

MINUTES OF EVIDENCE.

TUESDAY, 1ST AUGUST, 1893 (Mr. J. M. SHERA, Chairman).

Mr. CHARLES O'HARA SMITH examined.

1. *The Chairman.*] What position do you hold?—I am Auditor of Land Revenue.
2. What position did you occupy in reference to these transactions into which we are inquiring?—I was an Inspector of the Audit Department.

3. Will you state what you know about the Canterbury scrip transactions?—Those transactions were simply as follows: When investigating accounts at Auckland, I had reason to believe that the scrip transactions in Wellington and Christchurch were not as correct as they should be. I reported this matter to the Head Office, and, after some time, I came to Wellington. I was instructed to proceed to Canterbury and make examination of the scrip transactions in Canterbury. I went there in accordance with my instructions. I brought with me the Treasury copies of cash-books which were filed in Wellington, and to which the scrip was attached. My object was to ascertain if the scrip, purporting to have been exercised by people whose names were in the cash-book, had been really so exercised; for I had found that, in other parts of the colony, it had not been so exercised. I wanted to see if the scrip so exercised had been exercised in accordance with law. I took exception to a good deal of the scrip. One was an item of £3,334 19s., which appeared to have been exercised by J. G. Murray, and was received in payment for sales under the Ellesmere Lands Act of 1888. Some of it was Forest Trees scrip, some Volunteer scrip, and Naval and Military Settlers' scrip. I objected to the receipt of this scrip on various grounds. One reason was that the scrip could not be legally exercised in the purchase of the Ellesmere lands at all.

4. Could you not state first those scrip matters with which the name of Mr. Rhodes has been connected?—Yes; I can take that first if you wish it.

5. Is Mr. Richardson's name connected with it?—Yes, indirectly.

6. With that scrip?—Yes. I found that on the 24th March, 1891, the sum of £998 14s. was paid in scrip by Mrs. Jessie Rhodes on account of sale of Lots 36 and 226—1,990 acres at £1 2s. 6d. per acre. I found, on examination, that that scrip consisted of two pieces, in favour of the same person—namely, Mr. Knorpp, of Ngaruawahia, in the Auckland District; one piece amounted to £485 10s. 6d., and the other to £513 3s. 6d., making a total of £998 14s.

7. What kind of scrip?—It was under the Forest Trees Planting and Encouragement Act Amendment Act of 1872. I found that this scrip had been sold, and came into the possession of Mr. A. E. G. Rhodes, by purchase from the Hon. J. B. Whyte. I also found that this scrip could not be legally exercised in the Canterbury Provincial District to a greater extent than £500, in consequence of the operation of the New Zealand State Forests Act of 1888.

8. *Sir Robert Stout.*] Under what Act was the limit of £500 made?—I cannot say exactly whether it was under the first or the second Act: the law was somewhat vague on the subject; but the case of Paterson and Fairlie v. Humphries, at the Court of Appeal, had decided what was the law upon the subject.

9. *Sir John Hall.*] You do not say which Act—the first or the second?—The New Zealand State Forests Act of 1888, I think. The law was somewhat confused on the subject, but I went by the decision of the Court of Appeal given in the case of Paterson and Fairlie v. Humphries. The Court in that case decided that scrip could not be exercised to a greater amount than £500 outside the provincial district in which it was issued; and, consequently, the receipt of it by the Receiver of Land Revenue was an error, for it could not be so exercised to the extent of £998 14s. I found upon inquiry that Mr. Rhodes had interviewed Mr. Baker as to the legality of the scrip he intended to purchase. Mr. Baker was Commissioner of Crown Lands in the Canterbury District.

10. What date was that?—About 25th of March, 1891. Mr. Baker is at present Assistant Surveyor-General, and Mr. Rhodes asked his opinion.

11. *The Chairman.*] How did you find out that he interviewed Mr. Baker?—I have seen the official correspondence. Mr. Rhodes interviewed him in Christchurch and in Wellington on the whole subject. It is on record; I know it officially. Mr. Baker himself will be able to give testimony as to what passed at those interviews. He assured him that, in his opinion, the scrip was valid and good, and capable of being exercised in Canterbury.

12. *Sir John Hall.*] The whole amount?—Yes, the whole amount. I believe that Mr. Williams, the Receiver at Christchurch, was of the same opinion. I interviewed Mr. Rhodes personally. He made a statement to me to that effect. I found that his statement was corroborated by the officials. Mr. Rhodes threw open his books to me for examination. I examined his books and found that he had made £20 on the transaction. Judging from what I got from the books, and from Mr. Rhodes himself, he had advanced £1,000 to Mrs. Jessie Rhodes: this £998 14s. was substituted. There is one point to which I would refer. It is quite clear that the Receiver at Christchurch, and the Com-