to Mr. Jackson documents showing that I held stock of Mr. McGlashan's as collateral security.

Also that you will send for Mr. Douglas, bookkeeper to J. M. and Co., to prove that Mr. McGlashan had received various payments from me for the accommodation of the borrower, which sums were repaid by him.

[*Extract from "Otago Provincial Government Gazette."*]

TREASURER'S BOND.

HIS HONOR the Superintendent directs the publication of the following letter in connection with the preceding report, the bond in question having been found after Dr. Knight left Otago :—

Superintendent's Office,

SIR,—

Dunedin, 10th April, 1861.

I am happy to be able to inform you that Mr. E. B. Cargill has this day delivered me the Bond of Indemnification for the due performance of your duties as Treasurer. It was found, after considerable search, among some papers which the late Capt. Cargill was arranging previous to his death.

I take the opportunity of expressing the regret of the Government that its absence should have caused you any anxiety and trouble.

I have, &c.,

J. RICHARDSON,

Acting Superintendent.

John McGlashan, Esq., Provincial Treasurer.

No. 7.

Copy of a Letter from the Hon. E. W. STAFFORD to JAMES MACANDREW, Esq., Dunedin.

SIR,—

Colonial Secretary's Office, Auckland, 6th March, 1861.

Referring to my letter to you No. 9, of the 4th January last, I have the honor to state that the Report with the evidence attached thereto, of the Auditor of Public Accounts of New Zealand on the charges preferred against you by the Provincial Council of Otago, has been received.

After a careful consideration of all the circumstances of the case His Excellency the Governor has been advised, in conformity with the address from the Provincial Council, and in pursuance of the power vested in him, to remove you from the office of Superintendent of the Province of Otago, and His Excellency has been pleased to remove you from the office of Superintendent accordingly.

I have, &c.,

E. W. STAFFORD,

James Macandrew, Esq., Dunedin, Otago.

No. 8.

Copy of a Letter from the Hon. E. W. STAFFORD to the SPEAKER, Provincial Council, Otago.

SIR,—

Colonial Secretary's Office, Auckland, 6th March, 1861.

Referring to my letter No. 4, of the 4th January last, stating that the Auditor of Public Accounts of New Zealand had been appointed by His Excellency the Governor to inquire into and report on the charges preferred by the Provincial Council of the Province of Otago against the Superintendent of that Province, I have the honor to inform you that, after a careful investigation of the Auditor's Report, and of the evidence taken by him, His Excellency has, with the advice of Ministers, complied with the prayer of the address, signed by a majority of the Members of the Provincial Council, and removed Mr. James Macandrew from the office of Superintendent of the Province of Otago.

I have, &c.,

E. W. STAFFORD.

The Speaker of the Provincial Council, Otago.

No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.
(No. 69.)

SIR,—

Superintendent's Office, Dunedin, 20th December, 1861.

I have the honor to forward herewith certain correspondence for the information of His Excellency's Government, on the subject of certain sums of money abstracted from the Provincial Treasury, and appropriated by Mr. Macandrew, for which no value has been received by the Provincial Government.

I have, &c.,

J. RICHARDSON,

Superintendent.

The Hon. the Colonial Secretary, Auckland.

Enclosure 1 in No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to JAMES MACANDREW, Esq.

SIR,—

Dunedin, 26th March, 1861.

I have the honor to forward you an abstract of a letter received this morning, and as I cannot obtain any information on the point from any of the Departments of the Government, nor from the Public Records, I shall be obliged for any information you can afford me.

I have, &c.,

J. RICHARDSON,

Speaker, Provincial Council, and Acting Superintendent.

James Macandrew, Esq., Dunedin.

Extract from a letter from Messrs. Crawford and Auld, Edinburgh, dated 25th January, 1861.

"The draft for £1012 14s. 5d., payable to Messrs. Raynor, was presented on the 14th instant, when we accepted the same."

PAPERS RELATIVE TO THE

Enclosure 2 in No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to JAMES MACANDREW, Esq.

SIR,—

Dunedin, 1st June, 1861.

Messrs. Crawford and Auld, the Government Agents in Britain, have informed me in a letter dated Edinburgh, February 25th, 1861, that they had retired your bill on them in favour of Messrs. Raynor, of Sunderland, for £1012 14s. 5d.; and having in vain searched the records of this and the Treasurer's Office for the slightest trace of this transaction, which should have been recorded, I am necessitated to apply to you for information, and shall be obliged by you informing me whether any and what value has been received for this expenditure of Government money, and of the reasons which made it undesirable that the order for payment should appear in the letter-book of the office.

2. I take the opportunity of bringing to your notice, that a letter has been received by the last mail from England, from Messrs. Gladstone and Company, claiming payment for the immigration per "Gala;" should such payment not have been made in conformity with their instructions to yourself and to Mr. W. H. Reynolds on your joint receipts.

3. I consider it also but right that you should know that a bill, which according to the evidence as recorded by Dr. Knight, you represented us having forwarded in payment of Clutha Coal Plant, in July last, as also the duplicate which you represented as having sent in November last, are not acknowledged as having been received up to the 25th March last, by which period there was more than abundant time for both original and duplicate to have reached their destination.

I have, &c.,

J. RICHARDSON,

Superintendent.

James Macandrew, Esq., Dunedin.

Enclosure 3 in No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to JAMES MACANDREW, Esq.

SIR,—

Dunedin, 10th June, 1861.

Not having received a reply to my letter, as per margin, I have the honor to forward you a copy of the same, and to request an answer as early as possible, in order that I may be able fairly to represent the subject in my communication with the Provincial Council when it meets.

I have, &c.,

J. RICHARDSON,

Superintendent.

James Macandrew, Esq., Dunedin.

Enclosure 4 in No. 9.

Copy of a Letter from JAMES MACANDREW, Esq., to the SUPERINTENDENT, Otago.

SIR,—

Dunedin, 17th June, 1861.

With reference to your communication of 1st instant, I have to apologize for not having replied earlier. As regards the payment of £1012 12s. 5d. to which you allude, I beg to refer you to the Provincial Accounts, in which the sum in question will be found on both sides.

As to the passage-money per "Gala," I have to refer you to the Auditor-General's Report, from which it will be seen that Messrs. Gladstone and Co. can have no claim against the Government.

As respects the remittance for Clutha Coal Field Plant, I regret that some unfortunate fatality seems to attach to the matter, and that as yet I am unable to throw further light upon the subject. I still feel assured that the money is not lost, and that it will yet turn up. In the event, however, of its not doing so in course of the next two mails from England, I have arranged with my friends that the amount will be paid into the Treasury, assuming that the Government shall then be of opinion that the remittance has been lost through carelessness or irregularity on my part.

I have, &c.,

JAMES MACANDREW.

His Honor the Superintendent of Otago.

Enclosure 5 in No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to JAMES MACANDREW, Esq.

SIR,—

Dunedin, 19th June, 1861.

I regret that your communication respecting the "Gala" passages money and Clutha Railway Plant is not of a more satisfactory nature; and with reference to the bill for £1012 14s. 5d. I am sorry to say, that I do not find it entered on either side of the Provincial Accounts to which you referred me.

I have, &c.,

J RICHARDSON,

Superintendent.

James Macandrew, Esq., Dunedin.

Enclosure 6 in No. 9.

Copy of a Letter from the SUPERINTENDENT, Otago, to JAMES MACANDREW, Esq.

SIR,—

Dunedin, 2nd August, 1861.

Adverting to my former letters to you and your replies as per margin, on the subject of the bill retired on your account by the Home Agents, in favour of Messrs. Raynor, of Sunderland, I have the honor to draw your attention to the following facts, and to request an explanation of them:

On the 8th June, 1860, the Home Agents paid one half of the passage money due on account of the "Henrietta," viz. £1188 15s.

March 1, 1861.

June 1, 1861.

June 10, 1861.

June 19, 1861.

Mr. Macandrew

to Superintendent

June 17, 1861.

On the 28th September, 1860, the Provincial Treasurer paid on your Warrant No. 1417 of the same date, the sum of £1132 10s. to Andrew Cumming, the master of the said vessel, being the second moiety for the same purpose.

And on the 18th February, 1861, the Home Agents paid again the second moiety for the Emigrants by the said vessel, by retiring your bill, dated 24th October, 1860, at 30 days sight, in favour of Messrs. E. P. and C. R. Raynor, of Sunderland, and charging the amount under your instructions to the same account.

I have only further to note for your information, that the Agents in their communication by the present mail, do not make any reference to either the first or second of the Bills of Exchange for the sum of £1000, which you represent as having forwarded to them on the Clutha Coal Plant account.

I have, &c.,

J. RICHARDSON,
Superintendent.

James Macandrew, Esq., Dunedin.

Enclosure 7 in No. 9.

JAMES MACANDREW, Esq., to the SUPERINTENDENT, Otago.

SIR,—

Dunedin, 29th August, 1861.

I have deferred replying to your communication of 2nd instant, having been in daily expectation since its receipt of being enabled personally to see to the matter, and get them put all right. Having been however disappointed in this, I have now to explain that the £1012 14s. 5d., to which you refer, was an exchange transaction, the amount of which was arranged to be paid into the Treasury here, immediately on receipt of advice of its payment at the other end—(probably the Members of the Executive may recollect that it was agreed to dispose of the debentures at home, and to draw against them at par for the reasons stated in my Despatch to the Agents). But for the unfortunate circumstance which precluded me from seeing to the matter personally, this arrangement would have been duly fulfilled. As it is, I had every reason to be satisfied that the matter had long ere this explained itself. There seems, however, to have been some misunderstanding on the subject; the money, I believe, is in the hands of Captain Robertson, Agent, by whom it will no doubt be paid, so soon as I can communicate with him, which I shall do forthwith.

As respects the Clutha Plant, if it is deemed proper that the loss (if loss it shall finally turn out to be), shall be borne by me; the amount will be paid in terms of my letter of 19th June, so soon as I can communicate with my friends.

To His Honor the Superintendent, Otago.

I have, &c.,

JAMES MACANDREW.

No. 10.

Copy of a Letter from the COLONIAL SECRETARY to the SUPERINTENDENT, Otago.

(No. 51.)

SIR,—

Colonial Secretary's Office, Auckland, 8th January, 1862.

I have to acknowledge the receipt of your letter of the 20th ultimo, on the subject of Mr. Macandrew's defalcations.

I will give the subject immediate attention with the view of deciding whether the Government will take any, and what action, in reference thereto.

His Honor the Superintendent, Otago.

I have, &c.,

HENRY SEWELL.

No. 11.

Copy of a Letter from the Hon. the COLONIAL SECRETARY to the SUPERINTENDENT, Otago.

(No. 413.)

SIR,—

Colonial Secretary's Office, Auckland, 7th April, 1862.

With reference to previous correspondence upon the subject, I have now the honor to enclose copy of a report by the Assistant Law Officer, upon Mr. Macandrew's case, and to request your Honor's opinion as to the expediency of taking any further proceedings; also to assure your Honor of the desire of the Government to act in this matter in accordance with the views of the Provincial Government of Otago.

His Honor the Superintendent, Otago.

I have, &c.,

WILLIAM FOX.

Enclosure in No. 11.

Report by the ASSISTANT LAW OFFICER upon Mr. MACANDREW's Case.

MR. SEWELL,—

Attorney-General's Office, Auckland, 3rd April, 1862.

I have perused these papers, and after much consideration have come to the following conclusions, the grounds of which I suppose it is unnecessary to state at length.

Mr. Macandrew in not guilty of embezzlement, for he never was a person entrusted with public money.

He has not detained money under false pretences. Nor can I find that he has committed any offence that will come within any of the statutory felonies or misdemeanours.

But my mind is clear that he has committed an offence for which he may, and should be indicted, malfeasance by a public officer to the injury of Her Majesty's subjects or any class of them, is a misdemeanour at the common law. The remitting the £1000 would not alter the offence, even if it was true that Macandrew had sent it, which does not appear to be the case; whether the facts as stated here can be proved in the Colony, cannot be ascertained in Auckland. Numerous difficulties in the prosecution may arise from the principle of the English law that the evidence of intention in a criminal trial must be given in the presence of the prisoner.

But the case is a very gross one, and the law I think is clear.

I have, &c.,

F. D. FENTON,
Assistant Law Officer.

P.S.—I have only considered the recent case of the draft in favor of Rayner and Co., not the case reported on by Dr. Knight.

F. D. FENTON.

No. 12.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.
(69-5.)

SIR,—

Superintendent's Office, Dunedin, 22nd April, 1862.

No. 413, April 7.

I have the honor to acknowledge the receipt of your letter as per margin, with reference to the expediency of taking any further proceedings against Mr. Macandrew, and in reply to state that I will give my attention to the subject at the earliest opportunity.

The Assistant Law Officer's opinion, which was enclosed, was duly received by me.

I have, &c.,

J. RICHARDSON,
Superintendent.

The Hon. the Colonial Secretary, Auckland.

No. 13.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.
(69-7.)

SIR,—

Superintendent's Office, Dunedin, 24th May, 1862.

With reference to your letter of the 7th ultimo, with enclosure from the Law Officer upon Mr. Macandrew's case, I have the honor to state that the Government consider that they have fulfilled their duty in placing before the General Government the conduct of the late Superintendent, Mr. Macandrew, as regards the subjects which were more immediately under the Auditor-General's investigation, and having also submitted the subsequent evidence as to the malappropriation of the sum of One thousand and two pounds fourteen shillings and fivepence.

I have, &c.,

J. RICHARDSON,
Superintendent.

The Hon. the Colonial Secretary, Auckland.

No. 14.

Copy of a Letter from the Hon. the COLONIAL SECRETARY to the SUPERINTENDENT, Otago.
(No. 594.)

SIR,—

Colonial Secretary's Office, Auckland, 19th June, 1862.

No. 69, May 26,
1862.

I have the honor to acknowledge the receipt of your letter of the number and date quoted in the margin, relative to Mr. Macandrew's case.

The Government consider it undesirable to proceed any further in this matter, which is full of difficulty, and the result of any proceedings would be extremely doubtful.

I have, &c.,

WILLIAM FOX.

His Honor the Superintendent, Otago.

No. 15.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. E. W. STAFFORD.

SIR,—

Province of Otago, N.Z.,

Superintendent's Office, Dunedin, 27th February, 1867.

Having been elected Superintendent of this Province, and this day assumed office, I have the honor to request that His Excellency the Governor may be advised to issue to me as early as possible, the necessary delegations of His Excellency's powers under "The Gold Fields Act, 1866," "The Diseased Cattle Act, 1861," and "Amendment Act, 1865," "The Protection of Certain Animals Act, 1865," and also the powers vested in His Excellency by the fifth part of "The Gold Fields Act, 1866."

I have, &c.,

JAMES MACANDREW,
Superintendent.

The Hon. the Colonial Secretary, Wellington.

No. 16.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(67-631)

SIR,— Colonial Secretary's Office, Wellington, 8th March, 1867.
I have honor to acknowledge the receipt of your letter of the 27th ultimo, No. 7013-1, in which you state that you had been elected Superintendent of the Province of Otago, and had that day assumed the office, and request that the Governor may be advised to delegate certain of His Excellency's powers to you. I have the honor to inform you that the subject will be brought under the consideration of the Cabinet at the earliest practicable moment.

His Honor the Superintendent of Otago, Dunedin.

I have, &c.,
E. W. STAFFORD.

No. 17.

Copy of a Letter from the Hon. E. W. STAFFORD to the AUDITOR OF PUBLIC ACCOUNTS.
(No. 237.)

SIR,— Colonial Secretary's Office, Wellington, 8th March, 1867.
With reference to the Commission issued to you in the year 1861, to investigate and report upon the Public Accounts of the Province of Otago, and the charges brought against Mr. Macandrew by the Provincial Council, I have now the honor to request that you will proceed to Dunedin by the steamer which leaves Wellington this day, for the purpose of further examining the accounts of that Province, especially with regard to the item "Defalcations by James Macandrew, Esquire, One thousand and twelve pounds fourteen shillings and fivepence (£1012 14s. 5d.)" which appears in the Appropriation Ordinance of the Province for the year 1861-2, and that you will report whether, after a renewed investigation of the subjects previously inquired into, you see any reason to vary in any particular the conclusions previously reported so far as they affect Mr. Macandrew, and whether there has subsequently been any satisfactory explanation with respect to the sum stated to have been a defalcation on his part.

You will take care to inform Mr. Macandrew of your investigation, and to afford him every opportunity of making explanations with respect to the subject of it. I expressly mention this, as Mr. Macandrew is reported in the public Press (I know not whether correctly or not,) to have said that he was not made acquainted with the result of your previous investigation, until it was referred to during the recent election.

The Auditor of Public Accounts, &c.

I have, &c.,
E. W. STAFFORD.

No. 18.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. E. W. STAFFORD.
(7282-2)

SIR,— Superintendent's Office, Dunedin, 4th April, 1867.
I do myself the honor to forward to you the enclosed copy of a Memorandum from the Provincial Secretary, respecting a breach of official etiquette, which I have no doubt has arisen from inadvertence, and which I feel assured needs only to be pointed out in order to be guarded against in future.

The Hon. the Colonial Secretary, Wellington.

I have, &c.,
JAMES MACANDREW,
Superintendent.

Enclosure in No. 18.

MEMORANDUM for His Honor the SUPERINTENDENT.

THE Auditor-General applied to-day to Mr. Pyke for information regarding the collection of Gold Fields Revenue, with which Mr. Pyke at once furnished him. The Provincial Secretary would suggest that it would be more in accordance with official etiquette, if in future similar cases, such applications were, in the first instance, made to the Government rather than to subordinate officers, who, without an official knowledge of Dr. Knight's position, might feel themselves justified in refusing to afford the required information.

JOHN MOUAT.

No. 19.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(No. 187)

SIR,— Colonial Secretary's Office, Wellington, 15th April, 1867.
Referring to your letter of 27th March, I have now the honor to enclose, for your Honor's information, copies of Reports, dated respectively the 14th and 18th ultimo, and of their enclosures, from the Auditor of Public Accounts, relative to certain transactions connected with the Public Funds in the Province of Otago, which took place in 1860, when you were Superintendent of that Province. After a careful consideration of the facts disclosed in these Reports, Ministers are unable to advise that the powers of the Governor under "The Gold Fields Act, 1866," should be delegated to you. The administration of the Gold Fields in the Province of Otago, will, consequently remain with His Excellency.

His Honor the Superintendent, Otago.

I have, &c.,
E. W. STAFFORD.

PAPERS RELATIVE TO THE

Enclosure 1 in No. 19.

Copy of a Letter from Dr. KNIGHT to the Hon. E. W. STAFFORD.

SIR,—

Dunedin, 14th March, 1867.

I have the honor to report that I had an interview with the Superintendent on the 12th instant.

His Honor informed me that he had received no communication from the General Government respecting the object of my mission.

I then handed to His Honor the Colonial Secretary's letter addressed to me as Auditor of Public Accounts, and he informed me that nothing new had been discovered since I concluded my first inquiries.

I explained that the "Defalcation" for which a vote of the Provincial Council had been taken was entirely new to me; and I requested his permission to obtain the inspection of such public documents as were necessary for the investigation of the facts connected with that transaction.

His Honor at once assented to my request, and pointed out to me the locality of one of the offices. He also undertook to give me immediately an explanatory memorandum on the points more particularly alluded to in the Colonial Secretary's letter of instructions.

The next day Mr. Vogel, the Provincial Treasurer, sought an interview with me, and expressed his surprise that information had been obtained from the Treasury without his permission, and that the clerk who had given it would probably be dismissed from the service.

I explained that I had obtained permission from the highest Executive officer of the Province to inspect the Public Accounts, and that hitherto I had not been in official communication with the Provincial Treasury, having so far confined my inquiries to the Audit Office.

I enclose the Provincial Treasurer's communication dated the 14th instant, with my reply thereto.

At the Audit Office I obtained the only information that the Public Accounts will afford. I examined no officer of the Government, and confined my investigation to the inspection of the accounts and to copying entries from public documents in the Audit Office.

I have transmitted to the Superintendent a copy of the letter of instructions, but I gather from the tone of the Provincial Treasurer's communication that it is not intended to admit that I am in official communication with the Provincial authorities.

I have, &c.,

CHARLES KNIGHT,

Auditor of Public Accounts.

The Hon. E. W. Stafford.

Sub-Enclosure 1 to Enclosure in No. 19.

Copy of a Letter from the PROVINCIAL TREASURER to Dr. KNIGHT.

SIR,—

Provincial Treasury, Dunedin, 14th March, 1867.

I cannot admit that your explanation of the circumstances under which you obtained access to the Treasury books is satisfactory.

You say that you only placed yourself in official communication with the Provincial Auditor, but, strictly speaking, it does not seem to me you were in official communication with any one, since the Provincial Government have not received from the General Government any letters accrediting you, and in virtue of your own office it does not seem to me you are entitled to enter into official communication with Provincial Governments.

In respect to the authority you say you received from the Superintendent, His Honor tells me that he took it for granted your knowledge of official etiquette would lead you to communicate with the head of the department.

It does not seem to me you have any right to instruct or censure the Provincial Auditor, whose duties are strictly defined by Act of the Assembly, and who is in no way subject to your directions. Equally, I cannot understand by what right you placed yourself in communication with the Provincial Banker, and sought to elicit information from that gentleman. If you desired information you should have sought it from the Provincial Government.

I need scarcely add the Provincial Government are always willing to supply the General Government with information, as Messrs. Woodward, Spence, and Gisborne, who were lately here can attest.

I shall ask the Superintendent to communicate a copy of this letter to the Colonial Secretary.

I have, &c.,

JULIUS VOGEL,

Provincial Treasurer.

Dr. Knight, Auditor-General.

Enclosure.

Copy of a Letter from the AUDITOR-GENERAL to the PROVINCIAL TREASURER.

SIR,—

Dunedin, 14th March, 1867.

I have the honor to acknowledge the receipt of your communication of this morning.

You appear clearly to understand that on my personal application to the Superintendent His Honor gave me permission to obtain from the Provincial Offices any information I required respecting the Public Accounts of the Province. In applying to the Provincial Auditor for certain vouchers I was in communication with the head of a department, and so far I did not disappoint the reasonable expectation of the Superintendent to which you allude.

In reference to your remarks on my having placed myself in communication with the Bank of New Zealand, where the accounts of both the General and Provincial Governments are kept, I may

state, in explanation, that the Sub-Treasurer and Receiver of Land Revenues continues to pay public moneys to the credit of the Provincial Treasurer at the Bank, instead of paying them to the credit of the "Provincial Account;" thereby defeating the provisions of "The Provincial Audit Act, 1866," and placing the Provincial Revenues under the sole control of the Provincial Treasurer. By the course adopted the Sub-Treasurer was rendering himself liable to a penalty of £500.

I was about, therefore, to request the Sub-Treasurer to make his payments in future into the Provincial Account, when I learned, on the occasion you refer to, that there was no such account at the Bank, and moreover, that the Gold Fields Revenues were paid by the several Receivers into a Provincial Public Account, instead of into the Public Account of the Colony.

As the same name for accounts of different Governments was objectionable and led to mistakes, I requested the Bank to furnish me with a list of the Public Accounts, in order that I might bring the matter under the notice of the Provincial authorities; and I took the earliest opportunity of calling the attention of the Superintendent to the necessity of the Audit Act being conformed to, with the view that the officers of the General Government might be instructed where public moneys, due to the Provincial Treasury, might be legally paid.

I gather from your remarks, that you cannot understand by what right I thus placed myself in communication with the Provincial Banker.

I have to request that you will bring this letter under the consideration of His Honor the Superintendent, and that you will append to it my note marked "Private," to which your communication is virtually a reply.

I have, &c.,

CHARLES KNIGHT,
Auditor of Public Accounts.

The Provincial Treasurer.

MEMO.—I have no copy of the Private Note, but the following is very nearly the purport of it.

MY DEAR SIR,—It has occurred to me since I saw you this morning, that you are under the impression that I have shown a want of courtesy to you in the matter of Mr. Macandrew's defalcation, I should be sorry that you should remain under this impression, if it exists. I may state in explanation that, after obtaining the Superintendent's permission to inspect documents in the Provincial offices, I went to the Auditor and requested him to show me certain vouchers. These, it appears, were obtained from your department. At Wellington, the whole of the Treasury vouchers are deposited in the Audit Office. I mention this to show that naturally I went to the Audit Office here, and not to the Treasury, for the information I required, and that I was not in official communication with the Provincial Treasury at all.

I am, &c.,

CHARLES KNIGHT.

Enclosure 2 in No. 19.

Copy of a Letter from Dr. KNIGHT to the Hon. E. W. STAFFORD.

Dunedin, 18th March, 1867.

SIR,—

I reported on the 14th instant that in accordance with the instructions given to me as Auditor of Public Accounts, with reference to the inquiry made under the Commission issued in the year 1861, I had commenced the examination of the accounts of the Province, with regard to the defalcations of James Macandrew, Esq.

On the 16th instant I received the letter of His Honor the Superintendent, dated 15th instant, in reply to my application, as Commissioner, for free access to vouchers and accounts of the Provincial Treasury, necessary for the purposes of the present inquiry.

His Honor states that the inquiry in question was instituted at the instigation of the Provincial Council of Otago, and that unless that body desires its resumption, the Provincial Government must decline any interference on the part of the General Government with the accounts of the Province.

I stated in reply, that in accordance with the views of the Provincial Government, I had at once closed my inquiries into the Public Accounts of the Province.

I have now the honor to report, that I have examined the Provincial Account with regard to the item "Defalcations by James Macandrew, Esq., £1012 14s. 5d.," which appears in the Appropriation Ordinance of the Province of Otago for the year 1861, and paid from the account current of Messrs. James Crawford and Auld, agents in Scotland for the Provincial Government of Otago, that on the 8th June, 1860, they paid Messrs. P. Henderson and Co., the half passage money for 158½ adult emigrants, by the ship "Henrietta," amounting to £1188 15s. That on the 20th September, 1860, as appears by the cash-book of the Provincial Treasury, the remaining moiety of the passage money was paid at the Provincial Treasury to Andrew Cumming, master of the ship "Henrietta," for the passage of 151 adults, amounting to £1132 10s. The account current of the Oriental Bank Corporation shows that the sum of £1132 10s. was paid on the 28th September, by cheque 1417. The voucher on which this claim was paid, and which would have the Superintendent's warrant on it, was not found in its place among the records of the Provincial Accounts; but as the accounts had been duly audited there is no reason to suppose that anything irregular occurred in the payment of the claim. The Oriental Bank, where the cheque was paid, has some time since removed its branch from Dunedin, and I was unable to obtain an inspection of the cheque. The discrepancy between the number of adult emigrants paid for in Scotland, and the number paid for in Otago, is accounted for by deaths on board during the passage. These payments entirely discharged the claims of the "Henrietta," on account of immigration.

I find, however, on inspection of the account current of Messrs. Crawford and Auld, for the period included between the 31st December, 1860, and the 31st March, 1861, that on the 18th of February, 1861, the agents retired the Superintendent's bill for £1012 14s. 5d., dated 24th October, 1860, at thirty days' sight, in favour of Messrs. E. P. and C. R. Rayner, Sunderland, and said to be the

second moiety for the passage money of immigrants by the ship "Henrietta." The retired bill was not found among the documents belonging to Messrs. Crawford and Auld's accounts, nor among the vouchers of the Provincial Accounts.

It thus appears that twenty-six days after the final payment in the Colony of the claims of the "Henrietta," the Superintendent draws bills purporting to be on account of the "Henrietta," in favour of parties who had no claim on the Provincial Treasury.

There is then no question that the revenues of the Province have been twice charged with the second moiety of the passage money of the "Henrietta," also it is equally clear that some party has secured a pecuniary advantage of £1012 14s. 5d., at the expense of the Provincial Treasury. The question arises, how did it happen, if the bill was *bond fide* drawn on account of the "Henrietta," they were not made payable to the owners of that vessel. There seems only one answer: the money was not due to them. The pretence that they were drawn on account of the "Henrietta," was the expedient under which possession of public moneys was wrongfully obtained.

The next points for investigation would have been to trace the retired bills and vouchers; to determine whether the Provincial Treasury was informed of the making of these bills, or whether they were drawn secretly, and whether the Agents were advised of their issue by any letter recorded in the Superintendent's office: all important points, when judging the intent of the party who made the bills.

I have, &c.,

CHARLES KNIGHT,
Commissioner.

The Hon. E. W. Stafford, Wellington.

Sub-Enclosure 1 to Enclosure 2 in No. 19.

EXTRACT from Account Current of JAMES CRAWFORD and JOHN AULD, Agents in Scotland for Provincial Government of Otago, New Zealand, from 31st December, 1859, to 30th June, 1860. (67-809.)

8th June, 1860.

REMITTED Messrs. P. Henderson and Co., half passage money for Emigrants by these ships, viz., "Henrietta," 158½ adults, at £15, one-half, £1188 15s.

"Robert Henderson," 146½ adults, at £15, one-half, £1098 15s.

EXTRACT from cash-book of PROVINCIAL TREASURER, (folio 162).

28th September, 1860.

IMMIGRATION, Andrew Cumming, master "Henrietta," half passage of 151 adults, at £1132 10s.

EXTRACT from Account Current of JAMES CRAWFORD and JOHN AULD, Agents in Scotland for Provincial Government of Otago, New Zealand, from 31st December, 1860, to 31st March, 1861.

PAYMENTS OF MOIETY OF PASSAGE MONEY OF EMIGRANTS.

"Henrietta," 18th February, 1861.

RETIRED Superintendent's bill, dated 24th October, 1860, at thirty days' sight, in favour of Messrs. E. P. and C. R. Rayner, Sunderland, being second moiety for this ship, £1012 14s. 5d.

EXTRACT from Provincial Treasurer's Journal, (folio 239).

1861.

SUNDRIES Dr. to Crawford and Auld, August 9th. Defalcations by James Macandrew: Amount of bills retired favour of Messrs. Rayner, Sunderland, purporting to be for second moiety of passage money per "Henrietta," but which had been previously paid, £1012 14s. 5d.

EXTRACT from Account Current of the Oriental Bank Corporation.
CR. By "1417," £1132 10s.

Sub-Enclosure 2 to Enclosure 2 in No. 19.

Copy of a Letter from the SUPERINTENDENT, Otago, to Dr. KNIGHT.

SIR,—

Superintendent's Office, Dunedin, 15th March, 1867.

In reply to your letter of the 15th instant, enclosing copy of your "instructions from Mr. Stafford for the purpose of continuing the inquiry into the Public Accounts of the Province of Otago," I have the honor to state that the inquiry in question was instituted at the instigation of the Provincial Council of Otago, and that unless that body desires its resumption the Provincial Government must decline any interference on the part of the General Government with the Accounts of the Province.

I have, &c.,

JAMES MACANDREW,
Superintendent.

Charles Knight, Esq., Auditor-General.

Sub-Enclosure 3 to Enclosure 2 in No. 19.

Copy of a Letter from Dr. KNIGHT to the SUPERINTENDENT, Otago.

(67,809.)

SIR,—

Dunedin, 16th March, 1867.

I have the honor to acknowledge the receipt of your letter of the 15th instant, which reached me to-day; and, in accordance with the views of the Provincial Government, I have at once closed my inquiries into the Public Accounts of the Province.

I would observe that your Honor's letter purports to be in reply to mine of the 15th instant. I find the copy of my letter is dated the 14th instant, on which day I delivered the original to you in your office early in the morning.

I have, &c.,

CHARLES KNIGHT,

Auditor of Public Accounts.

His Honor the Superintendent, Dunedin.

No. 20.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(No. 191.)

SIR,— Colonial Secretary's Office, Wellington, 16th April, 1867.
The delegation to the late Superintendent of Otago of the powers of His Excellency the Governor under "The Gold Fields Act, 1866," having now lapsed, the Government has appointed Mr. J. B. Bradshaw to be its Agent at the Gold Fields, in the Province of Otago.

Assuming that the late Superintendent has left in charge of the Provincial Government all official documents, maps, &c., connected with the administration of the Gold Fields, I shall feel obliged by your causing them to be transferred to the charge of Mr. Bradshaw, who is duly authorized to receive them.

I have, &c.,

E. W. STAFFORD.

His Honor the Superintendent, Otago.

No. 21.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(No. 190)

SIR,— Colonial Secretary's Office, Wellington, 16th April, 1867.
I have to acknowledge the receipt of your Honor's letter No. 7282-2, of the 4th instant, transmitting a copy of a Memorandum from the Provincial Secretary of Otago, on the subject of the Auditor-General having obtained certain information respecting the collection of Gold Fields Revenue direct from Mr. Pyke, the Gold Fields Secretary. In reply I have to state that the Auditor had received general instructions to inquire and report as to the collection of Gold Fields Revenue. The Provincial Secretary appears to have overlooked the fact, that since the 27th February last (the date on which the delegation to the late Superintendent lapsed), the administration of the Gold Fields in the Province of Otago, remains in His Excellency the Governor solely, and that consequently the Provincial Government has no power to give instructions with respect to the collection and management of Gold Field Revenues, or on any other questions pertaining to the administration of the Gold Fields.

I have, &c.,

E. W. STAFFORD.

His Honor the Superintendent, Otago.

No. 22.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. E. W. STAFFORD.
(7386-4)

SIR,— Superintendent's Office, Otago, 20th April, 1867.
I am in receipt of your letter of date as per margin, intimating that the delegation to the late Superintendent of Otago of the powers of His Excellency the Governor, under "The Gold Fields Act, 1866," having lapsed, the Governor has appointed Mr. J. B. Bradshaw to be its agent at the Gold Fields, in the Province of Otago, and requesting that all official documents, maps, &c., connected with the administration of the Gold Fields, left by the late Superintendent in charge of the Provincial Government, should be transferred to the charge of Mr. Bradshaw, who is duly authorized to receive them. April 16, 1867.

In reply, I have the honor to state that I shall bring the matter in question under the consideration of my Responsible Advisers at the earliest possible date.

I have, &c.,

JAMES MACANDREW,

Superintendent.

The Hon. the Colonial Secretary, Wellington.

No. 23.

Copy of a Letter from Mr. J. B. BRADSHAW to the Hon. E. W. STAFFORD.

SIR,— Office of the General Government Agency, Dunedin, 22nd April, 1867.
I have the honor to inform you, that on Saturday last, the day after my arrival, I called upon His Honor the Superintendent of the Province of Otago, and requested him to transfer to me all papers, maps, &c., connected with the administration of the Gold Fields, left in his charge by His Excellency's late delegate, Mr. Thomas Dick. His Honor's reply was that he would give me an immediate answer after having consulted his Executive. I have up to the present moment received no direct answer. On Saturday evening, however, I received a letter from His Honor (7386), copy of which I now enclose. I also enclose a copy of a letter I sent this day in reply.

I do not intend to enter into a controversy with His Honor the Superintendent, and shall confine myself to the simple request of an answer to your letter of the 16th instant.

I have, &c.,

J. B. BRADSHAW,

General Government Agent.

The Hon. the Colonial Secretary, Wellington.

PAPERS RELATIVE TO THE

Enclosure 1 in No. 23.

Copy of a Letter from the SUPERINTENDENT, Otago, to Mr. J. B. BRADSHAW.

DEAR SIR,—

Superintendent's Office, Dunedin, 20th April, 1867.

As the subject of our personal interview this morning is one which vitally affects the peace, order, and good government of this Province, I think it would perhaps be well that any communication which may pass between us should be strictly official and in writing.

May I therefore request that you will be good enough to consider the personal interview referred to as not having been, and that you will communicate with me in writing whatever you may desire to say.

J. B. Bradshaw, Esq., M.H.R., Dunedin.

I have, &c.,

JAMES MACANDREW.

Enclosure 2 in No. 23.

Copy of a Letter from Mr. J. B. BRADSHAW to the SUPERINTENDENT, Otago.

SIR,—

Office of the General Government Agent, Dunedin, 22nd April, 1867.

I have the honor to acknowledge the receipt of your Honor's letter, dated 20th instant, in which you request me to consider the personal interview which I had with you on Saturday "as not having been."

As the object of that interview was simply to obtain an answer to the letter of the Hon. the Colonial Secretary, dated 16th instant, in which your Honor was requested to cause the transference to myself of all official documents, maps, &c., connected with the administration of the Gold Fields, I must decline to regard it as other than official.

Your Honor may remember that, during the interview referred to, you were pleased to express your pleasure at being relieved from the responsibility attaching to the Gold Fields Department, and I have now only to repeat that I desire an early answer to Mr. Stafford's request.

His Honor the Superintendent of the Province of Otago, Dunedin.

I have, &c.,

J. B. BRADSHAW.

No. 24.

Copy of Telegram from the SUPERINTENDENT of Otago to His Excellency Sir GEORGE GREY.

Dunedin, 6.20 p.m., 27th April, 1867.

THE Imperial Legislature recognizes the Provinces and Superintendents as distinct entities, and I feel in a case of emergency that it is my duty to address your Excellency direct, and to ask you to exercise the powers you possess of acting independently of your Advisers in case of need. I convey to you my conviction that serious disturbances and much mischief will issue if the Colonial Government persist in forcing Mr. Bradshaw on the miners. I have to advise that Mr. Bradshaw be immediately recalled, and that Proclamations intimated to me to-day be rescinded, and matters be allowed to continue precisely as they were before Mr. Bradshaw's appointment and since my election, pending the meeting of the General Assembly. No inconvenience was occasioned. If you are not willing to insist on this I respectfully beg your Excellency to exercise the undoubted power you possess in a case of emergency, of calling the Assembly together immediately. I know the temper of the people well, and can assure your Excellency that this a serious emergency, and should not be trifled with. May I request your Excellency to confer with Dr. Featherston, who is a Superintendent, and who will, I think, advise your Excellency that in a case of serious emergency, the Superintendents have a right to look to you for aid. I have felt it necessary to communicate with the General, a copy of which will be sent you next mail. The present action of your Advisers must, if persisted in, sever the tie which binds the Province to the Colony.

I have, &c.,

J. MACANDREW,

Superintendent.

Received on Saturday evening, 27th April, 1867, at twenty minutes after 8 o'clock, and sent on to Mr. Stafford by Major Gray.

G. GREY.

Read—E. W. STAFFORD.

27-4-67.

No. 25.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.

(No. 7386-5.)

Province of Otago, New Zealand,

SIR,—

Superintendent's Office, Dunedin, 27th April, 1867.

Referring to my letter addressed to you under date as per margin, I have now the honor to state that before being called upon to relinquish the material of a department which has been created by the Province at considerable expense to itself, it seems reasonable that before giving up possession of its property, some arrangement should be made by which the Province should be reimbursed for its outlay.

You will no doubt readily perceive that the Executive Government would not be warranted in disposing of the property of the Province without the sanction of the Provincial Council; the more

April, 20, 1867
(7386-4).

especially, seeing that in all probability the Provincial Government, if it is to carry on as heretofore its legitimate functions, may itself require the use of the property referred to.

Considerable doubts exist among my responsible advisers as to the power of the General Government to appoint an Agent, and until satisfied that such a power exists, they are unanimous in advising me not to part with the property of the Province.

I may also observe that waiving for the present its personal aspect, the question is one which does not concern myself individually so much as it concerns the Provincial Legislature.

Although the delegated powers have hitherto been nominally conferred upon the Superintendent they have been and must necessarily be exercised by the Provincial Executive in terms of "The Executive Council Ordinance, 1862."

It must be obvious therefore that the action of His Excellency's Advisers in withholding these powers from the Superintendent and Provincial Council, who have just been elected by the people for the express purpose *inter alia* of exercising such powers, is a decided blow against local self-government, and opposed to the genius of the Constitution Act. It must be evident moreover to those who know the extent to which the administration of the Gold Fields and the various interests connected with them are interwoven and incorporated with the general administration of the Province, that to attempt to separate them will be to produce confusion worse confounded. It will be not only detrimental to the efficiency of the Public Service, but will involve a double expenditure, which is altogether unnecessary.

I have, &c.,

JAMES MACANDREW,
Superintendent.

The Hon. the Colonial Secretary, Wellington.

No. 26.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.
(67-1395)

SIR,—

Superintendent's Office, Otago, 29th April, 1867.

I have received your letter of date as per margin, together with Report from the Auditor-General April 15, 1867. respecting certain irregularities in the Public Accounts of this Province during my former tenure of office in 1860.

In reply, I have to state that while I do not deny that the particular informality to which reference is made did occur, the assumption of the Auditor-General as to the nature of the transaction is gratuitous and unfounded, totally at variance with the facts of the case and the explanation conveyed in my private note to him of date as per margin.

March 15, 1867.

I will only further remark, that whatever may be the estimation in which I am personally held by His Excellency's present Advisers, there is no public man in the Colony to whom I will yield in integrity of character, or who has to a greater extent sacrificed himself and perhaps been sacrificed to the interests of this Province—there is no man who possesses to a greater extent the confidence of the large majority of his fellow-citizens, circumstances which go far to counteract the bad opinion of His Excellency's Advisers.

I have, &c.,

JAMES MACANDREW.

The Hon. the Colonial Secretary, Wellington.

No. 27.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(No. 230.)

SIR,—

Colonial Secretary's Office, Wellington, 9th June, 1867.

I have the honor to acknowledge the receipt of your letter of the 29th ultimo, in reply to mine of the 15th ultimo, No. 187.

I have, &c.,

E. W. STAFFORD.

His Honor the Superintendent, Otago.

No. 28.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. E. W. STAFFORD.
(7386-7)

SIR,—

Superintendent's Office, Dunedin, 10th May, 1867.

I have the honor to forward, for the information of His Excellency the Governor, the enclosed copy of a letter which I deemed it my duty to address to Major-General Chute, on the 24th ultimo.

I have, &c.,

JAMES MACANDREW,
Superintendent.

The Hon. the Colonial Secretary, Wellington.

Enclosure in No. 28.

The SUPERINTENDENT, Otago, to Major-General CHUTE.

SIR,—

Superintendent's Office, Otago, 24th April, 1867.

As chief Executive Officer in this Province, and, as an integral part of the Provincial Legislature, I deem it my duty to represent to you, as the independent representative of Imperial interests in New Zealand, the recent action of the Colonial Executive at Wellington, in relation to this

Province; action which I cannot but regard with the utmost alarm, as being calculated, if persisted in, to lead to a revolution in this part of Her Majesty's dominions. Indeed, I am warranted in saying, that so strong is the feeling which has been excited among all classes of Her Majesty's subjects throughout the Province, that, but for my own personal influence to the contrary, steps would, ere now have been taken, which, in all probability, would have forcibly severed the tie which now binds us to the Colony.

The circumstances which have led to this state of things are as follows:—

Under the Gold Fields Act of the Colony, certain Executive functions are vested in His Excellency the Governor, the intention being that they were to be delegated to the Superintendent and Provincial Council of the respective Provinces, within which Gold Fields might be proclaimed, accordingly these powers have hitherto been delegated to the Superintendent of this Province, and by him exercised with the advice and consent of his Responsible Advisers, as provided by "The Executive Council Ordinance, 1862." These Responsible Advisers consist of six members of the Provincial Council, who must needs possess the confidence of that body.

The Superintendent, you are probably aware, is elected by the whole body of the people for four years, and the Provincial Council, comprising thirty-eight members, is elected by the various districts throughout the Province: the proportion of those who represent Gold Fields Districts may be stated at one-sixth of the whole.

In the month of January last, the Superintendent and Provincial Council of Otago were dissolved under a proclamation by His Excellency Sir George Grey, and a new Superintendent and Provincial Council have been elected. I may state that this election has elicited a greater interest on the part of the people of this Province, in their political rights and privileges, than has been exhibited at any previous election in this country, and that the newly elected Superintendent and Council are, in reality, the exponent of the vigorous and intelligent will of the people, elected expressly to make laws for the peace, order, and good government of the Province, and to administer its affairs in terms of the powers conferred by the Constitution Act.

The first act of His Excellency's Advisers at Wellington has been to withhold the delegated powers under the Gold Fields Act from the Superintendent of the Province, which means, in point of fact, the Superintendent and Provincial Council, inasmuch as the former is restrained from acting on his own responsibility, and must do so with the advice and consent of the latter. Instead of the administration of the Gold Fields being conferred upon the Provincial Government, as heretofore, it has been placed in the hands of a General Government Agent, who is neither appointed by nor responsible to the people.

As the proclaimed Gold Fields of Otago comprise about two-thirds of the whole area of the Province, and their interests are ramified and mixed up with every interest in the Province, it is manifest that the practical effect of this step on the part of His Excellency's Advisers will be to cripple and destroy the Provincial Legislature, and to land the Province in inextricable confusion; as it is the Provincial authorities have determined to resist the encroachment. The effect of the policy sought to be enforced by His Excellency's Advisers will, if persisted in, be to drive the people to separate themselves from the rest of the Colony, a result which, I feel assured, would never be forced upon them were the Imperial authorities consulted, and which personally I should greatly deplore.

In the interests of the Empire, as well as of this small but true and loyal portion thereof, I venture to solicit your good offices with the Imperial authorities to the intent that they may be pleased to issue such instructions to His Excellency the Governor as may induce him to comply with what he cannot but know to be the almost unanimous desire of the people of this Province, and thereby to maintain the integrity of the Colony upon the best of all foundations, viz., the allegiance of a free and independent people.

I have, &c.,

JAMES MACANDREW,
Superintendent.

To Major-General Chute, Auckland.

No. 29.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.

(248.)

SIR,—

Colonial Secretary's Office, Wellington, 18th May, 1867.

I have the honor to acknowledge the receipt of your Honor's letter No. 7386-7, of the 10th instant, enclosing the copy of a letter which you had addressed to Major-General Chute.

I have, &c.,

His Honor the Superintendent, Otago.

E. W. STAFFORD.

No. 30.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.

SIR,—

Colonial Secretary's Office, Wellington, 17th May, 1867.

(246.)

I have the honor to acknowledge the receipt of your Honor's letters No. 7386-4, of the 20th, and No. 7386-5, of the 27th ultimo respectively, on the subject of the transfer of the documents in connection with the Gold Fields, in the Province of Otago, to the General Government, in whom the administration of those Gold Fields has vested since the 28th of February last, and I have to apologize for the delay which has occurred in replying to them.

Your Honor assigns as a reason for not transferring these documents that a previous arrangement should be made for repaying to the Province the cost of its outlay in creating the materials of the Gold Fields Department. On this point I would observe that the object of the Gold Fields

Department is obviously to facilitate the administration of the Gold Fields in the interests of those connected with them; and the question whether the expense of creating the materials employed in that department was provided for out of the special revenues of the Gold Fields, or (as you seem to think) out of the Provincial Revenues of Otago, can only be determined upon a careful comparison of the respective sums received into and paid out of the Provincial Chest on account of the Gold Fields in that Province. The Government is not aware whether any distinct statement has been produced on which a comparison could be made; if it has not, it is evident that it is a necessary preliminary to the determination of any claim preferred by the Province for reimbursement of its alleged outlays on the Department of Gold Fields, and unless such a statement shows that the Province has expended on the administration of the Gold Fields more than it has received, no valid claim can be made for the repayment of the materials necessary to their proper administration, especially when the very large increase to the Customs and other receipts consequent on the working of the Gold Fields within the Province is taken into consideration.

Pending the determination of this question of expense, it is obvious that the effect of withholding the materials of the Gold Fields Department from the only officers legally competent to make use of them is calculated to be productive of great inconvenience and loss to the miners and others employed in the Gold Fields, by whom alone the development of the Gold Fields and the large revenues drawn from them are created, and to entail the additional expenditure which your Honor seems to deprecate. For these consequences your Honor, by refusing to deliver up documents of which you are not legally in possession, and in respect of which you prefer only a possible pecuniary claim, renders yourself wholly responsible, while your conduct in this matter conclusively shows the inadvisability of any of the powers of the Governor being delegated to a Superintendent, if the successor of such Superintendent is to refuse to give up the public property which, in consequence of such delegation was in the temporary possession of his predecessor.

His Honor the Superintendent, Otago.

I have, &c.,
E. W. STAFFORD.

No. 31.

Copy of a Letter from the SUPERINTENDENT, Otago, to the Hon. the COLONIAL SECRETARY.
(No. 7536-1.)

SIR,—

Superintendent's Office, Dunedin, 20th May, 1867.

I have the honor to inform you that at an early date a vote of the whole Province will be taken on the question of whether the Gold Fields Management should be vested in the Provincial or General Government.

If you desire that the General Government should be represented by Scrutineers at the various Polling-booths I have to request that you will immediately appoint them and send me down their names, when I shall have them duly gazetted. Their payment will have to be provided by the General Government.

I have, &c.,
JAMES MACANDREW,
Superintendent.

The Hon. the Colonial Secretary, Wellington.

No. 32.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.
(No. 251.)

SIR,—

Colonial Secretary's Office, Wellington, 23rd May, 1867.

I have the honor to acknowledge the receipt of your letters of the numbers and dates quoted in the margin.

I have, &c.,
E. W. STAFFORD.

His Honor the Superintendent, Otago.

No. 379-141,
May 17, 1867.
No. 7536,
May 20, 1867.

No. 33.

Copy of a Letter from the SUPERINTENDENT, Otago, to the SUPERINTENDENT, Wellington.
(No. 7660-2.)

SIR,—

Province of Otago, New Zealand,
Superintendent's Office, Dunedin, 15th June, 1867.

I have to acknowledge the receipt of your letter of date as per margin respecting the transfer of certain Provincial Government property on the Gold Fields to the General Government.

I note your remarks generally upon this matter, but seeing that the whole question is now materially changed, it does not seem to me necessary to reply to them. At the date of my former letter the control of the Gold Fields remained with His Excellency the Governor in Council. You appear to be under the impression that notwithstanding the fact of the Governor having delegated his powers to Mr. Stafford His Excellency still retains them. This is obviously incorrect, and equally obvious is it that Mr. Stafford being the delegate I have no one to treat with on the basis of your letter.

As to the reimbursement to the Province on delivering up the Provincial property, as referred to by you, I shall be sorry to fix a personal liability upon Mr. Stafford, the delegate, and in no other way could any security be given to me, for what even you yourself admit to be a contingent liability. The Gold Fields Act did not intend that the Superintendent should hand over valuable property

D.—No. 1. 48 PAPERS RELATIVE TO THE CASE OF MR. MACANDREW.

to any delegate who might be appointed, especially a delegate who knows nothing whatever about the Gold Fields, and who is content to re-delegate all his powers to political agents.

I have, &c.,

JAMES MACANDREW,
Superintendent.

To His Honor the Superintendent, Wellington.

No. 34.

Copy of a Letter from the Hon. E. W. STAFFORD to the SUPERINTENDENT, Otago.

(No. 280.)

SIR,—

Colonial Secretary's Office, Wellington, 12th June, 1867.

The Government intends to lay before the General Assembly, next Session, copies of the correspondence which has taken place relative to your removal in 1861, from the office of Superintendent of the Province of Otago, and to the refusal of a delegation to you in your present office of the powers of the Governor under "The Gold Fields Act, 1866," and as a letter which you addressed to the Governor or the Colonial Secretary in or about December, 1860, on the former subject, was lost in the "White Swan," I have the honor to request you to be good enough to forward a copy of that letter to this office by the earliest opportunity.

If there are any other unpublished letters addressed by your Honor to the Government on the same subject, I shall feel obliged by copies of them being furnished to this office.

I have, &c.,

E. W. STAFFORD.

To His Honor the Superintendent, Otago.
