by guarantors in respect of direct loans for the furnishing of periodical reports as called for by the Board. In the case of private guarantors, while the liability incurred by such persons secures a certain interest in the securities, the Board takes independent measures to satisfy itself that the securities are being maintained in a satisfactory condition.

Arrangements have been made with the Public Trustee for the services of the farm inspecting staff of the Public Trust Office to be made available when the officers are in the districts in which the securities for the Board's loans are situated, for the purpose of making whatever inspections are considered necessary. This action is taken mainly in cases where the guarantor is not resident in the district, or, in selected cases, as a means of checking the supervision which is exercised by associations or guarantors in respect of the loans. These inspections are kept at a minimum, so that the expenses involved in the administration of the system will be kept as low as possible. Moreover, to a large extent, as indicated above, the Board is able to rely upon the independent supervision which is ensured by the loan methods provided by the Act.

Apart from these steps, however, a useful check is provided in the case of dairy-farmers, to which class of farmer the bulk of the advances up to the present have been made, by the payments received under the partial order on the cream cheques taken to cover interest and repayments of principal, the payments furnishing a guide to the productivity of the farm and the progress which the borrower is making. The payments are received by the Board in the case of loans under the provisions of Part III of the Act and by associations in the case of loans granted through the medium of these concerns. In the latter cases periodical inspections of the associations' accounting records relating to loans are made by the accounting officers of the Board, and in this manner the Board keeps in touch with the position of the associations' loans, so that any unsatisfactory features disclosed or suggested by the payments received may be speedily followed up. In the case of sheep and other securities the proceeds of the produce are received by the Board or the association concerned, and again are an index to the borrower's financial position. In addition to this, in all cases the registration of the chattels security taken by the Board or by an association ensures that the proceeds of the partial realization of securities is paid to the Board or association, and adequate control over stock changes is thereby provided.

The Board is satisfied that the methods by which loans are granted and the measures taken independently to safeguard the securities result in an adequate degree of supervision being maintained on the most economical basis.

INSTRUCTIONS TO OFFICERS.

66. Standard instructions summarizing the Board's policy in regard to its lending business, and incorporating instructions for dealing with matters of detail, provide for uniformity in the handling of loan applications and other matters by the local representatives of the Board and the district boards. These instructions are supplemented monthly by a circular issued to all officers, which contains advice of new developments in the business and changes of policy or procedure, and which is published in a form enabling suitable extracts to be included in the main book of instructions.

It is stated elsewhere in this report that a similar publication was issued during the year to facilitate the transaction of the business of co-operative rural intermediate credit associations by the directors and secretary-treasurers, and has proved of great practical benefit to them.

INSPECTION OF WORK.

67. In common with other systems in operation in the Public Trust Office which have proved their value over a period of years, the system for the inspection of clerical and accounting work has been extended to cover the intermediate credit work performed by the Public Trust Office organization. As a result of the