

· 5. *The Method and Audit of Accounts.*

Notwithstanding the fact that Mr. Jackson had been a trustee for Mangatu No. 1 and secretary to the trustees and committee since 1899, no attempt was made till 1908 to keep proper books of account showing the transactions of the trust. Then Mr. Pavitt was employed as accountant by Mr. Jackson, and he wrote up the books from the commencement of the trust to that time. No attempt to reconcile the pass-book and the cash-book is in evidence until the 30th April, 1908, and when a reconciliation account was prepared the cash-book was not ruled off. On the 10th May, 1909, there was again a reconciliation of the pass-book and cash-book, and the cash-book was then ruled off and the balance brought down. The cash-book was at about this date posted into the ledger. On or about December, 1907, there are entries in the cash-book which refer to the year 1902 and onwards. There were two ledgers kept, the second being a copy of the former ledger. This was rewritten owing to Mr. Beere, the auditor, in his report dated 27th April, 1914, requesting that a new general ledger be opened and all the work reposted.

No stock account was kept of the sheep, cattle, &c., on the Waitangirua Station, or, if the manager did keep such an account, it was not incorporated in the books of account.

In the auditor's supplementary report of the 18th November, 1914 (Exhibit BB), he draws attention in the following words: "There was no valuation made of the stock on the station (at 2nd September, 1912), so that the true position of the station property could not be ascertained."

No separate accounts were kept for donations, tangis, and so on. There was an account opened in the ledger for general expenses, but evidence given and inspection of the books show that this account has been improperly debited with numerous items.

In connection with the advance of £50,000, it was provided by a document accompanying the mortgage that the whole of the rentals of Mangatu No. 1 were to be paid to the Public Trustee to secure payment of interest, any surplus to go in reduction of principal. In accordance with this all rents were paid to the Public Trustee through his agent, Mr. Jackson. Mr. Jackson, being a trustee, should clearly have incorporated these rents in the Mangatu No. 1 books, but this was not done until the books were required for the audit as at the 21st July, 1916.

Mr. Jackson, during cross-examination, stated that the reason he had not prepared balance-sheets or presented accounts was the special desire of Wi Pere and the committee that same should not be done. It was their wish that accounts should not be produced until the definition of the owners' relative interests in the block had been completed. He thereupon consulted the then legal adviser to the trust (the late Mr. W. L. Rees), who informed him that he would be acting correctly in giving way to the wishes of his co-trustee and the committee.

At a meeting of owners of Mangatu No. 1 in August, 1911, Mr. Jackson did submit on behalf of the trustees a report and rough statement as to the position of affairs, and explained same through an interpreter, and a resolution was passed approving the payments shown to have been made (see Exhibits CC and J3).

The conclusion your Commissioners have come to is that the accounts as shown in the books do not properly disclose the position of the trust so far as Mangatu No. 1 is concerned.

So far as Nos. 3 and 4 Blocks are concerned, it will be readily understood from the position of these titles—one wholly leased and the other undealt with—that there can be no difficulty over their accounts, and that there is no need to refer to them here.

*As to the audit of accounts:* Clause 49 of the regulations under the Mangatu No. 1 Empowering Act, 1893, runs as follows: "A balance-sheet shall be made out in every year and laid before the owners in general meeting, and such balances shall contain a summary of the property and liabilities of the corpora-