

HONGKONG.

REPORT
OF THE
COMMISSIONERS

APPOINTED BY

HIS EXCELLENCY SIR WILLIAM ROBINSON, K.C.M.G.,

*Governor and Commander-in-Chief of the Colony of Hongkong
and its Dependencies, and Vice-Admiral of the same,*

TO INVESTIGATE INTO THE WORKING

OF THE

TREASURY DEPARTMENT,

TOGETHER WITH THE

MINUTES OF EVIDENCE TAKEN BEFORE THE COMMISSION.



HONGKONG:
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—
1893.

REPORT

By letter of the Honourable the Colonial Secretary, dated the 20th February last, we, the undersigned, were appointed members of a Commission to enquire into and report on the defalcations in the Treasury, and to ascertain and report

- (a) The amount of the defalcations,
- (b) By what person or persons they have been committed,
- (c) What other person or persons, if any, may by neglect of duty, or otherwise, have directly or indirectly contributed thereto, and
- (d) The causes that rendered the defalcations possible, and those that prevented their earlier detection; also to advise what steps should, in the opinion of the Commission, be taken in order, as far as possible, to prevent the recurrence of defalcations, and to ensure their prompt detection if committed.

2. Accordingly we have examined:—

- 1. Mr. N. G. MITCHELL-INNES, Treasurer.
- 2. Mr. HILGROVE C. NICOLLE, Local Auditor.
- 3. Mr. H. E. WODEHOUSE, sometime Acting Treasurer.
- 4. Mr. J. A. DE CARVALHO, formerly First Clerk in the Treasury.
- 5. Mr. F. H. MAY, sometime Acting Treasurer.
- 6. CHEUNG WAN CHUNG, Second Shroff in the Treasury.
- 7. Mr. A. R. MADAR, sometime Clerk in the Treasury.
- 8. Mr. F. FREIRE, " " " "
- and
- 9. Mr. BRUCE SHEPHERD, Deputy Land Officer.

3. Having considered the evidence given by them and examined certain books and papers which have been produced to us, we have the honour to report as follows.

4. It is impossible, on account of certain books having disappeared, viz.: The Rent Rolls for the years 1888 and 1889; Mr. ALVES' Cash Book of daily collections up to the 31st March, 1892; the Counterfoils of Receipts for Crown Rents up to the end of 1890; and about half of the books of 1891 and 1892, to ascertain the exact amount of the defalcations, as in their absence we have no means of fixing the exact sum received by ALVES. From the evidence given we have every reason to believe that the only defalcations have taken place in the Crown Rents.

5. We have obtained from Mr. BRUCE SHEPHERD, Acting Land Officer, the amounts which should have been collected for Crown Rents for the years 1888 to 1892 as follows:—

| | |
|----------------------------------|--------------|
| Rent Roll Midsummer, 1888, | \$86,873.91 |
| " Christmas, 1888, | 90,011.22 |
| " Midsummer, 1889, | 93,012.65 |
| " Christmas, 1889, | 94,339.68 |
| " Midsummer, 1890, | 93,912.41 |
| " Christmas, 1890, | 94,532.28 |
| " Midsummer, 1891, | 96,144.60 |
| " Christmas, 1891, | 96,497.61 |
| " Midsummer, 1892, | 97,914.54 |
| " Christmas, 1892, | 97,914.54 |
| Total,..... | \$941,153.44 |

From this total some abatements have to be made, but Mr. BRUCE SHEPHERD is of opinion that a sum of \$5,000 would cover these.

6. Taking then the amount which should have been received for Crown Rent during the above mentioned years at..... \$936,153.44 and adding thereto the balance of arrears outstanding on the 31st December, 1887, taken from a Rent Roll of that year, the last which has been added up and audited, 84,192.51

we arrive at a total of\$1,020,345.95

whereas only the sum of....., 873,888.29

has been paid into the Treasury in respect of these collections, leaving a

balance of.....\$ 146,457.66

which should be outstanding on the 31st December last, whereas the

Rent Roll balanced on that day shows arrears amounting to,, - 83,639.93

the difference \$62,817.73

being the amount which we fix as the total of the defalcations, and we beg to report accordingly. The sum appears to have been taken as follows :—

| | |
|---------------------|-------------|
| 1888 and 1889 | \$29,480.07 |
| 1890 | 12,900.98 |
| 1891 | 11,053.49 |
| 1892 | 9,383.19 |
| | \$62,817.73 |

7. In answer to the second question, viz. :—By what person or persons they have been committed, we beg to state that all the evidence points to ALVES, the second clerk and accountant, as the only guilty party.

8. With regard to (c) what other person or persons, if any, may by neglect of duty, or otherwise, have directly or indirectly contributed thereto, we report as follows :—As stated above, the only defalcations have taken place in the Crown Rents, a branch of revenue respecting which there was an absolute check, as the exact amount which the collector should have received and accounted for was known every six months.

9. The system of collecting or receiving Crown Rents was supposed to be or should have been as follows :—

Mr. ALVES was the second clerk and accountant in the Treasury ; his duties being to make up the Crown Rent Roll and the Journal, to close up the Colonial Accounts, the Yearly Accounts and also the Crown Agents' Accounts, which Mr. MITCHELL-INNES says was a complicated matter, and he had also to make returns for Somerset House. This last duty we presume was only since the new system of auditing has been in force.

10. The Rent Roll was made up from a return received every six months from the Land Office. It gives the number of the Lot, the name of the Lessee, the amount of the arrears on the 1st January, the amount due for the current year, the amount paid in the course of each half-year, the dates of payment, and the amount outstanding on the last day of the year. This book it was ALVES' duty to make and keep up and balance at the end of each year.

11. All sums of money due for Crown Rent were to be paid to a shroff specially appointed for the purpose. Persons coming to pay rent would generally bring with them some memorandum of the amount due or their last receipt. The shroff would pass that on to ALVES, or in any case of difficulty would go to ALVES, who, upon being satisfied that the proper amount was tendered, would enter the amount and the number of the receipt into a small cash book which he kept, he would then fill in a printed form of receipt taken from a book with counterfoil and consecutive numbers and give it to the shroff to make an entry thereof in his cash book, the shroff would then chop the receipt and hand it, when duly signed, to the person bringing the money. At the end of the day the shroff would compare his book with that of ALVES, if both agreed the amount was reported to Mr. CARVALHO, the cashier, who made a memorandum for the bank and the money was paid in at once.

12. We have stated above that the receipt should be duly signed, we beg to explain this as follows:—Previous to the 14th December, 1883, all the receipts for Crown Rents, Taxes, Licences, &c. were signed by Mr. CARVALHO, the chief clerk and cashier, but on account of complaint made by CARVALHO that the signing of these receipts took up too much of his time, a change was made and in a memorandum dated the 14th December, 1883, Mr. LISTER, who was then Treasurer, stated that it would tend to the better working of the department if receipts, licences and other formal documents were in future in each case to be signed by the officer responsible for the issue or the correctness of the document, instead of being signed by the cashier himself.

From that date accordingly all receipts for Crown Rents were signed by ALVES and chopped by the shroff.

This placed the whole control over the receipt of Crown Rents in the hands of ALVES.

13. It was never intended that ALVES should receive money; he was merely to control and check the receipt of money by the shroff, but if money was sent or paid direct to him (ALVES) there was no control over him, and as he signed the receipts himself it was easy for him, if so inclined, to make away with such money, unless precautions were taken by some checks or surprise visits in the department itself, and unless his Rent Roll was added up and balanced soon after the expiry of the year, if not at the end of every six months.

14. In the absence of ALVES' cash books it is impossible to ascertain the specific and separate sums embezzled, and even if it could be ascertained it would serve no practical purpose, as the method adopted by ALVES in his defalcations appears to have been as follows:—

15. When money was sent or taken to him, he either—

(a) Paid it over to the shroff;

(b) Paid part of it to the shroff, taking with him the printed form of receipt in which appeared in figures the amount he paid over but in words at length the real amount which had been paid to him. The shroff could not read English but knew English figures, he compared the figures on the receipt with the money handed over to him, made an entry in his cash book, chopped the receipt and handed it back to ALVES, who then made the figures agree with the other part of the receipt and gave or sent it to the payer;

(c) Or else he appropriated the whole amount sent to him and made out a receipt on a printed form of his own, which he must have had printed for the purpose, signed the name, and chopped it with a forged chop.

In the case (b) he made the counterfoil correspond with the amount handed by him to the shroff, and not with the amount paid to himself. In the Rent Roll he entered the full amount which he had received, while in his cash book (or Daily Collection book) he entered only the amount paid by him to the shroff.

In case (c) he made out no counterfoil nor entry in his cash book, but so far as we have been able to ascertain, he entered the amount in the Rent Roll as paid, thus affording ample proof of his fraud if this book had been added up and balanced as it should have been.

16. The result of this system and want of supervision as to the receipt of money by ALVES has been that he was able, whenever money was paid directly to him, to hand over the whole or part of it to the shroff or to appropriate the whole of it without any chance of detection so long as a discrepancy was not discovered between an entry in a counterfoil and the corresponding entry in the Rent Roll, and so long as the Rent Roll was not added up and balanced.

17. It appears that it was also part of his duty as accountant to prepare the Estimates of Revenues. It was therefore easy for him, by under-estimating the Revenue, to abstract a considerable sum every year and yet bring the receipts up to the Estimates.

18. The defalcations appear to have commenced in 1888.

19. The Rent Roll for 1887 was audited and examined only on the 9th May, 1889. There is no evidence that the Rent Rolls for 1888 and 1889 were ever added up or balanced, and everything points to their not having been added up and closed, they have never been audited or examined by the Auditor General.

The Rent Rolls for 1890, 1891 and 1892 have lately been added up, only since the discovery of the defalcations.

20. Mr. LISTER was Treasurer from 1883 till June, 1888, when he went home on leave, being replaced by Mr. WODEHOUSE who acted as Treasurer from June, 1888, till the 18th January, 1890.

Mr. LISTER resumed his duties on that date until the 21st June, 1890, when he was again replaced by Mr. WODEHOUSE who acted till the 1st January, 1891, date of the appointment of Mr. MITCHELL-INNES as Treasurer. Mr. MITCHELL-INNES was absent on leave for six months in 1892, being replaced by Mr. F. H. MAY.

21. With respect to the neglect of adding up the total amount received for Crown Rent and balancing the Rent Roll at the end of each year since 1887, Mr. CARVALHO says that after Mr. LISTER had authorised ALVES to sign the receipts there was no check over him, that the Rent Roll book was supposed to be closed within three months after the end of the year, that it could have been balanced every six months, that if properly balanced it would have been a complete check, and that there was no reason why it should not have been balanced.

He first said it was the Auditor's duty and then the Treasurer's duty to see that the book was duly balanced but it was no part of his duty, that he went after the clerks to balance these books as soon as possible, but they had always some excuse, he did not complain to Mr. LISTER that the books were not balanced. Mr. FREIRE who audited the book told him that he had complained to Mr. LISTER, who told him to mind his own business.

22. Mr. FREIRE says it was his duty to examine the Rent Roll when completed, that was the instruction that he got from Dr. STEWART. He asked for the Rent Roll of 1887 but was told that ALVES had to wait for a certain book from the Land Office or the Surveyor General. Then ALVES said he was always busy and he reported this to Dr. STEWART and Mr. LISTER. He recollected on another occasion when he spoke to Mr. LISTER he told him to mind his own business. This was in 1886 or 1887 and he then reported to Dr. STEWART that the book had not been balanced.

23. Mr. NICOLLE, who was appointed Local Auditor in January, 1890, and who arrived in April of that year, says that a few days after his arrival he went to the Treasury and began his examination. He required for that purpose the counterfoil receipt books, the daily receipts, a book kept by ALVES, the Rent Roll, Cash Book, Journal and Ledger. He does not know whether the books of 1888 or 1889 have been

balanced, those for 1890 and 1891 were not balanced. He was responsible for seeing that the books for 1890 were balanced. He called the attention several times of the Treasurer and Acting Treasurer to this fact but he cannot give any dates. He did not do so in writing but only in conversation. He could not audit the books properly until this book was added up. As far as the Treasurer furnished him with books and vouchers he checked the accounts. He did not discover the defalcation sooner because the book was not added up or balanced, and however minute his examination was, the system followed by ALVES would screen him until the book was balanced, or until he—the Local Auditor—by chance lighted upon one of the cases in which the counterfoil of the receipt did not agree with the Rent Roll.

24. Mr. F. H. MAY, who was Acting Treasurer from 31st March till the 7th October, says that Mr. NICOLLE on two occasions spoke to him about the Rent Roll not being balanced. The first time was not long after he took charge and again as far as he can remember in August. He spoke to ALVES, who was very busy and who was working at it. ALVES showed Mr. MAY the book and he (Mr. MAY) regarded it as a clerical arrear which would be soon wiped off. In August he urged ALVES to get on with it as quickly as possible. That was the Rent Roll for 1891. Mr. NICOLLE's words were to the effect "I wish you would hurry up ALVES about the Rent Roll, he has not closed his book yet."

25. Mr. WODEHOUSE, in his evidence, states that he relied upon the auditor as the only practicable check. If money was taken to ALVES the only check would be the audit. He constantly examined the Rent Roll and he considered that to enable the auditor to properly check the accounts it was necessary that the Rent Roll should have been written up and balanced. He was of opinion that there was no real check except the balancing and continuous auditing, and he admitted after some questions that if the books had been balanced within a month of the expiry of the year the deficit would have been ascertained at once.

26. Having considered the evidence which has been given on this point, we beg to report as follows:—

The order of Mr. LISTER dated the 14th December, 1883, authorizing Mr. ALVES to sign the receipts, placed the whole control of the receipt of rent in his hands, without any control over him in respect of monies which he might have received personally, and should any fraud be committed in the course of the year, the only means of detection lay in the balancing of the Rent Roll at the end of the year. That seeing that the Land Office furnished an account of all monies which ought to have been received, and that the Audit or Treasury Ledger showed what had been paid into the Treasury for the year on account of Crown Rents, the fraud would have been discovered at once, if the columns in the Rent Roll for sums received had been added up soon after the end of the year, for it is proved that ALVES kept these correctly.

27. Both Mr. WODEHOUSE and Mr. MITCHELL-INNES say they now see and acknowledge that balancing the books was the only check, but they did not at the time realize the importance, and they looked to the Audit Office to detect any fraud, but they did not furnish the Audit with the necessary books. They both knew of the power which had been placed in ALVES' hands by his signing the receipts.

They were responsible for the proper keeping of the books and accounts; it was therefore their duty to see that no arrears of rent were being allowed to accumulate, yet they did not insist on ALVES adding up and balancing this book.

They should not have accepted his excuse that he had too much work, but should have enquired what the other work was, and have relieved him of it if necessary, and insisted on the book being balanced within a reasonable time after the end of the year.

28. The fact that there was an Audit did not relieve them of the responsibility "that all revenue be properly received, that proper rules are observed and proper pre-

cautions taken to control all receipts by the department ;” and if they relied so much on the Audit as they say they did, it was doubly their duty to see that the necessary books and accounts were furnished in due time to the Audit Office.

29. The defalcations, as we have reported, began in Mr. WODEHOUSE’S time, and amounted in the years 1886 to 1889 to \$29,480, and would have been detected by some vigilance on his part ; yet in justice to him it must be observed that he only carried out the system which had been in force for some years, and he did not appreciate then the value or necessity of the books being balanced.

30. Mr. MITCHELL-INNES, who took over the duties of Treasurer on the 1st January, 1891, was to devote the whole of his time to the working of this Office. It was his duty to close the account of 1890, to ascertain the amount of arrears outstanding, and to cause the Rent Roll of 1890 to be balanced as soon as possible, especially when his attention was called to it by the Local Auditor. He states that on Mr. NICOLLE speaking to him about balancing the book he spoke to ALVES and was met by the plea of press of work, and he expected it to be brought up to date gradually.

31. The defalcations of 1891 and 1892 would have been avoided if the balancing of this Rent Roll of 1890 had been taken in hand in proper time.

32. We are of opinion that Mr. NICOLLE should have required the Treasurer in writing to complete the book at once, and failing compliance with this request, to have reported the matter to the Governor.

33. In our opinion the balancing of this book is not such a laborious work as it is represented to be, much of it could and should have been done during the course of the year.

34. The evidence of Mr. BRUCE SHEPHERD disposes of ALVES’ excuse that he could not close the account because he was waiting for a certain book from the Land Office.

35. During the years 1888, 1889 and 1890 the Treasurer was always an officer who had other duties to perform, and the working and supervision of the Office would naturally be left more to the chief clerk than if the head of the Treasury had had no other duties to perform. We cannot therefore acquit Mr. CARVALHO of blame. We think that some supervision on his part would have revealed to him the fact that ALVES was daily receiving money. In fact he says in his evidence that he might sometimes have handed a cheque to ALVES and that ALVES might have received cheques ; and it is hardly possible that Mr. CARVALHO could be ignorant of the fact that ALVES was in the habit of receiving money. Having been chief clerk so long and acquainted with the work of that Office, he was in a position to appreciate the importance of balancing the books ; he should therefore have himself caused the books to be balanced, and in default of this being done, he should have brought the fact to the notice of Mr. LISTER and his successors, and pointed out to them the importance of the books being closed.

36. The then Auditor General is to blame for allowing such a long delay between the end of the year and his examination of the books, thus :—

| | | |
|---------------------------------------|-------|----------|
| The Rent Roll of 1882 was balanced on | | 7/10/84 |
| “ “ 1883 “ “ | | 12/11/84 |
| “ “ 1884 “ “ | | 19/12/85 |
| “ “ 1885 “ “ | | 7/11/86 |
| “ “ 1886 “ “ | | 29/ 8/88 |
| “ “ 1887 “ “ | | 9/ 5/89 |

The Rent Rolls for 1888 and 1889 have never been balanced.

37. Mr. MAY should have insisted on the Rent Roll of 1890 being at once balanced, as it was about 15 months in arrear when he took charge of the Office.

We are of opinion that he is mistaken when he says that Mr. NICOLLE referred to the Rent Roll of 1891.

38. We therefore find that the following persons have by neglect or omission of duty indirectly allowed the frauds to be committed:—

1. Mr. LISTER for authorizing ALVES to sign these receipts, for appointing a shroff who could not read English, and for not insisting on the books being balanced soon after the end of every year, especially as the matter was brought to his notice by the Auditor.
2. Mr. WODEHOUSE by neglect in not causing the Rent Rolls of 1887, 1888 and 1889 to be balanced in proper time and thus ascertaining what sums appeared as having been paid in and what amount had actually been received by the Treasury.
3. Mr. MITCHELL-INNES in not causing the Rent Roll of 1890 to be balanced, especially when his attention was called to it by Mr. NICOLLE. We are also of opinion that if ordinary supervision had been exercised by him, he would have discovered that ALVES was constantly receiving money direct from the public.
4. Mr. NICOLLE by not reporting to the Governor the fact that he had not been able to obtain the books properly balanced necessary for his auditing.
5. Mr. CARVALHO, chief clerk, &c. He ought to have exercised greater supervision over all the Clerks, and not have permitted such arrears in the keeping of the books.
6. Mr. MAY because he did not carry out Mr. NICOLLE's requirement as to balancing the book.
7. The Audit department for the years 1884 to 1890.

39. With respect to the neglect of Mr. WODEHOUSE and Mr. MITCHELL-INNES mentioned in paragraph 38 we beg to remark that the gentlemen who have in turn filled the office of Treasurer do not seem to have appreciated the absolute necessity of balancing the books as being the only effective check, and they seem all to have relied on the Audit department.

The new Financial Instructions, dated 1891, distinctly say that the Treasurer's checks are to be independent of the Audit.

Mr. MITCHELL-INNES says that the Secretary of State's instructions do not agree with the Financial Instructions and that the Secretary of State had said that the Treasurer would have no auditing to do when the new Audit system came into force; that he—Mr. MITCHELL-INNES—wrote a despatch pointing this out and stating that he could not be responsible for the checking of the receipts unless the Treasury staff was increased.

40. (d) The causes that rendered the defalcations possible and those that prevented their earlier detection.

As we have above set out these causes were the complete control given to ALVES over the receipt of money, without any check on him; the appointment of a shroff who could not read the contents of a receipt which he chopped; the non-balancing of the Rent Rolls of 1888 to 1892, and the unlimited confidence which the several heads of the Treasury and the Audit placed in Mr. ALVES.

45. The Rent Roll from the Land Office should be transmitted to the Treasury within one month from the 25th December and the 25th June respectively, extra assistance being granted to the Land Office if necessary.

46. It should be the duty of the Treasurer personally from time to time to examine the Rent Roll to see whether it is properly kept, that the corrections sent from time to time by the Land Office are duly made, that the dates of payment of sums received are duly written up, and that the columns of sums paid are added up as far as possible in the course of the current six months.

47. At the end of March and September in each year respectively notice should be inserted in the newspapers calling upon all Crown Lessees who have not paid their Crown Rent to do so within one month from the date of the notice. If necessary a second notice should be inserted at the end of April and October informing Crown Lessees that all Crown Rent unpaid by the end of May and November respectively will be recovered judicially.

By these means we are of opinion that the whole, or very nearly the whole, of the Crown Rent would be paid by the end of May and November respectively, the Rent Roll could thus be easily prepared for balancing.

48. On the 25th June and the 25th December the books should be closed so far as all Crown Rent for the preceding six months is concerned, and at the end of the books the result of the balance should be made to appear as follows:—

| | |
|--|----|
| Total amount due as per Land Office Rent Roll, ... | \$ |
| Deductions to be made therein, | \$ |
| | \$ |
| Additions thereto,..... | \$ |
| | \$ |
| Total sum to be received,..... | \$ |
| | \$ |
| Amount paid in shewn by Treasury Ledger, | \$ |
| | \$ |
| Balance due, | \$ |

Represented by:—

Here set out the names of the Crown Lessees in arrears as follows:—

| Lots. | Name. | Amount due. | When paid. | Amount paid. | Remainder due. |
|-------|-------|-------------|------------|--------------|----------------|
| | | | | | |

49. We are of opinion that if the Rent Roll be kept in this form and duly written up in the course of the six months, there is no reason why it should not be balanced and finally closed in the form above mentioned in about 3 weeks from the end of each six months. It should be the Treasurer's duty to see that this is done and to report to the Governor if not done. The Treasurer should at once ascertain that the amounts appearing as arrears are really due, and take the necessary steps for their recovery.

50. This system or something on these lines would prevent fraud as far as possible, and if properly carried out would detect any defalcations as soon as the books are balanced.

51. A similar system should be established for the Taxes. The amount thereof can be easily calculated from the Valuation Roll and the account of Taxes received should be so kept in the Treasury as to shew the amount received for each quarter so that the Roll can easily be checked and balanced with the amounts received. It should be the duty of the Treasurer to see that this is done as soon as possible.

52. *Licences, &c.* In all cases in which money is recoverable at the Treasury on documents issued by other departments and transmitted to the Treasury, such as Licences, &c., a list of the same should be prepared in duplicate by the department issuing them, one copy should be sent to the Treasurer, the other to the Local Auditor. It should be the Treasurer's duty to see that the books and accounts respecting these receipts are properly kept and balanced at stated intervals, and they should be inspected by him from time to time.

53. A similar system should obtain in other departments and it should be the Treasurer's duty to make visits to these from time to time and see that the proper checks are carried out.

54. With respect to the Rates and Taxes due from some of the outlying districts, which in many cases amount to very small sums, and are difficult of collection, we suggest the advisability of making a small increase in the Crown Rent and exempting these small villages from all Rates.

EDW. J. ACKROYD,
Chairman.

JOHN THURBURN.

S. GODFREY BIRD.

4th April, 1893.

EVIDENCE

taken by the Commission appointed to investigate into the working
of the Treasury Department.

FIRST MEETING,

February 28th, 1893.

*Present:—*Mr. E. J. ACKROYD, *Chairman.*

Mr. J. THURBURN.

Mr. S. G. BIRD.

Mr. F. J. BADELEY, *Secretary.*

The Secretary read the following letter from the Colonial Secretary :—

No. 273.

COLONIAL SECRETARY'S OFFICE,
HONGKONG, 20th February, 1893.

SIR,

I am directed to acquaint you that the Governor has been pleased to appoint you to be Chairman of a Commission to enquire into and report on the defalcations in the Treasury. The other members of the Commission are Messrs. J. THURBURN and S. G. BIRD, with whom you will be so good as to arrange for an early meeting with a view to the prompt prosecution of the investigation. The Treasurer has been instructed to afford every facility and information in his power that the Commission may require for the purposes of their enquiry.

2. The scope of the Commission is to ascertain and report,—

- (a) The amount of the defalcations,
- (b) By what person or persons they have been committed,
- (c) What other person or persons, if any, may by neglect of duty, or otherwise, have directly or indirectly contributed thereto, and
- (d) The causes that rendered the defalcations possible, and those that prevented their earlier detection; also to advise what step should, in the opinion of the Commission, be taken in order, as far as possible, to prevent the recurrence of defalcations, and to ensure their prompt detection if committed.

3. His Excellency desires me to impress upon you that it is very desirable that the enquiry should be completed and the report of the Commission rendered with the utmost despatch compatible with thoroughness of investigation.

I have the honour to be,

Sir,

Your most obedient Servant,

G. T. M. O'BRIEN,
Colonial Secretary.

His Honour E. J. ACKROYD,
 &c., &c., &c.

The Chairman (to Honourable N. G. Mitchell-Innes).—Mr. Mitchell-Innes, by virtue of this letter I propose to open this Commission to-day, and I think the first person to be called is yourself. You will give us some information as to how the books were kept and so on, in order that we may see what further evidence we shall require.

Honourable N. G. Mitchell-Innes (Colonial Treasurer) called.

The Chairman.—When were you appointed Colonial Treasurer?

A.—At the beginning of 1891.

Q.—Did you take office at once?

A.—Yes.

Q.—How long had you been in the service before that?

A.—For about 9 years.

Q.—What positions have you held?

A.—I had been Assistant Registrar General, Assistant Colonial Secretary, Acting Police Magistrate, Acting Superintendent of the Gaol, and Acting Registrar General.

Q.—When you took over the Treasuryship did you see what books were kept or what was the system of accounts?

A.—I went generally through them.

Q.—What books were kept when you took up the position?

A.—The books then were practically the same as they now are. There is a cash book, journal, and ledger, counterfoil receipt books, and subsidiary books for the collection of different items. There is also a Rent-Roll.

Mr. Thurburn.—The system now is the same as it has been for several years past?

A.—Yes, the general system of book-keeping.

The Chairman.—When you took charge did you make any change in the system?

A.—No. Changes were made as I joined, or just before I joined. The ledger, for instance, used to be kept by the Audit Office, but I do not know whether it was a year before, or just when I took charge, that it came to the Treasury.

Q.—When you took charge Mr. Nicolle was in the Colony?

A.—Yes.

Q.—And the changes you speak of were made in consequence of his being here?

A.—Yes.

Q.—What staff had you in the Treasury then?

A.—I had the cashier, Mr. J. A. Carvalho. He was cashier and first clerk. The second clerk and accountant was Alves. The third clerk was Madar. The fourth clerk was E. A. Carvalho. The fifth clerk was Freire.

Q.—Freire had just joined?

A.—Not long before, I think. The sixth clerk was young Mr. Silva.

Q.—What money is actually received into the Treasury? I know in a certain sense that all goes in, but what money actually passes in?

A.—About three-quarters of the revenue of the Colony.

Q.—What does that consist of?

A.—Crown rents, taxes, licences, and the Opium Farm fee. There are some subordinate receipts also.

Q.—But those you have mentioned are the principal?

A.—Yes.

Q.—By taxes, I suppose you mean the 13 % on rent?

A.—Yes.

Q.—Was there any document showing the division of duties between these officers?

A.—No. You mean as to what part of the work each clerk was to perform? No.

Mr. Thurburn.—I suppose it was carried on according to old custom?

A.—Yes, I did not make any alterations when I first joined.

Q.—Were these clerks secured at all?

A.—Clerks through whom money is supposed to pass are secured—the shroff and cashier.

Q.—That is to say, Mr. Carvalho was secured?

A.—Yes, for \$5,000. I am secured for \$10,000, and the shroff for \$5,000, I think it is.

The Chairman.—Let us take the Crown Rent. Whose duty was it to receive Crown Rent?

A.—Do you mean receive the money?

Q.—Yes.

A.—It was the duty of the shroff.

Q.—There is a Rent Roll sent every six months from the Land Office?

A.—Yes.

Q.—Have you got it here?

A.—I have got our own Rent Roll, but I haven't Mr. Bruce Shepherd's here. I can send for it. (*The book was sent for*).

The Chairman.—Will you tell us what was the system in force with respect to Crown Rents?

A.—The system which ought to have been in force, and which I believed to be in force, was that monies were paid to the shroff. If, however, they were sent in envelopes with a letter they were opened by the cashier and the money passed on to the shroff with the memoranda which showed what the money was intended for, or the letter would go to the accountant, that is the second clerk, in order that he should find out whether it is correct. On finding out that it is correct, he should make out a receipt, pass it to the shroff, who, if he had that amount in his possession, should put his chop on it and pass it to the payer. The amounts should be entered by the shroff in a rough day book kept by him in Chinese, and by the accountant in a day book kept by him in English. At the close of the day the shroff should report to the accountant the amount received by him, the Alves' Day Book and Shroff's rough Chinese Book should be compared, and the cashier informed of the amount to be brought to the credit of the Government. The money should then be taken to the Bank and lodged there.

Mr. Thurburn.—Every day?

A.—Yes.

Mr. Bird.—Did cheques also pass through the shroff's hands?

A.—Yes, everything.

Q.—Though made out to your order?

A.—Yes.

Mr. Thurburn.—Could the shroff read English?

A.—No.

Q.—So that he could not check any alteration which might have been made?

A.—He could only read figures.

Q.—Not letters?

A.—No.

The Chairman.—What were the duties of the cashier?

A.—Among the cashier's duties were the opening of letters addressed officially to the Treasury, unless there was anything to show that it was intended to be a private communication to me; and it was his duty to separate the memorandum from the money and see that the former went to the accountant and the latter to the shroff.

Q.—Suppose a Chinaman went there to pay his Crown Rent, who would be the first person for him to go to?

A.—He ought to have gone to the shroff.

Q.—He would have paid the amount to the shroff?

A.—Yes.

Q.—And who would have made out the receipt?

A.—Alves.

Q.—Upon what—a slip from the shroff?

A.—The person paying the money would generally bring a memorandum with him or the last receipt, and the shroff would pass that on to Alves, and if there was any difficulty would go in and see him. Alves would understand from that memorandum, or old receipt, who it was who paid the money, and for what lot it was, and he would then, if he found it correct, make out a receipt and pass it to the shroff.

Mr. Bird.—Had Alves any right whatever to finger any money himself?

A.—No.

Mr. Thurburn.—Did the shroff go out collecting?

A.—Not for Crown Rent.

Q.—You have a list of the Crown Rents due. If the money is not paid who do you go to?

A.—The Crown Solicitor.

The Chairman.—You have more than one shroff?

A.—We have three.

Q.—Was there one shroff specially detailed to look after Crown Rents?

A.—Yes.

Q.—And there would be nothing to take that shroff out of the Office during Office hours?

A.—He would go out of the Office to bank money, and in that case the money received would have to be taken by one of the other shroffs.

Mr. Thurburn.—Suppose a man who owed his Crown Rent sent in a cheque for the amount due, it would go to the chief clerk?

A.—If he sent in an envelope it might come to me or otherwise would go to the outer office and be opened by the cashier.

Q.—At all events the chief clerk would have to sign the receipt?

A.—He would send an ordinary receipt made out by Alves. He would not give a receipt to a coolie but would simply sign the chit book.

Q.—What would he do with the cheque? Would he pay it into the Bank?

A.—He would hand it over to the shroff.

The Chairman.—In the shroff's book would everything appear—the money paid in and cheques received ?

A.—Yes. It is a very rough book.

Mr. Bird.—In Chinese ?

A.—Yes. It would simply state the amount.

The Chairman.—Suppose a large cheque was received payable to your order, whom would that be endorsed by ?

A.—By me now. In Mr. Carvalho's time he used to be allowed to endorse for the Treasurer. He was secured.

Q.—Whom were receipts signed by ?

A.—By Mr. Alves.

Q.—Anybody else ?

A.—No.

Q.—Is there no regulation about that ?

A.—Not that I know of. It was the system I found when I got there and I did not alter it. I found that receipts had been signed for taxes by one clerk, for Crown Rent by another. For some time past I have signed the taxes receipts myself.

Q.—I take it to be this. All the money was supposed to pass through the shroff's hands and his book was examined every day ?

A.—Yes.

Q.—By the cashier ?

A.—Yes.

Q.—And Alves was supposed to receive nothing at all ?

A.—No. When you say the shroff's book was examined that means that he would read through his book what his calculations were for the day, and having compared them with the accountant, he would take the money to the Bank.

Mr. Thurburn.—Was there any check in the way of balances ? After a certain period of time the Crown Rents of course would be supposed to be paid. After three or four months or some stated time, did you have a balance made out of what money had been paid and what was outstanding ?

A.—The books ought to have been balanced, no doubt.

Q.—If defalcations were going on, and if after, say three months, you had a balance taken out, you would have discovered anything of the kind ?

A.—The books I found were left to be balanced by Alves. In former years Alves was given a very long time, the balancing of the Crown Rent accounts being a very laborious business. I have just had them balanced and it took one man sitting at the work doing nothing else 10 hours a day for three weeks to balance them. It seems to have been in consequence of knowing it to be so laborious, and also because Alves was regarded as the hardest worked man in the Treasury, that he was allowed as long as eighteen months to do it.

The Chairman.—I suppose it was written every day ?

A.—I can show you the book.

Q.—Before that I want to come to this. Was there any check on the daily work ? I suppose there was a copy of the Rent Roll sent you from the Land Office ?

A.—Yes. This is one of the books (*witness indicates the Treasury Rent Roll*). It begins with a column of arrears due and outstanding from last year. It goes on to the amount due for the year. These two have to be added to bring out the third. The date of payment of arrears is put in—the date of payment for the first half-year and

the second half-year. These are added together and the total brought out. Any abatements that have to be made by changes of tenancy, &c., have to be put in and from the result of these calculations is brought out the balance. That is put down in each case and after that the pages have to be added up and down.

The Chairman (*indicating the book alluded to*).—Is this book only for 1891?

A.—Yes.

Q.—I notice the arrears are pretty stiff.

A.—Anything not paid by December 31st becomes an arrear.

Mr. Bird.—They are nearly all in arrear?

A.—Yes, it is very seldom otherwise unless they pay in a lump sum.

The Chairman.—When a man comes to pay is the amount entered in this book?

A.—No, it would first be entered in the day book.

Q.—If you let the Rent Roll get in arrear it would of course be a very difficult matter to write it up?

A.—I don't know that he wrote it up every day. As I have said it took one man three weeks doing absolutely nothing else but balancing this book. What I mean to say is that as Alves was very hard worked he could not give more than an occasional hour or so to it, and he used to do it at his leisure. The money was not supposed to pass through his hands so it was only regarded as clerical work.

Mr. Thurburn.—There is no such thing as an absolute check?

A.—It is perfectly possible.

Q.—But it was not carried out?

A.—No, it was not carried out for 1892. It ought to have been carried out for 1891.

The Chairman.—You can hardly call them arrears on January 1st when the amounts were only due on December 25th. For 1891 nothing becomes due until June 25th.

A.—Yes, June 25th and December 25th.

Mr. Bird.—When the man you have just specially employed took the work in hand how much was it behind?

A.—The year 1891. Alves had so little time, but he had been told to get it up once or twice and had been doing it gradually. He was told to do it while I was in England and in consequence of that, I believe, he began to get it up.

Mr. Bird.—He was 18 months behind hand?

A.—He was about 12 months behind in the 1891 book.

The Chairman.—How far was he behind when you took your position?

A.—I do not know. I cannot say anything about the 1890 book. I did not look at any book previous to the date of my taking my position. I suppose I ought to have done, but I did not. The 1890 book does not appear to have been balanced.

Mr. Bird.—If it was not balanced in 1890 how did they carry out the balance for 1891.

The Chairman.—That is only the balance for the year.

Mr. Bird.—You have to make up the last column before you can begin a new book. How did they begin 1891 if they never balanced the column for 1890?

A.—The book was in his possession. He might have made his trial balance but he did not absolutely finish his books.

The Chairman.—He may have put in his first column the last six months' rent (To Hon. N. G. Mitchell Innes) Did you, when you took possession, examine the books to see what the system was respecting the receipt of money, and to ascertain whether there was any efficient check?

A.—Yes, as I got accustomed to the work I have been gradually trying to improve it. When I first took the position I knew nothing of Treasury work and for a time it was in the hands of subordinates.

Q.—Did you see what system was in force for the receipt of money?

A.—Yes, I got what assistance I could from subordinates.

Q.—Was there any check respecting the daily receipt of money? Was there any check on the shroff, for instance, or on Alves?

A.—The Auditor does all that.

Q.—In your Department you had no daily check?

A.—No, the checking of receipts is supposed to be the business of the Auditor.

Mr. Bird.—He does that once occasionally?

A.—He comes every month and checks almost everything that passes through the Office.

Mr. Thurburn.—It is not a half-yearly or yearly check?

A.—No, I understand that he has to check at any time.

The Chairman.—Who was the Auditor when you were first there?

A.—Mr. Nicolle. He came in 1890 I believe.

Q.—As far as your own Department was concerned you had no check on the shroff or cashier?

A.—The system itself was supposed to be a check.

Q.—Let us see what it was. Was there anybody who could tell at the end of the day whether the monies received had been properly accounted for?

A.—No, the receipt passed out of the Department, unless it was entered in the counterfoils. The counterfoils were left out for the inspection of the Auditor and the Auditor could at any time by looking at the counterfoil find whether the amount had gone into the books.

Mr. Thurburn.—In fact it was his duty to check the money received with every receipt?

A.—That was what I always understood. I never quite knew what the Home Authorities wanted the Auditor to do. I understood that my business was to have a preliminary check on the expenditure.

The Chairman.—Did you not think that you were at all bound to look after the receipts?

A.—It is impossible for the Treasury to audit the receipts; we have no officers for the purpose.

Q.—Did you not think it was your duty to have some check on your own officers?

A.—I thought that the check of the Audit Office was sufficient.

Q.—Can you tell us how these defalcations have occurred if Alves was supposed never to have received any money?

A.—What I believe to be the case is that a large number of people who, I suppose, were friends of Alves came to him and paid their money to him in person, that when once he was able to handle the money, and as the shroff did not know English—that is to say he only knew figures—he was enabled to get the shroff to put his chop on the receipt. The shroff would do pretty well as he was told. The shroff would return the

receipt to Alves and Alves thereupon altered the amount. I mean in this way. Supposing a man to have come to Alves and said "Here is \$100 I wish to pay" in bank notes. Alves would make out the receipt like this (*printed form produced*). He would say "Received from X. Y. 3 the sum of —," and instead of writing \$100 he would write \$10 "being the amount of rent due for Lot so and so." As to the written amount as the shroff could not read English he might fill that in in any way he liked, or leave it blank. In the receipt he would write "Lot so and so Received \$10." He would then hand the shroff \$10, and the other \$90 he would put in his pocket. The shroff would put his chop on, and as the person had come to Alves personally the shroff did not know whom to return it to. Alves would then say "If you give it to me I will send it to the man. I know him." The shroff would then hand back the receipt to Alves who would add another "0" which satisfied the holder, and he left the counterfoil untouched. At the end of the day the shroff would come and say "I have received \$10, does this correspond with your book?" The cashier would tell him that there was \$10 to come in the cash book and it was duly passed in. The Auditor would come in and look at the counterfoil and see "Received \$10" and go to the cash book and find the \$10 entered.

The Chairman.—Somebody ought to have looked at the Rent Roll.

Mr. Bird.—He would have seen that such and such a lot ought to have paid more than \$10.

Witness.—The Auditor has told me that with the staff at his disposal he did not see how he could check every item, but he checked very frequently.

The Chairman.—Had you any check on your own men?

A.—The system was supposed to be checked by the periodic surveys by the Audit Office.

Q.—It seems that it did not, when a man could put down say "Lot 200 received \$10" and that passed when the rent was perhaps \$100, and the Auditor might have seen it in a second by looking at the Roll. You say according to your explanation that everything was left in the hands of Alves because the person who received the money did not know English and could not see how much he was to receive. That is why I asked you whether there was anything to show the shroff how much he ought to receive.

A.—He could read figures. I have counterfoils also with a forged chop upon them.

Mr. Bird.—Have you counterfoils of \$10 when it ought to be \$100?

The Chairman.—I should like to see more of these counterfoils with the incorrect amount.

Witness.—Yes. I am keeping them in the safe. I will bring them round.

Mr. Bird.—Is that the only way he could have done it?

A.—The two ways we suppose are: by altering what the shroff had passed and by using a bogus receipt book and forging the shroff's chop. We have some instances of that.

Mr. Bird.—How did he forge the chop?

A.—He evidently has done so. The chop has been submitted to Chinese experts—dye cutters—and they say it is a forgery.

The Chairman.—You say it was no part of Alves' duty to receive money. Was there any check to prevent him from receiving money? How was it that he was allowed to receive so much money if it was no part of his duty?

A.—It is a system in Government Offices for people to walk in and out; and if they went into Alves and paid him money it would not come to my notice, and they would pay him. The cashier, however, ought to have noticed it and put a stop to it. The cashier, however, says that he never saw it done; but that I do not believe.

Mr. Bird.—Are these defalcations confined to Alves?

A.—Yes, as far as we know. We have examined all the books. There is one check which of course banks usually employ—and mercantile houses too I suppose—which was not available in the Treasury very easily, and I believe it was because he saw that the check coming on that gave Alves his first idea that something would be found out. I mean the check of putting different people to different work. When I joined the Treasury I found three or four senior men, none of whom could leave their desks for a moment, and being leading men in the Treasury it was difficult to get them to do anything but what they were accustomed to. At the end of last year I got the new men to work and as soon as that was done I believe Alves made preparations for going.

The Chairman.—Have you ascertained when these defalcations began?

A.—We only know by comparison with the Rent Roll which shows what ought to have been collected. Apparently they began at the beginning of 1887 or 1888.

Mr. Thurburn.—The balances ought to have been done periodically.

Mr. Bird.—You ought to know the total of the Crown Rents collected and the amount that ought to be collected.

Mr. Thurburn.—That is the mistake in the system.

Mr. Bird.—If the book was not written up who was to see how much was in arrear?

A.—Alves said that he was working overtime and doing it as he could. I am sorry now that I did not get in somebody from outside and have it done by main force, but I did not expect that money was passing through his hands, or that the arrears were really dangerous.

The Chairman.—Were any arrears ever reported to you—arrears of money being due?

A.—Yes, we used to send notices to people in arrear. Alves constantly told me of people who were in arrear and he would see them or write to them. Sometimes I told them that proceedings would be taken.

Q.—You never saw a regular list of arrears?

A.—No, I don't think I ever saw that. It was supposed to be shown in these books at the end of the year.

Q.—When you joined in 1891 were any of the previous books made up—the Rent Roll books?

A.—I did not look at the books previous to my year, when I went to the Treasury. I cannot say about previous years, whether they were made up. Those now in the Treasury I can see have been balanced.

Q.—You do not know whether the book for 1889 or 1890 was balanced?

A.—1889 I do not know. 1890 was not balanced. 1889 was missing.

Q.—Nor 1888?

A.—No, I believe he took them from the Office a year or two ago with the intention of balancing them.

Mr. Bird.—Did you know they were missing?

A.—No. The books were kept in his desk and I had not the slightest idea when they went. I should think it was about a year ago.

Mr. Thurburn.—You would take it for granted, I suppose, that in the books for 1889 everything was closed up?

A.—Certainly. I was new to the work and I did not know anything about these arrears.

Mr. Bird.—Whom did you take the Office over from ?

A.—Mr. Lister died, and Mr. Wodehouse was in charge just before I went there.

Q.—You never suspected Alves ?

A.—On the contrary, I thought he was the best Officer in the Treasury.

Q.—You never heard he was speculating heavily ?

A.—I never heard anything before he absconded, but I have heard a great deal since.

Q.—You never knew that he was building a Terrace in Kowloon ?

A.—I did not know that Victoria View was his until the other day. I heard that he had some building there.

Q.—What is the total amount of his defalcations ?

A.—\$59,000 as far as we can at present ascertain. It may be a little less on account of payments and things difficult to find out.

The Chairman.—Could you give us a statement of what years those defalcations extend over ?

A.—1889, 1890, 1891, and 1892.

Q.—Could you not give us the several amounts ?

A.—About \$12,000 a year as far as we can make out.

Q.—He appears then to have taken the same amount every year ?

A.—Yes, as far as we have ascertained. Sometimes it was \$1,000 or \$2,000 more or less.

Mr. Thurburn.—Had the cashier anything to do with the receipts ?

A.—No, the receipt books were kept entirely in Alves' charge.

Mr. Bird.—Did these Crown Rent counterfoils pass through Mr. Carvalho's hands ?

A.—No.

Q.—Would not the cashier notice that he had got only \$10 instead of \$100 ?

A.—No, at the end of the day the amount would be brought up and the total would be brought to the cash book.

Q.—Not entered in detail ?

A.—No.

Mr. Thurburn.—What were the cashier's duties ?

A.—I always regarded the general supervision of the staff as one of the most important.

The Chairman.—Had he anything to do with the cash ?

A.—He had to do with anything that came with money inside. The shroffs really receive the money at the wickets, and money paid in by the public would be paid to the shroffs. If the payer was an Englishman he would probably pay it to the cashier.

Q.—Were the receipts never signed by the cashier ?

A.—They were never supposed to be. They were supposed to be signed by the accountant, who was in charge of that particular branch.

Mr. Bird.—I myself have paid money and received receipts and they are all signed by Alves.

A.—Yes, that was so until lately. I sign them myself now. The shroff practically had to sign and put his chop on. In addition to that the accountant had to sign.

The Chairman.—Things were really left in the hands of the accountant ?

A.—Yes, so far as signing receipts was concerned.

Q.—Did the shroff keep any book of the receipts that he signed? For instance, if people went direct to the shroff and paid him, say \$50, the shroff would receipt it I suppose, and it would be signed by Alves?

A.—The shroff would hand in the receipt to Alves. For instance, if a man came with \$25 Alves would be told by the shroff that \$25 had been paid in.

Q.—Suppose the man went to pay without taking any document?

A.—Then the shroff would tell Alves.

Mr. Thurburn.—I suppose he would simply say “I want a receipt for Crown Rent so-and-so”?

A.—Yes.

The Chairman.—What book did Alves keep?

A.—A book like this (*Alves' Day Book produced*) for his daily calculations. You will see it gives the date of the month, the number of the receipt, and the amount for which it was.

Q.—That is the number of the counterfoil?

A.—Yes. The date was put in afterwards. He would look at the counterfoils and pass them into this book (*The Treasury Rent Roll*).

Mr. Thurburn.—Of course he made that correct—I mean in the case in which he received \$100 and only gave credit for \$10.

A.—Yes, the \$100 would go into the Rent Roll because if he put only \$10 it would be noticed that only \$10 was paid whereas \$100 ought to have been paid and I should have sent to the debtor and asked him why he did not pay. So Alves kept this book correct.

Mr. Bird.—You never saw this little book (*pointing to Alves' rough book*).

A.—No, I did not ask him for it.

The Chairman.—It was not a private book?

A.—No, it is one of the Treasury books. I could have got it if I had asked for it.

Q.—That is the book for the Crown Rent. Had Alves anything to do with the other receipts also?

A.—No, only Crown Rent. That is not his entire work but that is his only work in connection with receipts.

Q.—Who looked after the taxes?

A.—Mr. Madar used to look after them.

Q.—As far as receipts went Alves only had the Crown Rent to look after?

A.—Yes.

Q.—What other books did he keep?

A.—He was book-keeper; he had charge of the journal and ledger, and he also had to do all the calculations in connection with the Crown Agents' account. It was a very complicated matter, splitting up all the expenditure among the different departments and making returns for Somerset House. That was really the part that took him longer than anything else.

Q.—What is this big book for?

A.—That is for rates.

Q.—Alves had nothing to do with it?

A.—No.

(*Ledger produced*).

Q.—Had Alves anything to do with the Rent Roll ?

A.—Yes, that was Alves' book.

Q.—You do not know when this Rent Roll was written up—whether he wrote it up daily or weekly ?

A.—No, I do not ; but I find that he let it slip into considerable arrears. The column " Due for the year " could never be entered with absolute certainty because the Land Office did not send in its return for six months.

Mr. Thurburn.—Is there the same sort of thing for the taxes carried out by another man—a counterfoil and so on ?

A.—Yes, the same books (*books produced*). The system is a little different. The receipts are written entirely through before hand because it would take a long time writing them in when hundreds of people are clamouring to pay. The money is paid in, the receipt is chopped by the shroff, and I sign perhaps 50 of them in an afternoon and they are given to the people waiting outside. These are the receipts (*produced*). I can read both English and Chinese so that I can see that they are right.

The Chairman.—You think that the only way Alves defrauded the Treasury was by receiving money directly instead of going to the shroff, and then making out a false receipt which the shroff could not check because he did not understand English ?

A.—I think that is one of the ways, and another way was the falsifying of the shroff's receipt. In some cases we found that he tore out receipts at the end of the book. Here is a book of receipts (*produced*) in which he has torn out four pages, knowing, as he did, that the requirements for the year would not get as far as that. He has forged the shroff's chop and never passed the money to the shroff at all.

Q.—That is the way in which he embezzled the whole of the amount ?

A.—Yes.

Q.—When he embezzled only a part he falsified the receipt ?

A.—Yes.

Q.—He got the shroff to sign for a smaller amount ?

A.—He falsified the receipt after it came from the shroff.

Q.—First of all Alves made out a receipt. One half was in letters for a larger amount than the figures ?

A.—I don't know what he did with the letters.

Q.—You say that he would be able to fill in in letters a larger amount than the figures and as the shroff could not read letters he chopped for the figures he saw underneath ?

A.—Yes.

Mr. Bird.—You do not think the shroff could have been in collusion ?

A.—I do not think so. I have not seen that he has displayed any uneasiness to be examined, and I have not heard of any suspicious circumstance. He is secured by a Chinaman and nothing has reached my ears about him being uneasy about him.

Mr. Thurburn.—Alves would not have forged the shroff's chop if he had been in collusion with him ?

A.—No, I should think not.

Q.—Is the Auditor supposed to be there once a week, or at any stated time ?

A.—He is there from day to day very often, and then it happens that he may be away for a few weeks, and then up again for several days.

Mr. Bird.—He could do as he pleased ? He had no stated hours ?

A.—He is his own master under Somerset House.

The Chairman.—When was the first part of this book (Treasury Rent Roll) supposed to be written up ?

A.—It ought to be made up with the rest.

Q.—As soon as you got the Rent Roll from the Land Office ?

A.—There used to be a calculation made at the end of the book, in some of them at all events. It was pasted in the end and showed whether the book differed from the Rent Roll as supplied by the Land Office. There were two columns showing whether our books were more or less with references to the reasons. That was caused because the Land Office Rent Roll did not reach us in time and we had to go on the last year's assessment.

Mr. Thurburn.—It seems to me that the real reason these defalcations were not discovered is owing to a want of balancing. First of all the Auditor should have checked the receipts with the amount that should have been paid.

The Chairman.—The Rent Roll is the basis of everything. What he ought to have done was to check the receipts with the amounts there.

Mr. Thurburn.—You know that for the year there is \$192,000 due, there is no swindling about that. That is due at a certain period, say January 1st, then if at the end of three or six months you compared the amount of what ought to have been paid with the cash you have received, the balances would show whether there had been any defalcation. You know how much you have received because it is in the Bank.

A.—We could not cook this book if it was properly examined.

Q.—Although swindling might go on during the three months, or any given number of months, it would certainly be found out where it was when a balance was taken.

A.—When the book was balanced at the end of the year it ought to have been found out.

The Chairman.—Mr. Freire examined it before, did he not ?

A.—Yes. I think the 1887 book is in Mr. Freire's signature and Dr. Stewart's.

Mr. Thurburn.—Mr. Nicolle ought to have detected this.

The Chairman.—Yes, you have the amount that ought to be received, you have also got what you have received.

Mr. Thurburn.—The account ought to be exactly balanced periodically. [(To Hon. N. G. Mitchell-Innes) Alves, I suppose, has not pleaded guilty so his trial will have to go through before we ask him any questions?

A.—He would have pleaded guilty, but he has been got at and is going to plead not guilty.]

At this stage the Commission adjourned its sitting until 3 o'clock in the afternoon.

Upon resuming, Cheung Wan Chung, was called.

The Chairman.—What is your name ?

Witness.—Cheung Wan Chung.

Q.—What are you ?

A.—I am shroff in the Treasury.

Q.—And your duties are to receive sums paid for Crown Rent ?

A.—Yes.

Q.—Did you receive any other monies except Crown Rent ?

A.—Yes, I also received fees for spirituous liquor licences, pawnbrokers' licences, kerosine oil licences, billiard room licences, and hotel licences.

Q.—Tell us what happens when a man wants to pay his Crown Rent into the Treasury.

A.—I receive the money. Sometimes the fees or monies are paid in bank notes or cheques, or cash, in silver.

Q.—Suppose a man comes to you and says that he wants to pay his Crown Rent and brings the money, what do you first do ?

A.—If a man comes with the money to pay into the Treasury, I first receive the money and I look up the old receipts, and then I take the receipt to Alves to see that the correct amount is to be paid into the Treasury.

Q.—What do you mean by "look up the old receipt." Suppose a man has not got his last receipt. Do you look at anything then ?

A.—If there is no old receipt we have to get at the amount from remembrance.

Q.—And then when you have received the money do you make an entry at once in this book ? (*Shroff's book in Chinese produced.*)

A.—No.

Q.—When do you make the entry in that book ?

A.—As soon as I get the money I take it to Mr. Alves to ask him to issue a receipt and when I get the receipt then I make the entry in the book.

Q.—Do you sign the receipt ?

A.—Receipts are not signed but chopped by a Chinese chop.

Q.—By you ?

A.—Yes.

Q.—You cannot read English ?

A.—No.

Q.—Therefore you do not know whether the receipts were properly made out or not ?

A.—I can read figures.

(*Witness was tested and correctly read several rows of figures.*)

Q.—Did Alves ever receive money ?

A.—Yes, there are cases in which people sent money direct to Alves and he receives the money and sends the receipt.

Q.—How do you know that they send the money direct to Alves ?

A.—There are cheques that he put in my hands—bank cheques.

Q.—Did Alves ever give you notes or dollars ?

A.—Sometimes bank notes, but principally bank cheques.

Q.—What used you to do when Alves brought you these cheques or this money ?

A.—When he handed me the bank cheques and the money and receipt I compared the amount stated in his receipt with the amount on the cheque to find whether the sum was proper. Then I made an entry in the book and handed back the receipt to Alves.

Q.—Can you state any of the cases where a cheque was sent to Alves and you have entered in your book the amount of the cheque ?

A.—Yes, in all cases entries have been made when the cheque was handed in by Alves.

Mr. Thurburn :—In all these cases was the receipt handed back to Alves or direct to the person who brought the money ?

A.—I never gave any receipt to anybody for money received by Mr. Alves.

Q.—You always gave it back to Alves ?

A.—Yes.

The Chairman.—Has it not sometimes happened that Alves has given you a cheque, say for \$800, and he has asked you to put \$600 in your book and give him back \$200 and a receipt for \$600 ?

A.—Yes, there are two or three cases each year in which Alves handed me a cheque for \$800 for instance and gave only a receipt for \$600, and when I compared the amount stated in the cheque with the receipt I found there was a surplus. This surplus I paid over to Alves to keep.

Q.—How often has that happened ?

A.—I think two or three times.

Q.—Not more ?

A.—If you wish for a correct account I can give it. The book there states everything.

Q.—Will you show us one or two cases.

A.—(After witness had examined the book.) This entry of January 16th, 1892. The cheque received was for \$419.49. Alves gave a receipt for \$319.49. Then there was a surplus of \$100 and that money was handed to Alves. It is all stated here, the Chinese character *Li* means Alves.

Q.—When you say that you compared the receipt which Alves made out, you mean you compared the figures on the receipt but you did not know what was in the body of the receipt ?

A.—I only compared the figures.

Mr. Bird.—Did Mr. Alves explain why he wanted the surplus paid back to him ?

A.—Yes, the reason he gave was in this particular case, that the money had to be refunded to the person who sent it.

The Chairman.—Can you give us any other instances ?

A.—Another instance is on January 23rd, 1892. A man named Musso sent a cheque to Alves for \$577.66. Alves gave a receipt for \$565.02. There was then a surplus of \$12.64 and that was handed back to Alves.

Q.—Any other instances ?

A.—Yes. \$200 handed to Alves as the surplus of a cheque for \$2,380.06. He gave a receipt for \$2,180.06. The surplus of \$200 was handed to Alves.

Q.—Whose cheque was it ?

A.—Sharp, Broker, Date March 19th, 1892.

Q.—Did Alves bring you money every day ?

A.—No, not every day. He would only do so when money was sent to him by outsiders.

Q.—Was money sent to him by outsiders every day as a rule ?

A.—No, it was not an every day occurrence.

Mr. Thurburn.—Did he carry out the rule when licences were paid ? What sort of receipt was given then ?

A.—Mr. Carvalho looked after those receipts given for fees received for kerosine licences and &c. The receipt was made out by a Chinese clerk and it was signed by Mr. Carvalho.

Q.—All the licences ?

A.—Yes. Mr. Alves had nothing to do with that.

Q.—And the taxes, what happened to them ?

A.—They are also looked after by Mr. Carvalho.

Q.—And who signs the receipt ?

A.—Mr. E. Carvalho, the son of Mr. J. A. Carvalho.

Q.—He signs the receipts ?

A.—Yes. At least he did last year. Mr. Mitchell-Innes signs now.

The Chairman.—Did you take your book to be examined, or give an account of what you had received, at the end of the day ?

A.—Yes, for instance we received say \$1,000 on a certain day. A little before the Office closed I added up the amounts and made a total. Then I showed it to Mr. Alves and asked him to compare. If he said it was correct I took the money to the Bank.

Q.—You took it yourself ?

A.—Yes.

Q.—You had not to pay out any money ? You only had to receive money ?

A.—I have nothing to do with payments.

Q.—And every day you should pay into the Bank all you have received that day ?

A.—Yes.

Q.—Had you any means of knowing whether Alves paid you over the right amount or not when he brought the money to you ?

A.—In every case I simply went by the figures that were put down in the receipt. I took no other means of ascertaining.

Q.—But when the money was paid, not by cheque, but by bank notes or coin ?

A.—I did not enquire whether the money was the proper amount or not when it was paid.

Mr. Thurburn.—Did you check at the end of the day what money you had got and received with Mr. Carvalho in the same way as you did with Mr. Alves, and then pay the money into the Bank ?

A.—Mr. Carvalho has never received any money.

Q.—But you said just now that Mr. Carvalho received the money for the licences ?

A.—Yes, in the same way as Alves. If Mr. Carvalho received money from outsiders he handed the money and receipt to me.

Q.—And he balanced at the end of the day and you paid it into the Bank ?

A.—Yes, I showed the total to Mr. Carvalho and then he sent the money to the Bank.

The Chairman.—Is this a form of receipt for Crown Rent ?

(Form produced and identified.)

Q.—When Alves brought any money, did Alves bring in this book (receipt book with counterfoils) or only this receipt form ?

A.—Only the receipt—not the book.

Q.—Therefore you did not know whether the counterfoil corresponded with the receipt ?

A.—No.

Q.—Whereabouts did Alves use to put the figures.

(Witness indicated the centre of the receipt form.)

Q.—Who made out the slip for the Bank ?

A.—The chief clerk, Mr. Carvalho.

Q.—Where did he get the figures from ?

A.—From my *foki's* report.

Q.—Did you report to Mr. Carvalho or Mr. Alves ?

A.—It was done like this. I made out the amount and then I put on a slip of paper the total, showed the slip to Alves and then went to my co-employé who would report the amount received during the day to Mr. Carvalho for him to make out the slip for the Bank.

Q.—Then you would get the slip and take the money to the Bank ?

A.—Yes. Mr. Carvalho gave me the slip.

Q.—Can you give us any information as to how Alves was able to take away so much money ?

A.—I cannot give any reason.

Q.—You don't know how it was managed ?

A.—No.

(Chop produced.)

Q.—That is your chop, is it not ?

A.—Yes, that is for chopping receipts.

Q.—Whereabouts was Alves' room—anywhere near your room ?

A.—No. It is not near my room.

Q.—People could go to Alves and hand over money to him and you would not see it ?

A.—No, I should not. His room is not entered from my room.

The Commission adjourned until Thursday, March 2nd, at 11.30 a.m.

SECOND MEETING.

March 2nd, 1893, at 11.30 in the forenoon.

Present:—Mr. E. J. ACKROYD, Chairman.

Mr. J. THURBURN.

Mr. S. G. BIRD.

Mr. F. J. BADELEY, Secretary.

Mr. Hilgrove C. Nicolle, Government Auditor, called.

The Chairman.—What is your name?

Witness.—Hilgrove C. Nicolle.

Q.—When were you appointed local auditor?

A.—I was appointed from January 22nd, and I arrived in Hongkong on April 14th, 1890.

Q.—When did you begin examining the Treasurer's accounts and books?

A.—Very soon after I came here. A few days after arriving I went to the Treasury and started my examination.

Q.—What books and papers did you require for your examination? Take, for instance, the Crown Rents.

A.—The books I required were counterfoil receipt books, the daily receipt book kept by Mr. Alves; the Rent Roll and this cash book and journal and ledger (*all produced*) and I traced the items into the cash book and ledger to see that the amounts were duly paid into the Government.

Q.—There is a ledger kept for the Crown Rent?

A.—There is a separate place in the ledger for Crown Rent.

Q.—And what totals are entered in that?

A.—The monthly totals.

Q.—What system did you follow in checking and examining this Rent Roll?

A.—I took the counterfoils and I checked them with what is known as Alves' daily receipt book. I checked the daily totals from that book into the cash book and I checked a certain number, a considerable number, of the counterfoils with this Rent Roll. I also checked the Rent Roll sent up by the Land Office with the Treasury Rent Roll.

Mr. Thurburn.—You did not go through the counterfoils?

A.—No, not all.

The Chairman.—Not every counterfoil?

A.—No, not with the Rent Roll.

Mr. Bird.—If you had checked the counterfoils you would have found all this out before?

A.—Well, we have been through the counterfoils in the Office and, as far as I know, there are only two cases in July where there is a difference and there is one case in February last, and these are the only specific cases where we should have found it out if we had checked the counterfoils with this book.

Q.—How do you think the defalcations have occurred then?

A.—I think Alves received money and issued a receipt of his own.

Q.—And there were no counterfoils?

A.—No.

Mr. Thurburn.—Some of the receipts undoubtedly were forgeries, but we understood that the greater number of the frauds were committed by altering the counterfoils in the book.

A.—We only found, I think, four specific cases altogether of the counterfoils differing from this book. There is one on September 23rd, one on December 31st. There are really four different frauds and these are the only cases we could find.

Mr. Thurburn.—And what do they amount to?

A.—About \$2,000 I should say.

Q.—The whole deficiency is about—?

A.—\$59,000.

The Chairman.—Then how do you account for the balance?

A.—By false receipts, and there is also another method under which it might be possible, and it is this. In former years, up to the middle of 1891, the counterfoils used to be filled up in advance and I think that in those days he made them agree with this book, and it has struck me that he may have filled in the number and ticked it off as though I myself had done it. Now the counterfoils are all issued in numerical order and have been for some time.

Q.—How has he managed then to make away with this amount; you say that he made out different receipts altogether and never brought the amount into account.

A.—I cannot tell you how he has done it except in specific cases we have found, but, of course, they do not cover anything like the amount.

Mr. Thurburn.—The fact that he has destroyed the books, I suppose, prevents you?

A.—Yes.

The Chairman.—You say that you have been through the books?

A.—All that he left.

Q.—What years are they?

A.—1891 and 1892.

Q.—Going through all the books for 1891 and 1892 you have only found the instances you have given?

A.—That is all.

Q.—And they amounted to about \$2,000?

A.—About that.

Q.—What is the amount of the defalcations for 1891 and 1892?

A.—The amount roughly was \$11,949 in 1891 and \$7,336 for 1892.

Mr. Thurburn.—Then there was about \$40,000 taken previous to those years?

A.—Yes.

Q.—How did you find those figures out—by balancing?

A.—The Rent Rolls for 1888 and 1889 are not to be found; they have disappeared. Therefore the only thing one has to go by is the Rent Roll from the Land Office. We have the book balanced for 1887 and I have taken the arrears not paid and the amounts paid to the Treasury during 1888 and 1889. That ought to give you a balance. For the other years I have taken calculations by Alves giving the amounts he says were collected and on the other side I have taken what has been paid to the Treasury.

Mr. Bird.—The difference gives the balance?

The Chairman.—Have you made any claim upon those people who do not appear to have paid?

A.—That is not my business.

Q.—Do you know whether it has been done?

A.—No, you mean people shown to be in arrear on the 31st December, 1892? They are continually paying and I have very little doubt in my own mind that Alves has kept the Treasury Rent Roll correct.

Q.—You think that it is correct, but that he has not paid over all the amounts therein mentioned?

A.—Yes, that is it.

Q.—According to the book of 1891 how much ought to have been paid over? Has it been made up?

A.—I don't think any summary has been put into it.

Q.—You have made an examination?

A.—Yes, here it is.

Q.—Whose writing is it in?

A.—Mr. Remedios.

Q.—Is it made up since Alves went?

A.—Yes. I see there is a summary of the totals.

Q.—What I want you to give is the total amount received according to him. The Rent Roll shows that the total to be paid in 1891 was \$191,198.64. Have you ascertained how much of that has really reached the Treasury?

A.—Yes, \$180,249.25.

Q.—But according to this book there was a balance due of \$88,119.62. Have any steps been taken to ascertain whether this is really correct?

A.—If you take the Rent Roll for 1892 you will find that the greater part of that is paid up.

Q.—Therefore that column was correct?

A.—Presumably. He could not have carried it on if it had not been because he had to deal with the public coming in to pay their taxes and he had to refer to this book every time and he was, in a sense, bound to keep it correct. If you look at the book you will see that there is very little difference between the arrears one year and another.

Mr. Bird.—Who kept the record of the amounts paid into the Treasury, of this \$189,000?

A.—It was in a book kept by Alves. It was in the shroff's cash book also.

Q.—Was it anybody's business to check it?

A.—It was never balanced.

Q.—Never?

A.—Well, I know nothing about 1888 or 1889.

Q.—Was 1890?

A.—No, it was not balanced, nor was 1891.

Q.—You have the book for 1890?

A.—In the Treasury.

Q.—Was it not your business to see that it was balanced, to call attention to the fact that it was not balanced?

A.—I did call attention to it, the attention both of the Treasurer himself and the Acting Treasurer.

The Chairman.—About what time was that?

A.—I did so on several occasions, but I should not like to fix the date on which I said it, although I know that I did.

Q.—Who was Acting Colonial Treasurer?

A.—Mr. May, and I believe he called the attention of Alves to it, but Alves always said he was so busy that he could not do it, and I was weak enough to accept that as a reason, instead of reporting him.

The Chairman.—Am I right in saying that the only means by which he could have taken this money was by issuing receipts which were not in these receipt books? You see, supposing he had used the receipts in these books and supposing the counterfoils were correct then he would have been detected at once?

A.—If the counterfoils had been correct I should have detected it at once, if all the counterfoils were filled out and correct.

Q.—As far as you have seen for 1891 and 1892 the counterfoils were correct with the small exceptions you have mentioned?

A.—Yes, with those small exceptions.

Q.—Then these being correct he must have used some other receipts?

A.—Yes.

Q.—When he wanted to make away with money?

A.—Yes.

Mr. Bird.—We have had it explained that he tore them out at the end of the book?

A.—Yes, but he must also have had some blank receipts of his own.

The Chairman.—He could easily have them printed?

A.—Yes.

Q.—That being the case the only check would have been at the end of the year by balancing the Rent Roll book and comparing it with the actual receipts in the Treasury?

A.—Yes.

Q.—And therefore as long as the book was not balanced there could be no real audit?

A.—That is so. As long as the book was not balanced the audit was not complete.

Mr. Thurburn.—In the Office itself it is possible to carry out an actual check by having one of the Treasury officers checking these counterfoils with the book?

A.—Except as I say if he issued these false receipts and chose to enter them in the Rent Roll. Nobody could check that either the Treasurer or Auditor.

Mr. Bird.—If periodical balances were taken out it would be all right.

Mr. Thurburn.—Is the system which you have for balancing one that would balance, say once in three months, without taking any long time? If the taxes were paid in as quickly as you told us they were, you would not think there would be a large amount outstanding. Are the taxes due once a year?

A.—Twice.

Q.—Well if you balanced every six months you would be able to discover if any defalcations were going on?

Mr. Bird.—I think that as the Auditor you should have insisted upon the balances being made out.

A.—Yes, I ought to have reported the neglect to the Government.

Q.—Did you insist in writing to the Treasurer that the balances should be made out?

A.—No, I simply mentioned it in conversation.

Q.—You really could not audit properly?

A.—No, not unless there was a balance made out. You will allow me to say one thing and it is this. As I have told you before my audit consists in going to the Treasury and checking the amounts received month by month into the Treasury, but there is no annual account ever comes before me for audit. I make a monthly check but there is no annual account. If I had seen the annual account it would have impressed the want of a balance on my mind, although I admit that in neglecting to really insist upon its being done I was wrong.

The Chairman.—You arrived, Mr. Nicolle, in 1890?

A.—In 1890.

Q.—Would you consider it part of your duty to see that the book of 1889 was balanced?

A.—No, I should not have gone back beyond the time I actually came here. I was given this book for 1890 to examine and I had a look at the 1890 Rent Roll. I never looked at any book prior to 1890.

Q.—When did you say anything about the want of a balance?

A.—It was during the years 1891 and 1892 that I mentioned that the books were not balanced. I remember distinctly saying once to Mr. May something about it and he spoke to Alves and Alves came to me and said "Well, I am so frightfully busy I must take these books home and write them up there."

Mr. Thurburn.—That is how he was able to destroy the previous books?

A.—That I do not know.

Mr. Bird.—He had charge of the books?

A.—Yes, the current books were kept in the safe.

Q.—And the old books?

A.—Were lying about.

Q.—Under lock and key?

A.—No.

The Chairman.—So far as you possibly could examine the books and check them, you did?

A.—Yes, I did as far as I had time, but please remember that during 1890 my staff consisted of Mr. Ribeiro who was very old and not up to his work. During 1891 before Mr. Taverner came I had to teach him every single thing and take him round to the different Offices to show him the sort of examinations I had to do, and in September I gave him a fortnight's leave to go to Shanghai, and from that time up to January I had no assistance whatever.

Q.—So far as the Treasurer furnished you with books and vouchers you checked as far as you could?

A.—Yes.

Q.—And your checking did not disclose the defalcations because the book was not balanced?

A.—Yes.

Q.—And as long as the book was not balanced however minute may have been your examination the system followed by Alves would screen him until the book was balanced?

A.—Yes, unless I happened to light upon one of the cases in which he altered the receipt as I eventually did.

Mr. Thurburn.—Is the book for assessed taxes similar to this for Crown Rents?

A.—It is not kept in this form.

Q.—Is it a book that can be balanced?

A.—It is now.

Q.—But it was not?

A.—No.

Q.—Therefore the same thing might have happened in connection with that?

A.—It could not now.

Q.—But it could during 1890?

A.—Certainly.

Mr. Bird.—Mr. Mitchell-Innes signs all the taxes receipts himself?

A.—Only lately he has done so.

Q.—Previous to that do you know whether it was possible that there could be a deficiency like this one?

A.—Quite possible. I have only given a test audit to this, not more than that.

Q.—Who signed the receipts for taxes before Mr. Mitchell-Innes?

A.—The officer in charge of the taxes, formerly Mr. Madar and the chief clerk, Mr. Carvalho. It was during Mr. May's time that the Treasurer began to sign receipts. On my visits to the Treasury I asked that the book for the assessed taxes should be altered in order that the balance could be made and the Treasurer said that it could be arranged. They misunderstood me, however, and I had to write in 1892 asking that the book might be altered, and then they started a new form of book.

Q.—You brought the matter to the notice of the Government?

A.—To the attention of the Treasurer. I also reported home to my Chief the difficulties I had.

The Chairman.—Supposing that this book (Crown Rent Roll) was written up day by day how long do you think it would take a clerk beginning on the 1st of January to balance it?

A.—I should think with the present staff about three weeks. A smart man might do it in a fortnight.

(Book produced and examined.)

Mr. Bird.—I don't think it matters whether it took one day or three weeks. It ought to have been done.

The Chairman.—If the book was kept up from day to day it would not be a very difficult work to do at the end of the year?

A.—It is kept up from day to day.

The Chairman.—We have to find out the causes that rendered the defalcations possible and those that prevented their earlier detection.

Witness.—Want of balancing.

Mr. Thurburn.—Another cause was a want of proper checking in the Office itself.

The Chairman.—You could not have detected the fraud earlier unless the book was balanced ?

A.—No.

Q.—How did you actually detect it ?

A.—I was checking the December account and going through the counterfoils. I first checked them with the daily receipt book as kept by Alves. I then checked that with the Rent Roll and I lighted on a name in which there was a difference between the counterfoil and the rent roll.

Q.—What did you do then ?

A.—I spoke to Alves about it.

Q.—Had he no explanation ?

A.—He said “It must be a mistake.” I had always found that he was a careful man and a good worker. Mr. Ede was the person who had paid the money and he said that he would enquire from Mr. Ede.

Q.—You did not suspect anything wrong ?

A.—Not at the moment.

Mr. Thurburn.—What day was that ?

A.—It was on the Saturday. On the same day I found two similar cases.

Q.—Did you suspect him then ?

A.—Yes.

Q.—You drew Mr. Mitchell-Innes' attention to it ?

A.—I went to the club before tiffin intending to see Mr. Shelton Hooper and ask him to show me his receipts and see whether they really did differ. He said he would send them in during the afternoon, but I did not hear anything from him. On Monday morning I went to the Treasury first thing and Mr. Shelton Hooper produced the receipts and I then saw that the thing was utterly wrong. I waited for Mr. Mitchell-Innes and I went to the Hotel to look for him. Not finding him there I returned and on the way I met him and I told him then about it.

The Chairman.—On that day was the book for 1891 balanced ?

A.—No, that has all been balanced since.

Q.—And the 1890 book ?

A.—Has been balanced since.

Q.—It was not then ?

A.—No.

Mr. Thurburn.—What did Mr. Mitchell Innes do ? What did he say to Alves ?

A.—He came down to the Office between a quarter to 2 and 2 o'clock on Monday afternoon and immediately sent for Alves and asked him what was the meaning of this. In the meantime during the morning I had asked Alves about those other cases and Alves said “they must be mistakes” and he fiddled about the office doing his own work. Mr. Mitchell Innes when he came sent for Mr. Shelton Hooper who came and brought his receipts and we compared them and showed them to Alves.

The Chairman.—What did Alves say ?

A.—He said “Damn, it must be a mistake I cannot understand it at all.”

Mr. Thurburn.—The suspicion was not strong enough to have him arrested ?

A.—I do not know. I handed him over to the executive and had nothing more to do with the matter.

The Chairman.—I don't think we have to enquire into why he was not arrested. (To witness) Mr. Mitchell Innes went on leave in 1892, did he not ?

A.—I do not know.

Q.—He was away during last year ?

A.—During a portion of last year.

Q.—He was here during the whole of 1891 ?

A.—Yes.

Q.—In 1891 did you ever ask that the Rent Roll for 1890 should be balanced ?

A.—Certainly, I called attention to its not being balanced. It was one of the first things I called the attention of the Acting Treasurer to.

Q.—He only came in 1892 ?

A.—Yes.

Q.—And did your observations refer to the book of 1890 ?

A.—My observations referred to the books of 1890 and 1891.

Q.—Did any other book particularly require balancing ?

A.—No.

Mr. Thurburn.—For the assessed taxes there was no book at all apparently ?

A.—There is now.

Q.—Formerly ?

A.—No, formerly they collected the assessed taxes and simply showed the calculations in a lump sum.

Mr. Bird.—There was no way to ascertain whether the taxes were paid in ?

A.—If you got a man to work at it for a year he might do it. I have been checking the assessed taxes, during the past day or two, for the villages. All we have been doing is checking the counterfoils with the payments into the Treasury and looking down the assessments book. To do one quarter for the villages alone has taken three days.

Mr. Thurburn.—The book they have now adopted will balance ?

A.—Yes.

Q.—And therefore they will have a check upon it ?

A.—Yes.

Q.—How often ?

A.—Quarterly—at least it ought to be balanced quarterly.

Q.—Of course the checking of all these other items, (*indicating items in the annual financial balance sheet published in the Gazette*) most of them apparently, had been in other departments ?

A.—Yes.

Mr. Bird.—When they come from other departments they are probably correct, one department checking another ?

A.—No.

The Chairman.—The Treasury only knows that the Bank has received so much ?

A.—Yes.

Mr. Thurburn.—When the Treasury receives so much from the Post Office the Postmaster is responsible for that being correct ?

A.—Yes.

Q.—The Treasurer does not consider himself responsible for the amounts being correct?

A.—No. You will see what is said about that in the Financial Instructions (*produced*). The Treasurer receives so much from the Postmaster. It is not possible for him to go and check all the accounts of the different departments. He must trust to their correctness.

The Chairman.—I think he ought to make surprise visits.

A.—Yes, he ought to make an occasional test.

Mr. Thurburn.—Each department ought to have their own checks at the same time.

The Chairman.—That does not relieve the Treasurer. (To witness) I take it that Alves' Day book only showed the amount he paid in?

A.—Which was paid in by the shroff.

Mr. Thurburn.—The whole of the Treasury department apparently has been worked by Mr. Alves and Mr. Carvalho for many years? They had no regular Treasurer?

A.—That is so.

Q.—They had a man in fact whose whole time was taken up in the Post Office?

A.—Yes.

Q.—Mr. Mitchell Innes was really the first Treasurer?

A.—Yes.

The Chairman.—You say Alves' cash books have disappeared?

A.—There is only one left.

Mr. Thurburn.—Alves had nothing to do with the assessed taxes personally?

A.—No, that work was done by another clerk altogether. To show you that there was an idea that he could receive money it was only the other day that a man told me that when he had money to pay to the Treasury he paid it to Alves and sometimes left him a cheque for assessed taxes.

The Chairman.—To whose order was the cheque made out?

A.—To the Colonial Treasurer, I should think.

Mr. Bird.—Had Alves the power to take a cheque?

A.—I think not, unless he was acting cashier.

The Chairman.—The public pays of course at its own risk. In strict law the person who pays wrongfully and does not get a proper receipt is liable.

Mr. Thurburn.—The receipts are all right.

A.—I remember a case that occurred a short time ago in which a public company paid some crown rent and afterwards found out that it had already been paid. It appears that the rent had been paid by a Chinaman and by the Company. One of the men of the Company said to Alves "How is it that if the money was already paid by the Chinaman that you took it from us?" and Alves replied "Oh, the Treasury never refuses any money." It was only a matter of \$5.40 so nobody was much the worse.

The Chairman.—As to the amount of the defalcations you have only been able to ascertain actually the sums taken in 1890, 1891, and 1892?

A.—Ascertain absolutely, yes, because in the Rent Roll from the Land Office there are always certain adjustments to be made, but I calculate the amount of the defalcations to be \$59,731.12, but, as I say, for the period from January 1st 1888 to December 31st 1889, the amount is only approximate as the Rent Roll is not forthcoming. The Treasury Rent Roll for 1887 may be looked upon as correct.

Mr. Bird.—Previous to 1888 was it all right?

A.—The Rent Roll for 1887 is balanced and audited.

Q.—And the amount is correct?

A.—The amount agrees with the amount paid into the Treasury within about \$5, I think. There is a very small difference between the Treasury ledger and the amount paid in.

The Chairman.—You have the year 1888 for which there is no Treasury Rent Roll but you have the Land Office Rent Roll, and you have the amount actually received by the Treasury for rents.

A.—Yes. The amount is approximate and there might be some adjustments.

Q.—But not much?

A.—It would reduce the amount rather than increase it.

Q.—In 1889 there was the same thing?

A.—Yes.

Q.—Have you the book for 1890?

A.—We have the Rent Roll for 1890.

Q.—Has that been balanced now?

A.—Yes; here is the balance (*produced*).

Q.—For 1890 to 1892 how much have you ascertained to have been taken?

A.—\$31,186.56.

Q.—And for 1888 and 1889, ascertained as you have already explained?

A.—\$28,544.56.

Q.—The total is?

A.—\$59,131.12.

Q.—Is there any reason to believe that there are any other defalcations?

A.—No.

Q.—Don't you think that there are amounts that he has omitted? For instance in 1892, sums that appear as not paid, may not they have been paid?

A.—I think not. I think this book is correct, and of course during the past two months a good many payments have been made and the Rent Roll has been consulted.

Q.—If the book for 1890 had been balanced at the end of January 1891 the defalcations would have appeared at once?

A.—Certainly, unless he had fudged his book. I don't think he could have done that. He would have had to make some re-arrangement which would have been detected.

Mr. Thurburn.—This book (*Rent Roll*) would have required re-arranging?

A.—I don't know whether the Treasurer mentioned the date on which the book was balanced. The rent roll for 1887 was balanced in 1889.

Mr. Bird.—Eighteen months afterwards?

A.—Yes. That ought not to be; there ought to be a special man put on it if necessary.

Mr. Thurburn.—What is the system of payments? Is there a chance of similar frauds?

A.—I know nothing of that, but I should not think there is.

Q.—That is audited at home?

A.—Well the whole of the accounts are supposed to be audited at home.

The Chairman.—Is there any other information you can give or anything else you wish to say ?

A.—I suppose you don't want to know about the specific cases as to how the frauds were committed.

Q.—What are the dates ?

A.—In December last.

Q.—You say they were committed by altering the receipts ?

A.—And by issuing a forged chop.

Q.—Forging the shroff's chop ?

A.—Yes.

Q.—You think that in the great majority of the cases the money must have been made away with by issuing receipts not in these books ?

A.—Yes, I think so.

Mr. Bird.—The receipts must have been chopped by a false chop ?

A.—Yes. If you look at the chops on the receipts you will be able to tell the forged ones at once. (*Receipts produced*). We have been through the last half year's counterfoils. Why he did not make away with the whole of the counterfoils I cannot make out because he left several that clearly showed that he had done this. This is the only book of counterfoils we have got (*produced*). It is from September, 1892, to January, 1893.

Q.—Have you any false receipts ?

A.—Yes (*produced*).

Q.—Here is a receipt dated 5th July, 1892, from the Rev. Martinet \$844.85. You say this does not appear at all ?

A.—Yes, it appears for \$644.85 and that is the forged chop (*exhibited*). You will see that it is numbered 772. He passed the shroff one corresponding with the counterfoil for \$644.85.

Q.—And when he got the receipt from the shroff he tore up that receipt ?

A.—Yes, and put a false chop on it.

Q.—Have you an instance in which there is no counterfoil at all, in which he has embezzled the whole amount ?

A.—No.

At this point the Commission adjourned until 3 o'clock in the afternoon.

J. A. de Carvalho called.

The Chairman.—What is your name ?

Witness.—Januario Antonio de Carvalho.

Q.—You have recently taken your pension ?

A.—Yes.

Q.—Since when ?

A.—Since January 1st this year.

Q.—How long had you been in the Treasury ?

A.—Since August, 1855.

Q.—When you retired you were chief clerk ?

A.—Yes.

Q.—How long had you been chief clerk ?

A.—Since January, 1860.

Q.—We won't go back as far as that, but in 1885 and 1886 and until Mr. Mitchell-Innes' arrival what were your duties as chief clerk ? There was no regular Treasurer. There was Mr. Lister who was Postmaster besides ?

A.—Yes.

Q.—Under that system what were your duties as chief clerk ?

A.—My duties were to open all letters addressed to the Treasury and distribute them to the several officers in charge of particular services, and sign all receipts for the Treasurer.

Mr. Thurburn.—All receipts, including Crown Rents ?

A.—Yes, all.

The Chairman.—Did you personally receive any money ? Had you to receive any money ?

A.—It was the shroff's duty to receive money.

Q.—But suppose some of these letters contained cheques, what used you to do with them ?

A.—If I saw that a letter was for Crown Rent I would pass the cheque to the shroff and the letter to Alves, and if the cheque was for taxes I would pass the letter to the clerk in charge of the taxes.

Q.—Mr. Alves was under you ?

A.—Yes.

Q.—What were his duties ?

A.—His duty was to keep the Rent Roll, journal and to close up the colonial account, the yearly account, and also the Crown Agents' account.

Q.—Was it any part of his duty to receive money ?

A.—It was in Mr. Lister's time, when he gave a written authority for Mr. Alves and other clerks to sign for the Treasury. For instance, Mr. Alves would sign for Crown Rent and Mr. Madar for rates and taxes.

Mr. Thurburn.—Previously you used to sign ?

A.—Yes.

The Chairman.—Why was the change made ?

A.—Because I could not do so many things. For instance, the taxes receipts for one Chinaman, like Lai Hing, would take me three quarters of an hour to sign.

Q.—Only once a year ?

A.—Every quarter.

Q.—Taxes are collected every quarter ?

A.—Yes.

Q.—For Crown Rent, how long would it have taken you to sign ?

A.—I could not exactly say, but it would not have taken me so long.

Q.—What had you to do ? What was your time taken up by ?

A.—I had to receive money and witness to payments, contractors, and others.

Q.—You said you received no money ?

A.—The shroff received the money.

Q.—What was your time taken up by? You said you had not time to sign these receipts?

A.—I had the ordinary duties of the Office, writing up the book, seeing parties receiving money sign in my presence. Now there is a new system and a man before he gets his amount has to sign perhaps twenty times. He will have to sign the voucher in duplicate and the sub-voucher in duplicate.

Q.—Was Alves working in the same room as you were?

A.—No, he worked in a separate room.

Q.—When cheques came, did you not ever give them to Alves?

A.—I might sometimes when a letter comes. Sometimes people sent cheques in an envelope. I would have to send to Mr. Alves or Mr. Madar to ask whether it was for Crown Rent or Water Rate or Taxes or anything of that kind.

Q.—Do you know that Alves was in the habit of receiving money constantly?

A.—No, I did not know, not in cash at least. He might have received it in cheques.

Q.—Don't you think he received it in cash?

A.—No.

Mr. Thurburn.—Payers always went direct to the shroff?

A.—Yes.

Q.—And the shroff brought the particulars to Alves?

A.—Alves was to receive for Crown Rent and pass to the shroff and the shroff would receive the money.

The Chairman.—You say that you don't think Mr. Alves received money. Mr. Alves must have received money in order to make away with the large sums missing?

A.—I doubt very much whether he could make such a large amount.

Mr. Thurburn.—You think that he did not? that these defalcations are not wholly his?

A.—Not to the extent they were stated in the paper—I think it was \$59,000.

The Chairman.—That is as far we can ascertain the extent of the defalcations and for this reason. We know the amount of the Rent Roll. Take it for 1891.—According to Alves' own book he acknowledged receiving \$191,000—that is what he says he has received. He has paid over a sum about \$11,000 less than that amount.

A.—This total of monies received should agree with the ledger.

Q.—Well, it does not agree by about \$11,000?

A.—The amount ought to correspond with the ledger.

Q.—It does not. There is the defalcation, you cannot deny it. We want to find out the total and we have ascertained that in each year about the same amount was taken, and a total sum of about \$59,000 is missing. We wish to find out, if we can, how this happened. You say it was no part of Alves' duty to receive money?

A.—No.

Q.—Then how was it that so much money passed through his hands?

A.—He might have received cheques. The only people who used to pay in notes were Messrs. Jardine, Matheson and Co., but that went direct through their compradore.

Mr. Thurburn.—What was the method of receiving the assessed taxes? That was done through another clerk?

A.—Yes, another clerk.

The Chairman.—And for a long time you signed for taxes ?

A.—No, I don't remember. I used to sign for Crown Rent and other receipts but since Mr. Lister's time an order was given for each clerk to sign for his own department.

Q.—About what date was that? Was it before 1888?

A.—I think so. You will find it recorded in the Office.

Q.—Before Mr. Lister gave that order there were three clerks then connected with the giving of receipts including the shroff—there was Mr. Alves, whose duty it was to make out receipts, the shroff, and you ?

A.—Yes and Madar.

Q.—You would naturally check Mr. Alves before you signed ?

A.—I signed the receipt if I saw the private chop of the shroff.

Q.—Did you not look at the figures?

A.—No, I simply looked at the shroff's chop.

Q.—Who brought the receipt?

A.—The shroff.

Mr. Bird.—The shroff would not know whether the counterfoil and the receipt agreed ?

A.—No.

Mr. Thurburn.—But Mr. Alves made out the receipt and the shroff brought it for you to sign, but after Mr. Lister gave this order the only people connected with it were Mr. Alves and the shroff ?

A.—Yes.

Q.—And there was no check whatever?

A.—No.

Q.—At that time the Auditor was the Colonial Secretary?

A.—Yes.

Q.—And how did he audit?

A.—He audited the totals, and this book (*Rent Roll*) is supposed to be out within three months of the close of the year.

The Chairman.—Is there any written order or regulation about that?

A.—No, nothing of the kind; when the local auditor was not here this book was supposed to be out within three months.

Mr. Bird.—As a matter of fact was it out within three months?

A.—I cannot say. I think most part of the year it was up.

Q.—Written up?

A.—Yes.

Mr. Thurburn.—And when the local auditor was here, was it one of his duties to see that the book was balanced?

A.—Yes, every book should balance.

The Chairman.—1890, 1891, and 1892 are not balanced.

A.—You could not expect 1892 to be, 1891 ought to be balanced.

Q.—1890 was not balanced?

A.—That is very queer, I cannot explain that.

Q.—Is it any part of your duty to see that the books were balanced?

A.—No, nothing at all.

Q.—Whose duty was it to see that the book was balanced?

A.—The auditor's.

Q.—Or head of the department?

A.—The auditor.

Mr. Bird.—Alves had entire charge of the books?

A.—Entire charge of the Rent Roll, and the power to give a receipt.

Q.—He could take away the books?

A.—Yes, I think so.

Mr. Thurburn.—Up to what year do you know of your own knowledge that the book was balanced?

A.—I do not know.

Q.—You only know that it ought to have been?

A.—Yes.

Q.—Do you see any reason why it should not have been? Should it have taken six or twelve months?

A.—It would take a little time, within three months it ought to be balanced.

Mr. Thurburn.—Who was auditor up to 1887?

A.—The local auditor.

The Chairman.—The auditor generally was the Colonial Secretary?

A.—Yes.

Q.—The man who actually did the work was Freire?

A.—Yes, and Ribeiro. Ribeiro used to audit the Rent Roll. He retired in 1890 and died shortly afterwards.

Q.—Do you know at all how he used to audit, what was his system?

A.—He used to compare the counterfoil with the entry in the book, Lot No. so-and-so and look at the Rent Roll and make a tick.

Q.—He did not see whether everything in the book was paid into the Bank?

A.—I don't know. I don't think so.

Mr. Bird.—You are not certain whether the book was balanced in 1885 or any year up to 1889 within three months?

A.—No, I am not certain.

Mr. Thurburn.—It was the Treasurer's duty to see that it was done?

A.—I suppose so.

The Chairman.—Why do you say it should be done within three months? Was there no Government order to that effect?

A.—I say three months because it would take about that time. There is a lot of work in connection with it.

Mr. Thurburn.—There is no reason why it should not be balanced twice a year?

A.—I don't think so.

The Chairman.—You could have it balanced every six months?

A.—Yes, the totals received should correspond with the book.

Mr. Thurburn.—If it is properly balanced and compared with the amount paid into the Bank that is a complete check?

A.—Yes. Besides that there is what is called the Daily Crown Rent receipts. At the close of the day I will ask the shroff "What did you receive from Crown Rents?" He would say perhaps "\$929.43" and then he will go to Alves and if the amount corresponded with Alves' I will enter it in my book.

Mr. Bird.—What did you enter it in?

A.—I entered it in the cash book.

Q.—You kept the cash book?

A.—Yes.

Q.—You did not keep the ledger?

A.—Alves and every clerk kept a general ledger.

The Chairman.—Who made out the slip for paying into the Bank?

A.—I did.

Q.—You used to see that the money was paid in?

A.—Yes.

Mr. Thurburn.—You never kept money in the Treasury over night?

A.—We had to sometimes. After we closed the book about 2 o'clock the shroff went to the Bank about 2.30 p.m. and if between 2.30 and 4 o'clock, when the Office closed, anyone brought money we were bound to receive it.

Q.—But nothing more than that?

A.—No.

The Chairman.—Then you had no means of checking whether the amount they gave you was the correct amount?

A.—No.

Q.—You depended upon the shroff and Alves?

A.—Yes.

Q.—And if Alves chose to receive money and not pay it over there was no check, because you could not find it out?

A.—No.

Mr. Thurburn.—Besides Crown Rents were there any other receipts that you received direct into the Treasury from the public?

A.—Yes, licences were received into the Treasury.

Q.—From where?

A.—From the public direct.

Q.—And who gave receipts for them?

A.—The third clerk granted a receipt for spirit licences.

Q.—Was there any check upon that amount?

A.—They have a book, the registry book.

Q.—But there is no means of balancing it?

A.—I don't know.

The Chairman.—Who delivers the licences?

A.—The Colonial Secretary, the Treasury receives the fee.

The Chairman.—Then you have a check?

Mr. Thurburn.—There is a book of the same kind for other licences?

A.—Yes, for pawnbrokers and all sorts.

Q.—I want to know the check for balancing the pawnbrokers account. Do you get a list from the Colonial Secretary's Office?

A.—Yes.

Q.—So that in each case you can have a balance of the book?

A.—Yes, the pawnbrokers licences are payable yearly; the spirit licences are payable monthly, \$10.

Q.—If all these books were balanced that would be a sufficient check against fraud?

A.—Yes, of course the totals of the licences book must correspond with the totals in the ledger.

Q.—And you think that if the books had all been balanced regularly that fraud would have been impossible?

A.—I should think so.

The Chairman.—But it would not have prevented the fraud during the course of the year?

A.—No.

Mr. Thurburn.—It would be sure to be found out in a short time.

The Chairman.—When there was no regular Treasurer, did not you think that you had complete control over the clerks?

A.—I should think so.

Q.—Yet had you no knowledge that Alves was receiving money every day?

A.—No.

Mr. Thurburn.—Was it not your duty to see that the books were balanced? It usually is the duty of the head of an office.

A.—I always went after them to balance as soon as possible but they always gave some excuse. I could see that my own book was balanced immediately after the month.

Q.—You had authority over the other clerks?

A.—I had.

Q.—Was it not your duty as head of the office to insist upon the books being balanced?

A.—The auditor was supposed to look after that.

Q.—That is not according to the practice of an ordinary commercial office.

A.—We had no written instruction as to the particular duty of each officer in the department.

The Chairman.—Did you never complain to Mr. Lister that the books were not balanced?

A.—No, but I understood from one of the clerks in the Audit Office that Mr. Freire complained. He reported the fact to Mr. Lister.

Mr. Thurburn.—And what did Mr. Lister do?

A.—I think Mr. Lister told Mr. Freire to mind his own business. That is what Mr. Freire told me.

The Chairman.—You say Ribeiro used to do it sometimes?

A.—In the absence of Ribeiro, Freire would do it. Freire reported to Mr. Lister that the Rent Roll was not balanced.

Mr. Bird.—You never reported it yourself?

A.—No.

Q.—You have known Mr. Alves a long time, I suppose?

A.—Since he joined the Government service.

Q.—You never suspected him?

A.—No.

Q.—You never had any idea that he was speculating heavily, or spending too much money in his private life?

A.—No, I never thought that.

Q.—You never thought that he spent more than he ought to?

A.—No, I was always under the impression that his Kowloon lot would turn out a good concern for him.

Mr. Thurburn.—As regards the money that came in from other departments such as the Magistracy—what was the method of receiving it?

A.—That goes to the Bank.

Q.—It goes into your books?

A.—Yes.

Q.—You get a memo?

A.—I get a receipt from the Bank.

Q.—And you did not consider that the Treasury was at all responsible for the accounts being correct—for instance the accounts of the Magistracy?

A.—No, I simply took their statements, and the money was paid into the Bank.

The Chairman.—And you gave the Head of the Department a receipt from the Treasury?

A.—Yes.

Mr. Thurburn produced the balance sheet giving the details of receipts as published in the Gazette and witness explained through which Department the several amounts were received and what were paid direct into the Treasury.

Mr. Thurburn.—The only two large items paid direct into the Treasury are the assessed taxes and Crown Rent?

A.—Yes.

Q.—The other things are all checked by the Departments?

A.—Yes. In my opinion if Alves had not had the power to sign the receipt he could not have committed a fraud. He had sole power over the book however, and power to sign the receipt.

Q.—You think it was a mistake of Mr. Lister to make that system?

A.—Yes.

Mr. Bird.—If there were two officers to sign, it would be all right?

A.—Yes.

Mr. Thurburn.—Except of course if you signed without checking, and without seeing whether the counterfoil was correct?

A.—Yes.

Mr. Thurburn explained to the witness the methods by which, it was presumed by the Treasurer and the Auditor, Alves had perpetrated the frauds.

Mr. Thurburn.—Can you suggest any other check than a balance ?

A.—I don't think so.

Q.—The balances ought to bring out anything wrong at the end say of six months ?

A.—Yes.

The Chairman.—Supposing the system of your signing the receipts had continued, would you have signed them without seeing that the amounts were correct in Alves' book ?

A.—I should satisfy myself of the total of the amount received for the day. If the shroff told me that his book corresponded with the total of Alves' Day Book that is sufficient for me.

Q.—Would you have been satisfied with that ?

A.—Yes.

Q.—That would not have prevented fraud because you would have signed the receipt on Alves handing it to you ?

A.—I would not sign without seeing the shroff's chop.

Q.—Suppose the shroff's chop was forged ?

A.—Alves never brought the receipt to me. The shroff always brought it.

Mr. Thurburn.—Therefore you think the previous system was the proper one ?

The Chairman.—Mr. Alves could still have forged the chop ?

A.—He would not dare to because the receipt would go to the shroff first.

Mr. Thurburn.—The proper way would be that there should be a rule that the shroff brings the receipt.

Mr. Bird.—The more hands it passes through the better. (To witness) I suppose when Mr. Mitchell Innes took up his position he confirmed Mr. Lister's order ?

A.—Yes, it was confirmed by him in writing after it had been brought to his notice.

Q.—Did you never point out to Mr. Mitchell-Innes that you did not think it such a good system as the old one ?

A.—No.

Q.—I suppose the balancing of the Crown Rent Book was no more difficult than the taxes book ?

A.—No, I don't think the taxes book was balanced. It ought to have been, but I think it would take four or five times longer.

Q.—It was never balanced ?

A.—I don't think so.

The Chairman.—It would be a very easy thing. You have the ledger account and that would show how much had been received for Crown Rent at the end of the year. How long would it take to add that up ?

A.—It is supposed to be added up every month.

Q.—So the ledger account might have been added up every time ?

A.—This book (*indicating*) which is called a Treasury cash book is not really a cash book. We should call it a day book because from this book they journalise entries.

Mr. Thurburn.—I notice you have no account for each day. You simply bring down the totals.

A.—No, I had a separate book which I call a “telling cash book.” This book was abolished by Mr. Nicolle and Mr. Mitchell-Innes from the 1st of January. It was a book that was found so useful that Sir Cecil Smith wrote from Singapore for a copy, and they followed it there. They tried to abolish it before, but I said that I wanted to keep it.

Q.—How do they check it now then ?

A.—I don't know what system they are working now. I had this particular book with the Bank.

Mr. Bird.—And you could tell the balance every day ?

A.—At any moment.

Mr. Thurburn.—You checked that with the pass book ?

A.—Every week: And the Bank often made the mistake of debiting the Government with a private cheque.

Q.—Don't they keep such a book now ?

A.—No. Mr. Nicolle said last year that he did not see the use of it. In that book I entered the number of the cheque and to whom it was payable. It was balanced every week with the Bank pass book.

Mr. Bird.—Your idea is that they have done away with that and have now got no detailed account with the Bank ?

A.—Except the Bank book. Sir Cecil Smith admired my system so much that he sent for copies of the book. From that book I could tell at any moment what the position at the Bank was. From Sir James Russell's time to Mr. Lister's time I was the only officer to sign for the Treasury. Then they found that was too much for me to do and they introduced the system of every officer signing for his own particular work.

Q.—You did not point out to Mr. Mitchell-Innes who was new to the work that it was not a good system ?

A.—No.

The Commission then adjourned until Friday, March 3rd, at 3 o'clock.

THIRD MEETING.

March 3rd, 1893

Present:—Mr. E. J. ACKROYD, *Chairman*.

Mr. J. THURBURN.

Mr. S. G. BIRD.

Mr. F. J. BADELEY, *Secretary*.

Mr. F. H. May called.

The Chairman.—We are enquiring into the defalcations in the Treasury, Mr. May, and as you were Acting Treasurer for some months last year we would like to have some information from you. When did you take charge?

Witness.—On March 31st, I think.

Q.—And you were acting until?

A.—The first week in October, the 7th I think.

Q.—When you took charge, did you look into the working of the Office at all to see what system was carried out?

A.—Yes.

Q.—About Crown Rents, what did you find was the system pursued?

A.—I found that all the money paid into the Treasury was paid into the hands of the shroff, and that the man in charge of the collection of Crown Rent on being informed by the shroff that such a sum had been paid, made out a receipt for the amount, which receipt was handed back to the shroff and upon the shroff affixing his seal to it it was handed to the man who brought the money.

Q.—And the receipt was signed by?

A.—By the man in charge of the Rent Roll.

Q.—Who was in charge of the Rent Roll?

A.—Alves.

Q.—Did you never think whether there were any precautions against Alves receiving money and not accounting for it?

A.—No, I never was aware of Alves receiving money direct.

Mr. Thurburn.—Was there any regulation against his receiving money or was there any order that the shroff was the only man to receive money?

A.—I could not exactly say whether there was any regulation, but it was certainly the practice of the Office that only the cashier might handle money, or the shroff, but nobody else.

The Chairman.—The practice has been that Alves has handled money, and to a very large extent.

A.—In my own case I have often received money sent to me in a letter, as Treasurer. I have always sent it direct to the shroff.

Q.—Was your attention ever called to the fact that Alves signed receipts?

A.—No.

Q.—At one time all the receipts had been signed by Mr. Carvalho, but afterwards that system was altered by an order of Mr. Lister and Alves signed receipts. Was your attention ever called to that?

A.—No.

Q.—Was any complaint made to you by Mr. Nicolle that the Rent Roll had not been balanced?

A.—Yes, on two occasions.

Q.—Could you give us about the date?

A.—I think not long after I took charge, and again I should say about August, as far as I can remember.

Q.—What did you do when Mr. Nicolle first complained?

A.—I spoke to Alves about it. He was very busy and had a great deal to do and he showed me his Rent Roll Book and he was going on with it. He appeared to be working at it every day and I regarded it as an arrear which would soon be wiped off.

Q.—You say he spoke to you again in August. What did you do then?

A.—I took similar action. I simply urged Alves to get on with it as quick as he could.

Q.—Was that the Rent Roll for 1890 or 1891?

A.—It was for 1891.

Mr. Thurburn.—Did Mr. Nicolle point out that it was one of the necessary checks having that book balanced?

A.—No, I remember his words were to the effect that “I wish you would hurry up Alves with his Rent Roll, he has not closed his book yet.”

Q.—He did not point out that it was one of the checks?

A.—Not that I am aware of.

The Chairman.—Do you remember what he said on the second occasion that he complained?

A.—As far as I remember his remarks were to a similar effect.

Q.—And the book was not balanced when you left the Treasury?

A.—No.

Mr. Thurburn.—Did you ask whether it had been the habit to balance the book before you went to the Treasury?

A.—When I urged Alves on and spoke to him about it he said that he never could get it balanced until about the end of the year. That was his excuse to me. He said he had always so much work to do that he never got it balanced until the latter half of the year.

Q.—Do you know that there are two years 1888 and 1889 missing; are you aware whether either of those years were balanced?

A.—No, I did not make enquiries into a year prior to 1891.

The Chairman.—Did you ever hear any complaints of Alves?

A.—No, I always heard him spoken of both by the Treasurer and Mr. Nicolle as the best man in the Office and the hardest worker, and the most obliging.

Q.—Who used to open letters addressed to the Treasurer? Were they sent to Mr. Carvalho as they used to be formerly or did they come to you?

A.—They were opened by the Treasurer.

Q.—By you?

A.—Yes.

Q.—And if they contained cheques they would be sent to the respective officers?

A.—I used to send the money to the cashier.

Q.—Who?

A.—Mr. Carvalho, and he passed the money to the shroff who was sitting just in front of him.

Q.—You say the shroffs were sitting just in front of him?

A.—Yes, directly in front facing him so that he could see exactly what they were doing.

Mr. Bird.—You are acquainted with these financial instructions? (*produced*).

A.—Yes.

Q.—Do you know Rule 49 which says that whenever possible two or more officers should take part in every receipt and payment of public money? Did it ever occur to you that Alves was only one officer, you would not count the shroff as an officer?

A.—Yes I should.

Q.—You would?

A.—It never occurred to me that large payments were being made to Alves. I never knew that he received money.

The Chairman.—Did you know that the shroff could not write English?

A.—No, I was not aware of the fact.

Mr. Freire called.

The Chairman.—What is your name?

A.—Francisco Freire.

Q.—What are you?

A.—I am a pensioner.

Q.—Since when?

A.—Last month.

Q.—You were attached to the Audit Office?

A.—Yes.

Q.—How long were you attached to the Audit Office?

A.—From 1879 to 1890.

Q.—It was part of your duty to go round to the different offices and examine the book?

A.—Yes.

Q.—Had you anything to do with the Rent Roll?

A.—I used to have lately, 5 or 6 years ago.

Q.—Could you tell us the first year?

A.—I cannot recollect. (*Signature to the Rent Roll of 1887 identified.*) That is my signature at the end of the Rent Roll of 1887. "Examined and found correct, F. Freire, May 9th, 1889."

Q.—It was your duty to examine the Rent Roll?

A.—Yes.

Q.—Did you examine it when it was completed or during the course of the year?

A.—When completed. That was the instruction I had.

Q.—Whom did you get the instruction from?

A.—From Dr. Stewart.

Q.—Did you ever ask for the Rent Roll of 1887? I see it is only examined in 1889.

A.—I did and the excuse was given that he had to wait for a certain book (*Land Office Rent Roll*) from the Surveyor General or the Land Office.

Q.—Who said that?

A.—Alves—and that he was always busy and he could not give it to me earlier. I reported it to Dr. Stewart and Mr. Lister and I recollect when I spoke to Mr. Lister about it another time he told me distinctly to mind my own business.

Q.—At what date was that?

A.—I cannot say.

Q.—About when?

A.—1886 or 1887, I suppose.

Mr. Thurburn.—It was two years behind then?

A.—Yes.

Q.—What did Dr. Stewart say?

A.—He said he would see about it. I recollect a sort of meeting we had but I don't know when it was.

Q.—Whom of?

A.—I said, "The system is not good and besides that I want to examine the account because I propose to examine all the counterfoils—that is the daily work. That is the only way I can see to check it." Dr. Stewart sent for Mr. Alves and Mr. Madar and Mr. Silva; there were three or four of them against me. I recollect what I said to Dr. Stewart. I did my duty, that was all.

The Chairman.—Do you know whether the Rent Roll for 1888 was examined?

A.—I don't think so. I could show the Rent Roll for 1890. I only wrote it up the other day. I was paid to do that year.

Mr. Thurburn.—Was 1892 balanced?

A.—It was balanced by me. 1890 and 1891 were offered to me but the payment was too small and I refused.

The Chairman.—About the 1888 book, I suppose it was your duty to examine that?

A.—Yes.

Q.—Did you ever examine it?

A.—No.

Q.—You allowed it to remain. You were examiner during 1889?

A.—Yes, up to 1890.

Q.—During the year 1888 Mr. Wodehouse was at the Treasury part of the year?

A.—Yes.

Q.—Did you ever ask for the book of 1888?

A.—During 1889? Yes.

Q.—What answer did you get?

A.—Mr. Alves said the book was not ready because he was waiting for a certain book to complete it.

Q.—Did you make any report of that to Mr. Wodehouse ?

A.—No, I thought that Mr. Wodehouse knew about it.

Q.—You made no report to him ?

A.—No, not to him. I reported it to Dr. Stewart and Mr. Lister in 1886 or 1887.

Mr. Thurburn.—As a matter of fact for a number of years this book has not been balanced until about two years afterwards ?

A.—Always that way, always about two years afterwards. And to prove that, the book of 1890 was only balanced the other day by me. 1892 was also done by me.

Q.—1888 and 1889 were missing. Were they balanced ?

A.—I don't think so.

Q.—They were not examined by you ?

A.—No.

The Chairman.—Do you know whether they were examined by Mr. Ribeiro ?

A.—I don't know. My predecessor was Mr. Ribeiro and after that Mr. Taverner.

Q.—During the year 1889 whose duty was it to examine the book for 1888 ?

A.—Mine.

Q.—When do you say you reported it to Mr. Lister ?

A.—In 1886 or 1887, I am not quite sure.

Q.—And you reported it to Dr. Stewart ?

A.—Yes.

Mr. Thurburn.—What about the assessed taxes book ?

A.—That is another book also which I said had the same defect in it.

Q.—And did you report that the assessed taxes book was not balanced ?

A.—No.

Q.—Only the Crown Rent book ?

A.—When I made my report, I made my report on both books.

Mr. Bird.—You were aware that the books were not balanced ?

A.—Yes. It is impossible for one man to examine this book (*Rent Roll*) because I had to attend to seventeen departments and had 15,000 vouchers to go through.

Q.—Did you examine that this total received in 1887, \$164,074, had been paid into the Bank ?

A.—I don't think I did.

Q.—What did your examination of this book (*Rent Roll*) consist of ?

A.—I really don't recollect now. It is such a long time ago.

Q.—Don't you think you saw whether the \$164,074 had been paid in ?

A.—I think I did.

Q.—You checked that off then ?

A.—Yes—because (*indicating*) all these are my ticks.

Mr. Thurburn.—Unless you saw that this money was received it would be no check ?

A.—Exactly.

Mr. Bird.—You may recollect Mr. Nicolle said that the amount that year had been received within \$3 or \$4.

The Committee then adjourned until Monday, March 6th, at 3 p.m.

FOURTH MEETING.

March 6th, 1893.

*Present:—*Mr. E. J. ACKROYD, *Chairman.*

Mr. J. THURBURN.

Mr. S. J. BIRD.

Mr. F. J. BADELEY, *Secretary.*

Mr. H. E. Wodehouse called.

The Chairman.—What is your name?

Witness.—Henry Ernest Wodehouse.

Q.—When were you first appointed Acting Treasurer?

A.—In 1888.

Q.—Can you give us the date?

A.—In the summer, I cannot say nearer than that—June or July.

Q.—And you continued so until?

A.—Until the end of 1889.

Q.—Or the beginning of 1890, when Mr. Fleming arrived?

A.—1889 I think it was.

Q.—And you resumed?

A.—In the summer of 1890.

Q.—Until?

A.—December, 1890.

Q.—Do you remember what leave Mr. Lister originally had; that is to say how long you were to be at the Treasury?

A.—I think it was a year or sixteen months, but I could not be sure which.

Q.—When you took up your position did you examine the Office and see what books were kept?

A.—I did.

Q.—What sums of money were received?

A.—Yes.

Q.—And what checks, if any, there were?

A.—I generally enquired into the administration of the Office.

Q.—What did you find in respect to the receipt of Crown Rent? What was the system adopted, whose duty was it to receive the rent, and so on?

A.—Generally speaking it was the duty of the cashier to receive the money.

Q.—Whom do you mean by the cashier?

A.—I mean the Chinese shroff.

Q.—And what control was there over the shroff?

A.—Any money he received he paid to the cashier, Mr. Carvalho. The two occupied the same office.

Mr. Thurburn.—That is to say he gave him an account?

A.—And paid in the money.

Mr. Bird.—He received the hard cash?

A.—Yes, as far as I remember, and it was put in the safe for the day and paid into the bank at the end of the day.

The Chairman.—Do you know who used to sign the receipts for Crown Rent?

A.—I should say Mr. Alves would sign the receipts. It would not be my duty because I was absent during the greater part of the day.

Q.—Supposing it was Alves who signed the receipts, were you satisfied that the checks were sufficient to prevent defalcations of money?

A.—The checks I regarded as the auditing.

Mr. Thurburn.—You looked upon the Auditor as the check?

A.—Yes.

Q.—Did you read the “Financial Instructions” when they came out?

A.—In 1891 there were financial instructions.

The Chairman.—You looked upon the Auditor as responsible for the checks? Are there any instructions to that effect?

A.—Not as far as I am aware.

Q.—Then why did you rely on the Auditor?

A.—That is the only practicable check.

Q.—Did you ever make any examinations, any surprise visits?

A.—I constantly did so.

Q.—These “Financial Instructions” lay down that the audit will not relieve the responsibility of the Treasurer.

A.—Those instructions, I think, have been issued since there was a permanent Treasurer, and that makes the whole of the difference.

Q.—I want to know whether there were any instructions in your time respecting the duties of the Treasurer and Auditor.

A.—There were departmental instructions, that is to say, financial instructions issued from home.

Mr. Thurburn.—Those instructions did not lay down that the Treasurer was to have separate and independent checks of his own?

A.—I am not prepared to say that. They were voluminous instructions but I should imagine that the intention at home was that the Treasurer should keep an independent check.

The Chairman.—Supposing money was received by Alves direct, that is to say members of the public came in and paid money direct to Alves, what check would you have upon Alves?

A.—The shroff only.

Q.—When money was taken direct to Alves?

A.—Really only the auditing.

Q.—Did you examine the Rent Roll from time to time?

A.—I was constantly examining the Rent Roll.

Q.—To see that it was properly kept?

A.—Yes.

Q.—Would you not consider that to enable the Auditor properly to check the accounts it was necessary that the Rent Roll should be written up and balanced?

A.—Yes.

Q.—Do you know whether the Rent Rolls for 1888 and 1889 were ever written up and balanced so as to enable the Auditor to check them?

A.—I am unable to say. I do not know.

Q.—But if you examined them as you say you did sometimes, would you not have seen whether they were balanced or not?

A.—I examined them with a view to seeing that the arrears were not getting to excess rather than with a view to see the correctness of the accounts.

Mr. Bird.—You thought the audit would cover that?

A.—Yes.

The Chairman.—In order that you should see the total amount of arrears at the end of the year was it not necessary that the Rent Roll should be added up?

A.—Yes; that is to say in order to see if there was a correct account.

Q.—And you cannot say whether the books for 1888 and 1889 were balanced while you were at the Treasury?

A.—I cannot say that.

Q.—Do you know when the Rent Roll for 1887 was written up?

A.—I do not know.

Q.—Did Alves ever complain to you that he had too much work and could not finish the Rent Roll of 1887?

A.—I think generally he said he had a good deal to do, but I do not know that he made any special complaint of the fact.

Q.—Do you know whether the Auditor ever brought to your notice the fact that the Rent Rolls for 1888 and 1889 were not written up?

A.—Never.

Mr. Bird.—Who was Auditor in those days?

A.—Dr. Stewart and Mr. Freire. Freire did the general work of auditing and it was to him I looked for auditing.

The Chairman.—You cannot tell us the year in which the book of 1888 was balanced or whether it was ever balanced?

A.—No, I cannot.

Q.—You say you were at the Treasury the whole of 1889?

A.—Yes.

Q.—Therefore the book of 1888 ought to have been written up?

A.—It should have been. Whether it was or not I cannot say.

Q.—Was it ever brought to your notice that the system of signing receipts had been altered by Mr. Lister; that formerly the receipts were signed by Mr. Carvalho, but that afterwards the receipts were signed some by Alves and some by Madar?

A.—I have no recollection of that.

Q.—What was the general time you went to the Office?

A.—That entirely depended upon the work I had to do in other departments.

Q.—Did you go every day?

A.—Yes, every day.

Q.—And how long would you remain there?

A.—That would also depend upon circumstances.

Q.—You did not sign receipts for taxes or Crown Rent?

A.—No, not as far as I remember.

Q.—What did your duties as Treasurer chiefly consist in?

A.—I should say in keeping the work up to the mark as much as possible, seeing that the different collections were made in time, and so on, and in correspondence and in Executive and Legislative work.

Mr. Thurburn.—Making out the estimates?

A.—As a member of the Legislative Council, attending meetings and so on.

The Chairman.—You cannot tell us that you insisted that the book of 1888 should be balanced?

A.—I cannot. I should think probably I did not.

Q.—Why?

A.—I think I should recollect if I did.

Mr. Bird.—As far as we can make out, the system of balancing was the chief check you had. If it had been insisted upon there could have been no fraud. You understand the system?

A.—Yes. What I always felt was the want of a daily audit. One had to trust and rely upon these visits of the Auditor and what I felt was that every day, from day to day, there ought to be a continuous audit going on.

Mr. Thurburn.—That duty would have been in the Treasurer's own department?

A.—Yes, but there was no officer to do it. I say there ought to be an officer.

Q.—You had not sufficient clerks?

A.—They were all busy with their own work.

Q.—In fact it was impossible?

A.—Unless there was a special man.

The Chairman.—That being so, did not you consider that it was very important that the only check which the Auditor had, namely, the balancing of the book, should have been attended to?

A.—I certainly see now after the event that it should be done, but it did not strike me at the time. So much so indeed that I am unable to say whether it was done or not.

Mr. Thurburn.—Did you know that Alves was in the habit of receiving money?

A.—It never came specially to my notice.

The Chairman.—What do you mean by specially?

A.—It was never brought to my notice.

Q.—The system seems to have been to institute a check on the shroff, but there was no check on Alves?

A.—Yes.

Q.—Except by balancing the book at the end of the year, and that was not done?

A.—Yes.

Q.—So there was absolutely no check upon him?

A.—No.

Mr. Thurburn.—We were told that Mr. Lister altered the system—that formerly Alves made out the receipts and that they were all signed by Mr. Carvalho,—and it was owing to Alves not only keeping the register of crown rents, making out receipts and

signing himself that the defalcations arose. If the system had not been altered and Mr. Carvalho had still signed the receipts don't you think that would have been a certain check?

A.—To a certain it would have been, but I am of opinion that there is no real check except the balancing and a continuous audit.

Mr. Bird.—But if the receipts and money went through two officers it would be difficult to commit a fraud?

A.—I don't attach much importance to that. That is all very well when you start, but as the men get into grooves they become careless, and I don't think the check is an effective one.

Q. But it makes fraud more difficult?

A.—Yes, but the two were in different offices. That alone I consider as objectionable.

Q.—Mr. Carvalho tells us that if that system had been continued he thinks that it would have prevented these defalcations because he said that he would never have signed anything unless it had the shroff's chop upon it and the shroff would not have allowed any false chop to pass.

A.—It may be so, but I doubt it very much. Is it perfectly certain that notwithstanding the balancing of the books nothing took place before these books were examined? Might I ask when the 1887 book was balanced?

The Chairman.—It was balanced in April, 1889.

A.—That would be in my time.

The Chairman.—1887 is all right.

Mr. Bird.—1888 has disappeared.

Witness.—Has no reference been made to previous books?

The Chairman.—No.

Witness.—To see whether they are balanced?

The Chairman.—No.

Witness.—I should like to make enquiry at the Treasury about them. It seems a very long time for the 1887 book not to be balanced until 1889.

Mr. Thurburn.—They say it was always about 18 months after the close of the year before the book was balanced.

Witness.—Then I think the balance is no effective check.

The Chairman.—If the balance was made immediately it would show a deficit.

Witness.—Was it ever made immediately?

The Chairman.—No.

Witness.—It seems an extraordinarily long time and if such has been the case always I should say the balancing is not the check that it ought to be. My own opinion is that there should be a continuous audit.

The Chairman.—You will find with regard to the Rent Roll that a continuous audit would not have prevented defalcations such as these.

Witness.—I am not confining myself to the Rent Roll. I mean a continuous auditing of the Treasury work. There are rates and taxes, &c., all of which, in my opinion, ought to be checked continuously. It is not possible for the head of the Department to do it, or any other officer as far as I know.

Mr. Thurburn.—The Rent Roll and taxes, could they both be checked by periodic auditing, balances once say every quarter or six months? The other items of the receipts come from different departments that have their own checks. Everything can be checked by balancing?

A.—It ought to be.

Q.—Has the Treasurer control over the other departments? Had you to visit them and see that the checks were carried out?

A.—No.

Q.—It was not your duty in that time?

A.—No. I imagine since the appointment of a permanent Treasurer things have been altered and the Treasurer has control over all departments.

Mr. Bird.—You had not time, I suppose?

A.—No certainly not. You see I was Police Magistrate and Superintendent of the Fire Brigade also.

Mr. Thurburn.—A continuous check such as you talk of, as far as Crown Rent is concerned, would be a daily checking by another officer (apart from the man who keeps the book) of the counterfoils of Crown Rent with this Rent Roll book (*produced*)?

A.—Yes, it would.

The Chairman.—Alves did not always fill in the counterfoils.

A.—If you had a man specially I think it would constitute an efficient check.

Mr. Thurburn.—The only really efficient check is balancing?

A.—Balancing would have to be done of course as a test of the correctness of the previous audit.

The Chairman.—It was only when the accounts were balanced at the end of the year that you could tell the amount of the arrears?

A.—I am not prepared to say that.

Q.—How otherwise could you have seen?

A.—By the entries you could see what was paid and what was not.

Mr. Thurburn.—Simply looking through the book?

A.—Yes.

The Chairman.—That would not give the total amount?

A.—No, but it would show you how things stood.

Q.—If the book of 1888 had been balanced in January, 1889, you would have seen that Alves had short paid about \$11,000?

A.—Yes, but 1887 was not balanced until 1889.

Mr. Thurburn.—That is just it. If the balance had been taken out every six months the defalcations would not be very large, if there were any.

The Chairman.—As far as we can ascertain the books of 1888, 1889, 1890 and 1891 were never balanced?

A.—No.

Q.—Whereas if the books had been balanced within a month of the expiry of the year the deficit would have been ascertained at once?

A.—Certainly.

The Committee then adjourned *sine die*.

FIFTH MEETING.

March 16th, 1893.

*Present:—*Mr. E. J. ACKROYD, *Chairman.*

Mr. J. THURBURN.

Mr. S. G. BIRD.

Mr. F. J. BADELEY, *Secretary.*

Honourable N. G. Mitchell-Innes, re-called.

The Chairman:—We wish to ask you a few questions, Mr. Mitchell-Innes, with regard to the system of checking employed in the Treasury. You said that you considered the checking of the Audit Office sufficient. Now the Instructions say that you as head of a department are responsible for the checking in your own department. How long would it have taken to have a check made of the counterfoils with the Rent Roll every day?

A.—I could not say. I never tried to do it.

Q.—Do you know about how many payments would be made every day?

A.—No, I should think they vary very largely.

Q.—At the beginning of every six months of course they would come in pretty heavily?

A.—Naturally they would.

Mr. Thurburn.—Is it not possible to institute checks in the department, to have a separate officer to check off the counterfoils with the Rent Roll and see that there were no discrepancies?

A.—It would be perfectly possible.

Q.—It would not be very much work. It might possibly for a week or two after the end of each half year, when, I suppose, the payments are large?

A.—Yes.

Q.—It might be pretty hard work for a few days at that period but most days it would only be a matter of a quarter of an hour?

A.—Yes. I might explain with reference to this checking of receipts that when I took up the position of Treasurer the new Financial Instructions were just coming out and of course at that time I was entirely ignorant of Treasurer's duties and I was in doubt as to what financial instructions ought to be like. The Auditor showed me some which he had gone through with Mr. Wodehouse and I was not able to make many corrections or suggestions at the time and they passed into their present shape with very little alteration from me. But there is a dispatch on record in which, after a great deal of correspondence as to what the respective duties were to be, I distinctly said that I declined to be responsible for the checking of the receipts generally in service unless the staff was increased.

The Chairman.—We are speaking now only of the receipts in the Department.

A.—Yes. I declined to be responsible for the checking of receipts generally.

Q.—Did that include your own Department ?

A.—Yes. The Treasury collects about $\frac{2}{3}$ rds. of the whole revenue of the Colony. If I did the work properly I should have to do the entire work the Auditor does in my department and the Auditor has already explained that he comes sometimes for a fortnight in the month.

Mr. Thurburn.—It is not expected that you personally should do it, but a different and separate officer.

A.—That is perfectly possible.

Mr. Bird.—Then you want an addition to your staff ?

A.—Yes. I may also say that I wrote this dispatch—it was a very full dispatch—pointing out the way the audit had been introduced here, and the fact that the Secretary of State had said that the Treasurer would have no auditing to do when the new audit system came in, and that the auditor would himself be able to do the work of checking the receipts. The Secretary of State's Instructions do not tally with the Financial Instructions. After writing that dispatch I went on leave and while I was at home I went to the Colonial Office. They had my dispatch before them and they confined themselves to asking me what kind of check I thought sufficient and they told me that they had not the slightest intention of increasing my staff if they could possibly help it. I said that I thought the Auditor's examination of the receipts was sufficient without my also conducting an audit of the receipts.

Mr. Thurburn.—In fact he was to be the check ?

A.—Yes.

Mr. Bird.—And at the same time you refused to take any responsibility so long as the Auditor was doing it ?

A.—Yes. I could not do it in fact without an increased staff.

Mr. Thurburn.—The Financial Instructions say that the Treasurer is to have a separate check.

Mr. Bird.—That the audit does not relieve the responsibility of the head of a department.

Mr. Thurburn.—It distinctly says that the Auditor is not supposed to check the Treasurer.

Mr. Bird.—Did you receive any reply to that dispatch ?

A.—No. The dispatch is on record. I was looking at it only the other day. The original is here.

The Chairman.—About the balancing of the lists sent in to you by different authorities such as licences and others, have those lists ever been balanced with the receipts or checked with the receipts to see whether you have received all the fees for those licences ?

A.—That was done in the Auditor's ordinary book. He was to check, so I understood, every receipt.

Q.—Did you never check them? For instance, if you got a list of licences from the Colonial Secretary's Office or the Police, or wherever it may be from, did you never check them ?

A.—No, the general check I kept was that when the estimates of revenue were made up one would find out about what ought to be received, and if you fell below your estimate you would enquire why the amount was not received.

Q.—Who made out the estimates ?

A.—The accountant.

Q.—He made out the estimates?

A.—Yes.

Q.—Did you ever check those estimates?

A.—I used to go over them with him. He used to consult me.

Q.—He practically made them out?

A.—He submitted them to me.

Mr. Bird.—And if he was defrauding the Treasury he would naturally make the estimates less?

A.—Quite so.

Mr. Thurburn.—In making our recommendations for the future working of the Office we would naturally say that all these lists, as well as crown rent, could be regularly balanced?

A.—Of course.

Q.—Bring out a balance of the lists to see whether any defalcations had occurred?

A.—Yes.

Q.—Would that be incompatible with the staff you have?

Q.—The staff has been cut down. At the end of last year, only a few months ago, I got rid of three of the oldest hands in the Treasury. While this extra work is on I have had to engage two extra men. I have shown a good saving in the Treasury—a saving of \$5,000 at present.

Q.—To carry out these checks, this balancing of the different lists, would it be necessary to have an increased staff?

A.—I should like to think over that, and see what the amount of work really was.

The Chairman.—This is what we propose. That the Rent Roll should be very much simplified. All you want is a column with the name and the Lot, another for the amount to be received, a column for the date of payment and another for the amount received. You would not want anything for arrears or anything of that kind. At the end of the third month after the amount became due a notice might be inserted in the *Gazette* calling upon debtors to pay up their Crown rent. At the end of the fourth month another notice stating that if the Crown rent in arrear is not paid up within one month the bills will be handed over to the Crown Solicitor. At the end of the fifth month you would be able to say very nearly what the total amount of arrears was and at the end of the sixth month the book ought to be closed. You would say "We ought to have received so much, we have received so much, the difference is accounted for by so-and-so not having paid." The list of arrears would be sent to the Crown Solicitor, the book would be closed and a new one opened. Then there would be no complications of arrears at all. It would not take a clerk very long to do that. There are a great many columns that he ought to add up every day.

A.—There is no intention that with the new staff there shall be any delay. The books can be balanced within reasonable time.

Q.—In the same way with the licences, a book should be kept of all licences issued with the date of payment and balanced.

A.—Yes.

Q.—Did Mr. Carvalho ever say anything to you about Mr. Lister's order directing that receipts should be signed by the clerks in charge instead of being signed by Mr. Carvalho or the Treasurer?

A.—Mr. Lister's instructions were submitted to me within three or four days of my entering the Treasury and I directed that no change should be made, at any rate for the present.

Q.—Did Mr. Carvalho give you any reason for submitting it? Did he suggest any change?

A.—I cannot remember that he did so.

Q.—Did he say anything to you? Did he ask you to change it, or did he merely submit this order and ask you whether it was to be acted on? Because we understood Mr. Carvalho to say that he disapproved of it and we thought perhaps that he might have submitted the question to you?

A.—I think it exceedingly unlikely. I cannot absolutely say what the conversation was. I consider it practically impossible that he should have said so to me because I was practically in his hands and I should certainly not have opposed him without good reason.

Q.—I see you have noted in the margin "System inaugurated by Mr. Lister to be continued for the present"

A.—Yes.

Q.—That does not bring anything to your memory?

A.—No, it does not recall anything very clear. That was on January 3rd and I entered the Treasury on the 1st.

Q.—Have you made any change since about the signing of receipts?

A.—At present I am signing practically everything in the Department.

Q.—Do you propose that that should continue?

A.—Yes, I think if possible. It is only a question of convenience to the public. I think it preferable that it should be continued if it can but it seems to me to be necessary that the chief clerk should also have the power of signing in the absence of the Treasurer. I am up at the Legislative Council for two hours sometimes and receipts would be kept waiting, which leads to dissatisfaction.

Mr. Thurburn.—In any case it would be a different man who signed to the one who makes out the receipt. You would alter that system?

A.—The receipt now passes through a number of hands before reaching me. In addition to the shroff the clerk in charge initials the receipt and then they come to me to sign. The cashier would be the only man to whom my powers would be deputed.

Q.—Originally it was Alves who made out the receipt and the chief clerk signed it. That was altered by Mr. Lister, and now you have gone back to the old system?

A.—Practically, yes.

The Chairman.—You took over the charge of the Treasury on January 1st, 1891?

A.—Yes.

Q.—Did you look at the book of 1890 to see whether it had been balanced?

A.—No, I cannot remember looking at the previous books.

Q.—Did Mr. Nicolle ever ask you to have the Rent Roll for 1890 balanced?

A.—Yes, he did.

Q.—Can you tell us about what time?

A.—No, I cannot. I have not any idea but I am satisfied that he did ask me sometime, I think, in 1891.

Q.—What did you do in consequence of that request?

A.—I told Alves that his book was required to be balanced, and he pleaded stress of work.

Q.—Did you speak to him more than once ?

A.—I can only remember speaking once. I spoke to him so often about getting in arrears and different things of that sort that it is difficult to remember whether I alluded to that particular subject more than once.

Q.—As you relied upon the audit for checking your receipts did you not consider that the balancing of this book was important to enable the auditor to check the receipts and payments ?

A.—I am afraid I left that to the Auditor.

Q.—Did you consider it was very important that these books should be balanced ?

A.—No, I cannot say that at the time I appreciated the full importance, because I did not know he was in the habit of receiving money and I looked upon it simply as a clerical arrear, and as the man was really hard worked and a very willing worker I practically left it to him to get it up as soon as he could. I did not insist upon its being done immediately.

Mr. Bird.—The Auditor did not explain to you the importance of having it done ?

A.—I have no recollection that he did. I think the Auditor will acknowledge that I have carried out everything that he has suggested unless it was a question of principle that I did not approve of. I think he would be the first to acknowledge that I endeavoured to carry out everything that was brought to me and which was necessary for him to carry out his work.

Q.—You said in your evidence that you did not know that the arrears were really dangerous. How could you get at the arrears unless this book was made up ?

A.—I meant by arrears the arrears of work not arrears of money. I meant to say that the arrears in the making up of his book were not dangerous. I looked upon the arrears as simply clerical arrears.

Q.—You said you looked upon Mr. Carvalho as having some supervision over the office staff. Why did you say that ?

A.—Because he was a man who had been first clerk for a very long time and I take it as natural that the first clerk should have the supervision.

Q.—Are there any instructions, or was he ever told that any supervision was required from him over the office ?

A.—I don't know of any such instructions.

Q.—Was it ever laid down ?

A.—I cannot find any division of work laid down anywhere.

Q.—Then why did you regard him as having some supervision if it was never laid down that he had supervision ?

A.—It is possible that he did not regard it as his duty but he was practically Treasurer for many years and he has drawn great attention to his importance, and the importance of his work, and I should have thought that when a new Treasurer came in it was his business if it was anybody's business to look after the staff and help the Treasurer.

Q.—I take it you did not look back to those Rent Rolls and see what the arrears really were ?

A.—No, it was only gradually that I mastered the different items in the Treasury, it being entirely new work to me.

Q.—Could the shroff speak English ?

A.—Which shroff ?

Q.—The man who received Crown Rent.

A.—I believe he could say a few words. I spoke to him in Chinese.

Q.—Did you ever look into this Rent Roll book to see what amount of work was required to balance it ?

A.—No, I did not, to the best of my knowledge. Probably I had it pointed out to me when I spoke to Alves but I did not take any means to see whether his statement was correct or not.

Q.—You did not look to see whether it could be added up in a long time or a short time ?

A.—I cannot remember doing so. On the face of it it must be a long job. It has just taken three weeks to do.

Q.—Mr. Bird and Mr. Thurburn who are *au fait* on these matters are of opinion that it would not take a long time.

A.—Mr. Nicolle and an ordinary Portuguese clerk took three weeks to do it and they did nothing else, and I believe Mr. Nicolle is pretty quick at this sort of thing.

Q.—Some of the columns ought to be added up during the course of the year so that at the end of the six months all that has to be added up is the amount received.

Mr. Bird.—A lot of the work should be done as they go along.

A.—I think it might. I must say in the man's defence that he worked very hard ; he was far the best worker in the Treasury, and he often worked over hours.

The Chairman.—Was that not a reason why you should have given him some extra assistance ?

A.—I have called attention several times in my report to the fact that he was overworked. My reports will show that I have asked for extra assistance.

Mr. Thurburn.—When we said that the books would not take a long time we did so on the supposition that the book was kept up.

A.—In former years he has generally been allowed 18 months to make it up.

The Chairman.—With regard to the taxes. Have you any other book in the office except this "Valuation book" ?

A.—There is the day book.

Q.—Are the columns added up ?

A.—They ought to be. These for 1890 and 1891 are by Mr. Madar.

Q.—Is Mr. Madar in the office now ?

A.—No, he has left.

Q.—As long as this book was not added up what check had you that all the amounts which appear here as collected have been paid into the Treasury ?

A.—They would go by the day book, I suppose, unless the totals were brought in.

Mr. Thurburn.—Is there any possibility of there being defalcations in this book ?

A.—The Auditor was much dissatisfied with this system and I urged Mr. Madar to alter it but as he was one of the old stereotyped men he only changed it to a certain extent. It was only when I got a new man that the auditor's suggestions were carried out as he wished, and the books kept to the satisfaction of the Auditor.

The Chairman.—What we want to know now is, can there have been any defalcations in the taxes ?

A.—I don't think there have. The Auditor has made it his duty to go through the taxes with a view to ascertain if there are any, but he says that the amounts in the ledger practically tally with the valuation table and he cannot see where there can be any defalcations.

Mr. Thurburn.—Has he done that for two or three years ?

A.—I believe he has, but I could not say for which years.

The Chairman.—There do not appear to be any arrears of taxes ?

Q.—No, the book does not show any arrears. The book is not closed until the arrears are paid ; therefore the book remains sometimes for a year and a half.

Q.—Had Alves anything else to receive except Crown Rent ?

A.—No receipts, but a lot of other work.

Q.—How long do you think the Treasury ought to be open and the shroff in attendance for receiving money from the public ?

A.—I should think the Treasury ought to be open much the same as Banks are.

Q.—From 10 to 3 ?

A.—Yes, I should think that would do very well. It is practically open until 4 o'clock now.

Q.—The shroff would have to be in attendance the whole of that time ?

A.—He is there from 10 to 4.

Q.—Does he go to the Bank ?

A.—Yes one goes to the Bank.

Q.—Do you know whether it was the shroff who was in charge of the Crown Rent who went to the Bank ?

A.—Yes, it was ; he goes with a constable.

Q.—I suppose he would be some time at the Bank ?

A.—He might be an hour or an hour and a half.

Q.—Who would receive the money in his absence ?

A.—Probably the head shroff would receive it.

Q.—We think the shroff who is in charge of the Crown Rent should not go away, that he should be there from 10 to 3. Could that be managed ?

A.—Yes.

Q.—If we recommend that all monies should be received only by the shroff care should be taken that the shroff is always there to receive money.

A.—If Crown Rents were paid during the absence of the second shroff the receipt would not be granted then and there but would wait until he came back, when the money would be handed to him.

Q.—But then it goes into the hands of another officer and you have no check ?

A.—The second shroff for his own protection won't put his chop on the receipt unless he gets the money.

Q.—Mr. Carvalho said that Mr. Nicolle and you had abolished what was called a *Telling Cash Book* ?

A.—The tellers book.

Q.—What was that ?

A.—I should like to look at it.

Q.—Have you now any book which shows your position at the Bank, which shows at any moment what balance you have ?

A.—We can always tell that by the Bank Book which is balanced every week.

Q.—Don't you keep a book in the Treasury ?

A.—We have a book which shows every cheque that passes out of our hands and the bank account which is sent to the Colonial Secretary's Office every week.

Mr. Bird.—Showing every payment made into the Bank ?

A.—Every day we get a receipt from the Bank.

The Chairman.—Don't you enter that in a book ?

A.—It would not go into a book specially kept for the Bank, but into our ordinary cash book.

Q.—In the ordinary book is there not an account with the Bank ?

A.—There is one in contemplation.

Mr. Bird.—Sometimes, Mr. Carvalho told us, the Treasurer's private cheques got mixed up with the Treasury account ?

A.—It may have done so prior to my time. We can practically at any time tell what our balance at the Bank is.

Q.—What from ?

A.—From the entries in the Cash Book and entries in the cheque book.

Q.—You take the Bank's account to be correct ?

A.—Yes, I can. If I could look at the books I would show you how it is done.

Mr. Thurburn.—Our idea was that the Bank might put in amounts that were not correct.

Mr. Bird.—Banks are not infallible.

A. R. Madar called.

The Chairman.—What is your name ?

Witness.—A. R. Madar.

Q.—You have taken your pension ?

A.—No, I have not.

Q.—Are you still in the Treasury ?

A.—I am in the Registrar General's Department.

Q.—You have been transferred from the Treasury ?

A.—Yes.

Q.—How long were you in the Treasury ?

A.—Twenty-five years.

Q.—Were you in charge of the collection of taxes ?

A.—I was.

Q.—Is this the book you kept ? (*produced*).

A.—Yes. (*Witness looks at, and identifies the valuation book for 1890 and 1891*).

Q.—Did you fill up these columns ?

A.—Yes, for the first quarter.

Q.—Where were you in 1891 ?

A.—I was in the Treasury.

Q.—Who filled up the other figures then?

A.—A Chinese clerk.

Q.—When did you fill up these figures? at the end of the year or at the end of the quarter?

A.—Almost every day.

Mr. Thurburn.—As they were paid?

A.—Yes.

The Chairman.—Why were these columns never added up?

A.—Because they were not completed.

Q.—It is completed now?

A.—Yes.

Q.—Had you any other book showing the receipt of taxes except this?

A.—Yes, a daily collection book.

Q.—Who kept that book?

A.—I did.

Q.—Who received the money?

A.—The shroff.

Q.—Who made out the receipts?

A.—I did.

Q.—How could you make out the receipts if the shroff received the money?

A.—The receipt is made out beforehand.

Q.—They are all prepared beforehand?

A.—Yes.

Q.—And signed by you?

A.—Signed by me when the money is received.

Q.—When you received money you entered it in the daily collection book?

A.—Yes.

Q.—And then you entered it in the valuation book?

A.—Yes, I posted it up.

Q.—When did you add up the valuation book?

A.—When all the collections had been made.

Q.—When would that be? How long after the close of the year would the book be added up?

A.—Sometimes it took a year or a year and a half; you must get all the collections first.

Q.—Only when every cent is paid?

A.—Yes.

Q.—Have you ever added up one of these books?

A.—Yes.

Q.—How long did it take you?

A.—About three weeks.

Mr. Thurburn.—Was a book like that kept all the time you were in the Treasury?

A.—All the time.

Q.—Did Mr. Nicolle make any alteration in it?

A.—Not to my knowledge.

Q.—When did you leave?

A.—In March, 1892.

Mr. Thurburn.—Did you ever take a balance out?

A.—Yes.

Q.—How often?

A.—Sometimes once a year, sometimes twice a year.

Q.—You balanced it?

A.—Yes, in order to know what balance to carry forward for the next year.

Q.—The total amount you ought to have received and the amount of arrears should balance with the amount of cash you actually did receive?

A.—Yes.

Q.—That balance was taken out more than once a year?

A.—Yes.

Mr. Bird.—How did you do that if the columns were not added up?

A.—We knew from the valuation table what we ought to receive and then we went to the ledger and saw what had been received.

The Chairman.—Do you say that when all the arrears were entered the book was balanced?

A.—Yes, it was bound to balance.

Q.—It was added up?

A.—Yes.

Q.—You have a lot of trouble to get the taxes in?

A.—Yes, in fact we had to trouble the Crown Solicitor every quarter to assist us.

Q.—Did you ever receive any money sent direct to you?

A.—No.

Q.—All money came to the shroff?

A.—Sometimes a cheque was addressed to the Treasurer.

Q.—Then whom did the cheques go to?

A.—Sometimes they came to me to check with the book and if it agreed I should of course hand the cheque to the shroff. He keeps it until the account closes at 2.30 p.m. for the day and then he hands it to Mr. Carvalho, the cashier.

Q.—And you say all the books prior to 1890 have been added up?

A.—Yes.

Q.—Do you know whether they have been compared with the amounts in the ledger?

A.—Yes.

The Commission then adjourned until Saturday, March 18th, at 11 o'clock in the forenoon.

SIXTH MEETING.

March 18th, 1893.

Present:—Mr. E. J. ACKROYD, Chairman.

Mr. J. THURBURN.

Mr. S. G. BIRD.

Mr. F. J. BADELEY, Secretary.

Mr. Bruce Shepherd, called.

The Chairman.—What is your name ?

Witness.—Bruce Shepherd.

Q.—You are acting Land Officer ?

A.—Yes.

Q.—Since when have you been connected with the Land Office here ?

A.—Since December, 1882.

Q.—It is the duty of the Land Office to send to the Treasury twice every year the Rent Roll of the Colony ?

A.—Yes.

Q.—As a rule when do you send it ?

A.—Within two months. The Rent Roll is made up immediately after Christmas. It was to be copied and as a general rule it takes about two months to deliver the Rent Roll.

Q.—Before you send the Rent Roll itself do you give the Treasury any note of the changes that have been made ?

A.—Notifications of changes are continually being sent in to the Treasurer ; whenever there is a change which has to be acted upon during the half year. At the end if there is any difficulty in getting the Rent Roll copied so that it should occupy more than two months I have sent a supplementary Rent Roll.

Mr. Thurburn.—The Rent Roll you send in say, in February, are those rents due next June ?

A.—They are rents payable for the coming half year.

Q.—On June 25th ?

A.—Yes.

Q.—From December 25th ?

A.—Yes, to June 24th.

The Chairman.—Then a few days after the termination of the six months the Treasurer is in receipt of all information necessary to make up their Rent Roll ?

A.—Yes.

Q.—Do you think your Rent Roll has ever been so much as six months in arrear ?

A.—No, never the Christmas Rent Roll, but on one or two occasions perhaps the June Rent Roll has been. It was suggested that it was not wanted because they had the supplementary Rent Roll. There are only two instances, I think, in connection

with the Midsummer Rent Roll. The Christmas Rent Roll is delivered as speedily as possible. It takes two days to make up the supplementary Rent Roll. We practically have to make two copies and check them with the books, and that occupies the rest of the time. There are nearly 300 pages to copy.

Q.—Is it correct to say that Alves could not make up his books because he was waiting for your Rent Roll or information from you?

A.—It is certainly incorrect because he never asked for information and has always been able to get it at a moment's notice no matter what it has been.

Q.—We are anxious to have this Rent Roll sent in to the Treasurer as soon as possible in order that he may make his book out definitely and close it as soon as he can. How soon after December 25th and June 25th do you think you can send in your book supposing that you have extra help?

A.—If it is made up to date it could be done with extra help within three weeks. But I should say it could be delivered on the day itself because there would be very little else to add during two months.

Mr. Bird.—But it would not be absolutely correct?

A.—It would be correct with the supplementary list of any sales that have taken place during the two months. The changes are very few in two months, six sales extra would cover it.

Q.—I should think if the book was delivered correct within three weeks it would be sufficient?

A.—Yes.

Q.—They could still go on collecting rent from the old book during those three weeks, and in order to do that you will only want extra assistance. You have only one Chinese clerk?

A.—Yes.

The Chairman.—And he can only copy out the Rent Roll in his spare moments?

A.—Yes, he has to attend to people searching and they occupy a lot of his time. With regard to delivering the Rent Roll they told me at the Treasury that they wanted the Rent Roll in March, and they said that they never wanted it before the end of February. I take it that as they get information of the changes from day to day they could always make up their Rent Roll as quickly as I could, and practically they only want it as a check.

Q.—It has never been as much as six months in arrear?

A.—No, I have never been asked for it.

Q.—Were any complaints ever made to you?

A.—No, never.

Q.—About the taxes, you give them notice also of the collection of taxes?

A.—I used to for several years. I made returns once a week, or fortnight, or once a month; but I found it was not used for the purpose I intended and I discontinued it.

H. C. Nicolle re-called.

The Chairman.—We wish to examine you about these arrears; the first thing we have to enquire into is the amount of the defalcations. I have got from Mr. Bruce Shepherd a correct list within \$1,000 or \$2,000 or the amounts that ought to be received for a number of years. I would suggest that we start with December 31st, 1887, when you have as arrears \$84,192. Then you would add the years 1888, 1889, 1890, 1891, and the first half of 1892.

A.—No, both half halves of 1892.

Q.—That would make \$1,012,210.46 which ought to have been received. Deduct from that the actual sums received which we make to be \$873,888.29, which, less arrears \$83,639.93, leaves \$54,682.24.

A.—I should like to correct my statement about the deficiency. I stated the deficiency for the years 1890, 1891, and 1892 as being \$31,000 odd. It ought to be \$33,337.67. There is a further point to consider. In the papers of the Land Officer I do not expect the corrections for the Christmas half year 1892 have been made in the 1892 Rent Roll. They have not got the Christmas Rent Roll in the Treasury yet and there may be certain adjustments to make. It would be impossible therefore yet to give the exact amount of the deficiency.

Q.—You can tell it approximately?

A.—Yes.

Mr. Bird.—You have not got the Rent Roll yet from Mr. Bruce Shepherd?

A.—No.

Q.—This is March, he said it was always sent in in February.

A.—Alves always used to enter up the Rent Roll when he received it. I think I saw one yesterday, a Midsummer Rent Roll.

The Chairman.—He spoke of the June Rent Roll being sometimes in arrear.

A.—I think I may say I am certain the Christmas Rent Roll has not been received until April.

Q.—About the taxes (*Valuation book produced*). Do you propose to make any change in this book?

A.—No. I said this book as it stood could not be balanced. It is true at the end there was a piece of paper showing the totals of the money that had been collected. But that was perfectly valueless because you could not check it. If you had taken every counterfoil you could have checked it but you could not trace that the money had actually reached the Treasury because the collections were all lumped together in one book every year. You had no distinction between arrears and what had been collected for the current year, and so the Treasury books only show the lump sum on account of taxes. Sometimes I pointed this out and the Treasurer said the amendment would be made. I asked that each year should be shown separate. Then you take the collection book, compare that with the amount received by the cashier and you make a balance. Madar who kept this book did not appear quite to understand what was wanted. He started what he thought I wanted to be done, showing the distinction of years and quarters but that was just as difficult because you had to go through the book and pick out the items. Now they have introduced what I wanted and have a book in which they show the collections of every quarter separately, and show separately what is paid into the Treasury. You can now get the amount lodged in the Treasury from the cash book; you come to this book and take the counterfoils and you look to see if the counterfoil is initialled. If you have both receipt and counterfoil presumably the amount has not been paid.

Q.—You add them up and get the amount of arrears?

A.—Yes. In addition to this I have also suggested, and I believe it is being done, a revenue file for the taxes of each separate year. The lists sent from the assessor and interim valuations should be filed in that file. Your file would represent anything that has been done with regard to taxes.

Mr. Thurburn.—Would you have that book balanced every quarter?

A.—No, you could not do that every quarter.

Q.—Added up ?

A.—You could not add it up, and you would not add it up until everything is collected.

Q.—It would not take long to make out a balance ?

A.—You take the counterfoils and receipts and extract the receipts not issued, add them up and they ought to represent the exact amount on the revenue file. There would be no need to add this book up.

Q.—You think a quarterly balance of that description should be taken out ?

A.—Yes.

Q.—Mr. Madar said the book was always balanced.

A.—He called it balancing to add up the totals. He used to wait until every thing was collected and then paste on sheets of paper at the end.

Mr. Bird.—When did you suggest your alterations ?

A.—Some considerable time ago, with regard to keeping the years separate.

The Chairman.—How long do you think it would take to compare from day to day the counterfoils with the Rent Roll ?

A.—I should think half an hour's work in the morning would do it easily—sometimes much less. It would never be very heavy work ; the Crown Rent at any rate would not be arduous ; the taxes take much longer.

Q.—The thing is to have a check by the Treasurer himself ?

A.—Yes.

Q.—Do you think they want an extra man for the purpose of carrying on this daily check ?

A.—I don't think they could do it with the staff at present engaged.

Q.—Do you suppose there are any further defalcations ?

A.—I do not think there are.

Mr. Thurburn.—Do you think the licences ought to be balanced ?

A.—Well, as Auditor I am satisfied with my check.

The Chairman.—Do you consider yourself responsible for the books of 1890 ?

A.—How do you mean responsible.

Q.—For auditing ?

A.—Yes.

Q.—You asked the Treasurer for the books of 1890 sometime in 1891, can you exactly remember when ?

A.—No.

Q.—And you never got them balanced ?

A.—No.

A.—And consequently you could not audit them as they should have been done ?

A.—No.

Q.—And you did not consider your duty extended beyond 1890 ?

A.—No.

Mr. Thurburn.—With regard to the other departments—take the Post Office—I suppose it is the Treasurer's duty to see that they have proper checks ?

A.—Yes.

Q.—It would be impossible for the Treasurer to see that every detail was correct, but they could see that a proper system was in force ?

A.—Yes.

The Chairman.—Since the last meeting have you had any reason to change your opinion as to how these frauds were perpetrated ?

A.—No.

Q.—That is that Alves gave false receipts to the shroff, or no receipts at all and put the whole amount paid into his pocket ?

A.—Yes. In some cases he gave a false receipt to the shroff and in other cases he forged the receipt. He gave the shroff a receipt and when it was returned destroyed it and made out another. There was a case mentioned in court the other day in which he had, after receiving the receipt from the shroff, with the chop upon it, put a figure over the symbol for "\$"—in the case I mention the figure "9" which made the receipt \$900 more than the receipt chopped by the shroff.

This concluded the evidence adduced before the Commission.

