

SESSION II.
1918.
NEW ZEALAND.

MANGATU Nos. 1, 3, AND 4 BLOCKS

(REPORT OF COMMISSION OF INQUIRY INTO MANAGEMENT AND CONTROL OF).

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION

TO INQUIRE INTO AND REPORT UPON THE MANAGEMENT AND CONTROL OF THE
MANGATU Nos. 1, 3, AND 4 BLOCKS.

LIVERPOOL, Governor-General.

To all to whom these presents shall come, and to Walter Edward Rawson, Esquire, a Judge of the Native Land Court of New Zealand, and Arthur Thomas Clarke, Esquire, of Wellington, Accountant: Greeting.

WHEREAS it is enacted by section seven of the Native Land Amendment and Native Land Claims Adjustment Act, 1917 (hereinafter referred to as "the said section"), that the Governor-General may appoint a Commission, of whom one member at least shall be a qualified accountant, to inquire into and report to him upon the past management and control of the Mangatu Nos. 1, 3, and 4 Blocks, and the rents and profits thereof, and such other matters in relation to the said Mangatu Nos. 1, 3, and 4 Blocks as the Governor-General may think fit: And whereas it is expedient to appoint such a Commission as aforesaid:

Now, therefore, I, Arthur William de Brito Savile, Earl of Liverpool, the Governor-General of the Dominion of New Zealand, in exercise of the powers conferred on me by the said section, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby constitute and appoint you, the said

WALTER EDWARD RAWSON and
ARTHUR THOMAS CLARKE

to be a Commission to inquire into and report upon the management and control of the Mangatu Nos. 1, 3, and 4 Blocks (hereinafter referred to as "the said blocks"), and the rents and profits thereof, and in particular to inquire into and report upon the following matters:—

1. The dealings with the said blocks from the commencement of the trust or trusts.
2. The amounts now charged by mortgage or otherwise on the said blocks respectively or any part or parts thereof.
3. The leases of the said blocks.

4. The past management of the said blocks, and the receipts and expenditure in connection therewith, and the annual cost of management.
5. The method and audit of accounts thereof.
6. The receipts and expenditure in connection with the Waitangirua Station.
7. The amounts paid to beneficiaries in each year.
8. The number of beneficiaries entitled to an interest in each of the said blocks.
9. Whether any moneys have been paid to persons other than beneficiaries (excluding moneys expended in the ordinary course of management), and the circumstances under and in respect of which such moneys (if any) were so paid.
10. And generally to inquire into and report upon all matters relating to the said blocks, and to recommend what provision should be made for the future management, control, and disposition thereof.

And with the like advice and consent I do further appoint you,

WALTER EDWARD RAWSON,

to be Chairman of the said Commission.

And for the better enabling you, the said Commission, to carry these presents into effect you are hereby authorized and empowered to make and conduct any inquiry into these presents at such times and places in the said Dominion as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and examine on oath or otherwise, as may be allowed by law, such person or persons as you think capable of affording you information in the premises; and you are also hereby empowered to call for and examine all such books, papers, plans, writings, documents, or reports as you deem likely to afford you the fullest information on the subject-matter of the inquiry hereby directed to be made, and to inquire of and concerning the premises by all lawful means whatsoever.

And, using all diligence, you are required to report to me, under your hands and seals, not later than the first day of May, one thousand nine hundred and eighteen, your opinion as to the aforesaid matters.

And it is hereby declared that these presents shall continue in full force and virtue, although the inquiry is not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908, and also under and in pursuance of the said section.

Given under the hand of His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Member of His Majesty's Most Honourable Privy Council, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this fifteenth day of January, in the year of our Lord one thousand nine hundred and eighteen.

W. H. HERRIES,
Minister of Native Affairs.

Approved in Council.

J. F. ANDREWS,
Clerk of the Executive Council.

REPORT

OF THE COMMISSION APPOINTED UNDER THE PROVISIONS OF SECTION 7 OF THE NATIVE LAND AMENDMENT AND NATIVE LAND CLAIMS ADJUSTMENT ACT, 1917, TO INQUIRE INTO AND REPORT UPON THE MANAGEMENT AND CONTROL OF THE ABOVE BLOCKS.

To His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Member of His Majesty's Most Honourable Privy Council, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

The sittings of the Commission were commenced, after due notification in the *New Zealand Gazette* and *Kahiti*, at Gisborne on Friday, the 15th February, 1918. After our commission had been read in both English and Maori an adjournment was taken till the 19th February, in order that certain documents and books of account might be produced, and to enable your Commissioners to become acquainted with the position of the titles to the Mangatu blocks. On the 19th the inquiry was proceeded with, and continued from day to day till its close on the 28th February, all proceedings being interpreted into Maori by the interpreter to the Commission.

Mr. Coleman, jun., appeared on behalf of the East Coast Commissioner, Mr. Thomas Alexander Coleman; Mr. Dunlop for Mini Kerekere and twelve other owners; Captain W. T. Pitt for Karaitiana Ruru and sixty-eight other owners; Mr. Burnard for Hau Wharakihi and two other owners; and Mr. Bright for Mr. H. C. Jackson (one of the trustees) and the Native committee of Mangatu No. 1. Later on Mr. Burnard took over from Mr. Bright the conduct of Mr. Jackson's case. Poneke Huihui appeared on behalf of Pera te Netuku and nine others, but later stated he did not wish to cross-examine or call any witnesses, but would leave the interests of his people in the hands of the Commissioners.

Mr. Marsh, Commissioner of Crown Lands for Hawke's Bay (and by virtue of that position one of the Mangatu trustees), was called as a witness by Mr. Coleman, and the following also gave evidence: W. Barton, Registrar of the Supreme Court, Gisborne; Thomas A. Coleman, the East Coast Commissioner; J. McLeod, police detective; H. C. Jackson, a trustee and secretary to Mangatu Block Committees; E. H. Pavitt, accountant in Mr. H. C. Jackson's employ; E. E. Hooper, Native Interpreter; and H. te Kani Pere, the Chairman of Mangatu No. 1 Committee.

We propose to deal seriatim with the ten specific questions submitted to us by the terms of our commission, and our answers to these will, we think, cover all matters we are required to report upon.

1. *The Dealings with the said Blocks from the Commencement of the said Trust or Trusts.*

First as to Mangatu No. 1 Block: The title to this land, estimated to contain 100,226 acres, was investigated under the Native Land Court Act, 1880, by the Native Land Court sitting at Gisborne in 1881, and 179 persons were found by the Court to be the persons entitled according to Maori custom to be declared the owners of the said land. It was agreed by the majority of these owners that the certificate of title for the said land should be issued in the names of twelve of their number only, and in pursuance of this voluntary arrangement the Native Land Court on the 30th April, 1881, ordered that a certificate of title be issued to Wi Pere and eleven others, such land to be inalienable, unless with the consent of the Governor, except by lease not exceeding twenty-one years.

On the 20th May, 1881, a declaration of trust was executed to the effect that the twelve named in the title held the land as trustees for the 179 persons referred to above.

The refusal of the Native Land Court to recognize as owners any but the twelve named in the title, and other matters set out in the preamble of the Mangatu No. 1 Empowering Act, 1893 (private Act), led to the passing of that Act.

That Act declared the 179 persons and the successors of those who had died to be the owners of the block, incorporated them under the name of "Mangatu No. 1," with a Committee of Management of seven owners, and gave the committee power to manage the said land, make leases of the same or any part thereof for a term not exceeding thirty years, and to make by-laws and regulations which were only to operate after the assent of the Governor in Council had been obtained. The Public Trustee was to receive rents, distribute the same, and have his accounts audited by the Audit Office annually.

By-laws and regulations under this Act were duly made and assented to by the Governor in Council on the 11th June, 1895 (see *New Zealand Gazette*, 1895, pages 936, 937, 938). Regulations 44 to 50 provide that the committee and Public Trustee shall cause true accounts to be kept, a balance-sheet to be made out every year, and the accounts to be audited by the Auditor-General once in every year and to be reported to Parliament. Other regulations provide as to the election of the committee, the retirement of the members of the committee, and other matters.

The committee is in existence, but whether appointed in accordance with the regulations we do not know. It is, however, clear from the evidence before us that persons replacing deceased and retiring members have not been elected in a proper manner, and that some of the original members have never retired or been re-elected. Till towards the end of 1917 this committee purported to exercise functions under the Act and regulations.

The Native Land Laws Amendment Act, 1897, section 3, gave Natives power to convey land by way of trust to the Surveyor-General or the Commissioner of Crown Lands for the district, and section 4 sets out the powers of such a trustee. Section 2 of the amending Act of 1898 explains that section 3 of the 1897 Act covers lands owned by or vested in any corporate body of Natives incorporated by any private, general, or special Act whatsoever.

Up to 1898 no transaction of any consequence seems to have taken place, but on the 7th November, 1898, a deed of trust between Wi Pere and others and Mangatu No. 1 corporate body was executed whereby 20,000 acres of Mangatu No. 1 was given to the Wi Pere family to mortgage for the purpose of raising money to pay their debts, such area to revert so soon as the mortgage had been repaid (see Exhibit G).

This 20,000 acres is therefore now part of the Wi Pere family estate (but subject to the deed of trust), and the title is in the names of Henry Cheetham Jackson and Hetekia te Kani Pere. It is, with other lands of the Wi Pere family estate, subject to a mortgage for £61,500 advanced by the Public Trustee on the 29th March, 1917. Full particulars of this mortgage are given on page 12 of Exhibit F).

Before leaving this matter to deal with the balance of Mangatu No. 1 it would seem advisable that (1) either the Wi Pere Trust should have this land returned to the Mangatu No. 1 Estate clear of mortgage, or (2) that on definition of relative interests and partition of Mangatu No. 1 Block by the Native Land Court the Wi Pere family's share should be located in this 20,000 acres, and the balance (if any) returned to the other owners of the block released from mortgage. Also a caveat should be lodged to protect the interests of Mangatu No. 1 corporate body.

The 20,000 acres are all leased to Europeans at an annual rental of £695. Particulars of these leases are given on pages 96 to 103 of Exhibit F.

As to the balance of Mangatu No. 1, 80,226 acres: A full search-note of the titles and a copy of deed of trust are contained in Exhibit F. It is shown that

this portion is the subject of a deed of trust dated the 18th May, 1899, between the Mangatu No. 1 corporate body and the Commissioner of Crown Lands, Hawke's Bay, Henry Cheetham Jackson, and Wi Pere (hereinafter called "the trustees").

By Order in Council (see *New Zealand Gazette*, 25th May, 1899, page 1014) these three were appointed trustees under the provisions of section 3 of the Native Land Laws Amendment Act, 1897, upon the terms embodied in the said deed of trust. This is the foundation of the present trustees' title; and a transfer to them by Mangatu No. 1 corporate body has been duly registered.

Parts of the block were leased for terms of twenty-one years by public auction, and other parts later. A schedule of these leases is attached (see pages 65 to 95 of Exhibit F), showing the present annual rentals to be £3,614, and a form of lease showing the conditions is also attached marked "Z."

The Mangatu No. 1 property is included in seven certificates of title as under:—

	A.	R.	P.
Volume 37, folio 159, Lots 3 and 4 ...	10,888	0	0
Volume 37, folio 160, Lot 2 ...	1,391	0	0
Volume 40, folio 249, Lots 5, 9, and 10 ...	9,937	2	0
Volume 44, folio 39, Lots 6, 7, 8, 11, 12, 13, 14, 15, 16, 17, 18 ...	23,327	0	0
Volume 44, folio 274, Lots 19 and 20 ...	5,633	0	0
Volume 45, folio 153, balance ...	28,367	0	0
	79,543	2	0
Shortage, being errors in first survey Roads, &c. ...	682	2	0
	80,226	0	0.

The last title is cancelled as to the western portion, containing 12,110 acres, for which a new certificate of title (Volume 52, folio 43) has been issued. This is Waitangirua, the farm carried on by the trustees. About 59,000 acres are leased, 8,000 still unlet, and the farm area of 12,110 acres completes the block. This farm title is subject to a mortgage to the Bank of Australasia for £10,000, and the remainder of the property is mortgaged to the Public Trustee as security for an advance of £50,000.

It should also be noted that section 22 of the Native Land Claims Adjustment and Laws Amendment Act, 1901, validates the above-mentioned deed of trust of the 18th May, 1899, as modified by *divers* resolutions passed at a general meeting, and the said resolutions and all leases and other dealings granted and effected by the trustees are declared valid and effectual to all intents and purposes.

We are in doubt as to what these "divers resolutions" were, but it was suggested by counsel that they were those passed on the 21st September, 1900, copies whereof are attached (see Exhibit O3). We also attach copies of resolutions passed at that time by the committee (Exhibit P3).

Also, section 6 of the Native Land Amendment and Native Land Claims Adjustment Act, 1917, provides for an inquiry by the Native Land Court as to certain other persons claiming inclusion as beneficiaries, so that further names may be added to the list of owners.

As to Mangatu No. 3: This block, containing 3,680 acres, was originally acquired by Eruera te Awahuku and sixty-six others as from the 13th April, 1881, under the Native Land Court Act, 1880. The owners have been incorporated, and the certificate of title (Volume 37, folio 224) is in the name of "The Proprietors of the Mangatu No. 3 Block."

By Order in Council (*New Zealand Gazette*, 1st November, 1900, page 1989) the Commissioner of Crown Lands for Hawke's Bay, Wiremu Pere, and Henry Cheetham Jackson are appointed trustees under section 3 of the Native Land Amendment Act, 1897, and upon the terms set out in deed of trust about to be

made, and the land is exempted from restrictions, and may be conveyed to the said trustees and dealt with by them in accordance with the said deed of trust in the same manner and to the same extent as if the same were land owned by a European and so conveyed in trust.

The deed of trust referred to was duly made, and is dated the 18th December, 1900. A copy is attached to Exhibit F, page 119.

The land was by transfer No. 11351 conveyed to the trustees, and was leased by them for twenty-one years from the 15th August, 1901, by lease No. 2673, to William Barron and George Barron, at a present rental of £163 11s. 2d.; and there is a mortgage on the land for £1,600, at 6 per cent., to the Foster Trust Board. For further particulars of this lease and mortgage see Exhibit F, pages 106 to 109.

As to Mangatu No. 4: This block was originally acquired by Karaitiana Ruru and 97 others as from the 13th April, 1881, under the Native Land Court Act, 1880, and the area is 6,000 acres. The owners have been incorporated, and a certificate of title (Volume 37, folio 225) has been issued in the name of "The Proprietors of the Mangatu No. 4 Block." A similar Order in Council and trust deed exist as in the case of No. 3 Block. The same persons are trustees, and the title is now vested in them. This land is now clear of mortgage and not leased. It is, we were informed, heavy-bush land. For further particulars as to title and trust deed see Exhibit F, pages 112, 113, and 124. Like Mangatu No. 1, it is also subject to section 6 of the Native Land Amendment and Native Land Claims Adjustment Act, 1917.

On some of the titles affecting Mangatu Nos. 1, 3, and 4 it is noted that Wiremu Pere (or Wiremu Pere Halbert), one of the trustees, died on the 9th December, 1915.

2. *As to the Amounts now charged by Mortgage or otherwise on the said Blocks respectively, or any Part or Parts thereof.*

On *Mangatu No. 1*, as at 16th November, 1917:—

Mortgage No. 15986, to the Public Trustee, on area of 67,463 acres 2 roods—	£	s.	d.	
Amount of advance ...	50,000	0	0	
Principal repaid ...	3,192	9	5	
Balance owing ...				£ 46,807 10 7

(At this time Mangatu No. 1 rents in Public Trustee's hands amounted to £490 5s. 6d.)

Mortgage No. 18380, to the Bank of Australasia, over 12,110 acres called "Waitangirua":				
Amount advanced and owing ...				10,000 0 0

Total amount charged on No. 1 ... 56,807 10 7

On *Mangatu No. 3*:—

Mortgage No. 15580, to the Foster Trust Board, on area of 3,680 acres: Amount advanced and owing ...				1,600 0 0
--	--	--	--	-----------

On *Mangatu No. 4*: Nil.

Total amount charged on three blocks £58,407 10 7

Also the 20,000 acres, portion of Mangatu No. 1, vested in the Wi Pere family trustees, is, with other lands, mortgaged to the Public Trustee under mortgage No. 18415 to secure £61,500.

3. *The Leases of the said Blocks.*

Portions of Mangatu No. 1 and the whole of No. 3 are leased, but No. 4 is not. Particulars of the leases of No. 1, including those of the 20,000 acres vested in the Wi Pere family trustees, are given on pages 65 to 103 of Exhibit F, and the terms of the lease of No. 3 are given on page 106 thereof.

The annual rentals now being received are as follows :—

	£	s.	d.
For portions of Mangatu No. 1	3,614	0	0
For the 20,000 acres	695	0	0
For Mangatu No. 3	163	11	2

The terms of these leases are fairly satisfactory, and on the expiry in a few years and taking of renewals the rentals will be very greatly increased. The leases granted by the Wi Pere family trustees do not seem to us to be as satisfactory in their terms as the others.

4. *The Past Management of the said Blocks, and the Receipts and Expenditure in connection therewith, and the Annual Cost of Management.*

It will be seen from paragraph 1 of this report that the corporate bodies of Mangatu Nos. 1, 3, and 4 were each represented by a Committee of Management, and each block was vested in the same persons as trustees—the Commissioner of Crown Lands for Hawke's Bay, Wi Pere (now deceased), and Henry Cheetham Jackson. Mr. Jackson also acted as secretary to the committees and to the trustees, and collected all rents and other moneys, made all payments, and the books of the several trusts were kept by his office.

By the deeds of trust the remuneration of the Commissioner and Mr. Jackson was fixed at the following annual sums :—

Mangatu No. 1 : The Commissioner, £50; Mr. Jackson, £150.

Mangatu No. 3 : The Commissioner, £10; Mr. Jackson, £30.

Mangatu No. 4 : The Commissioner, £10; Mr. Jackson, £30.

By the terms of the trust deeds £100 of the amount received by Mr. Jackson from No. 1, £20 from No. 3, and £20 from No. 4 were to be credited by him to the trust estate of Carroll and Wi Pere as a part-payment on account of his salary as receiver in that estate under the decree of the Validation Court. By a resolution of the committee of Mangatu No. 1, dated the 21st August, 1911, the salary of Mr. Jackson was raised to £300 per annum. This was approved by a general meeting on the following day (see Exhibit I3). Mr. Jackson stated in his evidence that the committee offered him £400, but he was satisfied to accept £300 instead of the £150 previously paid.

Prior to 1908 there were no books in existence to record the transactions of the trusts, but towards the end of the year 1907, or early in 1908, Mr. E. H. Pavitt was employed by Mr. Jackson as accountant, and from that date had charge of the books and accounts of Mangatu No. 1, including Waitangirua Station, and also those of Nos. 3 and 4. One of the first duties Mr. Pavitt had to perform was writing up the books of the trusts from 1899 to the end of 1907. The personal accounts were kept, but no entries debiting the various tenants and crediting rental account were put through. We have formed the conclusion that these accounts are very incomplete. No doubt the time which elapsed between the actual transactions and the time they were written up is largely responsible for this.

A good deal of evidence was given as to the minute-books of the committee of No. 1. It would appear that it was not customary to confirm the minutes of a previous meeting : one minute-book was stated to have been lost, and there are numerous rough minutes which have never been entered in any bound minute-book. In short, the methods followed in regard to the minutes have been lax in the extreme.

As stated before, the greater part of Mangatu No. 1 is leased, and the rentals go to pay the interest and reduce the principal of the mortgage to the Public Trustee. The Waitangirua Farm is managed for the trustees by Mr. Edward Tait. Both Mr. Marsh and Mr. Jackson spoke highly of him, and he seems to be an honest and capable manager. Under his control this portion of the estate promises to yield satisfactory returns in the future. Mangatu No. 3 is leased and mortgaged, and No. 4 is bush land and neither leased nor mortgaged.

In later portions of this report other references to the management of the trust lands occur, and attached hereto is a statement showing the receipts and expenditure and cost of management (Exhibit C3).

· 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-

tion, arranged under their proper heads." It follows, as the books were not made up prior to 1908, that this rule has not been observed. Clause 50 of the regulations provides that "Once at least in every year the accounts of the corporation shall be examined, and the correctness of the balance-sheet ascertained by the Controller and Auditor-General, who shall present a report each year to Parliament stating the result of such audit."

No audit took place of the accounts until about the year 1914, when Mr. A. G. Beere audited the accounts extending over a period of more than thirteen years—that is, from the 24th June, 1899, to the 2nd September, 1912. (For his report see Exhibits AA, BB, and WW.) He also audited them again as at the 21st July, 1916. This was completed towards the end of August, 1917 (see Exhibit XX). These appear to be the only occasions on which the Mangatu No. 1 books have ever been audited.

There has never been any audit of the accounts of Nos. 3 and 4, and, of course, these two blocks are not affected by the Mangatu No. 1 Empowering Act. That Act, indeed, does not affect the trustees for No. 1, but only the committee; but the trust deeds for all three blocks contain the following clause: "The trustees shall keep accounts at such bank at Gisborne as the committee shall from time to time determine, and shall keep proper books of accounts, and report to Mangatu No. 1 (3, or 4, as the case may be) once at least in every year upon all matters connected with the management of the trust estate dealt with herein."

Mr. W. F. Marsh, the Commissioner of Crown Lands, in his evidence stated that he made frequent applications for a balance-sheet and accounts, but without success; but we refer more fully to this matter later on. (See copies of correspondence between Messrs. Marsh, Jackson, and Pavitt—Exhibit H3).

6. *The Receipts and Expenditure in connection with the Waitangirua Station.*

We have found it more convenient to include in this paragraph, dealing with Waitangirua, matters which would strictly come under paragraphs 4 (relating to past management) and 9 (relating to moneys paid to persons other than beneficiaries), and also to refer further to the method of accounting.

The Waitangirua Station consists of 12,110 acres, and the trustees' farming operations thereon commenced in May, 1908. No separate books of account were kept for the station, but its transactions were incorporated with the Mangatu No. 1 accounts. To accurately record the working of this farm a stock account should have been kept, and at least every twelve months an account should have been taken of the number of cattle, sheep, and horses at a fixed price per head. Nothing of this sort was done.

On the 24th November, 1914, Mr. W. H. Skinner, a former Commissioner of Crown Lands, wrote to Mr. Jackson as follows: "There are certain remarks and suggestions in the auditor's covering letters (Mr. Beere) that seem to me should be attended to and acted upon where possible. This particularly applies to what Mr. Beere says about that part of the trust estate being worked by the trustees as a station. Separate books and bank account certainly should be kept of all the receipts and outgoings dealing with the station, and, as one of the trustees, I now make formal request that this should be done, and also that a valuation be made annually of stock on the station; such valuation, after being certified to by the valuer appointed, to be attached to the balance-sheet for the information of audit and trustees." (Exhibit N3.)

Mr. Jackson in his evidence stated that he believed Mr. Tait, the station-manager, kept such an account, but we have had no other proof that this was so; and Mr. Tait's farm-books fail to show it, though there is evidence that a shearing-tally was kept for one or two years.

Regulations 47 and 48 under the Mangatu No. 1 Empowering Act, 1893, set out what accounts are to be kept, and specially mention expenditure; but these regulations have not been adhered to, and the accounts do not fully disclose the expenditure.

With regard to the bank account, we found that the Mangatu No. 1 Account was used for the Waitangirua Station until the end of August, 1913; after

that date the rents received from the leased lands were paid direct to the Public Trustee. From that date the cash-book and bank account purport to deal only with the station account, though there are numerous payments through this account which really have nothing to do with the station.

As to bushfelling: No copies of the various contracts for bushfelling were retained by Mr. Jackson; they were prepared in Mr. Jackson's office and handed over to Mr. Tait, the station-manager, who saw they were signed. No entries or memoranda were kept in the books as to these contracts. When a contract was completed or a progress-payment was to be made the custom was that an order signed by Mr. Tait was given to the contractor and presented at Mr. Jackson's office for payment. It would appear that no accounts certified by Mr. Tait ever accompanied these orders or were forwarded to the office in Gisborne. Both Mr. Jackson and Mr. Pavitt stated that their confidence in Mr. Tait's knowledge and integrity was such that they took it for granted that the orders were for the correct amounts.

In the original ledger an account was opened for the Waitangirua Station, and bushfelling, scrub-cutting, stores, and purchase of stock were all debited to this. It was not until a new ledger was written up at the request of the auditor, Mr. Beere, that any attempt was made to subdivide this account under its proper headings.

From the evidence before the Commission there is no doubt that the contractors for bushfelling and fencing were at times supplied with stores from the station, and also with meat. There are no entries in the books to support these statements, although Mr. Jackson stated he supposed Mr. Tait deducted sums due for these supplies from the amounts owing to contractors when giving them orders for payment by the trustees. Mr. Pavitt in his evidence stated there was no meat account kept because none was sold on the station, and that he had never made any inquiries from the manager as to whether stores were supplied to the contractors or not. It should also be noted that no evidence was given as to the manager certifying to the receipt by him of supplies purchased for the station. They appear in the current account of the merchant as debited to the station, but no evidence was given as to the same being checked and certified for payment.

As to certain forged orders, amounting in all to £7,468 14s. 2d.: The sum of £903 10s. 4d., being the net amount received from the estate of Mrs. Tait, was paid by the Registrar of the Supreme Court to Messrs. Rees, Bright, and Wauchope, solicitors to the trustees, leaving a net loss to the Waitangirua Station of £6,565 3s. 10d.

Nine orders, amounting in all to £2,454 19s., were produced for the inspection of the Commissioners. These were the particular orders in respect whereof the police proceeded against Mrs. Tait for forgery, and are set out hereunder:—

No. 2054, dated 13th February, 1917, in favour of Otto and Kotialo, for	£	s.	d.
...	198	4	0
No. 2183, dated 27th March, 1917, Johnston and Co.	267	12	0
No. 2183, dated 27th March, 1917, Nyman and Co.	298	0	0
No. 2197, dated 27th March, 1917, Tobisson and Co.	296	14	0
No. 2197, dated 27th March, 1917, Tobisson and Co.	225	0	0
No. 2201, dated 27th March, 1917, B. Herron and Co.	197	14	0
No. 2208, dated 2nd May, 1917, H. R. Johnston and Co.	384	1	0
No. 2205, dated 2nd May, 1917, Tobisson and Co.	298	0	0
No. 2219, dated 2nd May, 1917, H. R. Johnston and Co.	289	14	0
Total	£2,454	19	0

All these were presented for payment between the 1st and 5th May, 1917, and the reason why some of them were held so long before being presented for payment was never satisfactorily explained to the Commission. Neither Mr. Jackson nor Mr. Pavitt was able to clear up this point.

These orders were all for bushfelling, fencing, and scrub-cutting, and the last two also included wages. Apparently they were paid without any reference by the trustees' office to Mr. Tait, the station-manager, although they were all for large amounts, and unsupported by vouchers or any accounts from the manager showing what the payments were for. Waitangirua Station is connected with the telephone, so little time would have been lost in bringing the matter under Mr. Tait's notice, and such action would have resulted in the immediate discovery of the frauds. Moreover, as there were no copies of contracts at Mr. Jackson's office, it was impossible to check these payments even if they had been made on account of contracts. The last two orders purport to contain wages, which presumably meant wages in connection with the station. Both of these have been debited to bushfelling.

The fact that some of these orders were held up for some time and not presented till the bank account was in funds is a circumstance that points to information being supplied to tradesmen who were holding these forged orders by some person who had a knowledge of the financial position of the trust account.

As to the income and expenditure of the station: Exhibit KK attached hereto shows the operations from the 4th May, 1908, to the 17th November, 1917, but it should be noted that no portion of the salaries of the trustees has been debited to this account for supervision.

We attach hereto the Government valuation, made in May, 1915, of the Waitangirua Station (see Exhibit A3), containing an estimate of the value of the improvements then effected.

7. *The Amounts paid to Beneficiaries in each Year.*

In respect of Mangatu No. 1, the following distributions were made: 1903, £523; 1908, £1,000; 1911, £1,000; 1913, £800; 1915, £300; 1917, £2,985 7s. 4d. These give a total of £6,608 7s. 4d. distributed to the beneficiaries; but in October, 1916, there was a refund by the Wi Pere family of £100. The net amount distributed was therefore £6,508 7s. 4d.

By clause 12 of the trust deed it is provided that the trustees may, after paying expenses, charges, interest, and sinking fund, distribute the annual rents and profits, and may set aside one-third thereof for such purpose or purposes as the owners may determine at any general meeting. As no books of account were in existence till 1908, and no balance-sheets were taken out till 1912, any distributions made prior to the latter date were made in ignorance of the true position of the trust. After the 25th November, 1913, as the rentals had been assigned to the Public Trustee to meet interest due under the mortgage and reduce the principal secured thereby, the only funds available for distribution were the profits of the Waitangirua Station. It is true a balance-sheet was prepared as at the 2nd September, 1912, but no profit and loss account was made out then, and it was not until the second audit of the accounts took place, as at the 21st July, 1916, that any valuation of the farm stock was taken and the whole position set out.

The distribution accounts were paid through a separate account at the Bank of Australasia, and on the 16th October, 1916 (the date of the half-yearly balance), this account was in debit £1,062 19s. 2d.

Mr. Marsh, the Commissioner of Crown Lands for Hawke's Bay, first went to Gisborne after his appointment in July, 1916, met Mr. Jackson, and asked for a report and balance-sheet as soon as possible. Mr. Marsh stated he soon received a good and exhaustive report (Exhibit K3) from Mr. Jackson, who in such report said his accountant has informed him he "will have the accounts complete (and the whole statements of accounts, including the profit and loss accounts) by the second week in August next, and will have such accounts placed

in the auditor's hands on or before that date." No balance-sheet has ever reached Mr. Marsh, who was again in Gisborne from the 14th to the 22nd October, 1916, and visited the station with Mr. Jackson. He got no accounts or balance-sheet, but he heard about matters affecting the trust from Mr. Jackson at the office. Amongst others he heard that the *Wi Pere tangi* had cost the trust £2,000. He did not think so much of that, but it had the effect of first raising doubts in his mind as to the interpretation of the trust deeds and the powers of the trustees thereunder.

Mr. Marsh next came to Gisborne in December, 1916, and attended a meeting of owners with Mr. Jackson. The question of distribution to the owners was discussed between Mr. Marsh and Mr. Jackson, the former holding that moneys could only be paid to the owners out of profits and on shares being defined, and that, as there was no balance-sheet, no distribution could be made. Mr. Jackson's view was that, the trust being in a flourishing condition, stock unencumbered, no mortgage on the Waitangirua Station, and especially as in a few years the rentals would be increased to £12,000 or £15,000 per annum, it would be equitable to give the owners something at once.

Mr. Marsh's reply to this was that the trustees were bound by the terms of the trust deed, and if a distribution was to be made otherwise than in accordance with those terms, steps must first be taken to alter the deed. Mr. Jackson in his evidence readily admitted that Mr. Marsh made strong representations to him as to the non-production of the balance-sheet, and that there were many differences of opinion between them—one of which was over the spending of sums of more than £250 without the sanction of the committee. It is clear also that at this time Mr. Marsh plainly expressed his opinion that no payments to owners could be made until the balance-sheet showed them to be justified.

Mr. Jackson maintained before the Commission that Mr. Marsh was quite willing at the time of his visit to Waitangirua in October, 1916, that a distribution should be made, but Mr. Marsh claimed that he stated that any such payments must be out of the proceeds of the station. He remembered that the committee agreed to a distribution, but that he himself then knew nothing of any proposal to raise money for this purpose, but understood that the station showed a profit of £2,300, and that the Natives would receive their money direct from the trustees' office. He stated positively he would not have consented to money being borrowed for such a purpose.

At any rate, the facts are that after this visit of Mr. Marsh's to the station it was arranged by the committee and Mr. Jackson that a distribution of £1,020 or thereabouts should be made, and that on the 17th November, 1916, an advance was obtained from Messrs. Bennett and Sherratt, merchants, Gisborne, of £1,100 as on account of the Waihirere Block. The cheque for this advance was paid to Messrs. Williams and Kettle (Limited), merchants, with whom the Waitangirua Station had an account current, and by them placed to the credit of a special account. Messrs. Williams and Kettle paid out of this account the distributions made by Mr. Jackson's orders, and the balance, £76 8s. 11d., was handed over to Mr. Jackson and placed to the credit of the current account.

On making this advance Messrs. Bennett and Sherratt received from Mr. Jackson a promissory note for £1,100, dated the 17th November, 1917, at three months, made payable at the office of Mangatu No. 1, Gisborne. It was signed as follows: "Mangatu No. 1 Account.—H. C. Jackson." This note was paid on the 21st March, 1917, by a cheque given on the Mangatu No. 1 Account at the Bank of Australasia for £1,106 2s. 4d., which covers interest for the twenty-nine days overdue at 7 per cent.

It will be noted that this promissory note was made by H. C. Jackson alone; all cheques on the Mangatu No. 1 Account required two signatures. Mr. Jackson claims that he acted in this matter in accordance with the wishes of the committee, and that his co-trustees had approved of a distribution. Mr. Marsh in his evidence states that he had no idea that such a distribution had been made until informed of the fact by Mr. Coleman, sen., a week before the sitting of the Commission, and that if he had known of the proposed loan he would have objected to it.

A good deal of evidence was taken to explain why this £1,100 was paid into a separate account at Messrs. Williams and Kettle's (Limited) and not into the Bank of Australasia Distribution Account, but the bank-books make this quite clear; the latter account at that date was overdrawn to the extent of £1,062 19s. 2d.

Mr. Jackson, under cross-examination, stated that his intention was that the advance from Waihirere should be repaid out of an advance on the wool-clip. On the 16th January, 1917, £1,500 was so advanced by Messrs. Williams and Kettle (Limited), but £1,082 7s. 4d. of that was paid into the Bank of Australasia Distribution Account, and the balance of £417 12s. 8d. to the Wi Pere Trust Estate, which was a creditor at that time.

On the 20th March, 1917, a sum of £10,000 was advanced by the Bank of Australasia on the security of the Waitangirua Station, and it was out of this that the promissory note for £1,100 and interest was paid.

With regard to this loan for £10,000, correspondence took place with Mr. Marsh, who at first refused to sign the cheque until accounts had been audited. He eventually did so on the urgent request of Mr. Pavitt, writing on the 7th March, 1917, for Mr. Jackson, who was then ill. This letter is attached to Exhibit H3, and sets out that the indebtedness of Mangatu No. 1 to the Waihirere Block and Wi Pere Trust Estate of £4,889 8s. 2d. has to be met. In his reply, dated 16th March, the Commissioner complained that all financing with the Wi Pere Trust Estate and Waihirere Block was quite irregular, and the amount owing larger than he had been led to believe, without including interest. One reason for this increase was, of course, the distribution of £1,100 above referred to.

It may be noted here that on the order-books of the station becoming exhausted Public Trust order forms were altered and used. This should never have been allowed. It is open to serious objection as being likely to mislead.

8. *The Number of Beneficiaries entitled to an Interest in each of the said Blocks.*

The Registrar of the Native Land Court explained that it was impossible to give the numbers exactly, as it was certain that the same persons would be included in several succession orders under different names; some in title were deceased, and no succession orders were yet made for their interests. Also, it must be pointed out that section 6 of the Native Land Amendment and Native Land Claims Adjustment Act, 1917, makes provision for an inquiry by the Native Land Court as to claims for inclusion in Nos. 1 and 4 by persons not at present named in the titles to these blocks.

After inspecting the files the Registrar estimated the number of beneficiaries as under:—

Mangatu No. 1	about 400
Mangatu No. 3	about 90
Mangatu No. 4	about 200

9. *Whether any Moneys have been paid to Persons other than Beneficiaries (excluding Moneys expended in the Ordinary Course of Management), and the Circumstances under and in respect of which such Moneys (if any) were so paid.*

Amongst other items coming under this heading are certain payments to the late Mr. W. L. Rees, who acted for some years as solicitor to the trustees. These commence on the 16th May, 1904, with an entry of £100, repaid on the 1st July following. On the 19th December, 1907, a cash advance of £250 was made to Mr. Rees, and further advances (less £80 repaid) make a total of £1,624 1s. 1d. due on this account. The last item in these advances was £115, on the 18th August, 1909.

Mr. Jackson stated these advances were made after Mr. Rees had produced to him a bill of costs against Mangatu No. 1 for over £2,300 and asked for payment. Mr. Jackson refused until costs had been taxed. Wi Pere, another

trustee, was then brought in by Mr. Rees, and he requested that advances be made to Mr. Rees. Mr. Jackson gave way, but said that he always protested, and never made any of these payments except at Wi Pere's express request. It appeared that Mr. Rees claimed that in addition to the bill of costs presented there were other matters to be charged for. Mr. Jackson informed us that the taxation of these costs was always going to be done, but never was done; that his opinion was that there was much more than the amounts advanced by the trustees really due for costs, and that Wi Pere took the responsibility of the payments to Mr. Rees. Mr. Jackson, as a further precaution, obtained a mortgage over certain timber-cutting rights held by Mr. Rees. Mr. Rees has since died, and his estate has been wound up and distributed.

Another account in the books, under the heading of "Waingaromia and Rangatira cases," is peculiar, and shows as under:—

	£	s.	d.
15th June, 1903.—Costs, W. L. Rees ...	100	0	0
23rd June, 1903.—Costs, W. L. Rees ...	2,400	0	0
1st July, 1904.—Debit Good's mortgage ...	2,500	0	0
10th November, 1906.—Judgment and costs ...	1,566	7	5
11th February, 1907.—White and Rees ...	1,020	0	0
Judgment and costs, De			
Latour and Stock ...	2,245	0	0
Further payments to Rees for costs ...	298	4	7
Survey and valuation fees <i>re</i> security to Crown	363	6	7
Total	£10,492	18	7

Cases respecting these two blocks were before the Courts for years, and the decision of the Court of Appeal was in favour of the Native owners. An appeal to the Privy Council followed, and Mr. Jackson explained that a request was made to "Mangatu No. 1" for an advance of £2,500 to enable the owners of Waingaromia and Rangatira to defend the judgment they had obtained in the Court of Appeal. As a substantial number of Mangatu No. 1 owners were also owners in the Waingaromia and Rangatira Blocks the advance asked for was made. Mr. Jackson explained that only those owners of Mangatu No. 1 who had shares in Waingaromia and Rangatira were held liable for this money—that the security to "Mangatu No. 1" was the shares of those owners in Mangatu No. 1 itself—that those who had no shares in the other two blocks were not to be charged with this advance. Mr. Jackson further stated that personally he was fully convinced of the equity of this dealing, and was present at the meeting of owners of Mangatu No. 1 when it was decided that this advance should be made.

Later on a further payment of £2,500 for the same purpose and under the same conditions was made. As additional security Mr. Jackson obtained two documents: one, W. L. Rees to the trustees of Mangatu No. 1, purporting to bind all moneys arising in certain actions regarding Rangatira Block, and the other, W. L. Rees and Wi Pere to "Mangatu No. 1," assigning all their claims and demands upon lands or funds arising out of the Privy Council appeals in the Waingaromia and Rangatira cases, and one-half of the moneys arising out of certain timber contracts. As the Privy Council decided against the Natives these are of no practical value. Both the assignors are dead, and Wi Pere's estate is now in course of distribution. This second £2,500 appears to have been provided by an advance from Mr. Good on mortgage.

As to the next three items—judgment and costs, total £4,831 7s. 5d.: In order to pay the judgment and costs obtained against the Natives in these cases an advance of £5,000 was obtained from the Government by the trustees of Mangatu No. 1, and this £5,000, with interest, amounting in all to £6,782 14s. 4d., was paid off by the Public Trustee on the 22nd January, 1914, out of the £50,000 loan made by him.

According to the documents above referred to, the estates of W. L. Rees and Wi Pere might be held liable, but Mr. Jackson contended that the real

security to "Mangatu No. 1" was the shares in Mangatu held by the Waingaromia and Rangatira owners; that the documents taken by him were merely taken as an additional precaution, and he did not really rely on them at all.

Mr. Pitt, acting on behalf of some of the owners, stated that there was a further agreement (now in the hands of the Hon. A. T. Ngata) between W. L. Rees and Wi Pere of the one part and the Waingaromia and Rangatira owners of the other part, whereby it was arranged that all costs and charges in connection with these two blocks were to be borne by Rees and Wi Pere in consideration of their receiving one-half of any lands and moneys arising out of the actions. We have not been able to see this document, but it does not affect the position so far as the trustees of Mangatu No. 1 are concerned, though it casts a light on the transactions of Rees and Wi Pere in connection with Mangatu No. 1, showing how it was they claimed to have the right to pledge lands and moneys arising out of the Waingaromia and Rangatira cases.

No steps appear to have been taken by the trustees of Mangatu No. 1 to collect this £10,000, or any part of it, from Messrs. Rees and Wi Pere, and that is explained by Mr. Jackson's statement that he placed very little value on the security of the documents entered into with them, but regarded the advances as safely secured by the shares of Waingaromia and Rangatira owners in Mangatu No. 1.

It may be noted here that Mr. Jackson stated he strongly advised the Natives to accept the Assets Board's offer to settle this litigation by a payment of £25,000, but that neither Mr. Rees, Wi Pere, nor the Natives would be guided by him, and that all these advances were authorized by resolutions of meetings of owners. Mr. Hooper in his evidence stated that Mr. Rees was one of those who wished the Assets Board's offer to be accepted.

The books also show that there was a system in vogue of advancing moneys to other Native blocks, and of receiving advances from them. Thus Mangatu No. 1 has advanced to Mangatu Nos. 3 and 4 £2,187 18s. 3d. These two blocks do not appear to have ever been in funds, and on No. 3 there is a mortgage of £1,600, repayable in April, 1922, to the Foster Trust Board. Waihirere Block is indebted to Mangatu No. 1 for £358 14s. 3d., and advances to other blocks total £109.

Advances have been made to individual members of the Wi Pere family. Between May, 1902, and April, 1912, the late Wi Pere received £2,315 1s. 6d. From February, 1904, to October, 1909, Te Kani Pere (Chairman of Mangatu No. 1 Committee) received £2,765 3s. 7d. The total of these individual advances, £5,201 2s. 10d., was transferred to the account of the Wi Pere family trust. The date of this is given in the journal as being the 20th October, 1910, but this is obviously an error, as some of the advances were made later.

Also, for some years there have been large advances by Mangatu No. 1 to the Wi Pere family trust, and *vice versa*. The ledger shows that at present No. 1 is indebted to the Wi Pere family trust in the sum of £2,312 8s. 3d., though at other times the trust has owed the block moneys. Interest has been charged on these advances by Mangatu No. 1.

Neither the Act of 1893 nor the trust deed gave the trustees authority to make or receive advances in this way, but Mr. Jackson was firmly of opinion that it had been good policy for both estates to mutually assist one another thus. Mr. Jackson is also one of the trustees of the Wi Pere Estate, and his co-trustee, Te Kani Pere, is Chairman of the Mangatu No. 1 Committee, while the Wi Pere family claim large interests in this block.

Individuals who are owners in Mangatu No. 1 have also received advances amounting in all to £4,257 10s. 6d. There is no power in the trust deed to make these advances, unless clause 12 thereof, enabling the trustees to reserve a third of the rents and profits for such purposes as a general meeting might determine, gives such power. This, too, seems to be the only provision under which the trustees could make payment for tangis, churches, &c. Mr. Jackson, however, did not pretend to have acted under this clause. He stated that when an owner or block happened to be proceeded against for debt the members of Mangatu

No. 1 Committee would direct him to pay the amount and charge it as an advance to that individual or block. Further, he maintained that the above sum of £4,257 10s. 6d. formed only a small portion of the value of such owners' interests in the property, so that the security for such advances was good.

Certain shares have been purchased—namely, ten shares, Williams and Kettle (Limited), £35; and 100 shares, Poverty Bay Farmers' Meat Company (Limited), £376 2s.; but these investments may well have been justified by the fact that the Waitangirua Station had business relations with these companies.

Another matter that might be rightly mentioned here is that of the forged orders, but we have already dealt with that under clause 6. It might, however, be pointed out that these frauds continued over a period of three years. It is surprising that, apart altogether from the fact that the nine orders for £2,454 19s. were presented for payment within a few days, such large sums (amounting in all to £7,468 14s. 2d.) should be paid away before the secretary and accountant awoke to the fact that the estate was paying out money for nothing. We would have expected that such a large increase in expenditure would have caused earlier inquiry to be made to the manager of the station as to what work was being done to justify such payments. We assume there was no guilty knowledge on the part of any one connected with the office, but it is clear that the supervision of the affairs of the trust must have been of the weakest. Attached to Exhibit KK is a list of these forged orders.

Apart from the evidence tendered before the Commission, we have ourselves made further inquiries with a view to ascertaining whether any other person than Mrs. Tait was concerned in these frauds, but we failed to arrive at anything definite. We think that it should be the duty of the trustees in the future to endeavour to settle that question.

There is a Road Contract Account in the ledger showing expenditure on a road into Waitangirua Station, amounting to £1,707 12s. 10d. (copy attached—Exhibit X3). Mr. Coleman explained that this was part of a larger scheme for which the trustees of Mangatu No. 1 and himself as East Coast Commissioner, on account of Mangatu Nos. 5 and 6 Blocks, were jointly responsible. The above expenditure was for actual formation of the road, and the East Coast Commissioner has expended other sums for surveys, pioneering, &c., in connection with this scheme (see Exhibit X3). No final settlement has been arrived at, but an agreement in writing exists. In the meantime we think that this matter can be safely left in Mr. Coleman's hands.

The accounts show that contributions to tangis have absorbed a large amount. No special mention of this was made by any of the counsel appearing before the Commission, it appearing to be recognized that, however extravagant these sums might seem, such expenditure was in accordance with Native customs and ideas, and with the wishes of the beneficial owners. We think this is one of the matters in which proper control by the trustees has been wanting.

“Generally to inquire into and report upon all Matters relating to the said Blocks, and to recommend what Provision should be made for the Future Management, Control, and Disposition thereof.”

It is clear that the powers given by the trust deed have been exceeded in various ways, as witness what has been said already as to borrowing from and advancing to other blocks, making payments to or on behalf of owners, and in making distributions otherwise than out of profits. We draw special attention to the transactions with W. L. Rees and the Wi Pere family trust.

We consider that Mr. Marsh, the present Commissioner of Crown Lands for Hawke's Bay, is not in any way to blame, having used his utmost endeavours to obtain a proper statement of accounts and to prevent breaches of trust during his trusteeship. It is only since May, 1916, that he has been one of the trustees, and it would naturally take him some little time to acquire a knowledge of the affairs of the trust. His predecessor in office, Mr. W. H. Skinner, also endeavoured to get matters straightened up, and we have attached copies of the correspondence between these officers and Mr. H. C. Jackson.

It is obvious that any Commissioner resident in Napier, and having to direct the business of the Crown Lands Department there, was not in a position to exercise that control over his fellow-trustee resident in Gisborne, and managing the business of the trust there, that seems to have been required in this case. The matter of the £1,100 distribution alone would clearly show this. Whether Mr. Jackson misunderstood the position taken up by Mr. Marsh as to the suggested distribution, or whether he did what he thought best for the Natives in defiance of his co-trustee, is not quite clear. Mr. Marsh's and Mr. Jackson's views did not coincide as to the powers and duties of trustees under the Mangatu No. 1 trust deed; there was considerable disagreement between them, and Mr. Marsh several times refused to sign cheques sent to him for signature. Naturally the real control of matters was in Mr. Jackson's hands, and his view was that, as Mangatu No. 1 was rapidly developing, the present owners were entitled to receive some of the profits that would arise later on from the present operations—that the present generation were entitled to receive benefits from the land as well as the next. As the leases of Mangatu No. 1 would expire in a few years, and the rentals might then be expected to increase to about £15,000 per annum, he considered there was nothing wrong in anticipating some of this by making moderate distributions to the owners, although that might not be in strict accordance with the trust deed. We must admit there is a good deal in this contention; but he was failing to distinguish between capital and income. Moreover, it must be remembered that, as secretary to the committee, Mr. Jackson was particularly exposed to the attempts of the Natives to obtain payments, and it is undoubtedly a fact that Wi Pere, a man of dominating character, exercised considerable influence over him, as also did the late Mr. W. L. Rees in years gone by.

That the books have not been properly kept was due, Mr. Jackson told us, to the fact that he left that work to Mr. E. H. Pavitt, a properly certificated accountant, in whom he had much confidence. He stated that it was a surprise to him that these were not in proper order, as he had never found Mr. Pavitt at a loss when asked for information from the books. But it is impossible to absolve Mr. Jackson from blame on that account, and it must be remembered that no proper books had been kept previous to Mr. Pavitt's engagement about 1907. It was Mr. Jackson's duty to see that proper accounts were kept and yearly balance-sheets made out and audited, and he has failed to carry out that duty. Also, he has allowed the affairs of his trust to become entangled with those of other blocks, and has not shown (as witness the forged orders) that care and attention that a trustee is required to display. In his evidence he stated that he did not understand the accounts and never looked at the books. No doubt Mr. Pavitt was responsible for the actual writing-up of the books, and Mr. Jackson stated he was led to believe that they were closely written up and could be balanced at any time, and that the preparation of a balance-sheet would only entail a few closing entries being made. We refer to Mr. A. G. Beere's report dated 27th April, 1914 (Exhibit AA), to show what the actual state of the books was at the 2nd September, 1912. The evidence given by Mr. Thomas A. Coleman, the East Coast Commissioner, fully bore out the auditor's report.

In all matters that we have referred to in this report and that appear in the books and minutes of the trust there is nothing leading us to believe that Mr. Jackson has ever benefited himself at the expense of the beneficiaries, though opportunities for him to do so have not been wanting. That the committee had confidence in him is shown by their resolution in August, 1911, increasing his salary from £150 to £300 per annum. Also, it must be remembered that he was in extremely bad health from December, 1916, to the end of March, 1917, has never been really well since, and in consequence has had to leave matters in great measure to his accountant. No evidence against Mr. Jackson's personal character has been given, and all parties agreed as to his honesty and integrity.

With regard to the future management and control of Mangatu Nos. 1, 3, and 4, we offer the following suggestions :—

- (a.) That the control by the East Coast Commissioner, as set out in section 7 of the Native Land Amendment and Native Land Claims Adjustment Act, 1917, be continued until the appointment of new trustees as mentioned below.
- (b.) That the owners and shares of owners of Mangatu Nos. 1 and 4 be as soon as possible settled by the Native Land Court under the provisions of section 6 of the last-mentioned Act.
- (c.) That the shares of the owners in Mangatu No. 3 be defined as soon as possible.
- (d.) That within three months of the shares of the owners in any block being finally settled by the Court a new committee of seven persons be elected for such block.
- (e.) That upon the definition of the shares in any block two new trustees therefor be appointed by the Crown, the same persons to be trustees for each of the three blocks.
- (f.) That the present trust deeds be cancelled, and the Mangatu No. 1 Empowering Act, 1893, and the rules and regulations thereunder, be repealed by a new Act setting out the duties and powers of the committees and trustees. The terms of such new Act could be settled by counsel for the trustees and the committees and the Minister of Native Affairs.
- (g.) That a public accountant should be appointed as auditor, and by preference be one well acquainted with the audit of sheep-station accounts, and whose place of business is outside Gisborne.

As to the two trustees suggested, one, we think, should be a practical sheep-farmer, and the other Mr. Thomas Alexander Coleman, the East Coast Commissioner. If Mr. Coleman became one of the trustees he could also take the secretaryship to the committees. The office of the trusts could be the East Coast Commissioner's office, and such office could have charge of the books of account, and act as accountants to the trusts.

We see no reason why the services of Mr. Edward Tait, the present farm-manager, should not be retained.

Mr. Bright, acting for the present committee of Mangatu No. 1, put in its suggestions as to the future control of that block, which were generally approved by other counsel, although some small differences of opinion were expressed. We attach these to this report (Exhibit Y3). We do not agree with their (the committee's) proposal that the Registrar of the Native Land Court at Gisborne should be one of the trustees. His appointment, unless the accounting and secretarial duties were undertaken by his office, would in no way benefit the estate, and it is doubtful if the local office staff have the necessary qualifications to undertake the business of the trust. As to the employment of an accountant to keep the books, we think expense will be saved if our proposal be adopted; and there is no mention in Mr. Bright's exhibit as to the secretaryship to the committee. The appointment of trustee, secretary, and accountant as different individuals would make the management unwieldy and expensive, whereas we propose to focus it in one office.

As to the net loss caused by the forgeries, set down by us at £6,565 3s. 10d., we recommend that it be capitalized. From evidence which came under our notice it is not at all certain that the previously mentioned amount of £7,468 14s. 2d. is the total sum covered by the frauds. It may yet appear that other payments were obtained by means of forged vouchers for wages. In the meantime, however, Mr. Coleman is making careful inquiry, and may be trusted to arrive at the true position.

Section 7 of the Native Land Amendment and Native Land Claims Adjustment Act, 1917, provides for the costs of the Commission, and of the East Coast Commissioner, and counsel and solicitors employed by him before the Commis-

sion. We make the further suggestion that the costs of the parties represented by Messrs. Burnard, Bright, Dunlop, and Pitt be provided for in the same manner up to the following amounts: £50 each for Messrs. Burnard, Dunlop, and Pitt, and £100 for Mr. Bright.

We attach hereto the complete and accurate report of the proceedings published by the *Poverty Bay Herald* (marked Z3).

Dated at Wellington, this 18th day of April, 1918.

W. E. RAWSON,
ARTHUR T. CLARKE, } Commissioners.

LIST OF EXHIBITS ATTACHED TO REPORT.

Exhibit.

- F—Search of titles of Mangatu Blocks 1, 3, and 4, with copies of trust deeds.
- G—Deed of trust, Wi Pere family with Mangatu No. 1 corporate body.
- Z—Printed form of lease of Mangatu No. 1.
- C3—Statement of receipts and expenditure for Mangatu No. 1.
- AA—Report of Mr. A. G. Beere, auditor, dated 27th April, 1914.
- BB—Auditor's supplementary report, dated 18th November, 1914.
- WW—Statement of receipts, expenditure, assets, and liabilities of Mangatu No. 1, signed by H. C. Jackson and A. G. Beere, November, 1914.
- XX—Balance-sheet, Mangatu No. 1, signed by H. C. Jackson and A. G. Beere, August, 1917.
- H3—Copy of correspondence, W. F. Marsh with H. C. Jackson and E. H. Pavitt.
- N3—Letter dated 24th November, 1914, W. H. Skinner to H. C. Jackson.
- K3—Report of H. C. Jackson to Commissioner of Crown Lands.
- KK—Waitangirua Station Profit and Loss Account from 4th May, 1908, to 17th November, 1917.
- X3—Road Contract Account, with statement of expenditure by East Coast Commissioner.
- Y3—Suggestions of committee for future control of Mangatu No. 1 Block.
- Z3—Paper report of proceedings and evidence.
- B3—Statement of position of Mangatu No. 1.

- LL—Permanent improvements on Waitangirua Station.
- A3—Government valuation of Wairangirua Station, dated 13th May, 1915.
- O3—Resolutions of meeting of owners of Mangatu No. 1 on 21st September, 1900.
- P3—Resolutions of committee of Mangatu No. 1.
- CC—Confirmation of accounts, August, 1911.
- J3—Trustees' report and statement of accounts, August, 1911.
- I3—Rough minutes of meeting of 21st August, 1911.
- D—Plan of Waitangirua.

Approximate Cost of Paper.—Preparation, not given; printing (750 copies), £16 10s.

By Authority: MARCUS F. MARKS, Government Printer, Wellington.—1918.

Price 9d.]

