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FIRST REPORT

OF THE

Financial and Departmental

COMMISSION.

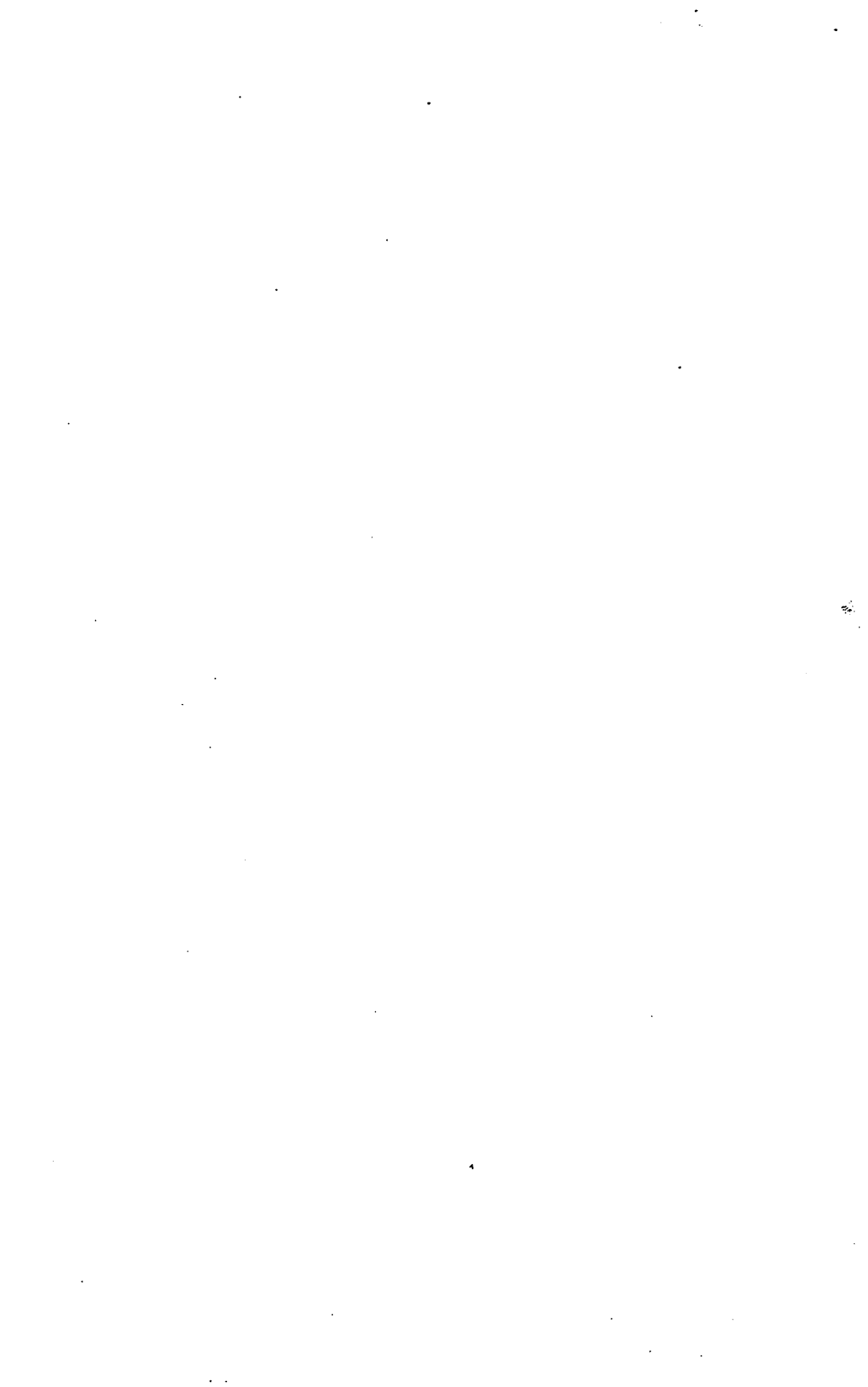
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MAY, 1863.

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QUEBEC:  
JOSIAH BLACKBURN, FABRIQUE STREET.  
1863.





# PROVINCE OF CANADA.



MONCK.

*VICTORIA, by the Grace of God, of the United Kingdom of Great Britain and Ireland,  
QUEEN, Defender of the Faith, etc., etc., etc.*

To THOMAS STORROW BROWN and WILLIAM BRISTOW, of the City of Montreal, and  
GEORGE SHEPPARD, of the City of Quebec, Esquires—GREETING:

**W**HEREAS serious charges of malversation in the Public Departments and of misappropriation of public moneys without the sanction of Law, have been preferred and repeated in and out of Parliament, for a series of years, and it is therefore necessary that a thorough and impartial examination should be had into the system under which the financial affairs of Our Province of Canada have been conducted during the last ten years. Now KNOW YE, that reposing especial trust and confidence in your loyalty, ability, and integrity, We, of Our especial Grace and of Our Royal Will and pleasure, do by these presents, Nominate, Constitute, and Appoint you the said Thomas Storrow Brown, William Bristow, and George Sheppard, to be Our Commissioners for the following purposes, that is to say: To enquire into the prevailing mode of keeping the Public Accounts of this Province, and the items of receipt and disbursement of money by every Department of the Public Service, and how the same have been and are now checked and audited, and also to enquire into the issue of debentures authorized by law; their sale or disposal, the payment of interest thereon and the redemption thereof, together with the accounts relating to the same, and to ascertain how the existing method facilitates the application of proper checks to the various transactions connected with the issue and management of public securities; and further to enquire into all the expenditure which form the deduction from revenue, and the manner in which the contingencies of the various departments, and all branches of the public service are vouched, paid and accounted for, or estimated and checked. To have and to hold the Office of Commissioners as aforesaid unto you and each of you during Our Royal Pleasure.

And it is Our further Will and Pleasure, and we do, in pursuance of the Statute in that behalf, hereby authorize and empower you, the said Thomas Storrow Brown, William Bristow, and George Sheppard, or any two of you, as such Commissioners, to summon before you any party or witnesses, and to require them to give evidence on oath orally or in writing, (or on solemn affirmation, if such parties be entitled to affirm in civil matters,) and to produce such documents and things, as you the said Thomas Storrow Brown, William Bristow, and George Sheppard, or any two of you, may deem requisite to the full investigation of the matters and things aforesaid. And we do hereby require that you the said Commissioners do report the result of the above mentioned investigation with all convenient speed to Our Governor of the said Province for the time being.

IN TESTIMONY WHEREOF, We have caused these Our Letters to be made Patent,  
and the Great Seal of Our said Province to be hereunto affixed:

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WITNESS Our Right Trusty and Well-Beloved Cousin, the Right Honorable CHARLES STANLEY, Viscount MONCK, Baron MONCK of Ballytrammon, in the County of Wexford, Governor General of British North America, and Captain General and Governor in Chief in and over Our Provinces of Canada, Nova Scotia, New Brunswick, and the Island of Prince Edward, and Vice Admiral of the same, &c., &c. &c. At Quebec, this twenty-sixth day of November, in the year of Our Lord one thousand eight hundred and sixty-two, and in the twenty-sixth year of Our Reign.

By Command,

(Signed,)

E. PARENT,

Assistant Secretary.

# FIRST REPORT

OF THE

## Financial and Departmental Commission.

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The undersigned, who were appointed by her Majesty's Commission, under the Great Seal of the Province of Canada, bearing date the 26th day of November, A.D. 1862, "to enquire into the prevailing mode of keeping the Public Accounts of this Province, and the items of receipt and disbursement of money by every department of the public service, and how the same have been and are now checked and audited,—and also to enquire into the issue of debentures authorized by law—their sale or disposal, the payment of interest thereon, and the redemption thereof, together with the accounts relating to the same; and to ascertain how the existing method facilitates the application of proper checks to the various transactions connected with the issue and management of public securities; and, further, to enquire into all the expenditure which forms the deduction from revenue, and the manner in which the contingencies of the various departments, and all branches of the public service are vouched, paid and accounted for, or estimated and checked," respectfully beg leave to present their first Report to His Excellency the Governor General, in obedience to a call made on them to that effect.

### THEY RESPECTFULLY REPRESENT,

That on the 27th November, the Commissioners opened their Commission at Quebec, and took into consideration the most advisable course to be pursued in prosecuting the important inquiry with which they are entrusted.

After careful deliberation on the subject, in all its bearings, the Commissioners determined to adopt, as the initiatory step in the prosecution of their labors, that "thorough and impartial examination into the system under which the financial affairs of the Province of Canada have been conducted during the last ten years," which the terms of their Commission enjoin on them. In pursuance of this determination, they summoned before them, in succession, Mr. Dickinson, Acting Deputy Inspector General; Mr. Langton, Auditor of Public Accounts; Mr. Harington, Deputy Receiver General; Mr. Trudeau, Secretary of Public Works; Mr. Andrew Russell, Assistant Commissioner of Crown Lands, with other principal officers in their respective departments, and derived from them much valuable testimony on the various subjects to which their examination extended. The leading

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1865  
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object of the Commission in this initiatory stage of their proceedings was to scrutinize the efficiency of the working of the system as now in force, the degree of harmony it insures amongst the several departments, and the amount of protection it affords against fraudulent or wasteful expenditure. This part of the enquiry was, in a great degree, of a Departmental character, and all the particular incidents detailed in evidence bear on one or other of the points adverted to. During the enquiry, transactions of a more special nature, and of great importance, were brought to light, which demanded for their elucidation the testimony of another class of witnesses, amongst whom may be mentioned the Hon. A. T. Galt, the Hon. John Ross, the Hon. W. P. Howland, and Mr. Cassels, Cashier of the Bank of Upper Canada, who successively appeared before the Commission.

The evidence ranges over a wide field of enquiry, and much of it is incomplete in the most essential particulars. The condensation, therefore, which this report presents must, in many respects, be regarded rather as a synopsis of its general character than a complete conclusion from it.

Foremost amongst the subjects of investigation by the Commission is the Audit system. This was instituted in 1854-'55, under the provisions of Act 18 Vic., cap. 78, which established a Board composed of "the Deputy Inspector General as Chairman, the Commissioner of Customs, and an Auditor to be appointed by the Governor General, their duties being, under the direction and supervision of the Minister of Finance, from time to time to report to the said Minister of Finance on any accounts laid before the said Board."

The powers and position of the creation under this Act,—an official holding the high title of Auditor,—whose signature has given, for a few years past, a certain degree of confidence in the correctness of statements and accounts to which his name has been attached, received the particular attention of the Commissioners, who find that the Act does not define his exact position, and that whatever may have been the original intention of the law, he is to all intents and purposes "a simple subordinate" in the Finance Minister's Department. (Q. 42.) "I am aware," says Mr. Langton, "that the general impression is, that I have more power than I really possess, and that I am held responsible for things over which I have no control." The practice of the Auditor corresponds with his theory. It amounts to little beyond a comparison of figures with figures, to see that statements, accounts and vouchers rendered to him correspond arithmetically on their face, but in verification of the substance of the accounts audited it amounts to nothing. His special duty under the Act is defined to be, "to examine, check and audit the accounts and expenditure of the Department of Public Works, and all contracts made by or with that Department;" but, according to the Auditor's own description, "the unfortunate system upon which the books of that department are kept," renders them the most difficult to deal with of any accounts which come before him. "One would imagine that the principal object to be sought for in the books of the Department of Public Works would be to shew, in the first place, the appropriations made by Parliament for the several services; secondly, the engagements made by the Department on account of these appropriations; thirdly, the amount of work done; and fourthly, the money paid. But the last of them is the only thing which enters into the books of the Department." "The accounts, which I think ought to be rendered for audit are the general accounts of contractors or others, shewing the work they have engaged to do, the work they have done, and the amount

that has been paid to them on account of that work. The vouchers sent to me would perhaps enable me to make out such accounts, but it would only be by reconstructing from them a ledger, such as I think ought to be kept by the Department. As to contracts, "the accounts connected with them are so confused by 'extras and deviations,' of the amount, nature and necessity of which he is unacquainted, and his audit takes no cognizance, and concerning the prices of which, whether they are fair or not, he has no personal knowledge—he has been led frequently to state to the Minister of Finance, that he could only hold himself responsible for the correctness of additions and extensions, and other such matters which may be called the financial audit, as distinguished from the engineering audit." Particular instances, such as "Mr. Baby's Works, the Ottawa Works, and others have appeared to the auditor as of an unsatisfactory nature," and have been "privately mentioned to the Minister of Finance, and sometimes to the Commissioner of Public Works;" but he "had no authority further to interfere."

A partial reform has, however, been effected in the Department, for Mr. Langton says:—"I may add, however, that since I came into office, there has been a great improvement, in one respect, in our check upon the Public Works Department. Formerly the Department had practically the power of paying away the public money *without any control*. They issued certificates that a certain sum was due to an individual, and the Bank was authorized to cash these certificates. When the certificate was presented in order that the warrant might issue, it was generally presented by the Bank which had made the advance, and not by the individual. The issue of the warrant became little more than a form. According to the present system the certificate never goes into the hands of the individual, but is sent to the Department of the Minister of Finance, and, after having been examined there, is the authority for a warrant to be drawn out. I think that this improvement was effected in 1857."

Owing to the former practice it appears, on page 44, there are still outstanding claims by the Bank on the Government, to the amount of £7,951 0s. 9d.

Over the Crown Lands Department the influence of the audit is equally insignificant. As to the accounts of the separate agents who act for the Department, there are (Q. 32) "no means of auditing them, and the auditing of receipts is always most difficult. In fact there is no proper way of auditing them, except publicity." Of scrip, the auditor observes, "All the cancelled scrip comes in to me. Up to the present time I have taken all the late scrip which has been issued as genuine; with regard to the old scrip, very little of which is now in existence, many forgeries have passed at the Crown Land Department." Regarding that scrip, full particulars of an extensive fraud will be found in another part of this Report. The auditor adds that "since the investigation he has reason to believe that the Crown Land Department is a great deal more particular in verifying the scrip than was the case formerly."

The audit of the other expenditures by this branch is thus characterized: "All accounts paid are certified by the Commissioner or Assistant Commissioner, and beyond this I have no authority to go. Over the amount expended for surveys I have no control. There is a general authority vested in the heads of Departments for all expenditure necessary for the collection of revenue, and such expenditure does not come before Parliament in the estimates. I do not think that there is a sufficient line between this class of ex-

penditure and others, that they should be treated in such a different way. For instance, a vote is annually taken on the estimates for the payment of the salaries of the staff of the Department of Finance, but no vote is taken for the salaries of the officers employed in the Custom House at Quebec or elsewhere. Again, the Commissioner of Public Works cannot spend £100 upon any work without a vote of Parliament. But the Commissioner of Crown Lands may order any expenditure he likes upon surveys." Of Colonization Roads, the auditor says: "In auditing the accounts of Colonization Roads, I see that no more is paid than is authorized by the appropriation. This Parliamentary appropriation is subsequently divided by Orders in Council, amongst different roads, and I endeavor to check the expenditure against these sub-appropriations. But as many of the roads are under the superintendence of the same individual, it is very difficult to keep the sub-appropriations quite distinct."

Concerning the Post Office audit, he observes: "There is very little that can be audited outside of the Department itself." The Bureau of Agriculture and Statistics "have not for the last five years had any accounts of expenditure to audit. The Receiver General's Department "is placed under the Deputy Inspector General, and not the Auditor. But, in fact, the auditing of that portion of the interest on the public debt which is paid in London, and which forms the greatest part of the whole, cannot be audited in the Finance Department, as they have not the necessary materials. The Receiver General really audits that, and I see no objection to his doing so, other than the requirement of the Audit Act, which assigns the duty to the Deputy Inspector General." Neither does the Deputy Inspector General's Branch of the Finance Department come under the supervision of Mr. Langton, as auditor. He is "constantly compelled to refer to the books, and called upon by Parliament and the Ministry for statements which require familiarity with all the transactions of the Branch;" the expenditure is periodically checked with his books. "As Auditor, he is cognizant of the accuracy of the annual balance sheet, and verifies every account embraced in it."

The audit of Provincial Asylums, Hospitals, Penitentiaries and Prisons is also of a very loose description. It merely extends to checking the figures of such accounts as are laid before him, in which task he says there is "no difficulty," but adds, "I have sometimes found a difficulty in knowing whether a certain expenditure was necessary, and even whether it was charged at the proper rates." This duty of "verification" appears to be entrusted to the Prison Inspectors themselves, the parties under whom the expenditure is incurred, who, says Mr. Langton, "have much better opportunities than I can have of ascertaining if everything is regular."

The "examination, check, and audit of the accounts and expenditure" of the University of Toronto, and of the Superintendents of Education of Upper and Lower Canada is confined within narrow limits. All these parties transmit accounts with vouchers. With reference to the management of the endowment of the first-named Institution, the Auditor has "nothing to do except to see that nothing is charged against the principal, except what there is authority for;" "in the investment of the University money the Bursar acts under an Order in Council, and takes his instructions from the Attorney General;" "the audit does not extend beyond the vouchers." Vouchers are in like manner transmitted to the Auditor for the Superintendents of Education; those for Upper Canada

are characterized as "very regular" and correct in form, those from Lower Canada as "not so satisfactory": improvement in the latter may, however, be anticipated, as the Auditor "about a year ago sent a gentleman from his office to put them in a better way of keeping their books." The "separate appropriations" for educational purposes appear to be sometimes disregarded in the distribution of the moneys, and when this disregard "becomes of a permanent character," the Auditor "calls the attention of the Government to it." With the Upper Canada account a remedy for the irregularity, through an Order in Council, is easily provided, there being "a balance of the Legislative grant unappropriated, and a balance in the Receiver General's hands undrawn; but in Lower Canada, where there are no funds in hand, and the service is largely in debt, and there are Legislative appropriations for a larger amount than the funds ever realize, the readjustment of the balances is a question of great difficulty. The case in Lower Canada is this: that the income fund produces less than was estimated, that the expenditure authorized is more than the estimate, and that more is expended than is authorized." (Q.36). Respecting the audit of the accounts of the Militia, the same remark applies as to those of Education: "there are several appropriations, but the expenditure takes place from accountable warrants embracing the whole of them. When therefore a warrant is applied for, we can only be guided by the aggregate of the appropriations, and we cannot tell how much has been expended upon each separate appropriation until the accounts are received. It may thus happen that one appropriation has been exceeded and has to be charged in 'unprovided items,' when there is no Order in Council authorizing it."—(Q. 37.)

The examination of the returns of the Savings and other Banks prescribed by law by the Auditor is of the slightest description. Respecting the first class, the Auditor observes:

"It amounts to nothing at all. They send in a return, but I have no means of testing the correctness of it, and I have no power to make any investigation into it. Sometimes, indeed, I receive no returns. My opinion is that the whole system of Savings' Banks ought to be entirely altered. At present there is no check or audit whatever. From the chartered Banks I receive their own statements monthly, and publish them in the *Gazette*. The Governor General has power under their charters to call for further information, but I am not aware that this power has ever been exercised since I have been in office. Personally I have no knowledge of the accuracy of these statements, and I have no means of proving them. I take no account of the relation which their specie bears to their issues. The Banks make a return to me annually of the amount of debentures held by them, which is verified on oath."—(Q. 39.)

On Insurance returns, his information is: "Some returns are occasionally sent to me, but I have not received them from all the Insurance Companies, and I have no means of looking into their affairs."—(Q. 40.)

This exhibition by the Auditor of his mode of exercising his functions demonstrates the inadequacy of the system as a safeguard of the public interests, or as "a check against malversation in the public departments or misappropriations of public moneys without the sanction of law."

Turning from the subject of the audit system, the Commissioners now present their impression of the evidence taken respecting the economy and management of the principal Public Departments, both internally and with relation to each other. And first with regard to book-keeping. The law provides (Consolidated Statutes, Cap. 14, Sec. 22) that

"the public accounts of the Province shall be kept by double entry in the Offices of the Receiver-General and the Minister of Finance; and an annual statement shall be prepared, as soon as practicable, after the termination of each fiscal year, exhibiting the state of the Public Debt, and the amounts chargeable against each of the Public Works for which any part of the debt has been contracted; also the state of the Consolidated Revenue Fund, and of the various trusts and special funds under the management of the Provincial Government, and such other accounts and matters as may be required to shew what the liabilities and assets of the Province really are at the date of such statement." The accounts of these two Departments are kept by double entry in the cash-book, journal, and ledger, with a number of auxiliary books, containing details of the Revenue and Expenditure—their correctness being proved by the general books.—(Q. 3.) "The Receiver-General's books are supposed to correspond with those kept in the Office of the Minister of Finance, although there are various auxiliary books kept in one Department which are not kept in the other."—(Q. 4.) This is the statement of Mr. Dickinson. That of Mr. Harington does not vary in substance; he declares, "Each ought to be a check to the other, inasmuch as no receipt of money or payment made is completed until the vouchers have gone through both Departments."—(Q. 50.) This check appears to be made through "a trial balance sheet, taken from the general ledger in the Inspector-General's Department, occasionally, say three or four times during the year, and there is an annual balance on the 31st December in each year."—(Q. 23.) The book keeper of the Receiver General also keeps "a trial balance-book of his own, which he checks with the Finance Minister's books, very often, sometimes weekly."—(Q. 51.) How far, however, the books of the Receiver-General's Department are "a counterpart of those in the Finance Department," Mr. Harington does not know, and Mr. Dickinson (Q. 11) speaks of certain items entering into the "trial balance sheet," of which he has not the particulars in his books. An instance of discrepancy between the two Departments is to be found in relation to the entries against the Upper Canada Bank for the Bill of Exchange on the Grand Trunk Company, purchased by the Government, concerning which a narrative is given in a subsequent portion of this Report. The amount appears to have been placed to the debit of the Bank in August, 1860, in the Inspector-General's books (Q. 1048), whilst the first entry as against the Bank, in the Receiver-General's books, was on the 16th October, 1861.—(Q. 1020.)

The general character of the books of the Receiver General's Department is thus described by Mr. Harington as rendering improvement necessary. He says:

"In my opinion, the accounts as now kept are subdivided too much, creating an unnecessary liability to error and mystification. This remark applies especially to the old Debenture books, which necessitate a large number of references to trace the history of many classes of debentures now outstanding. When I entered the office I was given to understand that the books had not been balanced for five years. After a time I found that there were large differences *pro* and *con*, between the office books and the Bank of Upper Canada; and Mr. Lewis, an accountant, has ever since been employed in trying to get at the bottom of these differences. We are narrowing them down rapidly, but have not got to the bottom of them yet. There were large items debited by the Receiver General against the Bank, for which there was no corresponding credit in the bank books; and in other cases the bank had charges against us for which we had not given them credit. This state of things showed an amount of carelessness on the part of somebody, for which I am unable to account."



In coming to the question of receipts and payments of public money, the Commissioners find the operations systematised and simplified in a measure by the law and practice which requires that the revenues of the Province, and all public dues shall be paid into Bank to the credit of the Receiver General, and that no expenditure of moneys out of the public chest shall be made except by cheque, signed by the Receiver General, and countersigned by the Finance Minister, or their respective deputies, on some Bank, upon the warrant of the Governor in Council.

The process of receipt and acknowledgement is thus described by Mr. Deputy Receiver General Harington—(Q. 49):

"All public moneys are received by the Receiver General, not in the form of cash, but by bank certificates of deposit, accompanied, in the case of the Bank of Upper Canada, by drafts. The draft is drawn by the agent where the money is deposited, and is payable at the branch where the Government for the time being is,—Quebec for the present. So that the total balance in that bank is shown at the branch where the Receiver General's Department actually is. In some of the counties there are no branches of the Bank of Upper Canada, and in these cases the parties receiving money on account of the Government for tavern licenses, have remitted cash, which is at once deposited in the Bank of Upper Canada here, and a certificate of deposit returned to the office, on which the amount is carried to account. The bank gives to the person who remits, through its agency, two certificates and a draft; the original certificate he retains; the duplicate and the draft he forwards to the Department. In all cases the parties receive an official receipt signed by the Deputy Receiver General and the Deputy Inspector General. With regard to the other banks, where casual deposits are made, they give a simple certificate of deposit to the parties, or a draft on their own agency nearest the seat of government, payable at sight. These drafts are forwarded to the Department, are there endorsed by the Receiver General or his deputy, in favor of the Cashier of the Bank of Upper Canada, and sent down to him as cash, the same kind of certificates of deposit being returned to us as if actual cash were deposited. It is then brought to account, and the official receipt is sent to the parties depositing, signed by the two deputies named. Public moneys received by other departments of the government, are deposited in the Bank of Upper Canada, and an ordinary certificate of deposit is furnished by them to the Receiver General, by whom precisely the same kind of receipt is forwarded to them as to parties remitting from a distance."

The entire amount of receipts, whether for revenue or debts due to, and collected for the Province, being deposited in Banks, all payments are made in warrants, either "simple," as for a vote of a fixed sum or an admitted claim; or "accountable," the nature of the latter being thus explained.

"By accountable warrants I mean a round sum paid to the party accounting, as to the expenditure of which he has afterwards to render a statement with vouchers. There are also some other warrants which are occasionally called accountable warrants, but to which the word does not strictly apply. Thus, the certificate of the Commissioner of Public Works, applying for the issue of a warrant, bears upon the face of it the words to be accounted for, and the warrant is drawn out accordingly. But as the money is not paid to the Commissioner of Public Works, he cannot account for its proper application; what is meant is, that he will afterwards render an account, shewing how he arrived at this sum as the proper amount to be paid to the individual. So also a person who has done work for the Government, say, the Queen's Printer, gets a warrant which would more properly be called a warrant on account. He has not to account for the application of the money, but only to shew that he has earned it."—(Q. 32.)

All "advances by the issue of accountable warrants on the application of the heads of departments for current expenses," or to "public officers connected with the administration

of justice in Lower Canada, or to public officers or others connected with the Government to pay travelling expenses, when engaged in the public service, are made without reference to the Executive Council, except in particular cases," when the Auditor or Deputy Inspector General regard the amount applied for as "excessive." Under this class of "advances" made on the simple "order of heads of Departments" "without reference to the Executive Council,"—(Q. 20.)—is comprehended the amounts that come under the head "Deductions from Revenue," being "the salaries and contingencies in connection with the collection of the revenues of the Province, the expenses of surveys, of the Postal Service, and similar charges." These are never submitted to Parliament nor covered by its vote. A reference to Table I, to be found in the Appendix, will prove the progressive increase, and the large amount of public moneys comprehended under this head; the aggregate for the year 1862 being \$1,404,778 72. The following reference to this subject, in the Report of the Minister of Finance, Mr. Howland, laid before Parliament at its recent Session, renders any comment on the part of the Commissioners superfluous:—

"Not the least important of the changes which the undersigned hope to see brought about in connection with the reduction of administrative expenses, is one that will give to Parliament the power of limiting the amounts expended by the heads of the several departments. At present, these expenditures may be increased indefinitely, at the will of a minister or a government; for they are provided for out of the current revenues, which come into the Provincial Treasury only after deductions to which there is no recognized limit. The true system appears to be one that will bring into the Treasury the whole of the receipts, from whatsoever source derived, and that will confer upon Parliament the power, and impose upon it the duty, of determining specifically the sums that shall be expended under departmental authorisation and supervision."

Another class of irregular "advances" must be here adverted to, although not coming under the same category as the last, since they are authorized by Orders in Council. They consist of the amounts for which warrants are issued either in excess of, or without appropriations by, Parliament. These sums are subsequently made the subjects of indemnity by a vote in Parliament. The rapid increase of the expenditure under this head, of "Unprovided Items," is also demonstrated in Statement No. III of the Appendix.

Judging from the evidence taken before the Commission, a very wide and important difference of opinion has existed between the heads of the two great Financial Departments of State as to their respective powers, attributes, and functions. It has already been shewn that the public accounts are recorded in the books of each of these Departments, and the control over the public funds is also guarded by law in the provision that renders imperative the signature of the heads or deputy heads of both Departments to all cheques for the withdrawal of public moneys from their places of deposit. Joint authority over the public funds would, therefore, appear to be the rule, and joint responsibility the result. But the construction of the "functions" proper to the two offices appears to have varied, according to the character and disposition of the parties who held them. Mr. Harington, in answer to a question (48) regarding the functions "of the Receiver General's Department," replies:

"It is not easy to answer the question, because every Receiver General who enters office has his own peculiar opinions upon the subject. Shortly after I came in, Mr. Sherwood became Receiver General, and he considered that the Finance Minister was responsible for everything relating to the initiation of financial matters, such as the negotiation of loans, and so forth." \* \* \* \* \*

"The present Receiver General, I have reason to believe, entertains an opinion in regard to his duties quite the opposite of that acted upon by Mr. Sherwood. I believe that Mr. Morris considers that he has as much right to take part in the active management of the financial affairs as the Finance Minister himself. My opinion is, that the Finance Minister, having to provide ways and means, should transact all the preliminary matters, and that, after action on the part of the Government, the business of the Receiver General, as the treasurer of the Province, is to carry out the executive part of the Government plans. Otherwise, the Department of the Receiver General would be a mere branch of the Department of the Minister of Finance, instead of a separate and independent department. I know that when the Finance Minister interferes with what I consider the strict duty of the Receiver General's Department, misunderstandings arise. I have seen these occur. The misunderstanding begins with the heads, and extends to the deputy heads and subordinates." \* \* \* \* \*

"When the Government agreed to the recommendations of the Minister of Finance, in regard to loans or other financial subjects, such as the purchase of exchange, Mr. Sherwood considered that it was the Receiver General's duty to do the executive part of the finance, such as preparing Debentures and really issuing them. Mr. Sherwood's general practice was to refer matters to Mr. Galt, then the Finance Minister, whose suggestions were usually acted upon in our Department. Mr. Carling succeeded Mr. Sherwood, but did not interfere in any way during his short incumbency."—(Q. 48.)

The views of Mr. Sherwood were "acquiesced in by the Government." "In the early part of 1858, Mr. Galt recommended the passing of an Order in Council directing the correspondence with the English agents relating to the financial affairs of the Province, to be carried on by the Minister of Finance; which order was passed."—(Q. 56.)

Although the Receiver General still keeps the accounts with the London agents, his correspondence with them is now trifling. The consequence of this transfer of correspondence, Mr. Harington thus depicts:—"For some little time we did not see the correspondence in question; but on pointing out the inconvenience that was likely to arise from the practice, the letters received from Glynns and Barings were sent down to us. We make copies, and return the originals. The correspondence we see is from the English agents; the replies to them from the Department of the Finance Minister, we do not see."—(Q. 56.)

This attribution of nearly all the functions relating to Finance to the Finance Minister, leads to what Mr. Harington regards as "an anomaly in the rule acted upon for the disposal or management of the Provincial funds in England." He justly observes on it thus:

"Here, where the funds are comparatively small, the consent of the Receiver General as well as of the Finance Minister, is requisite to their disposal. But with regard to England, where the transactions are large, the Finance Minister appears to direct the disposal of funds at his own discretion, without any check on the part of the Receiver General."

Instances will be adduced in subsequent pages of this Report, affording abundant testimony to the baneful consequences to the finances of the country arising from this trespass on what was formerly regarded as the proper walk of the Receiver General, and thus converting his high and responsible office, from one of concurrent jurisdiction to a mere appendage to the Ministry of Finance. It will there be seen that, acting on the Order in Council passed at his recommendation, Mr. Galt negotiated loans, and entered into very large transactions of a pecuniary nature with the London Agents of the Province, the Bank of Upper Canada and others, of some of which no record, and in others only a record of the most incomplete and unsatisfactory description, is to be found in the official books of public correspondence. Some of these negotiations have been transacted

verbally, and only brief minutes, where any have been preserved, exist, leading to difficulties, misapprehensions, and denials of the sense in which they are alleged to have been made. The consequence has been, in more than one case, repudiation by the parties of heavy debts which the Finance Minister represented as due by them to the Province. It is needless in this place to utter more on this subject than to express utter reprobation by the Commission of the entire system of management, in this respect, of the Finance Departments of this Province.

The looseness and irregularity which are visible in the Public Works Department extend far beyond its book-keeping. Its records of account are defective ; its checks upon expenditure worthless ; its paucity of information on points essential to a correct understanding of its transactions in their progress, is, confessedly, deplorable. And these vices appear to pervade its entire system. They are met everywhere, varying, indeed, in form, but in essence always the same.

In regard to contracts, another important defect is manifest. The expediency of making a rule absolute, would seem to be nowhere more clear than in laying the foundation of those large expenditures which are under the control of the Commissioner of Public Works. A contract is executed as an indispensable security against possible breaches of faith on the part of those who undertake the construction of works. But what is a contract without a schedule of prices ? Of what avail as a check upon over-charges is an instrument which takes no cognizance of the rates at which materials are to be supplied and labour is to be performed ? Yet the testimony of Mr. Trudeau is, that there is no definite practice in this matter. (Q. 86.) Experience has taught him that it would be well if to every contract were attached two schedules of prices, one according to which the progress estimates should be made, the other fixing the rate at which extra work should be paid for. (Q. 97). But it is not alleged that this course is pursued, or that any attempt is systematically made to attain the object at which it aims. A large loophole for exaction on one hand, and for favoritism and extravagance on the other, is provided at the outset.

Hence the facility with which expenditure for extras is incurred. The Commissioner may order or sanction their payment to an unlimited extent, and his word secures their payment, whether they are contemplated in the contract or covered by the appropriation or not. "The Commissioner determines the course to be pursued in this respect," are Mr. Trudeau's words ; he "alone has authority within the Department to make any deviation from the contract," and his oral order is accepted as sufficient. (Q. 91.) The most important accounts for extras have been passed by certain of the Commissioners without reference to the Deputy Commissioner, who has been described as the professional as distinguished from the administrative head of the Department. Mr. Rubidge, the Assistant Engineer of the Department, explaining the engineering audit, declares that in checking accounts for extras, he would regard the oral or written order of the Commissioner as justification for payment for work not provided for by the terms of the contract. (Q. 239).

No more striking illustration of the evils incident to the radical defects of the public Works Department, and of the extent to which they are sometimes used, can be had than that which is afforded by the Ottawa Buildings and the payments to Mr. McGreevy under

his contract. The Secretary of the Public Works Department laid before the Commission papers shewing that on 31st May, 1861, the estimated amount of work performed by Mr. McGreevy was \$277,899.32, and at that date he had been paid on account \$248,163.95. As the terms of the contract required the retention by the Department of ten per cent on the gross amount of work and materials, as security for the proper fulfilment of the arrangement, it follows that at the period referred to, Mr. McGreevy had received all to which he was entitled, with the trifling exception of \$1,945.44. Between the following month (June) and November in the same year, Mr. McGreevy received further sums amounting in the aggregate to \$235,000; and it is instructive to note the authority which existed in the several instances for the payments entering into this sum. The first payment of \$30,000, on June 13, appears to have been made on the authority of an Order in Council, on account of the general contract, without any estimate to justify it. On June 18th, there was a payment of \$10,000; on the 25th, of \$15,000, without any authority other than that of the Commissioner, who, in making these payments, surrendered the drawback which he was required to keep for the protection of the public interests. On July 31st, there was a payment of \$25,000; on August 26th, a payment of \$20,000; on September 11th, a payment of \$40,000—in each case resting upon progress estimates, and therefore, it is to be presumed, correct; though a remark subsequently attached by Messrs. Fuller & Jones to one of their certificates shews that even with regard to these estimates a serious irregularity had existed, inasmuch as some of the estimates on account of work which had been professionally under their charge had been forwarded to the Department without reference to them—a course which in the opinion of Mr. Trudeau was “not completely satisfactory”, but which in nowise impeded the payments in question. In October \$50,000 more were paid, or rather advanced, on the report of Mr. Killaly, who furnished no details to justify the advance, the alleged object of which was to enable the contractor to pay the men he had discharged. In November \$45,000 were paid on an estimate based upon Mr. Killaly’s revaluation of the whole work, ordinary and extra. Considering the payments in the light of the contract only, this last sum of \$45,000 should be deducted from the statement, which will then shew a total payment under the contract of \$190,000. The amount shewn by the three progress estimates to have been due, exclusive of the drawback, was \$81,820.76; add to which the original balance of \$1,945.44, and the \$60,000 which Mr. Killaly reported might safely be advanced, and a total is obtained of \$143,766.19. It therefore follows that, apart from the question of revaluation, Mr. McGreevy was overpaid on the sole authority of the Commissioner, \$46,233.81. (p.p. 36 to 39.)

In his evidence on the 18th December, Mr. Trudeau cited a clause in the contract as authority for the advance on the drawback made by the Commissioner in the payment on the 13th June. The clause to which reference is made sets forth,—“That it shall be in the power of the Commissioner on behalf of Her Majesty, to make payments or advances on materials, implements, vessels, or tools of any description procured for the works, or used or intended to be used about the same, in such cases and upon such terms and conditions as to the said Commissioner may seem proper.” (Q. 156.) Accompanying conditions provide that an advance or payment of this nature shall assume the character of a mortgage, the tools, implements or materials on which the advance or payment is

made being thenceforward "vested in and held as collateral security by Her Majesty." (Q. 162.) In reply to the question—"Were any materials made over to the Crown in pursuance of these conditions, and as a consequence of" any advance? the Secretary states—"None, except the building materials recited at full length in the progress monthly estimates," where they are classed in the category of work and materials from which the drawback of ten per cent. should be retained. On the 20th December, the same witness qualified this portion of his evidence by remarking that the right of the Commissioner to advance on the drawback as expressed by Mr. McGreevy's contract, must be understood to apply only to that portion of it which is retained on the materials, the proportion of drawback on which would be small. His final conclusion was, that as the total drawback retained at the period to which reference is made amounted to \$27,789.93, the \$25,000 which were paid on account of the drawback was a larger proportion than the corrected explanation would justify.

The practice which prevailed in regard to payments and advances to Mr. McGreevy is stated to have extended in the main to other contractors, Messrs. Jones, Haycock & Co.; (Q. 189.) but the Commission in the mean time abstained from pushing the enquiry further than seemed requisite to obtain a knowledge of this important feature of the administration of the Public Works Department.

The Quebec Jail has also afforded occasions for heavy outlay under the head of extras, and of a very large increase of expenditure on the amount provided for by the contract; moneys being provided by Orders in Council to an extent which, up to the date of the latest returns, had added nearly 50 per cent. to the cost originally fixed by the contract. In the first instance, an Order in Council named \$64,000 as the cost of the building, with an addition of 5 per cent. as compensation to the architect for his professional supervision. On the 9th December last, the sum of \$69,059.18 had been paid to the contractors, including upwards of \$10,000 for extras, and altogether exclusive of the amount received by or due to the architect, (p. 42.) In addition to the \$69,059.18, a further sum of \$21,236.44 had been provided by Orders in Council; Parliament having no voice in determining the expenditure and no knowledge of it until called upon afterwards to furnish the funds, and the Commissioner having entire control over the works and the sums expended upon them. The glaring defects in the books of account of the Public Works Department, failing as they do to shew the sum appropriated for each work, not only render it difficult for officers who desire to discharge their duty to keep any check on outgoing funds, but facilitate recklessness, and throw a shield over the arbitrary and unauthorized expenditure in which it has been the habit of particular Commissioners to indulge.

In connection with other branches of the same subject—the extent and irregularity of expenditures conducted on the sole authority of the Commissioner or the Government for the time being—attention may be usefully directed to the outlay upon buildings appropriated for the occupancy of His Excellency the Governor General. Extending the enquiry no further back than the Spring of 1860, a very suggestive series of facts have been brought to light.

Under the authority of an Order in Council passed on the 12th March, 1860, the Commissioner of Public Works entered into an agreement with Mr. Henry Burstall for the lease of the property known as Cataragui, for a term of three years and some days, a

an annual rent of £400 (Q. 114.) Concurrently with the execution of the lease was the execution of a deed of agreement by which the Commissioner, in behalf of the Government, covenanted that at the expiration of the term covered by the lease, "the said property should be sold, and that the said Henry Burstall should receive, as the price thereof, the sum of £5,000,"—the sale to be by public auction, and the condition being that, if the property, being sold, realized less than the sum of £5,000 currency, Her Majesty should be bound "to make good the difference in cash to the said Henry Burstall."—(Q. 115.)

Although the Secretary of the Department states in his evidence that the lease and the agreement to purchase were alike of record, the latter was the only part of the transaction at the time known to the public. Aside, however, from the question of secrecy, the improvidence of the arrangement is manifest, since on the supposition that the property was worth £5,000, and that the possession of it was necessary for the accommodation of the Governor General, the cheaper plan would have been at once to complete the purchase, instead of paying a rental at the rate of 8 per cent., with the ultimate certainty of being obliged to realize by the sale the principal sum stipulated in the deed of agreement.

Having acquired possession of Catarqui, a process of expenditure upon it commenced and continued until the removal of His Excellency thence. The total expended during His Excellency's occupancy is reported by the bookkeeper of the Department of Public Works to have amounted to \$10,483.52, of which sum, \$3,358.71 was paid for furniture, and \$6,297.36 for repairs. "In this statement," the witness adds, "no allowance is made for the wages of parties employed in taking charge of the grounds and buildings." (Q. 1133.)

On the 27th February, in the present year, the property was offered for sale at public auction, and was sold for \$12,100. The difference between this sum and the \$20,000 guaranteed by the deed of agreement being paid by Government, and being the amount of loss directly consequent upon the transaction.—(Q. 1120, 1121.) Altogether, the Catarqui account may be stated as follows:—

Repairs.....	\$ 6,297 36
Rent (say three years, at \$1,600).....	4,800 00
Loss on Sale.....	7,900 00

\$18,997 36

Or, an annual charge for three years of \$6,332.45, exclusive of \$3,358.71 for furniture, and all the incidental expenses for maintenance and management.

But the Catarqui transaction dwindles into trifling proportions when compared with the expenditure incurred in relation to the late residence of His Excellency in Quebec. In October, 1861, whilst the Catarqui expenditure was still going on, a city residence was required for His Excellency, and the Government selected for the purpose two private dwellings in St. Louis Street, one, the property of Mr. Bradshaw, being already leased for governmental purposes for a period of two years and eight months, at an annual rental of £400; the other, owned by Mr. Baby, being at the time occupied by Mr. Desbarats at a yearly rental of £150.—(Q. 1128, 1137.) The value of the houses may be pronounced equal, and the rental paid by Mr. Desbarats may, it is presumed, be taken as the measure of the annual value of either. To obtain Mr. Desbarats' relinquishment of his tenancy, however, it was necessary to provide for him another domicile with accommodation similar

to that of the house which he then occupied, and the then Premier of the Government, Mr. Cartier, entered into an agreement with Mr. Joseph Hamel for the tenancy of the house owned by him on the Esplanade. It was an unfinished house, and additions were necessary to make it acceptable to Mr. Desbarats, who states that in its then condition £125 would have been its extreme annual value. Mr. Cartier agreed to pay a rental of £350.—(p. 194.) Moreover, the sum of \$2,600.23 was expended upon it to render it fit for the occupation of a private gentleman.—(p. 193.) In other words, the Government agreed to pay more than double the extreme annual value of the House, and in addition made a present to Mr. Hamel of improvements costing upwards of \$2,600.

Meanwhile, the larger outlay on the dwelling-houses chosen for His Excellency was being conducted under the personal direction of Mr. Cauchon, the Commissioner of Public Works. Enquiry has not elicited a minute statement of the circumstances under which the work was carried on; the Public Works Department, according to the testimony of its Secretary, not being in possession of any complete record of the arrangement, the greater part of which was made verbally. "There were no written contracts," the same witness states, and he has no record of any verbal agreements which may have been made from time to time between Mr. Cauchon, the Commissioner, and the builders. (Q. 1131.) The financial result is known, however, and it speaks with a cogency which renders comment superfluous. A total of \$55,229.97 (p. 193) represents the actual expenditure incurred without contracts, without the sanction of Parliament, without any specific appropriation, without any authority whatever beyond that of the Government of the day, and without any check upon the items beyond the will of the Commissioner of Public Works. Deduct \$19,849.83, the amount set down under the head of furniture, and deduct also two or three trifling sums not properly connected with the St. Lewis-street building, and the account stands thus:—

Repair of and additions to houses .....	\$24,257.34
Stables .....	7,492.60
Additions to J. Hamel's house.....	2,600.23
J. F. Bradshaw, rent from 1st September, 1861, to 1st May, 1863 .....	2,666.68
J. Hamel, rent from 8th October, 1861, to 1st May, 1863, and six months' taxes .....	2,230.25
Gas and water rent .....	979.68
Insurance of house and furniture .....	188.68
Total.....	\$40,415.46

That is to say, \$40,415.46 for twelve months' use and possession of a city residence by the Governor General; His Excellency having entered into its occupation in March, 1862, and having left it in March of the present year.

Passing to the Crown Lands Department, the evidence obtained by the Commission abundantly establishes the necessity of amendment in every part of the system. In many respects it is the most important, as it is unquestionably the most extensive of the Departments, several of the branches being in themselves departments, judging them by the extent of their operations and their bearings upon the revenue and expenditure of the Province. It is a Department which has grown into importance simultaneously with the



growth of the Province in population, with the extension of territory available for settlement, and with the development of the lumber trade; and the result is visible in the absence of that well-ordered distribution of labour and responsibility which an organization constructed with reference to ascertained wants might be expected to exhibit.

The theoretical principle on which the surveys of the public lands are carried on is now perfect; the practical conduct of the surveys in the reverse. In Upper and Lower Canada, what Mr. Russell describes as the astronomical system is in operation. Mr. Joseph Bouchette, speaking for Lower Canada, states that "the astronomical system is made absolute, and has been since 1850." Mr. Devine, speaking for Upper Canada, says the same. "The use of the theodolite and the taking of astronomical observations are made absolute," is the reply which the latter witness gives to a question upon the subject. Both of these witnesses, however, admit that the system which is essential to accuracy, and which is professedly in operation, is to a large extent disregarded by the surveyors employed by the Department. "I apprehend," says Mr. Bouchette, "that there are frequent departures from this system;" cautiously adding, "but this I state from hearsay." (Q. 446.) Mr. Devine declares that the surveyors' returns are no proof of their adherence to the instructions, and that he has no means of imposing any check upon them, so far as astronomical surveying is concerned.—(Q. 470.) Upon this head we have more than inferential testimony. Mr. Bouchette admits that erroneous surveys are numerous enough both in Upper and Lower Canada (Q. 458); and with a view to test the surveys of Lower Canada he recommended an inspection, which was made to a very limited extent in 1861 by Mr. Fletcher, the senior surveyor in the Surveyor's Branch of the Department, who, speaking of certain surveys on the Gatineau and Du Lièvre Rivers, exposes their comparative worthlessness, and says that the result of his labours seemed to him to establish the necessity of a thorough and systematic inspection, which has not yet been undertaken.—(Q. 757.) Mr. Bridgland, by whom a limited inspection of surveys was conducted in some of the newer townships of Upper Canada, reported that the general result was unsatisfactory, and that a large increase in the cost of surveys has not been attended with any corresponding improvement in their character.—(Q. 640.)

The absence of everything like systematic inspection seems to afford a premium to negligence and dishonesty, of which a few surveyors in both sections have not hesitated to avail themselves. According to Mr. Russell, a surveyor may make a false plan and false field notes, and if they agree, the fraud cannot be discovered in the office.—(Q. 281.) The evidence of Mr. Fletcher and Mr. Bridgland is conclusive as to the fact that these frauds have been perpetrated in many instances with impunity. The verification of surveys should precede payment for them; at present it takes place after payment, and only then irregularly and incompletely.

How far the political influences which usually enter into the appointment of Surveyors are chargeable with the errors and imperfections which exist in the surveys, is a question on which there is room for an unfavorable opinion. "Formerly," Mr. Russell states, "the Commissioner usually consulted the head of the Upper Canada surveys respecting the fitness of the persons recommended by the local members, and Mr. Papineau went so far in this direction as to hold this officer responsible for the fitness of the individuals employed."—(Q. 329.) For some years past a different practice has prevailed, the

Commissioner appointing Surveyors on the recommendation of members of Parliament, without consulting the officers who are supposed to be responsible for the management of the surveys in their respective sections. "During the last 12 or 15 years," says Mr. Bouchette, "I have not had the nomination of Surveyors."—(Q. 440.) And again, Mr. Devine says: "The Commissioner makes the appointments, in some cases consulting me, but not usually."—(Q. 467.)

The audit of Surveyors' accounts devolves upon Mr. Bouchette and Mr. Devine respectively; a regular scale being acted upon in estimating the sums payable for surveys alleged to have been performed. Departures from this scale sometimes occur under the sanction of the Commissioner. The most notable instance of this kind which has been brought under the attention of the Commission is that of Mr. Francis Jones, M.P.P. In 1857, he was employed to survey the Township of Canoto, in Upper Canada. A general suspension of surveys was ordered some months afterwards, that of Canoto being amongst the number; Mr. Jones having at the time surveyed 17,563 acres.\* For this service he received \$3,955.66c., or an average of 22c. per acre; in addition to which he was paid \$355.57c. for transport.—(Q. 325.) the average cost of surveys at the same time in neighboring townships being but 8c. per acre. Mr. Russell pronounces this payment in itself excessive.—(Q. 313.) Mr. Devine, whose duty it was to examine and report upon Mr. Jones' charges, considered his demand for surveying unreasonably high, and submitted a report to that effect to the Commissioner. He further considered the charges for transport enormous, as also the charges for stationery and for the time employed.—(Q. 483, 484.) Mr. Vankoughnet, the then Commissioner, in sanctioning the payment, remarked that the Department must close accounts with Mr. Jones, and have the survey finished by more economical means.—(Q. 487.) The evidence shews that this costly survey was not equal in quality to the cheaper surveys in the neighboring townships.—(Q. 488.)

Nevertheless, Mr. Jones sought and obtained more. On the plea of loss arising from the leaving of provisions, camp equipage, and instruments behind him, and also from loss of time from the stoppage of the survey, he subsequently preferred a claim amounting to \$1,434, furnishing a statement of supplies covered by the account, but no vouchers, and claiming for himself payment at the rate of \$6 a-day, although if actually employed, he would have been entitled to only \$4 and a *per diem* allowance of 50 cents. At the time, Mr. Jones' allowance was not recognized by the Department. "I, as Assistant Commissioner," states Mr. Russell, "expressed my opinion strongly against its justice, and especially the amount, which seemed to me excessive." He adds, "I thought it would be monstrous to concede it." Through the confidence of the electors of North Leeds and Grenville, Mr. Jones entered Parliament in 1861, and in November in that year his claim, which had remained unsettled in the Department, was taken up by Mr. John A. Macdonald, who acted as Commissioner during Mr. Vankoughnet's absence in England, and who ordered payment to Mr. Jones of \$600 on account, without the recommendatory report which it is customary to obtain from the officers entrusted with the Surveyors' branch. In the following Session, whilst Mr. Jones was in attendance upon his Parliamentary duties, Mr. Sherwood, who had succeeded Mr. Vankoughnet in the Commission-

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\*By a typographical error, the table at page 56 of the Evidence makes Mr. Jones to have surveyed 27,563 acres; it should read 17,563 acres.

ership, directed Mr. Russell to pay the balance of Mr. Jones' account, to which had now been added \$258 by way of interest, (pp. 54, 55.) The rule of the department requires a report from the head of surveys upon the particular account to be acted upon; but in this instance the reference to the report was dispensed with. Mr. Devine only learnt of the payment by hearsay, not having been consulted in reference to it, (Q. 490,) and the payment passed into the accounts of the Department under the head of "General Disbursements" (Q. 501), instead of as a charge against the survey of Canonto, to which it properly belonged.

The errors of survey which confessedly abound in both sections are more than a matter of inconvenience to the settlers and waste to the Province. In the more recently opened townships they occasion vexatious disputes between the settlers; and as the land increases in value, they form a fruitful source of claims for compensation to be urged upon the Government. Formerly, the law rendered it obligatory on the part of the person preferring a claim that it should be made within five years from the date of the patent, when ever issued. The general understanding of the law now in force is, according to Mr. Hector, that it compels the filing of an application within five years from the date of the discovery of the error.—(Q. 774.) One of the worst circumstances connected with the Department is, however, the facility with which claims acted upon are re-opened, and the freedom with which decisions passed in full view of the facts, and in accordance with the law as existing at the time, are reversed when the Commissioner chooses so to exercise the great discretionary power vested in him under the system now in force. The remark of the Secretary of the Department of Public Works, that the will of the Commissioner for the time being forms the system, is applicable in a larger degree to the Department of Crown Lands. There, Mr. Hector, the Chief Clerk of the Department avers, the law is oftentimes stretched (Q. 775) by which the witness means, "that under the great discretionary power vested in the Commissioner of Crown Lands, in some cases it has been deemed advisable to act at variance with the strict letter of statutory provisions—the Commissioner acting on these occasions in contravention of the law for the good of the public," as he may happen to understand it.—(Q. 783.) The result has been that cases formerly disposed of on their merits have been again and again revived and adjudicated upon afresh.—(Q. 277.) Decisions of the Department have been repeatedly reversed in Council, and by the Department itself. This want of finality is a fruitful source of intrigue, of bargaining, of injustice, and corruption. It affords scope to the exercise of individual and political influence to which no Commissioner should be exposed; and, further, in numberless cases the public interests have suffered. A case in which Mr. McBeth, late M. P. P. for West Elgin, is concerned, may be cited as an illustration. In 1844, as the Commissioners have learned from Mr. Hector, the late Col. Talbot applied for compensation, on the ground that by reason of a false survey, or by a change in the original survey, lands patented to him in 1821, in the township of Dunwich, comprised less than the aggregate quantities set forth in the patents; but the application was not entertained because, though made within five years from the date of the discovery of the error, it was not made in conformity with the law, which then required it to be preferred within five years from the date of the patent. So the case was for the time, and apparently finally, disposed of. In 1857, however, Mr. McBeth, a member of Parliament, revived the claim in his capacity of devisee of Col. Tal-

bot, the corrected basis of the compensation petitioned for being the deficit on the actual contents of the lots patented, of 741 acres. It does not appear that the Department, when allowing the re-opening of the claim, took any steps to ascertain the true value of the lands on account of which compensation was claimed. Nor does the Department afford the means of ascertaining on what basis Mr. Commissioner Vankoughnet granted the compensation. A memorandum produced by Mr. Hector shows that a cash basis of \$3,496 was assumed in the first instance, and that in addition 304 acres were granted. Altogether, the compensation grant covered 1,078 acres in Dunwich, the township in which Col. Talbot's lots were situated, and therefore, it may be assumed, equal or nearly equal in their average value to those on account of which compensation was sought. On this hypothesis, Mr. McBeth was largely overpaid on a claim which was wholly inadmissible under the rendering of the law by which the Department should be governed. There is yet another unjust feature in the transaction. Some of the lands donated to Mr. McBeth were, and still are, occupied by settlers; a case being mentioned in which a Mr. McTavish, who has occupied the lot nine years under an Order in Council permitting him to be its purchaser, and who has a clearing of 50 acres, with buildings, is by this grant dispossessed; a request addressed by the Department to Mr. McBeth, to remedy the injustice done to Mr. McTavish and the other settlers, having been unanswered at the date on which Mr. Hector gave his evidence.—(p. p. 121, 122, 123.)

Scrip is now the form in which compensation is usually paid, Mr. Vankoughnet having ruled when the present Land Act was enacted, that all cases of compensation for deficiency or loss of land should be satisfied by the issue of scrip, which is receivable in payment for lands. The checks upon its issue and redemption, as described by witnesses, appear not to have prevented an undue issue on one hand, or the receipt of spurious scrip on the other. That they have not always served to prevent wrong and mistake, is proved by the circumstances connected with the issue of scrip, amounting to \$8,000, in favor of the Church Society of the Diocese of Toronto, in October last. The Order in Council under which the issue took place, granted the land in the name of the Church Society of the Diocese of Toronto, in trust for the Rector of Markham and his successors in office. (Q. 376.) But the scrip was prepared without reference to the Order in Council, was signed by Mr. Russell without enquiry into the authority for its appropriation, and was delivered to the agent of the Church Society before the blunder was detected. At the date of Mr. Russell's evidence, the scrip, though called for by the Commissioner, had not been returned to the Department; and the case shows the necessity of more vigilant supervision over the issue of what, for all practical purposes, may be considered the equivalent of money.

Prior to 1857 there was little or no restraint upon either the issue or the redemption of scrip. Both were managed with utter indifference to the checks which, in a matter of so much importance, ought to be exercised with the minutest care. The result, it is not surprising to find, was an over-issue of land scrip, authorized by 4 and 5 Vic., cap. 100, to an amount exceeding \$40,000. The total issue under the Act in question, is stated by Mr. Russell at \$1,152,000.25, and the total redeemed at \$1,175,039.98; but as there is no evidence that all the genuine or lawful scrip has been received back by the Department,

it is at least possible that the over-issue exceeds the figures here given. Mr. Langton, indeed, states the amount to be 2,022 pieces of £5 each. (Q. 970.)

The circumstances connected with this excess of scrip are suggestive, as well on account of the fraud perpetrated, as because of the singular indifference exhibited towards it by the Government of the day when its nature and extent were first discovered. The earliest suspicion appears to have been entertained in 1852, by Mr. Ford, the Accountant of the Department, who, soon after his appointment, in examining the scrip books, found that more of this scrip had been redeemed than had been issued—(Q. 932.) Nothing further was heard of or done concerning the affair until 1856, when Mr. Langton, who had been appointed Auditor, had his attention directed to the fact of the over-issue by Mr. Dickinson, the Acting Deputy Inspector General. "He said there had been talk about investigating the matter two or three times," remarks Mr. Langton, "but nothing had been done, and he recommended me to take the matter in hand"—(Q. 959.) Accordingly, Mr. Langton procured from the Crown Lands Department the cancelled scrip and the scrip books, and proceeded with the investigation, with the view of ascertaining the extent of the over-issue. The examination, however, was far from thorough or complete. "It was a tedious process," says Mr. Langton in his evidence, "and before I and my clerks had proceeded far, we found some duplicate numbers, which led us to perceive that some of the scrip which had been paid in had not been cut out of any of the scrip books handed to me by the Department. They had evidently been filled in in a book of a different plate, and the paper was of a different quality from that used for any of the genuine scrip. By these means we were enabled to select out of the cancelled scrip a large quantity which appeared not to be genuine, without going through the process of checking each piece of scrip against the scrip book"—(Q. 960.) The scrutiny, imperfect though it was, revealed so-called spurious scrip amounting to \$40,440.

The enquiry was not completed. Although Mr. Langton's examination, when this result was ascertained, had extended only to "a full half" of all that had been sent to him (Q. 990)—although reasonable ground existed for the suspicion that a large amount of false scrip remained as yet undetected, and although he verbally communicated the discovery of the extensive fraud to Mr. Cayley, the then Inspector General, he was told by that Minister that it would not be necessary to check all the scrip against the scrip books. (Q. 966.) The enquiry terminated, therefore, abruptly, inconclusively and unsatisfactorily. Not only was it arrested by Mr. Cayley, so far as the departmental examination was concerned, but the law officers of the Crown abstained from taking steps to sift the fraud judicially, and from inquiring into the criminality of a party who was at the time suspected of being connected with its perpetration. "The result of our consultation," says Mr. Langton, referring to his communication with the Solicitor General West, Mr. (now Sir) Henry Smith, "was that there was no evidence before us by which we could bring the matter home to any parties." (Q. 32.) The Accountant of the Department states in evidence that though he did not suspect any particular person, he believes that suspicion did attach in the minds of others to a clerk who was in the office at the period of the fraud, and who, he thinks, was one of the persons who countersigned the fraudulent scrip. (Q. 945.) It is not easy to conceive of any valid reason either for the stoppage of the enquiry by the Finance Minister, or the failure to institute a more formal investigation by

the law officers of the Crown. Neither then nor at any subsequent time was the discovery made known to the Legislature or the public. The perpetration of fraud, notwithstanding its magnitude, was studiously concealed, and the circumstances connected with it appear for the first time in the evidence received by the Commission. Not even the most ordinary diligence was employed by the Department or the Auditor to obtain explanations from the parties whose names were known to the Department in relation to the receipt of the spurious scrip. The names of certain Crown Land Agents through whom the scrip alleged to be false was principally received, are given by Mr. Langton in answer to questions 963 and 972, and it is alleged to have been notorious that some of the agents were said to have been in the habit of receiving payment for lands in money, themselves paying the Department in scrip,—in other words, speculating in scrip. (Q. 964.) No attempt was made, however, to trace the fraud even through those channels, and to establish the innocence or criminality of the individuals who thus figured in the records of the Department as the agents through whom the false scrip was paid to the Government.

The testimony in relation to the precise character of the fraud is conflicting. In the evidence received, for instance, from Mr. Langton, he says, "there is no doubt that with regard to the old scrip many forgeries have passed into the Crown Land Department," (Q. 32.) Mr. Russell characterizes the over issue as a duplicate issue of a certain quantity of scrip; adding that the opinion of those in the Department most familiar with the scrip is, that the Clerk who prepared it in the Crown Land Department had duplicate books, (Q. 347.) The same witness states that the signatures attached to the false scrip are apparently genuine, (Q. 349.) Mr. Ford, the accountant, while speaking of the scrip in question as forged, also states that it was ascertained that the signatures were genuine—that they were genuine on all the scrip he had seen—and in fact, that it was a fraudulent over issue of scrip, not an issue of forged scrip, (Q. 939.) Mr. Langton, again, considers the fact that the scrip in no case corresponds with the scrip book of the Department, to be sufficient proof that it is not genuine, (Q. 973.) He had no positive opinion respecting the genuineness of the signatures attached to what he considers spurious scrip, though he is under the impression that there is a general difference of character in the signatures attached respectively to the genuine and the spurious issues. Judge Morin, who was Commissioner of Crown Lands during a portion of the time over which the issue of the spurious scrip extends, being asked whether what purported to be his signature attached to certain of the spurious scrip was genuine or not, answered in the affirmative, (Q. 995.) On the other hand, Mr. Spragge, who was an officer of the Department during the incumbency of the several Commissioners whose names are affixed to the spurious scrip, is strongly inclined to doubt whether the signatures which Judge Morin himself pronounces genuine, really are so. (Q. 999.) It is somewhat curious, moreover, that particular numbers of the scrip which Mr. Langton selected as being false, and having signatures differing in character from those of the genuine scrip, were selected by Mr. Spragge as genuine; and, *vice versa*, some signatures presented by Mr. Langton as genuine, being characterized by Mr. Spragge as forged.

It is not necessary for the purpose of this Report, if indeed it were possible, to arrive at a positive conclusion touching the exact manner in which the over-issue was effected. Enough is known to shew that an extensive fraud was perpetrated upon the

Government with impunity, that the Government took no steps to detect and punish its perpetrators, and that the fraud itself, and all the circumstances connected with it, were withheld for a comparatively long series of years. Further enquiry has been rendered impossible by the destruction of the so-called genuine scrip under the orders of Mr. Cayley, on the eve of the removal of the Government from Toronto to Quebec. All the genuine scrip which was sent to Mr. Langton was destroyed in his presence, but no record has been preserved of the numbers and the amount of the scrip so destroyed, and he has no distinct recollection of the manner in which authority for its destruction was communicated to him by the head of the Finance Department. (Q. 987, 988).

The laxity which admitted of this over-issue of scrip continued as late as 1856, when, under the Commissionership of Mr. Cauchon, scrip amounting to nearly £3,000 was found by Mr. Langton ready for issuing, though still in the books. (Q. 968.) Under such loose administration, the occurrence of fraudulent issues can hardly excite surprise, and that the Province did not suffer loss to an extent yet greater than that reported by Mr. Langton, is evidently not attributable to the exercise of any special vigilance in the Crown Lands Department.

The Bolton and Magog scrip, amounting to \$144,292, arises out of a costly plan of adjusting disputes between certain residents of the township of Bolton, in Lower Canada, and non-resident proprietors, the expenses amounting to \$30,239, and the non-resident proprietors receiving \$114,053. The law expenses were \$19,658 divided amongst three professional firms, \$3,981 were paid to arbitrators, and \$6,600 to three Commissioners, (p. 60.) As the labours of this Commission are not ended, and their report, for which \$6,600 have been paid, has not been seen by the Assistant Commissioner, it may be presumed that there will be yet a further issue of this scrip to cover expenses incurred in a service which might have been performed in a much less expensive manner.

The sales of the public lands are under the superintendence of three branches—two embracing the Upper Canada lands, under the charge respectively of Mr. Hector and Mr. Tarbutt, the third having charge of the Lower Canada lands, which are divided into two sections, managed respectively by Mr. Collins and Mr. Génèreux. The territorial division in Upper Canada is admitted to be unequal, a small proportion only of the lands now opened for sale being under the charge of Mr. Hector's branch, whilst a disproportionately large number of townships are under the management of Mr. Tarbutt. One of the most obvious consequences is the constantly increasing mass of arrears in Mr. Tarbutt's branch; the accumulation of claims undisposed of, assignments unregistered, and letters unanswered, growing worse and worse. In answer to question 897—"Is the accumulation of claims and assignments increasing or diminishing, taking into account the new work daily coming in?"—Mr. Kirkwood, a clerk in the branch, replies,—“It is increasing. In this respect, I believe the branch is getting worse.” And with regard to the number of unanswered letters, the same witness states that it is augmenting; “the diminution does not keep pace with the increase.”

The Crown Land Agents in various parts of the Province are under the management of these branches of the Department. Nineteen Upper Canada agencies are under the direction of Mr. Tarbutt; and in Lower Canada, 20 of the agencies are included in Mr. Collins' section, 23 in that of Mr. Génèreux. As between the agencies in the two sections of the

Province, a difference exists in the system in respect of the payment of moneys on account of lands. In Upper Canada, in consequence of irregularity or default on the part of agents, by an Order in Council dated 10th February, 1857, agents were deprived of all control over money paid by purchasers, who now deposit their payments in the Bank of Upper Canada to the credit of the Receiver General. In Lower Canada, agents continue to receive money and grant receipts, making monthly returns of sales and collections, the truthfulness of which, Mr. Russell admits, the Department has no means of checking.—(Q. 518.)

In the absence of an efficient departmental audit of the Crown Land Agents' accounts, the evidence given touching ascertained cases of default is not quite satisfactory. The Assistant Commissioner, in reply to questions, enumerates Lower Canada cases amounting to \$16,353, and adds that there are other cases in which agents appear to be in default, but they urge counter claims which are yet unsettled—(Q. 515, 516.) Even in the cases adverted to in the evidence, it is acknowledged by Mr. Russell that the full extent of the defalcations may not be known, the only evidence of default being the presentation of receipts by parties who have made payments, and in the majority of cases measures not having been taken to notify the public of the necessity for presenting proofs of this kind—(Q. 519.)

In Upper Canada, though the number of defaulters is less, the aggregate amount in default is much greater. But three cases are adduced in evidence—the Toronto Agency, where the deficiency at present stands at \$130,235.89; the Waterloo agency, under the late agent, Mr. Eby, who is still a defaulter to the amount of \$23,543.36c; and the Goderich agency under the late agent, whose deficiency remains \$2,745.70—the three making up the deficiency of \$156,524.95.

With reference to these cases of default, there seems to have been a culpable degree of remissness on the part of the head of the Department for the time being; for though Mr. Ford, the accountant, states (Q. 921) that he uniformly reported the occurrence of default as soon as he ascertained or suspected it, steps were not properly taken to collect the indebtedness. "I am under the impression," says this witness, "that in bringing actions against defaulting agents, prompt measures have not generally been adopted."—(Q. 923.) The cause of the delay he declares his inability to explain. The Toronto and Goderich agencies are mentioned by Mr. Ford as those in which, notwithstanding the irregularity in the returns rendered to the Department, investigation was postponed, and decisive action taken only when it was too late.

The Elora agency, though not in default, has earned a scarcely less unenviable notoriety in other directions. The Government may not have been defrauded through its instrumentality, but toiling backwoodsmen have suffered grievously at its hands. The agent does not appear as a debtor to the Department, but he does appear as a party to transactions from which settlers have experienced loss and injury, through his direct participation in the tricks and frauds of speculators.

An occurrence of gross irregularity and wrong, in connection with the sale of lands in the Township of Minto, was brought under the notice of the Commissioner of Crown Lands in January, 1859, by a petition signed by certain inhabitants of the County of Wellington, who prayed for enquiry into the matters covered by their allegations. Mr.



Spragge, then Superintendent of Sales, was appointed to conduct an investigation into the charges preferred against Mr. Geddes, the Agent, and he visited Elora for that purpose, opening a Court of Enquiry, and receiving evidence on oath. It was proved that the agent made himself a party to the operations of speculators, and that to promote their interests; he deliberately stated falsehoods; that he contravened the fixed regulations of the Department, and that he received moneys to which he was not entitled. He told applicants who desired to purchase for settlement that not a lot remained for sale, although the records of his office shew that a large number of lots were entered by him as sold during the year succeeding that in which the Government sale occurred. He wrote that every lot was sold, but that his son had lots for sale on which the first instalment had been paid; and then he granted original Government receipts, as for the first instalment, to persons who had purchased from the son. He permitted persons to acquire, individually, many hundreds of acres, and to hold them as against actual settlers, although the rules of the Department and the conditions of the sale required that not more than 200 acres should be sold to any one person, and then only on condition of immediate and continuous settlement. He permitted minors to be purchasers, and in one instance, at least, permitted the use as purchaser of the name of a boy of 11 years old, who was at the time in his service. He charged fees for the registration of transfers, although the only registration recognized by the Department is that made by itself; on one occasion receiving a fee for registration and returning the transfer to the party from whom he had received it, and not having transmitted it to the Department, but registering in preference an assignment received three months afterwards; so leading to the loss of land which the party who paid him the fee purchased from a speculator at an extravagant price. In a word, Mr. Spragge's enquiry convicted Mr. Geddes of an unscrupulous use of his opportunities as agent to further the interests of speculators, to the great detriment of the township and the great wrong of settlers, who impoverished themselves by paying the excessive price which the agent enabled speculators to realize.—(p. p. 135 to 139.)

It has been urged in mitigation of censure that the agent was the victim of misplaced confidence, rather than a direct participator in the wrong doing complained of, and Mr. Vankoughnet, in his memorandum on Mr. Spragge's report, seems to have shared this opinion. But cases testified to on oath prove that this charitable construction of the agent's conduct is untenable. Mr. Spragge, who certainly cannot be accused of having evinced a bias against the agent, states "that in certain cases the extortion practised by James Geddes was connived at by his father," who by affixing his name as agent to the receipts granted to certain parties, as original purchasers, identified himself with the fraudulent transactions in question, from first to last. Other mal-practices are proved with which the son could have no connection, and for which the agent himself must alone be held responsible.

The recommendations with which Mr. Spragge accompanied his report were milder than a less charitable judge would have been disposed to make. He proposed that Mr. Geddes, the agent, should be held responsible for the irregularities perpetrated by his son, and that restitution should be made, by repayment by the local agent of moneys irregularly exacted, as fully to all intents and purposes as though he had himself received the moneys. Mr. Spragge also recommended the adoption of measures, with the view of ensuring the

immediate settlement and improvement of the township. It may well be doubted whether these recommendations, so far as they apply to the agent, were not more moderate than the circumstances recapitulated by Mr. Spragge in his evidence before the Commission would seem to have justified. Mild and moderate as they were, however, they were not acted upon by the Department. Until very recently, no notice whatever seems to have been taken of them. Mr. Spragge's report is dated 26th April, 1859, and nothing is traceable in the records of the Department between that date and 3rd March, 1862, when the Assistant Commissioner conveyed to Mr. Geddes a reprimand conceived by Mr. Commissioner Vankoughnet, in a report which is without date—(Q. 426.) Thus, nearly three years were suffered to elapse between the conclusion of the enquiry into a series of wrongs and frauds, implicating a Crown Land Agent, and the taking of any steps towards bringing about restitution and amendment.

Mr. Tarbutt's branch of the Department affords other examples of the manner in which the just claims of settlers on Crown Lands are frequently disregarded, and the too common looseness in the transaction of business within the branch—(pp. 127 to 133.) It is not necessary to recapitulate particulars, which might be multiplied to an indefinite extent from the records of the Department; they are narrated by Mr. Tarbutt himself, whose evidence appears in the accompanying pages, and it is to be feared that they are very ordinary illustrations of the neglect and wrong which are inflicted upon a class whose welfare should be the prime consideration of the Crown Lands Department.

The Ordnance Lands, transferred constructively to the agent, Mr. Coffin, in 1856, were brought under the jurisdiction of the Crown Land Department in 1858, and their management is now subject to the control of the Commissioner. Their management, by the Department, is described as desultory until September last, when they were placed under the charge of Mr. Bridgland, who has not yet succeeded in getting into shape the records connected with this branch of the Departmental business. Two circumstances are brought very plainly to light by the testimony of Mr. Bridgland upon the subject—one, the neglect on the part of the Government to obtain any valuation of the lands under the direction of the agent, other than that of the agent himself; the other, the extravagant cost of the management of the lands, estimating the sums paid to the agent for his services and for expenses as a per centage on the *bona fide* receipts of the Department on account of these lands. At the date of Mr. Bridgland's appearance as witness before the Commission, the Department had no detailed statement of the Ordnance buildings and properties and their respective values, except that which was furnished by Mr. Coffin in 1859, (Q. 743,) nor has there been any general inspection or valuation of the buildings and lands, either to determine the actual worth of the properties to the Province or as a check upon the returns and estimates of the agent, (Q. 744.) The collections made through the agent in 1859 amounted to \$32,213.68c; in 1860, to \$26,210.49c; in 1861, to \$23,101.58c.—the expenses for three years being, respectively, \$8,966.70c., \$10,467.18c., and \$8,878.64c. As the properties are for the most part situated in well-settled portions of the Province and are therefore readily accessible, the expense of the agency is evidently far above a reasonable point. A trustworthy and thoroughly independent valuation of all the properties should be undertaken immediately, and it would not be difficult to make other arrangements by which the expenses of management might be reduced to a moderate per centage

on the collections, instead of ranging from 35 to 40 per cent. as in the years specified. Mr. Russell's figures make the average expense for the four years from 1858 to 1861 inclusive, a fraction over 38 per cent. (Q. 604.)

The colonization roads of Upper Canada are also under the management of the Crown Lands Department, having been transferred from the Bureau of Agriculture and Statistics in a state of discreditable confusion. The papers relating to the roads were handed over in October last, and it is stated in evidence by Mr. Bridgland that he had been unable to obtain from the Bureau any books shewing the state of the several road accounts. "There were no accounts kept in the Bureau," he testifies "as I was told by Mr. Campbell, the acting Secretary, when I applied through my clerk for papers." (Q. 614.) A statement furnished by the Auditor shews that the total expenditure to 1862, inclusive, was within the total grants made by the Legislature to that date; the grants amounting to \$595,000, and the expenditure to \$437,827.08. The various appropriations have been made out of the grants by Orders in Council, but these have been found only to the amount of \$282,300, leaving the authority for the expenditure of the difference between that sum and \$437,827.08 yet to be produced. Subsequent to the date of Mr. Langton's memorandum, Mr. Bridgland ascertained that warrants for \$35,000 had been issued in Mr. Gibson's favor. The papers relating to contracts are in the possession of Mr. Gibson, the General Superintendent and Inspector of Colonization Roads in Upper Canada, who appears to have had vested in him powers so diverse that they should never be entrusted into the same hands. Thus, he has been authorized to determine the location of the roads; he has the power of giving out contracts; he and his assistants exercise the only supervision to which contractors are subject during the progress of construction; he makes payments to contractors on account of their work during its progress; he may permit the transfer of contracts when he pleases; and the final accounts with the contractors, involving the taking the roads off their hands, are closed wholly and solely by him (p.p. 89, 90). Some of the roads were inspected in 1861 and 1862 by Mr. Bridgland, who reports the result of his examination to be not very satisfactory. (Q. 636). He found the location of the roads in many places defective, the "grubbing" improperly performed; the earth-work open to objection, bridges swerving, and the general surface of the roads inferior to what it should have been, according to the specifications on which the contracts were based. The inevitable conclusion from the evidence obtained by the Commission is, that the large sums appropriated for the construction of colonization roads in Upper Canada have been expended without proper checks, and that the Province has in consequence received less than value for its money.

A Woods and Forests Branch of the Crown Lands Department was organized as a distinct branch of the Crown Lands Department in 1852, over which there is a Superintendent, who has supervision over the ten Crown Timber agencies into which the Province is divided, and over the Supervisor of Cullers. The machinery is formidable and expensive, and taking into consideration the immense wealth of which the Province is possessed in its forests, it is important to enquire how far the machinery enforces the payment for the quantity put in market or taken without license, or protects from injury or destruction the vast reserves appertaining to the Province.

Timber for market and exportation is principally cut by license, upon limits for which a ground rent is charged in addition to dues paid on the timber when brought out, and the first irregularity is seen in competing licenses, which arise from the practice of granting timber berths to parties upon sketches furnished by themselves without a regular survey of the locality. The accuracy of the ground rents and timber dues paid depends much upon the returns made by the Agents. Sworn returns are made by the lumberers to the Agents, and these form the basis upon which ground rents and timber dues are chargeable.

Mr. Partridge, Superintendent of the branch, says that measures have, of late years, been taken to apply more effectual checks upon the transactions of Crown Timber Agents. The ground rents, timber dues and slide tolls collected by Agents are accounted for monthly on prescribed forms, by which the correctness of the ground rent and timber dues charged may be ascertained, with various particulars connected therewith, as established by existing tariff and regulations. The monthly returns of the principal agencies are accompanied by Bank Certificate of Deposit to cover the amount set forth, and other agencies not in vicinity to a Bank report with as much regularity as possible. So far as concerns this checking, it is only upon the face of the returns.

As to the returns themselves, they are based on the returns which the agents receive from the lumberers on which there are different grades of checks for different agencies. Mr. Partridge states that he considers these checks far from complete. "At each agency there is a supervision over the quantity cut more or less effective, but at none is it effectual and complete. With regard to the agents, returns as based upon the lumberers' returns, the only independent check we have is that based upon the sworn statement of the lumberers themselves, of the quantity cut under license. Even this check we have only had since 1860, and have not been able to apply it fully except with relation to the occupation or non-occupation of limits.—(Q. 678.)

The agents have not in their hands means to protect effectually the interests of the Revenue. Timber cut on public lands not within the boundary of a licensed limit is charged an additional rate for the trespass committed. Settlers on lands not paid for are allowed to sell timber on the condition that the sum received from the lumberer shall be paid to government in reduction of their indebtedness, and no dues are payable on timber cut on private land. The timber, subject to different regulations, comes to market mixed together, and there is a previous trouble in establishing to which class it belongs, growing out of the difficulty of distinguishing lots and ranges, arising from the indistinctness of side lines. Each of the ten agencies has its peculiar causes why checks amount to little.

The whole subject in this connection may be said to be comprised in Mr. Partridge's reply to question 685. "Practically, has the Department complete control over the proceedings of the agents?" The answer is: "With regard to the returns as furnished to the Department, yes. But with regard to the transactions between the agents and the lumberers, much depends upon the honesty of both."

The only default of any Crown Timber Agent, except a trifling balance at the Madawaska and Chaudière agency, was that of Mr. Oliver Wells, late agent for the St. Maurice Territory, for the amount of \$18,363.01, which was discovered in 1858 when Mr. Wells absconded from the Province. Upon examination, his books were found to be imperfect and mutilated; there had been no entries in them for the last year and a half; such en-

tries as were found were not to be relied upon, for falsification of entries had commenced immediately after the appointment of Mr. Wells in 1854, so that the amount stated to be in default could only be arrived at by calling on the lumberers doing business with the agency, without the possibility of ascertaining whether the default was not larger through corrupt transactions between them and the agent.—(Q. 551.)

Mr. Wells had neglected to furnish the three last monthly returns for the year 1857, and the quarterly returns for that year were not received till February, 1858, when they came in one annual account, and the attention of the Assistant Commissioner of Crown Lands was called to these irregularities at various times from the close of the year 1857 till August, 1858, by Mr. Partridge in the first place, in his capacity of book-keeper, which office he filled at the time, and subsequently as Superintendent of the Woods and Forest Branch, but no immediate action was taken on these reports.—(Q. 657, 658, 659.)

Here we have as evidence of the utter want of inspection, supervision, and control in the Woods and Forests Branch of the Crown Lands Department, the office of an important agency where from the beginning to the end, four years afterwards, there was no order or system, no check upon the quantity of timber or logs cut, the books, returns and records incomplete, and everything in confusion, only discovered when attention is called to it by the absconding of the agent.

The reckless waste of public money for useless objects is exemplified by the map which this same Mr. Wells, while filling the office of Crown Timber Agent, was authorized by the Crown Land Department to compile against the opinion of the Assistant Commissioner, as it was on a scale too large for the materials they had, and because Mr. Wells possessed not the requisite information. About \$11,000 was paid to him for his services and disbursements on account of this map, which has never been completed and work upon which is discontinued.

Timber and slide dues should be paid annually, but on the 31st December, 1861, the annual date to which the returns were made at the taking of this evidence, there were outstanding timber dues amounting to \$229,545.29, of which \$97,576.77 was for former years, and arrears of slide dues amounting to \$24,987.77, of which \$7,130.71 was for former years. A statement of the persons indebted on these accounts for amounts exceeding \$1000 will be found in Appendix IV. In addition to the arrears enumerated, there are some of long standing that have not been taken into the books. Many disputed accounts between lumberers and the Crown Land Department, running back for nine years, are still pending.

In regard to arrears, the will of the Commissioner is still law to favor or distress whom he pleases. A timber limit is by regulation forfeited by non-payment of the annual ground rent and timber dues; but the Commissioner, we are told, may authorize a departure, and while payment of ground rent has been almost uniformly exacted, time has been given to parties in arrear for dues. (Q. 564.)

Cutting timber in trespass, that is, cutting upon lands of the Crown without license, is a common offence which had grown up into a system, the only penalty exacted being the payment, if detected, of a certain per centage upon the rate established for timber cut under license, though by law it was subject to seizure and sale. An intention to carry out the law rigorously has been at different times proclaimed; but it appears (Q. 710,) that

compromises still continue as before, although all parties are aware that they are contrary to law. (Q. 712.)

A strict adherence to the conditions and regulations in force respecting timber berths and limits being required in justice to those who have invested much capital in this description of property, and who are honorably fulfilling their requirements, the Commission enquired whether any deviation had been allowed by the Crown Lands Department, and were informed of one case, which furnishes evidence of the disregard by the Department of its own rules.

In 1853, Mr. S. J. Dawson applied for two timber berths in the St. Maurice Territory, one of 50 square miles on the east side of the river, and the other of uncertain dimensions on the west side, at the usual ground rent of two dollars per square mile, per annum. In 1854, Mr. Commissioner Morin recommended that Mr. Dawson should have those berths. In 1857, Mr. Wells wrote, urging a compliance with Mr. Dawson's application, as it was not at that time disposed of, but in 1858-9, Mr. Dawson appears to have sold the right to cut a raft of timber from one of these limits, to a Mr. Gouin. (Q. 690.) During all this time, up to August, 1859, it was assumed by the Department that an Order in Council, granting the limits to Mr. Dawson, was with the papers filed in the case, and it was only discovered in 1861, that though since 1854 the proceedings had been predicated upon a supposed Order in Council no such order had been ever passed. The alleged Order in Council, proved on enquiry to be only the draft of an order that had never been submitted. (Q. 691.)

Through all this irregularity the berth No. 5 on the St. Maurice, and three maximum berths on the Wesenau, had for years been reserved from sale in the ordinary course, and in October, 1860, Mr. Commissioner Vankoughnet wrote to Mr. S. J. Dawson that the berths would be granted to him; the bonus over and above the ordinary ground rent and charge for the St. Maurice Road Fund to be fixed by named arbitrators. Various impediments prevented a meeting of the arbitrators, and in the end, Mr. Allan Gilmour being substituted for Mr. George Baptisté, an award was made, fixing the bonus at \$720 for the three berths; the valuers further recommending that the ground rent and road fund should commence "from the time they were finally granted to Mr. Dawson, berth No 56, St. Maurice, to be subject to the charge for ground rent and road fund for the season 1858-9, in consideration of having been occupied that year—(pp. 105, 106.)

Mr. S. J. Dawson acquired in the season of 1852-'3 also two timber berths in the upper Ottawa territory of 50 square miles each, and was exempted from the payment of increasing ground rents which are exacted from the others, up to the 30th April, 1862. The exemption during this period amounted to about \$2,600; the Province losing this amount. (Q. 697.)

The expensive machinery connected with the office of Supervisor of Cullers at Quebec appears to be a delusion in many respects, so far as concerns the protection of the Crown timber revenues. Mr. Partridge declares that so far as the timber mentioned in the agents' clearances is concerned, and as measured through the Supervisor's office, the quantities and contents are no doubt correctly returned. "But with regard to timber not measured through the Supervisor's Office, but by the cullers of the parties interested, we have no guarantee of the correctness of the measurement, except the good faith of the

"parties themselves. Owing to defects in the law, there are not sufficient checks on the "small quantities of lumber arriving at the port of Quebec, and hence, both the revenue "and the fees of the Supervisor's Office suffer." (Q. 721.) An office instituted for the protection of the Crown Timber Revenues, which is thus declared to be only a protection so far as those interested in evasion find it convenient to submit to its checks, requires a closer examination.

The regulations for collecting slide tolls, as described, appear sufficient, but Mr. Partridge says, "whether all the timber is made subject to tolls that should be, is a question which it is desirable to enquire into." (Q. 722.)

The preservation of a property so valuable as the Crown Timber might be supposed to be one of the high considerations of the Crown Land Department, and that regulations would be framed to secure from destruction, as far as possible, all not required by settlers or for purposes of the trade; but none have been elicited in this enquiry. The Assistant Commissioner states that "the present system tends to great waste;" and the general scope of Mr. Partridge's somewhat lengthy evidence is conclusive as to the existence of defects from which the revenue and the material interests of the Province seriously suffer.

The Jesuits' Estate, Crown Domain and Seignior of Lauzon, are subject to the management of a distinct branch of the Crown Lands Department, which, in addition to its head and staff, employs seven agents for the collection of rents and purchase moneys, make their own returns, which the Department has no means of checking or verifying, as the parties paying have no occasion to communicate with it. The Revenues of the branch are principally in rents of small amounts, the collection of which is made expensive by the management.

The importance of the Fisheries of the Province and the necessity of their protection has been deemed sufficient to authorize the establishment of a distinct branch for their management, which is placed under the charge of Mr. Whitcher, who, in addition to his regular salary, has drawn extra allowance when absent on special duties of the Branch. The law limits the Superintendents to one for Lower Canada and two for Upper Canada, and the Overseers to four in all; but we find that sixteen have been appointed, fifteen of whom are in Lower Canada; the reason given for this deviation from law being the extent of the territory to be guarded. It is stated that the aggregate of salaries paid to the fifteen does not exceed the amount allowed by law to two. The commander of the schooner *La Canadienne* receives his salary and expenses from the Fisheries branch. The total cost of the branch since its organization in 1859 has been—Salaries, \$23,799.70; expenses, \$32,510.71; total, \$56,310.41, which does not include all the cost (p. 592) of the Schooner and the revenues of the branch for the same period have amounted to (see note page 85,) \$22,597.05. For the money collected for licenses, leases or fines, there is no check; there is no check upon the Superintendents beyond what is furnished by their own returns.

The arrangement now subsisting between the Government and the Bank of Upper Canada originated in the year 1850. The terms are specified in a Report from the Hon. F. Hincks, Inspector General, dated 8th January, 1850 (App. V.) to the Executive Council, and were by them approved on the same day. The cause of the withdrawal of the public deposits from the Banks in which they had been previously lodged, was alleged to be the removal of the seat of Government to Toronto and the superior facilities and con-

venience to be derived from a Bank which, conducting its main business and agencies on the spot, had a large number of branches scattered through the Province, each of which would serve as a medium for the receipt and payment of the public moneys. A letter from Mr. T. G. Ridout, then Cashier of the Bank of Upper Canada, enumerates twelve agencies in different places, and promises to arrange with others, so that the public business should in every respect be facilitated. (App. VII.)

The basis of the agreement was as follows :—(App. VI.)—That the Bank should “receive, without charge, the public deposits at all its agencies throughout Canada, and “place them at the credit of the Government” in Toronto, and that it should “pay the “Government cheques at the several agencies in the same manner as had heretofore been “done;” that “when exchange on London shall be required, it will be willing to furnish “the same at the lowest bank rates charged at any of its offices; and that it will engage to “afford the Government an accommodation not exceeding at any time the sum of fifty “thousand pounds currency, at the usual rate of interest of six per cent. per annum.” Nothing is inserted in these terms of agreement implying obligation on the part of the Government to afford accommodation in any shape whatever to the Bank, or to retain there for any length of time the sums therein lodged. They were to be drawn out as required for public purposes. The certainty that the arrangement would generally place in the hands of the Bank sums the aggregate of which would form a considerable amount for profitable investments of a temporary character; the influence on the money market which it would confer; and the comparative freedom it would secure to itself from those heavy drains of specie for duties to which other Banking institutions are subjected, offered, it may be assumed, a prospect of adequate compensation for the labour and responsibility that the fiscal agency entailed. Tenders from other Banking institutions were given in at the same time, the terms being similar, except in the particular which related to such advances as the Government might require; they proposing to make those advances which the Bank of Upper Canada bound itself absolutely to furnish at the demand of the Government, a matter of special negotiation between the parties—when needed. The superior facilities engaged to be afforded by the Bank of Upper Canada’s offer, secured the award of preference to that institution.

The estimate of the benefit to be derived by the Bank from this connection with the Government was fully realised in the sequel. The balances in the hands of the Bank on account of the Government deposits were at all times large, and no demand appears to have been made for any portion of the “accommodation” the Bank was bound, on requisition, to afford. It suffices on this head to quote from the evidence of Mr. Ridout, Cashier of the Bank of Upper Canada, before the Select Committee of the Legislative Assembly (App. EE. Jour. Leg. Ass., 1854–5), who describes the weekly balances of Government deposits in his Bank as averaging, in 1853, £182,381, and between the 1st April and 24th October, 1854 (the time of his examination), £210,056.

This brief exposition will suffice to show the purely commercial relations between the Government and the Bank in the incipient stage of their connection. But at an early date the seeds of those evils which have germinated into fruits so costly and disastrous to this Province, began to develop themselves. Mr. Ridout in the evidence, above referred to, before the Committee of the Legislative Assembly, (Q. 26.) enumerates large advances



made by the Bank to Railway Companies and Municipalities in anticipation of payments to be made to them by the Government. In answer to Mr. Holton (Q. 23), he states that at one time the Bank was in advance on Railway securities of this character to the amount of £350,000. The Government itself appears to have obtained loans to the extent of upwards of £150,000, although the weekly balances in their favor averaged more than that sum. These deviations from the ordinary course of banking business, attributable mainly to its connection with the Government, are fitly characterized as interfering with the accommodation which the customers of the Bank and community had a right to expect at its hands. Mr. Davidson, Cashier of the Bank of British North America, in his evidence on that occasion (Q. 42), observed, that "the advance of £300,000 upon the security of its stock to a Railway Company would, under any circumstances, be highly imprudent, even if made from unemployed capital, and not from deposits." He regards it as highly imprudent for a Bank to employ a large amount of Government deposits, payable on call, in discounting commercial paper. "A Bank should not make use of more than two-thirds of its ordinary deposits in the manner referred to, but the same proportion would be much too large in the case of a large deposit by the Government. In the one case, a Bank may safely calculate upon a certain average amount being left in its hands, but this would be very different with regard to a large deposit by the Government."—(Q. 44.)

Thus far it is plain, however, that there was not the shadow of a pretext set up by the Bank that a balance should be permanently maintained in its hands by the Government. The arrangement was altogether of a different tendency. Mr. Hincks' circular was framed on the supposition that Government might require very large accommodation, and the offer of the Bank of Upper Canada was framed to meet such a requisition. The liberal spirit in which the Bank of Upper Canada fulfilled their obligations to the Government in this respect is testified in the evidence from which passages are cited above, and is further vouched by Mr. Deputy Receiver-General Anderson, who described the Bank as constantly advancing large sums of money for interest on our public debt due and payable in England:—(Q. 60.)

This position of the Government account with the Bank was not, however, of permanent duration. At a later period the relation of the parties towards each other was reversed. The Bank from a lender became a borrower; and the Government, instead of enjoying the right of assistance from the Bank, when required to meet the casual exigencies of the public, systematically, for a series of years, set apart and maintained a large amount of the public funds for the maintenance of the Bank.

In fulfilment of the task especially enjoined on the Commission of examining into the system of financial management of the Public Departments, it became its duty to ascertain how or when so complete an innovation on the former practice originated. Considerable doubt exists on that point. The original terms of agreement between the government and the Bank, as laid down in the Order in Council of the 8th January, 1850, are still in full force. No Order in Council, nor written contract revoking it, has been adduced. The evidence of any modification of it is of the loosest character and inferential only; if committed to writing, it is not now to be found in official records. Mr. Deputy Receiver General Harrington, Mr. Acting Deputy Inspector General Dickinson, are both of opinion that there have been some changes, but of their nature they are ignorant. The

former says, "More recently" (i.e. since 1850) "Mr. Galt, whilst Finance Minister, made some other arrangement with the Bank of Upper Canada, more particularly relating to a special balance to be always left at the credit of the Government in the Bank, in consideration of services to be performed by the Bank,"—(Q. 1007.) but his "only knowledge respecting the date or exact nature of this second arrangement is derived from a letter of Mr. Sherwood, then Receiver General, to the Hon. Mr. Cayley, who was then connected with the Bank of Upper Canada, dated 10th February, 1860." The letter adduced by Mr. Harington denies distinctly all knowledge of such an arrangement being entered into by the Government. Mr. Sherwood tells Mr. Cayley that his letter of the 7th February, "based on the supposition that there is an arrangement between the Government and the Bank that there shall be constantly at the credit of the Government, at the Bank, a balance of six hundred thousand dollars," is, so far as he is concerned, an unwarranted assumption. Mr. Galt's agreement, he says, was merely that the balance should be brought up to that amount in the beginning of January, if it should then be reduced below that sum. "This arrangement," he says, "was carried out and is the only one I am cognizant of."

The Hon. Mr. Galt also emphatically denies any such modification of the original arrangement as the Bank of Upper Canada alleged to have been made. He says:—

"Shortly after my advent to office, a change was proposed whereby the Bank, as remuneration for keeping the account, were to be assured that an average fixed balance, without interest, should remain in their hands. This arrangement, however, was never carried out, as upon further consideration it appeared to me undesirable to come under any specific agreement whereby any large amount of the public funds should be left in that institution. I preferred, in the existing position of the Bank, leaving the Government with the full control of its account, and did not in any way alter or disturb the previously existing arrangement, although circumstances were such as to make it difficult, if not impossible, for the Government fully to avail themselves of the advantages secured to them under that arrangement."—(Q. 1142.)

The evidence of Mr. R. Cassels, the present Cashier of the Bank of Upper Canada, is scarcely in conformity with the foregoing statement of Mr. Galt. It positively affirms an arrangement as existing, under which a balance to a certain amount should be permanently kept by the Government in the Bank. His answer to the Commissioners' question as to "the terms of the agreement now existing between the Government and the Bank of Upper Canada," is :

"I am not aware of any absolute agreement between the Bank and the Government, except that the Government were to do the whole of their business with the Bank, and that the balances in the hands of the Bank should not be less than from \$800,000 to \$1,000,000. Having entered the Bank only in April, 1861, I have no personal knowledge of the previous arrangements made. There have been no formal arrangements entered into since that period, though there may have been some correspondence between the Finance Minister and the Bank, the exact nature of which I cannot state from memory. The arrangement has been carried on as I found it."

Still more precise and conclusive on that point is the letter of the same gentleman, to be found in page 152 of the evidence taken before this Commission, addressed to Mr. Receiver General Morris, on the 13th June, 1862. It is therein affirmed that "the understanding between the late Government and the Bank was that the current balance at credit of your Department should be about \$1,200,000." He urges emphatically, it will be observed, on the present Government "not to reduce the balance held by the Bank below

that sum," or if they should find it necessary to do so, to draw it out "gradually, and for the ordinary payments of the Government, which he is aware will, next month, be heavy." This concurrent testimony appears to establish on the part of the Bank a belief that it was entitled, at the time to which it refers, to retain in its hands a large balance of the public funds, free from a hasty withdrawal.

In the evidence of Mr. Galt, and in letters produced before the Commissioners (p.p. 154, 183, 185 and App. p. VII) there is abundant testimony that the public moneys of the country were largely applied to sustain the credit and standing of its fiscal agents. Mr. Galt says, "The unfortunate position in which that institution stood rendered it, for nearly the first three years after my acceptance of office, dependent upon the course adopted towards it by the Government;" "it is quite impossible for me to state to the Commissioners the extent or particulars of the assistance from time to time given by the Government to the Bank;" "the assistance rendered was, I think, uniformly, after their applications for Exchange on England."

The letters already adverted to cite some instances of these applications and of their successful result in obtaining the needful assistance. But they go even further; that on page 185, with the one on page 7 of the Appendix, indicate an interference in the management of the Bank on the part of Mr. Galt, which would import a heavy responsibility of the Government for the solvency of that Institution. "Chiefly through the instrumentality" of Mr. Galt, Mr. Cassels "accepted the chief Cashiership of the Bank of Upper Canada," and through the same channel, in order "to re-establish its credit, and relieve the Government and the country from anxiety and alarm," he applied for further aid to an institution which he admitted to be "in an unfavourable position," and in "discredit" both "in London and New York." What was that aid? We quote the *ipssissima verba* of Mr. Cassels: no less than "an increase on the present amount deposited by the Government of at least £120,000 Stg., and an additional credit in London of £80,000 Stg.;" these are stated by him as requisite to enable the Bank to perform its important functions as fiscal agent of the Government in this Province. The balance at that time at the debit of the Bank was upwards of one million of dollars (\$1,176,925); by the operation proposed it would have been nearly doubled. Mr. Galt, in evidence on this subject, states that "the Government did not propose to give the Bank a credit of £200,000 sterling absolutely, as will be observed by the letter referred to. The application to which that letter is a reply, was made by Mr. Cassels before he had an opportunity of acquainting himself with the position of the Bank, and the proposals set forth in my letter are contingent upon the opinion which the Government themselves should form after being put in possession of Mr. Cassels' complete analysis of the affairs of the Bank." (Q. 1146.) But Mr. Galt's letter of 3d April 1861 (p. 185), gives a strong case in behalf of Mr. Cassels' statement. In it he shews a strong disposition to accede to the demand.

"With reference to the question of a future increase to our deposits, for the purpose of enabling the Bank to complete your proposed financial arrangements, the Government will be prepared to entertain favorably an application on your part to the extent of one hundred and twenty thousand pounds sterling, or two hundred thousand, with a withdrawal of the guarantee for £80,000, provided that the information, as to the position of the Bank, to be hereafter submitted by you, is considered satisfactory, and to offer proper

security to the Province." (p. 185.) While he pronounces that "the whole incoming revenues of the Province are at the disposal of the Government whenever required," he declares that "the balance at 1st January of, say \$1,200,000, will not be permanently reduced, pending the result of your investigations and report, upon which a definite understanding on all these points must be come to."

The arguments of Mr. Galt for the deviation, during his occupancy of the office of Finance Minister, from the original terms of agreement between the Bank and the Government, is the impossibility, owing "to the position of the Bank, satisfactorily to work under that agreement." The Bank had fallen into a "position" so "unfortunate" that it could no longer perform its part; *ergo*, the Government must give it increased means and facilities. The "public deposits," he says, "amounting to \$1,200,000 (Q. 1146), could not be withdrawn in the existing state of the Bank;" *ergo*, he felt it necessary nearly to double them by proposing "to give the Bank a credit of £200,000 sterling additional," not "absolutely" he remarks, but conditionally, on a statement of the affairs of the Bank which the Government might consider satisfactory being rendered! The policy of this course of procedure it forms no portion of the duty of this Commission to discuss; but on what authority it was adopted, it is within their duty to inquire. They can find none; the original agreement with the Bank of Upper Canada was an Order in Council, and it gave none; and no subsequent Order in Council is adduced modifying or changing that in existence. Mr. Galt alleges that the applications were from time to time submitted to his colleagues, with whose concurrence the course adopted towards the Bank was uniformly maintained; (Q. 1,146) that "both Mr. Cassel's letter (above referred to) were fully considered in Council, though for the reason stated (it is presumed "the apprehension of the most serious derangement of the monetary affairs of the country") no Order in Council was made on the subject." The validity of such a plea, it is needless to discuss; if admitted, the checks the law interposes to irregularity of payments are a nullity, and the passage of Orders in Council for the disposition of public moneys sinks into an idle ceremony.

In the absence of undisputed testimony as to the obligation alleged by the Bank on the Government to maintain permanently in its hands on deposit a certain amount of the public money, a return or "monthly statement of cash in Bank of Upper Canada," during the years 1859, 1860, 1861 and 1862, has been obtained from the Receiver General's Department, and is inserted in page 182 of the "Evidence," &c. During that time, with the exception of a few months in 1859, the average of deposits in the Bank has been upwards of \$1,200,000, the sum claimed by Mr. Cassels (p. 154) in June, 1862, as the current balance to be held in accordance with "the understanding between the late Government and the Bank." Of these balances, enormous considering the straitened condition of the public finances at the time, only the small sum of \$242,222 in a part of the year 1860, and \$442,222 in 1861 and 1862, bore interest; the amount accruing therefrom and chargeable to the Bank, being in 1860, \$4,512; in 1861, \$21,344, and in 1862, \$22,111, (p. 197). The charge of interest on these balances, it will be observed by the table, commenced in May, 1860, and was in accordance with an Order in Council, passed on the 29th of that month, empowering the Receiver General to make special deposits for terms not exceeding six months, at five per cent. interest, with any of the chartered Banks of this Province."

The foregoing remarks on the arrangements between the Government and the Bank refer exclusively to the terms and results of the fiscal agency of the latter. A slight and brief reference to the manner in which the accounts are adjusted is all that is necessary. A daily record of receipts from, and payments to, the Bank is made up and kept in the office of the Receiver-General, and is compared and revised from time to time with the accounts periodically furnished by the Bank. Mr. Harrington, in his evidence before the Commission, states that when he entered the office in 1858, he "was given to understand that the books had not been balanced for five years;" "he found after a time that there were large differences, *pro* and *con*, between the office books and the Bank of Upper Canada; and Mr. Lewis, an accountant, has ever since been employed trying to get at the bottom of these differences. There were large items debited by the Receiver-General against the Bank, for which there was no corresponding credit in the Bank books; and in other cases the Bank had charges against us for which we had not given them credit."—(Q. 47.)

The difference, he says, amounted, on the 31st December, 1858, to \$59,852 against the Government, and \$138,674 in favor of the Government. These differences had been accumulating from 1853, without any attempt to adjust them. They are now in a great measure cleared off, being reduced to \$37,218 against the Government, and \$65,487 in its favor, leaving an apparent balance due by the Bank to the Government, of \$27,674.

The evidence before the Commissioners respecting the system of management of the financial affairs of the country during the term of arrangement between the Government and the Bank of Upper Canada, is deemed of sufficient importance to be dwelt on at considerable length. There have been, in addition to the facts above alluded to, some transactions of so special a nature as to require an equally searching analysis. Foremost amongst these are the circumstances relating to a Bill of Exchange for £100,000 sterling, purchased by the Government in June, 1859, from the Bank of Upper Canada.

This Bill, it appears from the evidence of the Hon. John Ross, M. L. C., at the time of the purchase both a member of the Government and President of the Grand Trunk Railway, and of the Hon. A. T. Galt, then Minister of Finance, was acquired for the purpose of rendering the balances due by the Bank of Upper Canada, which were then heavy, more secure. It was drawn at six months' sight by the Grand Trunk Railway Company on Glyn, Mills & Co., in favour of T. G. Ridout, Bank of Upper Canada, by whom it was indorsed to the Receiver General, who transmitted it to Glyn, Mills & Co., the London agents both of the Grand Trunk Company and of the Government, for acceptance. Mr. Harrington's surmises as to the object for which the Bill was drawn, are dissimilar from the reasons assigned by Mr. Galt and Mr. Ross; his opinion is "that the transaction was intended to afford help to the Bank of Upper Canada in some of its pecuniary relations to the Grand Trunk Company. He gives this, however, "simply as a conjecture resulting from his own observations." Whatever may have been the cause of the draft, it being on the surface of unexceptionable character, the acquisition of it by the Government was a step towards relieving the country of a portion of the danger apprehended from the heavy balance at the credit of the Bank. That the Bill would be accepted, and of course paid at maturity, no doubt appears to have been entertained; Mr. Ross states positively that he had "the assurance to that effect of Mr. Blackwell, then Vice-President of the Grand Trunk Company, and who had also the control of the financial department of the Com-

pany's affairs in this country." As no money was paid at that time for the Bill, it is clear that the operation, in its origin, appeared, as described by Messrs. Galt and Ross, to the public advantage.

There is one circumstance, however, attendant on the transmission of this Bill to London, that bears a singular aspect. Mr. Receiver General's letter to Glyn, Mills & Co., enclosing it for acceptance, contains the following remark: "If not accepted, you will have the goodness to return the same duly noted." Whatever may have led to the anticipation, certain it is that it was verified by the event. Messrs. Glyn, Mills & Co. declined to accept, and had the Bill "privately noted." In their letter advising the non-acceptance, they enclose a copy of a letter from the Grand Trunk Board in London which will explain the informality in its tenor and the subsequent non-acceptance. They also apprise Mr. Sherwood that "the financial agents are writing to the Inspector General in reply to his letter on the subject of the Bill, but do not return it, as it is proposed to substitute a Bill of another character for it." The enclosure referred to is a copy of a letter, dated the 1st July, 1859, from Sir C. P. Roney, Secretary of the Grand Trunk Company, to Glyn, Mills & Co., wherein he thus assigns reasons for their non-acceptance of the Bill drawn on them. "This Bill was drawn for a special object, and the drawers were, no doubt, unaware of the formal objections to a regular acceptance of a Bill at such an unusual maturity, drawn from Canada. The London Directors desire me to state that they fully recognize your objections to its acceptance, which would not be removed by their assurance that they feel the obligation of protecting the signature of the President and Vice-President, as of fulfilling all the engagements of the Company. But the London Board, as you are aware, being precluded by law from all acceptance of drafts, is unable to interfere for the honour of the signature of the drawers," (p: 153.) The circuitous character of this reasoning of the Secretary is obvious. The London Directors were not called on to accept, nor were the Canadian Directors, so far as the loan is to be gathered from the misty expressions in the above paragraph, precluded from drawing on their London agents; in fact, the power of accepting, which the proposed to substitute for the non-accepted Bill implies on their part, carries along with it the capacity of drawing Exchange. The attempt to escape responsibility, and evade payment of the Bill, appears indeed but too obvious in this transaction. Sir C. P. Roney expresses the hope that Glyn, Mills & Co. "will retain the Bill then in their hands, without legal protest," and "he suggests the substitution of another form which would not only render the document perfectly regular, but as it (the Board) has reason to believe, satisfactory to all parties interested." This change, it appears, met the approbation of Mr. Galt, the Finance Minister, who, in a note dated "Executive Council Office, (Inspector General's Office,) 15th July, 1859, addresses Mr. Receiver General Sherwood thus: "After consultation with our colleagues on the subject of the Grand Trunk Bill for £100,000 sterling, I think you had better accept for the Bank of Upper Canada, their Bill of corresponding date and sight upon the Grand Trunk Company, accepted by the President and Vice-President of the Company, payable at Messrs. Glyn, Mills & Co., London, as recommended by our financial agents."

By this alteration of form it is plain that any responsibility that might have attached to Messrs. Glyn, Mills & Co., as drawees, at the time of the original draft, was removed, and the "additional security" which Mr. Galt and Mr. Ross allege to have been the object of the

Government to obtain for the heavy debt due by the Bank of Upper Canada, dwindled down to the equivocal, even if responsible, guarantee of the Grand Trunk Company. A Bill in the amended form was drawn, that is of the same tenor, sight and amount as the one cancelled, the parties to it being the Bank of Upper Canada as drawers, and the Grand Trunk Railway Company acceptors through their President and Vice-president here. And here the first step was taken which has caused this Bill to serve any purpose rather than that for which it is stated to have been originally intended, the diminution of the Upper Canada Bank debt to the Province. In October, 1859, prior to the maturity of the Bill, and when, from what had previously passed, doubt of its payment at maturity must have entered into the minds of every person qualified to judge, the Government passed the equivalent of it at  $6\frac{1}{2}$  per cent. premium of Exchange \$473,333 currency to the credit of the Upper Canada Bank, issuing a warrant in favor of the Cashier for that sum. (p. 159.)

The substituted Bill was not met at maturity. Glyn, Mills & Co. advised the non-payment on the 6th January, informing Mr. Receiver General Sherwood that under instructions from Mr. Galt, Finance Minister, they held it over for three months, retaining on account of the Government, all right against the parties thereto. (p. 159.) Mr. Sherwood, in acknowledging receipt of the foregoing intimation, replied, on the 21st January, 1860: "With respect to the non-payment of the draft of the Bank of Upper Canada, on the Grand Trunk Railway Company for £100,000, I believe the matter has received the attention of the honorable the Minister of Finance while in London." On the 2nd February Mr. Sherwood transmitted to Glyn, Mills & Co. the first of a third set of Exchange in lieu of the dishonoured Bill; this second substitute being at four months' sight. On forwarding it to Glyn, Mills & Co., he observes: "This is in accordance with advice from the Minister of Finance, received by me from London."

A fate similar to that of its predecessors awaited this bill also. It was not paid at maturity. Glyn, Mills & Co. duly notified the failure on the 30th May, to the Receiver General, and in a subsequent letter, thought it right to add that they had taken the necessary notarial steps, and would forward protest if desired. On receipt of this intelligence, the Deputy Receiver General addressed the Secretary of the Grand Trunk Railway Company, Montreal, informing him of the failure to meet the bill, and asking: "Will you be so good as to explain what course the Grand Trunk Company intend to pursue under the circumstances?" "To this letter," observes Mr. Harrington, "no answer was received from the Railway Company." (p. 161.)

To this series of bills destined to one and the same result, is now to be added a fourth. On the 13th July, the first of a fresh set of bills drawn at four months from the date of maturity of the last dishonoured one, by the same parties and for the same amount, was remitted to Glyn, Mills & Co. The second of the set was also duly forwarded by the following mail, on the 20th July. On the first of the Draft reaching London, Glyn, Mills & Co. alleged informality on the surface: "The Company should have dated their acceptance to fix its maturity;" they "thought it better, therefore, to return the bill enclosed, that the acceptance may be made perfect." What occurred on its arrival here is stated in the following extract from Mr. Receiver General Sherwood's letter of the 10th August, to Glyn, Mills & Co.: "The Grand Trunk acceptance shall be returned, with the date

affixed, as soon as the Hon. Mr. Ross returns to Quebec, he being at present on his way down the River with the Governor General and Executive Council, to meet H.R.H. the Prince of Wales, who is expected to land here on the 18th inst." (p. 161.)

Mr. Ross being thus absent, no presentation of the bill for acceptance appears to have been made, nor any other precaution taken to guard the interests of the holders, between the 10th August, and the 29th September following, excepting some ineffectual attempts on the part of Mr. Reiffenstein and Mr. Harrington, "to find Mr. Ross, to obtain from him the filling in of the date of acceptance, in order that it might be returned in sufficient time to present it at maturity to Glyn, Mills & Co." (p. 162.) No instructions were addressed to the London Agents, who had the second of this bill of exchange in their possession, to present it for payment when it should become due, nor indeed is any further reference to it to be found in the correspondence passing at the time between the Government and them. On the 29th September, two days before maturity of the bill, assuming its date to be that of its legal acceptance, the attention of Mr. Cayley appears to have been called to it by the following note from Mr. Galt :—

INSPECTOR GENERAL'S OFFICE,  
QUEBEC, 29th Sept., 1860.

MY DEAR CAYLEY,—In your memorandum of unpaid bills on Glyn and Baring, I observe you have not included the £100,000 Bill which, I believe, is under protest, and for which the Bank, as endorsers, are liable to the Receiver General.

Yours truly,

A. T. GALT.

Honble. W. CAYLEY,  
Manager B. U. C.

Mr. Cayley replied as follows :—

DEAR SIR,—I have only just got your note. The renewal of the £100,000 note on which the Bank is endorser, must be still running. I have not the date, but it will be found in the Receiver General's Office. The renewal was forwarded through Ross, in July last, if I am not mistaken.

Yours truly,

W. CAYLEY.

SATURDAY, 29th September.

This note was transmitted by Mr. Sherwood to Mr. Harrington, with these instructions: "Fyle the enclosed away safely. It has a bearing on the settlement with the Bank." Then, for the first time, the Receiver-General formally notified the Bank of Upper Canada of the irregularity of the acceptance, in the following terms :

(No. 547.)

*Receiver General to T. G. Ridout, Esq., Cashier, Bank of Upper Canada, Toronto.*

QUEBEC, 29th September, 1860.

SIR,—I am directed to inform you that the first of Exchange of the Bank of Upper Canada, on the Grand Trunk Railway Company, dated 28th May last, has been returned by the Financial Agents of the Province, on account of an irregularity in its acceptance, and it is now too late to return it. The Bill is held subject to the order of the Bank.

I have, &c.,

(Signed,) T. D. HARRINGTON, D. R. G.

Mr. Harrington says: "I am sure that it was on the 29th September that Mr. Ross inserted the date of the acceptance, and that in consequence of the Bill returning two days afterwards, I wrote the letter to the Bank of Upper Canada of that date."



But Glyn, Mills & Co. having no intimations nor information of any kind, took no further steps. Here also, a similar state of inaction with relation to it was shown. Mr. Harington says, "The Bill was not sent home, being retained in the possession of the Receiver General, who desired me to lock it up for safe keeping in my iron safe. I did so, and no further step was taken at the time in the matter."—(p. 162.) For two years did this bill remain in "safe keeping in the iron safe" without intimation to, or correspondence with any of the parties to it. It was not until the 24th October, 1862, that the Honorable Mr. Morris, then Receiver General, exhumed it, and "after a conversation with Mr. Cassels, Cashier of the Bank of Upper Canada", who "expressed his decided opinion that the Bill must be presented for payment by Glyn, Mills & Co., to the office of the Grand Trunk Railway Co. in London, who otherwise might say they did not pay it because it never had been presented," that it was sent to London, formally presented, protested for non-payment, and returned to the Government, a notarial protest of non-payment having at the same time been sent to the Bank of Upper Canada.

The entire history of this transaction, from its first stage to its close, exhibits a degree of recklessness, and a want of ordinary precaution to preserve the public property that is perfectly astounding. Professedly undertaken to diminish a debt very imprudently allowed to expand beyond reasonable bounds, its effect has been largely to increase it. The full amount of the Bill has been withdrawn from the public chest, and that it will ever be replaced therein is, to say the least, a matter of grave doubt. All the parties to it have throughout apparently endeavoured to shift the responsibility from themselves to others. Glyn, Mills & Co., on whom the first Bill was drawn, used the London Directors of the Grand Trunk Railway Company as a screen to shelter them from the consequences of accepting the draft of the Canadian Directors, and there is evidence of equal indisposition on the part of that Company generally, as well as of the Upper Canada Bank, the parties to the Bill as it now lies under protest, to accept the responsibility. Mr. Galt, with whom apparently the purchase of the Bill by this Government originated, it is true, expresses confidence, if not in the liquidation of the Bill, at least in the liability of the parties to it. His words are (Q. 1100), "I consider that the Grand Trunk Company and the Bank of Upper Canada are still liable for the Bill,"—"so far as the Grand Trunk Company are concerned I cannot see that they could possibly dispute their liability." "The Bank of Upper Canada have never directly questioned their liability in any communication with the Government, whilst I was a member of it. I never doubted their liability for a moment." With so firm a conviction on his mind, it does appear strange that in the long interval of time that elapsed between the maturity and non-payment of the Bill in October, 1860, and his retirement from office in May, 1862, he should not have taken a single step to recover the amount, or even to extract verbally or in writing, something like a confession of liability from either or both of these parties to pay it. Another remarkable feature is, that both in the books of what was lately his own Department, (Q. 1044) and in the books of the Receiver-General's Department (Q. 1020) it is kept distinct from the general account of the Bank, being regarded as "in dispute," and charged in a distinct item as a "Special Account against the Bank of Upper Canada."

Judging from the tenor of the letter of Mr. Watkin, President of the Grand Trunk Company, addressed to Mr. Howland, Minister of Finance, when in London

in December last, it would appear that that Company also is by no means disposed to acquiesce in Mr. Galt's doctrine as to its liability on the Bill. He asks with an air of surprise, "Must I presume, therefore, that the debt (if any such be legally due to any one) *is now claimed by the present Government as one from the Grand Trunk Company?*" —(Q. 1050.) There is a distinction apparently drawn in that letter between the late and present Government which seems to require explanation.

Nor is the evidence of Mr. Cassels, Cashier of the Bank of Upper Canada, more cheering as respects an admission of liability. On the nature of the intercourse he may have had with the Government on the subject, he is not very explicit. He recollects no formal communication with the late Government, nor any informal communication with Mr. Sherwood on the subject; he has had consultation with Mr. Galt concerning it, but is not aware of any written communication, formal or informal, with him with reference to the Bill.—(Q. 1035, 1036.) This is the extent of his information on that head. When that gentleman gave his testimony on the 2nd of March last, he stated that he was not aware of any correspondence having passed between the Government and the Bank since he became Cashier of the Bank, but on the 27th of April last, on reappearing before the Commissioners, he stated that in the interim he had discovered "correspondence both private and official." The public correspondence he exhibited, and it will be found in Appendix No. 2, p. xi It proves, by a letter from the Bank of Upper Canada to the Receiver General, dated 3rd September, 1859, that the proceeds of the Grand Trunk Bill of Exchange for £100,000 sterling, viz., \$471,111.11, was placed by the Bank "to the credit of the Grand Trunk Railway on the same date with advice." This letter, with the other correspondence corroborating it, which he adduced, he states, conveys an impression conflicting to some extent with his former evidence, which treated the Bill as "a payment from the Bank to the Government." He now says, "The information which I have received since my former examination leads to the inference that the Bank acted as the agent of the Government in the transaction, though the Bill was endorsed by the Bank." This, it will be observed, opens a new phase of the subject, and if it be a correct version, would of course affect the veracity or correctness of judgment of several of the witnesses that have appeared, as well as the question of the liability of the different parties.

Mr. Cassels also admits to have discovered private correspondence between Honorable Mr. Cayley and Mr. George Carr Glyn, M.P., respecting the £100,000 sterling Bill of Exchange. It will be observed on perusal of his evidence, that although he admits that this so called "private correspondence" is found in the books of the Bank, he does not conceive himself at liberty to produce it without reference to the parties to it; that he declines to say in what particulars it relates to the Bill; or whether it refers to the respective liabilities of the parties to the Bill, to the circumstances under which it was drawn, or the respective shares of the parties in the proceeds. This information is essential to the full elucidation of the facts, and it will be the duty of the Commission in its further prosecution of this branch of inquiry to obtain it.

It may be mentioned here that the transfer of the proceeds of the Bill from the general to the special account of the Bank of Upper Canada has the effect of causing the Balances at the debit of the Bank in the monthly statement (to be found in p. 182 of the "Evidence,") to appear less to the amount of \$473,833 than they actually have been from

the date of payment for the Bill in October, 1859, to the present time. With this addition, the aggregate of public deposits by the Government in the Bank have averaged, during that space of time, nearly two millions of dollars. There is also due to the Province, assuming the liability of the Bank for interest thereon, at 5 per cent. per annum, a sum of upwards of sixty thousand dollars.

Another large item of difference between the Government and the Bank of Upper Canada relates to a balance of £61,990, held by the former on deposit in the Zimmerman Bank, and which the then Receiver General, Mr. Morrison, directed, on the 6th May, 1857, to be paid over to the the Bank of Upper Canada; the Cashier of the Zimmerman Bank being directed at the same time to transmit to the Government a certificate of receipt by the Bank of Upper Canada for the sum so transferred. This latter instruction does not appear to have been complied with; at all events no such certificate is to be found in the documents appertaining to the Receiver General's Department. The amount, however, was duly credited in the monthly accounts current of the Bank rendered on the 1st June, 1857, the Bank of Upper Canada thereby assuming the liability under which the Zimmerman Bank previously lay to the Government. But a letter from Mr. Morrison to Mr. Ridout, dated the 11th May, seven days prior to the transfer, places this matter, which on the surface appears an ordinary transaction, in a somewhat questionable light. The letter was to the effect that "the Trustees of the Zimmerman Estate had assigned to Mr. Morrison property valued at \$2,483,833 in trust to pay off the Government deposit in the Zimmerman Bank, £61,990." It stated that the writer held the same property as a further security to the Bank of Upper Canada, for all amounts due or that might become due to it by the Zimmerman Bank, or the Zimmerman estate; and it further engaged that all moneys received from the disposal of the property should be paid as mentioned in the bonds given by the executors of the Zimmerman Estate. Mr. Cassels states that the property thus assigned turned out of far less value than the estimate, that it was subsequently assumed by the Bank at \$324,690.22 to cover the other debts due by the Zimmerman estate, leaving the £61,990 due to the Government as the only debt uncovered. Mr. Harington's statement is, that although that sum was regularly placed to the credit of the Government in the account current of the Bank at the time of the transfer, and has been carried forward continuously without reversal in the accounts as periodically rendered to this time, he is aware that the present Cashier, Mr. Cassels, has objected to the validity of the credit, alleging that it was not a *bonâ fide* transfer, no cash having passed between the two institutions. (Q. 1013.) This is the substance of a conversation held in witness' presence with the Receiver General a short time since. No written notice has been given on the subject by the Bank; but in Appendix X, will be found a memorial to the Governor, signed on behalf of the Bank, praying, on various grounds specified therein, for relief from the loss it may sustain in the transaction. In this position stands the matter at present between the Government and the Bank of Upper Canada.

The manner in which the Zimmerman Bank became indebted to the Government to so large an amount, is worthy of notice on account of the great laxity of practice which it exemplifies. It was established in 1855, with a nominal authorized capital of one million of dollars, of which \$982,000 were subscribed by the late Samuel Zimmerman, the remaining \$18,000 standing in the names of seven other individuals. The actual amount paid

up on the stock is not stated in the return made to the Legislative Assembly, to be found in the Appendix to the Journals of 1857. During its brief and ephemeral existence, its deposits on the Government account amounted from September, 1855, to February 1857, to £72,522 12s 11d. cy., of which £23,771 12s 10d. consisted of interest on loans under the Municipal Loan Fund Act, and of sums deposited by parties purchasing debentures from the Government. The remaining £49,850 0s 1d. was the cost of two Bills of Exchange, each of £20,000 sterling, purchased from the Government by the Bank under regular tenders for cash. The only explanation of the retention in the Bank of the £23,771 12s 10d., is to be found in a series of questions and answers in the Letter Book of the Department commencing 14th July, 1856, in the handwriting of Mr. Anderson, then Deputy Receiver General, declaring that "the money was to be gradually chequed out for the public service in a manner that would not injure the Bank, and at the same time would meet the wants of the Government." (Q. 1014.) There is also, in the Letter Book already referred to, a letter No. 229, dated 10th December, 1856, from Mr. Receiver General Morrison to G. McMicken, cashier of the Zimmerman Bank, in reply to a letter dated the 7th of the same month, assenting to a special deposit remaining in the Bank to the extent of £30,000 cy., for three months at 4 per cent. interest, upon condition that, "in case of emergency, the whole or any part might be withdrawn at 30 days' notice." (Q. 1015.)

Without an Order in Council, or other authority than the assent of an individual minister of the Crown, a quarter of a million of dollars of the public money of the Province appear in this case to have been lent, without security, to assist a Bank newly established, the amount of whose paid up capital, or whether it had any beyond the debentures lodged as security for the payment of the notes it might issue, was not on record. The low rate of interest stipulated for a portion of the loan has not been paid, and any further loss the country may sustain can only be regarded as the consequence of reprehensible carelessness in the disposition of the public funds. How carefully this transaction was veiled from the public eye, appears from the following record in the *Daily Globe* of Tuesday, May 19, 1857:—

LEGISLATIVE ASSEMBLY, MAY 18.—Mr. Mackenzie enquired of the Ministry, whether any of the public moneys or revenue has been at any time deposited in the Zimmerman Bank; if so, by what authority, when, how much, and has the same been withdrawn, and if not, why?

Hon. Mr. Morrison said that various sums, principally consisting of interest arising from money advanced to municipalities and purchase of exchange, had since September 1855, up to nearly the present time, been deposited in the Zimmerman Bank by the Government, under the same authority as they deposited money in other Banks. But there was no public money there now.

Mr. Mackenzie—How much was deposited?

Mr. Morrison—There is none there now.

Whilst exhibiting the relations between the Government and the Bank of Upper Canada, it may not be out of place to notice that part of the evidence taken relating to the recent issue of Provincial Copper Coinage, through the instrumentality of the Bank. The particulars are furnished in detail in Mr. Harington's evidence (pp. 185–191); a brief summary of them may here suffice. In 1858 the Government ordered from England a new silver and bronze or copper coinage. The former was received in 1858 and 1859;

the latter did not arrive until 1860, when 362 boxes, of the nominal value of \$72,200, in cent pieces, were received, and deposited by the Government for safe keeping in the Bank vaults in Toronto. The Bank was authorized to put the coinage in circulation, and to supply it to other Banks as required, crediting the Receiver-General with the sums taken. In December following, Mr. Ridout, Cashier of the Bank, having complained of the introduction of the bronze coinage by the Government as militating against the further circulation of the copper tokens of the Bank, Mr. Harington mentioned the matter to the Receiver General, who, after consultation with the Minister of Finance, authorized him to "submit a proposition that the Government should purchase all the unissued copper Bank tokens still in the hands of the Bank at cost price, "payment to be made in Provincial "copper coin (cent pieces)." The offer was accepted by the Bank, Mr. Ridout promising to furnish a statement of the amount so soon as he should receive the returns of the several branches. This statement which was furnished on the 1st May following, exhibited the quantity of "copper coins at the Bank of Upper Canada in Toronto, and its agencies" at \$30,263.14, which sum, with interest for two years and two months, \$3,934.20, was charged to the Government, and payment thereof was asked, not according to the agreement, in copper, but in silver coinage \$25,000, and copper coinage \$5,000. This was demurred to by the Government; their silver coin had, with the exception of \$3150, been previously disposed of, and interest they would not allow. Here the matter dropped for a time, no further steps being taken to execute the agreement mutually entered into.

In February 1862, Mr. Cassels who had in the interim been appointed Cashier of the Bank, "took the opportunity" in answer to a call from the Government for a statement of the coin held by the Bank for safe keeping on account of the Receiver General, "to refer to the very great loss the Bank has sustained by the introduction of the bronze coinage" by the Government, and suggested that "to compensate for the loss thus sustained, the bronze coinage held for the Government be transferred to the Bank at cost price, at which rate the Bank would at once credit the amount to the Receiver General." The amount of copper tokens imported by the Bank he stated at \$96,840, the amount in circulation, for which the Bank is liable about \$46,840, leaving on hand about \$50,000.

To this new proposition the Government, discarding the prior agreement, in part assented. In a letter, dated the 18th March, the Deputy Receiver General signified that "the Government agreed to transfer to the Bank at cost price, bronze coinage to the amount of \$50,000, being a sum equal to the copper tokens" in the hands of the Bank, on condition that the Bank shall take at its nominal value the balance of the Provincial copper coinage held for safe keeping in its vaults. "He further stated the willingness of the Government to relieve the Bank of the copper tokens on hand, say \$50,000, by purchasing it at cost price, but no interest will be allowed." The sum to be placed to the credit of the Receiver General for the purchase by the Bank, would thus be, cost price of \$50,000, \$28,875.76; balance of coin in Bank vaults, nominal value, \$22,200; total \$51,075.76.

The Bank of Upper Canada agreed to the proposed arrangement in a letter dated the 27th March 1862, at the same time signifying that they had discovered an error in the amount of their copper tokens on hand; there being only \$30,000 instead of \$50,000 as they had mentioned; but the letter added, "as these coins are constantly being redeemed, the full amount of \$50,000 will be delivered to the Government as they are collected."

Mr. Harington reported to the Finance Minister, exhibiting the one-sided character of this new proposition of the Bank, because under it the Bank would purchase "bronze coin to the amount of \$50,000 at cost price, say \$28,875.76, with the balance at nominal value, say \$22,000; whilst it would sell at cost price its own copper tokens, say \$30,000 at once, and \$20,000 when redeemed and collected. He also called the attention of the Government to the comparatively high price of the Bank tokens, namely, \$41,700 for \$50,000. To this report the response of the Minister of Finance is concise.

"The above arrangement is affirmed."

"(Signed,)"

A. T. GALT,  
"M. of F."

The whole operation is pithily put by Mr. Harington, (Q. 1118) thus: "We sell coinage to the amount of \$72,200 for \$51,075.76; we buy Bank tokens, nominally amounting to \$50,000 for \$41,700"; the intrinsic worth of the latter being simply "its market value as old copper."

Assuredly the importation of a bronze coinage for the public accommodation has been a costly experiment.

During the as yet uncompleted examination by the Commission into the financial accounts of the Province its attention has been particularly called to an outstanding difference between the Government and the London Agents, involving the sum of \$100,000. The origin, as detailed in evidence by Mr. Galt, is as follows:

"The Government were pressing the City of Montreal for payment of the reduced rate of 1s. in the pound of their debt to the Municipal Loan Fund, and at the same time bonds of the city for £25,000 currency fell due, which had been issued to the St. Lawrence and Atlantic Railroad, and which the city expected would have been paid by the Grand Trunk Company, who represented the St. Lawrence and Atlantic Company. The Grand Trunk Company failed to pay these bonds, and the city alleged to the Government that they were unable to protect their credit by the payment of these bonds, and at the same time pay the amount due by them to the Municipal Loan Fund, which was very nearly equal in amount. The city applied to the Government for a loan to redeem the bonds that were falling due, pledging themselves at the same time to levy the necessary rate for the payment of the Municipal Loan Fund, and proposing that when this latter sum was paid, the Government should undertake to collect from the Grand Trunk Company the amount of £25,000 of City Bonds. At that time it was considered by the Government very important to commence the successful collection of the rates under the amended Municipal Loan Fund Act, and that it would greatly facilitate the collection of the rates from other municipalities, if it could be shown that the City of Montreal had made good the large sum due by it." (Q. 1102.)

No entry appears in the departmental books respecting this negotiation in its earliest stage, but the letter of Mr. Demers, Treasurer of the Montreal City Corporation, to Mr. Galt, dated 24th May, 1859, (App. xii) refers to it as having formed the subject of conversation a short time previously, when the latter was in Montreal. The proposition he states therein to have been then made, verbally, by Mr. Galt, was that the Government would redeem the Bonds in question on the 1st of June next, and hold them until the city had paid the Government the arrears of interest due on the Municipal Loan Fund, and then return the redeemed Bonds to the Corporation, charging the amount so paid to the Grand Trunk Railway Company. To these conditions he signified the assent of the Finance Committee of the Corporation.

In making this proposition Mr. Galt says he was aware that "the Government would ultimately have to look for the payment to the Grand Trunk Company who, Mr. Blackwell, the Managing Director of the Company, assured him, would very shortly be able to pay the amount. Mr. Blackwell also stated that, "in the meantime, the amount might be advanced to the City of Montreal, out of moneys in the hands of the Government belonging, ultimately, to the Grand Trunk Company, and retained under the term of Subsidiary Lines Money, there not being any probability that the said moneys would be required for the work to which they were applicable under the Relief Act for some considerable time."

On the 4th June the Deputy Receiver General advised the Montreal City Treasurer that the Government "have redeemed the £25,000 City Bonds, (payable by the Grand Trunk Company) on account of the City of Montreal, and holds the same until the amount advanced, with interest at six per cent., be paid by the city; subject to the condition that the said city do immediately levy the annual rate to meet their indebtedness, under the Municipal Loan Fund Act; and that the above amount so advanced be repaid within three months." In accordance with the terms of this letter, an Order in Council, at the recommendation of the Minister of Finance, had been passed on the 1st June. The Bonds were redeemed on the 15th June, and the £25,000 charged in the Inspector General's Department to "City of Montreal advance account."—(p. 171.)

The terms of the Order in Council, of which the letter of the Deputy Receiver General is a transcript, must be construed in a widely different sense from the verbal proposition of Mr. Galt assented to by the Montreal Corporation, the former operating simply as a loan, subject to repayment in a specified time, three months; the latter carrying with it a release from all liability for the Bonds, so soon as the rate under the Municipal Loan Fund Act should be paid in. This latter construction was adopted by the Department, and it is in accordance with Mr. Galt's view of the matter in answer to question 1104. So soon as the arrears of interest due to the Government were paid, the Corporation debt of \$100,000 was cancelled, and it got back the bonds, giving a receipt for them as "redeemed by the Government on behalf of the Grand Trunk Company."

The amount, however, stood at the debt of the city of Montreal in the books of the Finance Minister's Department, although the Government was bound to look to the Grand Trunk Company for payment, until January following, when a letter from Mr. Galt, dated London, 28th December, 1859, was received by Mr. Reiffenstein, a gentleman who had charge of the accounts connected with the subsidiary lines in the Receiver General's Department, in which the following passage appears: "The agents acquiesce in my desire to charge them each one-half of the Montreal advance of \$100,000, made *in re* the Grand Trunk. Both these sums will therefore go to their debit with you." Acting on this suggestion a change was made in the entry in accordance, charging the London agents respectively, \$50,000, "dating it back, however, in order to bring it within the accounts of the year 1859, which were then being closed." (Q. 1062.) No communication however was made to the London agents that any such charge appeared against them, neither was the transfer authorised or alluded to in the letters of the London agents to the Financial Departments here.

So the matter stood from December, 1859, until the 19th September, 1862, when Mr. Howland, the then Minister of Finance, addressing the London Agents concerning certain differences of account, called their attention to this difference in these terms:—"I also find charged in the books of this Department the sum of \$50,000 each against your respective firms—in all \$100,000—as advanced to the City of Montreal, on your account, in 1859." The response of Messrs. Baring and Glyn was immediate, conveyed in their letter of the 9th October, 1862, thus:—"We have no record in our books of any transaction with the City of Montreal, and are not aware of any advance by us, or for us, such as you mention, and we have, therefore, no claim on the Government for that account, nor is there any charge on us in the matter." Shortly after this intimation, "Mr. Receiver General Morris desired Mr. Reiffenstein to write to Mr. Galt, then in London, pointing out the difference raised by the Agents, calling his attention to his letter of the 28th December, 1859, and requesting him to see the Agents, with a view to rectifying the matter." Mr. Galt had returned to Canada in the interim, and Mr. Reiffenstein therefore addressed a note to him at Sherbrooke, whence he replied that his letter of the 28th December had better be made official, and a copy sent to the London Agents. He adds, "The whole contents of the note show that I had been engaged with them in adjusting the accounts, and that the \$100,000 was clearly understood to be chargeable to them." He requested Mr. Reiffenstein to bring the matter before Mr. Macdonald, and informed him that "I (Mr. G.) shall be happy to write him fully on the subject, if he thinks it necessary, though perhaps it would be better to wait Mr. Langton's return, and see if he can find the other letter I wrote him at the same time." The letter to Mr. Langton, to which Mr. Galt refers, is one written on the 28th December, 1859, "at very considerable length, in regard to the subjects connected with the Finance Agents' accounts and other public business"—(Q. 1106.) That letter is unfortunately mislaid. We give in full Mr. Langton's recollection of its contents:—

"I recollect receiving a letter from Mr. Galt whilst he was in England, during the winter of 1859-60, in which reference was made to several subjects connected with the Department, but I have no recollection of there being anything in the letter connected with the \$100,000. I have looked over my letters, and I do not appear to have made it an official letter, or to have preserved it; I speak now of my recollection of that letter. But since I last replied to the same question put to me in an official letter from the Commission, I have been induced to think that the letter may probably have contained instructions upon the subject, although I have forgotten them. My reason for coming to this conclusion is, that the entry in the Inspector General's books was evidently made either in the month of December, 1859, or very early in January, 1860; and Mr. Goddard, the Book-keeper, tells me that the entry was made by verbal instructions from me to him, although both of us were under the impression that these verbal instructions were conveyed to him after Mr. Galt came out. I have no means of ascertaining decidedly when Mr. Galt left Canada, or when he returned; but if he were in England in the last week of December, or the first week of January, the entry cannot have been made from his verbal instructions." (Q. 110.)

The further steps we find recorded in reference to this affair are comprised in the following statement of Mr. Howland, late Minister of Finance:—

"On the 19th November last, being in London, I had an interview with Messrs. Glyn, in the course of which I expressed a desire to know whether they could furnish me with any further information than they had already communicated by letter, with reference to the charge of \$100,000 in the books of the Province, made as against the London agents



on account of advance to the city of Montreal. At the same time I read an extract from a letter of Mr. Galt to Mr. Reiffenstein, directing the entry to be made against the agents, and I called the attention of the Messrs. Glyn to the fact, that in giving this direction Mr. Galt had connected it with another transaction relating to the Northern Railway, which I hoped would enable them to recall to their recollection the circumstances connected with the interview with Mr. Galt, at which, according to his letter, the matter had been spoken of and arranged. I also requested Messrs. Glyn to examine and inform me whether they had held any securities payable by the city of Montreal, that had been paid by this arrangement. Messrs. Glyn, senior and junior, then stated that they had no recollection whatever of the transaction. They added, however, that they would institute an enquiry into the subject and state the result on another day. Two or three days afterwards, I again saw Messrs. Glyn, when they informed me that they had made strict enquiry into the matter, and had considered it carefully, and the result was that they had no knowledge or recollection of the transaction in any shape. I understood that in making the enquiry, Messrs. Glyn consulted with the house of Baring Bros. & Co., on the subject." (Q. 1,109.)

The transaction which the Commissioners have thus cursorily reviewed, is in its entirety one of the most unwarrantable that can be found in the doings of a department replete with illustrations of careless and improper management.

In the first instance, the Government paid the \$100,000 for the benefit of the Grand Trunk Railway Company, which was primarily responsible for the redemption of the bonds issued by the City of Montreal. Mr. Galt states that the city also applied to the Government to make the payment. But the Order in Council on which the payment was actually made specifically states that it was on the application of the Grand Trunk Company, which, being unable to meet its obligations, sought succor from the Treasury of the Province.

The allegation is, that the \$100,000 were to be paid from the subsidiary lines' account. So far as the Commissioners have the means of judging, the amount was paid out of the common treasury, by warrant in the usual manner. On the supposition that so much really stood at the credit of the account in question, it cannot be forgotten that the subsidiary lines' moneys, provided under the Grand Trunk Relief Acts, were pledged by Parliament for specific ends; that they were to all intents and purposes trust moneys, which the Government was bound to administer in a particular manner, and which, therefore, could not be applied to any other purpose without a violation of the letter and spirit of the law. The Government was, in fact, trustee for the Province in regard to the subsidiary lines' account; and the application of any portion of it to objects not contemplated by the Relief Acts, was a manifest departure from duty, which neither the exigencies of the Grand Trunk Company nor the prayers of Montreal could justify.

Moreover, the most prominent reason assigned by Mr. Galt for the payment to Montreal, implies little less than a fraud upon other Municipalities similarly indebted to the Government under the amended Municipal Loan Fund Act. "It was considered by the Government very important to commence the successful collection of the rates" under that Act; the pretence being that the payment of a large sum by Montreal "would greatly facilitate the collection of the rate from other Municipalities." So, with one hand, Mr. Galt advanced to the City of Montreal \$100,000 to protect its credit, and with the other received \$100,000 in maintenance of its credit; and then, keeping out of sight the former advance, held up the latter payment as a model to the various indebted Municipalities in Upper and Lower Canada. The raising of \$100,000 by rate was proclaimed as a great financial feat. The receipt of \$100,000 by way of bonus for paying a lawful debt was not allowed to figure in

the transaction. Altogether, a more palpable case of deception, not to say of jugglery and wrong, it is hardly possible to imagine.

But the deception does not end here. The Order in Council constituting the authority under which the payment was made, treated it as a loan, repayable within three months, with six per cent. interest; Mr. Galt having drawn the report on which the Order was based. The payment passed into the books of the Finance Department as a loan, being charged to "City of Montreal Advance Account." Yet at the very time when this Order in Council was passed, determining the character of the payment, an arrangement existed between Mr. Galt and the City Treasurer of Montreal of a totally different character; the payment under this private arrangement being, in truth, a measure of aid to the city so shaped as to amount, for all practical purposes, to an actual gift.

Thus the wealthiest of our cities received aid to an extent and with a directness that could not be granted to other municipalities without absolute ruin to the Province. And the Province, having paid \$100,000 to enable Montreal to meet its liabilities, accepted in its stead the worthless security of the Grand Trunk Company. The net result of the transaction being, that Montreal has gained, and the Province has lost \$100,000.

Who were the *bonâ fide* holders of the Montreal corporation bonds at the time of their redemption by Mr. Galt, has not yet been ascertained. It appears from the evidence of Mr. Howland, that when in London in November last he instituted an enquiry at the office of the Grand Trunk Company, with the view of tracing the history of these bonds in its books; but was told by Mr. Watkin, the President, that there is no record in England respecting the payment of the \$100,000 or the holders of the bonds. The point is, however, so obviously connected with what may be termed the secret history of the transaction, that the Commissioners will deem its elucidation essential to the completion of this portion of their investigation.

The difference between Mr. Galt and the London agents of the province, in relation to this sum of \$100,000, is a fitting *finale* to all that is at present known concerning the transaction. Mr. Galt, writing from England, reported that the agents acquiesced in his desire to charge them each with one-half of the amount from which the City of Montreal had been released; a statement so vague that it can scarcely be said to cover an intention to make the agents really and truly responsible for the item debited against them. Mr. Galt's evidence upon the subject is somewhat more explicit. He avers distinctly that the agents agreed to assume what he had written might be charged against them; but he is not positive as to the person with whom he entered into the alleged arrangement, or as to the presence of a witness on the occasion. Whatever the impression on Mr. Galt's memory—whether, as he understood it, the agreement was a simple consent to allow the sum to be charged, without any assumption of liability with regard to it, or a *bonâ fide* acquiescence in indebtedness—certain it is that the London agents themselves did not even by implication acknowledge any liability, and that immediately on the charge being brought to their notice, they repudiated it, and all knowledge of it, in terms that are too emphatic to be mistaken. They never suffered the item to appear in their accounts; and they did not neglect the first opportunity of disclaiming participation in, and acquaintance with, the settlement attributed to them by Mr. Galt. As between that gentleman and the agents, it is not the duty of the Commissioners to decide. The material fact is, that Messrs.

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Glyn & Co., and Messrs. Baring & Co., refuse to be saddled with the loss which Mr. Galt's agreement with the Municipal authorities of Montreal has inflicted upon the Province.

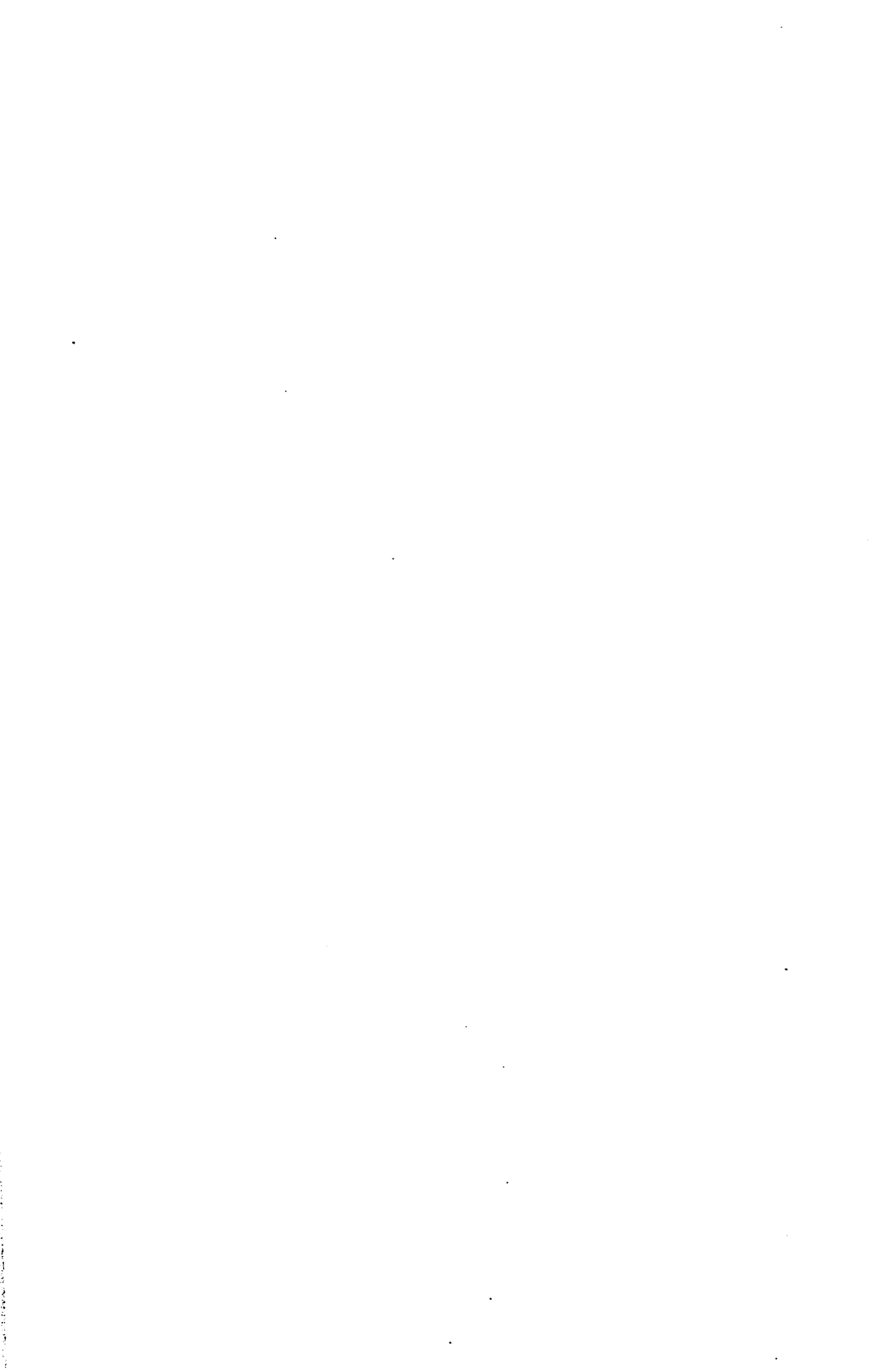
The Commissioners may not conclude this their interim Report, without adding that other subjects than those which appear in the accompanying evidence have engaged more or less of their attention. All the testimony received is herewith presented, and will be found to include points not alluded to in the Report. There has been, in addition, an extended examination of documents, and a steady acquisition of material, pertaining to the Grand Trunk account, the Subsidiary Lines Account, the contingencies of the Departments, and other matters of a complicated nature, with a view to further investigations in the wide field embraced in the instructions under which the Commission conducts its labors. The issue and management of the public securities, the checks applied to them, and the varied transactions that have taken place with regard to them, form the subject of another branch of the enquiry, on which the Commissioners have yet to enter.

The whole, nevertheless, respectfully submitted.

T. S. BROWN,  
W. BRISTOW,  
GEO. SHEPPARD, } Commissioners.

Dated at Quebec,  
the 23rd day of May, 1863.

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# EVIDENCE

TAKEN BEFORE THE

## Financial and Departmental Commission.

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Wednesday, December 3rd, 1862.

WILLIAM DICKINSON, sworn :

I am Acting Deputy Inspector General, and have occupied that position about seven years. I entered the Department in 1843 as book-keeper, and have been in the Department since. I have general charge of the public accounts of the Department in connection with the Auditor.

1. On what system are the accounts of the Province kept?

The general books of the Province are kept by double entry, in addition to which we keep a sub-accountant ledger, and other books, all of which are in connection with the general double entry books.

2. Will you enumerate the books in use in your Department, and the special purpose to which each is applied?

I produce all of them :—

- (1.) *Cash Book*.—Entries made daily of sums received from various services, crediting them to the various services. On the credit side is charged payment of all warrants issued by Government under the name of the service to which they respectively belong. Balanced monthly, and compared with the cash account of the Receiver General's Department.
- (2.) *Journal*.—In this is entered a monthly recapitulation of receipts and payments, taken from the Cash Book, and classed under head of the respective services. In addition, other transactions in connection with the finances of the Province, including the accounts of the financial agents, and transfers from one service to another.
- (3.) *The Ledger*.—Entries posted from Journal, on the principle of double entry.
- (4.) *Sub-Accountants' Cash Receipts*.—Monthly recapitulation from Cash Book of receipts from the several services, distinguishing the places from which receipts are derived. Also contains annual balance sheet, exhibiting debits and credits of the various sub-accountants of the several services at the end of the year. Serves as a general check to the other books of the Province.

- (5.) *Sub-Accountants' Ledger*.—Debit side composed from periodical returns of the several sub-accountants. Credit derived from Book of Cash Receipts, distinguishing localities.
- (6.) *Reference Book*.—Applications for warrants are daily recorded, specifying the department from which they come, by whom referred, nature of application and amount, with result thereof.
- (7.) *Warrant Book*.—Recites number, date, in whose favor issued, the service and purpose; fund from which appropriation drawn, and amount.
- (8.) *Appropriation Book*.—Records on debit side amount of appropriation for each service, and on credit side warrants issued on account of each appropriation. Checked monthly with Provincial Journal, and at end of year an account is opened for unpaid warrants, which represent the difference between cash payments and warrants issued.
- (9.) *Cash Payments*.—A daily record of cheques issued by the Receiver General, giving number, bank on which drawn, to whom paid, number of warrant on account of which such payments are made, and amount.
- (10.) *Statement of the Salaries and Contingent Expenses of Sub-Accountants*.—An auxiliary book, having reference only to canals and customs, the object being to facilitate monthly payment of sub-accountants through the Bank of Upper Canada. Sets forth salaries and expenses in detail, and warrants in the aggregate.
- (11.) *Register of Interest on Provincial Debentures, Halifax Currency*.—A record of currency debentures, the number, date, and amount of each, the service to which granted, authority under which issued, period of redemption and from which interest is payable, in whose favor, rate of interest, and amount of interest paid. Exhibiting also date of redemption, when redeemed.
- (12.) *Register of interest on Municipal Loan Fund Debentures for Upper Canada*.—A record of debentures issued under the Consolidated Municipal Loan Fund Act of Upper Canada, the number, date, and amount of each, period of redemption and from which interest is payable, rate of interest, and amount of interest paid. Also date of redemption or cancelment.
- (13.) *Register of interest on Municipal Loan Fund Debentures for Lower Canada*.—A counterpart of number 12, referring exclusively to Lower Canada.
- (14.) *Yearly Debenture Ledger*.—Commenced 1st February, 1856, shewing the outstanding debentures at that date, classifying them under the respective services. Is a register of all currency debentures issued subsequently, and also of the sterling bonds into which several Municipal Loan Fund Debentures have been converted. Recites enactment under which issued.
- (15.) *Abstract of Examination, Criminal Justice and Fee Fund, Upper Canada*.—Memoranda of the accounts rendered by the County Attorneys, City Chamberlains, and other officers connected with the administration of justice in Upper Canada, and fee fund accounts.
- (16.) *Report Book*.—Reports by Deputy Inspector General to the Executive Council on the accounts of officers connected with the administration of justice in Upper Canada.

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Friday, December 5th.

WILLIAM DICKINSON.—Examination resumed.

- (17.) *Auxiliary Ledger*.—Contains account of Law officers of the Crown, connected with the administration of justice in Lower Canada, Sheriffs, Coroners, Prothonotaries, &c., their salaries and disbursements, with warrants issued.
- (18.) *Register of Interest on Quebec Fire Loan Debentures*.—Statement of the Debentures issued with interest paid thereon, and dates of cancelment.
- (19.) *Debenture Book*.—Memoranda of debentures signed by witness from November, 1855, to date.

- (20.) *Bills Receivable.*
- (21.) *Debenture Monthly Returns.*—Interest paid on Canada currency debentures, made up monthly, classed under several heads.
- (22.) *Financial Agents' (London) Account Current.*—Commencing June, 1861. Baring, Brothers & Co., and Glynn, Mills & Co.
- (23.) *Statement Book.*—Contains copies of various statements connected with revenue and expenditure, prepared for the information of the Minister of Finance and for reference.
- (24.) *Payments to Municipalities, Upper Canada Land Improvement Fund* (Under 16 Victoria, chap. 159).—Records amount available for Municipal Improvement in Upper Canada. Fund derived from Crown Land Sales, Grammar School Land Sales, and Common School Land Sales. Extends to 1859-60.
- (25.) *Returns of Ratepayers.*—Municipalities Fund, Upper Canada, (18 Victoria, chap. 2, and 19 Victoria, chap. 16.)—Years 1860 to 1862.
- (26.) *Register of Bonds—C.* Clerks and Bailiffs Division Courts, Canada West.
- (27.) *Register of Bonds.—D.* Records bonds of other public officers.
- (28.) *Daily memorandum of warrants issued*—in whose favor, for what service, and what amount.
- (29.) *Memorandum Book.*—Entering returns connected with the administration of justice in Lower Canada, and applications for warrants connected therewith.
- (30.) Monthly statement of salaries of officers, &c., of Civil Government.

3. What books enumerated in the list are kept by double entry as required by law ?

The books kept by double entry, are the general Cash Book, Journal, and Ledger, in connection with which I consider that the sub-accountants' Ledger, and the Appropriation Book, which contain the details of the revenue and expenditure, should be taken as auxiliary, as the correctness of both is proved by the general books. I class in the same category the "Sub-accountants' Cash Receipts" (4,) "Statement of Salaries, &c.," (10,) "Abstract of Examination," (15,) "Auxiliary Ledger," (17,) "Register of Interest," (18,) "Bills Receivable," (20,) "Financial Agents," (22,) "Payments to Municipalities," (24). The other books enumerated are merely books of record and reference, connected with the duties of the department. The correctness of the books is tested by checking them with the books of the Auditor's Branch, and those of the Receiver General's Department. Our own check consists of the bringing down of a trial balance sheet taken from the General Ledger, occasionally, say three or four times during the year; and there is an annual balance on the 31st December, in each year. We also check the auxiliary books, to see that they agree with the general books. The balance sheet is made up simply from the accounts in the Ledger, posted from the Journal.

4. Is there any identity of record in the books of the Finance Minister's Department, the Receiver General's Department, and the Auditor's Branch ?

The Receiver General's Books are supposed to correspond with those kept in the office of the Minister of Finance, although there are various auxiliary books kept in one department which are not kept in the other. With reference to the Auditor's Branch, all warrants when issued are entered in the office of the Minister of Finance, and when paid in the Audit Branch. Thus on checking the two the difference will consist of unpaid warrants

5. To what extent are the records of one independent of the records of the others ?

The records of the Finance Department embrace all the returns of sub-accountants and others, of amounts for which they are accountable to the Province. In the Receiver General's Department the entry consists merely of the receipts and payments; the entry of the receipts being derived from letters of advice, enclosing certificates of bank deposits, received independently from the sub-accountants; knowledge of the payments being acquired on payment of warrants received in favor of the sub-accountants. The Audit Branch possesses a record of payments to these parties, derived from the entry of the warrants, of which they get the originals. The originals they derive from our department, and after making the entry return them to us.

6. In what manner are the records of one made a check upon the records of another ?

In regard to warrants, payment is made by cheques signed by the Receiver General or his deputy, and countersigned by the Deputy Inspector General. The entry of such payment is made in both departments, and carried to the service to which it appertains. The same check exists with reference to receipts, which are entered in both departments in like manner. As to the Audit Branch, the entry of all payments by warrant is made there, as well as in the Finance Department, from the originals. This check is kept up throughout the year.

7. On what occasion have the balance sheets of the Minister of Finance been verified by comparison with the records of the other offices named ?

The cash account is checked monthly with that of the Receiver General, and the debenture account, and the accounts of the London agents at various times throughout the year. This is done by the book-keepers of the respective departments. To the general question I cannot give an immediate answer. I will do so on another occasion.

8. How is the balance sheet published in the public accounts verified, item by item, in the Department of the Minister of Finance ?

It is certified by me as being a true copy of the balances, as exhibited in the general ledger of the Province. It is prepared by the book-keeper, and is verified by myself by reference to the Ledger.

Saturday, December 6th.

WILLIAM DICKINSON.—Examination continued.

9. *Question repeated.*—On what occasion have the balance sheets of the Minister of Finance been verified by comparison with the records of the Receiver General's and the Audit Office ?

The trial balance of the books of our department, up to the 30th September last, has been furnished to the Receiver General's Department, and the book-keeper informs me that he has checked the same with the books of that department. Our trial balance sheet has been returned this morning. With regard to the Audit Office, the check applies only to payments; and this check has been regularly applied. The information furnished to me by the Receiver General's book-keeper, leads me to believe that the check of the balance sheets with that department has been regularly applied for some years. He comes to our office in order to be furnished with transfer entries, of which he can have no knowledge from the documents possessed by his own department; the returns of the sub-accountants being furnished to our department, and not to that of the Receiver General. The certificates of deposit are transmitted to the Receiver General's Department. The certificates do not always correctly show the service. The returns uniformly do.

10. When you speak of a check being regularly applied to the trial balance sheet by the Receiver General's Department, do you mean that it has been applied monthly, or at what other interval; and if so, from what time to what time ?

I do not mean that it has been applied monthly, nor can I state at what interval. But I believe it to have been regularly checked at the termination of each year, and also at other times, though not at stated periods.

11. Of what items entering into the trial balance sheet have you not the particulars in the books of your department ?

The accounts with the several Municipalities in Upper and Lower Canada are kept in the Receiver General's Department. Our books merely show the state of these funds,



without reference to the indebtedness of the Municipalities. Nor do we keep the cash account with the several banks distinctively. It does not occur to me that there are other accounts of which we have not particulars, except, of course, the accounts of the departments. The departmental accounts are rendered to the Auditor and checked by him.

12. In what Department are the records of account complete ?

The records are necessarily divided amongst the different departments to which they relate. There is no general and entire record in any department.

13. Do you receive the account current of the English Agents, and check it ?

Yes. If any differences present themselves, we communicate with them. The accounts are fyled and we keep copies also. We fyle and enter all correspondence on the subject, and furnish them to the Receiver General's Department, for the purpose of being entered there.

14. What are the duties of the Auditor in relation to your Department ?

The Audit Office was instituted for the purpose of relieving the Finance Department from a portion of its duties, especially that of checking the accounts of the several departments. The Auditor also takes special cognizance of all public institutions, and exercises a general supervision over the accounts rendered to the Finance Department. He takes an active part in the preparation of the public accounts. He has the entry of the originals of all warrants, and has access at all times to the books of the Department.

15. The balance sheet being supposed to be prepared in conformity with law, how is it that no item appears in it relating to "losses by Public Works or otherwise," as provided for by Statute ?

Formerly there were many accounts which appeared in the statement of affairs which were considered to be useless, and affording no information. It will be seen on reference to the Public Accounts for 1856, that these items, amongst which was "losses by Public Works and otherwise," were closed by the Consolidated Fund Account. This item at the time amounted to £127,802 14s. 1d., the particulars of which I cannot state without reference to the Ledger. The item was written off as a bad asset, and does not now appear in any shape.

16. Have any other items been written off in the same manner ?

Yes. Sales of Public Works, &c., amounting to £27,211 11s. 3d.; Tavern Licenses, Canada West, £1,356 9s.; Trinity Fund, Quebec, £122 10s. 1d.; Law Fees, (13 and 14 Victoria, chap. 37,) £7,335 16s. 2d.; Rebellion and Invasion Claims, Canada East, £8,783 13s. 10½d. Total, £172,612 14s. 5d.

17. Are not items put down as assets in the last balance sheet which, being useless, should also be written off ?

There are to a large amount. They are principally included in loans to incorporated companies and expenditure on Provincial works. Before writing them off, however, it would be expedient to revise the whole statement. Were such revision to take place, it might be well to consider whether the actual value of the Government assets of every description should not be established, including much property which it possesses, but which does not now appear anywhere on record.

18. Were the loans to incorporated companies, and the expenditure of which you speak, authorized or unauthorized by law ?

They were made prior to the Union of the Provinces, and I have no particular knowledge in reference to them. The expenditure on Public Works also took place, in part, before the Union, and was, I believe, authorized by the legislature.

19. Does the Department make advances on account of Public Works, or otherwise, without the authority of law, or in excess of the particular appropriation made ?

Occasionally advances are made out of the revenue from Public Works, and in other cases where it is found necessary to preserve unfinished buildings, or for repairs on Public Works. Advances are made on account of various services, and which appear as unprovided items when submitted to Parliament. These advances are made by the Finance Department, under the authority of Orders in Council, or by order of heads of departments, in which latter case they come under the head, "Deductions from Revenue." The former class of advances are subsequently submitted to Parliament to be covered by a vote; the latter are not. No check exists in the Finance Department upon the extent of these deductions from revenue. By the term "deductions from revenue," I mean salaries and contingencies in connection with the collection of the revenues of the Province, the expenses of surveys, of the postal service, and similar charges. These amounted last year to \$1,409,685.94c. They have increased largely during the last ten years. Some years, the expenses of surveys have been very large. I know of no check upon the increase of these expenditures.

20. Do no advances appear on your books other than those which are made under Orders in Council, or by orders from heads of departments in connection with deductions from revenue?

Advances are made by the issue of accountable warrants on the application of the heads of departments for current expenses. Also to public officers connected with the administration of justice in Lower Canada, to enable them to pay the disbursements connected with their offices. And to public officers or others connected with the Government to pay travelling expenses, when engaged in the public service. All these advances are made without reference to the Executive Council, except in particular cases, when the amount applied for appears to be excessive. The Auditor and I judge of the moderate or excessive character of these applications. A record of these advances appears in the appropriation book, and in the "auxiliary ledger," in which an account is opened in the name of the party in whose favor the warrant is issued.

21. How are the last named advances checked?

The warrants are checked with the general books of the Province.

22. When an order is given by the head of a Department, in favor of an individual, do you require other authority before making an advance?

From the Public Works Department we receive a certificate from the Commissioner that the party is entitled to the amount, and stating the authority for the payment of such service. If this be provided for by the Legislature, or an Order in Council, a warrant is issued forthwith; if there is no appropriation, or if the appropriation is exhausted, the certificate is returned until an Order in Council is passed to cover it.

23. Have there been no advances or account of services the appropriations for which have been exhausted, without the authority of an Order in Council?

I do not remember any such cases.

24. Has there been no advance to or on account of the head of a department, without other authority than his own?

Advances are made on the application of the head of a Department, by the issue of accountable warrants which are charged to his Department, the same being credited by him on rendering his periodical returns to the Auditor. I do not remember an instance in which such an application has been refused.

25. Is the account kept of sums received by or for the Departments, in gross or after deductions?

The Departments are required to deposit their gross receipts, and warrants issue to enable them to defray their disbursements. The particulars of the Departmental expenditure are rendered to the Auditor, by whom the accounts are filed.

26. Does the Auditor take cognizance of the legality of the expenditures reported to him?

Where the expenditure is limited to a certain amount, he would do so. Should the expenditure be in excess of a Parliamentary appropriation, it would be his duty to report the fact to the Executive Council. With regard to the audit of "deductions from revenue," his duty would be simply to examine the vouchers produced. The amount expended under this head is discretionary with the head of the Department. In such cases the Auditor has no authority to go beyond the vouchers.

27. The deductions from revenue may be said to be the contingencies of other Departments: in what manner are the contingencies of the Finance Department regulated?

We have a small printed memorandum book, in the form of a Bank Cheque Book, in the margin of which we note the requisitions for what may be required. These we send to the parties from whom the Department, for the time, receives its supply of the particular articles or work required. The requisitions for office furniture and repairs, we address to the Board of Works. Our only other requisitions are for printing, stationery, and binding, which are made through a person in the office, specially appointed by the Minister of Finance. This appointment was made not many weeks ago. Previous to that period, orders were sent under general directions by the Minister of Finance. Goods were sent in without "bills of parcels;" the accounts when delivered subsequently being checked by the requisition. I am not aware that the goods delivered were always checked by a comparison with the requisition, to shew that all the articles, and the whole quantity, were actually received by the Department. The check at present in operation applies only to the quality of the articles delivered, and the price charged. The Commissioner of Customs, the Auditor, and I have still to certify that the goods are received. The contingencies of the Department are paid for by Mr. Ross, Clerk of Contingencies, with the exception of small accounts for newspapers supplied to the Department.

Monday, December 8th.

JOHN LANGTON, sworn:

I am Auditor of Public Accounts, and have occupied the office since 1855.

28. For what purpose was your office instituted, and how are its functions carried out?

The office was instituted as a separate branch of the Minister of Finance's Department, for the purpose of providing for the more effective audit of public moneys. As originally contemplated by the act, the Auditor appears only to have been intended to audit the accounts after the money was paid. In practice, we have introduced a different system, and all accounts which are ultimately to come to me for audit, are referred to me when the application is made for money. If I find anything incorrect in the account, or if the party accounting has not rendered any previous account satisfactorily, I have an opportunity of taking notice of this, and of having previous difficulties settled before any more money is paid.

29. Do you examine, check, and audit the accounts and expenditure of the Board of Works, and all contracts made by or with that Department?

I audit the accounts of the Department of Public Works, but they are the most difficult to deal with of any accounts which come before me. This arises principally from the unfortunate system upon which the books of that Department are kept. One would imagine that the principal object to be sought for in the books of the Department of Public Works would be to show, in the first place, the appropriations made by Parliament for the several services; secondly, the engagements made by the Department on account of those appropriations; thirdly, the amount of work done; and, fourthly, the money paid. But the last of these is the only thing which enters into the books of the Depart-

ment. They, no doubt, have in subsidiary books, or in other documents, an account of the others, but in the ledger there is no mention of appropriations, of contracts entered into, or work otherwise authorized to be done, or of the amount of work actually done. The accounts rendered to me are the accounts of the several works, from which I can see whether the payments have exceeded the appropriations or not, but that I could ascertain from my own books. The accounts which I think ought to be rendered for audit are the personal accounts of contractors and others, showing the work they have engaged to do, the work they have done, and the amount which has been paid to them on account of that work. The vouchers sent to me would perhaps enable me to make out such accounts, but it would only be by reconstructing from them a ledger such as I think ought to be kept by the Department. Upon several occasions I have called the attention of the Government to this difficulty. I have verbally stated it several times, and I made a formal report upon the subject about three years ago, in consequence of which some of the minor alterations which I suggested in the method of rendering the accounts have been adopted, but the general system of book-keeping remains unaltered. The report was not printed, but is in the letter book of my office. I also made a memorandum upon the subject a month or two ago, which I requested Mr. Howland to bring under the notice of the Commissioner, in the hope that an alteration in the system of book-keeping might be commenced with the new year. I have a copy of this memorandum in my office. The same difficulties which have presented themselves to me in auditing their accounts had occurred to the Department itself, in making it difficult for them to have a proper check over their subordinates. To remedy this Mr. Trudeau, the Secretary of the Department, had prepared a form of five subsidiary books which he wanted in order to make his check complete. These he communicated to me last spring, and I pointed out to him that all the objects which he sought for in four of these books would have been obtained from the ledger, if it had been kept upon the system I recommended. His fifth subsidiary book, though it gave information which might be important to him, was of secondary consideration to me as auditor. But in my memorandum above alluded to, I modified the system I had previously proposed, so as to embrace everything which Mr. Trudeau required.

30. Do you, in connection with the accounts of the Board of Works, take into consideration the legality of the expenditure ?

I take into account the authority for the expenditure, whether that authority be an Act of Parliament or an Order in Council. One is as obligatory on me as the other. In these remarks I merely allude to the money actually paid. I take no account of the engagements of the Department beyond what is actually paid. If a certificate comes in from the Department of Public Works, when the appropriation is exhausted, we refuse to issue the warrant, unless there is an order in Council to that effect. But one of the most serious evils of the present system of book-keeping in the Department is, that they have no means of seeing by reference to the books to what extent the faith of the Province has been pledged, either by contract entered into or by orders emanating from the Commissioner. The only thing which their books record is the amount actually paid.

31. Suppose an appropriation of \$500,000 to have been made by Parliament, as for the Ottawa Buildings, may or may not the Commissioner direct an expenditure of \$400,000 of that money, or the whole sum, for a totally different purpose, or for extras not contemplated by Parliament, and not specifically sanctioned by the Department when entering into the contract ?

I do not think that the Commissioner could expend any of the money for a totally different purpose. If, for instance, there were an appropriation for the Ottawa Buildings, and the Commissioner issued a certificate for work done not in connection with those buildings, but to be charged against the appropriation, we should stop the issue of the warrant. By "we," I mean the Finance Minister's Department generally. Or if the certificate had passed, and a warrant had issued in consequence of its not appearing upon the face of it that it was for a different purpose, I as Auditor should call the attention of the Government to the subject, when the details came before me in the quarterly accounts of the Department. But there is no doubt that the Commissioner might authorize payment for

work not contemplated, when the appropriation was made by Parliament, or when the contract was entered into by the Department. In fact, when the appropriation is made by Parliament, there is no detailed statement submitted, which would show the exact nature of the work intended to be performed. It is only a general authority for a certain expenditure, the details of which are left in the hands of the Government. So also with the contract. A contract does not necessarily include all the work that is to be done; in fact, I suppose that there never was a building put up for which the contract embraced everything that was required. There always are some extras and deviations, and the amount of these, and the nature of them, and the necessity for them, can only be determined by the parties having the responsibility of superintending the work. My audit does not take cognizance of these questions. With regard to contracts, I only take into account the prices contracted for, having access to the contract. A contract may require that payment shall be made upon the architect's certificate, and some of the estimates may be certified by other parties than the architect. I have never taken any account of any deviation from the contract in this respect. Any certificate coming to me from the Department of Public Works, certified by a person whom they acknowledge, has always been considered sufficient. The whole question of auditing the accounts of Public Works, I have always felt to be very difficult. The contracts usually state the prices for different kinds of work; but there is also a considerable amount paid on extras, not embraced in the contract, and for which there is no schedule of prices. I have no personal knowledge which enables me to say whether these prices are fair or not. And even if I knew the proper prices, I am absolutely dependent upon the officer signing the estimate for the amount of work done, or of articles received. I have always felt that the only use in my auditing the accounts of that Department is to see that there is authority for all payments, and that no money is paid without proper certificates that the work has been done. I conceive that the engineering audit, if I may so express myself, can only be efficiently done by persons having practical knowledge of the subject; and I always accept the audit in that respect of the Department of Public Works as final. I have frequently stated to the Minister of Finance, that I could only hold myself responsible for the correctness of additions and extensions and other such matters, which may be called the financial audit as distinguished from the engineering audit. On several occasions, circumstances have struck me in connection with Mr. Baby's Works, the Ottawa Works, and others, which appeared to me of an unsatisfactory nature. These I have privately mentioned to the Minister of Finance, and sometimes to the Commissioner of Public Works; but I had no authority further to interfere. I may add, however, that since I came into office, there has been a great improvement, in one respect, in our check upon the Public Works Department. Formerly the Department had practically the power of paying away the public money without any control. They issued certificates that a certain sum was due to an individual, and the Bank was authorized to cash these certificates. When the certificate was presented in order that the warrant might issue, it was generally presented by the Bank which had made the advance, and not by the individual. The issue of the warrant became little more than a form. According to the present system the certificate never goes into the hands of the individual, but is sent to the Department of the Minister of Finance, and, after having been examined there, is the authority for a warrant to be drawn out. I think that this improvement was effected in 1857.

32. Do you examine, check, and audit the accounts and expenditure of the Crown Land Department, the Post Office Department, and the Bureau of Agriculture and Statistics?

Yes. The Crown Land Department is upon a different footing altogether from the Department of Public Works. The latter receives no money, except some small accountable warrants to paymasters. They send a certificate that so much money is due, and upon that a warrant issues to the individual. The Crown Land Department, however, makes all the payments out of accountable warrants issued upon application of the Commissioner. They render their accounts to me quarterly, with vouchers for all payments. The receipts of the Crown Land Department are deposited with the Receiver General intact. With regard to the receipts, all that I can do is to see that the amounts stated by the Crown

Land Department to have been paid to the Receiver General correspond with the sums acknowledged to have been received by him. As to the accounts of the separate agents who act for the Crown Land Department, I have no means of auditing them, and the auditing of receipts is always most difficult. In fact, there is no proper way of auditing them, except publicity. Formerly the agents received payment, and remitted the money to the Crown Land Department, and if they received money and did not remit it, or include it in their return, it would be exceedingly difficult to devise any check upon them unless they were required to keep constantly posted up in their offices a statement either of the amounts they had remitted, or of the lands in arrear. Within the last three or four years, the system has been so far changed that the agents do not receive money, but the persons who purchase lands are required to deposit the money in the Bank, and forward the duplicate certificates of deposit to the Crown Land Department and the Receiver General. In out-of-the-way parts of the country, where there are no Banks, and where the purchasers are often quite unacquainted with business transactions, this becomes almost impracticable, and the agents really do continue to receive and remit money, but they receive it as the agents of the purchasers, and in some cases as the agents of the bank, and not as the agents of the Department. To some extent, the receipts of the Department are in scrip, in which case the scrip is sent to me as a voucher for a payment, as if the Department had redeemed the scrip by the payment of money, and sold the land in the same way for money. All the cancelled scrip comes in to me. Up to the present time, I have taken all the late scrip which has been issued as genuine. It bears the signature or what purports to be the signature of the Commissioner, and has passed through the Department, where it can be verified with the scrip books. It will be advisable that I should undertake an examination of these scrip books myself, as there is no doubt that with regard to the old scrip, very little of which is now in existence, many forgeries have passed at the Crown Land Department. I examined the old scrip in 1856, and found that there had been forgeries to a very considerable extent. I submitted the result of my examination to Sir Henry Smith, the then Solicitor General West. I had several conversations and consultations with him upon the subject, but I cannot at present recollect whether I made a written report. The result of our consultation was, that there was no evidence before us by which we could bring the matter home to any parties. A larger amount of scrip had been received in payment than had been legally issued, and the loss was borne by the Department. It appears that a blank scrip-book had been systematically used by some person conversant with the action of the Department. Since that investigation, I have reason to believe that the Crown Land Department is a great deal more particular in verifying the scrip which it receives than was the case formerly. One other point occurs to me in reference to the receipts of the Department. There is still a certain amount of cash constantly being received over the counter by the Department itself. Parties from a distance will continue to send notes enclosed in a letter instead of making a deposit with the Bank. These receipts the Department deposits with the Receiver General. There is also a large amount of receipts which are in suspense. These are deposited with the Receiver General, but do not go to the credit of the territorial revenue, or special funds, as the case may be, in the books of the Crown Land Department until the sale is finally carried out. If the sale is not carried out, the money is refunded to the individuals and appears amongst the expenditure of the Crown Land Department, on account of the suspense account. With regard to the expenditure of the Department, they send me vouchers for all their expenditures. All accounts paid are certified by the Commissioner or Assistant Commissioner, and beyond this I have no authority to go. Over the amount expended for surveys I have no control. There is a general authority vested in the heads of Departments for all expenditure necessary for the collection of revenue, and such expenditure does not come before Parliament in the estimates. I do not think that there is a sufficient line between this class of expenditure and others, that they should be treated in such a different way. For instance, a vote is annually taken on the estimates for the payment of the salaries of the staff of the Department of Finance, but no vote is taken for the salaries of the officers employed in the Custom House at Quebec or elsewhere. Again, the Commissioner of Public Works cannot spend £100 upon any work without a vote of Parliament. But the Commissioner of Crown Lands may order any expenditure he likes

upon surveys. I think it would be an improvement if the expenditure for collection of revenues, which last year amounted to nearly a million and a half of dollars, were submitted to Parliament in the estimates, like all other expenditure. The administration of the Colonization Roads does not properly belong to the business of the Crown Land Department. The Commissioner for the time being has had the superintendence of the Lower Canada Roads, and at present he has these of Upper Canada. In auditing the accounts of Colonization Roads, I see that no more is paid than is authorized by the appropriation. This Parliamentary appropriation is subsequently divided by Orders in Council, amongst different Roads, and I endeavour to check the expenditure against these sub-appropriations. But as many of the roads are under the superintendence of the same individual, it is very difficult to keep the sub-appropriations quite distinct. The Post Office Department makes its own expenditure out of accountable warrants in the same manner as the Department of Crown Lands, and deposits all receipts weekly with the Receiver General. Vouchers are sent to me for all payments, and also for the receipts. They are most thoroughly checked in the Department, and I have rarely found anything to remark upon in them. As to contracts for the conveyance of mails, the existence of the contract is sufficient for me. I do not enquire into the mode of giving out the contracts. The Postmaster General has absolute control over contracts, routes, and post offices. In reference to the Money Order Branch of the Department, I am not altogether satisfied that the system may not be improved. As a matter of audit, there is very little that can be audited outside of the Department itself. The Bureau of Agriculture and Statistics have not for the last five years, had any accounts of expenditure to audit. It is not desirable to multiply the accounting Departments; and I induced Mr. Cayley and Mr. Vankoughnet, when they were at the head of the Finance Department and the Bureau, to make such arrangements that no money should pass through the Bureau of Agriculture, so as to make it unnecessary for them to keep books. Since that time they have had no money transactions except receiving patent fees, which have recently been transferred to the Clerk of Contingencies. All such expenses as are incurred by the Bureau, including the Census, are paid by the Clerk of Contingencies. The Bureau used to have the superintendence of Colonization Roads, Upper Canada; but the accountable warrants issued to Mr. Gibson, Superintendent of Colonization Roads in Upper Canada, and he was the accountable party with me. Recently the Bureau has taken charge of Colonization Roads, Lower Canada, and accountable warrants have been issued to the Minister of Agriculture and Statistics; but I have as yet received no accounts from the Department. By accountable warrants I mean a round sum paid to the party accounting, as to the expenditure of which he has afterwards to render a statement with vouchers. There are also some other warrants which are occasionally called accountable warrants, but to which the word does not strictly apply. Thus, the certificate of the Commissioner of Public Works, applying for the issue of a warrant, bears upon the face of it the words "to be accounted for," and the warrant is drawn out accordingly. But as the money is not paid to the Commissioner of Public Works, he cannot account for its proper application; what is meant is, that he will afterwards render an account, shewing how he arrived at this sum as the proper amount to be paid to the individual. So also a person who has done work for the Government, say, the Queen's Printer, gets a warrant which would more properly be called a warrant on account. He has not to account for the application of the money, but only to shew that he has earned it.

33. Do you examine, check, and audit the accounts and expenditure of the Receiver General's Department?

No. The principal business of the Receiver General's Department in the way of expenditure is, the payment of interest on the Public Debt, which as far as the auditing of it belongs to the Department of the Minister of Finance, is placed under the Deputy Inspector General, and not the Auditor. But, in fact, the auditing of that portion of the interest on the public debt which is paid in London, and which forms the greatest part of the whole, cannot be audited in the Finance Department, as they have not the necessary materials. The Receiver General really audits that, and I see no objection to his doing so, other than the requirement of the Audit Act, which assigns the duty to the Deputy Inspector General, because, the object being to audit the agents in London, any officer of

the Government here would be equally efficient. But in regard to that portion of the debt which is paid in Canada, the Receiver General is the party to be audited. As far as concerns the debentures payable in Canada, he is so audited by the Deputy Inspector General, although the audit would be still more perfect if the coupons were sent to the Finance Department. But there is yet another class of debentures which are payable in London, but paid in Canada. This system has only lately commenced, and the audit is very imperfect indeed. It amounts to very little. The Receiver General makes an application for money to pay the interest upon certain debentures. In the Finance Department we have no means of knowing whether those debentures are in Canada, or whether they may not have been paid in London. The only proper audit would be, that this warrant to the Receiver General should be looked upon as an accountable warrant, and that he should render as vouchers the coupons which he has actually paid. There are some classes of expenditure, which are in the Receiver General's hands, which more properly should have belonged to the Finance Minister. For instance, everything connected with the Municipal Loan Fund, with the payments to Seigniors under the Seigneurial Tenure Act, the distribution of the Municipalities Fund, Upper Canada, and the Improvement Fund. These by special Acts are placed in the hands of the Receiver General; but it would be much more in accordance with the general system, that like all other accounts of receipt and expenditure, they should be kept and audited in the Finance Department.

34. As Auditor, do you in any manner examine, check, and audit the accounts and expenditure of the Department of the Minister of Finance?

No. As auditor I do not audit the Deputy Inspector General's Branch of the Finance Department. But I am constantly compelled to refer to the books, and I am called upon by Parliament, and by the Ministry, for statements which require me to be familiar with all the transactions in that branch. As regards the expenditure, the appropriation book in the Deputy Inspector General's Branch, is periodically checked with my books. In the preparation of the public accounts, I have to take a review of the whole financial transactions of the year. As auditor, I am cognizant of the accuracy of the annual balance sheet, and I verify every account embraced in it.

35. Do you examine, check, and audit the accounts and expenditure of all Provincial Asylums, Hospitals, Penitentiaries, and Prisons?

Yes. The transactions of the Asylums and Prisons principally relate to expenditure; for which vouchers are rendered to me with the quarterly accounts. In most cases there is no difficulty in auditing these accounts. But I have sometimes found a difficulty in knowing whether a certain expenditure was necessary, and even whether it was charged at the proper rates. With the view of obviating this, I have proposed that all such accounts should come to me certified by the Board of Prison Inspectors, or by one of their number. They, at their periodical visits, have much better opportunities than I can have of ascertaining if everything is regular. The same remark as to the necessity of verification on the spot, applies to the receipts of the Penitentiary. The information furnished to me touching the productive labor in the Penitentiary is a mere abstract without any details. I will produce some of these papers.

36. What is the nature and extent of your duty, as Auditor, in relation to the University of Toronto, Upper Canada College, and the Superintendents of Education for Upper and Lower Canada?

All these parties send me their accounts with vouchers for expenditure. With regard to the management of the University and College endowment, I have nothing to do, except to see that nothing is charged against the principal, except what there is authority for. The responsibility for the management of the lands rests entirely with the Board of Endowment. The Act provides that a certain portion of the money accruing from the lands shall belong to the Endowment Fund, and a certain portion to the Income Fund, and I am bound to see that nothing is charged against the endowment but what there is authority for. As to the investment of the University money, the Bursar acts under an Order in Council, and takes his instructions direct from the Attorney General. The same



remarks apply to the Endowment Fund of Upper Canada College. My audit does not extend beyond the vouchers. The Superintendents of Education send me vouchers for all their expenditure. The accounts of the Upper Canada Superintendent are very regular, and are amongst the most correct in form that come to my office. Those of the Lower Canada Superintendent were not so satisfactory; but about a year ago I sent a gentleman over from my office to put them into a better way of keeping their books. The Superintendents have several accounts under their charge for which there are separate appropriations, and I have therefore to consider their expenditure, with reference to the authority for it. As they pay all moneys out of the same account at the bank, and some of the different services are fluctuating in their character, it frequently happens that one account is rather over expended whilst they have a balance in hand of another. As long as this is only temporary, and is remedied in the following quarter or year, I take little notice of it. But if it becomes of a permanent character, it is necessary to call the attention of the Government to it. In the Upper Canada accounts this is easily remedied, as there is a balance of the legislative grant unappropriated, and a balance in the Receiver General's hands undrawn. An Order in Council, therefore, can authorize any of this over expenditure to be otherwise charged. But in Lower Canada, where there are no funds in hand, and the service is largely in debt, and there are Legislative appropriations for a larger amount than the funds ever realize, the readjustment of the balances is a question of great difficulty. The case in Lower Canada is this—that the income fund produces less than was estimated, that the expenditure authorized is more than the estimate, and that more is expended than is authorized.

Tuesday, December 9th.

JOHN LANGTON.—Examination continued.

37. Do you examine, check, and audit the accounts and expenditure of the Adjutant General's Department, and the organization and maintenance of the Provincial Militia and Police, Quarantine and Emigration?

Yes. With regard to Militia, as in all other cases, they send me vouchers for all their expenditure, on account of which they receive accountable warrants from time to time. There are separate appropriations for many branches of the service, which I have to keep distinct. So far as my duty extends, there is no distinction between the accounts of the Deputy Adjutant General for Upper Canada, and those of the same officer for Lower Canada. Accounts are received from the Imperial Commissariat for articles supplied to the Militia. These sometimes come to the Minister of Finance through the Militia Department, and at other times there is an application from the Commissariat directly. In the latter case, before issuing a warrant, I refer the account to the Militia Department for report. Everything relating to militia is charged against the appropriations for that service. There is occasionally an excess of expenditure which appears in "unprovided items." In connection with the Militia, I may explain a peculiarity which is also found in some other services. Generally, when there is a Parliamentary appropriation, and a warrant is applied for, it is charged to that appropriation, and the warrant is not issued unless there be a balance favorable. But in the case of the Militia, as also in the case of the Superintendents of Education, and some others, there are several appropriations; but the expenditure takes place from accountable warrants embracing the whole of them. When therefore a warrant is applied for, we can only be guided by the aggregate of the appropriations, and we cannot tell how much has been expended upon each separate appropriation until the accounts are received. It may thus happen that one appropriation has been exceeded and has to be charged in "unprovided items," when there is no Order in Council authorizing it. The Militia Department has no regular book-keeper, and therefore in order to keep the accounts of all these separate appropriations distinct, I keep in my office a subsidiary book, which is in fact what their books ought to be. I do the same in regard

to the Superintendent of Education for Lower Canada. My audit in regard to Police applies to the Police at Sault Ste. Marie. The expenditure on account of the Montreal and Quebec Water Police enters into the Public Accounts, but the details do not come to me for audit. They are audited in the Deputy Inspector General's Branch. Quarantine and Emigration form one head of an account, all the expenditure of which is audited by me. This account may be taken as a specimen of two or three other services, for which there is no regular appropriation, or only a partial appropriation in aid. They have revenues attached to them, and as long as the expenditure is within the revenue, it is considered as authorized. If it exceeds the revenue, it is treated like any other expenditure in excess of an appropriation. As we do not know what these revenues will be till the end of the year, as long as the expenditure does not appear to exceed the average annual expenditure, we issue warrants as applied for without any reference to Council. All the expenditure exceeding the actual revenue and appropriations appear, in "unprovided items." The special revenues to which I allude are the tonnage duties, Quebec, out of which the River Police is paid; the tonnage duties, Quebec, forming the Mariners' Fund, out of which the Marine Hospital at Quebec is paid, similar duties at Montreal being handed over to the General Hospital there; passenger duties applicable to Emigration and Quarantine; Railway and Steamboat Inspection Funds, each applicable to its own separate purpose; and Shipping Office fees at Quebec. There are also two other services of a similar character, viz., the Protection of the Fisheries and the Culler's Office, but both of these being attached to the Crown Land Department, the warrants issue upon the application of the Commissioner, with whom the responsibility of any over expenditure rests. The Emigration agents employed abroad have rendered accounts of their expenditure, which is checked in the Emigration Office before it comes to me. My audit is strictly a matter of figures.

38. In what respect does your audit apply to the registration of Bank Notes issued, and securities held under the provisions of the Free Banking Act?

All the notes which issue under the Free Banking Act are countersigned and registered in my office, and it is my duty to ascertain that no more notes are out than are covered by debentures deposited with the Receiver General. Almost all the Free Banks have been given up; the only notes now remaining being those under four dollars of the Bank of British North America. With the sufficiency of securities deposited, I have nothing to do. The certificate of the Receiver General that he holds securities is sufficient for me.

In my statement yesterday, when saying that I had no duties to perform as Auditor in connection with the Receiver General's Department, I omitted to state that I count over the securities held by him periodically. These securities are, the debentures held for Free Banks, and those held on account of the Consolidated Fund Investment Account, and the Trust Fund Investment Account. I examine them at the end of each year, and also upon the occasion of their transfer from any outgoing Receiver General to his successor. This is not required of me by law, but I was requested by Mr. Morrison, when Receiver General, to do so.

39. The law requires you to examine the Returns and Statement of all Savings' Banks, Chartered and other Banks of the Province: what does your examination of Savings' Banks amount to?

It amounts to nothing at all. They send in a return, but I have no means of testing the correctness of it, and I have no power to make any investigation into it. Sometimes, indeed, I receive no returns. My opinion is that the whole system of Savings' Banks ought to be entirely altered. At present there is no check or audit whatever. From the chartered Banks I receive their own statements monthly, and publish them in the Gazette. The Governor General has power under their charters to call for further information, but I am not aware that this power has ever been exercised since I have been in office. Personally I have no knowledge of the accuracy of these statements, and I have no means of proving them. I take no account of the relation which their specie bears to their issues.

The Banks make a return to me annually of the amount of debentures held by them, which is verified on oath.

40. The law exacts Returns from Insurance Companies transacting business in the Province: does your audit extend to these Returns?

Some returns are occasionally sent to me, but I have not received them from all the Insurance Companies, and I have no means of looking into their affairs.

41. Your duty, as prescribed by law, is to examine, check, and audit the accounts of other institutions more or less sustained at the public cost: will you name them, and state the extent of your audit?

I think the only institutions entirely sustained at the public cost, which have not been included in previous heads, are the Trinity Houses, Quebec and Montreal, the Marine Hospital, Quebec, the Observatory, Quebec, and the Geological Survey. There are from time to time special services of this kind, such as the Commissioners to the London Exhibition this year, and other things of a similar character. All of these render their accounts to me with vouchers. Generally, all persons or corporations which receive public money, to be accounted for, account for it to me. If the money that is given to them is in the nature of an absolute grant, I am not called to look into the application of it. In reference to the Seigniorial Tenure Commission, they send me their accounts with vouchers for all moneys paid to them on account of the expenses of the Commission. The payment made to the Seigniors themselves, I have nothing to do with, as this is placed by law in the hands of the Receiver General. Of course, the account of the fund against which both these classes of expenditure are charged, is kept in the Department of the Minister of Finance, and as I stated previously in my evidence, I know that that account is correct. The items of expenditure connected with the Commission, are all vouched for. This includes payment of the Commissioners themselves. There are also some charges against the Seigniorial Fund which have not gone through the hands of the Commissioners. These have been paid by warrants to the parties directly upon authority sufficient to me.

42. Are we to understand that by the creation of your office, the duty of examining and auditing Public Accounts, which previously devolved upon the Inspector General's Department generally, was referred to you, not as an independent authority, but merely as an officer of the Finance Minister's Department, in which you are a subordinate specially employed for the purpose?

The question, I think, accurately describes the nature of my duties and position. I am aware that the general impression is, that I have more power than I really possess, and that I am held responsible for things over which I have no control. This feeling has sometimes induced me to exceed my duties as a simple subordinate, and to initiate suggestions as to improvements in the financial arrangements, in reports, not only to my own immediate superior, but to other members of the Government.

43. What books are kept in your office in connection with the performance of your duties as Auditor?

- (1.) *Recommendation Book*.—In this are entered all applications for warrants which are referred to me, with my recommendations in respect of them. It specifies the service and purpose for which the money is wanted, date of application, when received, amount recommended, with any report in explanation, and date of the report. This book only contains such applications for warrants referred to the Minister of Finance as relate to services which are ultimately to be audited by me. They are referred to me by the Deputy Inspector-General, as being more cognizant of the transactions than he can be. I recommend the issue of a warrant, or the reference to Council, and he subsequently certifies that the warrant may issue, or refers it to Council.
- (2.) *Index to Accounts*, in which are entered the accounts as they are received for audit, showing the date when received, and the *employé* to whom referred.
- (3.) *Memoranda Books*.—Each gentleman in the office keeps a Memorandum Book, in which he enters any details which appear to him to require investigation in the accounts sub-

mitted to him. If the accounts appear correct, he merely makes an entry of the balance carried forward, if any, for his guidance in auditing subsequent accounts. There are some accounts which do not come into these books. Where it is not an account regularly rendered at intervals, but a casual account,—as, for instance, a returning officer's account,—the remarks of the clerk auditing it are made upon a separate sheet of paper, and are enclosed with the account itself. When I revise the account, whether I have adopted all the suggestions of the auditing clerk or not, I leave his remarks as part of the document, and they are filed away with it.

- (4.) *Subsidiary Account Book*.—In some cases where the accounts are of a complicated character, as in the case of Militia, we find it advisable to keep up a full statement of the transactions in a subsidiary book.
- (5.) *Journal*.—This book sets forth every warrant that is paid in detail, showing the service to which it is to be charged, the recipient, and the purpose for which paid to him, the number and date of the warrant, the date when paid, and the amount.
- (6.) *Ledger*.—Records on the Debit side the warrants paid under the heads of the several services; and on the Credit side the authority for the payment. The entries are all explanatory; and statement 12 in the Public Accounts is mainly derived from this book. Such payments as are made by the agents in London are not upon warrants, and are not comprised in this Ledger. There is a general defect in the Ledger as kept in my office, that it is made up from the warrants as paid, and not from the warrants issued. The latter are entered in the Deputy Inspector-General's Branch, but they do not come to me until they are paid. At the end of the year we have, therefore, to get a statement of the unpaid warrants, which enter into the year's accounts, the unpaid warrants of prior years having been entered in the Public Accounts of their respective years. My record of these dates back to 1856 or 1857. So far as these books are a record of the payments, and a basis for the Public Accounts, I do not think they are susceptible of much improvement. But as a check upon the issuing of warrants, as against appropriations, they are imperfect; because when an application is made for a warrant, I may find by my books that there is a balance available, and recommend its issue; whereas there may have been another warrant issued, of which I know nothing, because it has not come to me as paid. I never feel certain, therefore, in recommending the issue of a warrant without reference to the warrant book kept in the Deputy Inspector-General's Branch. This is one of the inconveniences arising from the division of the branches, which we remedy by constant reference from one branch to the other, rather than by doubling the work to be done by keeping duplicate books. The Journal and Ledger are kept by double-entry.
- (7.) *Debenture Book*.—Statement of Debentures cancelled and destroyed. Dates back to 1852; in Audit Office commenced in 1855. I have a book of prior date to this, in the records of my office. The Debentures defaced and cancelled are sent to me by the Receiver-General, with a Schedule in duplicate. We examine the Debentures with the Schedule, and copy the Schedule into this book. We also keep one of the duplicate Schedules, and return the other to the Receiver-General. The Deputy Inspector-General receives from me the duplicate Schedule in my possession, from which to make entries of the cancelled debentures in his books. The debentures, after being examined, are burned by the Board of Audit, and an entry to that effect is made in the Minute Book, signed by the parties present.
- (8.) *Debentures Signed*.—A record of coupons signed, dating back only to August, 1859.
- (9.) *Cash Book, Journal, and Register*, connected with Free Banks, commenced before my office was instituted, and transferred to me. The object of these books is to keep an account of the notes signed for free banks, the periods when they have been delivered to the banks, and when they have been returned as cancelled; and of the debentures held by the banks. They date back to 1853.
- (10.) *Minute Book* of Board of Audit, created by the Audit Act, and composed of Auditor, Deputy Inspector-General, and Commissioner of Customs.

## Wednesday, December 10th.

THOMAS DOUGLAS HARRINGTON, sworn:—

I am Deputy Receiver-General; I have occupied the position since about 1st June, 1858; I had previously been in the Provincial Secretary's office from 1st November, 1832.

### 44. What are your duties?

The general superintendence of the office. I advise the head of the Department as to its affairs, and keep him well posted up on the subject. Everything that comes into the office comes to me first, before being distributed. I conduct the correspondence of the Department, and register all receipts. In the absence of the Receiver-General, or when he is otherwise engaged, I sign the cheques for all payments under warrant. Prior to Mr. Morris' coming into office, I uniformly signed all cheques.

### 45. What books do you use in the transaction of the business of your Department?

- (1.) *General Register*.—Records name of Department or individual, from which receipts or communications come, and the place; the subject, whether deposits in the Bank, receipts from other sources, or general business; date of letter and receipt; date and character of acknowledgment. No record of this kind was in existence when I entered the Department.
- (2.) *Alphabetical Register of Warrants*.—Records number and date of each warrant received into the office, in whose favor, date of receipt and amount, to whom delivered and when.
- (3.) *Receipt and Payment Book*.—A daily record of receipts and payments, specifying the individual or the Department from whom received, and the Bank from which certificate of deposit emanates. The Credit side exhibits the daily payments, naming individual to whom paid, and the bank on which the cheque is drawn. The Debit side agrees with the General Register (No. 1,) of the Deputy Receiver-General, and is checked with it from time to time.
- (4.) *Receipts of Deposit Certificates*.—Receipts for moneys paid into the Receiver-General, kept in the form of a Bank Cheque Book, particulars being entered in margin; is checked daily with receipts recorded in book No. 3. These receipts are filled up in the Receiver-General's office, transmitted thence to Deputy Inspector General, with letter of advice, or certificate of deposit, as the case may be. After being signed by Deputy Inspector-General, and entered in his books, it is returned to Deputy Receiver-General, who signs and forwards it.
- (5.) *Payment Book*.—A daily record of the payments, exhibiting No. and amount of warrants as applied for, with the number of cheque and bank on which drawn, and the name of the party to whom paid.
- (6.) *Accountant's Cash Statement Book*.—A daily register of the accounts of each bank with the Receiver-General. Each day's entry comprises a statement of the balance from the previous day, the amount of the receipts and payments during the day, the difference between them, and the balance at the close of the day. It also states the balances in each bank, specifying whether available for immediate draft or at interest.
- (7.) *Bill Book*.—A record of Bills of Exchange.
- (8.) *Cash Receipts*.—The daily receipts from the various sub-accountants, viz., the officers who receive public money, specifying their names, their office, residence, the amounts, and the various funds to which they are applied, with explanations and remarks.
- (9.) *Cash Payments*.—A daily record of the amounts paid on account of the various services, the persons to whom and for whom paid, with the substance of the warrant.
- (10, 11.) *The Journal* of the transactions of the Department. *The General Ledger*.—These being the double-entry books of the Department.
- (12, 13.) *Municipal Loan Fund Ledgers* for Upper and Lower Canada respectively, setting forth amount of loans, the interest accruing, and contingencies, forming compound interest. On the credit side, the amounts paid.
- (14, 15.) *Day Book and Ledger*—Seigniorial Fund.—*Day Book*, formerly, but erroneously called *Cash Book*, records payment to Seigniors by the Montreal and Quebec Commis

sion, made up from vouchers received from them. Ledger shows the regular accounts with the several Seigniories.

- (16.) *Debentures*.—Rough preparation book; memoranda of debentures preparing for issue, and referring to the registers in which they are recorded.
- (17.) Record of Debentures issued in 1858, under 12 Victoria, Chapter 5, public debt.
- (18, 19, 20, 21, 22, 23.) Registers of Interest Debentures, commencing 1849, and extending to 1859; three payable at office of Glyn, Mills & Co.; three at Baring, Brothers & Co., with particulars of interest paid thereon.
- (24.) Register of Interest on Provincial Debentures from 1848.
- (25, 26.) Register of Interest on Provincial Debentures from 1857 and 1858.
- (27.) Register of Interest on Debentures, under Consolidated Municipal Loan Fund Act of Upper Canada, from 1855.
- (28.) Register of Interest on Quebec Fire Loss Debentures.
- (29.) Numerical List of Sterling Debentures, issued before the Union.
- (30.) Register of Debentures.—B. Miscellaneous.
- (31.) Register of Debentures (letter E,) issued under various Acts, from December, 1856, to July, 1859.
- (32.) Register of Interest paid in London upon Sterling Debentures from April 1st, 1834, to 1861.
- (33.) *Debenture Register*.—Debentures issued under various acts of Upper Canada Parliament.
- (34.) Register of Debentures.—C.—From 1849 to 1857, inclusive.
- (35.) Register of Debentures.—D.—Issued under Railway guarantee Act 14 and 15 Victoria, chapter 73; and 12 Victoria, chapter 5, 16 Victoria, chapter 157, and 18 Victoria, chapter 4, &c.
- (36, 37.) Yearly Debenture Ledgers, Memoranda; Municipal Loan and other purposes.
- (38, 39, 40, 41, 42, 43.)—Registers of Interest on Debentures, under 22 Victoria, chapter 14—Three, Baring, Bros. & Co., \$1,000, \$500, \$100; three, Glyn, Mills & Co., \$1,000, \$500, \$100; specifying respective dates when coupons are due.
- (44, 45.) *Registers of Debentures*, under 22 Victoria, chapter 14, in which debentures are registered in their respective columns of amounts. One relating to Baring, Bros. & Co., the other to Glyn, Mills & Co. The last eight books have been prepared since my entry into the Department, and are the only books relating to Debentures which I profess clearly to understand. As to the correctness of the others I have no doubt, but I have not been able fully to understand them. All the debenture books are specially under charge of Mr. Reiffenstein, debenture clerk. Two new books have been provided for consolidating the 5 and 6 per cent. Sterling Debentures outstanding in England, and not included under 22 Victoria, chapter 14; one book for Glyn, Mills & Co., the other for Baring, Bros. & Co.
- 46.) *Statement of Securities under Receiver-General's Control*, held in trust from 1856. The securities herein recorded are deposited in the safe of the office, under the immediate control of the Receiver-General. They are checked and counted every year by the Auditor, who certifies to their correctness. On the transfer of the Department from one head to another, the Auditor again counts and checks the securities, and the record is signed both by the outgoing and incoming Receiver-General.

46. What means are provided by the Department for the safe keeping of its books and records?

There is no security of any sort for the books, correspondence, and other papers, which are kept simply in wooden book-cases and cupboards. All securities and debentures that happen to be completed, are locked up in an iron safe. An office keeper lives upon the premises.

47. You have stated that you are unable to get at the bottom of transactions which occurred before your occupancy of your present position, judging of them only from the books of the Department: have you any suggestions to make with the view of rendering the books more clear, or generally of simplifying the conduct of the business of the Department?

I cannot submit a positive plan at this moment. I am, however, conscious of the necessity of improvement, and have conversed with Mr. Reiffenstein and the book-keeper on the subject. In my opinion, the accounts as now kept are subdivided too much, creating an unnecessary liability to error and mystification. This remark applies especially to the old Debenture books, which necessitate a large number of references to trace the history of many classes of debentures now outstanding. When I entered the office, I was given to understand that the books had not been balanced for five years. After a time I found that there were large differences, *pro* and *con.*, between the office books and the Bank of Upper Canada; and Mr. Lewis, an accountant, has ever since been employed in trying to get at the bottom of these differences. We are narrowing them down rapidly, but have not got to the bottom of them yet. There were large items debited by the Receiver-General against the Bank, for which there was no corresponding credit in the bank books; and in other cases the bank had charges against us for which we had not given them credit. This state of things showed an amount of carelessness on the part of somebody, for which I am unable to account.

48. What are the particular functions of the Receiver General's Department?

It is not easy to answer the question, because every Receiver General who enters office, has his own peculiar opinions upon the subject. Shortly after I came in, Mr. Sherwood became Receiver General, and he considered that the Finance Minister was responsible for everything relating to the initiation of financial matters, such as the negotiation of loans, and so forth. This view was acquiesced in by the Government, and an Order in Council was passed, directing that all correspondence with the London Agents should be conducted by the Minister of Finance. When the Government agreed to the recommendations of the Minister of Finance, in regard to loans or other financial subjects, such as the purchase of exchange, Mr. Sherwood considered that it was the Receiver General's duty to do the executive part of the finance, such as preparing the Debentures and really issuing them. Mr. Sherwood's general practice was to refer matters to Mr. Galt, then the Finance Minister, whose suggestions were usually acted upon in our Department. Mr. Carling succeeded Mr. Sherwood, but did not interfere in any way during his short incumbency. The present Receiver General, I have reason to believe, entertains an opinion in regard to his duties quite the opposite of that acted upon by Mr. Sherwood. I believe that Mr. Morris considers that he has as much right to take part in the active management of the financial affairs as the Finance Minister himself. My opinion is, that the Finance Minister, having to provide ways and means, should transact all the preliminary matters, and that, after action on the part of the Government, the business of the Receiver General, as the treasurer of the Province, is to carry out the executive part of the Government plans. Otherwise, the Department of the Receiver General would be a mere branch of the Department of the Minister of Finance, instead of a separate and independent department. I know that when the Finance Minister interferes with what I consider the strict duty of the Receiver General's Department, misunderstandings arise. I have seen these occur. The misunderstanding begins with the heads, and extends to the deputy heads and subordinates.

Thursday, December 11th.

T. D. HARRINGTON, Deputy Receiver General.—Further examined :

49. You have stated that different Receivers General entertain different views with regard to the duties attaching to the Department; you have stated also that in your opinion the Receiver General is the Treasurer of the Province; will you now state, in detail and in order, the functions of your Department as actually exercised?

All public moneys are received by the Receiver General, not in the form of cash but by bank certificates of deposit, accompanied, in the case of the Bank of Upper Canada, by drafts. The draft is drawn by the agent where the money is deposited, and is payable at the branch where the Government for the time being is,—Quebec for the present. So that the total balance in that bank is shown at the branch where the Receiver General's Department actually is. In some of the counties there are no branches of the Bank of Upper Canada, and in these cases the parties receiving money on account of the Government for tavern licenses, have remitted cash, which is at once deposited in the Bank of Upper Canada here, and a certificate of deposit returned to the office, on which the amount is carried to account. The bank gives to the person who remits, through its agency, two certificates and a draft; the original certificate he retains; the duplicate and the draft he forwards to the Department. In all cases the parties receive an official receipt signed by the Deputy Receiver General and the Deputy Inspector General. With regard to the other banks, where casual deposits are made, they give a simple certificate of deposit to the parties, or a draft on their own agency nearest the seat of government, payable at sight. These drafts are forwarded to the Department, are there endorsed by the Receiver General, or his deputy in favor of the Cashier of the Bank of Upper Canada, and sent down to him as cash, the same kind of certificate of deposit being returned to us as if actual cash were deposited. It is then brought to account, and the official receipt is sent to the parties depositing, signed by the two deputies named. Public moneys received by other departments of the government, are deposited in the Bank of Upper Canada, and an ordinary certificate of deposit, is furnished by them to the Receiver General, by whom precisely the same kind of receipt is forwarded to them as to parties remitting from a distance. In the sale of exchange the Finance Minister has always, since I have been in the Receiver General's Department, arranged the terms of sale, determining the amount to be sold, and the rate at which sold, and in fact managing the sale throughout. For instance, if the available balance in the Bank of Upper Canada got very low, the Finance Minister would increase it by selling or giving to the Bank exchange on the Provincial Agents in London; the bank would then furnish the Receiver General with an ordinary certificate of deposit, for the proceeds of the sterling exchange brought to currency at the rate agreed upon. There was, or ought to be, in each case, an Order in Council confirming the Finance Minister's arrangements; but I cannot speak positively as to the parties by whom the rate of exchange was determined, as the Receiver General became really cognizant of it only after the arrangement was made. I have no recollection of any government exchange being sold to private parties, or to institutions other than the Bank of Upper Canada. The Bill Book of the Department will, however, show this. I have no knowledge of the intervention of brokers or the payment of commission in connection with the sale of Government Bills of Exchange. The sales are always of bills of exchange by the Receiver General and the Finance Minister, on one or the other of the London agents; the usual practice has been to draw the same amount on each of the two London firms. In regard to the sale of debentures, a broker has been appointed by Order in Council. It was Mr. D. Lorn McDougall, of Montreal, who was the government broker for the sale of 5 per cent debentures last year, and the redemption of Consolidated Municipal Loan Fund Debentures. On each transaction—I mean both purchase and sale—he charged and was paid commission. In two cases, he sent to the Department the contract note, with the brokerage deducted, but I objected to the practice. After that, he always paid in the gross amount of the sales, and the brokerage was subsequently paid him by warrants and cheques. I think that the Order in Council did not fix Mr. McDougall's commission; that was a matter arranged by the Minister of Finance with Mr. McDougall. There has been a large sale of the new Provincial notes within the last few days; it was managed entirely by the Receiver General, and I knew nothing of particulars until all was settled by him. I think I may safely say that no broker has been employed in this case. The payments of the Department are very simple. In every case, they are authorized by Order in Council or warrant, and are made always by cheques signed by the Deputy Receiver General and the Deputy Inspector General. Since Mr. Morris became Receiver General, he has preferred to sign the cheques; when he is absent, I sign them. We never pay by cash; there is no such thing known in our office. Our payments cover



the entire expenditure of the Government. In reference to remittances to England, I have no recollection of any being made until recently: I mean since the formation of the present Government. In these cases the management of the exchange in which the remittances have been made, has been entirely in the hands of the Receiver General. It has included some private exchange, but we received it always through a bank, with the bank's endorsement. All these Bills of Exchange are entered by me in the Bill Book. When warrants are presented to the Department for payment, we pay upon the face without question.

50. To what extent are the Books of your Department checks upon the Books of the Department of the Minister of Finance?

Each ought to be a check to the other, inasmuch as no receipt of money or payment made is completed until the vouchers have gone through both Departments. That is to say, acknowledgments of receipts must be signed by officers of both Departments, and the same must be done with cheques for payment. It is the same with the issue of all public securities; they are signed by both Departments.

51. Do you check the balance-sheet with the Finance Minister's Department?

Our book-keeper checks the balance-sheet with the book-keeper of the Finance Department—whether monthly or quarterly, I am not quite sure. Our book-keeper has a trial balance book of his own, which he checks with the Finance Minister's books very often, sometimes weekly. Every three months he sends to the Auditor a statement of Government balances. I do not know how far the books of our book-keeper are a counterpart of those in the Finance Department.

52. All the Departments pay to the Receiver General the amount of their receipts and revenues: do they pay in, in gross or after deductions?

The only moneys the Departments at the seat of Government pay in, are office fees. These come in in the gross. They are fees for marriage licenses, for patents of invention, commissions of appointment, and so forth. In regard to marriage licenses, the agent is required to remit to the Provincial Secretary's office, \$4 for each license. He is allowed to charge \$2 more, which he retains for his own services. The Post Office Department and the Crown Land Department, when they have moneys to transfer to the Receiver General, do it by deposit in the Bank of Upper Canada, furnishing to us the ordinary certificate of deposit. We carry the amount to the credit of the revenue, but of its details we know nothing. The same remark applies to the Public Works Department. In each case these amounts come to us, after deductions from revenue, as I suppose. We do not know whether what we receive are gross or net receipts. The Collectors of Customs transmit certificates of deposit direct to us, and so do the Collectors of Inland Revenue, and other local officers, merely mentioning the particular service for which they receive the money, unaccompanied by statements in detail.

53. Your Department has charge of the Cash Account of the Province: how and when is it checked?

It is checked daily. By cash I mean the moneys at the credit of the Province, in the hands of the respective banks, whether available or at interest. I hand the cash certificates to the cash clerk, who enters them in his books; he then gives the amounts to the cheque clerk, who enters them in his cash receipt book, distinguishing the various banks with whom the deposits are made. Thence they go to the book-keeper, who makes the same entries in his day-book, returning the certificate to the cash clerk, who prepares a receipt, and sends both receipt and certificate of deposit to the Finance Department, where, I have reason to believe, they go through the same process. Both are then returned, the receipt signed by the Deputy Inspector General; I then sign it, and it is despatched to the depositor. Every week, the Bank of Upper Canada sends in a statement of balances in hand, according to its books; and every month an account-current of debits and credits, showing deposits received and cheques paid, which is compared with the books of the Receiver General, and a difference of any description is discovered immediately.

54. Where is the cash deposited ?

The principal deposits are in the Bank of Upper Canada. Occasional deposits are made in other Banks by sub-accountants, who have not access to agencies of the Bank of Upper Canada. Again : special deposits are made in other banks by the Receiver General's own orders, or by the desire of the Finance Minister.

55. Who has the right to remove deposits from one bank to another ?

The Receiver General has the sole right to do this. The Finance Minister, without the concurrence of the Receiver General, has sometimes ordered deposits to be made, but he cannot remove them. In the absence from the city of the Receiver-General, I have power to order transfers. Before doing so, I have lately been directed to consult the head of the Government.

56. You keep the account with the English agents ?

Yes : it is entered in the books of our Department. Our correspondence with the English agents is trifling. In the early part of 1858, Mr. Galt recommended the passing of an Order in Council directing the correspondence with the English agents, relating to the financial affairs of the Province, to be carried on by the Minister of Finance ; which order was passed. For some little time we did not see the correspondence in question ; but on pointing out the inconvenience that was likely to arise from the practice, the letters received from Glyn and Barings were sent down to us. We make copies, and return the originals. The correspondence we see is from the English agents ; the replies to them from the Department of the Finance Minister, we do not see. We keep a running account of debtor and creditor with each of the two London firms, and every six months receive their account current, and the two are compared. I think that there is an anomaly in the rule acted upon for the disposal or management of the Provincial funds in England. Here, where the funds are comparatively small, the consent of the Receiver General, as well as of the Finance Minister, is requisite to their disposal. But with regard to England, where the transactions are large, the Finance Minister appears to direct the disposal of funds at his own discretion, without any check on the part of the Receiver General.

57. Your Department keeps the accounts of the Province with the several municipalities of Upper and Lower Canada ; what check have you upon the financial relations between them and the Government ?

The management of the Consolidated Municipal Loan Fund has always been kept separate. Receipts from municipalities go, in the first instance, to the general cash receipts of the day, credited to the Municipalities Fund of Upper or Lower Canada, as the case may be, in the general books. Then, the certificate with details is taken to the Municipal Loan Fund clerk, and placed to the credit of the proper municipalities, with every one of which he has a separate account in books numbered 12 and 13. Transactions in regard to payments to Municipalities go through the same process in the general and the municipal books.

58. Can you give any information in reference to the Seigniorial Fund or its management ?

We keep a separate account of payments made to the Commissioners by the Receiver General, on account of parties who have established claims before the Commission. The Bank of Upper Canada has been instructed by the Receiver General, every half year, to honor the cheques of the Commissioners, both at Montreal and Quebec, to a certain estimated amount ; the Commissioners taking receipts from the parties paid, and sending them to the Receiver General ; and the banks sending the cheques presented. Having compared these, a warrant is issued for the amount. There is now only one Commissioner, and some change in the management of the account is contemplated.

59. In your enumeration of the books of your Department, yesterday, you omitted some what are they ?

- (47-48.) Registers of Debentures to Municipalities Upper and Lower Canada, forming the original loans.
- (49.) Statement of outstanding Sterling Debentures of all kinds, forming the public debt of the Province, specifying dates of maturity, service and acts. It also contains a "recapitulation of the sterling debentures, showing amount of principal, interest and commission, payable in England 31st December, 1861."

Friday, December 12th.

TOUSSAINT TRUDEAU, SWORN :

I am Secretary of the Department of Public Works, and have held that position three years.

60. Will you explain the organization and functions of the Department ?

We have a Commissioner and a Deputy Commissioner ; an Engineer who has charge of the Public Works ; an Assistant Engineer ; a Secretary, who is the organ of the Department ; a staff of Draughtsmen and Assistant Engineers ; a staff of clerks connected with the Secretary's office ; an Accountant with clerks under his direction. The Department has under its charge the construction and maintenance of the Provincial Canals, a number of harbors, the dredging of rivers ; the construction, maintenance and management of the light-houses above Montreal ; the construction of the light-houses in the Gulf ; the management of the Provincial vessels ; the construction of a number of roads and bridges ; the construction, maintenance and management of timber slides ; the construction and maintenance of the Public buildings ; the purchase or leasing and putting in order of any building required for the public service. In regard to the supply of fittings and furniture to other Departments, there is no absolute rule.

61. What are the books in use in your Department, in connection with the performance of these duties ?

- (1.) *Journal—Letters Received.*—A daily record of all letters received, with a synopsis of their contents, and the action taken on them.
- (2-3.) Indices to the foregoing.
- (4.) *Journal—Letters sent.*—A daily record of letters sent, with synopsis of their purport.
- (5.) A record of all correspondence classified under the works to which it appertains (30 vols.)
- (6.) Papers fyled.—A record of the disposition of papers received by the Department.
- (7.) Applications for employment.
- (8.) Memoranda of Appointments and Vacancies.—A list of the staff employed by the Department.
- (9.) Registration of Orders in Council received by the Department.
- (10.) *Lighthouses—Return of Stores.*—A quarterly record of stores consumed at the Lighthouses under the management of the Department.
- (11.) *General Order Book*, for supplies of every description for the Department, kept in form of Bank cheque book, with copy of order in margin.
- (12.)—*Journal of Deeds, Contract and Leases*, from 1860, with synopsis.
- (13.)—*Deeds.*—Copy in full of all Deeds, sale and purchase from April, 1867.
- (14.) *Contracts.*—Copy in full of all contracts, from 1860, including also certain previous contracts.
- (15.) *Leases.*—Copy in full of all leases, to and from the Department, from 1860, including some of previous date.
- (16.) *General Index*, by alphabetical names of works, properties, &c., from 1840 to 1859 inclusive, made up in 1860.

- (17.) *Letter Book*.—Copies in full of all letters sent from the Department.
- (18.) *Cash Book*.
- (19.) *Journal*.
- (20.) *Ledger*.—[Double Entry.]
- (21.) *Certificate Book*.—A record of certificates given by the Commissioner for the payment of money.
- (22.) *Bank Cheque Book*.—Cheques for small sums drawn against accountable warrants, and for salaries.
- (23.) *Certificate Book*.—A condensed list of certificates, in the order of their issue.
- (24.) *Bank Pass Book*.
- (25.) *Appropriations Public Works*.—A memorandum of appropriations, relating to 1858, and the early part of 1859. It has not been continued.

62. Are these the only books in use in your Department ?

They are. We have a number of other books recording the transactions of the Department, prior to 1860, in the Secretary's Office. They consist of a record of the letters received and a full copy of the letters sent, with indices. In the Accountant's branch they are similar to those shown.

63. Are the Books of the Department perfect and complete, exhibiting the actual state of all its transactions ?

The books in the Department do not show a personal account of the sums collected for all the by-laws rents ; these accounts being kept in subsidiary books, by the local officers, where the rents are collected. Our books do not show the appropriations made by Parliament for the several services. This record being kept by the Auditor. Our books do not show in a book-keeping form the engagements made by the Department on account of these appropriations. We keep copies of all orders for expenditure given. Our books do not show the amount of work done on any particular contract, this being left to the engineer. There is an engineering audit. We pay on certificates from officers in charge of the work, under the engineering branch of the Department. The estimated value of the work, as made by the Engineer, does not come into our books. We give credit by the amount ordered to be paid by the Commissioner. All that our books show is, the amount paid, to whom paid, and for what work paid. By "our books," I mean the Accountant's books, which I have produced. The information referred to, as to engagements, may be derived from the other books of the Department, which I have also produced. As to the appropriations or balances of appropriations, we keep a record of them on large sheets, renewed monthly, for the use of the Commissioner. Our ledger shews the amount paid, and the vouchers, estimates, or orders upon which payments are made ; it shows the appropriation from which the amount is taken, but it does not shew the amount of the appropriation.

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Saturday, December 13th.

TOUSSAINT TRUDEAU.—Examination continued.

64. Suggestions have been made from time to time for the improvement of the system of book-keeping in use in your Department : have any of these suggestions been adopted ? If any, what and when ?

When I entered the Department, in December, 1859, I was informed that certain improvements had been made in keeping the books of the Department by Mr. Baine, in 1857. I cannot now describe what those improvements were. After I had devoted considerable time to the improvement of my own immediate duties, I turned my attention, in

1861, to the mode of keeping the accounts of the Department. I found amongst the papers filed in the office, a memorandum signed by John Langton, the Auditor, dated October, 1859, upon the method of keeping the accounts in the Department of Public Works. I devoted considerable time to the study of this memorandum, and although I found the suggestions contained in it very valuable, and sufficient to establish an easy comparison with the books of the Auditor, yet it did not appear to me that they contained sufficient detail for the proper carrying out of the functions of the Department. Thereupon, in 1861, I prepared a scheme of books embodying these suggestions of Mr Langton, and entering into the details which I considered necessary. This system of book-keeping formed a portion of a comprehensive reform in the working of the Department, which it occurred to me must sooner or later be made. I proposed to make in the ledger five classes of entries. 1st. On the debit side, the appropriations by the legislature, and Orders in Council authorizing expenditure beyond legislative appropriations, and on the credit side the sub-appropriations by the Commissioner of Public Works. 2nd. On the debit side, the sub-appropriations by the Commissioner, and on the credit side the amounts engaged by contracts and orders to engineers. 3rd. On the debit side the amounts engaged by contracts and orders to engineers, and on the credit side the estimates in favor of contractors and others, signed by the Engineer. 4th. On the debit side the estimates in favor of contractors and others, signed by the Engineer, and on the credit side the amount paid by the Department, entered to each work. 5th. On the debit side estimates in favor of contractors and others, signed by the Engineer; and on the credit side, the amounts paid by the Department, entered to personal accounts. With regard to the 4th and 5th classes of entries, the items debited and credited are similar, and in balancing the books it would be necessary to take into account only one of these classes. The entries of the 4th class would show the total expenditure on each of the works; those of the 5th would show the personal account between individuals and the Department. None of these suggestions has been carried out. Nor does it occur to me that they can be carried out without some important modification in other branches of the Department. There is no absolute necessity that all these entries should pass through the ledger; a portion of them might be made in subsidiary books. What I wish to convey is, that from the experience I have of the Department, it appears to me to be desirable that the five classes of information contained in the five entries should be at all times at the command of the Commissioner. The present Commissioner has directed that the accounts with individuals for hydraulic leases should be kept at this office, and a set of subsidiary books are now being prepared for this purpose.

65. Besides the subsidiary books you have proposed or spoken of, are there other subsidiary books of the Department in offices not immediately under your observation?

Yes. I am informed that there are books in the Welland Canal Office, the Lachine Canal Office, and in the office of the Manager of the Provincial steamers; there are also books on each of the Canals and Timber slides.

66. What connection exists between these subsidiary books, and the regular books of your Department?

Monthly returns are received by the Department from each of the services I have named, with vouchers and pay-list. All the *employés* connected with these offices are subject to the orders of the Department. The manager of the Provincial steamers makes a weekly return, in detail, of all the purchases he has made on their account. Whenever it becomes necessary to incur a heavy expenditure, as for the purchase of coal, permission is sought from the Commissioner prior to the purchase. The general accounts are audited in our Department by the book-keeper. The moneys earned by the steamers are deposited by the Manager to the credit of the Receiver General, and certificates for warrants of money to be expended by the manager, are obtained from our Department. The general management of the steamers is brought before the Commissioner.

67. You are aware that the law has defined your duties, as Secretary to the Department; it provides, amongst other things, that you shall keep separate accounts of the

moneys appropriated for and expended on each public work. Have you kept these accounts?

There is an account kept of the money expended on each public work. The sums appropriated do not pass through our ledger. They are kept on subsidiary monthly sheets, which are to be bound up in yearly volumes.

68. In your judgment, is this keeping "separate accounts" in the manner contemplated by the law?

My opinion is, that to keep the books of the Department in the manner contemplated by the law, it would be necessary to adopt the system which I have described in my answer to the first question put this morning.

69. When were the monthly subsidiary sheets of which you speak, commenced? With what degree of regularity have they been kept?

I found the system of sheets established when I entered the Department. I cannot say how long it had been in operation; nor can I, from my recollection, state with what regularity they have been kept. They have not been bound. I cannot from recollection say whether all have been preserved. The sheets are merely memoranda of unexpended balances of appropriations compiled from the printed list of appropriations by the Legislature; and the amount expended we derive from the ledger.

70. In fact, have you done anything further than you have stated in compliance with that section of the Act which provides that you shall keep separate accounts of the moneys appropriated for each public work?

I have not introduced this account into the ledger, because I conceive there are so many important alterations to be made in the system of book-keeping, that I did not wish to disturb an existing system, in the anticipation that a thorough reform would very soon take place. No step has yet been taken to introduce the appropriation account into the ledger. I have not done anything further than I have stated in previous answers.

71. You are required by law to submit the said accounts (the accounts of appropriation and expenditure) to be audited in such manner as may be appointed for that purpose by the Governor in Council: what is the manner appointed?

We make a quarterly return to the Auditor of duplicates of the vouchers, and sums paid by the Department during the quarter. These sums are all paid by certificates, and on the certificate the appropriation from which the payment is to be made, is written at full length.

72. Is this all that you are required to furnish to the Auditor?

It is all we do furnish.

73. Are you aware whether the Auditor has complained of the insufficiency of the information furnished to him for the purpose of the Audit?

I look upon the memorandum furnished by the Auditor, in 1859, as a complaint. I cannot recall to my mind any more recent written complaint. I do not conceive, however, that his complaint had special reference to the appropriation account.

74. It is your duty to take charge of all plans, contracts, estimates and documents, models, or things relating to any public work: in what manner and to what extent have you done this?

For the purpose of keeping plans and maps of the Department in the most perfect order possible, I have assigned a room, with large wooden cases and drawers, in which they are deposited. A clerk is specially charged with their safe keeping, with their proper classification, with the preparation and continuance of a proper catalogue, and with their repairs. The contracts are copied at full length in a book; the originals being deposited

for safe keeping under the special charge of a clerk, whose duty it is to see in whose hands they are placed whenever they are sent out of the office, or are delivered to officers in the Department for reference. My statement as to contracts also applies to deeds and leases. The preliminary estimates by the Engineer are recorded and fyled with the general correspondence of the office. The progress estimates are of various kinds; those furnished on printed forms by the engineer or person in charge of the work, are fyled in the accountant's office; those which form a portion of a report or a letter, are fyled with the general correspondence. The final estimates are fyled with the accountant. There are very few models; those we have, are deposited in the Engineer's office. Some of the more important ones are deposited with the plans. The general correspondence of the Department is kept in wooden cases, divided into pigeon-holes, under the care of a clerk; the books are arranged in wooden cases. We have no safe or fire-proof vault for the protection of any of our documents. To guard against fire as much as possible, we have a large reservoir, constantly filled with water, placed in the garret of the building, with a pipe leading to each story, and fire-buckets placed at various points throughout the building.

75. The law specifies that you shall keep regular accounts with each contractor or other person employed by the Commissioner of Public Works; in what form do you keep these accounts?

In the form of ordinary personal accounts.

76. Do all contractors furnish security for the due performance of their contracts?

All contractors for important works furnish security. The Commissioner determines in what cases security shall be demanded.

77. Who are the judges of the sufficiency of securities provided?

When the contemplated expenditure is light, the Commissioner is the judge. In important matters, the case is laid before His Excellency in Council; in these cases the Executive Council are the judges.

78. Is care taken that the securities provided in the first instance are not impaired by circumstances during the continuance of the contract?

It sometimes occurs that some of the sureties become insolvent; in which cases the contractors are required to give other security. There is no one whose special duty it is to watch the securities given by contractors. It is one of the general duties imposed upon the Department. When knowledge of insolvency on the part of sureties reaches us, it is generally through the person in charge of the work. There is no Departmental order making it incumbent on the person in charge to render any report on the subject, unless covered by the general instructions of the Department to persons of this class.

79. Are the securities attached to the contract, or do they form a separate document?

In Lower Canada the securities become a party to the contract, which they sign. In Upper Canada they give a bond of indemnity, which is separate from the contract, but is preserved with it.

80. Another duty imposed on you by the law is, to see that all contracts made with the Commissioner of Public Works are properly drawn out and executed; do you see that the contract is in conformity with the intentions of the Government or the provisions of the Legislature?

Contracts of light importance are generally drawn up by a special clerk in the Department. More important ones are drawn up by a notary in Lower Canada, and by an attorney-at-law in Upper Canada. When the case is of sufficient importance, the draft of the document is submitted for approval to the law officers of the Crown, who in very particular cases prepare the draft. The special clerk referred to, sees that the execution is in proper form. When completed, the contract is brought to me to be countersigned.

81. You are entrusted with the duty of drawing all certificates upon which any warrant is to issue; in the performance of this duty, do you take cognizance of the appropriation made by Parliament?

The appropriation from which the certificate is to be paid, is recorded on the certificate. The amount of the appropriation is not recorded there, only its designation.

82. What is the *rationale* of payment by certificate in your Department?

An application for money is made by a contractor. The application is referred to the Engineer who has charge of the work; he is required to report whether under the terms of the contract anything is due to the contractor. In most cases the contract specifies the dates upon which payments shall be made, in which case the Engineer reports without waiting for a formal application. The form of the report varies. Sometimes it is a detailed list of work done and materials furnished, with prices affixed, with a certificate from the superintending Engineer that a certain sum may be paid on account thereof. At other times, the list referred to is not forwarded to the Department. An intermediate estimate is given by the Superintendent under the form of a letter, in which it is stated that, pending measurement of the work, a certain sum may be paid to the contractor. As soon as either of these forms of estimate is received, it is laid before the Commissioner, who generally refers it to the Engineering branch of the Department. If, in the opinion of the Engineer, the estimate is correct, he certifies it; if not, he reports his views in reference to it. I do not know what points the Engineer, or his assistant, addresses himself to before giving his certificate; it is sufficient for me, as Secretary, that he does give it. When an important member of the Engineering branch is located upon a work, it sometimes happens that his certificate of estimate is considered sufficient without further reference to the Engineers in the Department. Final estimates are generally examined by two Engineers. The estimate as certified by the Engineer, is laid before the Commissioner, who orders payment, and on his order the certificate is prepared on which the warrant is to issue.

83. Are any other steps taken, or inquiries instituted, before signing a certificate?

The book-keeper checks the arithmetic of the estimate. He ascertains whether the sums returned as previous payments by the Engineer, are correct; and he also ascertains whether there is a balance of an appropriation remaining from which the payment sought may be made. When a contract is drawing to a close, the Engineer generally notes, for the information of the Commissioner, the balance that will be payable to the contractor, when the work is finished; and it is to these notes that the Commissioner refers before ordering payment.

Monday, December 15th.

TOUSSAINT TRUDEAU.—Examination resumed.

84. You state that you have some addition to make to certain parts of your evidence given on Saturday?

With regard to the subsidiary monthly sheets which form our record of appropriations, I desire to say that this system of keeping these accounts, having been introduced previous to my entering the office, I have no personal knowledge that it was the intention of the Department to bind them.

85. When a contract is drawn up, does it invariably set forth a schedule of prices at which materials are to be supplied and labor done?

Not always; it is sometimes for a bulk sum, with a specification attached.



86. Is it the practice of a contractor, when signing a contract, to bind himself to a schedule of prices then or thereafter to be signed?

There is no definite practice in this matter. In some contracts, no schedule of prices is necessary. In other contracts there are sometimes schedules attached, from which the progress estimates are to be made. By progress estimates, I mean estimates made from time to time during the continuance of a contract on account of which money is paid.

87. Are precautions taken to prevent an excess of payments over the amount set forth in contracts?

There are no books kept for this purpose. The amount contracted for is known to the Engineer, and, as I have already stated, when a contract is drawing to a close, the engineering branch generally records some note for the information of the Commissioner on the subject.

88. Has this always been done?

I cannot from recollection state that it has.

89. In what case has it not been done?

I cannot from memory say.

90. Is it customary in the preparation of contracts for Public Works to make reservation in respect of extras?

The forms of contract vary very much. I am not aware that there is any definite rule in regard to making provisions for extras in contracts. The circumstances under which contracts are entered into, differ so widely that new considerations enter into the preparation of each. Sometimes it is stated positively that there shall be no extras. At other times it is stated that extras shall be paid for according to a schedule of prices to be attached to the contract. In other cases it is stated that the extras shall be paid for according to the valuation of the Commissioner or some person whom he may appoint. The Commissioner determines the course to be pursued in this respect.

91. In the event of any deviation from the reservation in the contract on account of extras, is sanction for it obtained from the Commissioner?

The Commissioner alone has authority within the Department to make any deviation from the contract. It is not the practice of the Department to allow the Architect or Engineer any definite sum for contingencies to a contract. When the Commissioner does sanction a deviation from the terms of a contract, he generally does so upon a report from one of his subordinates. My knowledge extends only to written reports. When the Commissioner sanctions deviations he does not always give me instructions in writing. I take his oral order as sufficient.

92. Can you specify instances in which deviations have been sanctioned by the Commissioner without written reports from his subordinates?

I cannot give instances without reference to the books.

93. Are all the particulars we have spoken of agreed upon by the Department and the Contractor, before the expense therefor is incurred?

It is not always done. Whenever a person in charge of the work commences extra work before he has received authority, the act is looked upon as deserving of a reprimand from the Commissioner. Sometimes the superintendent is discharged for permitting these deviations without authority, that is to say, if he does this after having been reprimanded.

94. Are extras undertaken without written authority from the Commissioner paid for?

They are sometimes, but almost always after long debates, and many report from Engineers. Occasionally the delay is very great. Very often the matter leads to a reference to the Provincial arbitrators.

95. Suppose the extras consist of alterations in plans, or of mere additions to work, being of the same character; does the contract provide that they shall be done at contract rates?

I cannot state from recollection whether such a clause is introduced into all contracts. On reference to the contract book, I find that this provision was made in reference to alterations in the contract for the erection of the Quebec Goal. Our general printed form provides that in the case of alterations entailing additional expense, the amount to be paid shall be determined by the estimate of the Commissioner, the Engineer, or the officer in charge.

96. Is it within your knowledge that an extension of work, of the same character, or other extras have been paid for at much higher rates than those named in the original contract?

I cannot answer from recollection.

97. Is it not your opinion that where there are such alterations or additions, they should be made the subject of contract, and should be executed *pro rata*?

If there is no schedule of prices attached to the contract, according to which extra work is to be paid, and if the extras are to be extensive, no doubt many difficulties would be obviated if an agreement were made with the contractor. It would be well if to every contract were attached two schedules of prices, one according to which the progress estimates shall be made; the other fixing the rates at which extra work shall be paid for. A clause should also be added, giving the Commissioner power to compel the contractor to proceed with extra work to some definite extent.

98. What estimate is required before issuing a certificate in payment of extras, whether of alteration or addition?

If the extra work is in progress, it is paid for in a manner similar to the contract work, that is either on a progress estimate, or an intermediate estimate, such as a report from the person in charge of the work. If the estimate for extras is final, it is reported on, and certified in the same way as the contract work. In each of these cases, I assume that the work has been authorized by the Commissioner.

99. Is there any special audit in the Department in relation to extras not embraced in the contract, and for which there is no provision in any schedule of prices?

When it becomes necessary to determine prices to be allowed for extra work, the report from the person in charge of the work is received. This report generally contains information as to the value of the work. It is then referred to the Engineering Branch, where a report is prepared on the subject, giving in detail the sum to be allowed. If the matter is important it is generally referred to the Deputy Commissioner, who takes cognizance of all the reports and advises the Commissioner.

100. Has this been the practice so far as the extras of the Ottawa buildings are concerned?

The earlier estimates were examined in this manner. I am not aware that the later estimates were.

101. You speak of the Deputy Commissioner, who is supposed to be the professional as distinguished from the administrative head of the Department; you say that he is generally referred to in connection with the examination of important accounts for extra work: for "generally" should you not say "always?"

If I were to say "always," it would be contrary to the fact. The practice of the Commissioners differs upon this head. Final estimates are sometimes referred to the chief Engineer, instead of the Deputy Commissioner. I will not say positively that they are always referred to either. I have known Mr. Rose to refer some of the progress estimates for the Ottawa buildings to the Deputy Commissioner, but I cannot say from memory

that he referred all. I know that Mr. Cauchon did not refer all progress estimates to the Deputy Commissioner, but I cannot at this moment say that he did not refer any.

102. The Engineering branch of the Department has been frequently referred to as responsible for the sanction of estimates, progress and final; on whom do the responsibilities of this branch rest?

Mr. Page is the Chief Engineer of the Department, but as he is frequently absent, the papers are sometimes referred to the Assistant Engineer, Mr. Rubidge, or to Mr. Gauvreau, or to some other of the assistants. There is a sub-branch of the Engineering branch, located at Montreal, under the direction of Mr. Sippell. There are also Engineers acting as superintendents on the Welland Canal, on the Rideau Canal, on the Ottawa timber slides, and on the St. Maurice timber slides. There are superintendents, not being engineers, on other canals, and a general superintendent of Harbours. Papers relating to expenditure on account of estimates are referred directly from the Commissioner to any one of these parties, and reports are received directly from them by the Commissioner; so that the Engineering Branch within the Department cannot always be held responsible for the auditing of the estimates. With regard to important matters, the papers are submitted to a second party, very often Mr. Rubidge or Mr. Gauvreau. I am of opinion that all estimates should be referred to the Chief Engineer alone, whose signature should be essential to the issue of a certificate.

Tuesday, December 16th.

TOUSSAINT TRUDEAU.—Examination resumed.

103. Are payments ever made, on account of contracts, by certificate other than that of the architect or person superintending the work?

Not frequently. I have known cases in which works were situated in distant localities, and where certificates were issued on reports from persons who were not the architects or persons in charge. The only cases which occur to my memory are the County Court Houses in Lower Canada. In these instances, however, the contract was entered into by the Municipalities with the builders, and the Public Works Department paid a certain sum, provided by a vote of the Legislature, on a certificate of the Prefet, that the work had been done. This course has had special reference to progress estimates; before paying final estimates, it has been customary to send some officer of the Department, who certified to the completion of the building.

104. In regard to these County Court Houses, can you name an instance in which the sum actually paid by the Department has been in excess of the appropriation, or in which subsequent enquiry has shown the erroneousness of certificates on which payments were made?

I do not think that any case has occurred in which the erroneousness of the certificates has been established. If my memory serves me right, the Magdalen Islands expenditure exceeded the appropriation, but to what extent I cannot say, without reference to the books. I will not say that no other instance of the kind has not occurred; but I cannot just now recall one to my mind.

105. You have spoken of the process preceding payment by certificate on account of contracts; what course is pursued in reference to certificates for other payments?

When an expenditure is incurred not connected with a contract, say for work performed or materials furnished, an account is sent in by the party who has performed the work. This account is first submitted to the Commissioner; it is then referred to some

member of the Engineering branch ; and if he approves of it, he certifies it ; it is then again laid before the Commissioner, who orders payment. On the Commissioner's order the certificate is drawn.

106. What course is pursued in reference to the leasing of property, by the Department, for the use of the Government ?

When it becomes necessary to lease a building or other property, one of the members of the Engineering branch is called upon to report on the fitness of the building in question, and is probably directed by the Commissioner to have a preliminary interview with the proprietor. The final negotiations are made by the Commissioner. If the lease is to be important, the matter is submitted to the Council, and the action of the Commissioner is guided by the Order in Council.

107. Is this also the course pursued in reference to the purchase of property ?

It is. Where real estate is required for the erection of some building sanctioned by the Legislature, the authority to purchase the property is implied in the authority to construct the work. Negotiations are generally carried on between the Commissioner and the proprietor ; when the price is agreed upon, authority is obtained from Council, and the deeds are prepared. Of any private correspondence between the Commissioner and the proprietor, I know nothing ; the public correspondence on this subject is carried on through myself.

108. Has the Commissioner a private Secretary, through whom the private preliminary correspondence of which you speak may have been carried on ?

The present Commissioner has no private Secretary at this moment. When he entered office he had in his employ, for a few weeks, a person who, as I understood, was to take charge of his private correspondence, and who would at the same time perform other duties in the office. This young man, Mr. Taché, has since left the office. Mr. Cauchon had a private Secretary, Mr. Ferland ; so had Mr. Rose during the session, and at other very busy periods, employing for this purpose one of the regular clerks of the Department.

109. Has any instance occurred in which the Commissioner has leased property, and at the same time entered into a covenant to purchase it, allowing the lease to be made known, but keeping back knowledge of the agreement to purchase ?

I cannot draw a distinction between acts that are made known and acts that are kept back.

110. Will you say that such an instance has not occurred ?

I have known a case in which the Commissioner has leased property, and at the same time entered into a covenant to purchase it, or to guarantee that its sale would bring a given sum. But it never occurred to me that it was the intention of the Commissioner to make known one act and to conceal the other.

111. To what case do you refer ?

To the purchase or lease of Cataragui, as a residence for His Excellency in the vicinity of Quebec, after the burning of Spencer Wood.

112. Will you recite the particulars of this case ?

I can only do so by referring to the lease.

113. Are you prepared to state that the lease makes any reference to the covenant to purchase, or to guarantee a fixed price in the event of sale ?

Yes : I state generally that it does.

114. Will you produce the documents ?

I produce a deed of lease by Henry Burstall to Her Majesty, and a deed of agreement between Henry Burstall and Her Majesty: Both are dated 30th March, 1860. On examination, I do not see that the lease alludes to the purchase of the property ; it fixes an annual rent of £400 for three years, one month and nineteen days, computing from 12th March, 1860. The deed of agreement sets forth as an express condition to the lease, "That at the end and expiration thereof, the said property should be sold, and that the said Henry Burstall should receive, as the price thereof, the sum of £5,000, current money of Canada, as hereinafter mentioned, and as approved of by Order in Council of the 12th day of March, instant."

115. Did the Government, by this agreement, bind itself to purchase the Catarqui property for £5,000 ?

The Government did not bind itself to purchase. It agreed that "at the expiration of the said lease, the said property must be sold by public competition;" and that "if it realizes less than the said sum of £5,000 currency, Her Majesty shall be bound to make good the difference in cash to the said Henry Burstall." "If it realizes more than the said sum of £5,000, currency, then the surplus shall go and belong to Her Majesty."

116. Whilst the agreement to purchase, then, refers to the lease, the lease makes no mention of the purchase ?

I do not see that it does. In my previous answer, in which I stated that the lease does make the reference, I had in view the transaction as a whole.

117. Were both the lease and agreement based upon Orders in Council ?

They were both based upon one Order in Council, dated 12th March, 1860.

118. The lease and the agreement bear the same date ; is it a fact that, whilst the lease has been known since its date, the agreement to purchase was only recently brought to light ?

They were always both known, to the best of my knowledge.

119. Is it not a fact that the agreement to purchase was only made known to the present Commissioner by the receipt of a notification referring to the fulfilment of its conditions ?

I do not know how it was that the present Commissioner became aware either of the lease or of the agreement.

120. The lease has been publicly known ; up to this moment, has the agreement to purchase ever been publicly stated ?

It has never been more publicly stated than any other transaction of the Department ; but it has not been concealed. The present Commissioner and his predecessor, and the *employés* of the Department, had as free access to both of these papers as to any other document in the office.

121. Besides leasing property for the use of the Government, the Department sometimes leases property belonging to the Government ; what course is then pursued ?

If the property belonging to the Government, which it is desired to lease, is important, it is advertised and leased by competition ; the amount offered is laid before the Council by the Commissioner, and if authority is obtained, a lease is drawn up. At other times, when the property is less important, or under peculiar circumstances, the property may be leased without being put up to public competition, but subject to the sanction of the Council.

122. Does the Commissioner decide whether publicity shall be given to these transactions by advertising or not ?

Yes: the decision in this matter lies with the Commissioner. He is sometimes induced to lease, without advertising, to an individual who has property adjoining that which the Government desires to lease, and who would probably be the only party willing to lease. Or sometimes, again, on a special application from an individual, who may be engaged in a business that makes it likely that he would be the only applicant. In ordinary cases the Commissioner is the judge upon this point; in more important cases the matter is laid before the Council. The leasing of a series of water-power on the canals or rivers would be thrown open to public competition by advertisement.

123. Was the water-power of the St. Gabriel Locks, or the St. Paul's, on the Lachine Canal, thrown open to public competition ?

As these were leased many years before I came into the Department, I cannot answer without reference to documents in the office.

124. Is advertising, in such cases, the general rule ?

It is, and has been since I have been in the Department.

125. In leasing, selling, or purchasing property, has the Department ever sought the intervention of a broker or other agent, to whom commission has been paid ?

Not since I entered the Department, to the best of my knowledge.

126. Payments are sometimes made by the Department on the report of arbitrators; what is the process in these cases ?

An award is received by the Department from the arbitrators; if the case is important, the award and the evidence on which it is founded are referred to the law officers of the Crown, and if they do not advise an appeal, the award is paid. In cases of inferior importance, it is paid by order of the Commissioner.

127. What is the practice where arbitration is resolved upon ?

When a party having transactions with the Department, or claims against it, refuses to accept the sum offered to him by the Commissioner, the claimant applies for a reference to arbitration. Unless the claim is too absurd to be entertained, the Commissioner generally complies with the application. A letter is then written from the Department to the arbitrators, referring the case. I speak of the three official arbitrators; none else have been employed, since the Board of Arbitration was created about two years ago.

128. Previous to the creation of this Board, what was the practice ?

The official arbitrators who now act, replaced other arbitrators who were appointed with more special reference to the Beauharnois claims; sometimes special arbitrators were appointed.

129. Besides the payments to which previous questions have alluded, what other payments by certificate are made ?

I cannot just now describe any other class of payments by certificates, with the exception of salaries and wages. In general terms, all payments are made by certificate.

130. What payments have been made without certificates ?

I do not know that any payments are now made without certificates. Up to within, say, two years, the manager of the public steamers paid the wages of his men from the earnings of the steamers. He is now required to deposit all these earnings to the credit of the Receiver General.

131. Have certificates ever been issued on the written order of the Commissioner without the preliminary inquiries which you have described as generally applicable?

The Commissioner in person issues the certificate on which the warrant is based, and he alone has the power of doing so. Different Commissioners have had different ways of satisfying themselves, and of going through the order of reference. • Mr. Rose had no inflexible rule: when the documents were laid before him, he would direct them to be referred to some member of the engineering branch, whose report would come back to the Commissioner, and form the basis of his order for the issue of certificates. At other times, when business pressed, he would direct me to refer a class of papers to the Engineering Branch, and bring the matter complete before him. I cannot say from memory that Mr. Rose ever dispensed with these enquiries. Mr. Cauchon's practice was in a great measure the same as that of Mr. Rose. I am not prepared to say, however, from memory, that Mr. Cauchon always employed these references. Mr. Tessier, the present Commissioner, causes all the papers to be laid before him in the first instance; if it is necessary to refer them, he directs to whom they shall be referred. I am not prepared to say whether he has or has not issued certificates without these references.

132. Do you mean to say that there is no established system in this matter?

The will of the Commissioner forms the system for the time being. There is no absolute rule.

133. Can you not state instances in which certificates for payment on account of contracts have been issued by the Commissioner, without the references which you have described as the general if not the absolute rule?

I must refer to the papers. I do not wish to answer this question from memory.

134. You have no remembrance of the issue of certificates, on the verbal order of the Commissioner within the last twelve months?

I can give positive information by referring to the papers.

135. Will you state that no such certificate has issued within the period named?

I will not state it without reference to the papers.

Wednesday, December 17th.

TOUSSAINT TRUDEAU.—Examination resumed.

136. You have had an opportunity of refreshing your memory on points relating to the issue of certificates for payment; can you now state whether such certificates have been issued on the mere verbal order of the Commissioner, without preliminary reports or certificates of the Engineer justifying such payments?

The Ottawa Buildings having been referred to, I have brought with me the progress estimates, on which payments were made for these works, more especially on account of Mr. McGreevy's contract. As I understand, by the word "verbal," that it is enquired whether any moneys have been paid without there being in the Department estimates justifying the payment, I wish to state that at no time have the payments exceeded the estimates within the Department, and Orders in Council authorizing the payment.

137. Do you mean to say, that at no time has payment been made to Mr. McGreevy without the preliminary reports or certificates of the Engineer, on which, according to your previous explanations, the Commissioner bases his orders for payment?

The Engineer did not always certify the estimates referred to in my answer to the last question.

138. What, then, was the character of these so-called estimates ?

I have in my hand an estimate in favor of Thomas McGreevy, for \$277,899.32, dated 19th June, 1861, signed by John Bowes, Measurer, Fuller and Jones, Architects, and James Rowan, an Assistant Engineer, employed by the Department. I have another paper, which is a certified copy of an Order in Council, dated June 13th, 1861, in which it is stated that, pending the settlement of a claim which Mr. McGreevy alleged he had, arising out of his Ottawa contract, a sum of \$30,000 should be paid to him. I have another progress estimate in favor of Mr. McGreevy, dated 16th July, 1861, amounting to \$305,895.27, signed by John Bowes, Measurer, Fuller and Jones, Architects, and F. P. Rubidge, Assistant Engineer. The difference between this estimate and the former one, amounting to \$27,995.95, constitutes the progress made in the work between the dates of the respective estimates. Another progress estimate is dated 7th August, 1861, and is signed by John Bowes, Measurer, only, amounting to \$326,648.35, the difference in this case being \$20,753.08. Another is dated 5th September, 1861, and is signed by John Bowes, Measurer, and Joseph Larose, Clerk of Works, amounting to \$368,811.25, the difference being \$42,162.90. I also hold in my hand an application from Thomas McGreevy to Mr. Killaly, an Engineer sent by the Department to report on the buildings; it is dated 30th September, 1861, and is an application for \$60,000 on account. Mr. Killaly thereupon reported on the same day, that in his opinion the Department would be safe in making the advance. He also enclosed certificates to the same effect, signed by Fuller and Jones, Architects, and John Bowes, Measurer. There is yet another estimate, dated 12th November, 1861, signed by Mr. Killaly, Thomas McGreevy, Fuller and Jones, and John Bowes, setting forth that a balance of \$148,178.45 was due to the contractor.

139. In your opinion, were these estimates in conformity with the requirements of the Department, as explained by yourself when stating "the rationale of payment by certificate ?

I have already stated the practice followed by different Commissioners at various times; and I have also stated that there are no written or inflexible rules. In my opinion, the absence of such rules is one of the most deplorable features of the Department. I believe that the estimates just referred to generally conform to the system which I have described.

140. In the certificate of Messrs. Fuller and Jones, dated 30th September, 1861, they call attention to the fact that progress estimates had been forwarded to the Department without any reference to them: do you call that a regular or satisfactory certificate which covered items not seen by the certifying parties ?

It would have been more regular if the certificate had been placed at the bottom of a detailed estimate. In my opinion, the certificate produced was not completely satisfactory.

141. You have stated the character and dates of the estimates; will you state the dates on which payments were ordered by the Commissioner on account of them ?

The amount paid up to May 17th, 1861, was \$248,163.95; the certified estimates to 31st May, for work done (as per certificate, dated June 19th,) amounting to \$277,899.32. The subsequent payments were, June 13th, \$30,000; June 18th, \$10,000; June 25th, \$15,000; July 31st, \$25,000; August 26th, \$20,000; September 11th, \$40,000; October 8th, \$40,000; October 19th, \$10,000; November 20th, \$45,000: making a total from June 13th, inclusive, of \$235,000.

142. From the papers before you, what was the estimated amount of work to 31st May, 1861 ?

\$277,899.32.

143. What was the amount paid to that date ?



\$248,163.95.

144. Did the difference represent the per centage retained as drawback under the terms of the contract ?

The drawback to be retained at the date named is represented per estimate to have been \$27,789.93. The actual difference was \$29,735.37.

145. There was an Order in Council, on 13th June, for \$30,000, and on the same day \$30,000 were paid; was the payment on account of work done subsequent to the date of the last progress estimate ?

The Order in Council states that the payment should be made on account of the general contract. I do not know of any estimate or certificate on which this order was based. I have no knowledge upon the subject.

146. There were two other payments in June, one on the 18th of \$10,000, the other on the 25th of \$15,000: on what estimates were these payments made ?

Both of these payments are entered in the Certificate Book, as on account of work performed. There was no later estimate than that of June 19th, already referred to.

147. On July 16th there was another progress estimate amounting to \$27,995.95: was this the progress estimate for the month of June ?

It was.

148. On July 31st, there was a payment of \$25,000: was this payment on account of the estimate of July 16th, less a sum retained as drawback ?

It was.

149. On August 7th, there was another progress estimate for \$20,753.08. Was this the progress estimate for the month of July ?

Yes.

150. On August 26th there was a payment of \$20,000; was this payment on account of the estimate of August 7th, less the drawback ?

Yes.

151. On 5th September there was another progress estimate for \$42,162.90; was this the progress estimate for August ?

Yes.

152. On 11th September there was a payment of \$40,000; was it on account of the estimate of 5th September, less the drawback ?

Yes.

153. There have been subsequent payments, amounting to \$95,000; on what authority have these payments been made ?

One payment of \$40,000 on October 8th, and one of \$10,000 on October 19th, were paid on the certificate of Mr. Killaly, as contained in his letter referred to by me, dated September 30th. Another payment of \$45,000, on November 25th, was made on Mr. Killaly's estimate, dated November 12th.

Thursday, December 18th.

TOUSSAINT TRUDEAU.—Examination resumed.

154. Referring to the McGreevy contract, it appears that \$30,000 were paid on the authority of an Order in Council; that \$25,000 were expended without any authority being at present cited to this Commission; that \$50,000 were paid on a letter of recommendation without estimates; that \$45,000 were paid without any estimate being laid before us. Are you now able to produce the estimates on which the issue of certificates for warrants was in these cases founded?

On looking over the books, I find that letters were received, bearing date 24th January, 4th March, and 13th April, 1861, from Thomas McGreevy, praying that an advance might be made to him on his plant. This is the only additional information I can furnish in reference to the payment of the \$30,000 on 13th June. I am not aware whether this application was taken into consideration when the Order in Council was passed. With regard to the \$25,000 paid in June, (\$10,000 on the 18th, and \$15,000 on the 25th,) I find no authority beyond an apparent balance of \$29,735.37, being the difference between the estimated amount of work done, and the amount paid, on 31st May. Of this sum, however, \$27,789.93 represented the drawback to be retained under the terms of the contract. The \$25,000 were paid out of the drawback on the Commissioner's authority. I have no written authority from the Commissioner for the payment, beyond his signing the certificate. The contract requires the Commissioner to retain from the contractor 10 per cent. out of the amount of the estimates, until the perfect completion and acceptance by the Commissioner of the work.

155. Do you find anything in the terms of the contract authorizing the Commissioner to pay the drawback, or any portion of it, during the progress of the work?

I do.

156. Will you adduce the authority in the terms of the contract?

I find in the contract the following clause:—"That it shall be in the power of the Commissioner, on behalf of Her Majesty, to make payments or advances on materials, implements, vessels, or tools of any description procured for the works, or used or intended to be used about the same, in such cases and upon such terms and conditions as to the said Commissioner may seem proper."

157. Was this sum of \$25,000 actually an advance on materials or implements belonging to the contractor?

On referring to the certificate book, I find that on the margin of the certificate issued June 18th, for \$10,000, are the words, "on account of work performed;" and on the margin of the certificate issued June 25th, for \$15,000, I find, "estimate for May \$12,000, and on account of estimate for June, \$3,000."

158. Then these two payments were not payments or advances on materials or implements, as might be implied from your answer to a previous question?

The payments were not advances on implements, but that they may have been on materials, I infer from the fact that they are paid from the estimates for May and June,—these estimates being headed, "Work done and materials delivered."

159. The ten per cent. drawback applies equally to materials and work?

It does.

160. As you stated yesterday that the progress estimates for May and June had been paid, less the sum retained as drawback, this \$25,000 must be considered a payment of the drawback—not an advance on materials or implements?

I look upon the payment of the \$25,000 as a payment of the drawback. The fact that it is an advance on the drawback makes it an advance on the materials, which go to form the estimate from which the said drawback is retained.

161. Does the clause of the contract which you have cited as authority for making payments in advance, prescribe any conditions ?

It does.

162. What are these conditions ?

The conditions are: "That whenever any advance or payment shall be made to the contractor upon any tools, implements, or materials of any description, the tools, implements, or materials, upon which such advance or payment shall be made, shall thenceforward be vested in and held as collateral security by Her Majesty, and that it shall be understood that all such tools, implements, or materials of any kind, are to remain at the risk of the contractor, who shall be responsible for the same, until finally used and accepted as part of the work by the Commissioner; but the contractor shall not exercise any act of ownership or control whatever over any tools, implements, or materials upon which any advance or payment has been so made, without the permission in writing of the Commissioner."

163. Were any materials made over to the Crown in pursuance of these conditions, and as a consequence of the advance referred to in your former answer ?

None, except the building materials recited at full length in the progress monthly estimates.

164. Are not these materials therein classed in the category of work and materials from which the drawback of 10 per cent. should be retained ?

They are.

165. Will you now proceed to produce the estimates on which the \$50,000 were paid in October, 1861 ?

The payment was made on the intermediate estimate already described by me as having been made by Mr. Killaly on 30th September, 1861.

166. What was the purport of this intermediate estimate ?

That the contractors required \$60,000 to pay off the men at the time discharged; and stating that the Department would be safe in making the advance.

167. Were details furnished to justify the advance ?

No details were given.

168. Was any work stated to have been performed which should be the basis of the payment recommended ?

No.

169. The payment was, in fact, an advance to enable the contractor to pay the men he had discharged ?

Yes.

170. Without any allegation that the sum had been earned by the contractor, either by work performed or materials delivered ?

There was no such allegation. Intermediate estimates are frequently received from superior members of the Engineering branch. It is not customary for them to give

details in these estimates. The Commissioner presumes that the Engineers have satisfied themselves that there are work and materials equal to the amount.

171. Does not an intermediate estimate always apply to work performed or materials delivered?

Yes.

172. From the endorsement on the papers presented, does not this payment of \$50,000 purport to be an advance—not a payment on account of works or materials?

Yes.

173. Will you produce the marginal record of the certificates issued in payment of this \$50,000?

On the margin of the certificate for \$40,000, dated October 8th, 1861, are the words, "On account contract." On the margin of the certificate for \$10,000, dated October 19th, 1861, are the words, "On account of his contract," referring to Mr. McGreevy.

Friday, December 19th.

TOUSSAINT TRUDEAU was further examined.

174. We have yet to examine into the payment of \$45,000 in November, 1861; will you produce the progress estimates on which this payment was made?

I produce a progress estimate for work done and materials delivered by Mr. McGreevy up to 1st October, 1861, "based upon the rates of prices and principles of measurement for past and future works arrived at and approved of by the Hon. H. H. Killaly and Mr. Thomas McGreevy." This estimate is signed by John Bowes, Measurer, Fuller & Jones, Architects, Hamilton H. Killaly, and Thomas McGreevy. The amount of the estimate is \$651,491.55, the drawback to be retained, \$65,149.15; balance \$586,342.40, of which \$438,163.95 had been paid, leaving a balance due of \$148,178.45.

175. The last progress estimate produced previous to this bears what date?

It is for the month of August, and is dated September 5th; the estimate furnished by Mr. Killaly, on the 30th September, having been an intermediate estimate.

176. Are we to understand, then, that the progress estimate now produced was for work done and materials delivered under the contract, between the 1st September and the 1st October?

It is a remeasurement of the whole work from the commencement.

177. Was the work contract work, and were the prices contract prices?

The estimate is headed work done and materials delivered "on contract," "extra and additional works connected with the heating and ventilation." I cannot say whether the prices were contract prices.

178. What proportion of the whole work estimated was under the contract, what extras, and what additional work so called?

The estimate returns under the contract head, \$185,486.46; under extras, \$46,917.46; under additional works, \$419,087.63.

179. Was not a portion of the extras and additional work covered by this estimate, previously reported upon at different rates?

Yes.

180. The former estimates, reporting upon a portion of the work named, were made with sufficient regularity to satisfy the Department of their correctness?

They were, since they obtained the signatures of persons recognized by the Department.

181. Does your knowledge enable you to state what led the Department afterwards to treat them as fallacious?

There were complaints by the contractors on the system of measurement. I cannot at this moment say whether these complaints were written or verbal.

182. What does the marginal record of the certificate say with regard to this payment of \$45,000.

"On account of work performed."

183. According to the estimate you have produced, the drawback to be retained by the Department, amounted on 1st October, to \$65,149.15; was this sum actually retained at the period stated and afterwards?

On the 20th November, after payment of the \$45,000, the balance in hand, as per estimate, was \$103,178.45.

184. Was that balance actually in hand, according to your books?

The books of the Department do not show the amount certified by the Engineers. They show on one side the payments sanctioned by the Commissioner, and on the other the amounts paid.

185. Do not your books afford the means of stating whether at the time named the balance alleged was really in hand?

They do not. One of the serious defects in the system of book-keeping now in force in the Department is the want of this class of information.

186. Were all the moneys described by you as having been paid to Mr. McGreevy to 20th November, 1861, paid out of appropriations provided by the legislature?

A portion was; another portion was paid on the authority of Orders in Council.

187. Has there been any payment to Mr. McGreevy, subsequent to that of \$45,000 on account of the estimate last produced?

No.

188. The certificate designates the appropriation from which payment has been made: has money been drawn from one appropriation to pay for works for which no appropriation has been made?

I am not aware of any.

189. We have seen the manner in which payments and advances have been made in connection with the McGreevy contract: have similar practices obtained in other cases?

The practice was very similar in regard to payments made to Jones, Haycock & Co. on account of their contract at Ottawa.

190. But in other than the Ottawa cases?

I might show the manner in which payments were made on the Quebec Goal, as an illustration of the practice with reference to other works.

191. Will you produce the contract, the estimates, and the payments connected with the Quebec Goal.

I produce progress estimates extending from February, 1861, to August, 1862. They are all signed by the Architect, and, with the exception of two or three, by some member of the Engineering branch of the Department. The latest estimate produced (September 6th,) amounts to \$54,560.57, for work done and materials delivered, and including \$10,567 for extras. The payments on the 19th July, amounted to \$54,133.15.

192. What was the state of the account on the 1st May last?

The progress estimates to the end of April, for work and materials, amounted to \$42,863.15, and for extras, \$5,358; total, \$48,221.15. The payments to 1st May were \$44,241.58.

193. Were other payments made to the contractors during the month of May?

Yes; on the 8th and on the 21st. On the former \$2,224.38 were paid, and on the latter \$6,753.

194. What are the provisions of the contract in regard to a drawback?

It provides that, it shall be lawful "for Her Majesty to withhold and retain 15 per cent. out of the amount of each of the estimates until the perfect completion of the works and the acceptance of the same by the Commissioner." It also provides that, with the approval of the sureties of the contractor, the Commissioner may pay the whole or any portion of the 15 per cent. so retained.

195. How, then, has the drawback been disposed of?

The drawback has on several occasions been paid to the contractor, with the consent of the sureties, expressed in writing.

196. When the payment was made on the 21st May, 1862, the whole of the drawback was given up to the contractor?

Yes.

197. Can you state the amount paid to the contractors to this moment?

Up to 9th December, instant, \$69,059.18.

198. The total amount contemplated by the Order in Council, when the contract was entered into, was what?

\$64,000, with an addition of 5 per cent. to pay the architect.

199. But the \$69,059.18 paid to the contractors, or \$5,000 more than the original amount of the contract, is exclusive of the sum paid to the architect?

Yes.

200. Has a further sum been provided by Orders in Council?

Yes: \$21,236.44.

201. You are aware that the law, defining the duties of the Secretary of your Department declares that he "shall make up detailed accounts of the expenditure of all moneys advanced or paid under certificates of the Commissioner, showing the sum appropriated for each public work, the sum so paid or advanced, and the balance if any remaining unexpended and in whose hands;" and, further, that he shall make up

quarterly accounts, accompanied by vouchers and attested : have you complied with these requirements of the law ?

Not with all of them. Our books show detailed accounts of the expenditure of all moneys advanced or paid under certificates of the Commissioner, but they do not show the sum appropriated for each work. There are vouchers in duplicate for each account ; they are made up quarterly, and one copy is sent to the Auditor ; but they are not attested before a Justice of the Peace.

202. Has it been the practice of the Department to sanction payments by the Bank of Upper Canada without certificates, other than those of the Architect or Contractor ?  
Not since I entered the Department.

203. Before ?

I have been told that it was so, but I don't know it.

204. Do you know of any outstanding claims against the Department arising out of this practice ?

I believe there is a claim of the kind, but I cannot give particulars without reference to the papers.

Saturday, December 20th.

TOUSSAINT TRUDEAU was further examined.

205. You have expressed a wish to add some explanation in reference to the payment of the drawback retained under Mr. McGreevy's contract ?

I wish to say that the right of the Commissioner to advance on the drawback, as expressed by McGreevy's contract, must be understood to apply only to that portion of it which is retained on materials. The contract says "used or intended to be used."

206. Can you state what proportion of the drawback retained, and afterwards repaid, applied to materials and what to work ?

A specific answer would require an examination of estimates, from the last general estimate, and this would involve considerable delay.

207. Does not your experience enable you to say generally whether the proportion was large or small ?

The proportion of drawback on materials furnished would be small.

208. As the total drawback retained at the period of which we are speaking amounted to \$27,789.93, was not \$25,000, which was paid on account of drawback, a larger proportion than your present explanation would justify ?

It was.

209. Are you now prepared to state the particulars of the claim of the Bank of Upper Canada against the Department, arising out of payments by the Bank without certificates other than those of an architect or contractor ?

I have to request an adjournment of the examination until Monday, to enable me to institute the necessary inquiries.

## Monday, December 22nd.

TOUSSAINT TRUDEAU,—Examination resumed.

210. Can you now state the particulars of an outstanding claim of the Bank of Upper Canada against the Public Works Department, or of any similar claim which has been settled?

I find that Messrs. Cumberland and Storm, architects, employed by the Department in 1855, issued a progress estimate in favor of themselves, dated 24th October, 1855, amounting to £400 currency. Attached to this document is a note, not dated, signed "Thomas A. Begly," addressed to Mr. Ridout, Cashier of the Bank of Upper Canada, saying: "If you will grant Messrs. Cumberland and Storm £400 on their own certificate, I shall see that it will be made good on the arrival of our documents." It appears to have been a practice of the Department about the time named to allow contractors to obtain money from the Bank on Engineer's or Architect's certificates. Several of the estimates on which money had been advanced by the Bank appear to have remained unsettled by the department to this day.

211. When were the claims of the Bank first made known to the Department?

The first letter I find in the records referring to these payments is dated September 15th, 1859, and is signed by James Brown, Inspector, Bank of Upper Canada. It sets forth payments by the Bank remaining unsettled by the Department, amounting to £3,251 15s. 4d; the sums making this total having, according to Mr. Brown, been paid by the Bank, in conformity with an alleged arrangement with the Government. A reply, dated 1st October, 1859, signed by J. W. Harper, in behalf of the Commissioner of Public Works, stated that of the sums entering into the claim, £1375 had been already paid by the Department to parties who had acquitted the warrants; that certificates for £234 17s. 7d. were lying at the Receiver General's Office; that £122 6s. 6d. had already been remitted to the Bank on September 15th, 1858; that £110 14s. 9d. was apparently still unpaid by the Department; that further information was required with reference to £1,390 1s. 6d., and that one payment of £18 15s. was not in any way connected with the Department.

212. The £1,375, then, was paid twice—once by the Bank, and once by the Department?

It certainly appears to have been paid twice. I infer, however, that the Bank has been refunded by the parties, because in a later communication, pressing the settlement of outstanding claims, no allusion is made to this item.

213. What is the present amount of outstanding claims?

£7,951 0 9d.

214. Is this amount acknowledged by the Department?

The matter is yet pending before the Commissioner.

215. What was the nature of the arrangement between the Government and the Bank referred to by the Bank Inspector?

I have no knowledge of it.

216. Was Mr. Begly's letter to the Bank warranted by the usages of the Department?

It was an exceptional case. It is not dated, but was evidently written, from the date of the estimate to which it refers, during the removal of the Government from Quebec to Toronto.

217. But the practice on the part of the Bank, out of which these claims arise, seems to have extended over years?



Yes: on the authority of a report drawn up by Mr. Keefer, it extended over 1854, '55, '56.

218. You say that no such advances by the Bank are now sanctioned by the Department?  
None.

219. From an answer to a question submitted to you on Tuesday last, it may be inferred that some doubt exists in your mind as to the custom of the present Commissioner, in regard to the issue of certificates with or without reference to the preliminary inquiries necessary for the protection of the Department. Is this inference correct?

The present Commissioner is very careful in the matter of referring estimates to the Engineering Branch. I say this after having looked over the progress estimates paid since he assumed office.

220. What is the practice of your Department in reference to contingencies?

With reference to the contingencies of our own Department, they are obtained under written orders signed by myself, a copy of which is kept on the margin of the Order Book. The written order is given to a clerk, who has charge of the contingencies, who himself either obtains the goods or sees that they are delivered. These articles are kept under lock and key, and a memorandum is made of their distribution.

221. Is it your duty to take care that only fair prices are paid for articles thus obtained?

The accounts for contingencies are generally referred by the Commissioner to Mr. Harper, with instructions to ascertain that the articles have been supplied only on written orders, and whether the prices charged are reasonable.

222. The Public Works Department supplies certain contingencies to other Departments: in these cases what is the process?

The Department supplies only such contingencies as form fixtures in buildings occupied by other departments, or for the public service. Sometimes accounts for such contingencies as furniture are referred to us to be checked as to prices.

223. Do not other Departments make requisitions upon your Department for furniture and repairs?

They do. The requisitions for repairs are generally referred to one of the Engineers in the Department, and on his report the Commissioner probably complies with the request. In regard to requisitions for furniture, there being no fund at the disposal of the Commissioner from which the cost could be defrayed, the applicants are referred to the Clerk of Contingencies, Mr. Ross, who also pays for our own contingencies after they have been checked in the Department.

224. What connection exists between the Board of Works and the Trinity Houses?

There are two Trinity Houses—one at Quebec, the other at Montreal. The management of the light-houses, buoys, and beacons between Quebec and Montreal, is entrusted to the Montreal Trinity House, by whom the supplies are furnished; repairs are made, and the keepers appointed and paid. Upon these expenditures we have no check. Where new light-houses are required, they are built under general instructions from the Department; but the Department has no check upon the expenditure. The Quebec Trinity House supplies oil and other requisites to the light-house in the river below Quebec, and in the Gulf, and pays the keepers, who, however, are appointed by the Government; it having also charge of the buoys and beacons. The Department furnishes a steamer to lay down buoys and so forth, and to carry the supplies; and has entire control over contracts for the erection of light-houses within the district over which the jurisdiction of the Quebec Trinity House extends.

225. Are the accounts of either of the Trinity Houses referred to the Board of Works?  
They are not.

## Wednesday, December 24th 2.

FREDERICK P. RUBIDGE, Assistant Engineer, Board of Works Department, appeared and was sworn.

226. How long have you been in the service of the Department?

I am in my 22nd year of service, having joined soon after the formation of the Board of Public Works

227. Will you state the nature and extent of your duties?

My position is that of Assistant Engineer, and has been since 1846. I am called upon to furnish engineering and architectural plans, specifications and estimates; to supervise public works occasionally, whether originating with myself or other officers; to examine, as to their correctness, all descriptions of land which may be required for the purposes of the Department. For many years past, until within the last year, I had the general supervision of all public buildings, Departmental or otherwise; this duty being now chiefly performed by Mr. Gauvreu. All the public accounts of the outer establishments of the Department, such as the canal and the light-house establishments, are submitted to me after having been certified by the superintending officers; my duty in connection with them being to examine into the correctness of charges, whether contract or otherwise, to compare the charges with the schedule rates attached to contracts, to check the amounts previously paid upon these estimates, and to examine the arithmetical accuracy of the accounts rendered. If correct, I sign them; if anything in them seems to require explanation, they are returned to the officers concerned to obtain it. Many important arbitration cases have been referred to me; my business in these cases being to represent the Department before the Board of Provincial Arbitrators. I am frequently required to advise the Commissioner on engineering subjects, and to report upon them.

228. We may assume, then, that you are thoroughly familiar with the various duties belonging to the engineering branch of the Public Works Department?

I am.

229. You are therefore in a position to produce and explain the books of record and account used in the branch in connection with the duties referred to?

Our engineering branch has no books, either of record or account. When we require to make reference to any contract or expenditure, we refer to the accountant, to the secretary, or to any of the clerks in charge of the correspondence.

230. You keep no book showing the work contractors have engaged to do?

No; these are in the charge of the Secretary.

231. None showing the work contractors have actually done?

We have no book showing this. But the progress estimates, from month to month, exhibit the extent of work done upon any contract; and these we compare monthly with the contract, which is in the Secretary's possession.

232. Have you any book showing the amounts paid to contractors on account of work?

We have none. In my opinion, there is no necessity for such a book in my branch of the Department.

233. What are we to understand by the term engineering audit, when applied to the checks employed by your branch upon the contracts and accounts of the Department? First, as to progress estimates?

When a progress estimate upon any contract work is referred to me, or to any other member of the Engineering branch, we send for the original contract, to ascertain the rates and prices or the bulk sum. We then obtain from the accountant the previous progress estimate, for the purpose of comparing present accounts with previous payments. In the case of the first progress estimate, the certificate of the Engineer or officer in charge we accept as a guarantee of the correctness of the account, so far as regards the amount of work done and materials supplied.

234. Have you passed and certified progress estimates to which the signature of the resident Engineer or officer in charge was not attached?

It is possible that such a thing has been done; but I cannot, without reference to documents, cite any particular instance.

235. Now as to intermediate estimates?

They occur very rarely. I understand, by the term, not the regular monthly estimate specially mentioned in the contract, but some application on the part of the contractor, or recommendation of the superintendent, for an advance on certain work done or materials delivered. I recollect a case of this kind which was referred to me by Mr. Commissioner Rose, with reference to the Jail and Court-House at Chicoutimi, and, I think, also at Rimouski. From Chicoutimi we received a certificate signed by some local law-officer, and sustained by Mr. Price, the member, setting forth that certain materials had been delivered, and certain work done by the contractors. On this memorandum being referred to me, I suggested that an advance might be made upon it; and I certified to this effect. We had no special officer on the spot, and being bound to make to the contractors monthly payments on their contract, the certificates of the gentlemen I have named were accepted.

236. Have no other intermediate estimates been submitted to you?

I do not at present remember any.

237. Now as to final estimates?

The final estimates, where the work is of any magnitude, are sent in by the Engineer in charge; they are generally accompanied with sectional details and calculations. Where the contract is for a bulk sum, we certify that the contractor is entitled to so much,—balance upon the contract sum. If, on the other hand, it is for work in measurement, the calculations sent in are examined in the Engineering branch, and the amount due is certified by the Engineer or myself.

238. Your explanations refer to advances and payments on account, and to balances due upon contracts; how can you correctly know anything about either, in the absence of books?

We rely upon the records of the Accountant's branch, together with the fact of our having certified previous estimates.

239. How does this check apply to extras, or to deviations from the contract?

With regard to extras, they may be of two kinds; they may be sanctioned by the Commissioner orally or in writing; or, if matters of minor detail, they may have been incurred on the responsibility of the Engineer or officer in charge. The latter must be of a minor character, or involving the security of the work. I should accept the former, whether the sanction of the Commissioner were given orally or in writing, if communicated direct to me or through the Secretary or the Deputy Commissioner.

240. The engineering check is supposed to apply to rates and prices, equally with work and materials; how do you audit accounts for extras at prices not set forth in the contract, or schedule attached thereto?

If these rates and prices are submitted by the Engineer in charge, they are examined with reference to their fairness, according to our knowledge of current rates. If we see no reason to object to them, they are accepted, provided they are not in contravention of schedule prices, if such exist. Where this contrariety exists, I have, advisedly, refused to certify, thus throwing the responsibility on the Commissioner.

241. Will you name an instance?

The first instance was the earliest return in the progress estimates for the Ottawa buildings, in which the rates and prices for extra work differed largely from the schedule rates. I referred the matter to the Commissioner or his Deputy.

242. Is it the custom of the Commissioner to sanction extras without consultation with the Engineering Branch?

I have a vague recollection of such a circumstance, I think in the case of some change in the Ottawa buildings, involving extras.

243. In examining estimates, do you take into consideration the appropriation made by Parliament for the work?

This is a matter which concerns the Commissioner more than the Engineering Branch. But if the responsibility is thrown upon the Engineer he will seek to confine himself within the appropriation.

244. Practically, and as a rule, do you take note of the appropriation? In what form is a record of it kept?

We are aware of the amount, but have no record of it, except by reference to the Accountant. I cannot say in what form the Accountant's record is kept.

245. Would your certificate as auditing Engineer be regulated in any degree by the relations of the expenditure to the appropriation?

We do seek to govern ourselves by the appropriation at command.

246. Would you refuse to give your certificate if the account were in excess of the appropriation?

I think not. We are to certify to the value of the materials supplied or the work done. But we should direct attention to the fact of excess, leaving the responsibility to rest upon the head of the Department.

247. You audit other accounts than those for work done or materials supplied under contract; what are these accounts, and what is the nature of the audit?

They may be accounts for supplies upon the requisition of a local officer, as in the case of a lighthouse superintendent or the Secretary. I compare the account with the requisition and see that it is correct as to quantity and price. Our Branch also audits the pay lists of *employés*, permanent or occasional, attached to the canals or other public works.

248. Do you examine and report upon tenders for contracts?

Yes, when required.

249. Advances are sometimes made upon the plant of a contractor engaged upon public works; are you required to certify that the advance may be safely made?

In such cases we do certify. The plant forms one of the items in the progress estimate, and our certificate is generally given upon the return of the responsible officer in charge. An advance on the plant is one of the standing conditions of the contract.

250. Are you consulted before the drawback retained upon a contract is paid to the contractor ?

Sometimes, but not as a general rule. The Commissioner can order the payment on his own responsibility.

JAMES BAINE, SWORN.

251. What is your position in the Public Works Department ?

Book keeper ; I have held the position since February, 1857.

252. You are aware that the Secretary, Mr. Trudeau, has already produced a number of books, as those which are in use in your Department ; are there any within the Accountant's Branch which have not been shown to the Commission ?

There are some account current books, but they are not now in use.

253. What do you call your double entry books ?

The Ledger and Journal.

254. What books do you rely upon as auxiliary to these ?

The certificate list book, showing in the order of numbers the certificates issued and to whom ; the marginal certificate book ; a bank cheque book ; and a cash book. There is also a book in which we enter contingent accounts, as certified and sent to Mr. Ross, the Clerk of Contingencies.

255. In what manner do you classify your accounts before bringing them into the Journal ?

They are classified under the heads of the different services. The first Journal entry commences with payments taken from revenue, generally for the maintenance and repairs of Public Works. The next are those taken from appropriations. These entries we make monthly, deriving them from the certificate list and the marginal certificate book.

256. What record do you keep of appropriations ?

A synopsis of available balances of appropriations is made annually about the beginning of each year, and also after the close of each Session of the Legislature. It is made on loose sheets which are afterwards pasted on a board for reference.

257. How long has this been the practice ?

The first schedule was prepared after the session of 1859.

258. Prior to that date, in what form was the record of appropriations preserved ?

In an appropriation book for the years 1857 and 1858. They had been previously kept in Ledgers.

259. Is the only existing record of appropriations in the form of loose sheets ?

Yes. Besides these annual schedules, since 1859 there have been statements shewing balances and expenditure made up monthly, or nearly every month, from the Ledger, which shows the expenditure from each appropriation.

260. But does your Ledger show the balance of appropriations ?

No. Only the amounts drawn against each work on one side, and the expenditure on the other.

251. Whence, then, do you derive the information as to appropriations and balances which appear in these sheets ?

The schedules show the balance at the beginning of the year, and the expenditures are deducted and the balances shown every month.

262. As these schedules and sheets are the only record of appropriations which the Department has for its guidance, what mode is adopted for their preservation ?

Condensed statements have been made up at the end of the year, after comparison with the Finance Minister's Department, and these statements for 1859 and 1860 have been bound.

263. You speak of comparing your accounts with those of the Finance Minister's Department: are you aware that complaints have been made touching the unsatisfactory nature of the system on which the accounts are furnished for audit by the Board of Works ?

Mr. Langton, I believe, has complained of the system of book keeping in use in the Department.

264. As an accountant, do you or do you not yourself consider the system unsatisfactory ?  
I think that it might be improved.

265. You make out certificates for warrants on the order of the Commissioner: what formula do you observe in doing this ?

The accounts or estimates are sent to me with the letter enclosing them to the Department, on which is sometimes endorsed, "Mr. Baine to pay B. O. C.,"—by order of the Commissioner; the endorsement being written by Mr. Trudeau. This is the general rule which applies to payments on contracts. The accounts are checked by me or my assistants, and a certificate is prepared. My check is simply arithmetical, extending, however, to previous payments.

266. The accounts or estimates come to you with certain certificates: what are they ?  
Generally, the certificate of the Engineering Branch in the Department.

267. You accept these certificates as conclusive ?  
Yes.

268. Do you ever prepare certificates for payments or advances on contracts, without accounts or estimates, and without written orders from the Commissioner ?

I have prepared certificates on verbal orders from the Secretary or the Commissioner. The principal instances I remember occurred during the fall of 1861.

269. On those occasions who gave you the order, and in whose favor were the certificates ?  
The Secretary gave me the orders. The certificates I remember most distinctly as having been ordered in this manner, were on account of the Ottawa buildings. I have no doubt I also received similar verbal orders from the Commissioner, but I cannot recollect particular instances.

270. Your duty is simply to make out certificates, when ordered, without adhering to forms of enquiry or the application of checks ?

Yes: on the order of the Commissioner.

Saturday, December 27th.

ANDREW RUSSELL, sworn.

271. As Assistant Commissioner of the Crown Land Department, what are your duties?

I have the general charge of the Department under the Commissioner. In his absence I perform all his Departmental duties. I receive all the correspondence, opening and reading the money letters, and letters of more special importance; I read and sign all letters going out of the Department, with the exception of those which relate more particularly to new matters decided upon by the Commissioner; I sign all letters patent; I supervise the performance of their duties by the officers and clerks of the respective branches; I audit all the accounts of the Department and approve of the payment, signing the cheques as prepared by the Accountant; I receive parties visiting the Department on public business, transacting all ordinary business with them, special matters being referred to the Commissioner; I approve and sign requisitions for the contingencies of the Department, and certify the accounts when presented.

272. Into what branches is the Department divided?

The Surveyor's Office for Lower Canada is the oldest of the branches; the other branches are, the Surveyor's Branch for Upper Canada; the Upper Canada Land Claim Branch; the Lower Canada Land Claim and Sales Branch, divided into two sections; the Upper Canada Sales Branch; the Jesuits' Estates, Crown Domain and Seigniority of Lauzon; the Accountant's Branch; the Woods and Forests Branch; the Fisheries; the Ordnance Lands and Upper Canada Colonization Roads, covering the Improvement Fund; the Indian Lands.

273. Will you state more in detail and in order the duties pertaining to these Branches respectively? First, the Surveyor's Office for Lower Canada?

Mr. Bouchette, the Deputy Surveyor General, is the head of this Branch. He projects the Surveys of the waste lands in Lower Canada; issues instructions to surveyors employed by the Department for this work; examines their reports, plans, field notes, diaries and accounts; he certifies the accounts and submits them to me for approval; he conducts the correspondence relating to surveys and draws instructions for Municipal Surveys, and examines the returns.

274. Mr. Bouchette, then, is responsible for the Lower Canada Surveys?

Yes.

275. Have there been complaints with regard to the inaccuracy and costliness of some of these surveys?

There have been complaints of inaccuracy more than of costliness. The former class of complaints have come from the public generally, those with reference to costliness from different Finance Ministers.

276. Will you state more specifically respecting the complaints alleging inaccuracy in the Surveys?

These complaints date from the earliest surveys of the Townships, and they are still continued. The errors have generally arisen from the employment of the magnetic needle in the Surveys; the Surveys conducted since the Union have been based upon astronomical observation.

277. Has there been no complaint of inaccuracy in more recent Surveys?

Yes, several. In these cases the errors must generally have arisen from faults on the part of the Surveyors.

278. Are you aware that certain of the Lower Canada Surveys have been so loosely performed that a second Survey has been found necessary?

Yes, but I wish to refer to the books for particulars.

279. Are you aware of any survey now actually in progress in a Township which had been previously surveyed?

There has been a second Survey of the Township of Marston, on Lake Megantic. A second Survey is also in progress on the Gatineau.

280. The former Surveys were all paid for?

Of course.

281. They were paid for after the examination and verification of the Surveyor's accounts by the Branch?

They were. A surveyor may make a false plan and false field notes, and if they agree he fraud cannot be discovered in the office.

282. Has there been any inspection of Surveys in Lower Canada?

Formerly, there were special inspections when complaints were made, but there was no general inspection until 1860. Mr. Fletcher, senior Surveyor under Mr. Bouchette, now inspects the surveys for verification.

283. Does this verification Survey precede payment of the Surveyor's account?

As yet, the arrears have prevented this, except in a few cases. In my opinion it ought to be applied to all.

284. Have you ever heard of private pecuniary arrangements between officers of the Department and Surveyors employed under them in the field?

No direct charge has ever been brought before me. I have heard rumors of such arrangements.

285. Have these allegations ever been enquired into by the Department?

The rumours were prevalent when the Honorable Mr. Cauchon was Commissioner; but as I was not then the Assistant Commissioner, I cannot say whether he enquired into them or not.

286. Is it within your knowledge that during the Commissionership of Mr. Cauchon, he manifested in any decided manner his want of confidence in the conduct of Surveys in Lower Canada, and the manner in which the accounts connected with them were rendered and settled?

It is within my knowledge that Mr. Cauchon, when Commissioner, had not confidence in Mr. Bouchette so far as regards the cost of Surveys. The practice was for Mr. Bouchette to examine the returns, and certify the accounts; they then came before Mr. Cauchon, as Commissioner, and he, in some cases, made considerable deductions. He made no scruple in expressing his want of confidence in Mr. Bouchette, in the matter of accounts for Surveys. This occurred, I think, in 1856.

287. On what occasions have Ministers of Finance complained of the costliness of the Lower Canada Surveys?



There has been no complaint in writing, that I know of, but when we handed in estimates of the probable cost of proposed Surveys, verbal remarks were made as to the amount. I remember that Mr. Galt preferred this complaint.

288. What is the rate of payment for Surveys in Lower Canada?

The Surveyor receives \$4 per day; the first chainbearer \$1; the second 75c; the axemen and packmen from 50c. to 60c.; with an allowance for each of 50c. per day in lieu of rations. Travelling expenses and the cost of transport for provisions are also allowed. The Surveyor is paid 15c. per folio of 100 words for his returns, and about 7c. per square inch for township plans of 40 chains to an inch, and about 8c. per square inch for town plots of 4 chains to the inch. There are further small allowances for minor details in the plans,

289. What is the average cost of the survey of a township in Lower Canada?

In 1859, it was 6½c. per acre. 1860, it was only 4½c. In 1861, it was 6½c.

290. What was it ten years ago?

In 1852, it was about 5c.

291. We will now go on to speak of the Survey Branch for Upper Canada. What are its duties?

The duties of Mr. Devine, who is the Chief of Surveys for Upper Canada, are similar to those performed by Mr. Bouchette in Lower Canada.

292. Is there any difference in the systems of survey acted upon in the two sections of the Province?

The surveys in the field are both conducted upon the astronomical system. The field-books are generally different. The difference of system in regard to roads necessitates a difference in the manner of planting the the lot posts. In Upper Canada the road allowances are laid out on the fronts of the lots; and on certain side-lines, one chain in width, the lines being run in the centre of the road; and the posts planted on each side. In Lower Canada, five per cent of the land is allowed for highways, which are laid out by the Municipal officers; only a single row of posts being planted on the line.

293. Do you consider the surveys in the two sections equally perfect and correct?

The older surveys were erroneous in both sections, owing to the use of the needle. At the present time they are performed with about equal degrees of accuracy.

294. There have been complaints of inaccuracy in more recent surveys in Lower Canada have there been similar recent complaints in Upper Canada?

A few. I cannot particularize them without reference to the books.

295. Is the cost of surveys in Upper Canada the same per acre as that in Lower Canada?

In 1859 in Upper Canada, it was 8½c. per acre; in 1860, 7½c.; in 1861, 6½c. In 1852, it was about 5c. In Upper Canada the running of side-line road allowances occasions extra cost as compared with the cost in Lower Canada.

296. Are the payments and allowances to surveyors the same in both sections?

They are.

297. Surveys are sometimes suspended or stopped after having been begun; in these cases is compensation allowed to the Surveyors?

If the Department called a Surveyor in from the field, he and his men would be paid up to the time of their arrival at home.

298. Is compensation paid for suspension or stoppage ?

I do not remember more than one case, but there may have been others.

299. What was the case you allude to ?

The survey of the township of Canoto was commenced by Mr. Francis Jones in 1857, and was suspended in the same year. He rendered accounts and made returns of his survey so far as he had completed it, amounting to \$3,955.66 being for 17,563 acres; and this sum was paid partly in 1857, partly in 1858.

300. Was this an exceptional suspension, or were the Government surveys at that time generally suspended ?

They were generally suspended.

301. And the Surveyors were paid for the work actually performed, as in the case of Mr. Jones ?

Yes.

302. Was there a general demand made by the Surveyors for compensation on account of the suspension ?

Not a general demand.

303. Did Mr. Francis Jones prefer such a demand ?

Yes. He claimed \$1,434 as compensation.

304. Did Mr. Jones furnish details making up this claim ?

Yes. He furnished a statement of supplies alleged to have been left in the woods including 21 bbls. flour at \$8 ; 17 bbls. pork at \$24 ; 3 canoes, \$55 ; camp equipage, \$80 , trunk and instruments, \$18 ; 10 pairs blankets, \$75 ; 5 quilts, \$17<sup>50</sup>/<sub>100</sub> ; 10 axes, \$12<sup>50</sup>/<sub>100</sub> ; total for supplies \$834. For loss of time he claimed 100 days at \$6—600. Total of claim \$1,434.

305. Were any vouchers presented to the Department for these supplies ?

None.

306. How many men were the supplies supposed to have been provided for ?

Ten.

307. Had Mr. Jones been employed, would he have received \$6 per day ?

No. \$4, and an allowance of 50c.

308. Was Mr. Jones's claim acknowledged as valid by the Department ?

At the time it was not. I, as Assistant Commissioner, expressed my opinion strongly against its justice, and especially the amount, which seemed to me excessive. I thought it would be monstrous to concede it.

309. Has the claim since been paid ?

It has.

310. When, and under what circumstances ?

In November, 1861, during the absence in England of Mr. Vankoughnet, the then Commissioner, Mr. John A. Macdonald, who was for the time acting for the Commissioner, ordered me to pay Mr. Jones \$600 on account of his claim; and I paid this amount to Mr. Jones on the 30th November. Subsequently, during the last session of Parliament Mr.

Sherwood, the Commissioner, directed me to pay to Mr. Jones the balance of his claim amounting to \$1,092.

311. Were the orders of Mr. John A. Macdonald and Mr. Sherwood given verbally or in writing?

In writing.

312. Was the amount finally paid to Mr Jones the net amount of his original claim as preferred in 1858, or was it that amount *plus* interest for the intervening period?  
- Interest added amounting to \$258.

313. Mr. Jones had already been paid \$3,955.66 for the survey of 17,563 acres, or at the rate of 22c. per acre; was not that in itself an excessive payment?

Yes.

314. Do you retain the opinion that the further payment of \$1,692 was not justified by the service or by usage?

I think Mr. Jones should have been paid only for such a reasonable supply of provisions as would have been required to complete the survey, on his proving that he left them in the woods, and that the cost of taking them out would have been more than the value. No proof of this kind was furnished, so far as I recollect.

315. Altogether, Mr. Jones was paid \$5,647.66?

Yes.

316. As other surveys were suspended simultaneously with the suspension of Mr. Jones's survey, perhaps you can state whether other surveyors have been similarly paid moneys in compensation?

None to my knowledge.

317. Do errors of survey sometime give rise to claims for compensation on the part of holders of land?

Yes.

318. These claims must be preferred within a specified period?

Yes, within five years from the date of the patent.

319. Are there any other conditions?

The ascertained deficiency must be equal to one-tenth of the whole quantity described as being contained in the particular lot.

320. This is the law. Can you state instances in which it has been departed from?

I cannot. Compensation claims are almost always decided by the Commissioner.

321. Are Upper Canada surveys inspected before payment of the Surveyor's accounts?

Verification in Upper Canada commenced only about two years ago; and the Inspector has since been occupied with the arrears to that time. In several instances he has examined more recent surveys; and in these cases the Surveyors' accounts have been submitted to him previous to payment.

322. Does this branch take charge of the the survey of Indian Lands?

Yes: since the Commissioner of Crown Lands was appointed Chief Superintendent of Indian Affairs.

323. Have the surveys of Indian Lands been paid for at the same rate as that laid down for surveys of other government lands?

With the exception of the survey of the Indian Peninsula and the township of Orford, the surveys of the Indian lands were conducted under instructions from the Crown Land Department, and at the same rate. I cannot state from memory the rate of payment in the two exceptional cases I have named.

Monday, December 29th.

ANDREW RUSSELL was further examined.

324. Having read to you your evidence given on Saturday, does any point therein referred to seem to you to require additional explanation?

I desire to say that Mr. Vankoughnet, when Commissioner, expressed his wish, if possible, to reduce the cost of surveys, as the cost of our surveys seemed to him so much greater than that of the United States. I explained to him, however, that this difference arises from the density of the Canadian forests as compared with the general character of the country in the United States, and also from the system of astronomical survey and the use of the theodolite in Canada, as compared with the compass surveys in practice in the States.

325. Can you give any further information tending to the formation of a proper estimate of the excessive charge made by Mr. Francis Jones, for the survey of part of Canonto?

I produce a comparative statement of the cost of surveys performed in the years 1857-8, in townships adjacent to the township of Canonto.

Surveyor.	Survey.	No. of Acres Surveyed.	Cost of the Surve .	Average Cost.	Amt. paid for Transport.	Remarks.
H. O. Wood, 1857...	Township of Brudenell ....	55,507	\$2,733.00	5 $\frac{1}{2}$	\$196.50	10 months out.
John Snow.....	Sebastopol ...	47,863	3,214.42	5 $\frac{1}{2}$	151.50	6 months out.
J. S. Harper, 1858..	Miller.....	12,000	1,350.00	11 $\frac{1}{2}$	137.27	12 weeks out; \$105 already deducted from this account.
Jas. Richey, "	Griffith.....	22,000	1,500.00	7	93.00	11 weeks out.
Fancis Jones "	Canonto .....	27,563	3,955.66	22	855.57	6 months out.

326. Are you cognizant of gross inaccuracies in the survey of the township of Orford?

More of deficiency than inaccuracy. Some lines were not run by the surveyor, but the Department had no control over the survey.

327. Had you not some communication with Sir Edmund Head, the late Governor General, in regard to surveys of Indian lands?

Whilst I was in charge of the Upper Canada surveys, the Indian Department sent Provincial Land Surveyor Rankin's returns of surveys of some townships in the Indian Peninsula. On examination of them, it was found that the greater part had been performed by young men who had not been duly admitted as land surveyors, and that their names were attached to the field books. Mr. Cauchon, the then Commissioner, saw the then Governor General on the subject, and afterwards requested me to call upon His Excellency, and explain my objections to the returns. I did so, explaining that no survey could be legal unless performed by a licensed Provincial land surveyor, who would sign the

plans and field books. Sir Edmund urged me to accept the returns and plans furnished by the young men to whom I have referred. I suggested that if the cost of a re-survey were to be prevented, and the surveys already made adopted, it would be necessary to obtain a special Act of Parliament. His Excellency still insisted on my examining and certifying the returns. I replied that if I did so, I would write a letter in returning them, expressing my opinion of their illegality. He replied, "do so if you dare, and I'll send it down to the Parliament, and you will see what will be the consequence." Attorney General Macdonald was sent for, who, so far as I remember, sustained my interpretation of the law generally. The final result was, that His Excellency told me to proceed with the examination of the plans, and I did so. The date of this interview was May, 1856.

328. Were these surveys, made by unlicensed surveyors, adopted by the Indian Department? And are they the surveys now acted upon in the township in question?

Yes.

329. By whom are the surveyors employed by the Department appointed?

By the Commissioner, generally on the recommendation of the member of Parliament for the County. When I was the head of the Upper Canada Surveys, the Commissioner usually consulted me as to the fitness of the persons recommended. Mr. Papineau, in his time, imposed upon me the duty of selecting surveyors to perform the surveys of the Crown Lands, and held me responsible for the fitness of the individuals employed. No Commissioner, that I know of, has since pursued this course. I am not now usually consulted in the matter, my time being otherwise fully occupied.

330. Next to surveys, in your enumeration of the Branches of the Department, comes the Upper Canada Land Claim Branch: what are its duties?

Mr. Hector is the head of the Branch. It has custody of all the fiats, descriptions and other records of all grants to U. E. Loyalists, militia, military, and emigrant settlers. It reports on claims for deficiencies in the area of such grants; and also reports to the Heir and Devisee Commission, and the Commissioner of Crown Lands, on claims to the title of such lands. It has charge of the sale of unsold lots in townships surveyed previous to the Union; and the management of the mining lands in Upper Canada; another duty is the issue of compensation scrip.

331. The Upper Canada Sales Branch is divided into two sections, of which Mr. Hector's is one?

Yes.

332. Of the whole of the Upper Canada Lands now open to sale, what proportion is under charge of Mr. Hector's Branch.

A small proportion.

333. Are the grants referred to viz., those to U. E. Loyalists, the militia, military and emigrant settlers, in a great measure disposed of?

Yes. Much correspondence, however, still grows out of them.

334. Is the state of business in Mr. Hector's Branch within your knowledge? The arrears relating to claims and correspondence?

There are some arrears; I cannot say to what extent. There is no large arrear of correspondence unanswered, in this Branch.

335. Is this Branch in receipt of any fees, other than those which come through the Accountant?

It is not.

336. Do persons applying for certified copies of documents or plans in the possession of the Branch, pay for the same ?

They pay the Accountant at the rate of 10cts. per folio of 100 words.

337. Are these fees paid direct to the Accountant, or in the first place to some officer or clerk in the Branch ?

Generally these applications for copies are made by letter, and in these cases the fees are received by letter. In this manner they come to me. It may be that a clerk in the Branch, on handing copies to a personal applicant, receives the fee therefor ; but I am not aware of the fact.

338. You are aware that were an officer or clerk to appropriate to his own use fees thus received, he would be guilty of a violation of the law ?

Yes.

339. What were the casual fees of the Department last year ?

For Upper Canada, \$1242.10 ; for Lower Canada, \$7.50. It is not possible to classify these fees amongst the various Branches, as one application may involve documents from several.

340. All mining lands in Upper Canada, acquired by Companies or individuals, are acquired through this Branch ?

They are.

341. What are its requirements in regard to payments on mineral lands ?

In 1846, parties applying received a mineral location covering ten square miles, or 6,400 acres, on which they were required to make a payment of \$600 ; the price of the land being 80cts. an acre, payable in five annual instalments. Only a few of those who thus acquired locations have paid up ; the great majority having paid only the preliminary \$600. In 1853, by Order in Council, new regulations were promulgated, to the effect that on the payment of \$100 a person might gain a license to explore for minerals in any unpurchased locality. The license extended over two years, and gave to its possessor a right to take possession of a tract not exceeding 400 acres at the rate of \$1.50 per acre, payable on the expiration of the license. On 15th March, 1861, the regulations were modified by the abolition of the \$100 exploring fee, and a reduction of the price of the land to \$1 per acre, to be paid in full at the time of purchase ; a condition being that the location should be worked within one year from that date. Again on 21st April, 1862, an Order in Council imposed a royalty of 2½ per cent on all ores extracted ; and sanctioned the issue of letters patent on payment of the purchase money, without conditions as to working.

342. Are the large locations taken up under the regulations of 1846, and yet unpaid for, still held by the Companies or individuals in arrear ?

I am not aware that they have been formally resumed by the Crown.

343. Have any steps been taken to recover the sums in arrear ?

I do not remember anything more than a notice, by public advertisement, of the intention of the Department to resume possession if the arrears were not paid.

344. Mr. Hector's branch is charged with the issue and management of scrip ; will you state the descriptions of scrip issued by the Department ?

Lord Durham's Militia Scrip, of 1839, amounted to £56,043 8s. Then came the Upper and Lower Canada Land Scrip, under the Land Act of 1842, (4 & 5 Victoria, chap. 100,) amounting in Upper Canada to £164,778 16s. 7d. ; and in Lower Canada to

£123,221 19s. 8d. Next, the Bolton and Magog Partition Scrip, under 20 Victoria, chap. 139. The issue of the first series commenced 10th March, 1858, and amounted to \$23,639; the second series issued under an Order in Council, dated 9th May, 1859, amounted to \$114,053; the third series, 2nd April, 1862, to \$6,600. Next, the Compensation Land Scrip, under 23 Victoria, chapter 2, of which issued in Lower Canada, \$6,628.86; in Upper Canada, \$41,429.90; the issue of the latter commencing 12th May, 1860, and of the former, 30th June, 1860. The issue of Lord Durham's Scrip commenced 19th February, 1839, and extended to 27th February, 1841. That of the Land Scrip, extended from 10th September, 1842, to 9th August, 1851.

345. Let us have the particulars: first as to Lord Durham's Militia Scrip?

At the time of its issue I was a surveyor in the employment of the Department, in the field, not in the office, so that I have no knowledge whatever respecting the issue of this scrip. I cannot state the amount redeemed, without reference to the books of the office.

346. Next, as to the Upper and Lower Canada land scrip, issued under 4 and 5 Victoria, chapter 100?

Of the issue of this also I have no personal knowledge, having at the time had charge of the Upper Canada surveys. Both classes of this scrip were almost wholly redeemed before I became Assistant Commissioner. I learn, however, from a statement furnished to me by the Accountant, that \$23,036.73 were received by the Department in excess of the quantity issued.

347. Was this excess of \$23,036.73 issued by the Department, or was it issued fraudulently or forged?

It would appear from a few scrip notes which I have compared with the margin in the scrip book, that there was a duplicate issue of a certain quantity of the scrip. The opinion of those in the Department most familiar with the scrip is, that the clerk who prepared it in the Crown Land Department had duplicate books, as some of the notes I have examined do not correspond with the margins of the same numbers in the book we have, and therefore must have been taken from some other book.

348. Were the numbers of the false scrip duplicates of numbers lawfully issued, or were they additional?

They were duplicates; that is, the numbers which have come under my notice.

349. Were the signatures attached to the false scrip apparently genuine?

Yes.

350. Were the false numbers received by the Department in payment of land?

Yes, to the extent I have named, \$23,036.73.

351. When, and in what manner, was the false issue discovered?

I cannot tell whether the discovery was made in the Crown Land Department or in the office of the Inspector General, as I was not then Assistant Commissioner.

352. As the issue apparently emanated from the Department, and bore genuine signatures, were any steps taken to discover and bring to punishment the party or parties implicated or suspected?

Not to my knowledge.

353. What are the particulars of the Bolton and Magog Partition Scrip?

The township of Bolton, in Lower Canada, was in 1797 granted to certain parties as tenants in common. Many years afterwards the non-resident proprietors, in order to obtain a partition, instituted suits against the resident proprietors, and in 1857 an Act was

passed appointing arbitrators to value the lands in the township, which they did, rating them at \$4 per acre. On the surrender of their title by the non-resident owners, scrip was issued to them by the Department to the amount of their claim. Scrip was also issued to defray the law expenses, and the expenses of arbitration.

354. The scrip issued has amounted to \$144,292: how much has actually been paid to the non-resident proprietors?

The second issue, \$114,053.00.

355. The expenses, then, amounted to \$30,239.00?

Yes: \$23,639 were for law and the expenses of the arbitration; \$6,600 being in payment of commissioners appointed on 22nd August, 1861.

356 Is the issue closed?

That is dependent on the action of the Government. The business is not closed.

— — —

Tuesday, December 30th.

ANDREW RUSSELL was further examined.

357 Who were the arbitrators appointed in the Bolton and Magog case? What was the date of their appointment? At what rate were they compensated? And what sums did they severally receive?

Mr. Joshua Chamberlin was the arbitrator appointed by the Crown. Robert Shank Acheson was the arbitrator appointed on behalf of the non-resident proprietors; the third arbitrator, appointed by the other arbitrators, was the Honorable Paul H. Knowlton, member of the Legislative Council. The acceptance of the appointment bears date February, 1858. The rate of compensation to the arbitrators was \$10 per day, with travelling expenses and contingencies. Mr. Chamberlin received \$1120 per diem allowance, \$80 for travelling expenses; \$140 for contingencies; \$227 for witnesses; and \$382 for two clerks at \$5 per day, and their travelling expenses, &c. Mr. Acheson received \$1120 per diem allowance, and \$108 travelling expenses. The Honorable P. H. Knowlton received \$680 per diem allowance, and \$124 travelling expenses. These payments were made in 1858.

358 What was the total cost of the arbitration?

\$3,981.

359 This was exclusive of the law expenses?

Yes: the law expenses were \$19,658. Messrs. Drummond & Loranger received \$10,241; Henry Stuart, \$8,878; Andrew Robertson, \$539.

360 Who were the Commissioners afterwards appointed in the same case? When were they appointed? At what rate were they paid? What did they severally receive?

James Moir Ferres, Gardiner H. Sweet, and Louis Bourdon, were appointed 22nd August, 1861. They were paid by Order in Council, at the rate of \$10 per day, payable in scrip. Each received \$2,200 for his services as Commissioner to 31st March, last, viz., 220 days.

361. Are the labors of the Commission ended?

I suppose not, as I have not seen their report.



362. The scrip issued is receivable in payment for lands?

It is receivable in payment for Crown Lands.

363. Can you now supply the particulars of the Compensation Scrip?

The Compensation Scrip is issued under the authority of the 12th, 23rd, and 24th sections of the Land Act, 23 Victoria, chapter 2. That under the 12th section is in compensation of any claim to land, arising under any Act or Order in Council, or other regulation of the Government. That under the 23rd section, is in compensation for losses of lands arising in cases in which grants or letters patent have issued, or in which sales or appropriations have been made, for the same land, inconsistent with each other. That under the 24th section, is in compensation for deficiency of land by reason of false survey or error in departmental books or plans. The amount issued is \$6,628.86 in Lower Canada, and in Upper Canada, \$41,429.90, as it appears from a hurriedly prepared statement made by a junior clerk.

364. Have you not the Scrip books before you?

Yes.

365. Do they afford the means of giving a positive answer to the question as to amount of issue?

Yes: when the columns are added up, which they have not yet been carefully.

366. Will you be good enough to add them up and give us the result?

\$41,429.90 for Upper Canada, up to the present time.

367. Is the issue of the Compensation Scrip still going on?

It will continue of course. Compensation claims come in from time to time.

368. Who is responsible for the issue which from time to time takes place?

The Commissioner decides the amount of Compensation Scrip to be issued, or it may be decided by an Order in Council. The Upper Canada Scrip is prepared by Mr. Jones, and is signed by me, as Assistant Commissioner, or in my absence by the Commissioner. The Lower Canada Scrip is prepared by Mr. Collins and Mr. Genereux, and is also signed by me.

369. Are you, then, responsible for the issue only of Scrip that may have been duly ordered by the Commissioner or by the Executive Council?

Yes.

370. Has any been issued without the authority of either?

Not that I am aware of.

371. Your book shows that Scrip amounting to \$8,000 was on the 27th October last issued in satisfaction of a claim of the Church Society of the Diocese of Toronto in trust for the Rector of Markham: had this Scrip the sanction of the Commissioner, or the authority of an Order in Council?

There is an Order in Council of the 4th November, 1861, authorizing a grant in substitution to the amount of \$8,000, to be taken from the disposable Crown Lands.

372. A grant of lands, not of Scrip?

Yes.

373. As the Order in Council authorized the grant of lands, on what authority was Scrip substituted?

It has been the rule of the Department, sanctioned by previous Commissioners, to give Scrip in compensation in lieu of lands, as much difficulty has arisen in the selection of lands, especially with regard to the value.

374. Did this rule require the sanction of the Commissioner specifically given in cases where Scrip has been substituted for lands ?

No. The Commissioner or an Order in Council having decided the amount of compensation, the Scrip was drawn up as a matter of course.

375. Then who decides whether Scrip shall be issued or lands given ?

When the present Land Act (23 Victoria, Chapter 2,) was passed Mr. Vankoughnet, the then Commissioner, ruled that scrip book should be prepared, in a form approved by him, and that all cases of compensation for deficiency or loss of land should be satisfied by the issue of Scrip.

376. You have cited an Order in Council as the authority for the issue of \$8000 Scrip to the Church Society : will you give the words of the Order upon the subject ?

I quote : " Upon the principle laid down by Orders in Council of 24th March, 1854, and 20th November, 1857, in relation to the Darlington Glebe, he, the Commissioner, accordingly recommends, that, based upon Mr. Dennis' valuation, a grant of other land be authorized in the name of the Church Society of the Diocese of Toronto, in trust for the Rector of Markham, and his successors in office, the grant in substitution to be of the amount of \$8,000 and to be taken from the disposable Crown Lands."

377. Is there in the document from which you quote, or in any other Order in Council in possession of the Department, authority to substitute scrip for the land thus granted in trust to the Church Society ?

There is nothing in the Order in Council now before me, or in any other Order that I am aware of.

378. Inasmuch, then, as the Order in Council grants only land to the Church Society, and that land to be in trust for others, how came scrip to be substituted ?

An application was made by Mr. E. J. Chesley, land agent, Quebec, dated 1st September, 1862, stating that he was " authorized by the Church Society of the Diocese of Toronto, to apply for and receive the sum of eight thousand Dollars land scrip as compensation for the loss of Lot No. 19 in the 9th Concession, Vaughan, and to request that the same be issued and delivered to " him at the earliest convenience of the Department.

379. To whom was this application addressed ?

The Hon. the Commissioner of Crown Lands.

380. Did he receive it, or was it referred to him ?

It was duly registered by our registrar on the 2nd September, and sent by him to Mr. Hector's Branch. Whether it was submitted to the Commissioner by Mr. Hector or Mr. Jones I cannot say, as the whole of the business with reference to the Vaughan Glebe was conducted directly between Mr. Hector's Branch and the Commissioner, not through me. Towards the end of October, Mr. Chesley brought me the letter from which I have just read, and asked me if it would be a sufficient authority for delivering to him the scrip. I carried the letter to the Commissioner, and submitted it for his decision. He ruled that Mr. Chesley should produce a power of attorney from the Church Society.

381. The scrip appears to bear date 27th October : had it been already prepared when Mr. Chesley brought the application to you ?

I suppose it had.

382. Had you signed it ?

I do not recollect whether I had signed it at that time or not.

383. But you suppose that it had been prepared ; by whom and by whose authority ?

Mr. Jones is the person who has the issue of scrip, and I presume that he had prepared it. He would prepare it on the authority of the order in council of 4th November, 1861.

384. Does the order in council referred to confer authority to issue scrip ?

No.

385. Did Mr. Jones, then, prepare it without authority ?

To the best of my belief he did.

386. Would you sign scrip brought to you by Mr. Jones without inquiring as to his authority for preparing it ?

No.

387. Did you finally sign the scrip in question ?

Yes.

388. Of course, then, you did enquire into Mr. Jones' authority for its preparation ?

From the Registry Book of the Department, and from conversations with the Commissioner, and Mr. Hector and Mr. Jones, I had become aware that there was an order in council granting compensation to the Church Society to the extent of \$8,000. I did not enter into the details of the grant.

389. You assumed without enquiry that Mr. Jones had authority to prepare the scrip, and you signed it as a matter of course ?

Yes.

390. Is compensation scrip generally issued in this manner ? Do you, as a rule, sign scrip brought to you by Mr. Jones without examination ?

This, I suppose, is the only instance in which before signing I did not read the order in council authorizing the issue ?

391. The Church Society scrip having been prepared and signed, how was it disposed of ?

It was delivered to Mr. Chesley on 15th November, on his producing a power of attorney from the Church Society, signed by Thomas Smith Kennedy, Secretary, and bearing the Seal of the Corporation.

392. Has anything further occurred in relation to this scrip ?

On becoming aware that the scrip had been issued, the Commissioner sent for Mr. Chesley, and asked him to return it, as it had been issued in error. Mr. Chesley replied that he had sent the greater part of it off. The Commissioner requested him to telegraph the Secretary of the Church Society, Mr. Kennedy, to return the scrip. Mr. Chesley did so and afterwards, during the absence of the Commissioner, informed the Department that he (Chesley) had received it, together with instructions from Mr. Kennedy to hold it until he received further orders. It has not yet been returned to the Department.

393. Is any scrip now being issued by the Department, other than that belonging to the classes of which you have spoken ?

No.

394. What information can you furnish as to the extent to which scrip has been redeemed ?

I give it in tabular form.

	ISSUED.	REDEEMED.
Land Act 4 and 5 Vic., chap. 100. ....	\$1,152,000 25	\$1,175,039 98
Militia, Lord Durham.....	224,173 60	216,098 40
Bolton and Magog, 1st series.....	23,639 00	21,589 00
Do. do. 2nd series.....	114,053 00	111,798 00
Do. do. 3rd series.....	6,600 00	4,425 00
Compensation, Lower Canada.....	6,628 86	34,329 15
Do. Upper Canada.....	41,429 90	

395. What check is now applied in the issue of scrip ?

The blank forms of scrip are under my custody, and scrip is only delivered to the party in whose favor it is issued, or his attorney, or sent by registered letter. The issue takes place on the order of the Commissioner, generally endorsed on the claim, which is sent to Mr. Jones, who prepares the scrip. I supply him with the blank form book, in which the numbers of all certificates are printed consecutively in red ink. The amount, \$25, is printed on each. The scrip and the margin from which it is cut both set forth the number of the claim, per warrant, with the date of the scrip. When the claim is for a broken amount, I erase the printed amount (\$25) and write the exact amount, with the words "good for only," adding my signature in full to this memorandum, as well as to the scrip. The scrip is signed by me, Mr. Jones entering it and also signing it. I compare it with the warrant and with the Issue Book. When the quantity prepared is small, I cut it out of the Form Book and hand it to Mr. Jones for delivery; when large, I hand the book to him, leaving him to cut it out.

396. What check is applied by the Department to the receipt of scrip in payment ?

When scrip is received it is entered in the Blotter—a waste record of receipts kept by the accountant; and an entry is made on the margin of the note in the scrip form book, referring to the entry in the Blotter. The scrip is defaced and then put into the safe by the accountant and is transmitted to the Auditor of Public Accounts, with our quarterly account. As a further precaution, when Crown Land Agents receive scrip they write across its face the number of the Lot, Concession, and Township on which the scrip has been applied in payment.

397. How long have these checks been in force ?

Since I was appointed Assistant Commissioner in 1857. Previous to that period the receipt of the scrip does not appear, judging from the margin of the form book, to have been noted. Hence the ease with which duplicate numbers might be received.

—

Wednesday, December 31st.

ANDREW RUSSELL was further examined.

398. The examination into the management of the Upper Canada Land Claim Branch has been extended to one portion of the Upper Canada Sales Branch: who is the head of the other portion of the latter Branch, and what are its duties ?

Mr. Tarbutt is the head. The Branch has under its charge the sales of Crown Lands in the Townships surveyed since the Union, and the sales of Clergy and Common and Grammar School Lands. Until two years ago, it had the management of the sales of the Crown Lands in the whole of Upper Canada; a division was then made, and a portion was transferred to Mr. Hector's Branch.

399. What are Mr Tarbutt's duties?

He investigates and reports on claims to purchase lands, drafts decisions regarding such lands, conducts correspondence relating to the same, has charge of the free grant locations on the Colonization Roads of Upper Canada, and attends the Auction Sales of Government Lands in his section. He has also charge of the registration of assignments.

400. What proportion of the Lands for sale in Upper Canada are under the jurisdiction of this Branch?

By far the larger proportion.

401. In consequence of the extent of lands covered by this Branch, are its arrears of business large?

There are considerable arrears.

402. Have these arrears been increasing?

I cannot say with certainty, but I think that recently they have been diminishing. By recently, I mean since the passage of the Order in Council of 4th November, 1861, relating to the settlement of claims to lands in the Counties of Huron, Bruce, Grey, Perth and Wellington. This enabled the Department to settle a great many claims to lands which could not previously be disposed of.

403. Are Mr. Tarbutt's investigations and reports on claims subject to revision? If so, to what and by whom?

Yes, the revision of the Commissioner. The papers connected with claims are submitted to the Commissioner direct by Mr. Tarbutt, and, so far as my knowledge goes, the Commissioner reads the papers before giving his decision.

404. Are you aware of instances in which, acting upon Mr. Tarbutt's representations of facts, the Commissioner has been led to form conclusions at variance with the real facts, as afterwards ascertained, and at the time known in the branch?

At present, I do not remember any, the papers as received by mail, being sent to Mr. Tarbutt's branch, by the registrar, Mr. Tarbutt investigating and reporting on the claim and submitting it direct to the Commissioner. It is no part of my duty to investigate claims that have been decided by the Commissioner. The papers are not submitted to me. The Commissioner makes a division of the office duties, allotting a certain portion to me, and reserving a certain portion to himself; and I do not interfere with the cases which he reserves for his own consideration. The second section of the Land Act confers upon the Commissioner authority to assign to me particular duties.

405. The Civil Service Act, however, assigning to each Department a Deputy Head, prescribes that he "shall have the oversight of the other officers, clerks, and messengers or servants, and the general control of the business of the Department;" did you exercise this general control prior to the enactment of the Land Act in 1860? Do you exercise it now?

There was the subdivision of labor previous to 1860. The oversight I exercise consists in my seeing that the officers and clerks attend to their duties. For this purpose I visit their rooms between 9 and 10 o'clock in the morning, and occasionally (when my other duties permit) during the day. I exercise the general control of the business of the Department, with the exception of that part which the Commissioner reserves to himself.

406. Are we to understand that you have been relieved from some portion of the oversight prescribed by the Civil Service Act, and that a portion of the prescribed general control has been withdrawn from you?

I have not been relieved from any portion of the oversight of the other officers, clerks, and messengers or servants. If "general control" means the decision of important cases,

involving the general policy of the Government, that was never conferred upon me. No power or duty I ever exercised has been withdrawn.

407. Do you consider that the settlement of ordinary land claims involves the general policy of the Government?

Certain classes of land claims do involve the policy of the Government. Ordinary claims do not.

408. Special or peculiar claims being referred to the Commissioner, are ordinary claims referred to or decided by you?

Yes, excepting those in the Counties of Bruce, Huron, Grey, Perth, and Wellington, which were never under my control.

409. Do not the five Counties named contribute the great bulk of the claims?

Yes, the greater part. I have no idea of the exact proportion.

410. Mr. Tarbutt attends the auction sales of Government land; in what capacity and for what purpose?

He superintends the sales, and investigates the rights of persons claiming lots. He decides on the spot all cases, except those which he chooses to reserve for the consideration of the Commissioner.

411. Have there been complaints of decisions in these cases?

Not to my knowledge. The registrar opens letters, and any complaining of the action of Mr. Tarbutt in reference to these sales would be sent to the Commissioner.

412. Has Mr. Tarbutt received extra pay for his attendance at these sales?

Yes. It appears from the Public Accounts for 1861, that he received \$255, for pay and expenses on this service in that year. I cannot without reference say how long he was absent.

413. Is Mr. Tarbutt's section of the Sales Branch in receipt of fees?

When copies of documents from Mr. Tarbutt's office are required, a charge is made similar to that stated in reference to Mr. Hector's Branch.

414. Are all these fees accounted for to the Accountant?

To the best of my knowledge, they are.

415. Has Mr. Tarbutt's Branch charge of the Crown Land Agencies?

Mr. Tarbutt has charge of Mr. French's Agency, comprising part of Renfrew, and the Ottawa and Opeongo Road; Mr. Geddes' County of Wellington; Mr. Graham's free grants on the Burleigh Road; Mr. Hayes' part of Hastings and the Hastings Road; Mr. Harris, part of Renfrew; Mr. Hubers' Waterloo; Mr. Hughes' part of Victoria, and Peterborough, and the Bobcaygeon Road; Mr. McNab's County of Bruce; Mr. Jackson's Grey; Mr. McVicker's part of Algoma; Mr. Macpherson's Lennox and part of Frontenac and Addington; Mr. Moffat's part of Renfrew; Mr. Oliver's Muskoka Road; Mr. Perry's part of Frontenac and the Addington Road; Mr. Roche's Victoria; Mr. Spikes' Frontenac Road; Mr. Widder's Huron; Mr. Wilson's part of Algoma; Mr. Boswell's north part of the Bobcaygeon Road.

416. A change recently took place in regard to several of these agencies; what was it and when did it take place?

The first change was on 6th June, 1855, when a circular to the agents was issued, requiring them to deposit all moneys received for lands in the Bank of Upper Canada, to the credit of the Receiver General. On 10th February, 1857, another circular was issued, informing the agents that by an Order in Council all persons having payments to make on account of Public Lands, must in future themselves deposit the amount in the bank to the credit of the Receiver General. The agencies in Upper Canada do not now receive

money. They are still paid a per centage on the amount of payments on account of lands purchased through their respective agencies. The per centage is five per cent. on the first \$2,000 ; two and a half on the first \$28,000, and one and a quarter on any sum exceeding \$30,000.

417. Was the Order requiring agents to deposit all moneys received by them in the Bank of Upper Canada issued in consequence of irregularities on the part of any of the agents ?

It was in conformity with the Audit Act.

418. Was the subsequent order, taking from the Agents all control over money paid on account of lands, a result of irregularity or default ?

I think so. But I was not then Assistant Commissioner.

419. Can you state what the irregularities were, or where the default occurred ?

A large deficiency was discovered in 1856, in the accounts of Mr. Baines, who then had the Toronto agency, which has since been abolished. He was also agent for the collection of rents on the Clergy lands. I cannot state what the deficiency originally was, but as it at present stands on our books, it amounts to \$130,235.89. The whole matter is in the hands of the Attorney-General. Mr. Eby, the Agent for Waterloo, was also discovered to be a defaulter, in the year 1856. His default at present amounts to \$23,543.36, being the balance remaining due to the Department, after deducting sums recovered. In 1856, a deficiency was also discovered in the accounts of the Goderich Agency ; it at present stands at \$2,745.70.

420. Were any irregularities discovered in the management of the agency for the county of Wellington ?

Yes : irregularities were discovered. In January, 1859, a petition, which is not dated, was addressed to the Governor General in Council, by certain inhabitants of the County of Wellington, praying for enquiry into certain frauds alleged to have been practiced by Mr. Geddes, the Crown Land Agent at Elora, and others, charged with being in collusion with him. The then Commissioner, Mr. Vankoughnet, recommended the issue of a commission of enquiry into the matters complained of, naming Mr. Spragge, then Superintendent of Sales, to conduct the enquiry. A Commission was issued accordingly. Mr. Spragge performed the service and reported on the 26th April, 1859.

421. Has Mr. Spragge's report been published ?

It has not been printed.

422. Will you produce a copy of it, and state its purport ?

I produce the original, which, however, I have not read, owing to its great length, and the length of the evidence attached to it. To it is appended the Departmental report of the Commissioner, on which is written in pencil, in Mr. Vankoughnet's writing, " Need not be sent to Council."

423. What is the purport of Mr. Vankoughnet's report ?

I read it at length : " I have read this report and examined the evidence, and many cases of great wrong have been permitted, though without the direct sanction of the agent, who appears to have placed too much confidence in others. The great fault of which Mr. Geddes has been guilty has been in not personally attending to the duties of his office, and exercising an active supervision and independent judgment in the disposition of the Public Lands, and the hearing of disputes. Bearing in mind his age and long services, and that no recurrence of such lax practice on his part is likely to take place, I refrain from recommending his dismissal, though he should receive a severe reprimand, and be made to make good losses which individuals wrongfully and

“illegally sustained in these transactions with him. The cases of individual claimants to particular lots can only be dealt with as they are presented.

“ (Signed) P. M. VANKOUGHNET,  
Com. C. L.”

“The O. C. of 4th November, 1861, will dispose of almost every case.”

424. What is the date of Mr. Vankoughnet's report ?

It is not dated.

425. In pursuance of this report, was any reprimand addressed to Mr. Geddes, and when ?  
On the 3rd March, 1862, I addressed a letter to Mr. Geddes conveying the reprimand in the terms of the Commissioner's Report.

426. The date of Mr. Spragge's report is 26th April, 1859 ; the date of your letter, based on the report of the Commissioner, is 3rd March, 1862 ; can you state at what time Mr. Vankoughnet prepared his report, not dated ?

The report was sent by Mr. Vankoughnet to Mr. Hector's Branch, where the letter was drafted which I signed. I cannot say how long a period intervened between the writing of the report and the date of the letter.

427. Has there been any further action, consequent upon the report and your letter ?

Not that I remember.

428. Has Mr. Geddes yet made good losses, which, according to Mr. Vankoughnet, individuals wrongfully and illegally sustained at the Elora agency ?

Not to the best of my recollection.

429. What steps have been taken to apprise the petitioners and the individuals who have suffered wrong, of the decision of the Department in relation to the case ?

I cannot say without reference to the books of the Department.

430. Looking at the division of the Western section of the Province, which has been made for Departmental purposes, do you consider it such a division as is best calculated to expedite the business of the Department ?

If we were beginning anew, I should make a more equal division, the effect of which would be to expedite business to a degree not now possible. With reference to business in arrear, as Mr. Tarbutt has an intimate knowledge of the cases, and of the Orders in Council and other regulations relating to them, if a subdivision were now made, the party to whom might be allotted a share of the work, would be under the necessity of making constant reference to him for information. It would also be necessary to transcribe part of the books.

431. What is the actual state of business in Mr. Tarbutt's branch ?

With reference to the current business of routine which comes before me, I do not think that the arrears are large. As to cases that go before the Commissioner, I cannot say. As to the actual state of business in the branch, I think that there are large arrears.



Monday, January 5th.

JOSEPH BOUCHETTE, sworn :

432. You are Deputy Surveyor General ; do your duties as such in any manner extend to Upper Canada ?

As Deputy Surveyor General, my duties would apply to the whole Province.

433. In what particular do your duties apply to Upper Canada ?

My duties apply to both Upper and Lower Canada.

434. Do you take charge of surveys in Upper Canada ?

I have not taken charge of them. They have not been referred to me by the head of the Department.

435. Practically, are your duties confined to Lower Canada ?

They have always related to Lower Canada.

436. Are your duties as applied to Lower Canada, similar to those of the head of survey for Upper Canada ?

Much more extensive.

437. In what respect do they differ ?

In the first place, I have charge of the Seigniorial Boundaries. In the next, the description of beach and water lots preparatory to the preparation of patents involving the survey of the same. Third, the conduct of all correspondence in the English and French languages, relating to land matters in Lower Canada. Fourth, the examination of all lists of land for sale, previous to their being handed to the sales branch. Also, examination relative to broken or irregular lots, prior to the issue of patents under 12 Victoria, chapter 35, and other examinations under the Land Act.

438. Are all these duties confined to Lower Canada ?

They are.

439. Are you responsible for the general conduct of surveys in Lower Canada ?

No further than I am warranted by the returns of the surveyors, duly sworn to.

440. Have you the selection of surveyors employed for Government surveys in Lower Canada ?

During the last 12 or 15 years I have not had the nomination of surveyors.

441. By whom are they nominated ?

They are generally recommended in the petitions for surveys, or by members of Parliament or others asking the survey ; and the Commissioner makes the appointment.

442. Are you consulted as to the capacity of surveyors recommended or nominated ?

Not generally.

443. What is the course pursued in the carrying out of a new survey of a township ?

In the first place, to establish the location of the township on a map. Instructions to the surveyor are then prepared by me in writing, submitting them to the Commissioner or Assistant Commissioner for his signature.

444. Do you define absolutely the system on which the survey is to be conducted?

Yes: the astronomical system is made absolute, and has been since 1850.

445. Do you always assume that the surveyor is competent to survey on the system thus marked out for him?

We assume it, from the fact of his having obtained a certificate as a Land Surveyor.

446. Is it your opinion that the system which you say is absolute is uniformly adhered to by the surveyors?

It is generally returned so. I apprehend that there are frequent departures from it; but this I state from hearsay.

447. Do you examine the returns and check the accounts of the surveyors?

I do. We require a report of survey and plan, the field book, journal or diary, the total account, embracing the pay list, the statement of preparation of returns and vouchers. I examine all these and certify them when regular; when complicated and irregular, I report upon them specially to the Commissioner.

448. Are the accounts as certified by you subject to further revision?

They are, by the Commissioner or the Assistant Commissioner, chiefly the latter.

449. Have deductions frequently been made from the amount of the accounts as certified by you?

Occasionally by Mr. Russell; sometimes by the Commissioner.

450. Do you forward the cheques of the Department to the surveyors in payment of surveys?

Seldom; generally the writing clerk of my Branch transmits the cheques which have been handed to him by the Accountant. This has been the practice only during the last five or six years.

451. Since 1851, have there been many re-surveys of townships or parts of townships in Lower Canada?

About half a dozen parts of townships have been re-surveyed. The townships I remember are Egan, Wolfstown, Marston, Matan, St. Denis, and Adstock.

452. Have many petitions been received by the Department, praying for re-survey on the ground of alleged inaccuracies?

A few petitions have been received, alleging irregularities of survey and also the obliteration of surveys.

453. Are you acquainted with Mr. Duncan Sinclair, Surveyor, Ottawa?

I am.

454. With Mr. John A. Snow, of Hull, C. E.?

Yes.

455. With Mr. L. P. H. O'Hanley, of Ottawa?

Yes.

456. Have these surveyors been employed at different times in surveying townships or parts of townships, which were reported to have been previously surveyed, but which they found to have been not completed?

Mr. O'Hanley is now employed upon a survey of verification and completion in the township of Egan. Mr. Snow many years ago verified a division line between two ranges in the township of Litchfield. I do not remember any other case of re-survey by him. Mr. Sinclair appears to have re-surveyed part of the division line between the townships of Aberdeen and Abbotsford; this was in 1860 or '61.

457. Did these re-surveys bring to light the fact that lines have been returned to the Department as drawn where no survey had ever been made?

The perusal of the reports of the surveyors who have been employed in re-surveys would convey this impression.

458. Is there a general impression of this nature applying to former alleged surveys in the counties of Ottawa, Pontiac, and Argenteuil?

I have heard of erroneous surveys, which are numerous enough both in Upper and Lower Canada, but I have no further information relating to particular instances.

459. Has there been any attempt on the part of your Branch systematically to inspect and verify surveys?

Several years ago I recommended an inspection of surveys, but no attempt to carry it out was made until 1861, when Mr. Fletcher, senior surveyor and draughtsman, was instructed to examine certain surveys on the Ottawa.

460. How long was Mr. Fletcher engaged in this work of inspection?

Part of a season.

461. Did he complete the inspection which you consider necessary?

The inspection has been only partial; it should be continued.

462. What was the result of Mr. Fletcher's inspection?

The result has been the appointment of Mr. O'Hanley to verify and complete the survey of Egan, and of Mr. Rauscher to do the same in the township of Bowman. I omitted Bowman in my former enumeration.

463. Is Mr. Fletcher's report unfavorable to former surveys in the Ottawa section?

To a certain extent it is. I produce the report itself.

464. What books are used in your branch in connection with the surveyor's accounts?

We have a book of account showing the Dr. and Cr. account of each survey, specifying the accounts of each surveyor as approved.

JANUARY 7th.—The Witness desires to add that the description of parishes and townships to be erected by proclamation is included in duties to which he referred on the 5th instant, as belonging to his Branch.

THOMAS DEVINE, sworn :

465. What is your office?

I am the head of surveys for Upper Canada.

466. In this capacity, are you charged with the general supervision of all surveys conducted by the Crown Land Department in that section of the Province?

Yes. I prepare the instructions for the Surveyors. I project the plans by which they are to be guided. I recommend the amount to be paid to them in advance on account. We receive fortnightly reports of progress ; my duty being to ascertain from them the character of the land surveyed up to the time, and with the view also of seeing that the surveyor is at his work, and of enabling the Department to judge as to the propriety of subdivision.

467. Are you consulted in the selection of the surveyors appointed by the Department ?

Very seldom. The Commissioner makes the appointment, in some cases consulting me, but not generally.

468. Do you report upon the capacity of the surveyors selected ?

469. Do you prescribe for them the system on which the surveys shall be conducted ?

Yes. The use of the theodolite and the taking of astronomical observations are made absolute.

470. Have you any grounds for believing that this system is not uniformly adhered to by the surveyors appointed ?

I have not. The surveyor's returns are not proof of their adherence to the instructions, and I have no means of imposing any check upon them so far as astronomical surveying is concerned.

471. Have there been re-surveys of townships or parts of townships in Upper Canada during the last ten years ?

The re-surveys in Upper Canada have been confined to townships surveyed by contract, between 1818 and 1829. They are Hinchinbrooke, Belmont, Olden, Oso, Kalar, Palmerston, and parts of Somerville and Luther.

472. Have complaints been received of inaccuracies in surveys made during the last ten years ?

I do not remember a complaint addressed formally to the Department.

473. Are surveys now subject to inspection ?

Finding that I had no check on the accuracy of the surveyor's work in the field, in 1860 I recommended an inspection of surveys on the ground by my chief assistant, Mr. J. W. Bridgland. In 1861 he inspected the surveys in progress lying between the Ottawa and Lake Huron ; and in 1862, those in progress north of the County of Victoria, and in part of the County of Peterborough.

474. What was the result of his inspection ?

It was what I anticipated it would be—unsatisfactory. He found many of the surveyed lines not well opened, and not well blazed, and posts not planted according to instructions.

475. Have you any reasons for anticipating a similar state of things in other localities not yet inspected ?

I consider that inspection is necessary in all cases, but I have no special information beyond that furnished by Mr. Bridgland.

476. Do you examine the surveyors' returns and audit their accounts ?

The returns are examined and the accounts audited in my branch under my supervision.

477. What is the nature of the examination into the returns ?

It applies to the field notes, plans, and diaries. We compare the field notes with the plan by scale ; we revise all the Surveyors' calculations ; we compare the diary with the pay list, and with the report thereupon. We take the diary as evidence that the Surveyor was at work on the days he reports himself to have been. Over the field notes and plans we have no check beyond that which their own contents furnish. And hence the necessity of the inspection of surveys which I recommended.

478. Of what character is your audit of the Surveyors' accounts ?

The returns of the Surveyors' accounts consist of payroll, statement of charges for returns of survey, statement of charges for transport of provisions and travelling expenses, with accompanying vouchers. There is a general account embodying all these particulars certified to by the Surveyor on oath. We have a minimum scale of charges for survey per acre, but no maximum. The scale ranges from  $6\frac{1}{2}$  cents to 8 or 9 cents, according to the season, the locality, and other circumstances. When the Surveyor exceeds the minimum rate he is required to report upon the causes which have led to the increase, and the statement is submitted to the Commissioner, with such recommendations as in my judgment appear reasonable. When the account is at the minimum rate, and the returns are satisfactory, I recommend payment of the account. In other cases, I deduct what I consider overcharges and certify accordingly.

479. Are these accounts subject to any other audit than yours ?

From my office the accounts pass to the accountant of the Department, and from him to the auditor, Mr. Langton. A copy is preserved in my office, as of record.

480. What books do you use in connection with these accounts ?

We make no entry of the accounts in detail in any book. We have but one account book ; which sets forth on one side, in detail, the expenditure, and on the other the sums paid.

481. Are Surveyors' accounts sometimes paid without your certificate ?

I am not aware of any Surveyor's accounts, recorded in my branch, which have been paid without my certificate.

482. Did you certify the account of Mr. Francis Jones for a survey conducted in the township of Canonto, in 1857 ?

In 1858 I reported on Mr. Jones' survey, his account having been referred to me for report in the regular way.

483. Did you deem his charges reasonable and report in favor of them ?

I found that his charge, per acre, was at the rate of 22 cents, whilst the average charge for survey in the surrounding townships was about 8 cents, and the highest  $11\frac{1}{2}$  cents. I therefore considered his charge unreasonably high, and submitted a report to that effect to the Commissioner. My report is dated 22nd October, 1858.

484. Did you accept and certify Mr. Jones' account in respect of items entering into the actual charge for survey ? Say, time, transport and provisions ?

I considered the charges for transport enormous, as also the charges for stationery and for the time employed. I stated so in my report to the Commissioner.

485. Did Mr. Jones supply the usual vouchers and verify the whole account on oath ?

The whole is certified on oath by Mr. Jones. He did not in the first instance furnish vouchers in the proper form, and the pay list was defective. Correct vouchers were subsequently furnished and the pay list was certified to on oath

486. Your report is dated 22nd October, 1858 ; when was the account paid ?

The account was paid on the same day.

487. Was it paid notwithstanding your report that the vouchers were not complete, that the pay list was defective, that the transport and other charges were enormous, and that the general cost was much higher than that of neighboring surveys ?

It was paid subsequent to the reception of my report by the Commissioner, who wrote on the account a memorandum which I read:—" I only sanction payment of the balance of this account because I believe that the expenses incurred by Mr. Jones have risen to such an extravagant amount from errors in judgment on his part and evident misconstruction of his instructions. He appears to have done as much work on the 17,000 as would be required for a whole township. His returns show that he and his party were constantly employed and yet we have only 17,000 acres surveyed. We must, however, close accounts with Mr. Jones, and have his survey finished by more economical means.

(Signed,)

P. M. V.

Commissioner."

## Wednesday, January 7th.

THOMAS DEVINE again appeared before the Commission.

488. Was the survey in the township of Canonto, for which Mr. Jones charged and was paid an excessive rate, superior in its character to that of less costly surveys in the same district ?

No : it was not equal to the surveys in the surrounding townships. In surveying the concession lines, I find that when Mr. Jones met with lakes, he ran unnecessary lines into the interior round them, and these lines will tend to mislead the settler as to the government allowances for roads. Instead of marking on his plan that a road allowance was reserved by the Government round the lakes, he surveyed it into the interior of the concessions away from the water's edge. That portion of the survey which borders on the lakes had better never been made.

489. Are you aware that since the original payment of \$3,955.66 to Mr. Jones, a further sum of \$1,692 has been paid to him for this survey of Canonto ?

I am aware of it, having heard so in the Department.

490. Were you consulted in regard to this further payment ?

No.

491. Did the account on which it was based come before you to be examined and reported upon in the usual manner ?

No.

492. Can you produce any correspondence had with the Department on the subject ?

I find on file in the Department a letter dated 8th September, 1858, addressed by Mr. Jones to the Honorable George Sherwood, then Receiver General, asking whether the survey of Canonto would be resumed, and stating that he had purchased provisions on the strength of a conversation with Mr. Vankoughnet a short time previous to the Renfrew election, Mr. Vankoughnet on that occasion stating that the survey would be immediately

resumed. On the 17th September, 1858, Mr. Jones was instructed by the Department to resume the survey, its cost not to exceed 6 $\frac{3}{4}$  cents per acre. I cannot produce Mr. Jones' reply, but I am aware that he returned the instructions, refusing to conduct the survey at the price fixed by the Department.

493. Did Mr. Jones make any further survey?

No.

494. Can you produce from the files of the Department any correspondence or papers relating to the subsequent payment of \$1,692?

I find from the statement of Mr. Jones' claim that of the \$1,692 so claimed, \$834 were for "supplies left in the woods when the survey of Canonto was suspended in 1857."

495. In Mr. Jones' letter to Mr. Sherwood, dated 8th September, 1858, is reference made to any claim for supplies left in the woods in 1857?

No: the allusion to supplies in this letter is in these words:—"As pork and flour were cheap at that time, I bought what I thought would be sufficient to finish the survey, and had it forwarded to Mud Lake on the Madawasquee."

496. Does it appear from the context that the words "at that time" referred to the time of the interview with Mr. Vankoughnet, or to the time of the suspension of the survey in 1857?

It refers to the time at which Mr. Jones conversed with Mr. Vankoughnet in reference to a renewal of the survey. It seems to me that the purchase was made consequent upon that conversation.

497. Is there in the letter any allegation of loss arising from the leaving of supplies in the woods in 1857?

There is an allegation that he left in the woods the camp equipage of the party, instruments, and a considerable portion of provisions. He remarks: "All the provisions on hand when the survey was suspended, together with all I have bought since, has been paid for out of my own private funds, and is so much loss to me except the supplies can be made available in completing the survey, which is scarcely to be expected after such a length of time."

498. Did the charges for transport embodied in the original account which was paid in October, 1858, include any charge for bringing out of the woods the supplies which according to the subsequent claim were left there?

It appears from Mr. Jones' account that 16 bbls. of flour and 28 bbls. of pork were brought back; the transport of this quantity being charged and paid for by the Department, amounting to £22 4s. 4 $\frac{1}{2}$ d.

499. What papers have you relating to the subsequent payment of \$1,692?

The accountant of the Department has supplied me with a receipt from Francis Jones, dated 30th November, 1861, for \$600, "on account lost time during survey of Canonto," together with a memorandum stating that the authority for this payment is filed in the office of the auditor. There is another receipt from Mr. Jones, dated 10th of April, 1862, for \$1,092, "being balance due me, account survey of Canonto, suspended in 1857." For this payment the authority is the following order, dated 10th April, 1862:

"Mr. Russell will please pay the balance of Mr. Jones' account.

"(Signed,) GEO. SHERWOOD."

500. Does this payment of \$1,692 appear in the books of your branch as a charge against the survey of Canonto ?

No.

501. In what shape has the payment passed into the accounts of the Department ?

According to the Accountant, it is charged to "general disbursements," not to surveys.

502. Has your Branch charge of the surveys of timber limits ?

No. Timber limits are surveyed at the instance of the lumberers, and the plans and returns are lodged with the resident timber agents.

503. Are the general Crown Land Surveys in Upper Canada in any respect subject to the direction of the Deputy Surveyor General ?

No : he is never consulted in regard to them.

504. Have his duties any relation to your Branch ?

None whatever.

505. In addition to surveys, what duties devolve upon you as Head of the Upper Canada Branch ?

Besides Crown Land surveys, I am entrusted with the surveys of the Ordnance Lands, of the Indian Lands, of the townships sold *en bloc*, of mining locations, of municipal surveys under 12 Vic., Chapter 35, of broken lots, and the preparation of returns of all lands for sale to the Upper Canada Sales Branch. I conduct all correspondence referring to disputed boundaries, and to surveys, and furnish copies of documents relating thereto.

506. Is your branch in receipt of fees from any source ?

Only fees received for copies of documents, but these are paid direct to the Department, not to me. My Branch receives no fees.

507. Are there arrears in your Branch, in respect either of surveys or correspondence ?

There are none. I furnish to the Commissioner a monthly statement, showing the business and work of the office during the month. The work is done up to this date.

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ANDREW RUSSELL again attended, and his examination was resumed.

508. Will you explain the general management of the Lower Canada Land Claim and Sales Branch ?

It is divided into two sections ; one section, comprising the eastern townships generally, and the lands on the north shore of the river Ottawa, being managed by Mr. Collins ; the other, embracing all the rest of Lower Canada, by Mr. Genereux. Their duties are the investigation and reporting upon claims relating to old grants, and claims to purchase lands, and the conduct of correspondence connected therewith. They also superintend the auction sales of lands in the older townships, examine the agents' returns, register assignments, and prepare the Lower Canada Compensation Scrip. Mr. Genereux prepares the Bolton and Magog Scrip.

509. Are Crown Land Sales in Lower Canada still carried on through resident agents ?

Yes.



510. How many of these agents are under the direction of this Branch ?

Twenty in Mr. Collins' division ; twenty-eight in that of Mr. Genereux.

511. Do these agents receive money and grant receipts ?

Yes. The change in regard to the payment of moneys, which was applied in Upper Canada in 1857, has not been extended to Lower Canada.

512. How do the agents account to the Department ?

They make monthly returns of sales and collections, transmitting therewith the money in bills or in the form of a bank draft.

513. How, when, and by whom are these accounts audited ?

Those of the western sections are examined by one of Mr. Collins' clerks, those of the eastern sections by Mr. Genereux or one of his clerks, comparing them with the books of the Branch. If the money is for a new sale, care is taken that the land was in the agent's hands for sale, and that he has sold it at the proper price. If a payment on account of a former sale, the instalment and interest are checked by reference to the entry of the sale in the office books. The accountant, of course, sees that the money received corresponds with the accompanying return, but there is no audit of the accounts out of the Branch.

514. Has there been any default on the part of agents ?

Yes.

515. Will you enumerate the cases ?

Etienne Martel, agent for the county of Bonaventure, was discovered to be in default, and was dismissed in 1856. Amount of default \$289.10. Henre Lor, agent at Three Rivers, dismissed 1855 ; default \$2446.06. Cyprien Blanchet, agent for Beauce, dismissed in 1859 ; default \$222.95. J. O. C. Arcand, agent for Broughton and Thetford, dismissed in 1862 ; default \$943.48. Joseph Jolivet, agent for part of Bellechasse, dismissed in August last ; default \$401.91. Mr. Lafontaine, agent for part of the county of Ottawa, resigned in 1859 ; default \$1285.44. A. T. Gibeau, agent for part of Ottawa, dismissed in 1860 ; default \$784.37. J. S. Lewis, agent for county of Huntingdon, dismissed in 1861 ; default \$6,195.

516. Are these all the known cases of default which have occurred during the last 10 years ?

Not all. In 1852, W. Wilson, agent for part of the County of Ottawa, was in default \$129.48. J. Starrs, also agent in Ottawa, was in default in 1856, to the amount of \$814.43. Walter Radford, another Ottawa agent, was in 1857 discovered to be in default ; amount reduced to \$2759.48. N. Beaudet, agent for Arthabaska, was in default in 1859 ; present amount, \$82.27. There are other cases in which agents appear to be in default, but they urge counter claims which are yet unsettled.

517. How were these instances of default discovered ?

The default in almost every instance consisted in the receipt of money which was not returned to the Department. Parties who had paid in full wrote to the Department for the issue of their patents, and having been informed in reply that their lands had not been paid for in full, they transmitted the agents' receipts. In one or two cases the discovery was made by the officer of the Department in attendance at auction sales.

518. As the agents' returns are the only materials received by the Branch for its guidance may there be cases of default of which the Department yet knows nothing ?

Yes ; we have no means of checking the truthfulness of the agents' returns.

519. In the cases in which default has been officially ascertained, have steps been taken to obtain a record of all receipts issued by the defaulting agents to settlers and others on account of payments on land?

In the cases of Lewis and Arcand, we advertised in the newspapers, calling on all parties holding receipts to forward them to the Department. In the case of A. T. Gibeau, the Inspector of Crown Timber agencies investigated the affairs of the agency on the spot and publicly sought proof of payment. I am not aware that any notice has been given to the public in the other cases.

520. The full extent of the defalcation may, then, in these cases not be known?

It may not.

521. Have measures been employed to recover the amounts in default from the agents, their estates, or their sureties?

Several of the cases have been put into the hands of the Attorney General. In others the default has been considerably reduced since its discovery.

522. When Mr. Collins or Mr. Genereux is absent from the office, attending auction sales or arranging disputed cases, is he paid over and above his ordinary salary and travelling expenses?

Yes. During the late administration, Mr. Collins was paid \$5 per day extra; under the present administration, he is paid \$2.50. It is the same with Mr. Genereux.

523. Are the Jesuits' Estates, the Crown Domain, and the Seigniori of Lauzon, subject to the management of a distinct branch?

Yes. Mr. Judah has charge of this branch. He manages the sale or lease of these properties, corresponding with the agents and examining their returns and accounts.

524. How many agents are under his direction, and what their duties?

Seven. Their duties are to collect rents and purchase moneys, for which they are paid, in some cases by salary, in others by a percentage on collections. They are also employed in the commutation of tenure.

525. What check has the branch upon the transactions of its agents?

Generally, these agencies are in a position similar to that of the Lower Canada Crown Land agencies. They make the collections, render their own returns, and we have no means of verifying either. The case is even worse than that of the other agencies named; for part of the money received is for rents, and the parties paying have no occasion to communicate with the Department.

526. Has any instance of default been detected?

No

527. Of what are the revenues of the Jesuits' Estates and the Seigniori of Lauzon composed?

Principally of rents, many of them of a very small amount, and entailing comparatively an expensive management. Some rentals are not much over a dollar, and in some cases only a quarter of that amount.

528. Has the Branch any summary means of collecting these small rentals, if in arrear?

None that I am aware of beyond the ordinary legal process. In many cases the cost of collection would greatly exceed the amount to be collected.

529. From what sources are the revenues of the Crown Domain derived?

From Crown dues and rents, principally of beach and deep water lots, in the Harbor of Quebec.

530. How are these lots leased ?

Almost always by auction, publicly advertised. There might be an exception where a party is in possession and has made improvements ; in which case he would be allowed to lease at a rate determined by the prices on adjoining lots, or on the valuation of an agent of the Department. According to the best of my recollection, this has been the practice for several years. Many of the cases, however, have been decided by the Commissioner, without having been brought before me. When political considerations are brought to bear, I am not cognizant of the transaction.

## Thursday, January 8th.

ANDREW RUSSELL. Examination resumed.

531. When was the Woods and Forests Branch organized as a distinct branch of the Crown Lands Department ?

In 1852.

532. Can you state the details of its present organization ?

There is a superintendent of Woods and Forests, who has the supervision over the Crown Timber Agencies, and over the office of the Supervisor of Cullers. He corresponds with the Crown Timber Agents, examines their returns, reports upon claims to timber berths, and generally is charged with the management of timber on Crown Lands. His connection with the Supervisor of Cullers is limited to the statistics of the trade. The Branch has an accountant, who keeps a set of books, distinct from those of the general accountant of the Department ; the accounts relating to the revenues of the Branch being examined, checked and recorded within the Branch.

533. How many Crown Timber Agencies are there ? What are their duties ? And what their powers ?

The Province is divided into ten Crown Timber Agencies, the duties of the agents being to grant licenses for cutting timber, to collect ground rents and timber dues, and, through their forest rangers, visit and inspect the lumbering limits and ascertain the quantity of timber cut. They are required to guard the Crown timber against depredations. They have power to seize timber when cut improperly, and to act as arbitrators in cases of dispute as to limits. There are two other agents : a general collector at Quebec, who collects the timber duties on the rafts arriving at the port, and a collector of timber tolls at Ottawa, who collects the dues on timber passing the government slides and booms.

534. How are timber licenses granted ?

They have been sold at public auction since 1859, public notice being given of the sale. Previous to that, they were granted to the first applicant, under the regulations of 8th August, 1851, by the local agents. The agents also manage the auction sales, which are sometimes visited by the superintendent.

535. Have many cases of conflicting licenses arisen under the present system ?

There have been several cases in which the limits conflict. These cases were more frequent previous to the change in 1859, but they still occur.

536. To what do you attribute these disputes?

To the granting of timber berths on sketches furnished by the applicants, without a regular survey of the whole of the river.

537. Where are the record of all licenses kept?

In the Crown Timber Agencies. Monthly returns are made to the Branch by the agents, whose books are open to general inspection at the several agencies.

538. Are there maps of all the timber agencies in the Department? and do they show all the licenses now existing?

With the exception of the Ottawa Agency, I think there are. The map of the Ottawa Agency is not yet completed. I cannot from memory say whether they exhibit all existing licenses.

539. Have any special reserves of berths been made for individuals?

There were berths reserved for Simon J. Dawson, on the St. Maurice, and I think on the Ottawa too. I believe that there was a berth reserved for Mr. Ogden, of Three Rivers. Certain tributaries of the Ottawa were also reserved for the Messrs. Hamilton, on account of their large mills at Hawkesbury. There may be other similar instances which I cannot at present recollect.

540. In these cases of special reserves of berths, have the persons holding them paid in the manner required of all other holders of licenses?

I cannot answer without reference to the office books.

541. How is the revenue of the Branch collected?

The ground rent is paid to the local agent or into the Bank, according to the locality. Four of the agents, namely, those on the Lower St. Lawrence and the Saguenay, where there are no bank agencies, are allowed to receive money. The timber dues are paid in a similar manner, except in the case of rafts arriving at Quebec, where the collector receives the dues through payments in the Bank. The slide dues collected at Ottawa are received through the Bank of Upper Canada.

542. What check is there on the returns of the agents, and on their transactions with the lumberers?

Sworn returns are made by the lumberers to the agents, duplicates of which are transmitted to the Department. On these the agents grant clearances. These returns form the basis upon which to calculate the timber dues and to determine what ground rents are chargeable; and these, taken in connection with a periodical inspection of the agents' books by the Superintendent, are the checks which we at present have on the transactions of the agents.

543. By periodical inspection do you mean a systematic and complete inspection at regular periods?

I do not. This has not yet been effected. In September, 1853, my brother, A. J. Russell, was appointed Inspector of Crown Timber Agencies for Lower Canada, and in January, 1858, his duties were extended to Upper Canada. He still holds this office, and he has inspected several of the agencies when specially instructed to do so. Mr. Partridge, the Superintendent, has also made an inspection of most of the agencies. But there is no regular inspection of all the agencies. It should be annual and uniform.

544. How are the agents' returns audited in the Department?

They are examined by the Superintendent and his assistants, all the calculations being checked. There are no other means of audit than those which I have already stated, un-

less I except the returns of the measurement of timber by the supervisor of Cullers at Quebec, or his deputy at Montreal. In the Department, the audit is confined entirely to the Branch. The general accountant being furnished only with the details necessary for his Ledger entries. All the details acquired by the Branch are sent to the Auditor, Mr. Langton.

545. Have there been cases of default on the part of Crown Timber agents ?

Yes.

546. Who are the defaulters and what the amounts ?

Mr. Oliver Wells, late the agent for the St. Maurice territory, is a defaulter to the amount of \$18,363.01. The late Mr. J. A. Torney, who held the Madawaska and Chaudiere agency, appears in default to the amount of \$67.43. These are the only cases of default within ten years.

547. How did the Three Rivers default take place and when ?

It was discovered in 1858, when Mr. Wells absconded from the Province.

548. Was the default suspected in the Department previous to Wells' absconding ?

Not to my knowledge. So far as I know, the Department was not aware of the default until Wells fled.

549. Had there been any inspection of the Three Rivers agency ?

None previous to the discovery of the default that I know of.

550. How were the details of the default ascertained, and by whom ? And what are they ?

The Inspector of Crown Timber Agencies was instructed in 1858, after Wells' departure, to visit the agency and investigate its transactions. He found the office in a state of great disorder. The books of record were unnecessarily numerous, but there had been no entries in them during the year and a half preceding the discovery. Some of the books were much mutilated, and otherwise imperfect. The only book of account found was a Ledger which had been used for a short time after the commencement of the agency in 1854, and a book containing entries of accounts current, and sub-accounts up to 1856. Such entries as were found in the books were not to be relied upon. It was only by calling on the lumberers doing business with the agency, and obtaining from them information, that the Inspector arrived at the amount in default. Mr. Partridge also made a cursory examination of the agency.

551. Then the default may have been much larger than the amount stated ?

It may have been. The Inspector had no means of ascertaining whether corrupt transactions had occurred between the agent and the lumberers.

552. Was the Department in the regular receipt of returns from Mr. Wells, up to the period of his departure ?

I cannot say without referring to the books of the office. I find, however, from the report of my brother that the falsification of entries in the books of the agency commenced immediately after the appointment of Mr. Wells, in 1854.

553. Has any property left by Mr. Wells, at Three Rivers or elsewhere, been made available for the reduction of the default ?

He assigned to the Department a farm in Granby, which, in 1858, was valued a \$5,000. I do not at this moment remember any particulars about other property belonging to Mr. Wells.

554. Was Mr. Wells employed by the Department in any other capacity than as Crown Timber Agent ?

He had the superintendence of the construction of a large map of the Province, projected by the then Commissioner of Crown Lands, Mr. Cauchon. Mr. Wells, in addition to his agency, was thus employed from 1856 down to the period of his leaving the Province.

555. What sum was paid to Mr. Wells, on account of this map ?

\$1,742.

556. What sum has been expended on the map ?

About \$11,000.

557. Was Mr. Wells entrusted with the construction of this map because his qualifications were superior to those of regular officers in the Department ?

He stood high as a surveyor, and is a good draughtsman, but why he was selected I cannot state. I gave my opinion against the construction of such a map, and in such a manner.

558. Is the map completed ?

Not yet.

559. Is its construction still going on ?

No.

560. Why did you object to the map itself ? Why to the manner of its construction ?

I considered the scale too large for the materials we had, with which to compile it; and that maps of the respective sections of the Province should be prepared in the Branches charged with the respective surveys. The persons in charge of the Surveys Branches in the Department, having from experience a thorough knowledge of the materials at their command, were familiar with errors to be avoided ; whilst Mr. Wells, being out of the Department, was a stranger to this information.

561. We have spoken of defaulting agents: are any holders of licenses in arrear on account of dues ?

Yes.

562. Will you state particulars ?

The outstanding timber dues, on 31st December, 1861, amounted to \$229,545.24, of which \$97,576.77 was for former years. The slide dues in arrear at the same period were \$24,987.77, of which \$7,130.71 was for former years. Some ground rents have not yet been paid in the St. Maurice and Ontario territories.

563. What are the regulations of the Department in regard to these arrears ?

The timber and slide dues ought to be paid annually. The ground rent should be paid annually on the issue or renewal of a license.

564. Does non-payment of dues involve forfeiture of the limit ?

Yes, unless the Commissioner authorizes a departure from the regulation where non-payment is accidental.

565. Otherwise, are these regulations as to prompt payment of ground rent and dues uniformly enforced ?

The prompt payment of ground rent has been almost uniformly exacted. Parties in arrear for dues have had time granted to them.

566. Are some of the parties in arrear owing to the Department dues extending over years?  
Yes.

567. Has any party in arrear for years, been allowed to compound with the Department, paying only a part of the amount due, and retaining his limits?

I do not remember such a case. I may say, however, that such a transaction would, under the practice of the Department, be conducted by the Commissioner and Superintendent without my intervention.

568. Are assignments of timber licenses made by persons in arrear, recognized by the Department?

I think not.

569. Are all the Crown Timber Agents called upon to give security?

At present they are. They were not until I was appointed Assistant Commissioner in 1857.

570. How are purchasers of land, being actual settlers, treated with regard to timber on the lots purchased?

Purchasers of land, until they had made payment in full, and complied with the actual settlement conditions, where they are in force, are not allowed to cut timber, except for the purpose of clearance. If the lot purchased is under a timber license at the time of sale, the licentiate has authority to cut any timber during the continuance of his license; but the license would not be renewed over the lot in question. Since January, 1861, an actual settler has been permitted to obtain a license to cut timber on his lot for exportation, provided the lot be not already under license, and provided also that the sum realized under the license be applied in payment for the land. There are other minor conditions.

571. How are the dues collected under these petty licenses?

The settler makes a sworn statement of timber he has cut under the license, and pays the amount into the bank to the credit of the Department. The settler's statement is supported by the sworn testimony of the party who purchases the timber.

572. Do you consider the present regulations in relation to timber limits economical, whether considered in the interest of the Province or of the lumberers?

I think that the substitution of a longer lease for the annual one would be productive of great economy. The present system tends to great waste.

Friday, January 9th.

ANDREW RUSSELL again examined.

573. Has the Crown Land Department the management of the Fisheries?

Yes. The Fisheries form one of the branches of the Department.

574. What are the duties of the Fisheries branch?

It is entrusted with the enforcement of the law for the protection of the Fisheries of the Province; it grants licenses and leases of fishing stations, collecting the moneys paid on account of the same; it conducts the correspondence with the superintendents, overseers, and the public, respecting fisheries; examines the accounts of the fisheries' officers; and reports upon claims to fisheries.

575. Who is responsible for the due performance of these duties?

Mr. Whitcher is in charge of the branch. There is a superintendent for Upper Canada, and another for Lower Canada. There are 16 overseers, of whom 15 are in Lower Canada.

576. Does the Act respecting Fisheries and Fishing, (Chap. 62. Consolidated Statutes) limit the number of overseers to be appointed, and their salaries?

Yes: four overseers form the limit to be appointed by the Commissioner of Crown Lands; the salary of each is limited to \$400.

577. By whom were the sixteen overseers appointed, and when?

By the Commissioner of Crown Lands. In 1859, thirteen were appointed; in 1860, one; in 1861, three. One of the Upper Canada overseers (Mr. Moodie), appointed in 1859, was dismissed last July; the remaining one (Mr. Gibbard), who was also appointed in 1859, performs the duties of superintendent in the western section of Upper Canada.

578. Does the law fix the number of superintendents to be appointed?

Yes—two: one for Upper and one for Lower Canada.

579. Has this number been adhered to?

Nominally it has. Mr. McCuaig is the Superintendent for Upper Canada, and Mr. Nettle for Lower Canada. Mr. Gibbard, though acting as superintendent, was appointed as overseer, and his salary has not been increased. The salary of the superintendents was not fixed by the Act. Messrs. McCuaig and Nettle are paid, respectively, \$1,200.

580. Is Mr. Gibbard, though acting as superintendent, the one overseer whom you have named as at work in Upper Canada?

Yes.

581. Was Mr. Moodie appointed an overseer for Upper Canada?

Yes, for Lakes Ontario and Erie.

582. Was his overseership confined to these lakes?

No; in July 1860 he visited the gulf of St. Lawrence and the Bay of Chaleurs, and \$300 were advanced him to pay his expenses for the trip.

583. Are any of the fifteen Lower Canada overseers stationed in the gulf and the bay?

Nine are in the Bay of Chaleurs; the other six are in the Lower St. Lawrence and in the gulf.

584. In 1861, were there seventeen overseers?

Yes.

585. What was paid to them for salaries, in 1861, and what on account of expenses?

\$1,610.94 for salaries; for contingencies, \$615.43, Lower Canada; Upper Canada, nil.

586. Is Mr. Whitcher, who has charge of the Fisheries Branch, rated as a clerk of the Crown Land Department?



Yes, as a second class clerk, receiving \$1,000 salary.

587. Has he been paid additional sums in connection with the Fisheries Branch ?

Yes. In 1858 he was paid \$341.53 for extra services and disbursements. Since then he has received \$1592.50 for extra services, and \$1,413.88 for disbursements. Altogether he has been paid \$3,347.91.

588. Is Mr. Pierre Fortin employed on the staff of the fisheries branch ?

Previous to the Fisheries Act, he held an appointment as magistrate for the protection of fisheries. He receives \$1200 salary from the branch and expenses.

589. What has been the total cost of the branch, since its organization, under the respective heads of salaries and contingencies ?

Salaries \$23,799.70 ; expenses on account of superintendents and overseers, \$32,510.51.

590. What has been the total income of the branch, since its organization, from licenses and leases ?

\$21,468.55—namely, \$9,482.42 for Upper Canada ; \$11,986.13 for Lower Canada. This is up to 31st December, 1862.\*

591. Is the branch also chargeable with disbursements on account of the schooner "La Canadienne" ?

Yes; these amounted, in 1861, to \$5,081.75, but they are included in the \$32,510.51 already mentioned.

592. The public accounts show a payment of \$2,499.23 to Hon. J. Cauchon, on account of "La Canadienne" ; can you afford any explanation of this item ?

Not without reference to the office books.

593. Is the amount which you have stated as the expenditure for contingencies, exclusive of the expenditure for bounties ?

Yes.

594. What check has the department upon the receipts and disbursements of the branch ?

Over the moneys collected by the superintendents for licenses and leases, or for fines, we have no check beyond that which is afforded by their own returns. Sometimes the lessees pay through the Bank of Upper Canada. There are, however, no bank agencies below Quebec. Mr. Whitcher audits the superintendents' returns ; there is no other audit of them in the branch. As to disbursements, the superintendents and overseers are required to furnish vouchers. These again are audited only by Mr. Whitcher. Mr. Whitcher's personal accounts for disbursements are examined by the accountant of the Department.

595. Under whose orders is Mr. Whitcher absent from the Department ? By whose orders is he paid for extra services ?

Both by the Commissioner.

\* DEPARTMENT OF CROWN LANDS, 4th Feb., 1863.

SIR,—With reference to that part of my evidence which relates to the Fisheries Branch of this Department, I beg to state that subsequent returns have increased the total gross amount of collections on account of Fisheries, to \$12,865.13 for Lower Canada, and \$9,731.92 for Upper Canada, up to 31st December, 1862.

I have the honor to be, Sir, your most obd't. serv't.,

(Signed),

ANDREW RUSSELL.

GEORGE SHEPPARD, Esquire,

Com. and Sec., Financial and Departmental Commission,

596. Who directs the movements of the superintendents and the overseers ?

Mr. Witcher, under the Commissioner.

597. When were the Ordnance Lands brought under the jurisdiction of the Crown Land Department ?

In 1858.

598. Are they subject to the management of a distinct branch ?

At head quarters, Mr. Bridgland has charge of them. But the books and papers generally are at Ottawa, under the charge of Mr. Coffin, the ordnance land agent. Mr. Bridgland merely conducts the correspondence with the agent, conveying the orders of the Commissioner ; and examines returns and accounts. The virtual management of the lands is in the hands of Mr. Coffin, subject always to the control of the Commissioner.

599. What is the nature of the receipt on account of the ordnance lands ?

Rent, or interest equivalent to rent, and payments on account of the principal for sales.

600. Will you explain the management of the sales, leases and rentals ?

When parties apply to purchase ordnance lands, Mr. Coffin reports upon the application, valuing the property. Until recently he appraised the property alone ; since about two months, his valuation is in conjunction with two arbitrators appointed by the Department. The leases are generally old, having been granted by officers of the Ordnance Department, respectively in charge at the time, and in these cases Mr. Coffin collects the rents. Very few leases have been granted since the lands came under the control of the Department. Leases for short periods, such as for pasturage, are granted by Mr. Coffin himself.

601. At what periods, and in what form, does Mr. Coffin furnish returns of his collections to the Department ?

He makes monthly returns of his receipts, quarterly accounts current, and annual statements ; the moneys being paid into the Bank of Upper Canada by purchasers or lessees, to the credit of the Department.

602. Are there no receipts except through the Bank ?

I cannot say.

603. How are the disbursements regulated ?

Mr. Coffin furnishes detailed statements of his disbursements, supported by vouchers.

604. Can you state the receipts and disbursements on account of the Ordnance Lands since they came under the management of your Department ?

I produce a statement.

	Receipts.	Disbursements.	Per centage of expenses on receipts.
1858.....	\$15,916.04	\$8,310.45	52.21
1859.....	30,727.17	8,966.70	29.18
1860.....	26,245.89	10,522.90	40.09
1861.....	23,697.58	8,980.55	38.88

—The average expenses on the four years being a fraction over 38 per cent.

605. Are the Colonization Roads under the management of the Crown Land Department ? Those of Upper Canada.

606. Where does the management of those of Lower Canada rest ?

With the Bureau of Agriculture.

607. How long has your Department controlled the Upper Canada Roads ?

The papers connected with them were transferred to our Department from the Bureau of Agriculture on the 16th October, 1862. Mr. Bridgland has charge of them.

608. Was the management of the Upper Canada Improvement Fund transferred from the Bureau of Agriculture to your Department at the same time ?

Yes ; and it is also under the charge of Mr. Bridgland.

609. How long have the Indian Lands been under the control of your Department ?

By 23 Victoria, chapter 151, it was enacted that the Commissioner of Crown Lands shall be Chief Superintendent of Indian affairs, from the 1st July, 1860. Nothing was done as to the organization of the management by the Crown Land Department, until 24th September, 1861. The lands were placed under the charge of Mr. Spragge on the 17th March, 1862.

610. Have you any addition to make to your testimony touching Mr. Spragge's enquiry into the affairs of the Elora agency ?

I produce a copy of a letter dated 3rd March, 1862, addressed to George A. Drew, Esquire, Barrister, Elora, and of another bearing the same date, addressed to William Loney, Esquire, Peel, one of the petitioners. The purport of each is identical with that addressed to Mr. Geddes himself—that is to say, communicating the fact that the Department severely reprimanded him, and requires him to make good the losses wrongfully and illegally sustained by individuals in their transactions with him.

611. Have you any other explanation to offer before closing your testimony ?

Yes : I desire to say, in reference to the issue of Church Society Scrip, that since giving my evidence on the subject, it has occurred to me that Mr. Chesley brought to me his letter applying for the scrip before it was drawn ; and that some time afterwards—I think when the proper power of Attorney was received—Mr. Jones asked me if he should see the Commissioner about the scrip. I replied, if there is an Order in Council for the issue of it, it is not necessary. I have already said that I subsequently found that the Order in Council did not authorize the issue of scrip.

Monday, January 12th.

JAMES WILLIAM BRIDGLAND, sworn :

I have charge of the Colonization Roads in Upper Canada, with the departmental management of the Ordnance Lands in both sections of the Province.

612. When did the charge of the Colonization Roads come into your hands, and whence ?

In September last. The roads had been previously transferred to the Department from the Bureau of Agriculture and Statistics.

613. Had any thing been done in the Crown Land Department in respect of their management before you were placed in charge ?

Not that I am aware of. No papers were transferred until October, when I had charge of the roads.

614. In what condition were the accounts relating to the roads, when they were transferred to your Department?

There were no accounts kept in the Bureau, as I was told by Mr. Campbell, its acting secretary, when I applied through my clerk for papers.

615. Have you any books showing the state of the several road accounts?

No. None whatever came to me from the Bureau. The only matter in the shape of vouchers which I received were some accounts from J. Snow, for the years 1858-9; from A. J. Russell, for 1856-7-8; from David Gibson, pay list and vouchers pertaining to the Elora and Saugceen Road; and from A. B. Perry, account dated 11th July, 1855. From A. B. Perry, there was also a statement of expenditure on the Madawaska Bridge, without vouchers. J. A. Snow's accounts for 1858-9 were complete. A. J. Russell's for 1856-7 were not complete; for 1858 they were.

616. Did these accounts relate to more than a small part of the Colonization Roads' expenditure?

I should say only a small part. I addressed a circular, I think in November, to the various Colonization Road Agents, who were authorized to expend money appropriated for that purpose, calling for a statement of the amounts that had been entrusted to them, with a statement of their expenditures. From Mr. J. A. Snow, of Hull, Canada East, I received the statement I sought. From Mr. Russell, of Ottawa, I did not receive an answer. Mr. Gibson's statement in reply was a mixed one, confounding the Improvement with the Colonization fund. He had not kept a separate account with the different counties, or, as I understood him, different portions of the various roads; but he stated that all his accounts and vouchers had been regularly sent in to the Auditor, Mr. Langton.

617. Who are the Colonization Roads agents, and of what roads have they severally had the management?

Mr. David Gibson is the General Superintendent and Inspector of Colonization Roads in Upper Canada. He has had charge of all the roads in the western peninsula, namely the Elora and Saugceen, Collingwood and Meaford, Southampton and Goderich, Elma and Elma and Mornington, the Durham Road and others of minor extent. He has also had charge of the Addington Road, the Renfrew and Addington Road, Hastings Road, Frontenac Road, Bobcaygeon Road, the Peterson, the Muskoka, the Victoria, the Cameron, the Burleigh, and partially of the Opeongo. Mr. A. J. Russell, of Ottawa, was Superintendent of the Opeongo Road, and I think a part of the Pembroke and Mattawan. Mr. Simms superintended the first construction of the last named road. Mr. J. A. Snow had superintendence of the Mississippi Road, the Levant and Darling Road, and a part of the Frontenac.

618. Can you state the amounts appropriated for the roads, the amount of the contracts, and the amounts expended?

No. With regard to contracts, Mr. Gibson has possession of the papers. The appropriations have been made by Orders in Council, specifying the several amounts appropriated to the different roads. The money has been drawn on application from Mr. Gibson to the Bureau, the Bureau transferring the application to the Auditor, and he issuing the warrant. The amount expended for each particular road, or indeed the gross amount expended on all the roads, can only be ascertained from the various Orders in Council. The Auditor has, however, furnished to the Department a memorandum of the various grants made by the Legislature, from 1852 to 1862 inclusive, and of the expenditure made from 1853 to September, 1862. The total of these grants is \$595,000, and of expenditures, \$437,827.08. The \$595,000 includes \$28,834.30, being an amount authorized by an Order in Council, and \$8,665.70 unprovided items.

619. Is the \$437,827.08 the total of the expenditures during the period specified ?

It is the total amount for which Mr. Langton had vouchers up to 1st September last.

620. As payments on account of the Roads are made only on the authority of Orders in Council, have you found Orders covering the expenditure named—\$437,827.08 ?

I have not. I have in my possession Orders in Council appropriating \$282,300 ; no more

621. What further information can you give in reference to Orders in Council and expenditures ?

I have to state that warrants for \$35,000 have been issued in favor of Mr. Gibson since the period to which Mr. Langton's memorandum extends. I have also an Order in Council, dated 24th October, last, appropriating \$51,326.81 on account of works still to be undertaken.

622. Do these figures, in all cases, apply to the Colonization Roads' Fund as distinguished from the Improvement Fund ?

They do.

623. Under whose direction have these expenditures taken place ?

Under that of the Bureau of Agriculture, with the exception of the \$35,000, which have been expended under the direction of the Commissioner of Crown Lands.

624. Who has been responsible for the location of the sites of the various roads ?

Mr. Gibson has been in some degree, I suppose, ever since he became General Superintendent. The Opeongo and the Pembroke Roads were located by Mr. Simms. The Frontenac Road was located by Mr. Gibbs, of Kingston, excepting that part of which Mr. Snow had the location and superintendence. Mr. Perry located the Addington ; Mr. Snow the Mississippi and Levant ; Mr. Michael Dean the first part of the Bobcaygeon—the upper part by Mr. Dennis ; Mr. Elmore the Hastings ; Mr. Fitzgerald the Burleigh—that is, from one mile south of the rapids. I have no doubt that Mr. Gibson laid out several of the other roads, but the Bureau has not furnished information enabling me to speak positively as to the full extent of his responsibility for their location.

625. Is it Mr. Gibson's duty as General Superintendent to institute a preliminary examination of the site, before construction is proceeded with ?

In my opinion it is.

626. Are you aware of instances in which the contractors themselves have located the road to suit their own convenience ?

I have been told by residents on the road that part of the Peterson Road was located by the overscer, appointed I suppose by Mr. Gibson, and the contractor. I refer especially to the part east of the Hastings Road.

627. Who is entrusted with the making of contracts on the part of the Government ?

Mr. Gibson. I know that in some instances tenders were advertised for, and I think that this has been the general practice. As far as my knowledge extends, Mr. Gibson had the power of giving out contracts.

628. What supervision has been exercised over the contractors during the progress of construction ?

As far as I can learn from the statements of Mr. Gibson and his assistants, after the contract has been taken, upon a report from the contractor that a certain portion of the road was finished, and upon his request to have it examined and received, Mr. Gibson or his assistant has visited the work, examined and measured it, and paid for it if he ap-

proved of it, reserving ten per cent until the completion of the whole contract. Payments on account in this manner have been entirely in the hands of Mr. Gibson.

629. Does Mr. Gibson make these payments direct or after reporting to the Department?

In view of prospective payments as well as amounts already due, for which accounts may have been sent in to him, he applies by letter to the Department; the Department communicates with the Auditor, and he issues a warrant for the amount. When the Bureau had charge of the Roads, the warrant was drawn in favor of Mr. Gibson; now it is drawn in favor of the Assistant Commissioner of Crown Lands, who deposits the warrant and transmits to Mr. Gibson a bank cheque for the amount.

630. Are Mr. Gibson's reports and applications for money accompanied by progress estimates, setting forth in detail the state of the work on account of which the payment is asked?

We require this from him now; as I understand, the Bureau did not.

631. What returns does Mr. Gibson make in respect of the expenditure of the money entrusted to him?

I cannot say; we have none of Mr. Gibson's accounts, with the exception of one item for the Elora and Saugeen Road. I presume that his vouchers are in the hands of the auditor.

632. Has Mr. Gibson authority to permit of the transfer of contracts?

I think he has. In the case of the Peterson Road, west of the Hastings Road, a great portion of which was originally held by one contractor, the work passed into the hands of several sub-contractors with Mr. Gibson's consent; he still holding the original contractor responsible. There is another instance on the Bobcaygeon Road, where the contract passed from one to another with Mr. Gibson's approval.

633. Are the roads inspected in their entirety before being taken off the hands of the contractors?

I cannot say that they are.

634. At whose instance is the account with the contractors finally closed, and the drawback surrendered?

I suppose at Mr. Gibson's. This answer applies to all the Colonization Roads in Upper Canada.

635. Have you recently inspected any of these roads?

In 1861, I inspected the Muskoka Road, the Bobcaygeon, the Hastings, and portions of the Peterson and Opeongo. In 1862, I again examined the Muskoka, and also part of the Peterson, the Hastings, and the Bobcaygeon. I am not aware of any Departmental inspection of the other roads enumerated in reply to previous questions.

636. What was the general result of your inspection?

On the whole, not very satisfactory. I found the general surface of the roads inferior to what I considered it should have been, according to the specifications on which the contracts were based. I objected in the case of the Opeongo Road to its narrowness, and the same objection applies to parts of the Bobcaygeon and Hastings Roads. That part of the work which is called "grubbing" was deficiently performed on all the roads; and the general regular direction of the earthwork was not preserved in a sufficiently direct line, the contractors having been permitted to make short turns to avoid the removal of stumps and stones. Another serious objection is the location of the roads in many places. The objection is general but it applies especially to the Hastings road and that portion of the Peterson road lying eastward of the Hastings. In both cases, hills are passed over instead

of giving a small circuit to the road to avoid them. The road might thus have been kept upon an easy grade without materially increasing its length. Although in some cases the crossways were well made, in others they were exceedingly deficient, especially upon the Hastings road. Most of the bridges had swerved on account of inferior foundations.

637. Did the general character of the work fall short of the specifications ?

With regard to the Hastings, the Bobcaygeon, and the Opeongo Roads, some years had elapsed between the completion of the work and my examination. I think, however, that the works could never at any time, have been quite equal to the specification, particularly in the matter of cross-ways and grubbing. On the Muskoka and Peterson Roads, the work in my opinion, in many places, fell short of the specifications.

638. Did you about the same time inspect any of the township surveys made under orders from the Crown Land Department ?

I did. I inspected the townships of Bangor, Wicklow, Radcliffe, Rama, Morrison, Dalton, Ryde, Draper, Macaulay, Stephenson, Brunel, Maclean, Ridout, Limerick, and Monteagle.

639. Did your inspection establish the excellence of the surveys ?

In some instances, as far as the examination went. In Ridout, Maclean, and Stephenson—surveyed respectively by Rykert, Burns, and Gilmour—the result was less satisfactory. Lines were badly opened, deficiently blazed, and badly posted. These were the features of the survey to which my attention was especially directed.

640. Bearing in recollection the increase in the cost of surveys which has taken place within the last ten years, do you consider that the surveys you inspected exhibited a corresponding improvement ?

No ; I certainly think not.

641. You have also the management of the Upper Canada Improvement Fund : what accounts do you keep connected with it ?

This fund was transferred from the Bureau of Agriculture, and came under my management only in September last ; I have received nothing from the Bureau in regard to the condition of the fund. I have made application to the Bureau for books and information, and have generally been directed to the Public Accounts, and the Appendices to the Journals of the Legislative Assembly.

642. Can you state the sources from which the fund is derived, and the system on which its expenditure has been conducted ?

The sources are, one-fourth of the Common School Land Sales, and one-fifth of the Crown Land Sales ; deducting 6 per cent from the former to cover expenses of management. The first action I find in regard to expenditure, was by an Order in Council, 26th July, 1856 ; which provided for the expenditure by the several township municipalities of so much of the fund as had accumulated from the passing of the Act establishing it in the session of 1852-3. The Order in Council provided that the application of the moneys by the municipalities should be confined within the several townships from which the fund accrued.

643. Has this rule of division and application been adhered to ?

It certainly cannot have been, because of the large sums which have been in the hands of Mr. Gibson, for expenditure upon roads, passing through different counties. Mr. Gibson states that he has never kept accounts with township municipalities.

644. Can you explain how money granted to township municipalities, as such, and to be at their own disposal, passed into Mr. Gibson's hands ?

I cannot tell how it came into Mr. Gibson's hands, or by what authority he disposed of it.

Tuesday, January 13th.

PATRICK MARY PARTRIDGE, sworn :

I am Superintendent of Woods and Forests, and have been so since January, 1858.

645. Had you any previous experience in the affairs of the Branch ?

Yes : I entered the Accounts' branch of the Department in March, 1855, as assistant accountant, and in January, 1856, was transferred to the Woods and Forests Branch.

646. In what condition did you find the accounts of the Branch in January, 1856 ?

As to the order or fying away of the accounts, I found great irregularity. Many of the returns were not endorsed. I found the ground-rent returns not checked as to the extensions. There was no check on the returns themselves as to the data on which they were based. The timber dues outstanding were not taken into the books, and no system of accounts was followed by the local agents. The claims to timber dues, applicable in payment of settlers' lands under the regulations under Order in Council of 1849, had in few instances been examined, so as to take action on them.

647. Were there large arrears of business in the Branch ?

The Branch was new, having been organized only in 1852 ; so that, though there were some arrears, they could not be large. There were several special cases which required considerable investigation.

648. What were these special cases, and have they since been disposed of ?

There was a claim of Mr. Baptist, of Three Rivers ; an unsettled matter of Mr. David Roblin's, of Napanee ; another of Mr. Edward Quinn, of Quebec ; Mr. James McCracken's (of Bonaventure) case ; and the case of C. S. Clarke & Co., Brompton Falls. These were the largest cases I remember. The cases of Mr. Baptist, Mr. Quinn, and Mr. McCracken, had been before the Department years. Mr. Baptist's claim was that certain alleged overcharges made against him, and paid by him for ground rents on his timber berths in the St. Maurice Territory, be allowed to go in deduction of amounts owing by him for timber dues. This point was settled in his favor by Order in Council on 18th March, 1862. The amount of the claim allowed was \$9,976.05. Mr. Roblin, again, was indebted to the Government for timber dues amounting to \$3,828.44, arrears of several years. He had some counter claims arising out of alleged overcharges by the local timber agent, for timber cut on his own private lands. The estimate of these counter claims from the data before the Department, was \$5,001.66. The case was finally settled by Order in Council, 5th May, 1862, by cancelling bonds given by Mr. Roblin, amounting to \$4,814.69. Mr. Quinn's case is not disposed of ; its nature is analogous to that of Mr. Baptist. Mr. McCracken's claim grows out of an alleged right to cut timber purchased from the Indians in certain townships in Upper Canada. The amount of the claim as last stated is \$76,562.50, being the amount of loss alleged to have been sustained by Mr. McCracken from the cutting of timber off these lands by parties holding, or professing to hold, licenses from the Crown. On 18th March, 1862, Mr. Vankoughnet ruled that, strictly considered, McCracken ought and would have no legal claim, but that having suffered from the want of action on the part of the Crown Land Department, and the careless action of the agents of the Department, in granting double licenses, his case is entitled to equitable consideration. Mr. Vankoughnet recommended that all dues collected by the Government on timber cut within the limits of the pretended Indian reserve, and covered, or which it was intended to cover, by McCracken's license, should be refunded to him, or that he should be allowed within a year to select a limit of equal extent, without paying bonus. Beyond this ruling of the Commissioner, there has been no action by the Department in this case. The amount of dues that would be refunded has not been ascertained ; nor do I think it can be. The remaining case to which I have alluded as a special one, is that of C. S. Clarke



& Co., Brompton Falls, who claimed a remission of increased ground rents, due on timber limits held by them in the Chaudiere and Madawaska territory. I cannot say precisely how the case has been disposed of, but some abatement has been made.

649. You have said that at the time spoken of—1856—there was no check on the returns of the agents; was there any check on their expenditure?

In 1856, the Crown Timber Agents made no estimate of their expenditure. Previous to the 12th March, 1856, their accounts came in half yearly, and their expenditures could only be checked then. At that time the agents made their disbursements out of their collections, depositing the balance in the Bank.

650. After the establishment of the Board of Audit, in 1855, how were the agents' returns of revenue and expenditure audited?

It appears from a Departmental letter dated 22nd December, 1855, that Mr. Langton, the Auditor, requested quarterly accounts to be furnished to him. In March, 1856, the Department addressed a circular to the agents, calling upon them to render quarterly accounts, and I find that the agents generally did render their accounts for the quarter ending 31st March, 1856, which, again, were forwarded to the Auditor. It would appear from a correspondence that took place, between the Auditor and Mr. Cauchon, the then Commissioner, that certain of the accounts, previous to 1856, were rendered to the former without vouchers. I am under the impression that these vouchers never were furnished; and also that they were not then furnished in duplicate to the Department.

651. Up to this time had there been any regular inspection of the agents' books?

No. The first formal inspection of the office of an agent of which I am aware, was that made by me in 1857, at the Madawaska and Chaudiere agency.

652. Under the Departmental system which you have been describing, did cases of default occur on the part of agents?

Wells' default extended from 1854 into 1858. This was the only case of default, properly so called. There were and there are, some old agents' accounts which require to be taken up, and their investigation may establish an indebtedness against them, but I do not consider them defaults. Within the last two years a case has transpired of a promissory note for upwards of \$200, held by the Bank of Upper Canada at Southampton, C.W., being for timber or saw log dues, but of which no record appears in the returns of the agent to the Department. The discovery of this note seems to have been accidental, and the transactions on which it was based are not yet satisfactorily explained. The Crown Land agent at Southampton, (Mr. McNabb), applied to the Commissioner for authority to sue the maker of the note, John Valentine, and the authority was given. The trial resulted, however, in a verdict for the defendant, and the Department has had to pay his costs. Mr. McNabb says the note belongs to the transactions of Mr. Hammond, late Crown Timber Agent, but there is no mention of it in Mr. Hammond's returns of dues outstanding.

653. Whilst in charge of the books of the branch did you institute or propose any changes with the view of more efficiently checking the transactions of the agents? If so, what?

Yes; during the year 1856 I prepared a circular to be addressed to the agents, instructing with regard to returns to be made by them; and I also made some change in the form of the returns themselves. A form of oath was also attached to the agent's quarterly accounts current, and a form of return of outstanding timber dues in each agency was prepared. These changes were all carried out, though slowly; so slowly that I had to represent the matter to the Commissioner.

654. Under the operation of these amended checks, did you discover default at the Three Rivers agency?

No. At that time the regulations with regard to the St. Maurice territory were exceptional, and I became acquainted with them only by looking up the several orders and regulations in force there. Moreover, the amended forms which I had introduced were only the first steps towards really efficient checks. There were returns which established outstanding indebtedness at all the agencies, Three Rivers included, but my knowledge could not extend further.

Wednesday, January 14th.

P. M. PARTRIDGE.—Examination resumed.

655. How and when was the defalcation at the Three Rivers agency discovered?

Under instructions from the Commissioner of Crown Lands, I visited the Three Rivers agency in September, 1858, and took possession of the office there on the 23rd of that month, Mr. Wells having at that time left the country. I cannot state precisely when the Department first became aware of Wells' absence; but I find in the Department a letter from Oliver Wells to W. McD. Dawson, Esq., M. P. P., dated New York, August 9th, 1858, referring to a full power of attorney, executed at St. John's, on 6th August, before Jobson, N. P., giving Dawson power to act in his (Wells') name and behalf, and instructing him to execute a mortgage in favor of the Government, for the said Wells, of certain lands and appurtenances in the township of Granby; also to make all payments due Wells upon property in Three Rivers purchased by Dawson, by deed executed before Jobson on 6th August, subject to the order of the Government, or proper person authorized by the Crown Land Department; the expressed intention of these instructions being, that the above mentioned mortgage and payments were to be in favor of the Government in security, and to cover any amount due by Wells to the Government, on the final settlement of his accounts with the Crown Land Department. I was at this time Superintendent of Woods and Forests, and this letter, with the accompanying power of attorney and mortgage, was put into my hands by Mr. Dawson, M. P. P., in the presence of Mr. Judah, chief clerk of the Jesuits' Estates, and Crown Domain: and this, for the first time, raised suspicion in my mind that Mr. Wells' matters, as Crown Timber Agent, were not as they should be. Both the Commissioner and the Assistant Commissioner had a knowledge of these papers and their contents, before they came into my hands; and after this period it became to me almost a matter of certainty that something was wrong. I had no positive proof on the subject, however, until I reached the agency on the 23rd September, 1858.

656. Had anything previously occurred in connection with Mr. Wells' accounts, or otherwise, which led you to apprehend the existence of irregularities at the agency?

Yes: Mr. Wells had omitted or neglected to furnish his monthly returns for October, November, and December, 1857. They were not received in the Department until January 1858. He had also omitted or neglected to furnish his quarterly accounts current for the four quarters of the year 1857, and they were furnished for the entire year in an annual account received in February, 1858. When we came to close the accounts for the year 1857, we required these returns, and their absence was of course an irregularity.

657. Did you report upon these irregularities to the head of the Department?

I think the first memorandum on Mr. Wells' agency was written by me and given to the Assistant Commissioner about the close of the year 1857. I made two subsequent reports for the information of the heads of the Department, one on 31st May, 1858, the other

on 13th August, 1858. The former alleged the non-collection of dues, the irregular rendering of returns, the excess of expenditure over receipts, and the irregularity of the agent's estimates. The letter dated 13th August called attention to Wells' absence from his agency, without authority, to his appointment of D. G. LaBarre as his assistant, without authority, and to the non-execution of his agency bond.

658. Did you make these representations in the capacity of book-keeper or as superintendent of the Branch?

I made the first report about the close of 1857. Mr. Dawson resigned his position as Superintendent on 24th December, 1857, and as I was appointed Superintendent on 15th January, 1858, I made the second and third reports in that capacity.

659. Was any action taken by the Commissioner or Assistant Commissioner in consequence of these reports?

Of the facts contained in all these reports Mr. Russell, the Assistant Commissioner, must have been cognizant from the usual personal verbal statements made to him with regard to the agency in question. With regard to the first report, I distinctly remember that the Assistant Commissioner remarked that if he were to place it before Mr. Sicotte, Mr. Wells would be dismissed. I learned afterwards from Mr. Sicotte that he never saw this report. No immediate action was taken in consequence of these reports.

660. Did you make any further report upon the subject?

Not upon this immediate subject. It was, however, understood in conversations between Mr. Sicotte and myself, that I should proceed to inspect and examine all the Crown Timber agencies after the close of the Parliamentary Session then in progress. I had conversations on the same subject with Mr. Vankoughnet when he became Commissioner. And on the 16th September, 1858, I addressed a formal memorandum to the Commissioner in connection with the proposed visit to the agencies.

661. Did you forthwith proceed upon this tour of inspection?

Yes.

662. What was the scope of the instructions you received from the Department?

By a memorandum of Mr. Vankoughnet, dated 16th of September, 1858, and by an official letter dated 21st of the same month, I was instructed to examine the affairs of the various agencies and their method of conducting business, with a view to improvement in their correspondence with and returns to the Head Office.

663. Did these instructions make special reference to the Three Rivers agency?

I was ordered to repair at once to Three Rivers, for the purpose of ascertaining in what state the office affairs of that agency were.

664. In what state did you find the affairs of the agency?

I found neither order nor system; all was in confusion. The books seemed to have been got up for show and not for use and, with few exceptions were neither paged nor indexed. No proper check upon the quantity of timber or logs cut by the lumberers existed. All the books, returns and records were incomplete. Although there only a few days, I discovered that default existed. Mr. A. J. Russell, of Ottawa, took up the enquiry where I left it.

665. How did you discover default and to what amount?

The first intimation of Mr. Wells having received moneys on account of dues for which he had not accounted to the Department was from Mr. Matthew Stevenson, of the Bank of Montreal, who mentioned to me that Mr. Wells received payment of \$3465.72, amount of an obligation of G. B. Hall, whose estate was being managed by the Bank.

This was for timber dues of 1853-4-5. I also discovered through communication with T. Boutillier, then Inspector of Agencies for Lower Canada, that Mr. Wells had received from or through him \$800, for which he had not accounted. He had also received \$309.03, from G. Baptist on account of dues 1856-7, and had made no return to the Department of the sum. These formed the items of default to the Crown which I discovered. Two employes of the agency informed me that they had not been paid by Wells, sums which he had received from the Department to pay to them for services.

666. Did your enquiry on the spot extend to the sale or transfer of Wells' property there?

Not at the time. Subsequently, I directed Mr. A. J. Russell's attention to the fact, and conversed with Mr. Dawson as to the value of the security on the house at Three Rivers to the Crown. I found out that it was covered with mortgages to the full extent of its value. It was sold to Mr. Dawson for £750; the mortgages and *rente annuelle* representing a capital of £833.

667. What was the amount of Wells' default to the Crown, as finally ascertained?

As far as ascertained, it amounts to \$18,219.90. During the investigation of Mr. Baptist's claim, an addition was made to the amount as ascertained by Mr. Russell and myself; and if Mr. Quinn's claim is entertained, I have no doubt that Mr. Wells' receipts and licenses issued by him will show that he (Wells) received further sums of money, for which he has not accounted, and of which the Department has not yet actual knowledge.

668. Has anything been received from Wells' sureties or real estate in reduction of default?

He never executed a bond as Crown Timber Agent. The Granby farm is mortgaged to the Department, but there are prior mortgages upon it, and nothing has yet been received from it by the Department. Nor has anything been received from other sources.

669. Were any facts brought to light during your management of the subject, tending to throw light upon the causes of Wells' default?

I find in my report to the Commissioner of the 28th December, 1858, the following paragraph, which is an answer to the question: "Mr. Wells, previous to his leaving the Province, had formally resigned his office of Surveyor of Crown Timber licenses, for the St. Maurice territory, and in conversation with the undersigned, gave as his reason for such resignation, the unpleasant position in which he was placed towards the people of Three Rivers (or a portion of them) by the active part he took in the Parliamentary election for that city. Mr. Wells, moreover, stated that he had been ruined by the expenses incurred in the election contest. He put down his share of the expenses at £1,800, but his brother, Alphonzo Wells, stated to the undersigned, when visiting Granby on the 14th instant, that the amount expended far exceeded that sum, and reached as high as £4,000 to £5,000. Should the latter version be the true one, some explanation of how Mr. Wells might have expended a considerable sum of money is obtainable. One fact is, however, clearly ascertained, that the amount of the obligation of G. B. Hall, Esq., to Oliver Wells as Crown Timber Agent (£366 8s. 7d.), was drawn out by Mr. Wells' cheques on the Bank of Montreal, on the 31st December, 1857, and on the 2nd and 5th January, 1858, during the election times."

670. This explanation refers to some conversation had by yourself with Mr. Wells; when and where did it take place, and does this extract state its entire purport?

The conversation took place in the Department at Toronto, shortly after the election of Mr. Dawson for Three Rivers, and before Mr. Wells' departure from the Province. I conversed with him more than once about the time stated. At our first interview after the election, Mr. Wells spoke to me about the difficulty in which he was placed by the election at Three Rivers, stating that he was ruined, and that he would have to go away from there, or that he intended to go away from there. He also referred to the then vacant

Superintendency of Woods and Forests, alleging that it would suit him very well for a few years, and that of course he had Mr. Dawson's influence towards obtaining it. Understanding that I had a good chance of the appointment, he stated that he had been to see Mr. Alleyn, whom he found to be my friend; and he (Wells) said that if I would consent to an arrangement by which my claim should not be pushed, he would give me the difference between the salary I might then have and the salary of the Superintendent. I am not positive whether he said he would give me the whole of the difference or only a part of it; but I think the whole. I wanted to draw him out further, and let him go on. Either previously or afterwards, Mr. Dawson came to see me about the appointment. I drove with him from the Department to the Rossin House, and the conversation I had with him resulted in my telling him that the appointment had been promised to me. Afterwards—I think the next day—Mr. Wells visited me in the office on the same subject; I told him I did not think I could entertain his proposition at all, and that he must consider that answer final.

671. Can you state the particulars of Mr. Wells' employment by the Crown Land Department, in the construction of a large map?

I have a letter from Mr. Wells, dated 30th April, 1858, addressed to the Hon. the Commissioner of Crown Lands, in which he stated that during the administration of Mr. Morin, in 1854, he had commenced and nearly completed a plan of the north shore of the St. Lawrence, upon a large scale, from the Ottawa to the Saguenay; and that upon submitting this work to the then Commissioner (Mr. Morin), he was requested verbally by him and Mr. Drummond, then also a member of the Government, to continue the map, and make the Province complete. A memorandum signed W. McD. Dawson, dated 8th April, 1854, enumerates a series of township plans, copies of which were required for the use of the Crown Timber office at Three Rivers. I find also a memorandum dated 25th September, 1855, addressed to Mr. Cauchon, then Commissioner, by W. McD. Dawson, then head of the Woods and Forests Branch, submitting that it would be expedient to appoint a draughtsman in the branch for the purpose of making copies of plans in the Department to aid Mr. Wells in the construction of agency maps, of the general map of the Province, and of a portable map of the same. A draughtsman was appointed for this purpose. A Departmental letter, dated 7th December, 1855, transmitted to Wells copies of certain plans required for the compilation of the general map on which he was then engaged, and further copies were sent to him from time to time.

672. Do you find Departmental authority for Wells' employment on this work?

I find nothing registered in our letter book prior to the letter of 7th December, 1855. I do not find any special regular appointment of Wells for this purpose.

673. Over what period did payments to Wells on account of this map extend?

His returns of expenditure for this purpose extend from the June quarter, 1855, to the September quarter, 1858.

674. Was Wells all this time filling the office of Timber Agent at Three Rivers?

Yes. In February, 1857, Wells was brought from Three Rivers to Toronto, with the maps as they then were, and he continued at Toronto until the end of July, 1857, working on the map with three and sometimes four draughtsmen. I take these facts from a memorandum drawn up for the information of the Executive Council, and signed by Mr. Sicotte, 2nd June, 1858.

675. Have other Crown Timber Agents been employed to construct maps?

Mr. A. J. Russell, the agent of the Upper Ottawa territory, has since early in 1854, at least, been authorized to compile a map exhibiting timber berths within his agency. Although written to several times about it, we have not yet received this map. I cannot say how much has been expended upon it.

Thursday, January 15th.

P. M. PARTRIDGE again examined.—

676. Since Wells' default, have measures been taken to apply more effectual checks to the transactions of Crown Timber Agents?

In closing the memorandum made by me, on the default of O. Wells, I adduced the circumstances of the case as proof of the necessity of a direct supervision over the agencies by periodical inspection from the Department. We have also looked more closely after the collection of outstanding amounts, and adopted other measures by which the Department is placed in the possession of the original returns of the lumberers of timber cut under license, on which the timber dues charged are based, and which also determine, in connection with the areas under license, the rate of ground-rent to be charged. The Department has been also more strict with regard to the deposits being made in the bank by the parties themselves, rather than by paying moneys into the hands of agents. Moreover, the Department has adopted the rule of charging interest at the rate of 6 per cent on all timber dues and tolls outstanding unpaid on 30th November, in each year. There has been another change. To facilitate and ensure the collection of outstanding arrears, the Department, in the month of May, 1859, ordered the agents to take bonds with sureties for arrears outstanding to 31st December, 1858, and where the amounts were of any consequence these bonds have been taken. It was further ordered in June, 1860—that is, at the same time that interest was ordered to be charged—that licenses held by parties in arrears should be forfeited, if all the dues owing by them and the interest thereon were not paid up in full before the 1st of July, in the season following that in which the timber dues accrued; but on account of the peculiar state of the trade for some time past this regulation has not been enforced. I am aware, however, that the knowledge of its existence has had a salutary effect.

677. What are the checks at present imposed upon the revenue receipts, and returns of the agents?

The returns of revenue are composed of two items, ground rents and timber dues. We have also the collection of the timber tolls from the Provincial slides and works. The ground rents, timber dues, and tolls collected by the agents, are accounted for monthly to the Department in forms prepared for that purpose, which I exhibit. The ground rents collected are based upon the area of licenses granted, and are affected by the occupation or non-occupation of the berths. Having received the returns, we ascertain whether the amount of ground rent charged is correct. This is done by comparing it with the area under license, and with the rate of ground rent charged the previous season, and the occupation or non-occupation of the berth during that season; ascertaining also whether the license is in a surveyed township or in unsurveyed lands. As to timber dues, we ascertain that the quantities on which dues are returned as collected are charged at the tariff rate; also whether the dues belong to the current year or to previous years. Where practicable, these amounts are compared with the statement of bank certificates of amount deposited, and the dates entered in that statement should agree with the dates mentioned in the returns. The monthly return of tolls gives the date of the payment, names and owners of the timber, the slides, &c., passed through, the rates of slidage and the amount collected; these we verify with the rate fixed by tariff. The monthly returns from the principal agencies are accompanied by bank certificates of deposit to cover the amount set forth in the returns. The other agencies, those not in the immediate vicinity of banks, remit with as much regularity as possible. This explanation refers only to the checking of the returns of the agents as they appear on the face.

678. Do the books of your Department form a complete check on the accuracy of the returns of the agents, both as to the sums collected and the amounts due?

Only as far as the agents' returns show. The agents' returns are of course based in part on the returns which they receive from the lumberers themselves. As to the lumberers' returns, the agents and the Department have different grades of check in the different agencies, but I consider these checks far from complete. At each agency there is a supervision over the quantities cut, more or less effective, but at none is it thoroughly effectual and complete. With regard to the agents' returns as based upon the lumberers' returns, the only independent check we have is that based upon the duplicate sworn statement of the lumberers themselves, of the quantities of timber cut under license. Even this check we have had only since 1860, and we have not been able to apply it fully, except with relation to the occupation or non-occupation of the limits.

679. Have the agents in their hands means effectually to protect the interests of the revenue?

The Timber Act is defective in some particulars, especially with regard to the effective suppression of the cutting timber in trespass. The result has been that trespassing has been carried on to a considerable extent by cutting timber off public lands not sold or leased; and off lands sold but not paid up in full. In the Upper Ottawa and the St. Maurice territories, with regard to timber cut on the unsurveyed lands of the Crown, a pretty efficient check exists by the counting of the timber at the different slides, and also by the returns of the Supervisor of Cullers at Quebec. In that portion of the Upper Ottawa territory, where public and private lands are mixed, an effectual check is more difficult, as much depends on the sworn returns of the lumberers, on the effectiveness of the forest-rangers, where employed, and on the difficulty of distinguishing lots and ranges, particularly in the older townships, arising from the indistinctness of the side lines of the lots. With regard to the Ontario, the Lower Ottawa, St. Francis, and Peninsula of Canada West, particularly the two latter, effective checks on the operations of the lumberers are very difficult indeed. The outlets are so numerous, the operations for the most part so comparatively small, that with the exception of one large establishment, and two or three lesser ones on the St. Francis, the Crown Timber Agents in the St. Francis and the Western Peninsula are called upon to perform duties resembling those of a detective officer, with a view to the detection of trespass, and the collection of such revenue as is obtained. The same may be said in reference to that part of the Ontario territory lying within the older and partially settled townships, where there are still public lands; and also to the Lower Ottawa. The Madawaska and Chaudière territory may be divided into two sections, defined by the height of land from whence the rivers flow, on one side into the St. Lawrence, and on the other into the St. John. On the St. John side of this height of land, square and wavy timber is chiefly manufactured. Up to a recent period scarcely any check existed on the returns of the lumberers. Visits of the present agent to the scene of their operations, and frank remonstrance on his part have, I have reason to believe, elicited fuller returns of the timber cut. The St. Lawrence side has been the scene of petty trespassing for a long period, and the agent has not exerted himself, in this section, as he might have done. In the Lower St. Lawrence territory operations are confined to a few mill owners, and I believe the returns to the agents, as to the quantities cut on public lands, are pretty correct. As the berths are of small extent, and few if any lines run in the field, no doubt they cut without the bounds of their licenses, but still return the timber so cut. The revenue from the Bay de Chaleur territory is very small indeed; the operations are carried on somewhat similarly to those in the Lower St. Lawrence, that is in small sections. Considerable difficulties heretofore existed in collecting dues from parties employed for others in New Brunswick; but recently these dues have been more closely collected. A good deal of firewood is cut in this agency on the lands of the Crown, and parties pay nothing for it. In the Saguenay territory the operations are chiefly carried on by one firm in sawed lumber. The check ought to be simple and effective in this case, but I cannot say from personal knowledge whether it is fully applied. On the whole, I do not consider that the agents have in their hands sufficient means to protect effectually the interests of the revenue. Firstly, as already mentioned, the law is defective; secondly there is not an efficient system of forest-ranging in force; thirdly, the agents have not full power to suppress trespass, by enforcing the entire penalty.

680. What check have you upon the expenditure of the agents?

In 1857, the agents were called upon to submit an estimate of probable disbursements required for the Crown Timber Office in each territory for the current quarter. Being cognizant of the wants of each office, I examine, and when necessary, revise, these estimates; and I have done so since I became superintendent. In my absence, this duty is performed by the book-keeper of the branch. As far as possible, in all cases, the expenditure is approved in advance. With the agents' quarterly accounts current, we require vouchers in duplicate; these accounts being sworn to by the agents. Any amount unauthorized or irregularly expended is struck off, pending explanation. Previous to 1857, the agents were not called upon to submit these estimates. We provide for these estimated expenditures by Departmental cheque.

681. Apart from your Branch, is there any audit of the agents' returns of revenue and expenditure?

None in the Department. Our accounts are sent quarterly, with the accounts of the Department, to the Auditor, accompanied by vouchers. Upon the revenue returns he has no check.

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Saturday, January 17th.

P. M. PARTRIDGE.—Examination continued.

682. Is there a periodical inspection of the Crown Timber Agencies?  
No.

683. Have you visited and reported upon the several agencies?  
I have visited all but one; that one is the Saguenay agency.

684. Will you state the periods and results of your inspection?

The first visit made by me was in 1857, previous to my being appointed Superintendent. In that year the Chaudière and Madawaska agency, was then kept at St. Charles, county of Bellechasse. The only book I found kept by Mr. Larue, the agent, was the Letter Book transferred to him from the late J. A. Torney. Everything was irregular. The only record of licenses granted was in the duplicates of his monthly returns, and the same was the case with regard to his record of dues received. This had been the state of things from the period of Larue's appointment as Crown Timber agent, early in 1855. Larue was dismissed because of the irregularities in his returns and the state of his office. I again visited this agency in 1858, with Mr. Charles Dawson as the agent. I found its management improved, though still not free from irregularities. In March, 1860, I visited the agency casually. I found the checks upon the lumberers' returns on the St. John side of the agency more satisfactory. Some of the books were not kept up as they should be. For the fourth time, I visited the agency in December, 1861, and January, 1862, in the matter of timber cut in trespass. On the St. Lawrence side of the agency, I found that the agent did not sufficiently look after the operations of parties cutting timber in trespass; and in the case which I went to examine—that of Mr. Henri Morin, the trespasser—the want of early and prompt action on the part of the agent resulted in loss to the Department, to the extent of more than \$1000, so far as I remember. The agent, though in a district almost exclusively French, cannot speak or write the French language, and this circumstance occasions much inconvenience to all parties. I have already stated the result of my short visit to the Three Rivers Office in September, 1857. I visited it again in 1859, and once subsequently, and found the office much improved, the books and records in order, and a



better system of checks upon the lumberers. The forest ranging in this agency is at present pretty effective. In 1858 and in 1860, I inspected the Lower St. Lawrence Office. Between these periods a considerable improvement took place, and in 1860 I considered the state of the office satisfactory. At the Bay of Chaleurs office, I found the books satisfactory. Dues outstanding previous to Mr. Verge being appointed agent, were, however, uncollected, and I believe that they remain so still. I cannot state the amount. Mr. Verge had also allowed logs to leave the Province without collecting the dues. The St. Francis office at St. Hyacinthe, I visited in 1858, and found that the business generally had been conducted pretty well, although the instructions with regard to deposits in the Bank, of moneys paid to the agents, had not been carried out as they should have been. Some of the lumberers had paid moneys to the agent, Mr. Nagle, instead of into the Bank. The system on which the Cash Book was kept, was incorrect, and the book only commenced January, 1858. Mr. Nagle could give no reason why he had not commenced a Cash Book earlier. He had, however, too many books. I was also at this office in September, 1860, and October, 1861, and I then found the instructions with regard to deposits more closely carried out. I considered it necessary to direct Mr. Nagle's attention to the outstanding dues, and to proceed with their collection. The amount in two cases was considerable. He had, moreover, charged dues upon timber cut on patented lands in Orford. In 1862 I visited this agency specially, in connection with the agents, having taken some promissory notes from parties in Quebec in payment of their timber dues. I found, however, that these notes were only taken as collateral security, and in settlements of account, not amounting to delay in any case, but on the contrary facilitating payment. In the face of the Departmental regulations, I do not think that the agent was authorized to take these notes, which were for dues owing to the Department. They were retained by the agent—not handed over to the Department. I cannot say whether he gave receipts for them. They were in his possession when I was there. In the event of the payment of these notes to the agent, the department would be bound to give the parties an acquittance of their dues to the amount involved. I do not remember the number of the notes, or their total amount; I think that there were not more than four, and that none exceeded \$500. The parties were A. Mayrand, endorsed by Flanagan and Roche, Quebec, and Charles King of St. Jean Chrysostome, unendorsed. Up to this time, my instructions as to the keeping of the Cash Book had not been satisfactorily carried out by Mr. Nagle. The office at Belleville (Ontario Territory) I visited in January, 1859, in 1860, and in 1861. Some of the dues outstanding when Mr. Way entered the office in 1854, were uncollected in 1859; he was then finishing a revision of his books. The Departmental instructions relating to deposits had not been properly carried out; he received moneys from the lumberers, and deposited them in his own name, mixing them with his own, and making a monthly transfer to the credit of the Receiver General on account of the Crown Land Department. The lumberers had also been permitted to return their saw-logs by the standard instead of the piece—a manner contrary to the regulations. In 1861, I found that the agent more closely adhered to the instructions as to the deposits, though lumberers still continued to send him money; that the returns of saw-logs were made regularly by the piece; and that the old outstanding dues had received much attention, though not all collected. The Lower Ottawa office, (Montreal) I visited in 1859 and in 1861. There had been some irregularity with regard to forfeited licenses, and the deposits of money in the Banks; otherwise things were satisfactory. The Upper Ottawa office I inspected in 1859, and I visited it in 1860 and 1861. With the exception of irregularities in the returns furnished by the lumberers, the absence of a regular Cash Book, and an insufficiency of outdoor inspection, the business of the office was in a satisfactory state. In 1860 I inspected the Windsor office, having charge of the Western Peninsula, and the Huron and Superior territory. I found everything satisfactory, except that a regular Cash Book was not kept.

685. Practically, has the Department entire control over the proceedings of the agents?

With regard to the returns, as furnished to the Department by the agents—yes. But with regard to the transactions between the agents and the lumberers, much depends upon the honesty of both.

686. Are agents in the habit of consulting the convenience or wishes of lumberers, without specific authority from the Department?

In some instances, I have had occasion to observe, the agents appear to consider themselves as acting in the interest of the lumberers as well as of the Department. These cases, however, are exceptional—that is, confined to particular agencies

687. Will you name these agencies?

The Upper Ottawa Agency, the Ontario Agency, and the Collector of Timber Dues at Quebec. In reference to the Ontario Agency, and the Quebec collection, I have reason to believe that the ground of complaint has ceased, owing to the reprimands of the late head of the Department.

688. Is the granting of licenses regulated by a fixed system?

Under the general timber regulations of 8th August, 1851, timber berths were granted to the first applicant therefor. An order of 16th June, 1860, issued by the Commissioner of Crown Lands, informed the agents that the Department did not intend to grant new licenses of any extent until the then existing licenses were properly defined, and plans of the several territories compiled, showing such existing licenses and the vacant spaces remaining. Since the latter date, the general rule has been to offer all the berths for sale by auction, after at least a month's publicity by advertisement. There have been exceptions, however, in which berths were obtained at a bonus fixed by the Department, without public competition. By another order, dated 28th October, 1862, scattered vacant lots in old townships in the Ottawa, Ontario, and Western territories are granted to applicants by the respective agents.

689. Have there been special reserves of timber berths for particular individuals?

Yes.

690. Understanding by special reserves the reservation of limits for the benefit of individuals, free from the conditions as to payment which attach to ordinary licenses, or subject to conditions which have not been complied with, can you state the names of the parties, and the circumstances?

With regard to the reserves of berths made on the Gatineau, under Orders in Council, commencing in 1852, I am unable at this moment to classify them as to the special conditions under which they were granted. I am also unable to state for which of these reserves licenses have been issued, and when payments of ground rents commenced, inasmuch as a statement which the Department in 1860 called upon the local Crown Timber Agent at Ottawa to make, has not yet been received. We have neither this statement nor a plan of the Upper Ottawa territory, nor a register of licenses granted in that territory. In reference to this register, I have been informed by the Assistant Commissioner, within the last few days, that his brother will forward it shortly. As to reserves elsewhere, for many years the Hamilton Brothers, and their predecessors, have held the exclusive privilege of cutting timber on the river Rouge, subject to special conditions. There have also been reserves of berths in the St. Maurice territory, but only in one case can the conditions of these reserves be said to be exceptional. That reserve was applied for by Mr. S. J. Dawson, in 1853, the application being referred for report to Mr. Wells, the agent at Three Rivers. Mr. Wells reported in favor of the reservation being made, on the ground that Mr. Dawson, being an officer of the Government, had been debarred from competing for limits at the public sale. The limits applied for by Mr. Dawson, were on the River Weseneau, and were stated by Mr. Wells to cover about 150 square miles, which he recommended should be granted at the rate of ground rent of £25 per annum for each limit of 50 square miles. Other limits at the time realized a much higher rate of ground rent. On 8th February, 1854, Mr. Dawson again addressed the Department, asking a decision on his application. On 28th February, 1854, a memorandum for Council, signed by Mr. A. N. Morin, the then Commissioner, recommended that Mr. Dawson should have berth No. 5, east front, St. Maurice, in addition to the reserve on the Weseneau. This,

it now appears, would amount to an area of about 230 square miles. No. 5 is stated in a memorandum in the books of the Department to have been valued at £72 per annum. Under date 27th August, 1857, Mr. Wells wrote to the Department urging compliance with Mr. Dawson's application, the rate to be that of the sale in that year. I have been informed by the Assistant Commissioner, that in 1857 the papers in the case were laid before Mr. Commissioner Taché, and they afterwards came into my possession, the application being still undisposed of. In the season of 1858-9, I think, a raft of timber was taken off No. 5 east St. Maurice, by Mr. Gouin, to whom, it appears, Mr. Dawson sold his alleged right to cut; but I desire an opportunity to refresh my memory as to certain facts, before completing my answer to the question.

Monday, January 19th.

P. M. PARTRIDGE.—Examination resumed.

691. What additional information are you now prepared to supply in relation to special reserves of timber berths, particularly those of Mr. S. J. Dawson?

The impression I was under when these papers came into my hand, was that on the report of Mr. Commissioner Morin, alluded to, an order in Council had been passed, and the more so from the fact that there was fyled, with this report, what was treated in the Department, as far as I knew, as a copy of an Order in Council, neither dated nor signed, adopting said report. Mr. A. J. Russell, when reporting on the Crown Timber Office at Three Rivers and the St. Maurice Territory, made a return of timber berths in the said territory, for which the licenses had been suspended, or that were specially claimed to be decided on by the Commissioner of Crown Lands. I exhibit this return, in which I find the following statement and remarks, dated 10th August, 1859:

Designation of Timber Berths.	Area in Square Miles.	By whom held or claimed.
St. Maurice, No. 5, East.....	50	Applied for by S. J. Dawson.
Space on R. Weseneau.....	Uncertain.	Do do do

REMARKS.—Mr. Dawson's claim to this berth, and a space on the R. Weseneau, has long been before the Department, and action taken upon it, so far as the reservation of this berth from sale on that account (as well as the Weseneau space) when it became vacant. Ground rent and road fund money was paid on this berth in due time last December, twice by mistake. The berth was occupied last winter in the faith of license being issued.

When this return was brought before Mr. Commissioner Vankoughnet, he wrote in pencil on this portion of it, referring to Mr. Dawson's claim, "Qu. As to terms on which license should be granted." Up to this time and after, Mr. Vankoughnet believed that an Order in Council had been passed, on Mr. Morin's report, reserving the limits for Mr. Dawson. I now exhibit a letter, dated Toronto, 11th June, 1859, signed Wm. McD. Dawson, and addressed to the Commissioner of Crown Lands.

TORONTO, 11th June, 1859.

SIR,—

I have the honor to inform you that the timber cut by Mr. Gouin, and now in Quebec market, was cut on berth No. 5, E. St. Maurice, on account of my brother, Mr. S. J. Dawson, who in virtue of the reservation of that berth, made in his favor years ago, conceived that he had only to make his selection of it to obtain license.

As the license had not actually issued, however, and a question has arisen as to whether Mr. Gouin was not operating in trespass, I beg to state that, being authorized to

act for my brother in this matter, he will be responsible for any extra duty upon the raft, should you, upon examination into all the circumstances, determine upon exacting more than the regular dues thereon. I also hold myself responsible for such payments.

I have the honor to be, Sir,  
Your most obd't. serv't.,

WM. McD. DAWSON.

The Honorable P. M. VANKOUGHNET,  
Com. of Crown Lands, &c., &c., &c., Toronto.

Previous to the date of this letter, the local Crown Timber Agent at Three Rivers had been instructed by telegram to clear Gouin's timber, subject to the action of the Department when it should arrive at Quebec. On the 10th June, also, Mr. Stewart, the Collector at Quebec, was advised by telegram not to allow Gouin's raft from Three Rivers to be shipped, until specially advised by the Department. On the receipt of Mr. Dawson's letter—namely, 11th June—Mr. Stewart was instructed by telegram to release Gouin's raft after payment of ordinary dues, without trespass. Under date 18th June, Mr. Crown, Timber Agent Dubord forwarded to the Department the application of S. J. Dawson, Esq., for certain new limits on the St. Maurice and Weseneau tract. On the back of Mr. Dubord's letter I find this ruling of Mr. Commissioner Vankoughnet: "The Weseneau limits must be put up with others to auction. As to limit No. 5, East St. Maurice, we will take the opinion of Council." There is a memorandum in pencil, written after this ruling, also by Mr. Vankoughnet: "This to be stayed till whole matter is disposed of by Council." In June, 1860, Mr. Assistant Commissioner Russell sent a pencil memorandum to my room, addressed to me, in these words: "The Commissioner has referred Mr. Dawson to me to learn the intended action, so I wish the Commissioner's memorandum of report to Council." I answered in writing: "There is no memorandum drawn up yet. Council, I presume, is to determine the action." I then saw the Assistant Commissioner in his room, with Mr. Dawson, M.P.P., and the result of our interview was, that I gave the following formal answer in writing: "As Mr. Dawson and Mr. Russell request me to state what is intended, as far as I know, to comply with Mr. Russell's request, I state that I believe it is intended to put the Weseneau limits up to public auction, and that with regard to the limit on the St. Maurice, the matter is to be decided by Council. P. M. Partridge, 23rd June, 1860." On the 17th July, 1860, Mr. Dawson, M.P.P., wrote the following letter,—

QUEBEC, 17th July, 1860.

DEAR SIR,—

In the absence of the Chief Commissioner, who will not probably return before the sale of timber berths on the St. Maurice, which is fixed for the 20th instant, I would beg to communicate to you what has passed between us by telegraph in relation to the limits claimed by my brother in that territory. Knowing Mr. Partridge's views upon the subject, and that he had gone up to Toronto, where the Commissioner then was, I telegraphed on 2nd July, asking the Commissioner to defer action till I should see him with documents. On the 3rd I received the following reply:—"Nothing will be done in the matter of the limits till I return to Quebec.

(Signed,) P. M. VANKOUGHNET."

Will you please, therefore, to give orders that berth, No. 5, E. St. Maurice, and the Weseneau tract, both claimed by Mr. S. J. Dawson, and referred to above as long since reserved for him, be not included in the schedule of berths to be offered at the coming sale?

I have the honor to be,  
Your most obedient servant,  
WM. McD. DAWSON.

ANDREW RUSSELL, Esq.,  
Assist. Commissioner of Crown Lands, &c., &c.,  
Quebec.

At the foot of this letter is the following written memorandum by the Assistant Commissioner:—"Write Mr. Dawson that they will not be included, but reserved for the

Commissioner's decision—A. R." On the 18th July, Mr. Dubord was instructed by the Assistant Commissioner to reserve the limits named from sale. During the same year, I am aware that Mr. Dawson, M.P.P., had one interview, if not more, with the Commissioner and Assistant Commissioner, relative to the berths. Under date 15th October, 1860, I find a letter signed by Mr. Commissioner Vankoughnet, addressed to S. J. Dawson, Esq., Three Rivers, stating that the berth, No. 5, E. St. Maurice, and three maximum berths on the Weseneau tract, would be granted to him, subject to certain conditions; the bonus over and above the ordinary ground rent, and the charge for the St. Maurice Road Fund, to be fixed by George Baptist, Esq., of Three Rivers, and Matthew Stevenson, Esq., of Ottawa; in the event of their disagreement, the local Crown Timber Agent to settle the matter between them; the bonuses fixed upon and the ordinary ground rent and Road Fund charge to be paid within one month after the decision. The valutors named by the Commissioner never proceeded to business. I am aware from personal communication with the local Crown Timber Agent and Mr. Baptist, that Mr. S. J. Dawson was desirous that Mr. Baptist should not act as valuator, because he (Mr. B.) considered that he was to be guided in fixing the value of the berths by the terms of the reference contained in the Commissioner's letter, allowing the berths to Mr. Dawson, as more fully contained in the Commissioner's letter to Mr. Dubord, dated 21st December, 1860. In this letter it is stated, "the value of the berths to be their (the valutors') guide in fixing the bonus; the quantity of timber taken off No. 5, East front, St. Maurice, in the winter of 1858-1859, by Mr. Gouin, for Mr. Dawson, to enter into the estimate of the value of that berth." The valutors did not meet, and on 6th June, 1861, Mr. S. J. Dawson addressed a letter to Mr. Commissioner Vankoughnet, saying that it was impossible to get a meeting between Mr. Baptist and Mr. Stevenson; that the former declined to act; and asking the appointment of another in his place. I find that on the back of this letter I made a memorandum for the information of the Commissioner to this effect:—"The difficulty in acting does not appear to be on the part of Mr. Baptist but on the part of Mr. Stevenson. The latter gentleman was down here a few days ago, and went away again, although he told me he had come expressly for the purpose of the reference. Mr. Baptist is now here and does not object to act. I have written to Mr. Dubord to suggest another proper person to act with Mr. Baptist. None can be found better than Mr. A. Gilmour, if he can spare time and will act." A memorandum now produced in the handwriting of Mr. Vankoughnet, is as follows:—

*In re* DAWSON.

"Let a letter be written to the arbitrators stating the rates at which limits have been disposed of on the St. Maurice since 1850.

"I have no objection to Mr. Dawson having a copy of the O. C. reserving the limits."

Under date 10th June, 1861, a telegram was sent to me from Three Rivers, signed Wm. McD. Dawson, as follows:—"Neither copy of old Order in Council nor Morin's report have come. Will it be sent to-day certain?" The reason why a copy of the alleged old Order in Council had not been sent, as allowed by the Commissioner, was, that the document had got astray amongst the papers, and I found it necessary, on the 8th June, 1861, to send the note now produced to the Clerk of the Executive Council.

C. L. O. Quebec, 8th June, 1861.

DEAR SIR,—

Will you be so good as to send over copies of the O. C's. passed on two reports from this Department, dated 28th February, 1854, relative to claims to timber berths in the St. Maurice territory, preferred by J. S. Ogden and S. J. Dawson, Esquires, and oblige,

Yours truly,

P. M. PARTRIDGE.

W. H. LEE, Esquire,  
Clerk Executive Council.

As far as I remember, Mr. Lee himself came to my office, and told me that there were no such Orders in Council. I felt quite astonished and persisted in saying that Mr. Lee

must be under a mistake, as I had seen an alleged copy of an Order in Council in Mr. Dawson's case. Then or afterwards, I went over to the Executive Council office, and Mr. Lee in my presence, with, I think, Mr. Coté, and the late Mr. Burns, looked through the registers, and Mr. Lee again affirmed that there was no Order in Council in the matter. As our proceedings thus far had been predicated on the supposition that such an Order in Council had been passed, I deemed it my duty to report the result of Mr. Lee's investigation to Mr. Vankoughnet. On 26th July, 1861, Mr. Vankoughnet addressed a letter to Allan Gilmour, Esq., Ottawa, inviting him to act with Mr. Stevenson in the valuation, Mr. Baptist having gone to Europe. This letter was accompanied with copies of the Departmental letter of October 15th, 1860, to Mr. S. J. Dawson, and of 21st December, 1860, to Mr. Dubord, these documents containing the conditions on which Mr. Dawson had been allowed the limits in question. I have already stated the basis on which the valuation was to proceed—namely, that the value of the berths should guide the valuers in fixing the bonus. Under date Ottawa, 16th September, 1861, Mr. Allan Gilmour acknowledged receipt of the Departmental letter of 26th July, advising him of his appointment, and stating that he and Mr. Stevenson had met, and having examined the documents and correspondence submitted to them, had arrived at what Mr. Gilmour called an award, which was transmitted therewith. I hand in a copy of this so-called award. The bonus fixed by Messrs. Gilmour & Stevenson, for the four berths in question, that is No. 5; E. St. Maurice, and three on the Weseneau, was not to exceed \$180 each, or \$720 for the whole. The valuers further recommended that the ground rent and road fund on all the berths should commence "from the time they were finally granted to Mr. Dawson, berth No. 5 E. St. Maurice, to be subject to the charge for ground rent and road fund for the season 1858-9 in consideration of having been occupied that year." When the report of the valuers was brought by me before the Commissioner, I stated that the bonus fixed was ridiculously low. I think that the Commissioner remarked to me, either then or subsequently, that he was afraid a mistake had been made, in allowing the bonus to be fixed outside the Department, and independently of its employés.

692. Has any further action been taken in the matter by the Department?

No. I mentioned the unfinished state of the matter to Mr. Sherwood, when Commissioner, and he decidedly condemned the reference outside of the Department, but did nothing. I have also mentioned the case to the present Commissioner, but no further action has yet been taken.

693. Has anything further been done by Mr. S. J. Dawson, or in his behalf?

Additional rafts of timber have been taken from the berth by Mr. Dawson himself.

694. You have stated that you considered the bonus fixed by the valuers ridiculously low: on what facts did you base your opinion?

At the sale by auction at Three Rivers on the 10th September, 1859, No. 6, east rear St. Maurice, realized a bonus of \$1200. If No. 5 east St. Maurice had been offered at that sale, I am pretty certain it would have brought \$2000. It was stated to be well timbered and was very ready of access. With regard to the general value of the whole four berths, I based my opinion upon a statement made to me by Mr. Baptist, to the effect, that when holding conversation with Mr. S. J. Dawson, in reference to his estimate of the value of these limits, he (Mr. Baptist) remarked that he was willing to give \$4000 bonus for them. As to the value of berths in the St. Maurice territory, I considered Mr. Baptist a competent judge.

Tuesday, January 20th.

P. M. PARTRIDGE.—Examination resumed.

695. Going back to the action of Messrs. Gilmour and Stevenson, as valuers in the case of timber berths claimed by Mr. S. J. Dawson, can you state whether those gentlemen conducted their valuation on the ground, or after an inspection of the berths to be appraised?

I cannot say. I would infer from Mr. Gilmour's letter that they made no inspection

696. Has the low valuation attached by Messrs. Gilmour and Stevenson to these berths had any effect upon the holders of other timber licenses in the same territory?

The lumberers in the St. Maurice territory have repeatedly complained to me of the favor shown to Mr. Dawson, and of the unfairness which they considered it was to them and the trade generally. Several parties complained more particularly at the sale of 1859-60, with regard to the action in connection with No. 5, East St. Maurice, not only because it was withheld from sale, but because the regular payments had not been made upon it. I know, too, that the irregular action with regard to these berths has caused great dissatisfaction; and the applications of the Messrs. Dawson and others for delay—these others being inclined to ask for delays in consequence of the way in which Messrs. Dawson have been permitted to continue—have tended to render the affairs of this territory irregular, and to throw them into confusion.

697. Have you any further explanations to offer in reply to the general question touching special reserves of timber berths?

The next exception, or rather exemption, from payment of ground rent, in point of date, of which I am aware, is that of Mr. S. J. Dawson with regard to licenses held by him in the Upper Ottawa territory. The licenses in question are for two berths of 50 square miles each, lying on the Montreal River. Mr. Dawson acquired them in the season of 1852-3, and was exempted from payment of increasing ground rents, after they became chargeable with the same, up to the season ended 30th April, 1862, inclusive. The exemptions during this period amounted to about \$2,600. These licenses now stand on the same footing with others. There is another class of exceptional cases—namely, those in which parties whose licenses have lapsed from non-payment of ground rent within the specified time, have been allowed to resume them without payment of the full arrears. I can recall but a single instance, and that is the case of the minor children of the late Mr. Bennet, in reference to two licenses on the River Dumoine, in the Upper Ottawa territory. Another exceptional class may be illustrated by the case of Mr. William Matthews, of Brantford, for whom in 1859, under an Order in Council, a reserve was made of two timber berths on the Spanish River, on his alleged intention to erect a saw mill within a specified time. In the Department we consider the affair lapsed. A reserve somewhat similar was made, though not by Order in Council, in 1861, in favor of Mr. Wm. Henry, for the supply of a saw mill situated in, or in the neighborhood of, the township of Harvey, C. W. There was a sale in Peterborough in October, 1861, when two berths, covering about 40 square miles, were withheld from public competition for Mr. Henry, subject, however, to payment of the average bonus realized for similar berths at the same sale. I have reason to believe that the bonus, ground rent, and interest on the whole, from the date of sale, have been paid within the last few days.

698. What is the rule of the Department as to ground rent and other conditions on which licenses of timber berths are granted?

The ground rent leviable on timber berths is at the rate of fifty cents per square mile, per season—the season ending on 30th April in each year. In surveyed townships, ground rent doubles the second season, if not occupied the first, and goes on increasing in a geo-

metrical ratio, season after season, if the berth continues to remain unoccupied, until it attains an eight-fold rate, after which it is placed at what is called the maximum rate. The maximum rate is the minimum amount which the berth would produce in timber dues, if actually occupied in the sense of the regulations; together with the single ground rent, which applies in the first instance. Non-payment of ground rent within the period fixed, which is at present on or before the 5th December in each season, causes forfeiture of the license. As to the fixing of bonuses, no absolute rule is followed. In berths of value, in the great timber territories, we have at the recent sales fixed the upset bonus at \$4 per square mile, and in the minor territories, and in old townships which have been repeatedly cut over, at \$1 per square mile. The dues leviable on timber cut are regulated by the tariff contained in the general timber regulations, which tariff and regulations, however, require revision.

699. Do these charges constitute all that is levied in all the territories, in connection with licenses granted and timber cut?

Yes, with the exception of the St. Maurice territory.

700. What is the exception alluded to?

All berths disposed of on the River St. Maurice, or its tributaries, are subjected to an annual charge for the benefit of the St. Maurice Road Fund, at the rate of \$40 per fifty square miles area.

701. What is the St. Maurice Road Fund?

At its inception, it was a fund constituted under Order in Council for the purpose of opening up certain leading roads in the St. Maurice territory, under Mr. Wells' superintendence. This was in 1852. In 1853, a Departmental report recommended that the sum of £600 should be taken from the revenue of Woods and Forests to be applied as a loan, to be repaid from the Road Fund. In September, 1855, another Departmental report represented that it was of the highest importance that the connecting link between the termination of the Three Rivers Road and the commencement of the reach of steamboat navigation on the St. Maurice should be made passable before the next sale of timber berths; and an advance of £4000 was recommended to be made on the credit of the fund, thereafter to be raised from sales, for the purpose of completing the Road from Three Rivers to the head of the Grand Piles. It was at this period that the \$40 per 50 square miles was converted from a single payment into an annual charge. In August, 1856, another Departmental report represented that a further sum of £1782 10s., in addition to the £4000 already recommended and advanced, should be granted for the completion of the Piles road, on terms similar to those which governed the previous advance.

702. Can you state the total amount expended in the construction of these roads? The amount advanced by the Government? And the amount realized from the charge, and how disposed of?

I will prepare a detailed answer to the question.

703. Under whose superintendence were the moneys expended on account of these roads?

Under the superintendence of Mr. Oliver Wells, at the commencement, and of Mr. S. J. Dawson, beginning with the expenditure on the Piles Road proper.

704. Was the money expended under contracts?

I cannot at the moment answer.

705. Has there been any inspection of the Piles Road, or any other parts of the Roads?

Mr. A. J. Russell visited the Piles Road when engaged in inspecting the Three Rivers agency, in 1859; but there has been no general inspection that I am aware of.



706. Did Mr. Wells and Mr. S. J. Dawson regularly account to the Department for the expenditure they directed?

I cannot say as to Mr. Wells. But the accounts of Mr. Dawson were, I think, regularly received, accompanied with vouchers; and they were audited in the regular manner.

707. Reverting to the practice of your Branch, will you now state the course pursued in dealing with parties who cut timber in trespass?

When I took charge of the Branch, I found that trespass had grown up into a system. By this I mean that parties cutting timber without authority, were allowed to remove the timber so cut on payment of a per centage charge in addition to the ordinary dues and any costs connected with the recovery. Under date 7th April, 1858, a circular was addressed to the Crown Timber Agents, respecting the granting of licenses, and in connection therewith directing them to warn all parties committing trespass that the law would be rigorously carried out against them. Under the provisions of the law, the timber was and is subject to seizure and sale.

708. Have these instructions been generally obeyed by the agents?

Notwithstanding the instructions to which I have alluded, parties continued to cut timber without authority, and compromises were made with them in the manner which previously obtained.

709. Have further measures been taken, then, to prevent and punish trespass?

After the change in the mode of disposing of timber berths, it became manifest that it would be grossly unjust to the holders of licenses to allow trespassing to be systematically carried on; and under date 6th November, 1860, another caution to trespassers was issued. In defiance of this notice also, parties continued to trespass. Again, however, they were compromised with, but with a distinct understanding that it would be for the last time!

710. Has this "last time" yet been reached?

No. Compromises continued last year. But double dues were charged, as a rule, instead of the per centage previously imposed.

711. Are these compromises arranged by the local Crown Timber Agents, or direct by the Department?

For the greater part, by the local agents. With regard to timber cut without authority coming to Quebec last season, a good many parties appealed to the Department.

712. The compromises have been made with a distinct knowledge that they are contrary to law?

Yes. All parties know that; and therefore I have urged the suppression of trespass on the ground of public morality, as well as in justice to the revenue, and to the lumberers who respect the law.

Wednesday, January 21st.

P. M. PARTRIDGE. Examination continued.

713. Are cases of disputed account between lumberers and the Crown Land Department now pending? If so, what are the particulars?

There are very few cases at present. The principal one is that of C. S. Clark & Co., now brought before the Government by Mr. Pope, M. P. P. In this case it is claimed that they have been charged dues on large quantities of logs for which they should not have been charged. The claim extends over the seasons 1853-54 to 1859-60, inclusive; and the amount of deduction claimed by Mr. Pope was, in 1861, \$11,238.34. The amount forming ground for consideration, on which a reduction might be made, according to the opinion of the local agent, Mr. Nagle, was \$10,476.25. The amount of the indebtedness of the firm, for timber dues, on 31st March, 1861, was \$9,833.95. The claim was submitted to Council by a memorandum from the Commissioner, dated 26th September, 1861, and a deduction of \$5,238 was allowed. A further deduction is still claimed. There is another claim by Messrs. Chaffey, Brothers, in the Ontario territory, for reimbursement of amount of damages which they paid to the owner of a lot included in a license granted to them by the local agent, Mr. Macpherson. I cannot at this moment recall any other cases of importance.

714. What is the amount of dues in arrear now standing in your books?

The amount now outstanding of timber dues, accrued to 31st December, 1861, was, on 31st December last, \$95,452.61. This amount represents the accumulation of arrears from previous years, dating back, at least, to 1854; but does not include a sum of \$12,497.50 due by the Honorable John Robertson, of New Brunswick, for which the Department holds the bond of Weston Hunt, of Quebec, and which has been at least since 1859 in the hands of the Attorney General for collection. There is a further sum not included, owing by the late William Patton, of St. Thomas. There are also excluded some old outstanding arrears in what is now the Bay of Chaleurs territory, which have never been taken into our books.

715. Will you name the parties respectively in arrear to an amount exceeding one thousand dollars?

I will extract from our books a reply.

716. Is a transfer of licenses permitted when the holders thereof are in arrear for timber dues?

As a general practice, transfers are not referred to the Department. The acceptance of transfers rests with the local Crown Timber Agents, who are required to note the transfers in their monthly returns. They very often fail to do this, however. The agents would not now be permitted to recognize transfers from parties in arrear.

717. When transfers of licenses are reported to the Department, do you inquire into the question of arrears?

Not unless they are specially reported by the agents, whose duty it is to look to this matter.

718. When transfers from parties in arrear take place, do the agents require bonds or other securities for payment of the outstanding dues?

I think that the practice of the agents has been not to accept transfers from parties without some special arrangement for the settlement of arrears.

719. Have transfers been recognized when amounts were due, for the payment of which no security has been taken?

It would appear that this has been done in the St. Maurice territory, but I am unacquainted with the particulars in connection with such transfers.

720. Are you acquainted with the particulars of transfers now held in trust for creditors, by Messrs. Thomas Ryan and David Davidson?

I am aware, from the books and returns, that Messrs. Ryan and Davidson hold in trust certain limits in the St. Maurice territory, formerly held by Messrs. Norcross and Phillips and the St. Maurice Lumber Company; and that there are arrears against them for the

years 1854, '55, '56, '57, amounting altogether to \$9,889.49. As the books of the Department do not exhibit individual accounts, it would take some time to extract from them the particular items relating to subsequent payment, made on account of these licenses.

721. How are the dues collected on timber arriving at the Port of Quebec?

The local Crown Timber agents grant clearances for all rafts leaving the respective agencies. These clearances state the quantities and description of timber free from duties, cut on private lands; the quantities and descriptions of timber cut under license, subject to dues; and, for the past year, the agents were directed to state specially the quantities cut without authority, or in trespass. The dues are levied according to the specifications of the Supervisor of Cullers; he endorses the amount of Crown dues accrued on the timber, &c., on his specifications of measurement as advised by the Collector, Mr. Stewart. So far as the timber mentioned in the agents' clearances is concerned, and as measured through the Supervisor's office, the quantities and contents are, no doubt, correctly returned. But with regard to timber not measured through the Supervisor's office, but by the Cullers of the parties interested, we have no guarantee of the correctness of measurement except the good faith of the parties themselves. Owing to defects in the law, there are not sufficient checks on small quantities of lumber arriving at the Port of Quebec; hence both the revenue and the fees of the Supervisor's office suffer. As to Mr. Stewart, the returns of collections made by him, based upon the agents' clearances, were not compared systematically in the Department until last year; and the examination is still not carried out to my full satisfaction. So many modes have been and are resorted to by the parties interested to evade payment of the dues, &c., leviable, that it is difficult to provide an effectual check against them.

722. What check has the Department upon the collection of slide dues?

The deputy slide masters, who are officers of the Board of Works, make returns to the Collectors at Ottawa, Three Rivers, and Chicoutimi; to the two former weekly, to the latter at longer intervals. At Ottawa, the collector is also an assistant in Mr. Russell's office; in each of the other cases the Crown timber Agent is the collector. There is a timber counter at the Chaudiere slides, and the logs and timber coming to the Gatineau booms are also counted. The counter at the Chaudiere Falls makes returns to the Ottawa collector of the exact number of pieces in each crib, and the number of cribs in each raft. For the greater part, the timber tolls for the Three Rivers and Ottawa agencies are collected by Mr. Stewart, at Quebec; bonds having been previously given by the lumberers at Three Rivers or Ottawa. The amounts collected at Quebec correspond, I believe, with the amounts for which bonds have been given. As to the timber tolls collected at the Chicoutimi agency, I am not prepared to say what the checks are. The point to which the Department addresses itself more especially is, to ascertain whether the tolls collected, as returned, are levied at the tariff rates. Whether all the timber is made subject to tolls that should be, is a question which it is desirable to enquire into. During my visit to Ottawa, in 1861, I ascertained that one party on the Gatineau had been allowed to be exempted from boomage for several years. The party referred to—Mr. A. Leamy—after conference with the officer of the Public Works, at Ottawa, Mr. H. Marrill, was last year required to pay half the usual boomage, and he will be required to pay this rate in future. Upon the transactions of previous years, no action has been taken.

Thursday, January 22nd.

P. M. PARTRIDGE. Examination continued.

723. What books of account are in use in your branch of the Crown Lands Department?

I exhibit them :

- (1). *Blotter*, or Day Book, containing original daily entries.
- (2). *Journal*.
- (3). *Ledger*.
- (4). *Agents' Returns—Ground Rents*.—An account of licenses granted and ground rents collected.
- (5). *Agents' Returns—Timber Dues*.
- (6). *Office Accounts*.—The different services comprised in the Branch in account with the Department.
- (7). *Agents' Accounts Current*.—The timber agents in account with the Department.
- (8). *Outstanding Timber Dues*.—A statement of dues and tolls outstanding at the different agencies.
- (9). *Statement Book*.—A record of special statements rendered to Parliament or the Executive Council, &c., &c.

These form the account-books proper. In addition to these, we have various books containing the returns of licenses and permissions granted on settlers' lands, East and West, and also the value of timber cut and dues collected on the same. These books are subsidiary to certain accounts in the Ledger. We have also a "Check Book of Clearances," exhibiting the particular results of the examination of clearances at Quebec, with the returns of the Collector.

724. Having read your evidence given on previous days, do you desire now to say anything by way of explanation or correction?

Yes. I wish to make one or two corrections of, or additions to, my previous statements; and this I will do to-morrow.

Friday, January 23rd.

P. M. PARTRIDGE. Examination continued.

725. Are you now prepared to correct or add to any portion of your evidence?

Yes. In reference to Crown Timber Agents' returns of expenditure previous to 12th March, 1856, I desire to say that they came in irregularly, for the greater part half-yearly. Again, in correction of, and addition to, my answer with regard to the number and amount of promissory notes, &c., taken by Mr. Crown Timber Agent Nagle, I beg to hand in copy of a list of promises and obligations, &c., unpaid, in hands of that agent, as per statement furnished to me by him, under date 12th July, 1862.

**LIST of Promissory Notes and Obligations, &c., unpaid, in the hands of Gerard Nagle, Crown Timber Agent, St. Francis Territory.**

By whom drawn.	On what and whose account.	To whom payable.	Where payable.	Date.	Time.	Sum.	Remarks.
Nicholas Dadds.....	Trespass on disputed lands, Orford, the operation made in most part for Wm. Brooks & Co.....	Hon. J. Cauchon, or his successor in office.....	At Seat of Government.....	April 19, 1856	Undefined.	\$ ctd.	Parts of these obligations have been paid, and almost all the remainder remitted by relinquishment of claim to lands.
Wm. Reynolds.....	do	do	do	do 22,	do	328 25	
Jno. & Thos. Mills.....	do	do	do	do 22,	do	540 90	
Andrew Reynolds.....	do	do	do	do 23,	do	352 90	
Frs. Terrault.....	do	do	do	do 23,	do	476 60	
Wm. Brooks.....	do	do	do	May 5,	do	65 73	
T. C. Alice.....	do	do	do	do 5,	do	163 72	
Wm. Brooks.....	Trespass in Warwick.....	Crown Timber Agent.....	Crown Timber Office, St. Francis Territory.....	August 2,	3 months....	35 53	Balance of costs and charges.
Flavien Gadette.....	do on disputed lands, Orford.....	do do.....	Francis Territory.....	Dec. 18, 1858,	April 1, '59,	100 00	Stand as bonds above named, mostly remitted.
Brooks & Cheney.....	do Clergy Reserves, do on lot 24 in 6th Range, Acton.....	Comr. Crown Lands.....	Seat of Government.....	May, 1859....	Undefined....	100 84	
J. F. R. Tôté & Son.....	do do	Crown Timber Agent.....	Crown Timber Office, St. Francis Territory.....	June 11,....	1 month....	110 0	Handed Atty., for collection. Timber lost—parties poor.
Jean Petit.....	do on lands in 2nd Range, Upton, claimed.....	do do	do do	March 15, '60.	3 months....	21 87	
J. B. Allard.....	B. Gill, Esq., M.P.P.....	do do	do do	May 8,	20 days....	13 33	Mr. Gill held liable by order of Department.
John Flannigan.....	Trespass by Maynard.....	do do	do do	do 9,	15 do....	23 47	
L. A. Vignau.....	do Committed in Wotton.....	do do	do do	do 11,	4 months....	400 00	Half trespass charge remitted.
Seraphin Gosselin.....	do do	do do	do do	April 15, '62..	2 do....	3 00	
L. G. Noyas.....	do do	do do	do do	do 19,	3 do....	15 0	
D. Charland.....	do do	do do	do do	do 18,	30 days....	8 0	
Camille Ducharme.....	do do	do do	do do	do 18,	3 months....	22 0	
A. & F. Chandonais.....	Out under settler's licence, No. 5.....	do do	do do	do 21,	3 do....	16 66	Mostly for spruce and pine saw logs taken for home consumption. People unable to pay immediately.
Pierre Jean.....	Trespass in Wotton.....	do do	do do	do 21,	2 do....	18 00	
Mcabeur Olliford.....	do do	do do	do do	May 2,	20 days....	1 00	
H. D. Briaky.....	do Hatley.....	do do	do do	do 2,	do....		
Charles King.....	Closing account dues.....	do do	Crown Timber Office, St. Francis Territory.....	do 29,	1 month....	10 00	
	do do	do do	Quebec Bank.....	June 6,	3 months....	436 25	
			do do	do 27,	2 do....	300 00	

Notes are in most cases taken to close accounts and establish the balances;—sometimes in order to include with the lien on the lumber the additional personal security of the Quebec merchant supplying the manufacture;—but in all cases without waiver of the Government lien on the lumber.

**CROWN TIMBER OFFICE, ST. HYACINTHE,**

12th July, 1862

(Signed,)

**GERARD E. NAGLE.**

JAMES BRIDGLAND, re-sworn.

726. Have you the management, within the Department, of the Ordnance Lands?

Yes; of course subject to the orders of the Commissioner.

727. When were the Ordnance Lands handed over by the Imperial authorities to the Province?

They were handed over constructively to the Ordnance Land Agent, Mr. Coffin, on 5th November, 1856; that is to say, all the deeds, documents, and schedules were transferred to him on that date. The lands and tenements actually came under his charge in the course of 1857.

728. By whom and how was Mr. Coffin appointed? And to whom is he responsible?

He was appointed by Order in Council in 1856. For the proper discharge of his duties he is responsible to the Commissioner of Crown Lands.

729. Does Mr. Coffin make his returns of receipts and expenditure on account of these lands periodically to the Crown Lands Department?

Yes. He renders monthly and yearly returns to the Department. The monthly returns embrace all his receipts of instalments of principal, with interest, and rents arising from all leases. He renders quarterly accounts of all his disbursements, comprising the salaries of himself and his staff, the expenses of his office, and other incidental expenses, accompanied with vouchers. With the quarterly personal account is a contingent account, being Mr. Coffin's travelling expenses whilst visiting certain localities in his official capacity. Hitherto, this statement of contingencies has been sent in simply as an account, unaccompanied with any detailed explanations that might serve as vouchers. Within the last week he has been instructed to send in a diary, or to accompany his contingent account with a diary, giving an account of the service and the day on which he is employed. His annual returns are a summary of his monthly returns, with the addition of a statement of the branch banks in which moneys received have been from time to time deposited to the credit of the Commissioner.

730. Do you examine and check these returns and accounts?

So far as the returns are concerned, I have not yet discovered any ready means of checking them. The accounts I examine and check regularly. I have not found any book in which the sales have been so systematically entered that they could afford a ready check upon the monthly returns. The mode of dealing with them was somewhat desultory, until the matter was assigned to me in September last, and I have not yet been able to get it fully into shape.

731. Does Mr. Coffin's agency extend over all the Ordnance Lands, as originally transferred by the Crown to the Province?

Certainly not. The exception consists of all those lands which are either appropriated by the Government for Provincial purposes, or have been resumed by the Imperial authorities for military purposes.

732. What was originally the total estimated value of the Ordnance Lands and buildings?

I have no means of answering the question except those furnished by Mr. Coffin himself in his report of 1859. From this it appears that the total cost of the lands purchased by the Imperial Treasury was \$1,360,000; and that barracks and other buildings, the prime cost of which was \$309,560, were valued at \$419,200.

733. What was the estimated value of property taken by the Government of Canada for various public purposes?

In 1859, Mr. Coffin valued it at \$682,800.

734. What is the estimated value of properties which have been resumed by the Imperial authorities for military purposes ?

I cannot say.

735. Does the property taken and held by the Provincial Government require any attention from the Ordnance Agent ?

I think not. It is managed by the Board of Works.

736. Does the interest thereon figure in the business of the Ordnance Agency ?

So far as being entered in the income from the Ordnance Lands, it does.

737. What does this interest amount to ?

In 1859, \$37,968 ; in 1860, the same ; in 1861, \$36,468. The cause of the variation I cannot at present state.

738. Deducting this interest, what is the *bona fide* amount received by the Department through the agency ?

For the three years named, it has been as follows :—

	1859.	1860.	1861.
Proceeds of Sales.....	\$13,259.28	\$ 7,261.64	\$ 8,195.02
“ Rents.....	17,354.40	18,948.85	14,906.56
Mortgage bonds of the Municipality of Windsor... ..	1,600,00		
	<u>\$32,213.68</u>	<u>\$26,210.49</u>	<u>\$23,101.58</u>

739. Can you give similar information with regard to 1862 ?

Yes. Proceeds of sales, \$8,179.02. Proceeds of rents, \$14,002.59. Total income, \$22,181.61.

740. What have been the total expenses of the agency in these years ?

For 1859, \$8,966.70 ; for 1860, \$10,467.18 ; for 1861, \$8,878.64 ; for 1862, I cannot say.

741. Is the agent paid by salary ?

Yes. He is paid a salary of \$2000.

742. Is he in the receipt of perquisites ?

The agent occupies a house in Ottawa, rent free. Its value I cannot state.

743. Is it to be understood, then, that you have no detailed statement of the Ordnance Buildings and properties, and their respective values ?

Nothing more detailed than is furnished by Mr. Coffin's Report of 1859, and even it does not furnish any statement of values.

744. Has there been any inspection or valuation of the Ordnance properties, other than that made by the agent ?

No general inspection or valuation that I am aware of. But valutors have, within the last few weeks, been appointed by the Commissioner of Crown Lands, to value certain Ordnance properties on the Rideau Canal.

745. In addition to salary, is the agent paid for services performed in connection with the agency ?

I find by reference to Mr. Coffin's accounts, that he has been paid on different occasions for extra services. I find also, by reference to estimates and vouchers connected

with his accounts, that he has rated extra services at \$1 per hour. The total amount paid on account of them, I cannot state.

## Saturday, January 24th.

E. A. GENEREUX, sworn.

746. What is your position in the Crown Land Department?

I have the direction of one-half of the Lower Canada Sales Branch.

747. Is it your duty to prepare for issue the Bolton and Magog scrip?

I was charged with this duty when the issue of the scrip was directed by an Order in Council, in pursuance of the Act 20th Victoria, chapter 139.

748. Under what instructions, and subject to what checks, have you prepared the several issues of the scrip that have taken place?

There have been five issues: two for the law costs, on 10th March, 1858, and on 14th May, 1858, respectively; one for the arbitrators, on 30th July, 1858; one for the claimants, on 9th May, 1859; the fifth for the Commissioners, April, 1862. In each case I prepared the scrip by order of the Commissioner, given orally. I filled up the printed form in the scrip book, and the marginal record, setting forth the number, date of issue, amount, and the name of the person in whose favor the issue was made. The Assistant Commissioner examined and signed the scrip in the book, and after him I attached my initials to it. The Assistant Commissioner also examined each issue to ascertain that the total amount corresponded with the amount sanctioned by the particular Order in Council under which the issue took place. Each issue was numbered from one upwards, and the denomination was in each case \$25, with the exception of the final fractions.

749. In whose favor were the issues respectively made?

In the names of the claimants, with the exception of the last issue, which was in the name of the Commissioners collectively.

750. Who were the claimants in whose favor the fourth issue—namely, that paid in compensation—was made? And what amounts did they respectively receive?

Asa B. Foster, assignee of B. Mathes, \$17,000; Caleb Pierce, \$2,380; Ralph Merry, in his own right, and as assignee of heirs of Solomon Davis, of heirs of Benaiah Davis, and of Eleazar D. Barker, \$31,450; George Bainbridge, John Bainbridge, and Thomas Brown, late Bainbridge & Brown, \$7,820; Mrs. Maria Ann Jones, widow of John Banner Price, \$4,080; Moses A. Hodgson, \$1,700; Eleanor Dunning, widow of Jacob Cook, \$2,720; Sir Charles J. Stuart, Bart., \$46,903.

751. The scrip being filled up and signed, how was it disposed of?

I cut the scrip out of the book, when applied for, and delivered it to the several claimants, taking their receipts therefor.

752. Are you chargeable with any examination of the scrip, when received back by the Department?

I have nothing to do with the cancellation of the scrip. As soon as it was issued, I handed over the scrip books to the accountant, with whom, therefore, the duty of further examination and cancellation rests.



753. Is the receipt and cancelment of the scrip in some manner noted by the accountant on the margin of the scrip book?

It is.

EDWARD FLETCHER, sworn.

754. Your position in the Crown Land Department?

Senior Surveyor, Lower Canada section.

755. Have you been engaged in the inspection of Lower Canada Surveys?

In the autumn of 1861, I inspected certain surveys on the Gatineau and Du Lièvre Rivers, County of Ottawa. In October of the same year, I inspected part of the Township of St. Maurice. These are the only special inspections I have made.

756. In each case, what was the general result of your inspection?

In reference to the inspection on the Gatineau and Du Lièvre Rivers, I found the surveys in many instances to have been rather carelessly performed. In the Township of Portland, I found the lines, wherever I could discover them, to have been run apparently with the compass alone, the direction shewing serious deflections, in some instances amounting to several degrees. I found also that where the line passes through a tree, the latter was not cut away, but simply blazed. A party, who had been engaged as chain-bearer on the survey I was inspecting, informed me that only one astronomical observation was taken, and that the lines were run by compass, without pickets or back observations. The range lines, generally, were not run out on the eastern side of the Du Lièvre, nor in the north-west corner. The survey in question was performed by the late J. J. Roney, of Aylmer. In reference to the front of the Township of Denholme, surveyed by Mr. John Newman, I could not find the posts along the river front reported by him to have been planted. The rear line of this range was run by him a mile or two only. In the Township of Low, also surveyed by Mr. Newman, I found the lines showing numerous deflections, appearing to have been run—as ascerted by the settlers—by compass alone. Many of these lines were not traceable through. Trees on the line were not cut away. In the Township of Egan I found discrepancies in the lettering of posts. Mr. Milmore, who was on the survey some time, informed me that several of the lines which had been reported as run out were not so. In the Township of Keasington, surveyed by Mr. Chas Bouchette, in 1854-5, I was unable to trace the rear lines. I should add, that in some of these instances, the ravages of fire may have rendered more difficult the discovery of lines. My general conclusion is, that in each case the survey which had been reported to be performed, was not in fact fully completed. I believe that they were paid for by the Department as completed. My subsequent inspection of the Township of St. Maurice was more satisfactory.

757. Did the general result of your inspection seem to you to establish the necessity of a thorough and systematic inspection of all surveys undertaken by the Department?

Certainly it did. But there has been none in Lower Canada since that conducted by myself, of which I have spoken.

WILLIAM F. WHITCHER, sworn.

758. You are a second class clerk in the Crown Land Department, and have the management of the Fisheries Branch?

Yes.

759. What services do you perform ?

The general conduct of the Fisheries Branch, applying to both sections of the Province, devolves upon me. The routine business is, correspondence with applicants relating to Fishery Stations, and with the agents and overseers; the control of the leases and licenses issued under the law; the examination of returns of moneys collected for leases, licenses, and fines; the examination of titles of claimants to the right to fish, as riparian owners, preparatory to taking the opinion of the law officers of the Crown.

760. What check have you upon the returns of money collected for leases, licenses, and fines ?

The money is collected by the agents in the field, and paid through the Banks to the credit of the Commissioner of Crown Lands. The agents make their returns in some cases monthly, and in others only at the close of the season, sending in a license book containing an entry of each license issued, with a schedule of the amounts accruing and received. The only check I have upon these returns is a comparison of the schedule of licenses with the license book furnished to him by the Department. As to fines, the only check we have is the return rendered on oath by the agents, being *ex-officio* magistrates, and by other magistrates. Upon the returns of the latter we have the check furnished by a comparison with the returns of convictions furnished to the Crown Law Department. With regard to leases in Lower Canada, they are issued direct by the Department, and the money is paid into the Department or through the Banks. In Upper Canada, the agents grant leases supplied to them by the Department, and for the most part we must depend upon the agents' returns as to the correct statement of moneys received.

761. The law limits the number of overseers to be appointed to four for the whole Province: can you explain the large excess of appointments over this number ?

There are, altogether, 16, of whom only 1 is at present in Upper Canada, the other having been dispensed with last summer. In Lower Canada, the reason for appointing more than two is, that over so extensive a district as that of the St. Lawrence coasts, the travelling expenses of one or two general overseers would have been very great, and the object of local guardianship would not have been attained. The aggregate amount paid to the fifteen overseers does not exceed the amount which the law assigns to two.

762. Are these overseers in Lower Canada themselves interested in fisheries ?

I am aware of only one overseer who was at the same time interested in a salmon fishery. I refer to Mr. Henry Simard, of Murray Bay, who is overseer of the Saguenay division.—Many of our overseers are engaged in the cod fishery, but we do not allow them to be lessees of salmon fisheries, or indeed to be interested in any fishery from which fees are derived.

763. You speak of the saving in travelling expenses effected by the appointment of so many resident overseers: in addition to salaries, are they not also paid expenses ?

They are paid the expenses of travel within their respective divisions.

764. What do the travelling expenses, thus paid, amount to ?

In 1859, \$313.73; in 1860, \$529.05; in 1861, \$615.43; in 1862, \$465.52.

765. In addition to the salary paid to you as clerk in the Department, do you receive payment as head of the Fisheries Branch ?

I have received extra pay during the seasons of 1859, 1860, and 1861, for services in the field; and I also received my travelling expenses on those occasions. I performed these services under instructions from the Commissioner, and he determined the amount paid to me as extra pay. My disbursements were audited by the Assistant Commissioner, approved by the Commissioner.

THOMAS DEVINE, re-sworn :—

766. Do you desire to correct a statement made by you on a former occasion ?

Yes. On the 7th January I stated that the return transport of a portion of Mr. Jones' provisions was paid for by the Department, although alleged to have been left in the woods. I have since ascertained that this statement was erroneous.

Monday, January 26th.

THOMAS HECTOR, sworn.

767. What branch of the Crown Land Department is under your charge ?

I rank as chief clerk in the Department. My duties have relation to the Crown Lands embraced in the older settled portions of Upper Canada, and a portion of the new, taking charge of their sale, of assignments connected with them, and reporting on claims arising out of them. I report on claims to compensation for deficiency and errors of survey, or of the Department.

768. What is the formula of your Branch in reporting to the Commissioner with regard to claims ?

I examine all papers sent to the Department, in regard to claims, and generally I prepare reports upon them to the Commissioner, presenting the facts of the respective cases, in writing, and accompanying them with my recommendation as to the decision. Except when special legal questions are involved, the Commissioner takes my statement of facts as the statement on which his judgment is based.

769. Are there many arrears of claims in your Branch ?

There are many cases that have not been finally adjudicated upon ; there are many others which, in my opinion, have been disposed of, but which the claimants themselves do not consider in that position. There are many arrears, but there is very little arrearage of action on the part of the Branch.

770. Are there old standing cases of claims on which no action whatever has been taken ?

My impression is that there are very few upon which no action has been taken.

771. Are there any upon which you have not reported to the Commissioner ?

There are very few old standing cases upon which reports have not been made, orally or in writing, to one Commissioner or another, by myself or by my predecessor, Mr. Spragge.

772. Can you state the number of these cases ?

It would be impossible without spending months, perhaps years, in the examination of the papers which have been filed in the Branch.

773. Are there arrears of assignments in your Branch ?

Very few.

774. Are claims for compensation on account of errors of survey or of the Department entertained, if dating beyond a specified period ?

It depends upon the date of application, the law in respect of these claims having been changed. The general understanding of the law now in force is, that it compels the

filing of an application within five years from the date of the discovery of the error. The law originally limited the application to five years from the date of the patent. The change took place in 1853.

775. Are you aware of any departures from the rule thus laid down by law for the disposal of claims ?

The law may have been stretched sometimes, great discretionary power being vested in the Commissioner of Crown Lands for the time being. This remark, however, applies to conflicting claims rather than to claims for compensation. As to the latter, there has been no intentional departure, so far as I am concerned.

776. Has there been any departure from the law in dealing with these cases on the part of the Commissioner for the time being ?

I am not aware of any case in which the Commissioner has entertained a claim filed after the period fixed by law.

777. Have cases formerly disposed of on their merits been revived on subsequent application, and adjudicated upon afresh ?

Again and again. Decisions of the Department have been repeatedly reversed in Council and by the Department itself.

778. In regard to the period within which the revival of cases may occur, what is the rule of the Department ?

There is no rule in force limiting time for the reconsideration of a case on application of parties concerned. Decisions rendered by the Department twenty years ago have been reversed by the Department within the last few weeks.

779. Are you aware of cases upon which you have reported unfavorably, as not in conformity with the law and the usages of the Department, but which have been entertained and decided by the Commissioner for the time being ?

My reports have been almost uniformly accepted and approved by the Commissioner.

780. Have you reported against claims on the ground of lapse of time ?

In such cases I have not reported. Letters have been written to the parties stating that lapse of time barred the claim, or the fact has been communicated verbally to them or their agents.

781. Are these letters or verbal replies a final exclusion of the cases involved ?

Parties may renew their application at any time.

782. Have cases for the time disposed of by these written or verbal statements, afterwards been entertained and acted upon ?

They have, in consequence of the alteration in the law rendering them admissible.

783. What do you mean when you speak of a stretching of the law as having repeatedly occurred ?

I mean that under the great discretionary power vested in the Commissioner of Crown Lands, in some cases it has been deemed advisable to act in a manner at variance with the strict letter of statutory provisions. The Commissioner for the time being has, in some instances, acted in contravention of the law for the good of the public.

784. Will you state some of these cases ?

I might instance a case in which a patent issued under the authority of the Executive, without the claim being preferred before the Heir and Devisee Court. This was previous to the enactment of the existing law, which confers this power upon the Commissioner.

785. To what particular case do you refer? When did it occur?

I think the name of the patentee is Gagnon, and that the patent was issued on the recommendation of Mr. Hillyard Cameron as Attorney General. The date I cannot state from memory.

786. Is there any fixed rule in the Department, regulating the form of compensation given to claimants?

In some cases scrip is given; in others lands; the Commissioner decides which.—Formerly, letters of credit, applicable in the purchase of land from the various agents, were granted to claimants.

787. Is there in force an order by Mr. Vankoughnet, fixing scrip as the form in which compensation shall be granted?

I think there is. Payment in scrip obtained, however, previous to the issue of Mr. Vankoughnet's order. I consider payment in scrip the rule.

788. Have there been recent cases in which land has been granted in compensation in lieu of scrip?

There have been several.

789. Will you name the more important?

The largest grant of land in compensation was to Sir Richard Airey, in 1858, who claimed for lands patented to him in the township of Aldborough, and which were found by special survey not to exist. This grant covered 2,500 acres. Another grant was to Mr. Macbeth, M.P.P., of 741 acres, in the township of Dunwich, in compensation for deficiency in contents of certain lots in the said township. Mr. Macbeth's grant was under an Order in Council of 7th February, 1859.

790. When was Mr. Macbeth's claim filed in the Department?

On 8th July, 1857.

791. What were the grounds of the claim preferred?

In his memorial to the Executive, dated 8th July, 1857, Mr. Macbeth set forth that as devisee of the late Hon. Col. Talbot, he was entitled to the real estate possessed by that gentleman; that amongst the lands bequeathed to him were certain lots in Dunwich granted as containing 1,330 acres; that by reason of false survey, or by a change in the original survey, the grant was found to be very deficient; that Col. Talbot, in his lifetime, and within five years of the date of the discovery, made application for compensation; that the claim was considered good by the then Surveyor General, Mr. Parke, but that an obstacle then presented itself, "as that gentleman wrote Col. Talbot on the 31st December, 1844, in the "statute then in force regarding the Public Lands"; that Mr. Parke added, "that should that "obstacle be at any future time removed, there appeared to be land at the disposal of the "Crown, situated between Concession A and the 4th Concession of Dunwich, available;" that the long illness and subsequent death of Colonel Talbot prevented further action being taken; and that (in the memorialist's opinion) the obstacle referred to by Surveyor General Parke had been removed by the 20th section of Statute 16th Victoria, chapter 159. The memorial was accompanied by the probate of Colonel Talbot's will, bearing date March 3rd, 1853.

792. In 1844, when Colonel Talbot's original application was made to the Government, what was the requirement of the law in reference to time limiting claims for compensation?

Under the law as it then stood (4 and 5 Victoria, chapter 100, section 28), claims for compensation were required to be filed within five years from the date of the issue of letters patent.

793. What was the date of the patent under which Colonel Talbot held the lands in Dunwich, on account of which this claim was preferred?

The patent bears date 25th July, 1821.

794. Then under the law as it stood when Col. Talbot made his application the claim was invalid?

At that time it was invalid.

795. Under what circumstances was a renewal of the claim permitted by the Department?

Under the statutory provision that opened such claims; I refer to Statute 16 Victoria, chapter 159, section 19, which provided that claims for compensation might be preferred within five years from the date of the discovery.

796. In the general practice of the Department, was the statute you now cite treated as retrospective in its operation?

Yes.

797. Can you adduce from the statute a clause showing that this was its intent?

I cannot. But the Department held and has acted upon the view that the 19th section of the statute in question sanctioned the granting of compensation on claims which, under the previous law, had been declared inadmissible.

798. Has this construction of the clause been sanctioned by the law officers of the Crown?

We find no opinion of the Attorney General in regard to it. Recently, I believe, a question has been raised by Mr. Commissioner McDougall as to the legality of the view I have expressed; and I am under the impression that some communication has since been had with the law officers of the Crown in regard to it.

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Tuesday, January 27th.

THOMAS HECTOR.—Examination resumed.

799. Under the rendering of the Statute, 16 Victoria, Chapter 159, Section 19, by which the Crown Land Department gave to it a retrospective effect, have many claims, before rejected as inadmissible, been revived and decided upon favorably?

At present I am not able to name more than the case of Mr. Macbeth. But an examination of the papers in my office, which is now being made, may bring to light more.

800. Is any Order in Council relating to the re-opening of cases in which decisions have been pronounced, on file in the Department?

Orders in Council have been again and again passed, in my judgment prohibiting the revival of cases decided by the Executive. I produce one of these orders, dated 17th of November, 1847, which declares: "In order to prevent continual confusion and interruption of the public business, especially in the Crown Land Department, it is of great consequence that Orders in Council respecting claims for land should be held to be final, and that no reconsideration should be permitted except on the clearest evidence that such Orders had worked positive injustice." These Orders, however, have not been respected.

801. Was the original application of Col. Talbot, for compensation on account of Dunwich lands, dealt with by Order in Council?

I cannot answer positively. My impression—looking at the documents before me—is, that the application was answered by Mr. Surveyor General Parke. As the application was inadmissible, it could not have been reported to the Executive.

802. Can you enumerate the lots in Dunwich on account of which compensation was granted to Mr. Macbeth?

I can. Lot A, broken front, with lots A and C, in 1st Concession, together 330 acres. Lot A, 2nd Concession, 200 acres; Lot B, 2nd Concession, 200 acres; Lot C, 2nd Concession, 160 acres; Lot B, 3rd Concession, 200 acres; Lot C, 3rd Concession, 160 acres. Total 1250 acres. Mr. Macbeth originally petitioned as for a deficiency on 1330 acres, but an examination of the patents showed that the deficiency was, as I have stated, on patents for 1250 acres. A survey of these lots by Mr. Springer showed that the actual contents of these lots amounted only to 509 acres, leaving a deficit of 741 acres; and this deficiency formed the basis of the compensation granted.

803. Was any valuation of these lands made in behalf of the Crown, before determining the amount or quantity to be granted in compensation?

I do not find amongst the papers any evidence that a valuation of the whole was made

804. On what basis, then, was compensation granted to Mr. Macbeth?

In the meantime I can only answer conjecturally. From a memorandum of Mr. Commissioner Vankoughnet, however, I learn that certain of the lands granted in compensation were valued at \$3,496, and that, in addition, 304 acres were granted.

805. What lands were thus granted to Mr. Macbeth?

They were all in Dunwich. North half lot A, 3rd Concession, 104 acres; lot B, 5th Concession, north of the Gore, north of Concession A, 200 acres; lot 11, 5th Concession, north of A, 200 acres; lots 13 and 21, 5th Concession, north of A, 400 acres; westerly part of lot 12, 5th Concession, north of A, 174 acres. Total 1078 acres.

806. Were any of these lots at the time occupied by actual settlers?

Some of them were and still are occupied by settlers. One case in particular has been brought before the Department. I allude to the case of Archibald McTavish, who has for several years occupied the north half lot A, 3rd Concession, Dunwich, under an Order in Council, permitting him to purchase from the Crown. According to a report of Mr. Askin, McTavish has been in occupation of the lot 9 years, and has a clearing of 50 acres with buildings.

807. Have steps been taken to remedy the injustice done to certain settlers by this grant to Mr. Macbeth?

On 31st December last, Mr. Macbeth was written to by the Department, requesting him to relinquish the lot occupied by McTavish, on receiving other land or scrip in lieu. I am not aware that any answer has yet been received from Mr. Macbeth.

808. You spoke yesterday of a large grant of land in compensation to Sir Richard Airey: what are the particulars?

Sir Richard Airey's claim related to certain lands in the township of Aldborough, arising out of a re-survey of the township, under the Act known as the Aldborough Act, 16 Victoria, chapter 225. Under the operation of this Act, it appears that General Airey surrendered certain lands which had been patented to Col. Talbot, and received others in compensation. The surrender was necessitated by the Act of Parliament, and was therefore obligatory on General Airey.

809. Was any valuation of the lands surrendered made on the part of the Crown?

Three valuations were made, respectively, by Mr. Askin, Crown Land Agent, Mr. Salter, Provincial Land Surveyor, and Mr. Jones, of the Crown Land Department.

810. What were the totals of the several valuations made by these parties?

The quantity surrendered was 2,257 acres, which were valued by Mr. Askin at \$9,553; by Mr. Salter, at \$31,939; by Mr. Jones at \$16,451.

811. What was the quantity and what the value of the lands granted in compensation?

The total quantity granted was 2,696 acres. Of this, 1,593 acres were granted unconditionally, and 1,103 acres subject to sale to occupants at Mr. Askin's valuation. Mr. Askin valued the whole at \$14,106; Mr. Salter at \$21,485; Mr. Jones at \$16,800. The 1,103 acres were to be sold to occupants at an average of \$6.42 per acre.

—

Wednesday, January 28th.

HENRY JOHN JONES, sworn.

812. You are a Clerk in the Crown Land Department?

Yes, in the Upper Canada Sales Branch.

813. Is it your duty to prepare scrip issued in compensation?

I have prepared all compensation scrip issued under the Act 23rd Victoria, chapter 2.

814. On what authority do you prepare it?

Generally under the written authority of the Commissioner; sometimes under order in Council.

815. How do you prepare it? And subject to what checks?

We have scrip books, each containing 500 notes, with marginal record. These form books are kept by Mr. Russell, until they are required for use. The book in use is sometimes in my custody, sometimes in that of Mr. Ford, the Accountant. When an order is given to me to prepare a certain amount of scrip, I fill up the notes, setting forth the date of the note and the number of the written authority for the issue. At the same time I fill up the marginal record. I do not always fill all the notes myself; sometimes they are filled by a junior clerk, but I sign the whole, and am always responsible for their preparation, in conformity with the order and with the office regulations. When the scrip has been prepared by me, the scrip and the whole of the papers connected with its preparation are taken by me to the Assistant Commissioner, with what is called the scrip entry-book, which book sets forth the reason for the issue, its amount, and the date and numbers of the scrip notes. The Assistant Commissioner examines the notes, and compares the amount prepared with the amount authorized, and also with the entries in the entry book. He then signs the scrip, and returns it to me—still in the book. I cut the notes off and deliver them to the parties for whose benefit they are issued, taking receipts therefor, or a signature in the scrip entry book. Sometimes the scrip is transmitted by mail, and in these cases the receipts do not come to us until afterward. The form books, containing the marginal records only, are supposed to be in the custody of the Assistant Commissioner, but they are frequently kept by the Accountant.

816. Have you anything to do with the cancelment of scrip received in payment?

No. I believe that the Accountant is responsible for the cancelment when scrip is received.



817. Have you recently prepared compensation scrip in favor of the Church Society of the Diocese of Toronto?

Yes, in October last, to the amount of \$8,000.

818. Was the preparation of this scrip subject to the forms and checks you have described?  
It was prepared subject to the regulations I have described.

819. Had you written authority for its preparation?

The Order in Council authorizing a grant of land in favor of the Church Society, in trust for the Rectory of Markham, came to me in ordinary course, and scrip was applied for in lieu of land, by Mr. Chesley, the agent of the Church Society.

820. By whom was the substitution of scrip for land authorized?

The Assistant Commissioner directed me to prepare \$8,000 scrip notes in favor of the Church Society, and I prepared them accordingly. Mr. Russell said: "Prepare the scrip: there is an Order in Council." I think that these were his words.

821. Did you notice the discrepancy between the terms of the Order in Council and the terms of Mr. Russell's instructions?

I did not take particular notice of the discrepancy. I may add that since the passage of the Act, 23rd Victoria, chapter 2, we have been in the habit of considering orders for compensation in land or scrip to mean the same thing; and so far as I remember, since the passing of the Act, scrip has invariably been given. I am now satisfied, however, that the preparation of scrip for the Church Society was a mistake on my part: I should have brought it more directly under the notice of the Commissioner of Crown Lands. My reason for not doing so was that I was told by the Assistant Commissioner that the Commissioner had told him that a power of attorney from the Church Society was necessary to authorize Mr. Chesley to receive the Society's scrip. I did not enquire further.

822. Can you state what occurred subsequently?

I delivered the scrip to Mr. Chesley, when the power of attorney from the Church Society was produced. I was subsequently informed by the Commissioner that the scrip had been erroneously issued, and I was directed to note in the scrip issue or entry-book, and in the return to the Auditor of Public Accounts, that it had been so issued, and had been demanded back. I believe that it has not yet been returned.

Thursday, January 29th.

JOHN C. TARBUTT, SWORN.

823. You divide with Mr. Hector the Upper Canada Sales Branch?  
Yes.

824. When were you placed in your present position?

About two years ago. The division of the Branch took place when Mr. Spragge was at its head.

825. What was the local extent of your jurisdiction when you were appointed to the position you now hold?

I was placed in charge more particularly of the newly surveyed townships—that is, as a rule, townships surveyed after the Union. I have also charge both of the School and Clergy Lands throughout Upper Canada.

826. What proportionate addition has been made to the townships under your management during the last two years?

Speaking roundly, I think that there has been an addition of about one-third. The dismissal of a number of Crown Land Agents, on 1st January, 1862, added to the labors of my Branch, and also the notice published on 2nd November, 1861, relating to the lands sold subject to settlement in Huron, Bruce, Grey, and Wellington.

827. When you assumed the management of your section of the Branch, were there many arrears?

Certainly there were arrears, but there were none of very old standing.

828. What is the present extent of the arrears, distinguishing between claims, assignments, and correspondence?

Most of the unsettled claims are connected with the Huron and Bruce lands; these have been accumulating since the sale in 1854-5. The number of unsettled claims in Wellington is very limited; I cannot call to mind any of ten years' standing. I cannot state the number of unregistered assignments, but I should say that it is not considerable. There are many assignments of several years' standing which are not registered; but they are so because they are not in a position to be registered, owing to payments on the lands being in arrear. There is unanswered correspondence, but the arrears in this respect are not of long standing, nor are they considerable.

829. Have all the unsettled claims been reported upon to the Commissioner, in one shape or another?

No. There may be, altogether, thirty or forty cases which have not been reported upon to the Commissioner.

830. Are only those assignments unregistered which are not ripe for registration?

I should say that the older ones, which are fit for registration, have been registered.

831. Did Mr. Sicotte, when Commissioner, previous to the passage of the present Land Act, issue instructions that all assignments should be at once recorded?

He did not issue an order that all arrears should be registered, but that assignments with reference to which the conditions of sale had not been complied with, might be registered if desired by the parties.

832. The order was not obligatory?

It was obligatory only in its application to parties who desired to have their assignments registered.

833. Was the order acted upon in your Branch?

It was.

834. Are you aware of instances in which new claims and new difficulties have arisen in consequence of delays in your Branch in dealing with claims and assignments?

I cannot call to mind any such instance.

835. Have such instances occurred in the township of Maryborough?

No; I cannot remember any.

836. Do you remember the circumstances connected with the east half of lot 13 in the 1st Concession of Maryborough?

I recollect the case of one Marks, in the township of Maryborough; but I cannot recollect of any wrong or loss arising out of the action of my Branch in regard to it.

837. In whose name did the lot in question originally stand in the books of the Department?

It was sold on 1st May, 1855, to A. M. Goodrich. I do not know who Goodrich is. I did not know that he was in the employment of the local Crown Land Agent at the time of the sale.

838. Did Goodrich assign his interest, and to whom?

He did. He assigned the lot to James Geddes on 16th May, 1855, and Geddes assigned to William Reid on 8th October, 1857.

839. Did the Mr. Marks to whom you have alluded claim this lot at the time of sale, and as an occupant previous to the sale?

It was upon this assertion that the claim of Marks was based. He embodied this statement in an affidavit, dated 2nd November, 1860, alleging that he had erected a shanty and cleared several acres. In this affidavit, Marks declared that he took possession of the lot in 1849; that he shortly afterwards informed Mr. Andrew Geddes, the local agent, of his having done so; that in 1856 he went to reside on the lot; and that he erected thereon a large saw-mill.

840. Did Marks' possession of the lot involve him in a law suit?

It did—in a chancery suit—namely, Reid *vs.* James Geddes, Andrew Geddes, John Durkin, Robert Marks, and William Woodsworth.

841. Was the Department applied to by the Counsel for Marks for information as to the lot, more especially as to the name of the original locatee and his assigns, if any?

I find a letter from Mr. Edward Fitzgerald, of Toronto, dated 31st March, 1859, who applied in behalf of Marks, asking that he might be allowed to purchase the lot, and complaining of its having been sold by Mr. Andrew Geddes to his son, after having been apprised that he (Marks) was in possession.

842. Did you reply to Mr. Fitzgerald's letter?

Yes. On 26th September, 1859, an answer was sent to Mr. Fitzgerald. In this reply I stated that when surveyed in 1849, the lot in question was reported vacant; that in the following January, public notice was given that the lands were for sale, and that parties in occupation were required to purchase within three months from that date; that the east half was not sold until May, 1855, and not then to Mr. James Geddes, but to A. M. Goodrich, and subsequently assigned by him to William Reid; and that Marks was at liberty to file evidence in support of his claim.

843. Had you further communication with Marks' Counsel upon the subject?

Yes. I cannot at this moment produce another letter from Mr. Fitzgerald, but I find draft of a letter prepared by me, dated 3rd September, 1861, enclosing a certificate relating to the east half of the lot, being the portion of the lot in dispute.

844. Can you produce a copy of the certificate?

I produce a copy. As sent by Marks' Counsel to the Department for execution, the certificate embraced only the purchase by Goodrich and the assignment to Reid. Before executing the certificate, I inserted mention of the assignment by Goodrich to James Geddes.

845. Your previous letter, in reply to an application for information, did not recite the assignment to James Geddes?

It did not.

846. Was the case more recently delayed by your failure to produce the papers connected with it?

Apparently the papers were asked for on the 1st July, 1862, by Mr. Gibbs, Mr. Marks' agent. I cannot remember ever having seen Marks. When asked for I was under the impression that the papers were still in the hands of Mr. Andrew Geddes, the agent, and I wrote for them on the 1st July. On the 7th the agent reported that he had returned them, and I found them in my office.

847. Has the case been disposed of, and how?

On 21st November last, it was disposed of by the Commissioner in favor of Marks.

848. What has been the recent practice in regard to the issue of patents for lands in townships subject to what are known as settlement duties?

After the notice of the Government, dated 2nd November, 1861, patents could issue without the performance of settlement duties, on certain conditions. This notice applied to the Counties of Huron, Bruce, Grey, and Wellington. The conditions were, the payment for the land at the rate of two dollars per acre, and the payment of an additional twenty-five cents in lieu of settlement.

849. Have these conditions been dispensed with in any of the counties named?

The practice ceased in September last. From November, 1861, until that period, compliance with the conditions was uniformly exacted.

850. Do you remember any exception?

There was none.

851. Do you remember any exception in the township of Minto?

I do not remember any.

852. Do you remember the issue of patents for Minto lands to one Mr. Kennedy, of Glasgow, Scotland?

I do.

853. What were the particulars?

In June, 1862, six lots of 100 acres each, in Minto, were patented to Thomas Kennedy, of Glasgow, Scotland. The lands were paid for at the rate of \$2 per acre, with the addition of 25 cents per acre; and with the exception of one lot, which was paid for at the original price (\$1.50) in consequence of an alleged performance of settlement duties thereon.

854. What was the exceptional lot?

Lot 18 in 11th Concession, Minto.

855. Were settlement dues performed on this lot by Mr. Kennedy or anybody from whom he held an assignment?

I presume not.

856. On what information did your Branch receive the actual settlement price on this lot?

On the report of the agent, Mr. Andrew Geddes, that there was a person living on the lot, with six acres cleared, fenced, and under crop.

857. Had not your Branch previous information from other sources, showing that this lot was claimed by its occupant, by whom the clearance had been made?

Certainly we had.

558. Will you state what this previous information amounted to?

On 1st June, 1857, the Department received a petition through Mr. William Lyon McKenzie, M.P.P., signed by inhabitants of Minto, setting forth that lot 18, in the 11th Concession, was occupied by Edward Irwin, and had been for about 11 months; that he had made improvements thereon; that he had made an application to the agent to purchase; that the agent refused to take the money, saying the lot was already taken up, but would not tell the applicant by whom; that applicant informed the agent that the lot was not occupied by any one but himself, and asked if the land was not to be sold to actual settlers; and that the agent replied, it was not his business.

559. What was the answer of the Department to this petition?

An answer was sent on 5th June, 1857, to the effect that the lot had been previously sold, and that as the petitioner admitted he had taken possession after the sale, the Government could not interfere in his behalf.

560. Were further applications made in Irwin's behalf?

In August, 1859, an affidavit was filed, signed by three neighbors, alleging that Irwin had erected a dwelling on the lot, and had resided continuously upon it since the spring of 1856. In March, 1861, also, an affidavit was filed, signed by the Reeve of Minto, Archibald Harrison, and Alexander Irwin, and certified by William Yeo, Clerk and Treasurer of the Township. This affidavit set forth continued occupancy of the lot by Edward Irwin, and the payment of taxes and performance of statute labor by him.

561. What action was taken by the Department in regard to these affidavits?

They were brought under the notice of the Commissioner on 6th April, 1861, when the Commissioner declined to interfere.

562. Did you on that occasion make any representation to the Commissioner touching payments on this lot by James Phin, who appeared in your books as the original locatee?

I did. I represented that five instalments had been paid in Phin's name; the lots still remaining in his name.

563. How long did Phin actually hold the lot as locatee?

Ten days. He acquired it on 15th November, 1855; on 25th November, 1855, he assigned it to Josias Bray, Hamilton; on 22nd December, 1855, Bray assigned it to Alexander Kennedy, of Hamilton; and on 8th May, 1860, Alexander Kennedy assigned it to Thomas Kennedy, of Glasgow.

564. What were the dates on which the five payments were severally made?

The first was paid on the date of sale; the four others were paid on 3rd January, 1860.

565. Were these four instalments paid in Phin's name?

They were paid by Kennedy on account of the sale to Phin. They appeared in our books to the credit of the lot as held by Phin. We knew of the assignments, but they were not registered.

566. Do you recognize assignments executed irrespective of the original conditions of sale?

We do not. The law now requires that the conditions of sale shall be complied with, or dispensed with by the Commissioner. When the four instalments were received on Phin's lot, in 1860, the Department required the conditions of sale to be complied with before registration.

867. When you reported to the Commissioner five payments in Phin's name, were you aware that the conditions of sale had not been complied with by him or in his behalf?

Of course, I was under the impression that they had not been complied with.

868. As the head of the Branch charged with the management of these sales, do you state that the issue of a patent to Thomas Kennedy, at the settler's price, without the performance of settlement conditions, was in conformity with the rules and practice of the Department?

It was not in conformity with the regulations of the Department, and had the case been brought under my notice, I should have stopped the issue of the patent.

869. Who, then, is responsible for its issue?

I must blame Mr. Kirkwood for it. He marked the lot off as though settlement duties had been performed.

Friday, January 30th.

JOHN C. TARBUTT.—Examination resumed.

870. In deciding upon conflicting pretensions to lands, do you recognize the rights of settlers as against the claims of speculators?

Under the notice of 2nd November, 1861, we are bound to do it, if the settler is a resident on a lot and has five acres cleared and under crop. If a non resident, he is to be compensated for his improvements. Previous to 1861, we generally protected squatters who had been on lands previous to their being sold to others.

871. Do you recollect the decision of the Department in a case relating to lot 32 in the 13th concession of Wawanosh?

I recollect a case of Harrison and Stayner in the County of Huron, I think in the Township Wawanosh, but I cannot give the particulars without reference to the papers.

872. Will you ascertain the particulars, and at the same time produce the report of the Hamilton-Gowan commission on the case?

I produce the documents and the report. The latter was received by the Department on 4th February, 1857, the Commission having conducted its enquiries during the previous year. The facts recited by the Commissioners in relation to Lot 32, 13th concession, Wawanosh, are, that in August, 1854, Harrison applied to the Crown Land agent at Goderich, Mr. Clark, to know if he could purchase the land; that the agent replied that he had several applications, but that the lot was not open for sale; that Harrison immediately entered into possession and made large improvements—namely, a dwelling with out-houses and about 15 acres cleared; that he paid all taxes and performed statute labor; that in March, 1856, he again called on the agent, and was for the first time told that the land had been sold. The statement of the agent to the Commissioners was, that long before Harrison applied for the lot, it had been applied for by Mr. Thos. A. Stayner, who asked that the lot should be kept for him until he could have the lot examined by a surveyor; that he (the agent) complied with the request; that some time afterwards a surveyor examined the lot, but before the agent received the surveyor's report, he (the agent) re-

ceived a letter from the Crown Land Department, suspending until further notice all sales of Clergy Reserve Lands, of which this lot was a part; that a few days after the receipt of the order for the suspension of sales, the agent received the surveyor's report and bill of charges; that he transmitted the same to Mr. Stayner, stating at the same time the order he had received for the stoppage of the sales; that Mr. Stayner sent back the surveyor's fee and begged the agent to keep the lot for him (Mr. S.) till powers should be given to sell; that the agent agreed to do this; that he subsequently sold the lot to Mr. Stayner at \$2.50 per acre, receiving the first instalment. Upon this case the Commissioners say: "By the agent's own admission, there existed a very unwarrantable sub-agency between the local agent, Mr. Clark, and the purchaser, Mr. Stayner, amounting to collusion to deprive Harrison of the land. If the agent had promised Mr. Stayner the lot, previous to Harrison's first application (as he states he did), then it was his plain duty to have communicated that fact to Harrison. But to allow him, in ignorance of it, to enter upon the lot, to erect several buildings, and to make extensive clearings, for Mr. Stayner's benefit, was clearly an act of very censurable duplicity, and one which the Government alone can now redress. The Commissioners recommend that the first instalment be returned to Mr. Stayner, and Harrison be accepted as the purchaser."

873. What action did the Department take upon this statement of facts?

No action at all was taken upon it. The duties of the Commissioner were supposed to be confined to lands subject to settlement?

874. Has not the Report of the Hamilton-Gowan Commission been acted upon by your Branch in other cases than those of lands subject to settlement?

We often refer to the Report for information, and I have certainly availed myself of it frequently.

875. What other information have you relating to the Wawanosh lot?

The patent was granted to Mr. Stayner on 26th June, 1857

876. Was the patent granted with a knowledge of the facts related by the Commission, and which were on record in the Department?

Certainly not.

877. Had the facts which were on record been known, would the patent have been issued to Mr. Stayner?

I should have stopped it certainly, pending the decision of the Commissioner.

878. Has anything been done to afford redress to the settler, Mr. Harrison?

In July, 1858, a petition was presented by Mr. Holmes, M. P. P., signed by settlers in Wawanosh, setting forth the wrong which had been done to Harrison, and praying that justice might be done by confirming his title to the lot. The petition was signed by a large number, including the Reeve of the township. Nothing has, however, been done in the way of redress. I presume that Mr. Holmes was made aware of the previous issue of the patent, but no direct communication was had by the Department with the petitioners.

879. What is the course pursued in the Department on the receipt of letters connected with Departmental business?

In the first instance, all such letters pass through the hands of the Commissioner or Assistant Commissioner, whence they pass to the Registrar, by whom they are entered, and by whom they are distributed amongst the different branches.

880. Is the rule with regard to the registration of letters on Departmental business absolute?

Yes, unless the letters are in the first instance retained by the Head of the Department

881. Do you frequently receive letters on Departmental business which pass neither through the hands of the Commissioner nor Assistant Commissioner, and are not entered by the Registrar?

Inquiries are often made by letter direct through me, relating to Departmental business, which do not go through the routine I have described, and are not placed on record. These, however, only relate to trivial questions, and usually they are placed on file in my office. I always answer them officially, but my replies are not always copied.

882. Do you swear that the letters thus irregularly received and answered relate only to trivial questions?

Yes.

883. Have you in this manner received and answered letters from Crown Land Agents, with reference to business connected with their agencies?

Yes.

884. Have you addressed letters to agents or others, concerning Departmental business, without preserving official copies of the letters sent?

Yes.

885. Is your Branch in receipt of fees?

Fees are paid in connection with the Branch, but they are not received by the Branch.

886. Are fees for certified copies of documents ever received by the Branch?

They are.

887. Are these fees always paid over by the Branch to the Accountant of the Department?

When they are for copies of documents made by the Clerk at home, in the evening, they are not. In these cases the Clerk receives the fees at the rate of 6d. per folio. This has occurred only twice or thrice.

888. The Statute 23rd Victoria, chapter 2, section 31, provides that an employé of the Crown, taking fees for official labor, shall forfeit his office or employment and be liable to a penalty of \$400: do you consider the taking of fees in the cases you have described in contravention of law?

I certainly so consider it now, but it never struck me before, or I should not have allowed it.

**ALEXANDER KIRKWOOD, sworn.**

889. You are a clerk in the Upper Canada Sales Branch of the Crown Land Department?

Yes.

890. What do you know with reference to the issue of a patent to Thomas Kennedy, of Glasgow, for lot 18 in the 11th concession of Minto?

The papers connected with Mr. Kennedy's lands in Minto came into my hands in the regular way. I did not examine the assignments, but I read the letter of Mr. Andrew Geddes, the agent, referring to Mr. Kennedy's lots, and I marked off Lot 18, 11th Concession as one upon which settlement duties had been performed. I then observed that against the lot in our land roll there was an entry indicating that previous correspondence had been had regarding this lot, which entry I marked in ink against a copy made by me of the list of lots supplied by Mr. Geddes. My object in doing so was to direct to the circumstance



the attention of the head of the Branch, Mr. Tarbutt, and also of the person whose duty it is to register assignments, Mr. Arthur Taylor. On handing the papers to Mr. Tarbutt, my duty in the case ended.

891. You speak of previous correspondence respecting the lot; do you know its purport?

In July, 1860, Mr. Andrew Geddes enclosed to the Department the assignments from the several purchasers of the lots in Minto, to Mr. Kennedy, with the view of having them recorded. The Department wrote to Mr. Geddes on the 26th of the same month, stating that the assignments could not be registered until proof of the performance of settlement duties was filed; and that such proof should show distinctly when and by whom the improvements had been made. To this letter no reply was received.

892. Were you aware of this unanswered application from the Department for proof, when you marked the lot more particularly in question, as having had settlement duties performed upon it.

I was not.

893. Were you justified, under the circumstances, in so marking it?

I consider that I was justified in making the entry of settlement against the lot, at the time. But if the papers indicated by my reference to a previous entry against the lot had been examined at the time, no doubt the patent would not have been issued until the case had been submitted to the Commissioner.

894. Do patents usually issue on the authority of your examination of papers, without further examination by the head of the Branch or others?

They should never do so. They do so issue, however, sometimes. I am satisfied that the Minto case does not stand alone in this respect.

895. Can you state the condition of your Branch in respect of arrears?

There are a good many unsettled contested claims, but I cannot say the exact number. I am sure that all of them have not been reported upon to the Commissioner. I have no doubt some of eight years' standing could be found. Assignments have accumulated chiefly because when received they could not be registered in accordance with Departmental regulations. As to letters to which no replies have been given, there are several thousands.

896. Have only those assignments accumulated which could not properly be registered when received?

I may say yes. I remember Mr. Sicotte's order that all assignments should be registered on receipt, whether arrears had been paid or not, and whether settlement duties had or had not been performed. This order was not carried out in our Branch in respect to assignments filed prior to its date.

897. Is the accumulation of claims and assignments increasing or diminishing, taking into account the new work daily coming in?

It is increasing. In this respect I believe the Branch is getting worse.

898. Is the number of unanswered letters increasing?

It is. The diminution does not keep pace with the increase.

899. Are you aware of the receipt in your Branch of correspondence which is treated as private and not registered, and to which official answers are sent?

I am not.

900. Are you aware that letters have been sent from your Branch, concerning Departmental business, copies of which have not been made of record?

I am aware that this has been done, but I am aware of it only so far as I am personally concerned.

901. Will you swear that you are not aware that letters addressed privately and not registered, relating to Departmental business, have been received by others, and that official answers have been given to these letters without being copied in the Branch?

I will.

902. Do you know of the receipt by clerks of fees for certified copies of documents in your Branch?

I know of the receipt of such fees.

903. By whom?

Arthur Taylor. I cannot say that I have seen the money paid into his hands, but I believe that its receipt was sanctioned by the head of the Department. The copies were made by Mr. Taylor at his own house, after office hours, and were subsequently certified in the office by the Commissioner or the Assistant Commissioner.

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Saturday, January 31st.

WILLIAM SPRAGGE, SWORN.

904. Were you appointed by Government to conduct an enquiry into certain charges preferred against Mr. Andrew Geddes, Crown Land Agent at Elora?

In 1859, whilst Superintendent of land sales, I was commissioned by the Governor General to investigate certain complaints made against Mr. Andrew Geddes, Crown Land Agent for the County of Wellington; and on the 8th March I commenced my investigation at Elora.

905. To what complaints was your attention directed by the terms of the Commission?

To complaints brought forward through Mr. Drew, Attorney at Law, Elora, by William Loney, Charles Loney, and 136 others, including several Justices of the Peace. The petitioners complained of corrupt practices on the part of Mr. Andrew Geddes, as agent of Public Lands, and others in collusion with him. The charges preferred were—that in the Township of Minto, where a large tract of land was offered for sale by the Government to actual settlers, at 7s. 6d. per acre, restricting them to 200 acres each, lands were taken up by using the name of friends, little children, and fictitious names; that Mr. Andrew Geddes, with one or two particular friends, were the actual purchasers of ten or twelve thousand acres of the most valuable lands, effected in the manner described; that in consequence of such fraudulent disposal of the lands in Minto, actual settlers were unable to obtain a lot by purchase without paying to the said agent, or his son, James Geddes, exorbitant prices for their fictitious rights; that in consequence of this, few were able to pay the price set on these lands by those parties, and that the settlement of the township was thereby kept back, and those who purchased, having to pay a large price over and above that placed on the lands by the Government, were kept in a state of poverty.

906. Did your instructions restrict your enquiry to these specific allegations?

My commission required me to enquire into the frauds alleged by the petitioners to have taken place. With it I received an official letter dated 27th January, 1859, directing me to take evidence not only respecting the charges preferred in the petition, but also

with reference to any other charges against Mr. Andrew Geddes, which might be brought forward.

907. Into what other charges did you enquire ?

They mainly related to lands in Minto, though there were also charges relating to lands in other townships embraced in Mr. Geddes' agency.

908. In what manner did you conduct the investigation ?

On arriving at Elora, I communicated with Mr. Andrew Geddes and Mr. Drew, apprising them that I had been appointed to hold the investigation, and requiring them to appear before me with a view to my proceeding with it. I had previously notified Mr. Geddes thereof by letter. By letters addressed to 48 of the petitioners, I had previously informed them when and where I should commence the investigation, and I intimated to Mr. Drew and Mr. Jacob, who assisted him, that it would be for the petitioners to sustain by testimony on oath the charges and allegations set forth in the petition. Mr. Andrew Geddes, on account of his advanced age (said to be 78 years), did not attend throughout the investigation in person, but was represented by Mr. A. J. Fergusson, barrister, of Guelph. I took evidence by affidavit from 44 persons, hearing the statement of each, reducing it to writing, reading it over to them, and obtaining their signatures thereto. Mr. James Geddes, son of the agent, was present during the investigation in his father's behalf; and I afforded him, and also Messrs. Ferguson and Drew, the opportunity of putting any question to the witness which they might desire. It is probable that some of the statements embodied in the affidavits were drawn out by questions thus put. When the examination of witnesses brought forward on behalf of the petitioners ended, I gave to Mr. Andrew Geddes an opportunity of rebutting any of the charges which had been brought forward; but I am not aware that he succeeded in doing so to any extent worth mentioning. On my return from Elora, I took some evidence at Hamilton and also at Toronto, bearing upon my examination at the former place; neither the petitioners nor the agent being present during the examination at Hamilton and Toronto. The evidence which I expected to obtain there I considered of minor importance as affecting the transactions of the agent. I returned to Toronto about the 25th March, and shortly afterwards proceeded with the preparation of my report. It bears date 26th April, 1859; and to it were attached the affidavits of the various parties whose depositions I had taken. I now have the original documents before me.

909. Will you proceed to state the outlines of the principal cases which came under your notice during this investigation ?

Amongst the most important cases which came under my notice was that particularized in the affidavit of Malcolm McMaster. He stated that in October, 1855, he called upon Mr. Andrew Geddes, with the object of purchasing Government land in Minto; that Mr. Geddes informed him he had none for sale, but that his son had; that about the 8th October he (McMaster) purchased from Mr. James Geddes (who occupied an office in the same building with his father), lots 33 and 34, in 3rd concession, Minto, for himself; that in November he purchased for his brother Alexander, lots 37, in 3rd concession, and 33, in 2nd concession; and for his brother Charles, 29 and 31, in 3rd concession, that he paid for the lots, over and above the Government price, \$1 per acre, with the exception of lot 37 in 3rd concession, for which he paid 5s. 3d. per acre. There was no improvement on any of the lots at the time he made these bargains. The Government receipts for the first instalment on each purchase were in the names of the deponent and his brothers respectively, and the price inserted in the agent's receipts was \$1.50 per acre. The deponent further stated that after he had settled with Mr. James Geddes for his own two lots, and paid him \$130 in cash, and had given him a note of hand for \$130, at three months, which he paid when due, he went in company with Mr. James Geddes to his father's office, when the latter told him that he had settled with his son and all was right, and he filled up receipts in deponent's name. Mr. Andrew Geddes had knowledge of deponent's paying to Mr. James Geddes a price extra to the Government price for lot 37, in 3rd concession, for deponent's brother, Alexander. The

money was paid not to the agent, but to his son. All deponent's available means and those of his brother were taken up in making the payments alluded to, and the result was that they were obliged to leave their lands and discontinue improvements to earn money. Deponent produced receipts, for first instalments on the lots in question, signed by Andrew Geddes, agent; placing deponent and his brothers in the position of original purchasers from the Crown. Deponent also produced a letter of Andrew Geddes to Rev. John McMaster, Puslinch, dated Elora, 25th September, 1855. In this letter Mr. Geddes wrote that he had no lands in Minto that were not disposed of; that his son, James Geddes, a land agent in Elora, had for sale 400 acres in one block, and 200 acres in the same vicinity; that his price for the good will of each 100 acres was £30; that one instalment had been paid on each lot; and that this was a good chance, as lots in the township were selling at from £100 to £150 for the good will. Another case was that of Thomas McCombs, of Minto, who deposed that in January, 1855, he went to the office of Mr. Andrew Geddes for the purpose of purchasing a lot on which to settle in Minto; that Mr. Geddes informed him he had no lands for sale in the township, but he thought his son had; that the latter came in and gave deponent a list of lots, 11, 27, 28, and 29, in 1st concession, Minto; that he (James Geddes) asked \$3.50 per acre for lot 11, and \$2.50 per acre for the other lots; that on 17th January deponent agreed with James Geddes to purchase lots 27, 28, and 29; that on the same day he paid James Geddes £22 on account of the purchase, taking his receipt therefor; that he agreed to pay a further sum of £53, or before the 1st July following; that by the agreement James Geddes stipulated that on the receipt of this further sum, he would execute a transfer of the good will to the said lots; that on 22nd May, 1855, a receipt by the local agent was delivered to deponent, as purchaser from the Crown, for the sum of £3 15s., as the first instalment on lot 28, at the rate of 7s. 6d. per acre; that the agent himself delivered this receipt to deponent; that William McCombs obtained a similar receipt in his own name for lot 29, and a similar receipt in the name of John McCombs for lot 27; that the entire amount named in the agreement (\$300) had been paid, with the exception of \$35, making up, with the Government price, the rate of \$2.50 per acre. Deponent stated that the agreement with James Geddes was made in the office of the local agent, and that the payments he had made had had the effect of keeping back improvements on the lots in question. A third case was specified in the affidavit of John S. Bridgford, of Fergus, carpenter. He stated that having acquired an interest in certain lots enumerated in his affidavit, he was allowed to pay to the local agent, as the first instalment, \$15 on each lot, and one dollar on each lot as an extra charge. The lots in question were 31 and 32, in 17th concession, Minto, which at the public sale in 1854 had been secured to one George Dolman, and which deponent obtained from Dolman by paying \$120 for his good will; the name of deponent's son, a lad of 17 years of age, being inserted in the agent's books as the original purchaser. These lots were not in the first instance inserted in deponent's son's name, but in the name of some other person whom deponent did not recollect, but whose name had been given by Dolman as the original purchaser. This name deponent observed upon the original sales' list, used at the auction. Deponent was also present when Dolman sold 900 acres in Minto to other parties. As bearing upon the petitioner's allegation that the names of children had been used as purchasers, I refer to the case of Wm. Ritchie, of Elora, shoemaker's apprentice. This name was inserted in the agent's list as the purchaser of lots 40, 41, and 42, in 15th concession, Minto. He went to live with Mr. Geddes, the agent, in September, 1854, on the second day of the public sale; deponent stating in his affidavit that he was 15 years of age in May, 1858. He had no knowledge of any land being entered in his name, in Minto or elsewhere, until two months previous to his deposition being taken before me, when his father told him of it. When in Mr. Geddes' service, being 11 years of age, he was in the habit of putting his name to transfers as a witness, and of being sworn to them; but he was confident that he never put his name to any paper purporting to be a transfer, except as a witness. Deponent had an uncle of the same name; and he also appeared and deposed that he had neither purchased nor authorized any person to purchase any land in Minto; that he had not executed a transfer of such lands; and that he knew of no other person named Wm. Ritchie except his nephew. An assignment was produced to me, a copy of which I made, dated 28th March, 1855, purporting to be from Wm. Ritchie, of Minto, and transferring lots 40, 41, and 42, in 15th concession, Minto, to James Geddes, for the sum of £10. The assign-

ment purported to be witnessed by Edwin H. Kertland, of Pilkington, but I had not an opportunity of examining him as to the transaction. These lots, by a transfer dated 16th February, 1857 (produced to me), James Geddes transferred to Mary Gordon, the consideration money specified being £200, this sum being exclusive of the balance of the purchase money due to Government. Mary Gordon, in her affidavit made 21st March, 1859, stated that she was quite certain that Mr. James Geddes, in making the bargain, told her that he was selling the land for another person. Another case of a sale having apparently been entered in the name of a minor relates to lot 39, in 8th concession, Minto. George Duncan, of Elora, carpenter, by an affidavit dated 18th March, 1859, stated that he took an assignment of this lot in the name of Sylvester Dalby, executed in the presence and in the office of James Geddes by one Francis Dalby, senior; he, the deponent, accepting the transfer under the impression that Francis Dalby was Sylvester Dalby. Deponent afterwards found Sylvester Dalby to be the name of a son of Francis Dalby, and that his age was about 12 years. This boy had since executed a transfer of the lot to his father, who, again, had a second time assigned the lot—in this instance to one Morrell. The first transfer had been handed by deponent to Mr. Andrew Geddes, who registered it, charging a fee of \$1 therefor. As sustaining the statements made in preceding affidavits, I refer to the affidavit of Wm. Gibson Morison, of the township of York, made 1st April, 1859. Morison deposed that he entered the names of the purchasers at the public sale of Minto lands, held at Elora in September, 1854; that, with the exception of certain lots marked "specially reserved," all the lots in that township were, to the best of his recollection, sold; that the number of lots knocked down at more than the upset price was, so far as he could remember, under twenty; that he had not, since the sale, seen the sales' list which he filled up. I endeavored, with the view of prosecuting the investigation as thoroughly as possible, to obtain possession of this sales' list, but without effect; Mr. Andrew Geddes and his son protesting that they did not know what had become of it. Upon examining Mr. Geddes' township book of Minto, I found that 48 lots were entered as sold during the year 1855; evidently showing that misstatements had been made by the agent to parties applying to purchase.

## Monday, February 2nd.

WILLIAM SPRAGGE.—Examination resumed.

910. Did your investigation into the affairs of the Elora Agency bring to light other irregularities than those which you have described? If so, what?

The investigation showed very clearly to my mind that Mr. Andrew Geddes, the agent, had permitted persons to evade the conditions contained in the notice of sale of lands in Minto, dated 4th August, 1854. One George Dolman, in particular, evidently was permitted, in other names, to secure several lots, instead of being restricted to 200 acres, as required by that notice. Another person who was similarly successful in obtaining more than the allowed quantity was one George H. Bender, of Hamilton. The affidavit of John S. Bridgford, to which I alluded in my evidence on Saturday, establishes the fact, so far as it concerns Dolman; and in the affidavit of John Copp, of Hustonville, made 10th March, 1859, he states that he was informed by Bender that he owned three lots in Minto. The Rev. John Smithurst, of Minto, in affidavit made 8th March, 1859, stated that George Dolman bid off, for various parties, lots in that township, giving in their names to Mr. Geddes. Mr. Smithurst stated that for a consideration of ten dollars, Dolman had selected lots for other parties, and had selected one for him. Further, Mr. Smithurst stated that in his personal knowledge, there were probably from 150 to 200 lots unoccupied and unimproved in Minto, and, to the best of his knowledge and belief, these lots were bid off at the auction in 1854. Copp, in his affidavit before referred to, stated that he had been

through Minto in the employ of Mr. Kertland, land surveyor, to whom he was apprenticed, and he believed that from 12,000 to 15,000 acres in the township were unoccupied and unimproved, three-fourths of which he considered fit for settlement. As showing that Mr. James Geddes had in his hands lands purchased on speculation, I refer to the affidavit of David Nickerson, made 18th March, 1859: He applied to Mr. James Geddes to purchase lot 63, concession C, Minto, and was asked by that person \$10 per acre for his right thereto. This occurred in January, 1856. Nickerson also stated that he was in the office of the local agent about one month after the public sale in September, 1854, with the object of purchasing land, and was informed by him that there was not a lot in the township which had not been disposed of at the sale. He was informed on that occasion, by the agent, that his son, Mr. James Geddes, had lands in the township for sale. James Geddes, whom he then saw, informed him that he had Minto lands for sale at from \$3 to \$8 per acre. He went up to Minto in May, 1855, and found a very large number of lots unoccupied and unimproved. In June, 1855, he again applied to the agent to purchase, who again answered that he had no lots in Minto, but that his son had. It was clearly shown by other deponents that James Geddes held for speculation large quantities of the land alleged to have been sold at the public auction, and which he offered for sale, and sold, in each case, at a considerable advance above the Government price. Another class of irregularities which had prevailed at Mr. Andrew Geddes' agency, I found exemplified in the receipt of fees for the registration of transfers. The affidavit of Moses Douglas, made 17th March, 1859, specified that he purchased from one Robert Newcomb his interest in lot 110, concession D, Minto, and was charged by the local agent the sum of \$2 for registering the transfer, and with it another assignment. I believe that this charge was made by the agent without the Government having at any time authorized the exaction of any such fee. In fact, the registration by the agent was not the registration contemplated by the law, which requires that the registration shall be made in the Department of Crown Lands, where no such charge is or can be made. It seems, however, from Douglas' statement, that Mr. Andrew Geddes assured him he was the proper person to record the transfer. Deponent subsequently ascertained that another assignment, of an earlier date than his, for one-half of the lot in question, had been executed by Robert Newcomb in favor of his brother Joseph, and though not deposited at the local agency until three months after the deponent's, was forwarded by the local agent to the Department in preference to the deponent's, and, as he was informed, had been officially registered in the Department. Deponent had paid \$700 to Robert Newcomb for his interest in the lot, and his sons had partially improved about eleven acres upon it. The assignment to Douglas, after having been retained by Mr. Geddes for the period of about one month, was returned to him, and, as he understands, was never forwarded to the Department by Mr. Geddes. Douglas was a stranger in Upper Canada, and he relied entirely on the information given him by the local agent. The loose system upon which the public auction of lands in Minto was conducted was shown by the affidavit of Daniel Kribs, of Guelph, made 21st March, 1859.—Kribs was the auctioneer who conducted the sale at Elora in September, 1854, and he stated that several persons bid for a number of lots and gave in the names of other individuals. One of these was George H. Bender, of Hamilton, who bought about five lots; another was a Mr. Rich, who took several lots in different names; a third was Mr. Richard Greet, insurance agent of Guelph, who took up several lots in different names; a fourth was George Dolman, who put in the names of ten parties whom deponent could call to recollection, some for 200 acres, some for 100. With the exception of one or two lots marked on the map "withheld from sale," every lot in the township was offered.

911. What was the general conclusion at which you arrived with regard to the conduct of the Elora Agency by Mr. Andrew Geddes, so far as it related to the Township of Minto?

That the agent had not acted in the high spirit of integrity which the Province has a right to expect from all its servants; and that this was conspicuous in his permitting his son and others to acquire, either as principals or as agents for others, lands upon speculation, which they sold to intending settlers at a premium often extravagant in amount. I should certainly say that it is shown in the cases of McMaster and McCombs, especially, that the

extortion practiced by James Geddes was connived at by his father; and by affixing his name as agent to the receipts granted to those parties as original purchasers, the fraudulent nature of the original entries of the particular lots—if such entries were made—is apparent, and by the same act he identified himself with those transactions from first to last. Mr. Andrew Geddes appears to have lent himself to a system of deluding parties desirous of purchasing land for settlement, and to have done this with a view of enabling his son and others to make profit out of intending actual settlers. With regard to the list of 48 lots, referred to in my evidence on Saturday, of which apparently, *bonâ fide* sales were not made in September, 1854, but which were sold during the year 1855, nearly one-half of the whole seem to have been negotiated through Mr. James Geddes. I found on examining the agency books, that James Geddes had worked in the office, assisting his father, and that the monthly returns for the latter part of the year 1854 were, as I believe, in the son's handwriting. Of the facilities thus afforded for effecting his speculative objects, the son appears to have availed himself. Into the manner in which the remainder of the 48 lots contained in the list were disposed of by the local agent, I had not opportunity to enquire. Speaking upon this point in my report to the Government, dated 26th April, 1859, I explained that this further enquiry would have occupied much additional time; and as there was material enough to work upon, without referring to these cases, I did not make any endeavor to follow any transfer relating to them. I find, however, that Mr. James Geddes in his affidavit, made 19th March, 1859, alleged that many purchases made at the auction sale fell through, in consequence of the payments of the first instalments not being made, and that other names were then substituted, but without the lots being again offered at public competition.

912. Did you consider the general allegations preferred by the petitioners sustained by the results of your investigation?

I did, so far as shown by the evidence which is now given. The allegation that the local agent himself was a purchaser was not sustained, nor was any evidence adduced to show that he was. I took the evidence of every person brought forward as a witness who had anything to say bearing upon the question at issue. An allegation that a boy named George Ritchie was the purchaser of lot 21 in 14th concession, Minto, was not proved. The statement that the agent was himself the purchaser of lot 21 in 15th concession, Minto, and that the name of James Hamilton was merely made use of to evade the condition that no more than 200 acres should be sold to one person, was disproved by Hamilton's affidavit, dated 21st March, 1859. Nor was the statement that the said agent was the actual purchaser of lot 40 in 10th concession, Minto, entered as sold to one George Kirkendall, made good. I do not consider it was proved that Andrew Geddes acted in collusion with others as a partner in the purchase of lands. With these exceptions, I consider that the general allegations of the petition were sufficiently sustained by the testimony in the particular cases alluded to in my evidence on Saturday and to-day.

913. You have stated conclusions based upon the facts elicited during your investigation what were the recommendations embodied in your report to the Government?

I proposed that Mr. Andrew Geddes should be held responsible for the irregularities perpetrated by his son, in connection with the cases contained in my report, and that restitution should be made by repayment, by the local agent, of moneys irregularly exacted, as fully to all intents and purposes, as though he had himself received the moneys. With reference to all the lands in the list furnished by the township assessor of Minto, comprising about 20,000 acres, reported unoccupied and unimproved, (a copy of which list accompanied my report,) I recommended that the agent should be instructed to refuse to receive further payments thereon; and that, should these lands upon inspection by an authorized agent of the Government, prove to be unoccupied and without any important improvement, they should be resumed, and offered for sale at public auction, at an upset price of two dollars per acre, subject to actual occupation within three months—ten acres to be cleared before the issue of a patent. These are the recommendations I find embodied in my report, which is dated 26th April, 1859.

914. Did you in your recommendations take cognizance of the irregularities proved to have been perpetrated by the local agent himself?

I brought the circumstance of the exaction of fees by Mr. Andrew Geddes, without authority, under the notice of the Government, but I made no further recommendation concerning it than this: "If it should be shown that the local agent had used his official position for obtaining for his own benefit sums of money, without authority, for supposititious services, the parties upon whom such exactions had been practiced were entitled to restitution." All the irregularities which came under my notice I brought before the Government in the fullest manner, in my report, but as I did not consider that my commission required that I should recommend to the Government remedies, so much as investigate the complaints which had been made, I refrained from making any other recommendations than those which I have just specified. I considered that what had taken place might have led to Mr. Andrew Geddes' immediate removal from office. Had this taken place, I believe not one of those from whom money had been exacted would have had the slightest chance of recovering it; and I believe that the suggestions I offered were the most judicious of which the case admitted.

915. Were your suggestions acted upon by the Government? If so, to what extent, and when?

The Government do not appear to have taken any action upon my report which has come within my knowledge, until within a few months of Mr. Vankoughnet's retirement from office, which took place early in 1862. Meanwhile, the period had passed at which the inspection I recommended would have been particularly advantageous. Indeed, of this recommendation, as well as of that relating to subsequent payments upon lots which the assessor reported unoccupied and unimproved, Mr. Vankoughnet, in his memorandum, does not seem to have taken any notice.

Tuesday, February 3rd.

WILLIAM FORD, sworn.

916. Are you the Accountant of the Crown Lands Department?

Yes.

917. How long have you occupied the position?

I was appointed in April, 1852, and have held the position uninterruptedly since.

918. Have any changes been introduced into the mode of keeping the accounts of the Department since your appointment?

The system which I found in operation when I entered the Department has been adhered to.

919. Have there been changes in the form of the returns and accounts required from agents, or in the mode of audit applied to them?

The form of returns has remained unchanged, and there has been no change in the periods at which they are rendered. With regard to the audit there have been changes. Formerly the money paid on account of public lands was paid to the local agents. It is now paid into the Bank by the purchasers to the credit of the Department. We now audit receipts by the Bank certificates of money deposited on account of the Department. This has been the practice during the last three or four years. Previously, the agents themselves deposited the money in the Bank.



920. Under the former system were there many cases of default?

There were several. They gradually accumulated, and some of them were of long standing. In some instances the default dated back to the time of the Union.

921. When default occurred within your own term of office, did you at once report the circumstance to the head of the Department?

Yes. I did this uniformly.

922. In these cases, were steps promptly taken to collect the indebtedness?

No.

923. Will you particularize?

When I entered the office in 1852, the fact that Mr. Baines, the agent at Toronto was irregular in his returns, produced the impression that he was a defaulter. To the best of my recollection, Baines was about that time written to, not once, but several times. I think that he evaded enquiry by bringing counter claims for services and commission. Some of these claims were allowed; the greater part were not entertained. Nothing decisive was done by the Department until the Government removed to Toronto in 1855, when Mr. Baines was suspended under suspicion of being a defaulter. Having taken possession of his books and papers, we ascertained that he was in default, and that he had been so eight or ten years. Another case of default which I brought under the notice of the head of the Department, was that of John Clark, the agent at Goderich. In his case also some time elapsed before an investigation was instituted into the state of his accounts. These are the most glaring instances. But I am under the impression that in bringing actions against defaulting agents, prompt measures have not generally been adopted. The cause of the delay I am unable to explain.

924. What accounts and returns do you receive direct from agents and others, and what through different branches of the Department?

As Accountant, I receive all the accounts of the Department direct. They are then passed by me to the different branches, where the details are examined. They come back to me with the accounts of the respective branches at the end of each quarter, and they are then examined to see whether they agree with the entries of cash in the ledger of the Department, as ascertained from the Bank certificates which come to us direct. This explanation refers to the receipts of the Department. With regard to its expenditure, all accounts come to me for examination. I pass them to the different branches, to examine the different items, and they are then returned to me for payment, accompanied by vouchers. For the correctness of the accounts, both of receipt and expenditure, I am responsible.

925. Will you specify the books used by you for keeping the accounts of the Department, under their distinctive heads, and as tributary to the Ledger?

I specify them in their order.

- (1). *Blotter*, in which all cash received, whether from the Bank or direct from private parties is entered daily.
- (2). *Cash Book*, shewing on the debit side the cash receipts, taken from the *Blotter*, and on the credit side all payments, which are uniformly made by cheque.
- (3). *Journal*.—A record made up monthly of all the receipts and payments, taken from the *Blotter*, *Cash Book*, and books of agents' returns; with original entries, transfers of accounts.
- (4). *Ledger*, containing all the accounts of the Department.

These four books constitute the double entry system of the Department. The other books are as follow :

- (5). *Agent's Returns*.—Books in which are entered the monthly returns of the different agents, Crown Land and Timber.

- (6). *Crown Sales*.—Books in which all sales of land under their respective classes are recorded, with particulars of payments thereon. The personal accounts therein form parts of the accounts of the respective agents.
- (7). *Deposits*.—A register of sums received which do not admit of immediate application to particular accounts, but which are credited to *Deposits* in the general Ledger.
- (8). *Pay List*.—Monthly pay list of the Salaries of the Department.
- (9). *Scrip Books* of the various issues.
- (10). *Statement Book*.—Copies of Departmental statements furnished to the Executive and the Legislature.
- (11). *Reference Book*.—A record of patents authorized.
- (12). *Register of Letters* received, with action taken thereon.
- (13). *Post-Office Registered Letters*.—A record of, with contents and from whom received.
- (14). *Letter Book*.—Copies of all letters written from the Branch.

926. How often do you balance your books ?

The balance sheet is prepared quarterly and is entered in the Journal. The Ledger is also balanced quarterly.

927. How are moneys received by mail disposed of ?

They are deposited by me in the Bank to the credit of the Crown Lands Department.

928. To what examination is the scrip received subjected ?

It is examined by me to see if it agrees with the marginal record of the scrip books, which are in my custody. If found to be correct, the scrip is cancelled and the cancellation is noted in the margin. The scrip received is recorded by me in the "Blotter." I am responsible for the cancelling of the scrip when redeemed, and I obliterate it in one form or another.

929. How long has this care been exercised with regard to the examination and cancelment of scrip ?

Since the first issue of the Bolton and Magog scrip, in March, 1858.

930. Is this course pursued in reference to scrip issued prior to March, 1858 ?

It is not. The older scrip is only cancelled by me by being obliterated. No entry of cancelment is made in the marginal record.

931. Have you examined into the genuineness of the scrip issued previous to the period named, but subsequently received ?

Not by comparing it with the marginal record. I used to take it for granted that the scrip was correct, judging by the signatures and the paper.

932. Under that system has forged scrip been received by the Department ?

It has, but previous to my appointment. In 1852, on examining the scrip accounts, I found that more had been redeemed than was issued, I think to the extent of \$4,000 or \$5,000.

933. Has any forged scrip been received since 1852 ?

Not to my knowledge.

934. Are you to be understood as stating that the amount of forged scrip which has been redeemed does not exceed \$4,000 or \$5,000 ?

When I spoke of \$4,000 or \$5,000, I alluded to the result of my investigation in 1852. I am aware that there was a subsequent examination by Mr. Langton, the Auditor—I think in 1856—and that he detected forgeries of scrip, but to what amount I cannot state.

935. Do not your books show the exact state of the scrip accounts?

The ledger does not, so far as the scrip issued previous to March, 1858, is concerned. It merely shows the amount redeemed.

936. In your belief, to what extent has the redemption of scrip exceeded the issue?

I think that at present the excess amounts to \$23,000 or \$24,000, as far as ascertained.

937. Is it certain that the full extent of the excess has been ascertained?

It is not. We do not know what the quantity outstanding is, and of course the excess has been constantly increased by continued redemption. Since 31st December, 1861, the old scrip has been invariably refused under the terms of the Land Act.

938. Is it known that the excess of scrip redeemed over the authorized issue was, as you described it, forged?

I think it was ascertained that the signatures were genuine. They were genuine on all the scrip I have seen.

939. Then it was a fraudulent over-issue of scrip, not an issue of forged scrip?

It was.

940. Can you explain the manner in which the fraudulent over-issue was accomplished?

There must have been duplicate scrip books, and these must have been in the branch charged with the issue of scrip. All the scrip issued was signed by the Commissioner. What I have called forged scrip, but which was in fact a fraudulent over-issue of scrip, was signed by Mr. James H. Price, then Commissioner.

941. What other persons were at the time entrusted with the preparation of scrip?

I cannot say. I know, however, that the person by whom the scrip was countersigned is not now in the Department.

942. Have the duplicate scrip books been discovered?

No. It is, however, certain that the fraudulent over issue was made up of duplicate numbers, and that the marginal scroll of the authorized issue did not correspond with the duplicates.

943. Was there any other noticeable difference?

The word "parliament" was mis-spelt in the printed portion of the fraudulent issue.

944. Have any steps ever been taken to trace the fraud or to bring to trial parties who might have been concerned in its perpetration?

Nothing was done either on the occasion of the discovery of the fraud by me, in 1852, or the discovery by Mr. Langton in 1856.

945. Did you suspect any particular person, or are you aware that suspicion was attached by others to any party then or formerly employed in the Department?

I did not suspect any particular person, but I believe that suspicion did attach in the minds of others to a clerk who was in the office at the period of the fraud, and who, I think, was one of the persons who countersigned the fraudulent scrip. All that I have seen was countersigned by the same person.

Wednesday, February 4th.

WILLIAM FORD.—Examination resumed.

946. Over what period did the fraudulent issue of scrip extend ?

I cannot state the exact dates of the scrip fraudulently issued. But the issue under which the fraud was perpetrated was that of the Upper and Lower Canada Land Scrip, authorized by the Land Act of 1842, (4 and 5 Victoria, Chapter 100); and the genuine issue extended from 10th September, 1842, to 9th August, 1851.

947. Where were the scrip notes of the series in question deposited after having been redeemed by the Department ?

In the office of the Inspector General, until the appointment of an auditor in 1855, when all scrip redeemed was transferred to his office as vouchers of the scrip account.

948. Is the marginal record of the scrip in question still in your office ?

Yes.

949. Can you state whether the Commissioner of Crown Lands, at any time, was in the habit of signing scrip books in blank ?

I never heard that any Commissioner did so.

950. Do your books exhibit the amount and periods of issue of letters of credit granted by the Department ?

This information is not shown by my Ledger or any of its tributaries. It may be obtained from the Sales Branches.

951. According to your books, what has been the amount of letters of credit redeemed ?

Previous to the 7th August, 1860, none appeared in the Ledger of the Department. Subsequently, an account has been opened for letters of credit, and this shows that in the year 1860, the amount redeemed was \$2,011.32; in 1861, it was \$3,445.07; in 1862, \$505.62. Total in the three years, \$5,962.01.

952. What check do you apply on the receipt of letters of credit ?

They are sent to the Department by the party in whose favor they have been granted, or by the Crown Land agent by whom they have been received in payment for land. If sent by the agent, they accompany his monthly returns. The letters of credit, with the return, are passed by me to the Sales Branch having charge of the particular agency, where an examination is made to ascertain whether they correspond with the Orders in Council authorizing their issue. They are then acted upon and returned to me as vouchers; and I cancel them and pass them to the auditor with the quarterly accounts. This check has been in force only since 7th August, 1860.

953. How were these letters of credit disposed of previous to that date ?

They were filed in the Branch from which they emanated, without any examination in the Accountant's Branch. They were treated as free grants of land, not as matters of account; so that a man purchasing a lot of land, and paying partly in cash and the balance by a letter of credit, received two deeds—one for the purchase proportionately, and one as for a free grant. They were never passed to the Auditor for his inspection. In fact, they were carried through the Department without any reference to me.

954. Is it within your knowledge that letters of credit have been issued without proper authority ?

I have no knowledge of any improper issue. Those that have come under my inspection, for the years 1860-1-2, have been correct.

955. How are the salaries of the Department paid ?

By a monthly pay list, sanctioned by the Commissioner or the Assistant Commissioner. The list is passed by me to the office of the Minister of Finance, where it is certified. Thence it is passed to the Receiver General's office, to be noted for payment at the Bank of Upper Canada. It is then returned to me, and the total amount being placed to my credit at the Bank, I draw checks for the various salaries.

956. Have advances been made to officers or clerks out of moneys remaining in your hands as accountant ?

Advances have been made by the Department out of cash in deposit at the Bank. In every case the cheque was signed by the Assistant Commissioner and countersigned by me. This practice ceased last month in consequence of a new system of payment being commenced. The Department now has no cash at its disposal.

957. What is the new system of payment of which you speak ?

Formerly, the Department received a warrant for its entire monthly expenditure, under an estimate which I was required to furnish. Now, a warrant is obtained specially for each payment, application therefor being made by certificate to the Finance Minister, on which a warrant is obtained. This system applies to all payments, except those made under the monthly pay list, on the last day of each month. Advances on salaries are now impossible except through the formality of a warrant, for which the Commissioner or the Assistant Commissioner would be responsible.

958. Were advances allowed to run on, or was repayment exacted monthly ?

In some cases they were allowed to run on the money having been advanced without any special condition as to repayment. In those cases in which the period of repayment was fixed, I deducted the amount from the monthly salary. In other cases, the advances stood over unsettled for periods longer or shorter. Some are still not paid, having stood over since 1852. Those to which I allude were advances made to parties who about the same period left the Department. There are several unsettled balances owing by parties who are still in the Department, and some of them have stood over five or six years.

Thursday, February 5th.

JOHN LANGTON, SWORN.

959. Soon after your appointment as Auditor, was your attention called to an alleged over issue of land scrip, granted in compensation under the Act 4 and 5 Victoria, chapter 100 ?

Yes. Mr. Bickenson, Acting Deputy Inspector General, in the beginning of 1856, called my attention to an alleged over issue of scrip. He said that there had been talk about investigating the matter two or three times, but nothing had been done, and he recommended me to take the matter in hand,

960. Did you institute an enquiry into the subject ? If yes, when, in what form, and with what result ?

At the commencement of 1856, I did make an enquiry into the subject. I procured from the Crown Lands Department all the cancelled scrip and the scrip books, and commenced checking off the scrip against the marginal record in the scrip books. It was a tedious process, and before I and my clerks had proceeded far, we found some duplicate numbers, which led us to perceive that some of the scrip which had been paid in had not been cut out of any of the scrip books handed to me by the Department. They had evidently been filled in in a book from a different plate, and the paper was of a different quality from that used for any of the genuine scrip. By this means we were able to select out of the cancelled scrip a large amount which appeared not to be genuine, without going through the process of checking each piece of scrip against the scrip book. In some instances we found the corresponding numbers of the genuine scrip, and we found that one was not a duplicate of the other, but that the spurious scrip generally bore date about the time of the genuine scrip, and contained the names of grantees to whom genuine scrip had been issued about that time. I did not notice any instance of an exact duplicate. From the internal evidence of this spurious scrip, I came to the conclusion that it must have been prepared by a person intimately connected with the Crown Land Department. Upon some of the spurious scrip the names of the parties from whom it had been received were endorsed, as also the lot on account of which it had been received.

961. Over what period did the dates of the spurious scrip extend ?

Principally from 1842 to 1846.

962. Did you trace the channels through which the spurious scrip was received, as well as the parties by whom it had been paid ?

In all cases I was able to distinguish the Crown Land Agents by whom it had been received.

963. Did you communicate with the agents and with the parties in question ?

I never communicated with any of the agents. But at the time of which I am speaking I had ascertained that, from 1844 to 1847, the Department had received spurious scrip principally from the following agents : John Alexander, I believe, of the County of Simcoe, to the extent of 165 pieces ; T. Baines, Toronto, 148 pieces ; John Carroll, 71 pieces ; P. McMullen, 155 pieces ; A. Geddes, 28 pieces ; J. H. Cummings, 29 pieces ; J. Telfer, 49 pieces ; W. Hawkins, 21 pieces. I do not wish to be understood that this is a complete list of the agents through whom the spurious scrip was received ; but I find, from memoranda in my possession, that up to a certain period of the investigation, the agents named had received the number of pieces opposite their names. The usual denomination of each piece of scrip was £5 currency ; but it occasionally happened that the scrip was for a much larger and sometimes for a smaller amount. I did apply to some of the parties from whom the scrip was stated to have been received, namely, to H. H. Gowan, Barrie ; W. M. Gorrie, Toronto ; George Munro, Toronto ; G. A. Barber, Toronto ; Joseph Beckett, Toronto ; T. A. Stayner, Toronto ; D'Arcy Boulton, Cobourg ; G. P. Ridout, Toronto ; William Proudfoot, Toronto. I was, however, unable to gain any information from any of these parties as to the individuals from whom they had purchased the scrip. It appeared, moreover, from the answers of Mr. Gorrie and Mr. Beckett, that they never had applied scrip upon the lots which were indicated by the endorsement from Mr. Baines, as I found it in the Crown Land Department ; and I consequently attached very little value to those endorsements as a clue to the parties from whom the scrip had been received.

964. Have you any reason to believe that the Crown Land Agents were in the habit themselves of dealing in scrip ?

I have heard so. It is notorious that some of the agents are said to have been in the habit of receiving payments on lands in money, themselves paying the Department in scrip.

965. Did you report the result of your investigation ?

I reported the result verbally to the Inspector General, Mr. Cayley, as soon as I had discovered the facts I have stated; and I had several conferences with the then Solicitor General, Smith, upon the subject, to whom I showed all the evidence in my possession:

966. Were any further steps taken by yourself or by the Government?

No. It appeared to be the opinion of the Solicitor General that there was no case which could be proved against any person. I collected some more of the spurious scrip, and on 9th June, 1856, I applied to the Inspector General for instructions whether I was to check all the scrip against the scrip books, and I was told verbally in reply by Mr. Cayley, that it would not be necessary to do so.

967. What amount of spurious scrip had at that time been discovered?

I am unable to say now, but I will give an answer to-morrow.

968. In the course of your enquiry, did you communicate with the Commissioner of Crown Lands on any other point connected with the issue of scrip?

I find a copy of a letter dated 10th March, 1856, addressed by me to the Honble. Mr. Cauchon, then Commissioner, in which I informed him that I had on that day commenced checking the scrip against the scrip-books, and that I found a considerable quantity of scrip ready for issuing still in the books, which, before giving the books for examination, I had cut out, and of which I enclosed a schedule. The scrip thus ready for issue, as set forth in the schedules, amounted to—Militia scrip, £857 10s; Lower Canada Militia scrip, £900; Land scrip, £1169; in all £2926 10s. The numbers of the Land scrip range from 2,121 to 32,377. The Lower Canada Militia scrip ranged from 1099 to 22,144. The Militia scrip from No. 22 to 2,058 in series B, and from No. 3 to 222 in series A.

969. What reply did you receive from the Crown Lands Department?

I find none in my letters, but I have no doubt that I received a verbal reply that I might keep the scrip until the investigation was concluded. I heard nothing further upon the subject until the 7th July, 1858, when I received a letter from Mr. Vankoughnet, Commissioner of Crown Lands, requesting me to return the scrip books and the prepared scrip, which I accordingly did.

Friday, February 6th.

JOHN LANGTON.—Examination resumed.

970. What amount of so-called spurious scrip did you discover in the course of your investigation?

2022 pieces of £5 each.

971. What proportion of this amount had been discovered when you communicated with the Inspector General on 9th June, 1856?

Very nearly the whole of it.

972. What amount of spurious scrip was received from the several Crown Land Agents in Upper Canada, in the various years?

I hand in a tabular statement which is approximately correct. In some few cases, the only clue we have to the agent through whom it was received is the name of the township on account of which it was paid. In other cases, the only clue to the date is the number of the parcel in which it was contained. In about 100 instances, I have put down the agent's name as unknown, not having sufficient information as to the extent of the several

agencies. But each piece of scrip bears a number of the Crown Land Department, which will enable that Department to trace its history.

**ABSTRACT of the amount of spurious scrip received by the several Crown Land Agents in each year.**

	1843	1844	1845	1846	1847	1848	1851	Unk'n	Total.	Value.
Alexander .....	31	92	244	66	61	.....	.....	.....	494	£2,470
Askin .....	23	3	1	.....	2	.....	.....	.....	29	145
Baines .....	150	210	234	58	2	.....	.....	.....	704	3,520
Carrol .....	.....	.....	78	.....	.....	.....	.....	.....	78	390
Cumming .....	.....	.....	29	.....	.....	.....	.....	.....	29	145
Ferguson .....	.....	6	.....	.....	.....	.....	.....	.....	6	30
Geddes .....	.....	.....	1	174	56	1	.....	.....	232	1,160
Gilechrist .....	.....	.....	.....	1	.....	.....	.....	.....	1	5
Hawkins .....	.....	5	10	3	.....	.....	.....	3	21	105
Jackson .....	.....	.....	.....	.....	.....	.....	1	.....	1	5
Leslie .....	.....	.....	.....	1	.....	.....	.....	.....	1	5
McMullen .....	.....	.....	.....	188	.....	.....	.....	.....	188	940
Smith .....	.....	9	5	.....	.....	.....	.....	.....	14	70
Telfer .....	.....	.....	49	8	.....	.....	.....	.....	57	285
Unknown .....	53	103	2	.....	2	.....	.....	2	167	835
Total .....	262	428	703	499	123	1	1	5	2,022	
Value .....	£1310	2140	3515	2495	615	5	5	25		£10,110

973. You have called this scrip spurious: what evidence have you to warrant the conclusion that it is not genuine?

I consider the fact that this scrip in no case corresponds with the scrip books of the Department, to be sufficient proof that it is not genuine. The scrip books are numbered consecutively, and when the spurious scrip of a certain number is compared with that number in the scrip books, the detail in the scrip does not correspond with the marginal record. I have not compared each piece of scrip which I hand in as spurious with the scrip books, but they are all of a design which does not correspond with any design in the scrip books of the Department. The latter themselves differ in their design, but they contain none such as that of this spurious scrip, which is all of one design.

974. How many duplicate pieces did you find?

I think about half a dozen.

975. Was there any instance in which an exact duplicate was found?

No. Besides the comparison between the duplicates which were found, I compared a great deal of the spurious scrip with the marginal record of the corresponding number in the scrip books, and I do not think that in any case one was an exact duplicate of the other.

976. What do you mean by duplicate pieces?

I mean a piece of genuine scrip, and a piece of spurious scrip bearing the same number, of which I found about half a dozen; but the substance of the two did not correspond. In the other instances which I mention, where I compared a large number of the spurious scrip with the records of the corresponding numbers in the scrip books, I had not the genuine scrip of that number to compare with the spurious piece. It must be evident, that if you were looking for any particular number of the genuine scrip, you would have no clue as to which of the numerous parcels of scrip in your possession contained it. When, therefore, I had got half a dozen duplicate pieces, and from the examination of them had obtained a clue by which to recognize the spurious scrip, I ceased to look for the corresponding numbers of the genuine.



977. Did you compare all the scrip alleged to be spurious with the marginal records furnished by the Crown Lands Department ?

By no means. I compared a sufficient quantity to satisfy myself that it was spurious, and the want of correspondence between the design of the plate and that of any of the plates in the scrip books, appeared to me sufficient evidence at that stage of the enquiry.

978. Then you relied upon the difference in design to determine the question of genuineness ?

In the great majority of cases I did. Out of the 2000 pieces of spurious scrip, I probably did not compare more than 100 with the books.

979. Were all the marginal records of this series of scrip in the possession of the Crown Land Department furnished to you for the purpose of this comparison ?

I presume so.

980. Over what range did the numbers of the genuine records run as laid before you ?

I have no means of answering the question. I sent the scrip books back to the Crown Land Department in 1858.

981. Did the numbers of the spurious scrip correspond with the numbers of genuine scrip issued during the same years ?

As I stated in my evidence yesterday, in most cases, and as far as I recollect now, in all cases, where I compared spurious scrip with the marginal record, I found that corresponding numbers bore nearly the same date, and the name of the grantee was also that of a person to whom genuine scrip had been issued about the same time.

982. Did you examine every one of the notes called spurious, and every one which you passed as genuine ?

I, or persons in whom I have confidence, examined all those which I have handed in as spurious, 2,022 in number; but it is possible that there may have been other spurious ones of the same character which escaped our notice, and there may have been other spurious ones of a different character altogether. I have no doubt whatever that all of the 2022 pieces which I have handed in are spurious.

983. In considering the questions of genuineness or falsity of the scrip, did you take cognizance of the signatures attached ?

I did not.

984. Have you formed any opinion as to the genuineness of the signatures attached to what you consider the spurious scrip ?

I am familiarly acquainted with none of the signatures, except from seeing them on the scrip which I suppose to be genuine. But when I had more of the genuine scrip in my possession, and arranged what I considered genuine in one row, and those which I considered spurious immediately under them, there was a general difference of character in the two rows of signatures, which was much more observable than when they were compared singly. I remember having a decided impression that the signature of Mr. Morin differed essentially; with regard to the other Commissioners it was not so easy to decide. I was also under the impression that there was no observable difference in the signature of John Ker, when so tested.

985. What signatures appear on the scrip which you hand in as spurious ?

The signatures of John Davidson, A. N. Morin, as Commissioners, and of T. Bouthillier, both as Commissioner and Assistant Commissioner. All are countersigned, the great majority by John Ker, others by A. McD. Both counter signatures are common on the genuine scrip, and I understood that they were the signatures of clerks in the Crown Lands Department.

986. What period were you occupied in the investigation ?

From the beginning of March, 1856, until about June in the same year.

987. How did you dispose of the genuine scrip when instructed by Mr. Cayley, in 1856, to discontinue the investigation ?

It remained locked up in boxes in my office for more than two years afterwards, and it was burned some time before the removal of the seat of Government from Toronto to Quebec. I have no record of the exact date, but the object was to get rid of the scrip before the removal. I have no doubt that I received authority to destroy it from the head of my Department, but I have no distinct recollection of the manner in which that authority was communicated to me.

988. Have you any record of the numbers or the amount destroyed, or of the names of parties in whose presence the destruction took place ?

No. I was present myself when the scrip was destroyed. All the scrip that was sent to me by the Crown Land Department for the purpose of that investigation was destroyed at that time. The numbers and amount I never knew.

989. What amount of scrip was sent to you in 1856, by the Crown Land Department, as cancelled, for the purpose of your examination ?

I do not know. I never counted it. Certain parcels of scrip were sent to me, professing to be all the scrip which had been redeemed up to the end of 1855. I cannot say whether the amount sent to me corresponded with the amount which appeared in the accounts of the Crown Land Department as redeemed.

990. You stated yesterday that all the cancelled scrip was sent to you by the Crown Land Department: how do you reconcile that statement with this declaration of your inability to state the amount ?

When I stated yesterday that all the cancelled scrip was sent to me, I should more precisely have said what I professed to be all the cancelled scrip. I commenced the examination of it, and I have still in my office a record of all the numbers sent to me, as far as our examination extended; but, as I stated before, in June, 1856, I was directed to drop the investigation, and I know nothing of the amount contained in the other parcels which I had not then examined. My examination at that time may have extended to a full half of all that had been sent to me.

Saturday, February 7th.

JOHN LANGTON.—Examination resumed.

991. How and when was the excess of scrip redeemed over that stated to have been issued explained in the Public Accounts ?

I do not suppose that it was explained at all, for I do not think the issue of the scrip would anywhere appear in the Public Accounts. The redemption of scrip appears in the Crown Land Accounts as an expenditure, but the issue of scrip, which is a liability incurred, although it ought to be an account in the Crown Land Ledger, does not form part of the income or expenditure, which is all that appears in the Public Accounts. The issue of the old scrip, in relation to which my investigation took place, occurred so long before I had any connection with the Department, that I do not know whether the amount of it may have been in any way reported to Parliament; but I do not see how it could come into the Public Accounts. I presume that it was from the state of this account in the Ledger of the Crown Lands Department that the suspicion first arose that there had been some

irregular transactions with scrip, in consequence of which Mr Dickinson recommended me to investigate it.

992. Has any explanation of the excess of redemption over alleged issue been explained to Parliament?

Not that I am aware of.

993. Do you now keep any record of the numbers or amount of scrip sent to you by the Crown Land Department?

I keep none, and it would be useless for me to do so, unless I had the scrip books to check against, which I have not. The scrip redeemed is sent to me by the Crown Land Department, not to check it against the issue, of which I know nothing, but as a voucher or a charge in their books for the redemption.

Monday, February 9th.

A. N. MORIN, Judge of the Superior Court of Lower Canada, sworn.

994. You were Commissioner of Crown Lands from 13th October, 1842, to 11th December 1843?

Yes.

995. Certain land scrip, purporting to bear your signature, as Commissioner of Crown Lands, is put into your hands for examination: that is to say, scrip No. 14711, dated 27th August, 1843, in favor of William Charlow; No. 14369, dated 25th February, 1843, in favor of Brian Leary; No. 14375 and No. 14377, bearing the same date, and also in favor of Brian Leary; No. 3634, dated 13th October, 1842, in favor of W. Peterson; No. 3627, dated 13th October, 1842, in favor of W. Peterson; Nos. 14372 and 15341, dated 14th September, 1843, in favor of George Gibson. Is the signature attached to each of these scrip notes your signature?

It is to the best of my knowledge.

996. Your attention is also called to the marginal record of scrip numbered respectively 14375, 14377, 14369, and 14372, each purporting to bear your initials: are these initials your writing?

They are.

997. Have you any recollection of the manner in which scrip was brought to you, for your signature?

It was brought in a book by one of the clerks who was connected with the scrip branch of the Department. I remember Mr. Ker as one of the clerks, and as being in the habit of bringing the books to me.

998. Have you any remembrance of having signed scrip books in blank?

I have no remembrance of having done so. And I am quite certain that I never signed any scrip except in books, unless my memory greatly fails me.

WILLIAM SPRAGGE.—Sworn.

999. Certain land scrip is exhibited to you—namely, No. 382, dated 5th September, 1842, and No. 389, dated 22nd September, 1842, both being in favor of D. Adamson,

and purporting to be signed by John Davidson, Commissioner of Crown Lands; No. 3,627, dated 13th October, 1842, in favor of W. Peterson, and No. 14,372, dated 25th February, 1843, both purporting to be signed by A. N. Morin, Commissioner of Crown Lands; No. 15,480, dated 23rd October, 1843, in favor of John Henry Young; and No. 16,294, dated 27th November, 1843, in favor of Lieut. H. S. Coleman, both purporting to be signed by T. Bouthillier, Assistant Commissioner of Crown Lands. In your opinion, are these signatures genuine?

It is some years since I saw the signature of Mr. Morin, Mr. Davidson, or Mr. Bouthillier. I am strongly inclined to doubt whether the signatures exhibited to me as those of Mr. Morin are genuine. Mr. Davidson's signatures, if not genuine, are a very close imitation—so close that I cannot say whether they are genuine or forged. With regard to the other scrip notes produced, I am of opinion that No. 16294 does not bear the signature of T. Bouthillier. I think that the signature attached to No. 15,480 is Mr. Bouthillier's.

Thursday, February 19th.

DUNCAN MACPHERSON sworn.

1000. In what capacity are you employed in the Finance Department?

Private Secretary to the Minister of Finance, having held this position since the beginning of January, 1862.

1001. Will you produce the private letter book of the Minister of Finance, and the general letter book of the Department, for the years 1858 to 1862?

I produce them.

1002. Does the private letter book contain any allusion to letters written by the Minister of Finance, but not now found amongst its contents?

On page 50 of the book in question, I find a pencil memorandum, "2 letters, 7th May, in private book, marked confidential." To the best of my belief, the writing is that of Mr. Nash, who preceded me as Private Secretary, and was, I believe, so employed from some time in 1854 till the end of 1861. I also find the leaves from 93 to 98 inclusive, cut out of the book and a memorandum inserted in these terms: "Pages 93, 94, 95, 96, 97, 98 were private letters of Mr. Galt's, put in this book by mistake, and were taken out by me, and placed in Mr. Galt's private letter book. J. R. Nash, Quebec, Dec. 3rd, 1860." On page 109, I also find a pencil memorandum, I believe in Mr. Nash's writing: "letter to Mr. Ridout from Mr. Galt, dated 7th June, in despatch box." I am not aware of any other memorandum of a similar purport.

1003. We require copies of the following letters contained in the private letter book, viz: 12th January, 1859, Mr. Galt to T. G. Ridout; 23rd November, 1858, Mr. Galt to Glyn, Mills & Co., and Baring, Brothers & Co.; 28th May, 1860, Mr. Galt to Macdougall; 29th September, 1860, Mr. Galt to Cayley; 23rd October, 1860, Mr. Galt to Proudfoot; 11th January, 1861, Mr. Galt to Baring, Brothers & Co., and Glyn, Mills & Co.; 6th February, 1861, Mr. Galt to E. T. Taylor; 6th February, 1861, Mr. Galt to T. G. Ridout; 13th February, 1861, Mr. Galt to E. T. Taylor; 15th February, 1861, Mr. Galt to E. T. Taylor; 20th March, 1861, Mr. Galt to Baring, Bros., & Co., and Glyn, Mills & Co.; 22nd March, 1861, Mr. Galt to C. S. Ross; 3rd April, 1861, Mr. Galt to R. S. Cassels; 25th April, 1861, Mr. Galt to Baring, Bros., & Co., and Glyn, Mills & Co.; 17th May, 1861, Mr. Galt to Glyn, Mills & Co., and Baring, Bros., & Co.; 6th June, 1861, Mr. Galt to Baring, Bros., & Co., and Glyn, Mills & Co.; 25th February, 1862, Mr. Galt to R. Cassels; 19th September, 1862, Mr. Howland to Baring Bros., & Co., and Glyn, Mills & Co.; with

memorandum of differences attached thereto. We require also copies of the following letters contained in the general letter book, viz : 3rd August, 1860, Mr. Galt to Cayley ; 8th August, 1860, Mr. Galt to Cayley ; 16th November, 1860, Mr. Galt to Blackwell ; 16th November, 1860, Mr. Galt to Cashier, Bank of Upper Canada ; October 12th, 1860, Mr. Galt to Blackwell ; October 15th, 1860, Mr. Galt to Blackwell ; October 13th, 1860, Mr. Galt to Cashier, Bank of Upper Canada ; December 4th, 1860, Mr. Galt to Barings, and Glyn, Mills & Co. ; December 4th, 1860, Mr. Galt to Demers. Will you cause copies of these documents to be made, and produce them without delay ?

I will.

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Saturday, February 21st.

THOMAS D. HARRINGTON, Deputy Receiver General, sworn.

1004. Will you produce the Letter Books of the Receiver-General's Department from 26th April, 1859, to the present time, together with letters and papers relating to a certain Bill of Exchange for £100,000 sterling on the Grand Trunk Company, now under protest ?

I produce the Letter Books, and also three Bills of Exchange, 13th June, 1859, 25th January, 1860, 28th May, 1860,—each for £100,000 sterling; the first at six months after sight, the second and third at four months after sight; the last being noted for non-payment. Also protest of the last named Bill, dated 6th November, 1862; also a note from Mr. Galt to Mr. Sherwood dated 15th July, 1859; another from Mr. Sherwood to me, dated 29th September, 1860, enclosing a note of the same date from Mr. Cayley to Mr. Galt. Also thirteen original letters from Glyn, Mills & Co. to the Receiver-General, and copy of a letter from the Receiver-General to Glyn, Mills & Co., dated 24th October, 1862. These embrace all that is in the possession of the Department in reference to the Bill of Exchange in question.

1005. Will you cause to be prepared, and hand in for the use of the Commission, copies of letters, or extracts from letters, numbered in your Letter Books as follow: from Letter Book beginning 26th April, 1859, Nos. 57, 61, 86, 92, 94, 111, 121, 140, 142, 167, 172, 231, 239, 298½, 350, 449, 458, 488, 490, 491, 503, 524, 547, 615, 710; from Letter Book beginning 23rd March, 1861, Nos. 50, 127, 200a, 465, 531, 603, 707, 715, 829; also copies of the Bills of Exchange and the protest, together with copies of the letters, or extracts from letters, as marked and now produced ?

I will have them prepared and hand them in forthwith.

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Tuesday, February 24th.

THOMAS D. HARRINGTON, recalled.

1006. Are you now prepared to hand in the papers asked for on the 21st instant ?

I hand in correct copies of the letters and extracts from letters, of the Bills of Exchange, and other papers; as enumerated in the question put to me on the 21st instant. I have attached my signature to each as evidence of its genuineness.

Friday, February 27th.

THOMAS DOUGLAS HARRINGTON, Deputy Receiver General, recalled.

1007. Can you state the nature and particulars of the arrangement existing between the Government and the Bank of Upper Canada?

There is an Order in Council under which the Government deposits are made in the Bank of Upper Canada, in accordance with terms offered by the Bank. The Order in Council bears date 8th January, 1850, and it is founded on a report of the Inspector General. Of the nature and details of the arrangement between the Bank and the Government, I am ignorant. These are matters which properly belong to the Finance Minister's Department, not to the Receiver General's. More recently Mr. Galt, whilst Finance Minister, made some other arrangement with the Bank of Upper Canada, more particularly relating to a special balance, to be always left at the credit of the Government in the Bank, in consideration of services to be performed by the Bank. The only knowledge I have respecting the date or exact nature of this second arrangement is derived from a letter of Mr. Sherwood, then Receiver General, to the Hon. W. Cayley, who was then connected with the Bank of Upper Canada, dated 10th February, 1860. This letter is numbered 298½, and I produced it to the Commission on the 24th instant.

No. 298½.

*Receiver General to Hon. Wm. Cayley :*

QUEBEC, 10th February, 1860.

DEAR CAYLEY,—Galt consents to give the Bank Fifty Thousand Pounds of Exchange, as I telegraph to-day. It will be given to Mr. Cassels. Your letter of the 7th instant seems based upon the supposition that there is an arrangement between the Government and the Bank that there shall be constantly at the credit of the Government, in the Bank, a balance of Six Hundred Thousand Dollars. I feel it my duty to prevent any misunderstanding, to say that I know of no such arrangement. Galt agreed with you that in the beginning of January Exchange should be given to bring the balance up to that amount, if, after payment of the interest and sinking fund in London by the Bank, it should be reduced below that sum. This arrangement was carried out, and is the only one I am cognizant of.

(Signed,) Yours truly,  
GEORGE SHERWOOD.

I produce another letter upon the subject, being the only one I have been able to find. It is dated 13th June, 1862, and is addressed by Mr. Robert Cassels, Cashier of the Bank at Toronto, to the Hon. James Morris, Receiver General. I hand in a certified copy of this letter, marked A 1 :

BANK OF UPPER CANADA,  
TORONTO, 13th June, 1862.

SIR,—I have the honor to acknowledge the receipt of your favor of 11th instant, and in reply have to state, that the understanding between the late Government and the Bank was, that the current balance at credit of your Department should be about \$1,200,000.

I trust the requirements for the Public Service will not render it necessary for you to reduce the balance held by the Bank below that sum, and that this will be done gradually and for the ordinary payments of the Government, which, I am aware, will next month be heavy.

(Signed,) I have, &c.,  
ROBERT CASSELS,  
Cashier.

The HONORABLE JAMES MORRIS,  
Receiver General, Quebec.

It is an answer to a letter dated Quebec, 11th June, 1862, from the Receiver General to Mr. Cassels, and I produce a copy marked A 2:

No. 510:

RECEIVER GENERAL'S OFFICE.  
QUEBEC, 11th June, 1862.

SIR,—As the requirements of the Public Service will shortly involve a large expenditure, the Government desires to know, through me, to how low an amount the large balance of public moneys deposited with your Bank, can be reduced, without proving inconvenient to the institution.

(Signed,)

I have, &c.,

J. MORRIS,

Receiver General.

R. CASSELS, ESQ., Cashier,  
Bank of Upper Canada, Toronto.

With the exception of the statement in Mr. Cassels' letter, the Receiver General's Department had no certain knowledge of the extent of the deposit to remain in the Bank under the arrangement made by Mr. Galt. The balance stated—namely, \$1,200,000—has not been maintained; it is now, in round numbers, about \$800,000, of which \$220,000 are at interest, the remainder being available to be chequed against.

1008. Mr. Sherwood's letter of the 10th February, 1860, refers to £50,000 of Exchange to be given to the Bank of Upper Canada. Can you inform us if this amount of Exchange was given, and at what rate?

I find on referring to the Bill Book that two Bills of £25,000 sterling each, of that date, Nos. 681 and 682, were drawn by G. Sherwood and A. T. Galt—one on Glyn, Mills & Co., the other on Baring Bros. & Co., at nine per cent. premium of Exchange, in favor of R. S. Cassels. Six days afterward—viz., on the 16th February, 1860—two bills of similar tenor and sight, by and on the same parties, for £25,000 sterling each at the same rate of exchange, were handed to Mr. Cassels. They were numbered 683 and 684. The proceeds of the two former Bills, Nos. 681 and 682, were allowed to be chequed against. The proceeds of the latter two, Nos. 683 and 684, were lodged as a special account, bearing interest at the rate of five per cent.

1009. Who keeps the account of the Government with the Bank?

The Bank account is kept entirely in the Receiver General's Department.

1010. In what form and at what periods are the Bank accounts rendered and checked?

The Bank furnishes an account current monthly, accompanied by vouchers, and a weekly statement of Balances, Dr and Cr. The account is always kept with the Bank where the seat of government is. Our transactions are now carried on exclusively with the Quebec Agency of the Bank, which renders us the returns in question. In the Department the accounts are checked by a clerk specially employed for the purpose, and steps are immediately taken to correct any discrepancy which may be discovered.

1011. In your evidence before the Commission on the 10th December last, referring to the period of your entry into the Department, you said: "I found that there were large differences, pro. and con., between the office books and the Bank of Upper Canada, and Mr. Lewis, an accountant, has ever since been employed in trying to get at the bottom of these differences. We are narrowing them down rapidly, but have not got to the bottom of them yet. There were large items debited by the Receiver General against the Bank, for which there was no corresponding credit in the Bank books, and in other cases the Bank had charges against us for which we had not given them credit." Are you now able to explain the extent, and more precisely the nature, of the differences alluded to?

Upon reference to Mr. Lewis's Books, I find that on the 31st December, 1858, there were differences as against the Government amounting to \$59,852.86, and in favor of the Government amounting to \$138,674.88. The differences against the Government arose from amounts credited by the Bank, but not advised to the Receiver General's Department. The differences in favor of the Government, represented Bank certificates of deposit received by the Department, but not credited in the Bank accounts current, amounting to \$128,516.76; amounts wrongly charged by the Bank, \$10,010.07; errors in figures, \$148.05. The differences on both sides had been accumulating from 1853, but no attempt was made to adjust them until 1857. Since 1858 up to 31st January last, differences have been cleared off, and they are now reduced to \$37,812.28 against the Government, and \$65,487.15 in its favor, leaving an apparent difference due by the Bank to the Government of \$27,674.87. The differences have from the first, ranged from \$1 to \$5,000 and a large proportion had their origin in the transactions of the Crown Land Department. Particulars of every item can be furnished, if required. In my opinion, the complete adjustment of these differences is simply a matter of time.

1012. Are there no items of difference between the Bank and the Government, other than those which are included in the particular statement to which you have referred?

There are. One item is in connection with the Zimmerman Bank, and amounts to £61,990 cy. Another is in reference to a Bill of Exchange for £100,000 sterling, drawn by the Bank of Upper Canada, and accepted by the Grand Trunk Railway Company.

1013. What are the particulars of the difference of £61,990, connected with the Zimmerman Bank?

On the 16th May, 1857, Mr. Morrison, then the Receiver-General, directed Mr. J. W. Dunklee, Cashier of the Zimmerman Bank, Clifton, to pay over to Mr. Ridout, Cashier of the Bank of Upper Canada, Toronto, the sum named, charging the same against the Government. Mr. Dunklee was also directed to transmit to the Department the usual certificate of receipt by the Bank of Upper Canada. I cannot discover amongst our papers any such certificate of receipt, but I find in the account current of the Bank of Upper Canada, rendered to the Department on the 1st June, 1857, that on the 18th May the Receiver-General was credited with the £61,990 as received from the Zimmerman Bank. The account current in question is signed by T. G. Ridout, Cashier. The balances set forth in the account has been carried forward continuously without any reversal of this particular entry in the accounts as periodically rendered by the Bank to this time. I know, however, that recently the Bank of Upper Canada, by the present Cashier, Mr. Cassels, has objected to the validity of the credit; alleging that it was not a *bona fide* transfer, no cash having passed between the two institutions. Mr. Cassels stated this to the Receiver-General in my presence three or four days ago. We have had no written notice on the subject from the Bank.

1014. What was the character of the Zimmerman Bank account with the Receiver-General's Department, that the sum of £61,990 remained there as a balance to the credit of the Government?

The accounts of the Zimmerman Bank with the Department show that from September, 1855, to February, 1857, the deposits on the Government account amounted to £72,522 12s. 11d. cy. Of these deposits £23,771 12s. 10d. consisted of interest on loans under the Municipal Loan Fund Act, and sums deposited by parties purchasing debentures from the Government. The remaining £49,850 0s. 1d. was the cost of two Bills of Exchange, each of £20,000 sterling, purchased from the Government by the Bank, under regular tenders for cash. I am unable to find any letter in the books of the Department authorizing the retention by the Bank of the £23,771 12s. 10d., but in the Letter Book commencing 14th July, 1856, I find, No. 513, a series of questions and answers in the handwriting of Mr. Anderson, the then Deputy Receiver-General, declaring that the money was to be gradually chequed out for the public service in a manner that would not injure the Bank, and at the same time would meet the wants of the Government. As to



The proceeds of the two Bills of Exchange, amounting to £49,850 0s. 1d., I find in the same Letter Book, under Nos. 57½ and 280, letters from the Department dated respectively, 16th August, 1856, and 5th January, 1857, accepting the tenders of the Bank for the Exchange, and requesting them in each case to send a certificate of deposit for the amount.

1015. As the deposits from September, 1855, to February, 1857, amounted to £72,522. 12s 11d., and the balance remaining in the bank in May, 1857, was £61,990, was there any arrangement between the Department and the Bank, restraining the chequing out, referred to in the memorandum cited as in Mr. Anderson's handwriting?

There was. I find in the Letter Book already referred to a letter No. 229, dated 10th December, 1856, from Mr. Receiver General Morrison to G. McMicken, cashier of the Zimmerman Bank, in reply to a letter dated the 7th of the same month, assenting to a special deposit remaining in the Bank to the extent of £30,000 cy., for three months, at 4 per cent. interest, upon condition that, in case of emergency, the whole or any part might be withdrawn at 30 days' notice.

## Saturday, February 28th.

T. D. HARRINGTON,—Examination continued.

1016. Referring to the alleged transfer of the deposit of £61,990 from the Zimmerman Bank to the Bank of Upper Canada, are you in possession of the certificate of receipt which Mr. Dunklee was requested to obtain and transmit to the Department?

I cannot find it.

1017. On what authority, then, was the entry of the transfer made in your books under date 18th May, 1857?

It must have been a verbal order, as far as I can judge, given by the then Deputy Receiver General, Mr. Anderson, founded on the letter to Mr. Dunklee, written by Mr. Receiver General Morrison, dated Toronto, 16th May, 1857?

1018. Have you any knowledge of what the capital of the Zimmerman Bank was when Mr. Receiver General Morrison sanctioned the special deposit alluded to in your evidence yesterday?

None, but what I find in the Appendix to the Journals of the Legislative Assembly for 1857. A return made to Parliament shows that the authorized capital was £250,000 cy.; the whole of which appears to have been subscribed by eight individuals, \$982,000 being in the name of the late Samuel Zimmerman, and the remaining \$18,000 in the names of the following individuals: G. McMicken, Jos. A. Woodruff, Jno. Simpson, Richard Miller, Jos. C. Woodruff, Richard Woodruff, St. Davids, Richard Woodruff, St. Catherines. The amount actually paid up on the stock is not stated.

1019. Can you afford an explanation of the other difference between the Government and the Bank of Upper Canada, namely, that referring to a Bill of Exchange for £100,000 stg., drawn by the Bank of Upper Canada, and accepted by the Grand Trunk Railway Company? If yes, narrate the transaction so far as you have traced it in the Books of your Department?

The first notice of the transaction which I find in the Books of the Department is in a letter from Mr. Receiver-General Sherwood to Glyn, Mills & Co., London, dated Toronto, 18th June, 1859, an extract from which I hand in,

No. 57.

*Receiver-General to Messrs. Glyn, Mills & Co.*

TORONTO, 13th June, 1859.

Herewith you will receive First of Exchange No. 1112. for £100,000 sterling, at six months after sight, drawn upon you by the Grand Trunk Railway Company of Canada, with which you will please do the needful.—If not accepted you will have the goodness to return the same duly noted.

(Signed,)

GEORGE SHERWOOD,

Rec. Genl.

On the 1st July, 1859, Glyn, Mills & Co., in a letter dated London, acknowledge the receipt of Mr. Sherwood's letter with the first of the Bill of Exchange therein referred to. I hand in an extract from the letter of Messrs. Glyn, Mills & Co., together with a copy of Sir C. P. Roney's letter to which they allude.

*From Letter of Glyn, Mills & Co. to Hon. George Sherwood, Receiver-General, dated London, 1st July, 1859.*

Your letter also encloses the first of Exchange No. 1112, for £100,000, at six months after sight, drawn by the Grand Trunk Railway Company on ourselves. With reference to this Bill we enclose the copy of a letter to us from the Grand Trunk Board, which will explain the informality in its tenor and the consequent non-acceptance. We understand also that the financial agents are writing to the Inspector-General in reply to his letter on the subject of this Bill, and as it is proposed to substitute another instrument for this, we do not return it now, but await your further instructions, having had the present Bill privately noted.

(Signed,)

GLYN, MILLS &amp; Co.

OFFICES OF THE GRAND TRUNK RAILWAY COMPANY OF CANADA,

21 Old Broad Street, London, 1st July, 1859, E. C.

GENTLEMEN,—I beg to acknowledge the receipt of your lines of the 30th ult. respecting the Bill for £100,000 advised by this week's "Cunard" Mail from Canada.

This Bill of £100,000 was drawn for a special object, and the drawers were, no doubt, unaware of the formal objections to a regular acceptance of a Bill at such an unusual maturity drawn from Canada. The London Directors desire me to state that they fully recognize your objections to its acceptance, which would not be removed by their assurance that they feel the obligation of protecting the signature of the President and Vice-President as of fulfilling all the engagements of the Company.

But the London Board, as you are aware, being precluded by law from all acceptance of Drafts, is unable to interfere for the honor of the signature of the drawers.

I am, therefore, instructed to express a hope that you will retain the Bill now in your hands, without legal protest, as the London Board communicates by this mail to the Company in Canada the difficulties which interfere to prevent the acceptance of the Bill in its present shape, and suggests the substitution of another form, which would not only render the document perfectly regular, but, as it has reason to believe, satisfactory to all parties interested.

I am, Gentlemen,

Your most obdt. Servant,

(Signed,)

C. P. RONEY.

Messrs. GLYN, MILLS &amp; Co.,

Lombard Street.

With reference to the Bill I find a note dated 15th July, 1859, from Mr. Galt, the Minister of Finance, to Mr. Receiver-General Sherwood, which I produce.

EXECUTIVE COUNCIL OFFICE,  
(Inspector-General's Office,) 15th July, 1859.

Hon. G. SHERWOOD, Receiver-General.

MY DEAR SIR,—After consultation with our colleagues on the subject of the Grand Trunk Bill for £100,000 sterling, I think you had better accept from the Bank of Upper Canada, their Bill of corresponding date and sight upon the G. T. Co., accepted by the President and Vice-president of the Co., payable at Messrs. Glyn & Co., London, as recommended by our financial agents.

Yours faithfully,  
(Signed,)

A. T. GALT, M. F.

The rate of premium to be 6½ per cent. being par less 3 per cent for interest for 6 months.

On the 18th of the same month, Mr. Sherwood acknowledged receipt of Glyn, Mills & Co's letter of the 1st, relating to the Bill, and stating that they would receive further advice by the next steamer. On the 20th Mr. Sherwood again wrote as follows :—

No. 92.

Receiver General to Messrs. Glyn, Mills & Co.

TORONTO, 20th July, 1859.

GENTLEMEN,—With reference to my letter of the 18th instant, I have now the honor to transmit first of Exchange (No. 678) for £100,000 sterling, drawn by the Bank of Upper Canada on the Grand Trunk Railway Company of Canada, London, England, at six months after sight, accepted by the President and Vice President of the Company here, and endorsed to my order by the cashier of the Bank of Upper Canada. This is to take the place of the Grand Trunk Bill transmitted by me on the 13th ultimo, as recommended by you, and you will have the goodness to return that Bill to me on receipt hereof.

I have &c.,  
(Signed)

GEORGE SHERWOOD,  
Receiver General.

Two days afterwards, the second of the Bill of Exchange was duly forwarded. On the second August, Glyn, Mills & Co. wrote acknowledging the receipt, saying : " This remittance, we observe, we are to substitute for the draft of the Grand Trunk Railway Company for the like amount on ourselves, which we return to you enclosed, agreeably with your instructions." On the 10th October, 1859, an application was made to the Provincial Secretary for the issue of a warrant in favor of Thomas G. Ridout, Cashier of the Bank of Upper Canada, for \$473,333.33, in order to pay that institution for the Bill of Exchange at 6½ premium. On the same day Mr. Ridout was advised that the warrant had been applied for, and that the money would be handed to the agent of the Bank in Quebec, whither the Government had removed. On the 31st December, 1859, Glyn, Mills & Co. addressed Mr. Receiver General Sherwood a letter informing him *pro forma* of the non-payment of the Bill due on that day. On 6th January, 1860, Glyn, Mills & Co. sent the following :—

LONDON, 6th January, 1860.

SIR,—Referring to our communication of the 31st ultimo, we beg to inform you that under instructions from the Finance Minister we hold over the £100,000 acceptance of the Grand Trunk Railway Company for three months, retaining on your account all rights against the parties thereto, with whom we have communicated to the above effect. Today's quotations of the 6 per cent.'s are 113½ to 114.

We have, &c.,

(Signed,)

GLYN, MILLS & Co.

The Honorable George Sherwood, Receiver General of Canada, Quebec.

On the 21st January, Mr. Receiver-General Sherwood acknowledged the receipt of Glyn, Mills & Co.'s letter of 31st December, in these terms :—" With respect to the non-payment of the draft of the Bank of Upper Canada on the Grand Trunk Railway Company, for £100,000, I believe the matter has received the attention of the Honorable the Minis-

ter of Finance, while in London." On February 2, 1860, Mr. Sherwood wrote further on the same subject, thus:—

No. 289.)

*Receiver-General to Messrs. Glyn, Mills & Co.*

QUEBEC, 2nd February, 1860.

GENTLEMEN,—I have the honor (since my last of the 21st ultimo,) to acknowledge the receipt of your favor of the 6th ultimo, informing me that you held over the £100,000 acceptance of the Grand Trunk Railway Company, and I now beg to transmit in lieu thereof first of new exchange for the same amount, accepted by the President of the Company here, and endorsed by the Cashier of the Bank of Upper Canada, and dated 25th ultimo, at four months after sight, with which you will please do the needful at maturity. This is in accordance with advice from the Minister of Finance received by me from London.

I have, &c.,  
(Signed,)

GEO. SHERWOOD,  
Receiver-General.

On 8th February, Glyn, Mills & Co. wrote the Receiver-General in these terms:—“Referring to the draft of the Bank of Upper Canada on the Grand Trunk Railway Company, for £100,000, our letter of the 6th ultimo will have advised you of the instructions we had received from the Honorable the Minister of Finance as to the course that he wished pursued in the matter.” In reply to Mr. Sherwood’s letter of the 2nd February, Glyn, Mills & Co., on the 17th of the same month, wrote:—“We have in accordance with your instructions substituted this acceptance for the bill due the 31st December last, which we have cancelled and attached to the present remittance.” By an oversight the bill was not attached to the remittance as stated. We subsequently received it, however. On the 30th May, 1860, Glyn, Mills & Co. wrote to Mr. Receiver-General Sherwood the following notification of the non-payment of the bill.

*Extract from letter of Glyn, Mills & Co., to Hon. George Sherwood, Receiver General, dated London, 30th May, 1860.*

We now beg to notify you of the non-payment of the Draft of the Bank of Upper Canada on the Grand Trunk Railway Company for £100,000, bearing your endorsement. The draft is dated Toronto, 25th January, 1860, at four months’ sight, accepted by the Grand Trunk Company the same date, maturing the 28th instant.

(Signed), GLYN, MILLS & Co.

On the 2nd June, Glyn, Mills, & Co., again addressed Mr. Sherwood as follows:

*Extract from letter of Glyn, Mills & Co., to Hon. George Sherwood, Receiver General, dated London, 2nd June, 1860.*

Referring to our notice as to the non-payment of the Grand Trunk Railway Co.’s Bill, £100,000, which we believed to have formed the subject of communication between the Company, the Bank of Upper Canada, and yourself, we think it right to add that having taken the necessary notarial steps we should be able at any time to forward you protest if desired.

(Signed), GLYN, MILLS & Co.

On the 12th June, I wrote to the Secretary of the Grand Trunk Railway Company, Montreal, the following letter:

No. 449.

*Receiver General to the Secretary, Grand Trunk Railway Company, Montreal.*

QUEBEC, 12th June, 1860.

SIR,—I beg to acquaint you that advice has come to hand from Messrs. Glyn, Mills & Co., London, under date 30th ult., that the Second Draft for £100,000 sterling, of the Bank of Upper Canada, on the Grand Trunk Railway Company, dated 25th January last

at four months' sight, and accepted by the Grand Trunk Company, was not paid at maturity, (28th ult.)

Will you be so good as to explain what course the Grand Trunk Company intend to pursue under the circumstances?

I am, &c.,

T. D. HARINGTON, D. R. G.

To this letter no answer was ever received from the Railway Company. The next step which was taken in the transaction is set forth in a letter dated 22nd June, from Mr. Sherwood to Glyn, Mills & Co., an extract from which I read:

"A renewal draft for £100,000 of the Bank of Upper Canada, accepted by the Grand Trunk Railway Company, will be forwarded to you when received, to replace the former one, the non-payment of which you advised me."

On the 7th July, Thomas G. Ridout, Cashier of the Bank of Upper Canada, wrote to the Receiver General, enclosing what he called "the acceptance of the Grand Trunk Railway Company of Canada at four months from the 28th day of May last, for £100,000 sterling, being a renewal in full of a similar bill, due in London on that day, bearing your (*i. e.*, the Receiver General's) endorsement."

This letter was acknowledged on behalf of the Department, on the 12th July. On the following day, Mr. G. C. Reiffenstein wrote to Mr. Galt, then in London, a letter in which he stated, amongst other things: "The £100,000, sterling, Grand Trunk Bill Exchange, accepted for B. U. C., is forwarded to Glyn & Co." This letter, however, was not official, and is entered in the letter book only as a memorandum. The official letter to Glyn, Mills & Co., written on the same date—13th July—noted the transmission of the Bill in these terms: "I have now to enclose you first exchange Grand Trunk Railway Company's acceptance for £100,000, sterling, 4 months from 28th May last, which you will be pleased to place to the credit of the Province with you." The second of exchange was duly forwarded on the 20th. On the 26th July, Glyn, Mills & Co. wrote a letter to the Receiver General, of which the following is an extract:

*Extract from letter of Glyn, Mills & Co. to Hon. George Sherwood, Receiver General, dated London, 26th July, 1860.*

SIR,—We have the honor to acknowledge the receipt of your letters of the 2nd and 13th instant, the former advising your draft, No. A, 688, at 60 days' sight for £25,000, sterling, to which we have given due protection, and the latter enclosing an acceptance of the Grand Trunk Railway Company for £100,000, sterling, for the credit of the account of the Province in our books, and advising the transmission of debentures of the Province to the amount of £300,000, sterling.

The Minister of Finance having returned to Canada, we have not broken the seals of the package, but have returned it to you, with the parcel addressed to Messrs. Baring, Bros. & Co. by this mail, to enable you to have the bonds completed without delay.

The Draft on the Grand Trunk Railway Company for £100,000, you will observe, is drawn by the Bank of Upper Canada at four months after sight, and the Company should have dated their acceptance to fix its maturity. We have thought it better, therefore, to return the Bill to you enclosed, that the acceptance may be made perfect.

(Signed,)

GLYN, MILLS & Co.

On 10th August the Receiver-General replied to Glyn, Mills & Co.: "The Grand Trunk acceptance shall be returned, with the date affixed, as soon as the Hon. Mr. Ross returns to Quebec, he being at present on his way down the River with the Governor General and Executive Council, to meet H. R. H. the Prince of Wales, who is expected to land here on the 18th inst."

On the 29th September I received the following note from the Receiver General, with a note from Mr. Cayley to Mr. Galt, being the enclosure alluded to.

DEAR HARINGTON,—Fyle the enclosed away safely. It has a bearing on the settlement with the Bank.

Yours truly,  
(Signed,)

GEORGE SHERWOOD.

29th September, 1860.

DEAR GALT,—I have only just got your note. The renewal of the £100,000 note on which the Bank is endorser, must be still running. I have not the date, but it will be in the Receiver General's Office. The renewal was forwarded thro' Ross in July last, if I am not mistaken.

Yours truly,  
(Signed),

W. CAYLEY.

Saturday, 29th September,

Subsequently, also on the 29th September, at the request of the Receiver General, I made the following notification to T. G. Ridout, Esquire, Bank of Upper Canada:

No. 547.

*Receiver General to T. G. Ridout, Esqr., Cashier, Bank of Upper Canada, Toronto.*

QUEBEC, 29th Sept. 1860.

SIR,—I am directed to inform you that the first of Exchange of the Bank of Upper Canada, on the Grand Trunk Railway Company, dated 28th May last, has been returned by the Financial Agents of the Province, on account of an irregularity in its acceptance, and it is now too late to return it. The Bill is held subject to the order of the Bank.

I have, &c.,  
(Signed,) T. D. HARRINGTON, D. R. G.

When Mr. Ross returned to Quebec, he inserted the date of the acceptance as President of the Grand Trunk Railway Company. This must have been about the end of September, 1860, because it was a few days before the Bill matured in London, which was on the first October. Mr. Reiffenstein and I had previously made ineffectual attempts to find Mr. Ross, to obtain from him the filling in of the date of the acceptance, in order that it might be returned in sufficient time to present it at maturity to Glyn, Mills & Co. Mr. Ross was in attendance, with the other members of the Executive Council, upon the Prince of Wales. On further reflection, I am sure that it was on the 29th September, that Mr. Ross inserted the date of the acceptance, and that in consequence of the Bill maturing two days afterwards, I wrote the letter last produced. The Bill was not sent home, being retained in the possession of the Receiver General, who desired me to lock it up for safe keeping in my iron safe. I did so, and no further step was taken at the time, in the matter. No communication was had upon the subject with Glyn, Mills & Co., by the Receiver General's Department, nor was there any further correspondence concerning it until the 24th October, 1862, when Mr. Morris, the present Receiver General, after some conversation with Mr. Cassels, Cashier of the Bank of Upper Canada, addressed the following letter.

No. 673.

RECEIVER GENERAL'S OFFICE,  
QUEBEC, 24th October, 1862.

GENTLEMEN,—I have the honor to acknowledge the receipt of your letter of the 2nd instant, the contents of which I have duly noted; I observe that your Quotations of the Five per Cents are improving.

Herewith, you will receive back First of Exchange of £100,000 stg., No. 4617, dated 28th May, 1860, drawn by the Bank of Upper Canada on the Grand Trunk Railway Company of Canada, originally remitted on the 13th July, 1860, and returned for the acceptance to be dated. I have to request you to present the same for payment, unless you have already done this with the second of same Exchange remitted to you on the 20th July, 1860, for account of the Province.

I have, &c.,  
(Signed),

J. MORRIS,  
Rec. Genl.

Messrs. Glyn, Mills & Co.,  
Bankers,  
London.

In the conversation between Mr. Morris and Mr. Cassels, which took place in my presence, the latter expressed his decided opinion that the Bill must be presented for payment by Glyn, Mills & Co., to the Office of the Grand Trunk Railway Company in London, who otherwise might say that they did not pay it because it had never been presented. Mr.

Cassels added that the Bill should be so presented now, and if payment were not made, it should be returned under protest. The receipt of Mr. Morris's letter was acknowledged by Glyn, Mills & Co., as follows :

LONDON, 8th November, 1862.

SIR,—We have the honor to acknowledge the receipt of your letter of the 24th October, enclosing an overdue acceptance of the Grand Trunk Railway Company for £100,000, which we beg to return you herewith under protest for non-payment with £5 10s 6d notarial charges. To-day's quotations of the 5 per cents are 97½ to 98½.

We have the honor, &c.,

(Signed)

GLYN, MILLS & Co.

To the Honorable J. Morris,  
Receiver General of Canada,  
Quebec.

The only other letter I find upon the subject was written by Mr. Morris on the 28th November last, acknowledging the return of the Bill under protest.

1020. In what shape does this transaction appear in your books of account?

The first entry appears under date August, 1859, in the Journal, where the Grand Trunk Railway Company is credited with £100,000 sterling "for the Company's Exchange on Glyn Mills & Co., at six months' sight, favor of T. G. Ridout, six per cent." On the 31st October the Railway Company were debited with the equivalent of the Bill which had been returned, \$473,333,33; being at 6½ per cent as the entry should have originally said. Subsequently cross entries were made, connected with the renewal and the non-payment of the Bills; and at present the item stands at the debit of "Bank of Upper Canada Special account." The first entry as against the Bank was on the 16th October, 1861.

1021. Meanwhile the Province has paid the \$473,333,33?

Yes. The Department on the 14th October, 1859, paid the sum named to the Bank of Upper Canada, and it has never been repaid.

1022. Have you had any conversation with Mr. Sherwood, or any person connected with the Grand Trunk Company, or with the Bank of Upper Canada, which would enable you to throw light upon the origin of this Bill of Exchange, and the object for which it was drawn?

I have not. My opinion, however is, that the transaction was intended to afford help to the Bank of Upper Canada, in some of its pecuniary relations to the Grand Trunk Company. I give this simply as a conjecture resulting from my own observations, but I have no positive knowledge upon the subject.

Monday, March 2nd.

ROBERT CASSELS, Cashier of the Bank of Upper Canada, sworn.

1023. Will you state the terms of the arrangement now existing between the Government and the Bank of Upper Canada?

I am not aware of any absolute agreement between the Bank and the Government, except that the Government were to do the whole of their business with the Bank, and that the balances in the hands of the Bank should not be less than from \$800,000 to \$1,000,000. Having entered the Bank only in April, 1861, I have no personal knowledge of the previous arrangements made. There have been no formal arrangements entered into since that period, though there may have been some correspondence between the Finance

Minister and the Bank, the exact nature of which I cannot state from memory. The arrangement has been carried on as I found it.

1024. Have you any knowledge of the terms of the proposition for keeping the Government account made by the Bank in 1849 or 1850, and which was accepted by the Government on the recommendation of the then Inspector-General?

I have not any precise knowledge of it at present, but on my return to Toronto I will endeavor to procure a copy for the use of the Commission.

1025. Have you any knowledge of the propositions or suggestions connected with the Government account subsequently made by or to the Bank?

I am not aware of any.

1026. Have you any correspondence or papers in your possession relating to the arrangement between the Government and the Bank since 1850?

I have none in my possession, but on my return to Toronto I will endeavor to ascertain if such correspondence or papers exist, and will furnish the Commission copies.

1027. Are there points of difference as between the Government and the Bank growing out of the Government account?

There are some, but we are getting them pretty nearly balanced up. I refer now to ordinary outstanding differences.

1028. Are there no more special items of difference other than those which are now being balanced up?

There are two items of great importance now under the consideration of the Government; I refer to the bill of exchange for £100,000 sterling, drawn on and accepted by the Grand Trunk Railway Company of Canada, in 1860, and to the debt due by the Zimmerman Bank, amounting to £61,990 currency.

1029. Will you state the particulars of the Zimmerman Bank debt of £61,990?

The Receiver-General had, in May, 1857, a deposit in the Zimmerman Bank, which was transferred by the Bank of Upper Canada to the credit of the Government, amounting to £61,990; the Zimmerman Bank becoming liable to the Bank of Upper Canada instead of to the Government. At that time it was supposed that the Zimmerman estate had ample assets to meet, not only this amount, but also all other debts due to the Bank. It turned out, however, that the estimated value of the assets was far beyond the real value, and the debt of £61,990 still remains due to the Bank of Upper Canada.

1030. Have you any specific knowledge in reference to the authority on which the transfer from the Zimmerman Bank to the Bank of Upper Canada was made?

Yes. I produce a copy of a letter dated Toronto, 11th May, 1857, addressed by Joseph C. Morrison, then Receiver General, to T. G. Ridout, Esq., then Cashier of the Bank of Upper Canada.

TORONTO, 11th May, 1857.

Thos. G. Ridout, Esqr.,  
Cashier, &c.

The Trustees of the Zimmerman Estate have assigned to me in Trust, property valued at \$2,483,833—two millions, four hundred and eighty-three thousand eight hundred and thirty-three dollars—in trust to pay off the amount of the Government deposit this day transferred to your Bank from the Zimmerman Bank, viz: £61,990; I also hold the same property as a further security to your Bank for all other amounts due by the Zimmerman Bank, or that may become due hereafter; as well as by the estate of Zimmerman. And I shall see that all moneys received on account of such property



shall be paid in the manner mentioned in the Bonds given by the Executors of the Zimmerman Estate to your Bank.

Yours truly,

(Signed,)

J. C. MORRISON.

This letter communicates all the positive knowledge I have upon the subject.

1031. Was the transfer made *bona fide* ?

Yes. The Government received credit in the ordinary way for the amount; the transfer appearing in the regular account current transmitted to the Receiver General.

1032. What amount has been realized by the Bank of Upper Canada from the Zimmerman Estate, referred to by Mr. Morrison as held in trust ?

The £61,990 is the only portion of the Zimmerman debt which remains uncovered. We have taken Zimmerman property to cover the other debts; but the exact valuation at which the Bank has taken the property I cannot state without reference to the books.

1033. What are the particulars of the other important item of difference you have named—that arising out of a bill of exchange for £100,000 stg. ?

Of the transaction in the first instance I have no knowledge. In the statements of the Bank affairs which were submitted to me by the Finance Minister previous to my accepting the management of the Bank, in 1861, there was nothing to show that the bill in question had any existence. I have since ascertained—though at what precise time I cannot state—that a bill for £100,000 stg., drawn by the Bank on and accepted by the Grand Trunk Railway Company, payable at the office of Glyn, Mills & Co., Lombard St., London, and dated 28th May, 1860, at four months after sight, remained unpaid. The bill was, as I understand, a payment from the Bank to the Government, and was credited by the Government to the Bank. I believe that this bill was a renewal of a previous bill. The bill was endorsed over to Mr. Receiver General Sherwood, and by him to Messrs. Glyn, Mills & Co., as agents of the Province. It was endorsed over to Mr. Sherwood by Mr. Ridout, Cashier of the Bank, in whose favour it was drawn. When I say that this bill was credited by the Government to the Bank, I mean that this bill, or bills for a similar amount of which this was a renewal, had been so placed. The bill was remitted by the Receiver General to Glyn, Mills & Co., who returned it to the Receiver General in order to have the date of acceptance filled in, which Mr. Ross, the President of the Grand Trunk Railway Company, had omitted, when accepting the bill, as he did, in this country. In my opinion, it was unnecessary to have sent the bill here, as its date was the period from which to compute the maturity. I consider that the acceptance of the bill was perfect as remitted in the first instance. Mr. Ross could not be found until just before the maturity of the bill, assuming that the time ran from the date of the bill; and in accepting it he did put in the same date, 28th May, 1860. It was then too late to return it to London in time for presentation, and I am informed that it was retained here by the Receiver General until some time in the autumn of 1862, when Mr. Receiver General Morris mentioned to me that he intended to send the bill to London for presentation. Mr. Morris intimated this to me in the course of a conversation; and the result was that the bill was sent to England for presentation, and a notarial notice of protest for non-payment was sent to the Bank, dated 6th November, 1862. These are all the circumstances connected with the transaction of which I have knowledge.

1034. Has the Bank had any formal communication from the Government upon the subject notifying the Bank of the protest ?

Not that I am aware of.

1035. Has the Bank had any correspondence with the Government upon the subject ?

There has been none that I am aware of since I have been the Cashier of the Bank. I have, however, had verbal communications upon the subject with the present Attorney General West, the present Receiver General, and the present Minister of Finance. I now refer to formal communications.

1036. Had you formal or informal communications with the late Government or any of its members on the subject of the Bill ?

I do not recollect any formal communication. I do not remember any informal communication with Mr. Sherwood. With Mr. Galt I have held conversation upon the subject, but though I cannot recall particulars, I know that he always held that the Bank is liable for the amount. I am not aware of any written communication, formal or informal, with Mr. Galt, with reference to the Bill.

JOHN LANGTON recalled :

1037. As Auditor, what knowledge have you of the issue of a warrant for \$473,333.33, in favor of T. G. Ridout, on 10th October, 1859 ?

I have no further knowledge than the fact that it issued on the application of Mr. Harington, Deputy Receiver General, recommended by Mr. Dickinson, Acting Deputy Inspector General, and that it was in payment for a Bill of Exchange, purchased in the previous July from the Bank of Upper Canada. There appears to have been no Order in Council, and I think that it is not customary in such cases to pass an Order in Council. My record simply shows that the payment was for a Bill of Exchange at six months, without indicating the party on whom it was drawn.

Tuesday, March 3rd.

ROBERT CASSELS reappeared, and expressed a desire to afford explanation upon one point adverted to in his evidence yesterday.

1038. Upon what point do you desire to afford explanation ?

With reference to the first question asked yesterday, I wish to state that, before taking charge of the Bank of Upper Canada, as Cashier, I addressed a letter to Mr. Galt, the Minister of Finance, to which a reply was given by him. My letter related to the Bank account and the Government ; and I will furnish a copy of it, together with a copy of Mr. Galt's reply, for the information of the Commission.

WILLIAM DICKINSON, Acting Deputy Inspector-General, re-sworn.

1039. What information have you in reference to the agreement entered into by the Government and the Bank of Upper Canada, in January, 1850 ?

I am aware that in December, 1849, circulars were sent to certain banks in the Province, by Mr. Hincks, then Inspector-General, requesting to be informed on what conditions they would take the Government account. I am aware also that answers were received from some of these institutions, and that an Order in Council was passed sanctioning the report of the Inspector-General, recommending that the offer made by the Bank of Upper Canada should be accepted as the most advantageous for the Government. The Government account, which up to that period had been distributed amongst several banks, was thereupon transferred entire to the Bank of Upper Canada.

1040. Can you produce a copy of the circular issued by Mr. Hincks, of the various answers received thereto, and of the report to Council and the Order in Council to which you refer ?

I produce a copy of the circular and of the Report and Order in Council; with reference to the replies of the banks, I have caused diligent search to be made, but without finding them. They appear to have been returned to the Inspector-General, on the 9th January, 1850; being the date following the date of the Order in Council; but they are not to be found amongst the documents in the Department.

1041. Do the documents you now produce form the only record which your Department possesses respecting the nature of the agreement entered into by the Government and the Bank at the period in question?

To the best of my knowledge and belief, they do.

1042. Has any change been made in the terms of this agreement?

I think that some changes have occurred, but I am not prepared to say in what respect.

1043. Have you any correspondence relating to these changes?

There are letters from Mr. Galt, as Finance Minister, which induce me to think that changes have been made; but I have not seen the replies of the Bank. I have no doubt, however, that replies were received. They have never been in my possession, but I have given instructions to the Secretary to search for them.

1044. In what shape does the Bank account enter into the books of your Department?

We have a special account open for the Bank of Upper Canada, as well as a general account of our receipts and payments through that and other banks. The special account consists of a single item of \$486,666.67, which is in abeyance as between the Government and the Bank.

1045. Does your Department keep in a distinct shape an entire statement of the account of the Government with the Bank of Upper Canada?

There is no distinct account kept in the Ledger.

1046. Are you aware of the existence of differences between the Government and the Bank, growing out of the Bank account?

I am not aware, of my own knowledge, of the existence of differences; but I understand that such do exist. As the Bank does not render its account of receipts and payments to the Finance Department, I have no means of arriving at a positive knowledge of whatever differences may exist.

1047. Have you any knowledge of a difference amounting to £61,990 currency, arising out of a transfer of that sum from the Zimmerman Bank to the Bank of Upper Canada?

The only knowledge I have of such a difference is derived from a communication from Mr. G. W. Allan, President of the Bank of Upper Canada, transmitted to our Department through the Provincial Secretary, on the 28th March, 1862. I believe that this letter is at present in the possession of the Minister of Finance. So far as I remember, Mr. Allan, in this letter, called upon the Government to make good an amount which had been assumed by the Bank of Upper Canada on account of the Zimmerman Bank, at the instance of the Government. I do not think that any action has been taken upon this letter by our Department.

1048. Do you know anything concerning a bill of exchange for £100,000 sterling, drawn on and accepted by the Grand Trunk Railway Company, in 1859, and now in dispute between the Government and the Bank of Upper Canada? If yes, in what form do the various entries connected with the transaction appear in your books?

The bill of exchange referred to forms the item charged as a special account against the Bank of Upper Canada, in the public accounts for the year 1861, and to which I have already alluded. It is entered in our bill-book under date 13th June, 1859, at six months' sight, drawn by T. G. Ridout, Cashier, in his own favor, on the Grand Trunk Railway Com-

pany, London. This exchange was paid for by the Government by warrant dated 12th October, 1859, in favor of T. G. Ridout, at 6½ per cent. premium—say \$473,333.33. Messrs. Glyn, Mills & Co. were charged in October, 1859, for the amount as having been transmitted in the previous July—say £100,000 sterling, at 9½ per cent., \$486,666.67. They were credited in August, 1860, with the same amount, the bill having been returned under protest. A renewal of this bill was taken from the Bank of Upper Canada, dated 25th January, 1860, drawn by T. G. Ridout, in his own favor, on the Grand Trunk Railway Company, at four months' sight, for the same amount, and was again charged to Glyn, Mills & Co. In August, 1860, they were credited with the amount, the bill having been returned under protest, and the amount was charged to the Bank of Upper Canada. It still remains at the debit of that institution in our books. No further mention of the transaction is recorded in our books. Although I cannot state positively, I infer that the bill was originally credited to the Bank of Upper Canada.

1049. Have you had any conversation touching this bill of exchange with the late or present Finance Minister, or with any person connected with the Bank of Upper Canada or the Grand Trunk Railway Company?

None that I remember.

Friday, March 6th.

WILLIAM DICKINSON, Acting Deputy Inspector General, recalled.

1050. Have you any correspondence concerning the £100,000, sterling, Bill of Exchange already referred to as a matter of difference between the Government and the Bank of Upper Canada?

I produce copy of a letter from Mr. Galt to Mr. Cayley, dated 29th Sept., 1860.

I. G. O., Quebec, 29th Sept., 1860.

MY DEAR CAYLEY,—In your memorandum of unpaid bills on Glyn and Baring, I observe you have not included the £100,000 Bill which I believe is under protest, and for which the Bank, as endorsers, are liable to the Receiver General.

Yours truly,  
(Signed,)

A. T. GALT.

Honble. W. Cayley,  
Manager, B. U. C

I also produce a letter from Edward S. Watkin, President of the Grand Trunk Railway Company, to Mr. Howland, Minister of Finance, and Mr. Howland's reply thereto.

ROSE HILL, NORTHERN ST.,  
MANCHESTER, 6th December, 1862.

MY DEAR SIR,—A letter to hand by the incoming mail from our chief Accountant in Canada, informs me that the Bank of Upper Canada have notified that the Grand Trunk Co. must consider the Bill of Exchange for £100,000, which you spoke to me about, and which you sent home to be "protested," as a debt due to the Government of Canada.

Must I presume therefore, that the debt (if any such be legally due to any one) is now claimed by the present Government, as due to the Province from the Grand Trunk Company?

I must respectfully ask for a written answer, as I must send out instructions to Canada by the next outgoing mail—in fact, I ought to have done so to-day.

My Dear Sir,

Yours very respectfully,

(Signed,)

EDWARD S. WATKIN,  
Presdt. G.T.R.

The Honble. W. P. Howland,  
Finance Minister,  
Canada.

WATERLOO HOTEL,  
LONDON, 8th December, 1862.

DEAR SIR,—I have the honor to acknowledge receipt of your favor of the 6th inst., in which you inform me that the Bank of U. C. have notified the G. T. R. R. Co., that they must consider the Bill of Exchange for £100,000, which they sent home to be protested, as a debt due to the Government of Canada, and you ask to be informed whether you are to presume that the debt (if any such debt be legally due to any one) is now claimed by the present Government, as due to the Province of Canada, from the G. T. R. R. Co.

In reply, I have the honor to state, that I consider both the Bank and the G. T. R. R. Co., liable to the Government for the amount of the Bill of Exchange in question.

Yours respectfully,

W. P. HOWLAND.

(Signed,)

E. Watkin, Esqr.,  
President, G. T. R. R. Co.,

I find no other correspondence in the Department.

1051. Are there items of difference in the account of the Government with the London Agents of the Province?

There are differences with the London agents, in the case of Glyn, Mills & Co., amounting to \$65,371.37; in the case of Baring, Bros. & Co., amounting to \$65,383.53.

1052. Can you explain the nature of these differences?

Referring to the Letter-Book of the Minister of Finance, I find that on the 19th Sep., 1862, Mr. Howland addressed a letter to Glyn, Mills & Co., and Baring Bros., in which the following allusion is made to these differences:—

“Upon examination of the accounts of your respective firms with this Province, I find an important difference in the balance, arising from the fact of the charge of 1 per cent made by you upon debentures not negotiated but returned to the Honorable Receiver General, not having been credited to your account.

“I find no reference to this discrepancy in the correspondence on record in this department.

“I also find charged in the books of this Department the sum of \$50,000 each against your respective firms—in all, \$100,000—as advanced to the City of Montreal in your account in 1859.”

Attached to this letter of Mr. Howland, was the following memorandum of the differences, the cents being omitted:—

MEMORANDUM of differences in the accounts of the Financial Agents, in London, as compared to the entries in the books of the Province.

Messrs. Glyn, Mills & Co.,	
For moiety of 1 per cent commission charged by them on £566,700 stg. 5 per cent Debentures, delivered by them to the Receiver General in 1861, say £2,833 10s. sterling.....	\$13,789
For moiety of 1 per cent commission ditto ditto on £65,000 stg., in 1862, say £325 stg. ....	1,581
	<b>\$15,371</b>
≠ Messrs. Baring, Bros. & Co.,	
For the like charges by them .....	15,371
	<b>\$30,742</b>

Messrs. Glyn, Mills & Co.,	
For moiety of amount of advance to City of Montreal in 1859, at their debit..	\$50,000
Messrs. Baring, Bros. & Co.,	
For like amount at their debit.....	\$50,000
	\$100,000

I also produce an extract of a letter received in reply to Mr. Howland's communication, from Messrs. Baring, Bros. & Co. and Glyn, Mills & Co., under date, London, 9th Oct., 1862. Extract from Messrs. Baring & Glyn's letter to the Honorable Mr. Howland, dated London, 9th Oct., 1862.

"With regard to the items of account to which you are pleased to refer, you will no doubt find that our charge of commission on the Debentures was perfectly correct, and in accordance with the original agreement on that subject. These Debentures were consigned to and signed by us, and they were subsequently, by order of the Minister of Finance, returned to him, not to be withdrawn or cancelled, but to be exchanged and issued for Municipal Loan Fund Bonds, which were presented in Canada for subsequent realization. They form, therefore, part of the issue by us on which we were entitled to the regular commission.

"We have no record in our books of any transaction with the City of Montreal, and are not aware of any advance by us, or for us, such as you mention, and we have therefore no claim on the Government for that account, nor is there any charge on us in the matter."

With regard to the difference growing out of the charge of Commission on Debentures returned to the Government, I understand from the Minister of Finance that in this instance the charge will be allowed, an understanding having been arrived at, however, that in future no such charge shall be allowed on Debentures so disposed of. We have a letter from the London agents, dated 1st January, 1863, in which this understanding is distinctly stated.

1053. How did the \$100,000 difference originate?

The first entry of this item appears in our books, as against the London agents, in December, 1859, Messrs. Glyn, Mills & Co., and Messrs. Baring, Bros. & Co., being respectively debited \$50,000 to the "City of Montreal Advance Account."

1054. On what authority was this entry made?

All the information I can give upon this point is, that a memorandum of the entry to be made in the books was, as I am informed, handed to the book-keeper by Mr. Langton, the auditor, in December, 1859. The following memorandum was afterwards appended:

"Extract of a letter from Hon. A. T. Galt to G. C. Reiffenstein, R. G. O., dated London, 28th Decr., 1859.

"The Northern Railroad money has been paid, and the agents acquiesce in my desire to charge them, each with one half of the Montreal advance of \$100,000, made *in re* the Grand Trunk. Both these sums will therefore go to the debit with you."

1055. Was not some communication had upon the subject, with the London Agents, between December 1859, when the entry was thus made, and September, 1862, the date of Mr. Howland's letter?

None that I am aware of.

1056. How did the item come to be considered an item in dispute?

On receipt of the account current of the London Agents for the half year ending 31st December, 1859, it was found that the Government was not credited with the \$100,000 by either of the firms. The omission has continued in all accounts current subsequently rendered by them.

1057. Are we to understand that this discrepancy of \$100,000 was passed over by your Department without an attempt at the time to obtain explanation or rectification?

I have no knowledge of any explanation having been called for by the Department.

1058. In what shape did the \$100,000 appear in your books in the first instance ?

On the 15th June, 1859, a warrant was ordered in favor of the Receiver General for the sum named, "to reimburse the Bank of Upper Canada that amount paid for the redemption of Montreal City Bonds, matured, and payable by the Grand Trunk Railway Company." The amount was charged to "City of Montreal Advance Account." The authority for issuing the warrant in question was an Order in Council, dated 1st June, 1859, a copy of which I produce.

*Copy of a Report of a Committee of the Honorable the Executive Council, dated 1st June, 1859, approved by His Excellency the Governor General in Council, on the same day.*

On the application of the City Treasurer of Montreal, respecting the payment on the 1st June next, of £25,000 cy., Corporation Bonds, redeemable by the Grand Trunk Railway Company,

The Minister of Finance respectfully submits, that, on the application of the Grand Trunk Railway Company the, Government are requested to pay the sum of £25,000 from the subsidiary lines account, for account of the City of Montreal, and that this amount can therefore be properly applied in extinguishment of the debt due to the Province for arrears of Interest and Sinking Fund by the City of Montreal.

That by this arrangement, the City now represent that the funds by which it was expected to retire £25,000 of City Bonds, due 1st June, and payable by the Grand Trunk Company, are no longer available for the purpose, and that the City have no other immediate resources by which their bonds can be met—whereby the credit of the City will be seriously affected.

The City further represents their determination immediately to collect the rate necessary to pay the arrears due to the Province, under the Municipal Loan Fund, and request that the Government will meantime redeem the Bonds due 1st June, holding the same until the City fully discharge their arrears.

The Minister of Finance recommends that the Receiver General be authorized to redeem the said Bonds, on account of the City of Montreal, and to hold the same until the amount so advanced (\$100,000) with interest at 6 per cent. be repaid to the Government by the City of Montreal, subject to the condition that the said City do immediately levy the necessary rate to meet their indebtedness under the Municipal Loan Fund Act, and that the amount so advanced be repaid within three months, and that the City Treasurer be so advised.

The Committee submit the above recommendation for Your Excellency's approval.

Certified,

(Signed,)

W. A. HIMSWORTH,

Acting C. E. C.

The Honble. the Receiver General,  
&c., &c., &c.

1059. Is this the only other entry ?

It is.

1060. As the matter stands in your Books, then, you charge the London Agents with \$100,000, on the authority of an alleged arrangement between them and Mr. Galt, which they have repudiated ?

Yes. In the books as they stand at present, Glyn, Mills & Co., and Baring, Bros. & Co., are each debited \$50,000, and the "City of Montreal Advance Account" is credited with the \$100,000 ; that account having been debited "to cash" for the original payment.

Wednesday, March 11th.

THOMAS D. HARRINGTON, recalled.

1061. Are you aware of an outstanding difference between the Government and the London Agents of the Province, involving \$100,000?

I am aware of such a difference. That is to say, the London Agents ignore the amount named, which the Receiver General's Department has charged against them.

1062. What explanation can you give respecting this difference?

The first action of our Department was based upon an Order in Council dated 1st June, 1859, authorizing the payment of \$100,000 to redeem certain bonds on account of the City of Montreal, properly redeemable by the Grand Trunk Railway Company. On the receipt of this order, I applied for a warrant for the sum stated, in the usual form. On 16th June, 1859, I received the Governor General's warrant for the sum, and it passed into our books on that day, the City of Montreal being debited "To Cash, \$100,000," Suspense Account. On 31st December, 1859, the same account was credited in full, and the London Agents were at the same time charged, respectively, \$50,000. The authority for this transfer of the item is contained in the following letter of Mr. Galt to Mr. Reiffenstein, who had charge of the accounts connected with the Subsidiary Lines in the Receiver General's Department:—

LONDON, 28th December, 1859.

MY DEAR SIR,—I have your letter and statements of 28th ult. for which I thank you. I will have the Wesleyan matter settled. I have instructed the agents to send out the *unpaid* coupons (cut off) cancelled. And I have requested them to furnish a statement of unpaid dividends. They say the amount is very small.

I shall desire them to furnish their accounts as soon after New Year as possible, as I wish to examine them. I will have them sent to me first.

The Northern Road money has been paid, and the agents acquiesce in my desire to charge them each one-half of the Montreal advance of \$100,000, made *in re* the Grand Trunk. Both these sums will therefore go to their debit with you.

I find they have sold in all, this year, £450,000 bonds, leaving £550,000 in their hands unsold; and Barings have £2,500 stg., M. L. Fund, part of £200,000, still unsold. These last I shall bring back to be cancelled.

The redemption of the £150,000 Con. M. L. Fund sterling bonds has been completed, and they were sent to the Receiver-General, by favor Mr. Griffin, along with the Indian securities. The entries can therefore be made.

Glyns pay our interest at 1st January, on account of the Bank.

I am promised the necessary information about the superannuation scheme, but I have been so busy that I have had no time to look into it, but I intend to do so before I leave.

Yours faithfully,

(Signed),

A. T. GALT.

P. S. I wish every possible receipt properly belonging to 1859 to be brought into the accounts. I observe many accounts of which the returns seem far behind. The payments had better be confined to those made up to 31st December.

This letter was received 17th January, 1860, and the change in the entry of the \$100,000 was made in accordance with Mr. Galt's suggestion, dating it back, however, in order to bring it within the accounts of the year 1859, which were then being closed.

1063. Had you any communication with the London agents upon the subject?

The Receiver-General's Department had not. We were made aware, however, of the fact that the London Agents dispute the charge, by the receipt from the Finance Minister's Department of a joint letter of Barings and Glyns, dated 9th October, 1862, addressed to the Finance Minister, in reply to some communication of his upon the subject.



1064. Having ascertained the fact of a difference, did you take any steps to verify the transfer of the entry in your books?

In December last, Mr. Receiver-General Morris desired Mr. Reiffenstein to write to Mr. Galt, then in London, pointing out the difference raised by the agents, calling his attention to his letter of 28th December, 1859, and requesting him to see the agents, with a view to rectifying the matter; meanwhile Mr. Galt had returned to Canada, and, having been written to, he addressed the following to Mr. Reiffenstein:—

SHEERBROOKE, 20th December, 1862.

MY DEAR SIR,—Thanks for your note of 17th December, with copy of mine of 28th December, 1859. The latter had better be made official; the P. S. is of no consequence whatever, though if you are sending a copy to the agents it may as well be omitted, as it has no reference to London matters. The whole contents of the note show that I had been engaged with them in adjusting the accounts, and that the \$100,000 was clearly understood to be chargeable to them.

Pray bring the matter before Mr. Macdonald, and inform him I shall be happy to write him fully on the subject if he thinks it necessary, though perhaps it would be better to await Mr. Langton's return, and see if he can find the other letter I wrote him at the same time.

Remember me to Harington, and believe me,

Yours truly,  
(Signed,)

A. T. GALT.

G. C. Reiffenstein, Esq.

1065. This sum of \$100,000 appears to have been originally advanced as a temporary loan to the City of Montreal: has Montreal repaid the money?

Montreal has not repaid the money. I consider, however, that the amount has been settled in account with the City of Montreal by the charge against the agents. I consider that at this moment the Government has no claim against Montreal for the amount.

1066. Then, as the case appears, the City of Montreal has received \$100,000 from the Provincial chest to relieve the city from the embarrassment of which it complained in 1859?

So I suppose it to be.

1067. Have you had any correspondence on the subject with the authorities of Montreal?

The only letter I find in our books referring direct to the \$100,000 is one which I addressed to the Treasurer of the City of Montreal, on June 4, 1859, of which the following is a copy:—

RECEIVER GENERAL'S OFFICE,

Toronto, 4th June, 1859.

SIR,—I have the honor to acquaint you that the Government has redeemed £25,000 Montreal corporation bonds, due 1st instant, (and payable by the Grand Trunk Railway Company,) on account of the City of Montreal, and holds the same until the amount so advanced, with interest at 6 per cent., be repaid by the city; subject to the condition that the said city do immediately levy the necessary rate to meet their indebtedness, under the Municipal Loan Fund Act; and that the above amount so advanced be repaid within three months.

I have the honor to be, sir, your obedient servant,

(Signed,)

T. D. HARINGTON, D. R. G.

The Treasurer, &c., &c., &c., City of Montreal.

My authority for writing this letter is the Order in Council of June 1, 1859, already referred to.

1068. Your letter recites two conditions—the levying of a rate necessary to meet the Montreal indebtedness, under the Municipal Loan Fund Act, and the repayment of the advance of \$100,000 within three months, with 6 per cent interest; the latter con-

dition you say has not been complied with by the city: has anything been paid in conformity with the former?

On the 2nd September, 1859, I find an entry of a payment by the Treasurer of the City of Montreal of \$100,000, on account of its indebtedness under the Municipal Loan Fund Act. In connection with this payment I produce a letter from the Treasurer of Montreal to Mr. Galt, then Minister of Finance, and handed by the latter to our Department:—

CITY HALL, MONTREAL, 29th August, 1859.

DEAR SIR,—The Receiver-General transmitted to me, on the 22nd instant, a statement of the arrears of interest due by this city to the Government up to the 31st December last past, interest on the arrears in question calculated to the 1st of September next; the amount due is \$87,241.96.

The corporation being now prepared to pay the sum due, I shall leave this for Quebec on Thursday evening next, and hope to meet you in that city on Friday morning. Should you have to leave before my arrival there, have the goodness to arrange matters with the Receiver-General, so that on my paying the debt due by the corporation, I may at the same time receive back the £25,000 of bonds redeemed by the Government on the 1st of June last, as it was understood between us, and as stipulated in my letter to you under date of the 24th May last.

I remain, dear sir, your most obedient servant,

(Signed,)

E. DEMERS, City Treasurer.

Honorable A. T. Galt, Minister of Finance, Quebec.

1069. Are the £25,000 bonds alluded to by Mr. Demers the bonds redeemed by the advance sanctioned by Order in Council dated 1st June, 1859?

They are.

1070. Were the bonds delivered to Mr. Demers as requested by him?

Yes; I produce his receipt for them, as enclosed in a letter to me dated Montreal, 13th September, 1859.

CITY HALL, Montreal, 13th Sept., 1859.

Received from the Receiver General, one hundred City of Montreal Debentures, Nos. 101 to 200, inclusively, for \$1,000 each, which debentures were redeemed on the 1st of June last by the Government, on behalf of the Grand Trunk Company.

(Signed,)

E. DEMERS.

City Treasurer.

1071. Did not the surrender of the bonds to the City of Montreal virtually relieve it from liability for the \$100,000 advance?

I should say it did.

1072. The surrender of the bonds having taken place in September, 1859, should not Montreal have been then credited to the extent of \$100,000?

We considered the account a suspense account pending its final settlement by Mr. Galt.

Thursday, March 12th.

THOMAS D. HARRINGTON—recalled.

1073. Your books show that debentures to the amount of £3,000, held by the Receiver General as security for the issue of notes by the Zimmerman Bank, were surren-

dered in proper form to the Bank on the 27th March, 1857: were these debentures bought by the Superintendent of Indian Affairs from Zimmerman, and paid for by the Receiver General on the 13th of the previous month?

By the register of debentures, deposited as security by the Zimmerman Bank with the Receiver General, I find that debentures Nos. 2,977 to 2,988, amounting to £3,000, were noted as withdrawn on the 27th March, 1857, by Mr. Dunklee, Cashier of the Zimmerman Bank, as per his receipt for the same. I find also, by a warrant of the Governor General, Sir E. Head, dated 13th February, 1857, that the sum of £5,863 8s. cy. was paid to George C. Reiffenstein, Debenture Clerk in the Department, whose receipt is affixed thereto, and who tells me that he acted on behalf of Mr. Zimmerman in the transaction; included in which sum appears to have been payment for the particular Nos. of debentures which I have stated, and which were not withdrawn till the 27th March. This is all the information I can give in answer to the question, as the transaction took place twelve months before I became connected with the Department.

GEORGE C. REIFFENSTEIN, Debenture Clerk, Receiver General's Department, was called and sworn.

1074. A warrant has been shown to the Commission, dated 13th. February, 1857, and purporting to bear your receipt for £5,863 8s. cy., in payment for certain debentures sold to the Superintendent of Indian Affairs. In this transaction did you act on your own account or as an agent for others?

I acted, not as Debenture Clerk in any shape or way, but as Agent for Mr. S. Zimmerman, at the request of Mr. Receiver General Morrison. I paid the entire sum to Mr. Dunklee, Cashier of the Zimmerman Bank, on the day upon which I received it. I cannot say whether I handed to the Indian Department the whole amount of debentures, when I received the cheque, or not.

1075. Did you receive the cheque on the day upon which it purports to have been paid?  
I should say that I did, although not prepared to say so positively.

1076. Are you aware of any delay in the release of the debentures included in this transaction?

I am aware that they were not all released by the Receiver General's Department at the same time. I cannot say, however, whether any part of the debentures were paid for before they were released by the Receiver General's Department.

Tuesday, March 17th.

HONORABLE JOHN ROSS, M.L.C., sworn.

1077. In 1859, you were President of the Grand Trunk Railway Company?  
I was.

1078. Have you any recollection of a bill of exchange drawn on or about the 13th June, 1859, by the Grand Trunk Railway Company on Glyn, Mills & Co., London, for £100,000 stg. in favor of T. G. Ridout, Cashier of the Bank of Upper Canada, and are you aware of that bill having been handed over to the Receiver General?

Without speaking positively as to the date, I recollect such a bill being drawn, and I am aware that it was handed over to the Receiver General. At least, I so understood.

1079. What was the object of the bill?

It was to make a portion of the deposits of the Government in the Bank of Upper Canada more secure, by getting this bill drawn upon the bankers of the Grand Trunk Railway Company in London, accepted and paid, as it was supposed at the time would be done. The means, it was hoped, as far as I can recollect, would be obtained from money to be raised on the sale of second preference bonds of the Company, the issue of which had been authorized by an Act of the Provincial Parliament in 1858.

1080. Had arrangements been made with Glyn, Mills & Co. for the acceptance of the bill?

Not before it was drawn, I think. The bill was taken upon the assurance of Mr. Blackwell, the Vice President of the Grand Trunk Company, who had also the control of the financial department of the Company's affairs in this country, that the bill would undoubtedly be accepted and paid.

1081. On what grounds was the Bill refused acceptance?

On the ground that there were no funds, and that there was not a certainty of a favorable time arising for placing the second preference bonds before the bill would mature. So I understood. It was never held that Glyn, Mills & Co., were liable for the amount. They refused to make themselves liable until they were in funds.

1082. Was a bill drawn by the Bank of Upper Canada on the 13th June, 1859, on the Grand Trunk Railway Company, and accepted by yourself and the Vice-President of the Company, substituted for the bill in question?

I think I recollect the transaction being arranged in that way, and upon reading a letter from Mr. Galt to Mr. Sherwood, dated 15th July, 1859, shown to me by the Commission, I recollect that it was a requirement of Mr. Galt that a bill for £100,000 sterling, of a corresponding date and sight upon the Grand Trunk Railway Company, to be accepted by myself and the Vice President of the Company, Mr. Blackwell, and payable at Messrs. Glyn & Co.'s, London, should be given in substitution, the reason for the substitution being that Glyn, Mills & Co. had considered the bill in the latter form more regular.

1083. Was this substituted bill paid at maturity?

I think not.

1084. Was another bill drawn by the Bank of Upper Canada on 25th January, 1860, and accepted solely by yourself as President of the Grand Trunk Company?

It was in renewal of the one last spoken of. Mr. Blackwell was not at hand at the time of acceptance, and his absence was not material. I reported the transaction to the Grand Trunk Board, by whom it was sanctioned. This bill also was not paid.

1085. Was another bill drawn by the Bank of Upper Canada on 28th May, 1860, and accepted by yourself as President of the Grand Trunk Company?

Yes, in renewal of the last mentioned bill.

1086. When and where did you accept the bill?

I think in Toronto, but I am not sure, and that I accepted it on the date on which it was drawn or about that time. I remember that the bill was returned from England because of the omission of the date of acceptance in the first instance.

Monday, March 23rd.

HONORABLE A. T. GALT, M.P.P., sworn.

1087. Have you any knowledge of a bill of exchange for £100,000 sterling, drawn in June, 1859, on Glyn, Mills & Co., London, by the Grand Trunk Railway Company, in favor of T. G. Ridout, Cashier of the Bank of Upper Canada, and which was endorsed to the Receiver General, and by him remitted to Glyn, Mills & Co.?

I have.

1088. For what purpose was the bill drawn, and for what consideration was it handed over to the Receiver General?

We received the bill from the Bank of Upper Canada, on account of the balances due by them to the Government. The Bank was largely indebted to the Government at the time, and we were glad to get the additional security which this bill gave us. I will state generally the circumstances under which the bill was given. It appeared that the Grand Trunk Company were largely indebted to the Bank at the time, and were not in a position to draw exchange at the usual dates. They offered to the Bank a bill for £100,000 stg., at 6 months, which would have left a sum payable by the Bank to them. The Bank felt that they could not make use of a bill at so long a date, and they applied to the Government to know whether the Receiver General would accept the bill on account of the Government balances. The view taken of it by the Government was, that as the balances due by the Bank to the Government were very large, it was desirable to obtain the additional security which the bill in question would afford, and it was therefore taken.

1089. Are you aware of any authority from Glyn, Mills & Co., for drawing the bill? And had you any reason for believing that it would be accepted by them?

I am not aware of any specific authority with regard to this bill. The reason for supposing that the bill would be paid, was, that up to this period no default had been made by the Grand Trunk on bills of exchange or promissory notes. All the bills drawn by the Grand Trunk had been drawn on Glyn & Co., as far as my knowledge extends.

1090. Was the Bill accepted? If not, why?

By reference to correspondence, I find that the bill was not accepted, and the reasons for the failure are given in a letter from Glyn, Mills & Co., to the Receiver General, dated 1st July, 1859, an extract from which I see in the possession of the Commission, I have no further knowledge of the reasons than I gather from this source.

1091. Why was another bill of corresponding date and sight substituted, drawn by the Bank of Upper Canada on the Grand Trunk Company, accepted by the President and Vice-President of the Company, and endorsed to the order of the Receiver General?

It was substituted on account of the reasons assigned for the non-acceptance of the original bill. The Government sanctioned the change because it gave us still the security of the Bank, and the security of the Grand Trunk Company; we having at that time no doubt that the bill would be paid at maturity by the latter.

1092. Had you any assurance that the bill would be paid through any funds that were in the possession, or were likely to come into the possession, of the London Agents?

I cannot say that we had any direct assurance of the Grand Trunk Company; we were aware, however, that the Company were at the time negotiating the sale of the Second Preference Bonds, authorized by the Act of 1858, for upwards of a million sterling, and this was the source to which the Company were looking for means to meet their engagements.

1093. Do you remember that after this substitution, namely, on the 10th October, 1859, a warrant was issued in favor of T. G. Ridout for \$473,333.33, in payment of the bill?

I cannot speak from memory with regard to the issue of the warrant in question; but I have no doubt that it was issued as stated.

1094. Did not the substitution of the bill, then, so far change the relations of the Government in the transaction as to entail upon it the payment to the Bank of this sum, when, according to the original draft, the Government should have been in its receipt?

No; in no respect whatever.

1095. The bill matured in December, 1859: were you in London at the time?

I was.

1096. Did you give instructions to Glyn, Mills & Co. respecting the bill?

When the bill matured, Messrs. Glyn, to the best of my recollection, informed me that it would not be paid, and asked what they should do with it. I was much disappointed at receiving this intimation, and informed them that as the Government might in this event have to look for payment to the Bank of Upper Canada, it would be necessary that the bill should be protested, in order to preserve our legal rights. This, I believe, was done; and I observe by reference to a copy of a letter shown me from Glyn, Mills & Co., dated 6th January, 1860, that they were instructed by me to retain in their hands, for a period of three months, the bill so protested. My object in directing them to retain the bill was to give time to the Government to consider, on my return from England, the course which we should take with regard to the recovery of the money. I may add, that it is my impression that at that time application was made to me to consent to a renewal of the bill, which I did not feel myself authorized to accede to, having no authority to deal with it without the concurrence of my colleagues.

1097. Do you know that when this bill fell due it was not paid? That another bill, dated 25th January, 1860, was drawn in its stead? And that this again was not paid at maturity?

I see, by the production of a copy of the bill, dated 25th January, 1860, that it was drawn, and I have no doubt that it was in renewal of the other bill. I am aware that this bill also was not paid at maturity.

1098. Do you know that a fourth bill, dated 28th May, 1860, was sent back on the eve of its maturity, in consequence of an informality in its acceptance, and that the acceptance was not perfected until within a few days of the maturity of the bill?

I believe that this was the case, though I cannot at this moment recall the particulars of the informality. I now see it stated in a letter from Glyn, Mills & Co. to the Receiver General, dated 26th July, 1860.

1099. When was this fourth bill again sent to England?

I am unable to state. I should have presumed that it was forwarded in due course by the Receiver General; but I now learn from documents shown me by the Commission that it was not.

1100. Whom do you consider liable for the bill? Have any of the parties—namely, the London agents, the Bank of Upper Canada, or the Grand Trunk Company—at any time acknowledged their liability in connection with it? And were any steps taken, within your knowledge, to recover the amount?

I consider that the Grand Trunk Company and the Bank of Upper Canada are still liable for the bill. I am not aware that the London agents have ever been in any respect responsible. The Bank of Upper Canada have never directly questioned their liability in any communication with the Government whilst I was a member of it. I never doubted their liability for a moment. So far as the Grand Trunk Company are concerned, I cannot

see that they could possibly dispute their liability. No steps were taken to recover the amount.

1101. Do you recollect an advance of \$100,000 to the City of Montreal on 16th June, 1859?

Yes.

1102. What were the circumstances connected with this advance ?

The circumstances, as nearly as I can recall them, were these : The Government were pressing the City of Montreal for payment of the reduced rate of 1s. in the pound of their debt to the Municipal Loan Fund, and at the same time bonds of the city for £25,000 currency fell due, which had been issued to the St. Lawrence and Atlantic Railroad, and which the city expected would have been paid by the Grand Trunk Company, who represented the St. Lawrence and Atlantic Company. The Grand Trunk Company failed to pay these bonds, and the city alleged to the Government that they were unable to protect their credit by the payment of these bonds, and at the same time pay the amount due by them to the Municipal Loan Fund, which was very nearly equal in amount. The city applied to the Government for a loan to redeem the bonds that were falling due, pledging themselves at the same time to levy the necessary rate for the payment of the Municipal Loan Fund, and proposing that when this latter sum was paid, the Government should undertake to collect from the Grand Trunk Company the amount of the £25,000 of City Bonds. At that time, it was considered by the Government very important to commence the successful collection of the rates under the amended Municipal Loan Fund Act, and that it would greatly facilitate the collection of the rate from other municipalities, if it could be shown that the City of Montreal had made good the large sum due by it. With regard to the payment of the £25,000 by the Grand Trunk Company, to whom under this proposal the Government would ultimately have to look for the payment of that sum, it was stated by Mr. Blackwell, the Managing Director of the Company, that there was no doubt that the Grand Trunk would in a very short time be able to pay the amount. This was stated by Mr. Blackwell to me. He also stated that in the meantime the amount might be advanced to the City of Montreal, out of moneys in the hands of the Government belonging ultimately to the Grand Trunk Company, and retained under the term of subsidiary lines' money ; there not being any probability that the said moneys would be required for the works to which they were applicable under the Grand Trunk Relief Acts for some considerable time, long before which Mr. Blackwell expected that the sum in question would be paid. My recollection is, that he specifically undertook that the sum in question should be paid by drafts on Messrs. Baring & Messrs. Glyn. The transaction was sanctioned by the Government, I believe, on the terms I have stated. The City of Montreal collected the Municipal rate, and paid the same to the Receiver General, whereupon the bonds of the City of Montreal were, to the best of my belief, surrendered by his department to the City. With regard to the repayment of the £25,000 advanced by the Government, we were then, by the understanding come to, bound to look to the Grand Trunk Company.

1103. We have a letter from Mr. Demers, the Treasurer of the City of Montreal, dated the 29th August, 1859, in which reference is made to another letter to yourself, dated 24th May, concerning the terms of the arrangement : can you produce a copy of the last mentioned letter ?

I suppose that the letter is in the Finance Department, or with the papers in the office of the Executive Council.

1104. The Bonds having been delivered up to the City of Montreal, did you understand that its debt of \$100,000 was cancelled, and was it so treated in the Books of the Finance Department ?

As far as the City of Montreal was concerned, I consider that they fulfilled the engagement entered into. The claim of the Government on the city, for the \$100,000 advance was, I consider, discharged. I am unable to state how the entries were made in the books.

1105. Had you any subsequent communication with the Grand Trunk Company on the subject?

The only communication I had subsequently was with Mr. Blackwell, in London, in December, 1859, when arrangements were made for the repayment of the money.

1106. With whom were these arrangements made?

The arrangement was made by myself personally with the London agents of the Province, who were at the same time the Bankers of the Grand Trunk Company, by their assuming each one-half of the advance. To the best of my recollection, the discussion of this point was with Mr. Baring, and I think Mr. Blackwell was present. He (Mr. Blackwell) was undoubtedly cognizant of the arrangement to which I refer, and which I advised to the officers of my own Department and of the Receiver General's, under date 28th December, 1859, in a letter addressed to Mr. Reiffenstein, and which is in the possession of the Commission. At the same time I also wrote to Mr. Langton at very considerable length in regard to the subjects connected with the financial agents' accounts and other public business, but I regret to state that I am informed by Mr. Langton that the letter has been mislaid.

1107. Are you aware that when the item appeared in the accounts of the London agents, as rendered by your Department to them, they did not admit it; and that they have ever since disclaimed liability for it?

The first time when I became aware that it was not entered in their accounts, in conformity with the entries made under my direction here, was last spring, a few days before I resigned office, and the information reached me in answer to an enquiry of mine, as to whether the balances shown in the public accounts as due to the financial agents, corresponded with the accounts as rendered by them. I was then informed that the £25,000 had never been credited in their accounts. When I resigned office, I requested Mr. Langton, the Auditor, to draw the immediate attention of my successor to this circumstance, as being one that required immediate correspondence and explanation. I have no further knowledge of the matter.

1108. Have you had any subsequent communication with the London agents on the subject?

None whatever.

Tuesday, March 24th.

HONORABLE W. P. HOWLAND, Minister of Finance, sworn.

1109. There is a difference amounting to \$100,000 between the Government and the London agents of the Province: have you had any personal communication with them on the subject? If so, when and what?

On the 19th November last, being in London, I had an interview with Messrs. Glyn, in the course of which I expressed a desire to know whether they could furnish me with any further information than they had already communicated by letter, with reference to the charge of \$100,000 in the books of the Province, made as against the London agents on account of advance to the City of Montreal. At the same time I read an extract from a letter of Mr. Galt to Mr. Reiffenstein, directing the entry to be made against the agents, and I called the attention of the Messrs. Glyn to the fact, that in giving this direction Mr. Galt had connected it with another transaction relating to the Northern Railway, which I hoped would enable them to recall to their recollection the circumstances connected with the interview with Mr. Galt, at which, according to his letter, the matter had been spoken of and arranged. I also requested Messrs. Glyn to examine and inform me whether they



had held any securities payable by the City of Montreal, that had been paid by this arrangement. Messrs. Glyn, senior and junior, then stated that they had no recollection whatever of the transaction. They added, however, that they would institute an enquiry into the subject and state the result on another day. Two or three days afterwards, I again saw Messrs. Glyn, when they informed me that they had made strict enquiry into the matter, and had considered it carefully, and the result was that they had no knowledge or recollection of the transaction in any shape. I understood that in making the enquiry, Messrs. Glyn consulted with the house of Baring, Bros. & Co., on the subject. During my stay in London, at one of my interviews with Mr. Watkin, President of the Grand Trunk Railway, I asked him to cause an examination of their books and records to be undertaken to ascertain what entry, if any, had been made respecting the payment of \$100,000 bonds of the City of Montreal, for which the Grand Trunk Company were liable; directing his attention especially to the question whether there was any record showing who were the holders of the bonds and what had been done with them. His answer, on a subsequent occasion, was, that there was no record of the transaction which he could find. He stated that there might be an entry, showing what I wanted, in the books of the Company in Canada, but that there was none in England.

Thursday, March 26th.

JOHN LANGTON, Auditor, recalled.

1110. Have you any recollection of a letter received from Mr. Galt during his stay in London, in the winter of 1859-60, in which reference is made to the charge of \$100,000 against the London Agents, now disputed by them? If so, state the purport of the reference?

I recollect receiving a letter from Mr. Galt whilst he was in England, during the winter of 1859-60, in which reference was made to several subjects connected with the Department, but I have no recollection of there being anything in the letter connected with the \$100,000. I have looked over my letters, and I do not appear to have made it an official letter, or to have preserved it; I speak now of my recollection of that letter. But since I last replied to the same question put to me in an official letter from the Commission, I have been induced to think that the letter may probably have contained instructions upon the subject, although I have forgotten them. My reason for coming to this conclusion is, that the entry in the Inspector General's books was evidently made either in the month of December, 1859, or very early in January, 1860; and Mr. Goddard, the Book-keeper, tells me that the entry was made by verbal instructions from me to him, although both of us were under the impression that these verbal instructions were conveyed to him after Mr. Galt came out. I have no means of ascertaining decidedly when Mr. Galt left Canada, or when he returned; but if he were in England in the last week of December, or the first week of January, the entry cannot have been made from his verbal instructions.

Friday, March 27th.

T. D. HARINGTON, Deputy Receiver General, recalled.

1111. Can you produce a monthly statement of the Government balance, in the Bank of Upper Canada, from January, 1859, to December, 1862, inclusive?

I produce the statement referred to.

MONTHLY STATEMENT of Cash in the Bank of Upper Canada, for account of the Receiver General, from the 1st January, 1859, to the 31st December, 1862.

1859.	\$ cts.	1861.	\$ cts.
January 1st.....	501,137 88	At interest.	
Do 31st.....	442,433 95	January, (\$442,222 22) .....	1,094,057 05
February .....	560,542 52	February do .....	702,036 30
March .....	1,003,664 75	March, do .....	1,030,021 68
April.....	937,212 09	April, do .....	1,176,925 42
May.....	1,158,691 75	May, do .....	805,667 54
June .....	841,312 25	June, do .....	429,317 34
July.....	815,720 21	July, do .....	587,422 95
August.....	1,168,717 28	August, do .....	516,285 59
September.....	1,554,279 09	September, do .....	964,967 71
October.....	1,169,398 44	October, do .....	780,376 84
November.....	1,154,380 54	November, do .....	902,425 47
December.....	914,281 22	December, do .....	880,738 46
1860.		1862.	
January.....	1,565,986 52	At interest.	
February .....	1,104,369 00	January, (\$442,222 22) .....	709,836 08
March .....	1,080,135 30	February, do .....	535,793 31
April .....	1,205,365 64	March, do .....	966,219 41
May, (\$242,222 22 at interest).....	1,020,430 72	April, do .....	1,090,208 14
June do .....	921,153 69	May, do .....	1,446,670 64
July, (\$484,444 44 do) .....	228,216 06	June, do .....	1,514,380 33
August, (\$242,222 22 do) .....	598,409 30	July, do .....	793,013 93
September, do do .....	1,129,333 47	August, do .....	1,151,598 02
October, do do .....	1,420,883 07	September, do .....	1,180,045 10
November, do do .....	1,006,631 95	October, do .....	1,036,307 70
December, do do .....	1,008,016 79	November, do .....	1,173,327 95
		December, do .....	750,702 52

1112. The statement which you produce shows a sum deposited at interest: is this an addition to the balance, or does it form a part of the balance?

It is a special deposit in addition to the ordinary balance.

1113. Under what authority has this special deposit been made?

Under the authority of an Order in Council, dated 29th May, 1860, giving general power to the Receiver General to make special deposits for terms not exceeding six months, at five per cent. interest, with any of the chartered Banks of the Province.

Saturday, March 28th.

WILLIAM DICKINSON, Acting Deputy Inspector General, recalled.

1114. What information can you give in regard to arrangements or communications between the Government and the Bank of Upper Canada, relating to Exchange, to the protection of the Provincial Balance, or to guarantees offered by the Government for the assistance of the Bank during the years 1861, 1862?

I have no knowledge upon these subjects beyond that which is derived from the correspondence of the Minister of Finance as recorded in the Letter Books of the Department.

1115. Can you produce from the Letter Books communications bearing upon the subjects embraced in the last question?

I produce certified copy of a letter addressed by Mr. Galt to Mr. Proudfoot, President of the Bank of Upper Canada, dated 23rd October, 1860, in reference to Exchange :

MONTREAL, 23rd October, 1860.

WILLIAM PROUDFOOT, Esq.,  
President, Bank of Upper Canada.

SIR,—In reply to your letter of this date, and under the circumstances stated to me, the Government will accede to your request for Provincial Exchange, on the terms set forth in your letter, to the immediate amount of forty thousand pounds sterling; and, without absolutely engaging to do so, it is probable the remaining sum may likewise be provided, if the conditions are strictly fulfilled on the part of the Bank.

It is my duty, however, to state to you that it is essential for the Bank to arrange for the conduct of their business in the usual commercial manner, as the favor now granted can neither be enlarged nor continued.

I have instructed the proper officer to deliver the Exchange for £40,000 sterling to your Quebec Agent, and I request you will hand me your Exchange in favor of the Receiver General for this amount. The Exchange will be taken and sold at par (9½ per cent.). Any charge made by our financial agents, in connection with these Bills, must be paid by the Bank. I also request you will address Messrs. Glyn, through me, stating that you have undertaken that £19,000 Sterling Exchange, last remitted by you, shall be considered as expressly remitted against the Bills to be now drawn by you, and that you have in like manner undertaken to cover the balance of their bills, and all others drawn on like account by your remittances of commercial exchange.

I am, Sir,  
Your obedient Servant,  
(Signed) A. T. GALT,  
M. of F.

I produce a letter from Mr. Galt to the London Agents, dated 4th December, 1860, relating to the Bank and the payment of interest on the Public Debt in England :

OFFICE OF THE MINISTER OF FINANCE,  
QUEBEC, 4th December, 1860.

Messrs. BARING, BROS., & Co.,  
Messrs. GLYN, MILLS, & Co.,  
London.

GENTLEMEN,—With reference to the payments of interest in January and February next, upon the public debt of Canada, I have now the honor to request, on behalf of the Government, that you will make provision for the same.

For this purpose you can apply the uninvested monies at the credit of the Consolidated Canadian Loan Accounts, and may also call in such portions of the loans made therefrom as may be needful. If the latter step cannot be taken consistently with the terms upon which the funds have been lent, I request you will make the necessary advances, on the general account of the Province, replacing the same as the loans are repaid. The unsettled state of financial affairs in the United States induces the Government to believe that it is better to arrange the payment of the interest in this mode, rather than to reduce seriously the balances held in this country.

I have the honor to be,  
Gentlemen,  
Your faithful, humble servant,  
(Signed) A. T. GALT,  
M. of F.

I also produce a letter from Mr. Galt to Mr. T. G. Ridout, Cashier, Bank of Upper Canada, referring to the condition of the Bank, and calling for information in regard to its affairs.

OFFICE OF THE MINISTER OF FINANCE,  
 QUEBEC, 6th February, 1861.

THOS. G. RIDOUT, Esq.,  
 Cashier, Bank of Upper Canada,  
 Toronto.

SIR,—The position of the Bank of Upper Canada has, for a long time past, caused the Government much solicitude—marked as it has been by a gradual withdrawal of public confidence, caused by the weakness indicated in its monthly statements, and by its supposed inability to realize its large outstanding debts.

The manner in which the Government account has been worked has also been a source of much embarrassment to us, and has necessitated our leaving large balances in the hands of the Bank, which were required for other purposes. I have uniformly given the Bank every support in my power, in the hope that from the urgent representations which I have repeatedly made, the time would speedily arrive when such assistance would not be required. But thus far my expectations have not been realized, and the time has arrived when some more distinct knowledge must be obtained of the position of the Bank, with the view of enabling the government to decide how far they are justified in continuing the arrangement under which the bank has acted as fiscal agents of the Province, in Canada. It is essential that I should be satisfied that the public revenues which are now paid into the bank, are not merely ultimately safe, but are available at any moment for the public service.

The Government therefore request that you will submit this letter to your Board of Directors, with the expression of our desire to be furnished, with the least possible delay, with the following information :

ASSETS.

1. Statement of current bills, with the names of all the obligants.
2. Past due bills, do. do.
3. Current deposit accounts overdrawn.
4. Special loans.
5. Real estate—the property of the Bank. N.B.—The collateral security held for debts to be stated. Property or bills included in the foregoing, and pledged by the bank for loans, or as collateral security for bills of exchange, to be specified.
6. Other stocks or securities.

LIABILITIES.

1. Amount of circulation—with a statement of the mode in which the same is made up, and the amount of notes unissued in each branch.
2. Money at interest.
3. Due to depositors on current accounts, without deduction of amount overdrawn.
4. Amount due to foreign agents and banks.
5. Amount due to departments of Government.

These returns to be furnished by the head office, branches, and agencies, as at 31st December last, with any later information that can be supplied without delay.

These statements, which the Bank is requested to furnish, must, it is believed, have been before the Directors before the declaration and payment of the last dividend, and can, it is expected, be furnished without delay. The originals may, if the bank see fit, be sent down, and will be returned after examination.

The Government trust that the result of this investigation will be to remove all doubts—a result which would probably at once go far to replace the bank in a satisfactory position; and as I have no doubt the Directors must themselves be conscious of the great danger in which the bank now stands, I rely on their earnest co-operation in giving us the fullest and most reliable information.

I have the honor to be,  
 Sir,  
 Your obdt. servant,

(Signed)

A. T. GALT,  
 M. of F.

Another letter concerning the condition of the bank, the public deposits, and the offer of guarantees by the Government, is dated 3rd April, 1861. It is from Mr. Galt to Mr. Cassels, Chief Manager, Bank of Upper Canada, and I produce a copy :

OFFICE OF THE MINISTER OF FINANCE,  
Quebec, 3rd April, 1861.

ROBERT CASSELS, Esq.,  
Chief Manager, Bank of Upper Canada.

SIR,—I have the honor to acknowledge your letter of 2nd instant, which has been submitted for the consideration of the Government. We feel very sensibly the evils which would arise from any serious discredit to the Bank of Upper Canada; but while most anxious to avert any such difficulty, it is our duty to avoid any considerable increase to the large liabilities of the Bank to the Province.

The prominent cause of the present embarrassment is to be found in the state of your London account and the withdrawal of your New York agency, and it appears evident that without these two accounts can be placed on a satisfactory footing, it will be impossible for the Bank to fulfil the conditions under which it acts as fiscal agent for the Province,—a failure which would almost certainly cause an interruption in its ordinary obligations to the public.

The Government do not feel at liberty to make any large increase in their deposits, without having the advantage of the full inspection which you are about to make of the affairs of the Bank, and being satisfied as to the security offered by the capital and assets of the institution. But as it appears to us that the immediate danger may be averted by new arrangements in London and New York, the Government are prepared to give their guarantee to Messrs. Glyn, & Co. to the extent of eighty thousand pounds sterling, for the purpose and on the condition of that firm opening a new Banking credit with you to that amount, to be worked on proper business principles, and to be kept wholly distinct from past transactions. The new account to date from 1st April instant.

With reference to the question of a future increase to our deposits, for the purpose of enabling the Bank to complete your proposed financial arrangements, the Government will be prepared to entertain favorably an application on your part to the extent of one hundred and twenty thousand pounds sterling, or two hundred thousand, with a withdrawal of the guarantee for £80,000, provided that the information, as to the position of the Bank, to be hereafter submitted by you, is considered satisfactory, and to offer proper security to the Province.

It must be clearly understood that the whole incoming revenues of the Province are at the disposal of the Government whenever required. The balance at 1st January of, say, \$1,200,000 will not, however, be permanently reduced pending the result of your investigations and report, upon which a definite understanding on all these points must be come to.

I remain, Sir,  
Your obed't, humbleservant,

(Signed,)

A. T. GALT, M. of F.

T. D. HARRINGTON, Deputy Receiver General, recalled.

1116. The Department of the Deputy Receiver General has charge of the coinage of the Province: can you state what arrangements were entered into by the Government with the Bank of Upper Canada, in 1860, 1861, or 1862, relative to the withdrawal from circulation of the copper tokens of the Bank; and the issue of Provincial copper coinage through the instrumentality of the Bank?

In 1858, the Government ordered a new silver and bronze or copper coinage, from England, and the silver coinage was received in 1858 and 1859. The receipt of the bronze coinage from England did not commence until March, 1860, and as it arrived it was deposited for safe keeping in the vaults of the Bank of Upper Canada. Authority was

given to the Bank to put into circulation this coinage, as wanted, and also to supply it to other Banks when they required it; placing the amount thus taken to the credit of the Receiver General, and sending the usual certificate of deposit. In December, 1860, Mr. Ridout, the then Cashier of the Bank of Upper Canada, being at our Department on business, complained that the introduction of the bronze coin prevented any further circulation of the copper tokens of the Bank, imported by it under the authority of the Government, and of which the Bank then had a large amount, lying as a dead-weight. I asked him if I should mention the matter to the Receiver General, and see if any arrangement could be made; and he said he should be obliged if I would do so—giving as his reason, not only the fact of the Bank loss, but the inconvenience occasioned by the crowding of the Bank vaults. I brought the matter before the Receiver General, who afterwards told me that he had consulted the Minister of Finance, and directed me to write to Mr. Ridout, conveying a proposition. I produce a copy of my letter, dated 26th December, 1860:

No. 638½.

RECEIVER GENERAL'S OFFICE,  
QUEBEC, 26th December, 1860.

SIR,—I am directed to communicate to you a proposition, submitted for the purpose of effecting the purchase of the remainder of the Upper Canada Bank Tokens, still unissued, in the hands of the Bank.

The actual cost of same to be allowed to the Bank, and payment to be made in Provincial copper coin (cent pieces). You will please reply at your earliest convenience.

I am, etc.,

(Signed)

T. D. HARRINGTON, D. R. G.

T. G. RIDOUT, Esqr.,  
Cashier, Bank of Upper Canada,  
Toronto.

On the 3rd January, 1861, I received an answer from Mr. Ridout, of which the following is a copy:

BANK OF UPPER CANADA,  
TORONTO, 3rd January, 1861.

SIR,—I have the honor to acknowledge your letter of the 26th December, 1860, proposing to purchase the Bank of Upper Canada Copper Tokens at cost price, giving in exchange the Bronze Tokens issued by the Government of Canada, which has been accepted by the Board. I will furnish a statement of the amount as soon as I receive returns from our several branches.

I have, etc.,

(Signed)

THOS. G. RIDOUT, Cashier.

To the Honorable the RECEIVER GENERAL, &c., &c., &c.,  
Quebec.

Although the Government proposition was accepted by the Bank, we did not receive the information promised by Mr. Ridout until May, 1861, when Mr. Cassels, who had become Cashier of the Bank, addressed to the Receiver General a letter, of which I hand in a copy, dated May 1st:

BANK OF UPPER CANADA,  
TORONTO, 1st May, 1861.

Sir,—I have the honor to transmit herewith the following statements connected with the copper tokens imported by this Bank, under the authority of the Provincial Government, as per Licences Nos. 1, 2, 3,—viz:

No. 1. Amount imported, .....	\$96,840 00
At a cost of.....	80,824 97
No. 2. Amount redeemed up to the 15th January, 1861,.....	30,268 14
No. 3. Interest account, from 1st January, 1859, to 1st March, 1861,....	3,934 20

The Government having agreed to exchange the Bank tokens for Provincial coinage, you will be pleased to authorize that the above sum—\$30,263 14—be transferred to this Bank in lieu thereof, in silver and copper coinage, say—

Silver coinage .....	\$25,000 00
Copper do. ....	5,000 00

And at the same time authorize a warrant to issue in favor of the Manager of this Bank, in Quebec, for the interest which has accrued.

Waiting your instructions as to the disposal of the tokens redeemed,

I have, etc.,  
 (Signed), **ROBERT CASSELS, Cashier.**

To the Honorable the RECEIVER GENERAL, &c., &c., &c.,  
 Quebec.

Mr. Cassels' letter was accompanied with detailed tabular statements, and of these I have prepared a recapitulation, which I now produce:

No. 1.

STATEMENT of Copper Tokens imported by the Bank of Upper Canada under license from the Canadian Government, Nos. 1, 2 and 3.

RECAPITULATION.

License No.	Amount	Currency.	Dollars.	Cents.
License No. 1,	{ £6,105 } { \$24,420 }	4,473 16 3	= 17,895	25
Do No. 2,	{ £5,955 } { \$23,820 }	5,254 1 4	= 21,016	27
Do No. 3,	{ £12,150 } { \$48,600 }	10,478 7 3	= 41,913	45
Total.....	\$96,840, at cost of £20,206 4 10		\$80,824	97

No. 2.

Statement of Copper Coins at the Bank of Upper Canada, Toronto, and its Agencies, on the 15th January, 1861.

Total.....\$30,263 14

No. 3.

Statement of Copper Coins at the Bank of Upper Canada, Toronto, and its Agencies, on the 15th February, 1861.

Total.....\$30,263 14

Interest on above, from 1st January, 1859, to 1st March, 1861—2 yrs. 2 mos., }  
 at 6 per cent per annum..... } \$3,984 20

When the information came into my hands, I prepared a report to the Receiver General, setting forth the exact state of the matter. I might add by way of explanation, that the amount designated by Mr. Cassels, as redeemed, was the total amount of copper tokens at the Bank of Upper Canada, Toronto, and its several Agencies, on 15th January, 1861. I produce a copy of my report.

“The undersigned begs to submit to the Honorable Receiver General the correspondence relating to the purchase of the unissued copper tokens, imported by and remaining in the hands of the Bank of Upper Canada. The Bank now asks for the exchange to be made nearly all in silver, instead of in the bronze cents, and makes a charge for interest, covering a period from 1st January, 1859, to 1st of March, 1861. The undersigned sug-

gests that the Bank is entitled to interest—if allowed—only from the date when the bronze cents interfered with the circulation of the tokens, up to the 1st January, the time of their acceptance of the Government offer of purchase. An Order in Council is probably necessary to perfect the transaction, and for the disposal of the redeemed tokens.

B. G. O., 6th May, 1861.

(Signed) T. D. HARINGTON, D. R. G.

To the Honorable the RECEIVER GENERAL, &c., &c., &c.

On the 8th May, 1861, the Receiver General returned the papers to me, with directions endorsed to write to the Cashier of the Bank, which I did in the following terms:

No. 40.

RECEIVER GENERAL'S OFFICE,  
QUEBEC, 8th May, 1861.

SIR,—I am directed, in reply to your letter of the 1st instant, to state that interest will not be allowed as part of the cost of the copper tokens imported by your Bank, and also that you cannot get the amount in silver.

If you will have the goodness to examine your Government weekly balance statement, you will see that there remains only about \$3,150 of silver coinage.

I have, etc.,

(Signed) T. D. HARINGTON, D. R. G.

ROBERT CASSELS, Esqr.,  
Cashier, Bank of Upper Canada,  
Toronto.

To my letter no reply was received from the Bank. In January, 1862, it became necessary to call upon the Bank for a statement of the silver and copper coinage held belonging to the Government, and on the 22nd of that month I applied to the Cashier for the information required. His answer, dated the 3rd February, I produce. It revives the question of the purchase of the Bank tokens:

BANK OF UPPER CANADA,  
TORONTO, 3rd February, 1862.

Sir,—In accordance with your letter of the 22nd ultimo, I herewith beg to hand you a statement of the bronze coinage, \$72,200, held by this Bank for safe-keeping on account of the Receiver General.

With reference to the silver coinage, I have to state that the whole amount was sometime since credited by us to an account styled, "Receiver General, New Coinage." For the balance now at the credit of that account, \$3,159 65, I beg to hand you a Draft, No. 461, on the Quebec Branch.

I would take this opportunity to refer to the very great loss this Bank has sustained by the introduction of the bronze coinage, it being thereby compelled to withhold from circulation the large amount on hand of copper tokens, the importation of which by the Bank was authorized by the Government, to supply a great public want. To compensate for the loss, thus sustained, I would suggest that the bronze coinage, held for the Government, be transferred to the Bank at cost price, at which rate we would at once credit the amount to the Receiver General.

I remain, etc.,

(Signed) ROBERT CASSELS, Cashier.

T. D. HARINGTON, Esqr.,  
Deputy Receiver General,  
Quebec.

P.S.—The total amount of copper tokens imported by the Bank was ... \$96,840  
Of which is in circulation, and for which the Bank is liable, about..... 46,840

Leaving on hand about..... \$50,000



Statement of bronze coinage held for safe keeping by the Bank of Upper Canada, for account of the Receiver General, viz :

Montreal Branch, 285 Boxes, \$200 each .....	\$57,000	
Do do 2 do 100 do .....	200	\$57,200
Toronto Branch, 75 do 200 do .....		15,000
Total..... 362 Boxes, containing .....		\$72,200

Three hundred and sixty-two boxes, containing seventy-two thousand two hundred dollars in bronze cent pieces.

(Signed),

ROBERT CASSELS, Cashier.

BANK OF UPPER CANADA,

TORONTO, 3rd February, 1862.

I submitted this letter of Mr. Cassels to the Receiver General, but I did not receive instructions to prepare a reply until the 18th March, 1862, when I wrote the following :—

No. 423.

RECEIVER GENERAL'S OFFICE,

QUEBEC, 18th March, 1862.

SIR,—I am instructed to inform you, with reference to your letter of the 3rd ultimo, that the Government agree to transfer to your Bank, at cost price, bronze coinage to the amount of \$50,000, being a sum equal to the copper tokens imported and remaining on your hands.

This is on condition that the Bank places to the credit of the Receiver General, the balance of the bronze coinage, stated to be held by you for safe keeping say, \$22,200 at its nominal value. I am also instructed to state that the Government will relieve the Bank of the copper tokens on hand, say \$50,000, by purchasing it at cost price, but no interest will be allowed on it.

The cost price, including expenses of all kinds, of \$50,000, is..... \$28,875 76

Balance of coin (per Bank return)..... 22,200 00

Total to credit of Receiver General..... \$51,075 76

You will advise if the Bank accepts this offer, and the cost price of the tokens.

I beg to remain,

Sir,

Your obedient servant,

(Signed,)

T. D. HARRINGTON, D. R. G.

R. CASSELS, Esq.,

Cashier, Bank of Upper Canada, Toronto.

In preparing this letter I simply followed instructions. The terms offered to the Bank were settled by Mr. Sherwood and Mr. Galt, and I know nothing more specific about them. Under date 27th March, the Bank accepted the terms proposed. I produce Mr. Cassels' letter :—

BANK OF UPPER CANADA,

TORONTO, 27th March, 1862.

SIR,—I have the honor to acknowledge the receipt of your letter of the 18th instant, informing me that the Government are prepared to transfer to the Bank, at cost price, bronze coinage to the amount of \$50,000, on condition that the balance, or \$22,000, be taken by the Bank at its nominal value.

I beg to state that this arrangement will be accepted by the Bank, and so soon as I am advised that the same is to be carried out, a draft for \$51,075.76, in favor of the Honble. the Receiver General, will be transmitted.

I would, however, here state that an error occurred in the amount of our copper tokens on hand, as mentioned in my letter of 3rd ultimo, which should have been \$30,000,

and not \$50,000, but as these coins are constantly being redeemed, the full amount of \$50,000 will be delivered to the Government as they are collected.

A statement showing cost, &c., of these copper tokens, is herewith transmitted.

The \$30,000 now on hand, shall be at once deposited with the Government, at such place as you may advise, and at the rate of \$834.62 per \$1,000, and further deposits shall, from time to time, be made at the same place and date.

I have the honor to be,

Sir,

Your obedient servant,

(Signed,)

ROBT. CASSELS, Cashier.

T. D. HARINGTON, Esq.,  
Dy. Rec. General, Quebec.

The substance of the statement referred to by Mr. Cassels is embodied in a report which I prepared on 31st March, for the information of the Minister of Finance, the Receiver General being absent. I hand in a copy, with Mr. Galt's approval attached.

#### REPORT.

The Bank of Upper Canada is ready to accept the arrangement proposed by the Government in respect to the bronze coinage; but it now appears that instead of \$50,000, the Bank has at present only \$30,000 in its copper tokens.

The question now is, Will the Government let the Bank have bronze coin, to the amount of \$50,000, at cost price—say \$28,875 76; with the balance at nominal value—say \$22,000 00; and take its copper tokens, as proposed, at cost price—say \$30,000 at once, and \$20,000 as redeemed and collected by the Bank?

The Bank puts the cost price of its tokens, it will be observed, at the rate of \$834 62 per \$1000, or \$41,700 for \$50,000. While the Bank gives only \$50,000 of nominal value, Government gives \$72,000.

All of which is respectfully submitted:

(Signed)

T. D. HARINGTON, D. R. G.

R. G. O., 31st March, 1862.

To the Honorable the MINISTER OF FINANCE, etc., etc., etc.

The above arrangement is approved.

(Signed)

A. T. GALT, M. of F.

1st April, 1862

Mr. Galt gave his approval to the arrangement on the 1st April, 1862, and on the same day I communicated the fact to the Bank of Upper Canada, requesting them immediately to transmit the usual certificate of deposit, with drafts for \$50,875 76, being \$200 less than the amount named in my letter of 18th March, the Bank having in the interim credited us with one box of that value. On April 5th, the Bank transmitted the draft, as requested, stating that they would be prepared, as soon as they received the necessary directions, to lodge the amount of their own copper tokens on hand, then being about \$31,000.

1117. The transaction, so far as the sale of bronze coin to the Bank is concerned, has, then, been completed; has the arrangement for the purchase of the Bank tokens also been finished?

The latter arrangement has not yet been carried out. When, however, the Bank is prepared to lodge its tokens, to the amount of \$50,000, it will be entitled, as a matter of course, to be paid \$41,700.

1118. Putting the whole operation into a single sentence, how does it stand?

We sell coinage to the amount of \$72,200 for \$51,075 76; we buy bank tokens, nominally amounting to \$50,000, for \$41,700.

1119. Can you state the intrinsic value of the \$50,000 bank tokens ?

I cannot, but I value it in bulk at its market value as old copper.

Tuesday, March 31st.

T. TRUDEAU, Secretary, Department of Public Works, re-sworn.

1120. Since your former examination, the Catarqui property has been sold pursuant to the agreement cited by yourself : what amount has been realized by the sale ?

It was sold on the 27th February, 1863, for \$12,100.

1121. The difference between this sum and the sum guaranteed by the late Government amounted, then, to \$7,900 ?

Yes.

1122. And this \$7,900 represents the loss on the transaction borne by the Province ?

Yes.

1123. When was the contract for the rebuilding of Spencer Wood signed ? With and by whom ? And for what amount ?

The contract was signed on 21st May, 1862, between Messrs. S. & C. Peters, and the Hon. Mr. Cauchon, Commissioner of Public Works ; Messrs. Tibbits and O'Leary being the contractors' sureties. The bulk sum covered by the contract was \$15,980. There was a further contract for stables and coach house, entered into on the 3th of October, 1862, between S. & C. Peters and the Hon. Mr. Tessier, Commissioner of Public Works, amounting to the bulk sum of \$1,670.

1124. Are these buildings completed ?

They are.

1125. What amount has been expended upon them ?

The works provided by the contracts have been finished for the sums named in the contracts. There were extras on the house amounting to \$788.45. The total expenditure to this date has been \$18,438.45.

1126. What was the total appropriation made by Parliament ?

\$20,000.

1127. Can you state the amount expended upon and in connection with the property known as lately the city residence of His Excellency the Governor General, in Lewis Street ?

The total expended in connection with the city residence of His Excellency was \$55,229 97. This sum includes the repairs and additions to the House recently occupied by His Excellency, the stabling and repairs to the house now occupied by Mr. Desbarats, who was one of the parties dispossessed by His Excellency.

1128. Under what circumstances did the Government acquire possession of the Lewis street buildings ? From whom ? At what rate ? And for what term ?

His Excellency's late city residence comprises what were previously two separate dwellings : one belonging to Mr. Bradshaw and the other occupied by Mr. Desbarats and the property of Mr. Baby. The Public Works Department is not in possession of any complete record of the arrangement entered into by the Government with regard to these buildings ; the greater part of the arrangement having been made verbally. I find, however, a lease dated 15th February, 1862, by Mr. Bradshaw, renting to the Government the

property owned by him for a period of two years and eight months, commencing on the 1st September, 1861, and ending on the 30th April, 1864, at a yearly rental of £400. With regard to the house occupied by Mr. Desbarats, he agreed to vacate it on condition that the Government provided him with another house; and in fulfilment of this condition the Government leased for Mr. Desbarats' occupation, a house owned by Mr. Joseph Hamel, at a yearly rental of £350, commencing on the 8th October, 1861, and extending to the 30th April, 1864. Mr. Desbarats remains the lessee of the house in Lewis Street, paying his old rental, whatever it was, to Mr. Baby; the Government standing to him in the position of sub-tenant.

1129. The yearly rental of His Excellency's residence may be set down at \$3,000?

Yes.

1130. Under the terms of the agreement between Mr. Bradshaw and the Government, will the expenditure incurred in what may be termed the permanent fittings of the house for the occupation of His Excellency, accrue to the benefit of Mr. Bradshaw on the expiration of the lease?

I find in the lease that Mr. Bradshaw will "take the said house and premises at the expiration of the present lease, in the state the same shall be then, save and excepting the division wall, which was dividing the house hereby leased from the house of Michael W. Baby, Esq., and also the division walls of the out-buildings, which Her Majesty, represented as aforesaid, shall be bound to rebuild."

1131. Was the expenditure upon or in connection with the Lewis Street residence regulated by contract?

There were no written contracts, and I have no record of any verbal agreements, which may have been made from time to time between Mr. Cauchon, the Commissioner, and the builders.

1132. When did His Excellency enter into occupation of the Lewis Street residence, and when did he vacate it, removing to Spencer Wood?

I cannot name the exact day, without reference; but His Excellency removed to Lewis Street in the early part of March, 1862, and he removed again thence to Spencer Wood a few days ago.

## Wednesday, April 1st.

**JAMES BAINE**, Book-keeper, Department of Public Works, re-sworn.

1133. What amount was expended by the Government on the Catarqui property, during its occupancy by the Governor General?

The expenditure commenced in the spring of 1860, and the total expended on the property during His Excellency's occupancy, was \$10,483.52. In 1860, the amount was \$8,781.67; in 1861, \$1,210; in 1862, \$491.85. The total for repairs was \$6,297.36; for furniture, \$3,358.71; the small balance being applied to other purposes. In this statement, no allowance is made for the wages of parties employed in taking charge of the grounds and buildings.

1134. Can you produce a statement in detail of the expenditure, on and in connection with the late residence of His Excellency in Lewis Street?

I produce a statement, which I have prepared from the books of the Public Works Department. I should say, perhaps, that there may be some trifling difference between this statement and the amounts charged in the Public Accounts for repairs after His Excellency entered into occupation.

ADDITIONS, Repairs, Fitting up and Furniture, for the Residence of His Excellency the Governor General, Lewis Street, Quebec, to 31st December, 1862; also, expenditure connected with the removal of Mr. Desbarats.

NAMES.	Amount.		House.		J. Hamel's House.		Furniture.		Stables.		Preparing Parliament Buildings.		Removal to Lewis St.		After Fire.	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
S. & C. Peters, Builders	13,499	37	13,499	37												
George Desbarats	3,177	53			2,600	23										
John Pye, Plumber	2,562	71	1,248	06			577	30								
William McKay, Painter and Glazier	7,365	41	3,487	36			713	00	601	65						
A. Peebles & Co., Plumbers and Gas-fitters	1,824	15	1,655	02			3,595	00	304	05						
John Laird, Coals furnished		33	33	00					269	13						
Eduard Gaboury, Joiner	6,168	22							6,168	22						
William Drum, Cabinet-maker	15,702	45					14,763	23								
W. L. Whitty & Co., Iron Foundry		40					46	30					438	14		
E. Trepanier, Joiner	41	55							41	55						
Levis Dery, Bell-hanger	148	50	148	50												
Jacques W. Harper, to pay laborers cleaning	238	23	238	23												
John Giblin, Coals &c., furnished	265	05	265	05												
Z. Vandy, Tinsmith and Plumber	1,278	80	1,278	80												
John Pye, Plumber	1,979	68	1,979	68												
A. Peebles & Co., Plumbers and Gas-fitters	138	87	138	87												
William Drum, Cabinet-maker	165	00					165	00								
Thomas Andrews, Plumber	57	50	57	50												
Prudent Vallée, Timber furnished	108	00							108	00						
A. Peebles & Co., Gas-fitters	219	65	194	90												
William McKay, Painter	133	00	133	00												24 75
Simon Levy, Silver-smith	56	00												56	00	
Total	\$65,229	97	\$24,267	34	2,600	23	\$19,849	83	\$7,492	60	\$511	08	\$494	14	\$24	75

DEPARTMENT OF PUBLIC WORKS,  
Quebec, 1st April, 1862.

GEORGE DESBARATS, Queen's Printer, sworn.

1135. You occupied one of the houses in Lewis street, the property of Mr. Baby, which was afterwards used as part of the residence of His Excellency the Governor General : will you state the circumstances connected with your relinquishment of the house and your removal therefrom ?

In the month of October, 1861, being in Montreal, I received a telegram from Mr. Cauchon, Commissioner of Public Works : " We have taken your house for the Governor General ; the Council has decided it." To which I answered : " My wife thinks it is too late in the season to camp on the plains." Upon which Mr. Cartier sent me a message requesting me to come to Quebec immediately. The following morning I saw Mr. Cartier, who informed me that the Government could not do without my residence, that it was absolutely required for the Governor General, and that I must seek another house, the rent of which the Government would pay ; I continuing to pay the rent of the house to be occupied by the Governor General, to the expiration of my lease. Mr. Joseph Hamel called upon Mr. Cartier, and agreed to let his house on the Esplanade to the Government, for, I think, three years ; and it was agreed by Mr. Cartier, that inasmuch as the house was quite unfinished, being without even a kitchen, the house should be finished similarly to that of the neighbor, Mr. Gibb ; the house I had given up to the Government being, without exception, the best finished house in Quebec. Immediately the necessary repairs were undertaken and got through, and in three weeks I removed into the house—the house I was in having been partially demolished before I left it. The expenses attending the repairs of Mr. Hamel's house were paid by the Government, as well as the cost of my removal. I received no indemnity whatever, but on the contrary, was necessarily put to much expense in purchasing furniture to replace what I had left as fixtures in Mr. Baby's house. I have continued to pay the rent of Mr. Baby's house, the Government paying the rent of of that which I now occupy.

1136. You remain the lessee of Mr. Baby's house, the Government being in fact your sub-tenant ?

Yes, up to 1st May next.

1137. What rental do you pay Mr. Baby under your lease ?

£150.

1138. What rental does the Government pay Mr. Hamel for the house you now occupy ?

I believe £350.

1139. In your judgment, what was the annual value of Mr. Hamel's house, when it was taken by the Government, and previous to the expenditure upon it for additions and repairs ?

I should fancy that about £125 would have been its extreme value.

1140. What would you consider a fair rental for it now ?

£250 in its present state.

Tuesday, April 14th.

Hon. A. T. GALT, M. P. P., recalled.

1141. When you assumed the duties of Inspector General, what were the terms of the arrangement existing between the Government and the Bank of Upper Canada in respect to the Government account ?

I must respectfully refer the Commission to the evidence in the Department of what that arrangement was, as made before my acceptance of office. I very soon found that the position of the Bank was such as to render it impossible satisfactorily to work under that agreement.

1142. Were changes in these arrangements subsequently made or proposed?

Shortly after my advent to office, a change was proposed, whereby the Bank, as remuneration for keeping the account, were to be assured that an average fixed balance, without interest, should remain in their hands. This arrangement, however, was never carried out, as upon further consideration it appeared to me undesirable to come under any specific agreement whereby any large amount of the public funds should be left in that institution. I preferred in the existing position of the Bank, leaving the Government with the full control of its account, and did not in any way alter or disturb the previously existing arrangement, although circumstances were such as to make it difficult if not impossible for the Government fully to avail themselves of the advantages secured to them under that arrangement.

1143 Correspondence which we have received in evidence shows that at different periods you rendered assistance to the Bank; can you state to what extent and in what form?

It is quite impossible for me to state to the Commission the extent or particulars of the assistance from time to time given by the Government to the Bank. The unfortunate position in which that institution stood rendered it, for nearly the first three years after my acceptance of office, to a very serious extent dependent upon the course adopted towards it by the Government. The assistance rendered was, I think uniformly, upon their applications for exchange on England. These applications were from time to time submitted to my colleagues, with whose concurrence the course adopted towards the Bank was uniformly maintained.

1144. In a letter dated 23rd October, 1860, addressed by you to Mr. Proudfoot, then President of the Bank, you employ the remark—"It is essential for the Bank to arrange for the conduct of their business in the usual commercial manner." Are we to infer that up to that time you had reason to be dissatisfied with the manner in which the business of the Bank with the Government had been conducted?

I certainly was dissatisfied with the position in which the Government account with the Bank stood, and to this my remark in the letter applied. The transaction alluded to in the letter sufficiently explains the remark.

1145. On the 6th February, 1861, according to a letter already in evidence, you applied to Mr. T. G. Ridout, then Cashier of the Bank, for certain information, "with the view," as you therein say, "of enabling the Government to decide how far they are justified in continuing the arrangement under which the Bank has acted as fiscal agents of the Province of Canada." Did you receive the information sought? If yes, did you consider it sufficiently satisfactory to justify the Government in continuing the arrangement?

The evidence was, to the best of my recollection, furnished through the original documents, which were subsequently returned to the Bank. The impression produced on my own mind by their consideration was, that with a rigid and careful realization of the various assets of the Bank, the whole of its liabilities could be, within a reasonable time, covered by its assets, and that the paid-up capital of the Bank was more than equal to any loss that could possibly arise in such realization. At the same time, it was quite apparent that such results required a new and vigorous administration of the Bank—an opinion which I had frequently before expressed to the Directors, and the failure to obtain which had been the principal reason for my addressing Mr. Ridout in the terms of the letter referred to. I may add that, while believing these returns to afford evidence that no ultimate loss would either fall upon the Province, the depositors, or the bill-holders, it was quite evident, from the nature of the assets, that any sudden and large demand upon the resources of the Bank must be attended with serious disaster. The Government, therefore, under my advice, consider-

ed that it would be in the interest of the public, that for the time being no attempt should be made to withdraw the public account from the Bank of Upper Canada; but they decided that such course would only be justifiable if the changes in the management of the Bank to which I have referred, should be immediately carried out; and under new officers, in whom the Government would have confidence, the affairs of the Bank should be as rapidly as possible brought into a more satisfactory condition by the realization of its assets, and by a reduction of its current business to the most restricted limits.

1146. On the appointment of Mr. Cassels to the cashiership of the Bank, you appear to have offered Government assistance to the Bank in the form of a guarantee to the extent of £200,000 sterling, and in the maintenance in the Bank, pending an investigation into its affairs, of a provincial balance amounting to \$1,200,000. Was the proposed guarantee accepted by the Bank, for the purposes stated in your letter to Mr. Cassels, dated 3rd April, 1861?

The Government did not propose to give the Bank a credit of £200,000 sterling, absolutely, as will appear by the letter referred to. The application to which that letter is a reply, was made by Mr. Cassels before he had had an opportunity of acquainting himself thoroughly with the position of the Bank, and the proposals set forth in my letter are contingent upon the opinion which the Government themselves should form after being put in possession of Mr. Cassels' complete analysis of the affairs of the Bank. With regard to the balance of \$1,200,000, it will be observed that the same remark is made. In point of fact, subsequent investigations of the position of the Bank rendered it manifest that no such amount of assistance as that named in Mr. Cassels' letter of 2nd April, 1861, and my reply, was absolutely necessary. Consequently, the further discussion of, or arrangement respecting, these proposed credits was dispensed with, except so far as relates to the current balance, which the Government endeavored to keep as nearly as possible at the figure named, until the new management of the Bank should enable it to be reduced without injury to the Bank. I may add that the endeavor of the Government was to combine the safety of the public deposits, which could not be withdrawn in the existing state of the Bank, with the most speedy resuscitation of the institution itself, any disaster to which would have been attended not merely with direct loss to the Province, but also with the most serious derangement to the monetary affairs of the country. Both Mr. Cassels' letter and my reply were fully considered in Council, though for the reason stated no Order in Council was made upon the subject.

Thursday, April 16th.

T. D. HARRINGTON, Deputy Receiver-General, recalled.

1147. Will you produce a statement of amounts deposited at interest with the Bank of Upper Canada, between the 8th January, 1850, and the 31st December, 1862, with the dates of deposit and withdrawal, the rates of interest chargeable, and the amounts credited the Government by the Bank from time to time for such interest?

I have prepared and produce the statement required.



**STATEMENT of Amounts deposited at interest in the Bank of Upper Canada, between the 8th January, 1850, and 31st December, 1862, with the dates of deposit and withdrawal, the rates of interest chargeable, and the amounts credited the Government by the Bank, from time to time, for such interest.**

Date.	Amount Deposited.	Amount Withdrawn.	Rate of Interest.	REMARKS.	Date.	Amount of Interest.	REMARKS.
1850. March 27 .....	£ s. d. 123,333 6 8	£ s. d. .....	3 per cent.		1851. Jan. 14 .....	1,850 0 0	Interest Credited the Government by the Bank. 6 mos. to 27th Nov., 1850, on £123,333 6 8.
1851. Nov. 6 .....	42,300 0 0	.....	3 per cent.		June 13 .....	1,850 0 0	do 26th May, 1851, on do
1852. Feb. 20 .....	30,833 6 8	.....	4 per cent.		Nov. 28 .....	1,880 2 4	do do 27th Nov., 1851, on do
1853. Jan. 31 .....	65,633 6 8	.....	.....		Sept 7 .....	2,199 14 6	To 1st July, 1852, on do
1854. Jan. 30 .....	100,000 0 0	.....	.....		do .....	227 9 1	do do on £42,300 0 0.
1855. Jan. 31 .....	.....	.....	.....		do .....	135 0 8	To 27th March, '52 (37 days), on £30,833 6 8.
1860. March 18 .....	£ s. d. 242,222 22	.....	5 per cent.		do .....	38 12 8	To 16th April, '62 (19 days), on £18,555 11 1.
July 2 .....	242,222 22	.....	5 per cent.		do .....	15 13 9	To 8th May, '62 (23 days) on £6,222 4 5.
August 29 .....	.....	.....	.....		do .....	2,594 17 1	To 1st Jan., '63, on £105,633 6 8.
1861. January 28 .....	200,000 00	.....	5 per cent.		Jan. 27 .....	422 0 6	To 31st do on do
					do 29 .....	3,000 0 0	12 mos. to 31st Jan., '54, on £100,000.
					Jan. 30 .....	3,000 0 0	do do '55, on do
					1855. Jan. 22 .....	.....	.....
					1860. Oct. 16 .....	\$ cts. 4,512 32	From 18th March to 1st Aug., '60, \$242,222.22.
					Dec. 31 .....	.....	Interest not charged from 1st August to date.
					1861. July 13 .....	10,197 56	6 months to 31st June, 1861, \$6,005.78 on \$242,222.22; \$4,191.78 on \$200,000, from 28th January.
					1862. Jan. 7 .....	11,146 41	do 31st Dec., 1861, on \$442,222.22.
					July 3 .....	10,964 68	do 30th June, 1862, on do
					1863. Jan. 17 .....	11,146 42	do 31st Dec., 1862, on do

(Signed), **T. DOUGLAS HARINGTON.**  
**ROEYER GENERAL'S OFFICE,**  
**Quebec, April 16th, 1862.**  
**D. R. G.**

**OMISSION.**

The answer to Question 463 has been omitted by the printer. It should be "No."

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**APPENDIX.**

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I.

STATEMENT of the amounts of Deductions from Revenue, classed under their several services, as shewn in the Public Accounts, from 1852 to 1862, inclusive.

SERVICES.	1852.	1853.	1854.	1855.	1856.	1857.	1858.	1859.	1860.	1861.	1862.
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Customs .....	131,502 63	172,730 70	228,095 65	271,819 80	310,932 02	331,453 93	341,803 37	332,814 86	351,019 34	303,401 44	379,402 81
Excise .....	13,193 48	19,531 17	9,789 20	7,042 67	11,567 12	10,263 38	16,290 00	22,787 71	34,064 54	31,779 87	35,173 74
Public Works .....	169,686 62	181,449 47	232,262 57	255,844 00	252,357 07	270,006 59	270,372 18	234,814 52	235,027 00	279,006 82	313,823 47
Territorial .....	136,372 75	118,459 47	124,731 58	196,068 93	349,203 95	279,321 78	221,316 95	190,081 06	152,426 82	277,503 93	135,797 75
Fines and Forfeitures .....	545 25	9,496 70	15,006 55	12,091 53	21,188 40	11,430 97	11,857 65	25,722 85	11,598 23	14,380 59	11,716 99
Casual .....	120 50	236 63	400 00	48,139 72	516 50	20,564 85	33 00	.....	3 60	.....	754 14
Post Office .....	.....	.....	.....	.....	.....	.....	.....	.....	633,516 20	442,521 19	436,586 51
Special Funds .....	.....	.....	.....	.....	.....	.....	.....	.....	120,382 59	98,869 46	91,523 31
Total .....	\$ 454,581 23	\$ 501,943 14	\$ 610,885 55	\$ 793,927 25	\$ 939,765 66	\$ 923,641 50	\$ 1,444,817 70	\$ 1,223,869 95	\$ 1,539,238 32	\$ 1,507,463 40	\$ 1,404,778 72

Total .....

\*Prior to 1858 the expense of the Crown Lands Department was included in Deductions from Territorial Revenue, subsequently charged under Civil Government.

†Prior to 1858 the Deductions from Post Office Revenue were not included.

‡In 1858, the expenses of collecting Special Funds were first brought into the General Account, and the increase in 1860 is occasioned by raising the percentage on collections from 6 per cent. to 20 per cent., which causes a corresponding reduction in collecting the Territorial Revenue.

WM. DICKINSON,  
Acting Deputy Inspector General.

(Signed)

INSPECTOR GENERAL'S OFFICE,  
Quebec, 7th April, 1863.

II.

LOSSES BY PUBLIC WORKS, and otherwise, transferred to Consolidated Fund.

1856.		\$	cts.
For Loss on Exchange in negotiating Loans.....		448,244	13
do Cobourg Harbor.....		41,312	27
do Erie and Ontario Railroad Co. ....		21,654	42
		<hr/>	
		\$511,210	82
		<hr/>	
1858.			
Dundas and Waterloo Road.....	}		
Hamilton and Port Dover Road .....			
London and Brantford do .....			
Toronto Roads.....			
Kingston and Napanee Road.....			
Port Hope and Rice Lake Road.....			
London and Port Stanley do .....			
West Gwillimbury do .....			
Queenston and Grimsby do .....			
Chatham Bridge.....			
Trent Bridge.....			
Hamilton and Brantford Road .....			
		\$1,470,828	88

III.

STATEMENT of "Unprovided Items," as shown in the Public Accounts, from 1852 to 1862, inclusive.

Years.	Amount.		Remarks.
	\$	cts.	
1852.....	55,328	92	
1853.....	132,873	60	
1854.....	59,190	42	
1855.....	408,063	30	
1856.....	218,055	55	
1857.....	327,906	10	
1858.....	475,870	97	
1859.....	281,122	07	
1860.....	393,491	75	
1861.....	490,510	23	
1862.....	189,606	27	
Total.....	3,032,019	18	

Of which \$182,295.97 were for Removal Expenses.  
 Of which \$60,739.82 were voted by Address.  
 Of which \$70,126.60 were for Removal Expenses.

(Signed)

WM. DICKINSON,  
 Act. D. I. G.

INSPECTOR GENERAL'S OFFICE,  
 Quebec, 7th April, 1863.



V.

**REPORT of a Committee of the Honorable the Executive Council, approved by His Excellency the Governor General in Council on the 8th January, 1850.**

The Committee of the Executive Council have had under consideration, on Your Excellency's reference, a Report from the Inspector General on the subject of certain propositions made by some of the chartered banks for keeping the Government account, and the Committee of Council, concurring in the opinion expressed by the Inspector General, that the offer made by the Bank of Upper Canada is the most advantageous in every way for the Government, recommend that in future the public account be kept with that institution.

Certified.

(Signed)

WM. H. LEE, C. E. C.

The Inspector General has the honor to submit that, in consequence of the removal of the Seat of Government to Toronto, a change in the existing arrangements with the banks which have for some time back kept the Government account has become necessary, and as the present arrangements were entered into after application had been made to these banks, which were supposed, from the amount of their capital and the number of new branches, to be able to work the account satisfactorily.

The Inspector General deemed it right to bring the subject again under the notice of the same banks to which he had formerly applied, and to invite proposals from each.

The Commercial Bank, Midland District, has declined making any proposition whatever on the subject. The Bank of Montreal and the Bank of British North America have made a proposal, which is herewith submitted, in which, with certain modifications, they agree to take the account, giving the Government a credit to the extent of £20,000.

The Bank of Upper Canada has also made a proposal which is in every way most satisfactory. And that bank further proposes to give the Government credit to the extent of £50,000 when required. The Inspector General has the honor to recommend that the proposal of the Bank of Upper Canada, being much the most advantageous to the Government, be agreed to.

(Signed)

F. HINCKS,  
Inspector General.

Inspector General's Office, }  
Toronto, 8th January, 1850. }

VI.

**PROPOSITION MADE BY BANK OF UPPER CANADA, IN REPLY TO MR. HINCKS.**

*Copy letter, T. G. Ridout, Cashier, to the Hon. F. Hincks, dated Toronto, Jany. 8, 1850.*

I have the honor to acknowledge the receipt of your letter of the 8th ultimo, on the subject of the Government Deposit Account, and the several matters therein mentioned having been maturely considered, I am authorized to state in reply as follows:—

That this Bank is willing to receive without charge the public deposits at all its agencies throughout Canada, and to place them to the credit of Government in this city. That it will pay the Government cheques at the several agencies in the same manner as has heretofore been done.

That when exchange on London shall be required it will be willing to furnish the same at the lowest bank rates charged at any of its offices, and that, should it be required, this bank will engage to afford the Government an accommodation not exceeding at any time the sum of Fifty thousand pounds currency, at the usual rate of interest of six per cent. per annum.

Certified correct

(Signed)

ROBT. CASSELS, Cashier.

## VII.

LETTER—*T. G. Ridout, Cashier, to the Hon. F. Hincks, dated Toronto, Jan'y. 11, 1850.*

With reference to my letter of the 8th instant, which I had the honor to address to you on the subject of the Public Deposit Account, I now beg leave to furnish a list of the several agencies of this Bank in Canada, who will be prepared to receive the Government moneys, viz:—

At Montreal,	- - - - -	Agent, JOSH. WENHAM.
“ Kingston,	- - - - -	“ W. G. HINDS.
“ Bytown,	- - - - -	“ T. G. LEGGATT.
“ Cornwall,	- - - - -	“ J. F. PRINGLE.
“ Port Hope,	- - - - -	“ E. P. SMITH.
“ Penetanguishene,	- - - - -	“ W. B. HAMILTON.
“ Stratford,	- - - - -	“ J. C. W. DALY.
“ London,	- - - - -	“ J. HAMILTON.
“ Chatham,	- - - - -	“ GEO. THOMAS.
“ Goderich,	- - - - -	“ J. MACDONALD.
“ Niagara,	- - - - -	“ THOS. MCCORMICK.
“ Chippewa,	- - - - -	“ JAS. MACKLEM.
“ Barrie,	- - - - -	“ ED. LALLY.
“ Hamilton,	- - - - -	“ THE GORE BANK.

Besides the foregoing, it is the intention of the Bank to employ the Quebec Bank at Quebec, and the Commercial Bank, Brockville, as its agents for receiving the public deposits, of which, however, I shall have the honor to advise you in the course of a few days, and in the meantime the deposits may be made at Montreal and Kingston in lieu of the above places.

Certified correct.

(Signed,)

ROBT. CASSELS, Cashier.

## VIII.

LETTER—*Robert Cassels to the Hon. A. T. Galt, Minister of Finance, dated Quebec, 2nd. April, 1861.*

Having recently, chiefly through your instrumentality, accepted the Chief Cashiership of the Bank of Upper Canada, I examined the various Returns and Statements of the Bank, which you forwarded to me.

From these documents it was apparent that the affairs of the Bank could not be properly conducted, or the business of the Government transacted in a satisfactory manner, without a large increase to the available assets.

It is unnecessary to allude to the causes which have led to the unfavorable position of the Bank, and the discredit which has been cast upon it in London and New York.

The object now is to re-establish its credit, and relieve the Government and the country from anxiety and alarm.

This can only be done by vigorous measures, and by obtaining the confidence and support of the Government.

An increase over the present amount deposited by the Government of at least £120,000 sterling, and an additional credit in London of £80,000 sterling, are requisite to enable the Bank to perform its important functions as fiscal agent of the Government in this Province.

I shall shortly proceed to Toronto, and endeavor to ascertain, as correctly as possible, the real position of the Bank.

When this is accomplished I shall inform you of the result, which I am inclined to think, from examination of the statement submitted, and from information afforded by several of the Directors of the Bank, now in Quebec, will prove that a considerable portion of the Bank's capital is still intact. If correct in this supposition, I have no doubt that arrangements can be proposed which will restore the Bank to a healthy condition.

Certified correct. (Signed,) ROBT. CASSELS, Cashier.



## IX.

STATEMENT OF VALUATION AT WHICH THE BANK OF UPPER CANADA TOOK THE  
ZIMMERMAN PROPERTY.

Clifton House and cottages, Clifton Lodge and park, with buildings and lands attached.....	\$ 50,000 00
Four thousand eight hundred and seventy-five acres wild lands, redeemed by the bank.....@ \$ 5 <sup>3</sup> / <sub>4</sub> acre.	24,375 00
One thousand one hundred acres, Enniskillen...@ 6 <sup>3</sup> / <sub>4</sub> "	6,600 00
Three hundred and thirty " E.Gwillimbury@ 8 <sup>3</sup> / <sub>4</sub> "	2,640 00
One thousand nine hundred " Medonte@ \$2 to 8 <sup>3</sup> / <sub>4</sub> "	9,100 00
Five hundred " Mono.....@ 8 <sup>3</sup> / <sub>4</sub> "	4,000 00
One hundred and ten " Monaghan....@ 10 <sup>3</sup> / <sub>4</sub> "	1,100 00
Four lots, Town of Clifton, .....@ 100 each....	400 00
Ontario House and lot, four acres, Clifton.....	1,000 00
Stamford lots, twenty-two acres.....	2,640 00
Town of Clifton, twenty-two acres @ \$200 each..	4,400 00
Twenty-three lots, Town of Hamilton.....	20,000 00
Lot on Front Street, Town of Sarnia.....	200 00
Three lots, Town of Peterboro'.....	800 00
Twenty-three lots, City of Toronto.....	48,992 00
Brick stores and lot, Clifton.....	6,000 00
Niagara dock property.....	40,000 00
Right of way, Erie and Ontario Railway... ..	1,000 00
Lot, East Nissouri.....	1,200 00
Lot, Scott.....	1,100 00
Sundry mortgages, amounting in all to.....	99,143 22
	\$324,690 22

Certified correct.

(Signed,)

ROBT. CASSELS, Cashier.

## X.

MEMORIAL.—*Bank of Upper Canada to the Governor General in Council.*

To His Excellency the Right Honorable CHARLES STANLEY, Viscount MONCK, Baron MONCK of Ballytramon, in the County of Wexford, Governor General of British North America, and Captain General and Governor in Chief in and over the Provinces of Canada, Nova Scotia, New Brunswick, and the Island of Prince Edward, and Vice Admiral of the same.

The Petition of the Bank of Upper Canada, humbly sheweth :—

That in the year Eighteen hundred and fifty-seven (1857), at the request of the Honorable the Receiver General of the Province of Canada, the Bank of Upper Canada transferred to the credit of the Province the sum of Sixty-one thousand nine hundred and ninety pounds (£61,990) currency, being the amount of the Government deposit in the Zimmerman Bank.

That this large advance was secured by property which, at the time, was considered by the Receiver General amply sufficient to cover that debt and other sums due to the said the Bank of Upper Canada.

That the Zimmerman estate has been in liquidation ever since, and there is now no prospect of the whole amount due to the Bank of Upper Canada being recovered.

That the Bank of Upper Canada assumed the debt due by the Zimmerman Bank, in order to meet the views of the Government of Canada during a period of great financial difficulty—the crisis of Eighteen hundred and fifty-seven—when trade and commerce were paralysed, and much alarm was felt both in Europe and America regarding public and private credit.

That serious loss and great inconvenience has been caused to the stockholders of the said the Bank of Upper Canada in consequence of making these large advances, and they naturally look to the Government to guarantee them from ultimate loss, should the securities not yet realized prove inadequate to meet the amount due.

That the Honorable J. C. Morrison, then Receiver General, can bear testimony to the fact that the Bank of Upper Canada, in making the before-mentioned advances, was actuated solely by considerations of public policy, and was greatly instrumental in averting from Canada those evils which proved so disastrous, and were so severely felt in other parts of the world.

Your petitioners, therefore, humbly pray that Your Excellency will be graciously pleased to take these matters into consideration, and grant such relief as may be sufficient to cover any loss which the Bank of Upper Canada may sustain, not exceeding the said sum of sixty-one thousand nine hundred and ninety pounds.

And your petitioners, as in duty bound, will ever pray.

(Signed,)

G. W. ALLAN, President.

Certified correct,

(Signed,) Robt. Cassels, Cashier.

## XI.

### STATEMENT SHOWING THE EXPENDITURE FOR RENT, INSURANCE, GAS, AND WATER RENT, CONNECTED WITH THE RESIDENCE OF HIS EXCELLENCY THE GOVERNOR GENERAL, LEWIS STREET, QUEBEC.

J. F. Bradshaw, rent from 1st September 1861, to 1st May, 1863, at \$1600 per annum.....	\$2666 68
Joseph Hamel, rent from 8th October, 1861, to 1st May, 1863, at \$1400 per annum, and six months' taxes .....	2230 25
Quebec Gas Company, gas rent to 1st February, 1863 .....	614 68
Quebec Corporation, water rent to 1st May, 1863.....	365 00
Insurance on house .....	102 68
Do furniture.....	86 00
	<hr/>
	\$6,065 29

J. BAINE, Book-keeper.

Department Public Works, April 2, 1863.

## XII.

MR. DEMERS TO MR. GALT.

CITY HALL,  
MONTREAL, 24th May, 1859.

SIR,—Since I had the honor of waiting upon you when you were last in Montreal, I submitted to the Finance Committee the substance of our conversation respecting the payment, on the 1st of June next, of the twenty-five thousand pounds currency of Corporation Bonds, redeemable by the Grand Trunk Company.

The Committee met this day to take the matter into consideration, and have decided to adopt the proposition made verbally by you, that the Government would redeem the Bonds in question on the 1st of June next, and hold them until the City had paid the Government the arrears of interest due on the Municipal Loan Fund, and then return the redeemed Bonds to the Corporation, charging the amount so paid to the Grand Trunk Railway Company, as appears by the accompanying copy of the resolution adopted by the Finance Committee.

And with a view to obtain the confirmation of this agreement by the Corporation, a meeting of the Council has been called for two o'clock, P.M., on Friday next, specially to consider and decide upon the matter. No doubt whatever is entertained either by the leading members of the Council or by myself that the agreement will be assented to and confirmed by the Council at that meeting, though it was deemed indispensable by the rules of the Council that such meeting should be held.

So soon as the meeting takes place I shall inform you of the result, first by telegraph, and afterwards by letter; in the meantime, I trust that the Government will adopt the necessary measures for the redemption of the Bonds on the 1st June, and that they will be held over till the stipulated interest may be paid according to the terms of the agreement adverted to.

I beg to add that I am prepared to make the returns required by law, to authorize the immediate imposition of the assessment necessary to raise the means of paying the interest now due by the City on the Municipal Loan Fund, and I beg that you will at your earliest convenience cause to be transmitted to me a copy of the statute, together with the necessary instructions to enable this being done.

I have the honor to be, Sir,

Your most obedient servant,

(Signed,)

E. DEMERS,

City Treasurer.

The Hon. A. T. Galt, Inspector General,  
Toronto, C. W.

## APPENDIX, No. 2

Monday, April 27th, 1863.

ROBERT CASSELS, Cashier of the Bank of Upper Canada, recalled.

1148. In your examination by the Commission on the 2nd March last, you stated that, so far as your knowledge extended, there had been no correspondence between the Bank of Upper Canada and the Government, in relation to the Bill of Exchange for £100,000, sterling, one of the items of difference. Have you since discovered any letters or documents throwing light upon the transaction? If so, be pleased to produce them.

I have found correspondence both private and official. The private correspondence is between Honorable Mr. Cayley and Mr. George Carr Glyn, M.P., which of course I cannot give to the Commission without the consent of those gentlemen. It relates to the £100,000 Bill of Exchange. The official correspondence I now produce.

*Bank of Upper Canada to Receiver General, dated 3rd September, 1859.*

I have the honor to inform you that your account has been charged under date the 1st instant, in the sum of \$471,111 11, being proceeds of £100,000 sterling, Grand Trunk Railroad Company's exchange, cashed at 6½ per cent. premium, and which was endorsed over to your department by this Bank. I have further to inform you that I have placed the same to the credit of the Grand Trunk Railroad Company on the same date, with advice.

(Signed)

T. G. RIDOUT,

Cashier.

Under the same date I have a letter in precisely the same terms, stating the sum as \$473,333 33, being 6½ per cent., which seems to have been cancelled by the above letter. Both letters are copied in the Letter Book of the Bank.

*The Receiver General to the Cashier, Bank of Upper Canada, dated 15th September, 1859.*

By a letter received from Quebec (from Deputy Receiver General), I am advised that you have charged the Receiver General's account with too much when placing the exchange of the Grand Trunk Railroad Company, £100,000 sterling, to debit of account, inasmuch as it should be at the rate of 6 per cent. premium (dollars 4s. 6d.) on exchange, in lieu of 6½ per cent. as charged. You will, if you please, have the necessary alterations made, when the amount will be carried to credit of Bank of Upper Canada, in the books of the Department, upon the issue of the usual warrant.

(Signed)

GEORGE C. REIFFENSTEIN,

For Receiver General.

*T. G. Kidout Cashier, Bank of Upper Canada, to Montreal Branch of that Bank, dated 16th September, 1859.*

I have received notice from the Receiver General, that the £100,000 sterling, the proceeds of which, \$473,333 33, was placed to credit of your office on the 1st instant, for the Grand Trunk Railroad Company, was to be paid at six per cent. premium. You will please therefore charge the Company's account with the difference between 6 per cent. and 6½ per cent., crediting it to this Bank in the sum of \$2,222 22. I enclose copy of Reiffenstein's letter upon the subject.

(Signed)

T. G. KIDOUT.

1149. Are the letters you have now produced all the correspondence you have found upon the subject?

They are.

1150. Does not the correspondence you now produce convey an impression which conflicts with your former evidence in regard to this transaction?

It does to some extent. The information I have received since my former examination leads to the inference that the Bank acted as the agent of the Government in the transaction, though the Bill was endorsed by the Bank.

1151. Does your knowledge enable you to state whether this Bill of Exchange was or was not a payment by the Bank of a portion of its debt to the Government?

The amount of the Bill was debited to the Receiver General in account, and the proceeds were placed to the credit of the Grand Trunk Railway Company in the books of the Montreal Branch of the Bank. Beyond this fact, I have no knowledge upon the subject.

**Tuesday, April 28th.**

ROBERT CASSELS, Cashier of the Bank of Upper Canada, recalled.

1152. At what time did the private correspondence between the Honorable Mr. Cayley and Mr. G. C. Glyn, M. P., which you mentioned in your evidence yesterday, as having taken place respecting the £100,000 sterling Bill of Exchange, occur?

I do not think that I am at liberty to give information regarding private correspondence, without reference to the gentlemen named in the question.

1153. Was Mr. Cayley, at the time of the correspondence, in any way concerned in the management of the Bank of Upper Canada? If so, in what capacity?

I think he was, but in what capacity I do not know exactly. I think that he was called Manager.

1154. Is the correspondence referred to of record in the books of the Bank?

Yes, in a private letter book in the Bank, and I presume belonging to the Bank.

1155. In what respect does that correspondence relate to the £100,000 Bill?

It is correspondence regarding the Bill, but I decline to give information in what respect it relates to the Bill.

1156. Does that correspondence in any particular refer to the respective liabilities on the Bill of Messrs. Glyn, Mills & Co, Baring, Bros. & Co., the Grand Trunk Railway Company, or the Bank of Upper Canada ?

I decline giving any information on the point referred to in the question, without the consent of the parties.

1157. Does the correspondence refer to the circumstances under which the Bill was drawn, or describe the interest which any of the parties alluded to in the foregoing question had in the proceeds ?

I again decline giving information on the point embodied in the question, without reference to the parties.

1158. Will you be pleased to furnish the Commission a copy of the letters referred to as between Mr. Cayley and Mr. Glyn, and also copies of any thing of record in the Bank relating to this Bill of Exchange, not already furnished to the Commission ?

I decline furnishing copies of the letters between Mr. Cayley and Mr. Glyn, without the consent of those gentlemen. I have already furnished all the official correspondence that I am aware of.

1159. Are you aware of any so-called private correspondence of record in the Bank relating to this Bill of Exchange, other than that to which you have referred as now in your possession here ?

I am not aware of any.

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