pay to the Public Trustee the balance due after settling with mortgagee. It was necessary that the transaction should appear in our books, and this is effected in the following manner:—

"1. By entering the amount on a lodgment statement as a receipt;

"2. By entering the amount on a payment statement as a payment.

"As a receipt, it is expressed as part proceeds of land sold; as a payment, it is expressed as amount of principal and interest due under mortgage.

"For purposes of proper record a receipt-form is filled up, on the one hand, and a voucher prepared on the other. The labour involved and the results obtained are the same as would be implied by journalising the transaction.

"5th May, 1892." "E. F. WARREN.

"Mr. FitzGerald.

"I PREFER the course I have adopted. There can be no difference in the work of treating the transaction as a transfer and that of treating it as a cash entry. But by treating it as a transfer the fact would be lost sight of that the amount was a cash receipt. It would be dangerous to adopt your suggestion. It would lead to confusion and save no work.

"5th May, 1892." "J. K. WARBURTON.

"IT seems to me desirable that it should be settled at once whether the practice involved in these entries is to be allowed. In my view it is not in accordance with sound book-keeping that any statement should be made in the books which is not in accordance with fact. To enter money paid by the mortgagees to the purchaser as cash paid to the Public Trustee is to state what is not true, and if, as is generally the case, all cash were banked, the bank pass-book would not tally with the cash-book. As the Public Trustee proposes to pay cash into and out of the office till, and only bank surpluses, the inconvenience noted would not occur. But that is merely to state that one irregularity supplements the other. To abandon the check afforded by a bank, and to treat 'transfer' or 'journal' entries as cash transactions, are both courses which would be condemned in any commercial establishment.

"9th May, 1892." "JAMES EDWARD FITZGERALD.

Mr. FitzGerald.

"I REGRET that I cannot adopt your suggestion either with satisfaction to myself or convenience to the office, nor can I agree with your assertions as well-founded. Transactions of this kind are of cash. No check has been abandoned for which a better check has not been substituted; and as to commercial practice and commercial establishments, it might be inferred from what you write that commercial accounts were the model of the present public accounts, instead of affording the most shocking contrast to them. The Post Office accounts and the present Public Trust Office accounts are as much superior to commercial accounts as the latter are to the cumbrous public accounts. In a future memorandum I will explain a few of the absurdities and impositions of the system of public accounts and audit in New Zealand, and show what the Audit tyranny over this office has been, and might have become.

"10th May, 1892." "J. K. W.

"The Public Trustee.

"I REGRET that I must still decline to pass these vouchers. In reference to your memorandum of to-day, I feel that it would be but waste of time to discuss individual points. You have before you a general report on the objections taken by the Audit to the system of accounts you desire to adopt. As soon as I have received your reply to that report, the whole question must be referred to the Government and to Parliament to determine whether the accounts of the Public Trust Office are to be kept on the system adopted by *competent professional accountants* or on the system *proposed by you*. "JAMES EDWARD FITZGERALD,

"10th May, 1892." "Controller and Auditor-General.

The italics, hardly necessary, are mine.

"Mr. FitzGerald.

"WITH reference to your memorandum of the 10th instant, you shall have my reply in due course to Mr. Gavin's report on the system of accounts which I have adopted. I am endeavouring to collect the official papers which support the facts which I propose to relate, and I shall be quite willing to leave it to the Government, to Parliament, and the world, to determine whether my simple arrangement of the Trust Office accounts is not more satisfactory than the system, if it can be called a system, which the arrangement has succeeded. You speak of the 'system adopted by professional accountants,' and the 'system adopted by me,' as if I had aspired to the professional character and merited the sneer. No, I am even a bad book-keeper; but it has been my good fortune to lay fast hold of the truths that every account must be made up of receipts and payments, that accounts are means not ends, and that no systems of check ought to be set up which would cost more than they can save. I will show in my reply, which you say will be referred to the Government and to Parliament, what the Audit has cost the colony; but, though I am confident that I shall be convincing, I shall endeavour to abstain from unworthy reflections. An auditor should not, in my opinion, do more than in the course of his audit suggest what he regards as desirable amendments; and I find fault, not with your proposal to submit your suggestions to the Government and to Parliament, but with your attempt to force me to adopt them against my conviction.

"12th May, 1892." "J. K. WARBURTON.

The expression "scientific accountants," in the report of Mr. FitzGerald, is a repetition of the little sneer which is conveyed in one of the foregoing letters, and which I can afford to leave to the