

land was sold for £1,240 cash, or £1,998 land-orders. No objection was taken until the scrip became bad in Auckland, when they asked us to repay the money. If we had repaid the money when asked, we would have been forbidden to exercise our scrip in Auckland, and thus lost our money. If at any time within the year this objection was made we could have taken the scrip back to Auckland and exercised it there, having made the refund. The Government have lost nothing by this transaction, as we could have exercised the scrip in Auckland if not in Canterbury. The Government tried to deprive us of £478 14s. The whole of this transaction came under the present Ministry, and not under the Ministry of which the Hon. G. F. Richardson was a member. I had no communication with the late Ministry.

45A. *Sir R. Stout.*] Not with either? No; not with either; they could not have any knowledge of this; I dealt entirely with the department. I dealt with the Commissioner alone.

46. With the Commissioner alone?—Yes, I paid good money for this. Mr O'Hara Smith's opinion, when he first took the evidence, will be found in this memorandum, which I will put in. [Memorandum put in and read as follows:—]

"SIR,—

"Lands Office, Christchurch, 21st May, 1892.

"I have the honour to report, for your information, that on the 25th March, 1891, Mr. A. E. G. Rhodes, acting as agent for Mrs. Jessy Rhodes, purchased from the Government rural Section 36226, Nimrod Survey District, for £2,238 15s., and tendered in payment Forest orders, £998 14s.; cash, £1,240 1s.—£2,238 15s.

"These Forest orders were originally issued by the Commissioner of Crown Lands, Auckland, to Mr. C. B. Knorpp, and sold to Mr. J. B. Whyte, and transferred to Mrs. Rhodes; but as they were originally issued in the Provincial District of Auckland they could not be used outside that district to a greater extent than £500, so that the Receiver accepted as good, and in lieu of cash, scrip to the amount of £498 14s. which was not a legal tender. He has been surcharged accordingly, and has formally called upon Mr. A. E. G. Rhodes to pay up the amount of the surcharge, as Mr. Rhodes has taken upon himself the full responsibility of the transaction.

"The Commissioner of Crown Lands has been informed of these facts, and the issue of the certificate of title will be delayed until the matter has been decided.

"Upon further inquiry it has been found that Mr. Rhodes agreed with Mr. Whyte to exercise the scrip in Canterbury, provided that the department offered no objection; and he accordingly saw the Commissioner (Mr. Baker), who undertook to communicate with either Wellington or Auckland on the subject. Mr. Baker appears to have communicated with the Commissioner of Crown Lands, Auckland, and ascertained that he had no objection to the transfer of the scrip to Mrs. Rhodes. The transfer was made accordingly, and approved of by Mr. Baker; but I cannot find that there was any further correspondence on the subject by Mr. Baker.

"Mr. Rhodes is under the impression that Mr. Baker gave him to understand that the scrip was good, and could be accepted by the department.

"Mr. Rhodes's correspondence clearly indicates that he declined to use the land-orders until he had fully satisfied himself that they were correct, and Mr. Whyte's letter to Mr. Rhodes states that Mr. Elliott had been interviewed and the matter arranged; but I cannot say if Mr. Rhodes arrived at the conclusion that the scrip was good from the statement made in Mr. Whyte's letters or from communications made to Mr. Rhodes by Mr. Baker.

"This transaction took place on the 25th March, 1891; and on 17th June, 1890, Mr. Elliott's memorandum to Mr. Baker clearly points out that no Forest orders issued in one district could be exercised outside of that district except to £500.

"About that date Mr. Rhodes, acting as agent for clients, had to pay about £4,000 to the Receiver of Land Revenue. He had about £3,000 in cash, and the balance in land-orders, and states that he did not know to which section or sections of land the scrip would be credited; but as the whole of the scrip was transferred to Mrs. Rhodes, it naturally follows that the scrip must be treated as being tendered in payment for her land.

"It is not at all clear that Mrs. Rhodes was aware that this scrip had been transferred to her, and used instead of cash in the purchase of this land.

"The nature of the transaction appears to be as follows: Mr. Rhodes advanced to Mrs. Rhodes the money for the purchase of this land, and, instead of using cash, he obliged Mr. Whyte by using these land-orders instead of cash, having first transferred them to Mrs. Rhodes.

"The nominal value of the orders amounted to £998 14s. Mr. Knorpp received £848 16s. 7d.; Mr. Whyte received £129 17s. 5d.; Mr. Rhodes received (commission) £20—£998 14s.

"It will be seen that Mr. Rhodes received £20 commission on this transaction; and this commission was not credited to Mrs. Rhodes, and the probability is that she knew nothing about the transaction, at least until afterwards. Mr. Rhodes believes he told her husband about it.

"In conclusion, I would state that it appears quite clear that Mr. Rhodes acted in good faith in tendering the scrip for cash, and the Receiver acted in good faith in receiving it in lieu of cash; nevertheless the scrip was only good for £500, and not for £998 14s.

"I have, &c.,

"C. O'HARA SMITH,

"Audit Inspector."

The Controller and Auditor-General, Wellington.

That is the original report of Mr. O'Hara Smith to his own department. I might say that my brother remembers my speaking to him about the using of scrip. I have asked him about it since, and he thought that as I had to find the money I could do it in any form I liked. He was about proceeding to England about that time. I think he had left; but I held a power of attorney from him while he was away.

47. What is the date of your application for the land?—I did not apply at all. Mrs. Jessy Rhodes applied; she stayed in New Zealand to make the application.