

Money Paid Hon. Peter Smith Says Home Bank Supervisor

Official Testifies as to Frequent Calls Made by Former Provincial Treasurer on J. Cooper Mason, and Memorandum Pad of Dead General Manager Bears Mute Evidence of Appointments and Bank's Books of Payments—Late Minister Retains Counsel.

Visits of Hon. Peter Smith to the office of Col. Cooper Mason, general manager of the Home Bank, bulked large in the testimony before the Public Accounts' Committee yesterday morning when the inquiry was resumed into the conduct of the Treasury Department under the U. F. O. regime. With G. Whittaker, general supervisor of the Home Bank, on the stand, the committee heard the story of how \$2,500 was withdrawn from the bank in legal tender "because Hon. Peter Smith was calling," and how it was later handed to Col. Mason in a plain envelope, while the former Provincial Treasurer was in his office.

The committee heard also the story of a subsequent visit of Hon. Peter Smith to Colonel Mason when, after having been closeted together for some minutes, Col. Mason came out and inquired if Mr. Calvert, the assistant-general manager of the bank, had come up yet. Mr. Calvert had arrived later and had handed a similar plain envelope to Col. Mason, which he had taken back into the room in which Hon. Mr. Smith was waiting.

Mr. Whittaker also produced for the committee the late Col. Mason's memorandum pad, which he had found only on Tuesday evening last, and which contained numerous records of appointments with Hon. Mr. Smith.

The witness stated that he had known and that he believed other officials of the Home Bank to have known that commissions were being paid in respect to the deposit account which the Province had with the institution.

To Audit Harris' Books.

After hearing this evidence the committee adjourned to meet tomorrow morning at ten o'clock, when A. E. Calvert, assistant general manager of the Home Bank will be called. The committee also during its sitting ratified a proposal for the thorough audit of the books of the bond firms with which George Harris, of Hamilton, was connected. A loss to the Province alleged to total \$87,530, in its dealings with the Browning, Harris firm, is to be investigated and the audit of the books is with a view to eliciting all facts relevant.

Joseph Whitaker, who had been general supervisor in the service of

the Home Bank, was the first witness. He was closely questioned concerning the \$15,000 cheque to Hon. Peter Smith, on behalf of the Province, but stated that his first knowledge of it had been when Liquidator Clarkson had drawn it to his attention. Various other items in the Cooper Mason and the Provincial Treasury bills accounts were brought to his notice, but he stated that he had had no connection with them.

Secured \$2,500.

His first pertinent recollection of any connection with Provincial details was an event of July 27th, 1921. On that day he had been told to go into the vault and secure \$2,500, in legal tenders, as Hon. Peter Smith was coming. He had secured

the money and had turned it over to Col. Mason in Hon. Peter Smith's presence.

Col. Price, cross-examining the witness, detailed sums totalling \$38,000 which the bank had paid out. Witness said that this amount had been paid as commission to influence the Province to make deposits with the bank.

Col. Price asked if the witness had ever seen Hon. Peter Smith in the bank office.

"Probably a dozen times," he replied.

"For what purpose would he be there?"

"To make these collections, I would say."

There was a demur of protest from the U.F.O. members of the committee at this evidence.

The witness recalled another occasion on which Colonel Mason had told him that Hon. Peter Smith was to call and that he did not wish to be disturbed while he was there. Some minutes after Hon. Peter Smith had arrived and Colonel Mason had later asked if Mr. Calvert, the Assistant General Manager, had been up to the office. Mr. Calvert had not, but Col. Mason waited until he did come, after which he received an envelope from him and went back to the office in which Hon. Peter Smith was waiting.

Mr. Whittaker knew no further details of this transaction.

In further evidence, Mr. Whittaker said that on Tuesday evening last, at 6 o'clock he had discovered Col. Mason's desk memorandum pad. He said that to the best of his recollection it would show that Colonel Mason had had appointments with Hon. Peter Smith on three out of the four days on which the bank in 1923 had paid out commissions.

Pad Is Produced.

The committee sent for the memorandum pad.

On one occasion Colonel Mason had remarked in Whittaker's presence, "The Honorable Peter is losing no time."

A. Belanger, Liberal member for Russell, asked the witness what meaning had he taken from the remarks. Had it been meant that Hon. Mr. Smith was losing no time in making deposits or in securing commissions?

"Losing no time in trying to get commissions," the witness replied.

Hon. Mr. Price queried the witness concerning certain cheques cashed under his endorsement. On June 8th, 1920, there had been one of \$3,525, out of which \$2,525 had been credited to the province's account. On June 15th, there had been a cheque for \$2,000 cashed. On November 16th, a cheque for \$1,500 had been cashed.

Mr. Whittaker said that all these cheques had been cashed under instructions from Col. Mason and charged to general expense in connection with provincial treasury bill issues being handled by the bank.

Reverting to the time when Mr. Whittaker had secured the \$2,500 in legal tenders for Colonel Mason, which had been delivered to the general manager in Hon. Peter Smith's presence, Col. Price asked him if Mr. Chapman, the official who had given him the legal tenders, had been surprised when he had asked for them.

"No. He was expecting me," Whittaker said.

"Did you know, then, about these affairs?" Col. Price asked.

"We knew about this deal," witness replied.

He said that he had asked Chapman how he was putting the deal through the books. Chapman had said that he was charging the payment to the debit interest account, which was an account used for the payment of interest to customers withdrawing their accounts, and which was closed out half yearly with respect to the bank's profit and loss account.

Payment of Commissions.

In cross examination by Harold Fisher, Liberal member for Ottawa, the fact that the Home Bank had paid out commissions for deposits on several other occasions was revealed. Mr. Whittaker conceded, however, that so far as he knew the Provincial account had been the only one in respect to which such commissions were being paid in 1921.

"Did any other officials of the bank know that these payments were being made?" Mr. Fisher asked.

"I don't know conclusively that they did," Mr. Whittaker said. He believed, however, that the officials who had made out the cheques would know the purpose for which they were intended.

The witness, when Hon. Mr. Doherty took over the cross-examination, had said that there might be reasons for the payment of commissions had it meant larger deposits or had it meant keeping a deposit account which might otherwise be lost to the bank. He had not been able to say whether or not the Province's deposits had been greater after the payment of the commission.

"I am going to say that after 1919," Hon. Mr. Doherty declared, the Province's deposits were less than previously. What does not jibe, in my opinion, is the fact of the bank paying commissions and getting smaller deposits."

The witness's only explanation was that the general manager might have considered the payment preferable to losing the account altogether.

Colonel Mason's memorandum had by this time arrived in the committee.

Running Close Together.

The first entry was on January 5th, and ran as follows: "Hon. P. Smith, 3.15." There was also another entry on the same date: "See F. H. Richardson."

"Hon. Mr. Smith and Mr. Richardson were running pretty close together," Hon. Mr. Price remarked.

"On the pad, yes," the witness agreed.

Colonel Price pointed out that on January 5th the sum of \$1,800 had been paid out as commission by the bank.

On April 5th, 7th and 9th, the notation "Hon. P. Smith" appeared on the memorandum pad as having had appointments with the general manager.

Turning to the bank's debit slips, Col. Price showed that on April 6th the bank had paid out \$3,000 on account of commissions on the Provincial account.

On June 7th, Col. Price elicited in further evidence, when Mr. Calvert had been acting general manager of the bank, payments for commissions had been made. No appointment, however, was noted for Hon. Mr. Smith on the memorandum pad.

Mr. Whittaker was asked if Hon. Mr. Smith had had any personal account in the Home Bank. He answered that he had not.

Other dates on which appointments with Hon. Mr. Smith were recorded were, January 25, March 13, 21, 26, 27, April 4, 5, 7, 9, 17, 20. Col. Mason, witness said, had left the bank towards the end of April.

Cross-examining Mr. Whittaker on this point, Mr. Fisher was told by him that the dates might represent matters to be looked after or to be taken up with the assistant general manager, as well as appointments.

Examination was closed upon these matters before the committee at this point, as the attendance of Mr. Calvert, assistant general manager of the Home Bank, and of Mr. Chapman, accountant of the Home Bank, was considered desirable. The committee spent the remainder of its sitting upon Browning-Harris and Provincial Securities' Company matters with George R. Harris, of Hamilton, as its witness.

Mr. Harris produced, as ordered, the books of Messrs. Browning, Harris, Northey and Company, and of Messrs. Moyan, Dean Harris and Mulveney Company.

The books of Messrs. Browning, Harris, Denman and Company had not been brought by the witness.

"Mr. Browning refused to allow them to be brought, as they were being used in the company's current business," Mr. Harris said.

"Mr. Browning has been writing that he wished to appear before the committee. You may tell him that he may come any time," Chairman Finlayson told Mr. Harris.

Mr. Harris lodged the books which he had brought with the committee. Hon. Mr. Price then announced that the matter would be placed in the hands of the Clarkson accounting firm with a view to having a thorough audit made that would disclose all the Harris firm's dealings with the Province. Mr. G. T. Clarkson will go to Hamilton with Mr. Harris, and the Public Accounts Committee will see that he is given access to all books, documents, or vouchers which he may desire to examine.

The committee, after ratifying this arrangement, adjourned.

052520

78

WATSON PUBLISHING, 300, I, Vc

PUBLIC ARCHIVES
ARCHIVES PUBLIQUES
CANADA