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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 819 Press ~~Mis.~~

Dated 22.12.1857

B. No. 24-25

Not to be folded or roughly handled

No. 24. From C. HUGH LUSHINGTON, Esq., Secretary to the Government of India; to the Acting Chief Secretary to the Government of Fort Saint George, dated 30th November 1857, No. 5022.

SIR,

I am directed to acknowledge the receipt of your two letters specified in the margin,* together with their enclosures, relative to the systems of Account in the Presidencies of Bengal and Madras and the introduction of the Bengal system in Madras.

* *No.* 679, *dated 27th October* 1857.
No. 693, *dated 3rd November* 1857.

2. The Right Honorable the Governor General in Council observes that some of the Collectors in Madras, referring to the increase of work consequent on the introduction of the preaudit system, regarding which further information was called for in para: 5 of my letter of the 21st August last, explain that prior to its adoption it was only necessary to forward annually to the Civil Auditor for audit a Statement of Charges together with certain Accounts particular, numbering in all less than 100 Statements and enclosures, but that at present about 50 in number are transmitted monthly to that officer, that the monthly preparation of abstracts of Pensioners involves no inconsiderable amount of labor and time and that in preparing the Statement of Pensions alone, the business has increased nearly twelve-fold to what it was formerly, and the Accountant General at Madras is of opinion that the preaudit system has tended to increase business more or less heavily, in districts where there are numerous Pensioners and *Yeomiahdars*.

3. With respect to the reduction of the Collector's Establishments, alluded to in the 7th paragraph of my former letter, the Accountant General, after remarking that he has already reported the result of his reference to the several subordinate Officers on the point of probable reduction, offers to communicate to them again the observation and expectation of this Government, if it be considered necessary, but at the same time suggests that this reference to the subordinate Officers had better be deferred until the Bengal system is practically introduced into their Offices, when all will be more competent to judge of the practicability, or impossibility, of a reduction of Establishment, and on this subject he solicits the orders of this Government for his guidance.

4. In the memorandum which accompanies his letter of the 28th September, the Accountant General at Madras opposes the arguments advanced by the Accountant General at this Presidency in his letter of the 23rd April last.

5 The minutes of the Right Honorable the Governor of Fort Saint George and of the other members of the Madras Government are favorable to the view taken by their Accountant General, and, in submitting the papers to this Government, they remark that no difficulty is anticipated in introducing the Bengal system of Account should the necessity be resolved upon, and that it will not be necessary to send officers from Calcutta to give instruction in it, as suggested in the final paras: of my letter above adverted to. The Madras Government still doubt, however, whether the Bengal system possesses advantages over the Madras system, which they observe has been followed for many years past with the sanction of the Home Authorities; and they leave it to this Government to determine whether the change is to be effected at once or whether further enquiries are to be first made and the wishes of the Honorable Court consulted in consequence of the Accountants General at Madras and this Presidency expressing such different views.

6. Finally, the Madras Government request attention to the report of the Committee appointed in England to enquire into the receipt, issue and Audit of Public monies in the Exchequer, the Pay Office and the Audit Department there, in which report the Committee recommend the extension of the Commercial system of Book keeping by *double Entry* to the accounts of all the Public Departments in which it has not yet been adopted.

7. The Governor General in Council, having given to all the above points a careful consideration, desires me to observe that it must not be forgotten that the object in view is the introduction of a uniform system of account throughout India, and that it has to be considered whether

on the whole and throughout India less inconvenience is likely to result from the introduction in Bengal, the North Western Provinces and the Punjab, of the system at present in force at Madras and Bombay or by the introduction at Madras and Bombay of the system at present prevailing in Bengal, the North Western Provinces and the Punjab.

8. It is argued by the Accountant General at Madras that the Audit in Bengal is objectionable as being one of Bills instead of Charges; and that the system of account which prevails in the Collector's Offices in Madras, being that of double entry, is more strictly correct than that which prevails in the Bengal offices, and ought therefore to be generally introduced.

9. It is argued, on the other hand, that the Bengal system of Audit is sufficient for all practical purposes; that the adjustment of charges when Bills have been audited may very well be left to the Accountant General; and that while the Madras system of account in the Collector's Offices is unnecessarily cumbrous, the Bengal system is simple, quite sufficiently accurate and virtually the same as the system of double entry advocated by the Accountant General at Madras; and that as the accounts are more easily prepared under it, than under the Madras System, it will require smaller Establishments in the Collector's Offices to carry it out.

10. In these last mentioned views the Right Honorable the Governor General in Council generally concurs, nor does he see any reason to change the opinion already expressed in favor of the general introduction of the Bengal system. It is free, His Lordship in Council observes, from any serious defects. It is not, as the Accountant General at Madras seems to think, precisely the same as the Account Current system that prevailed in the Collector's Offices in Madras previous to the introduction of the system now in force in that Presidency, in as much as the Bengal system of Treasury management has not been introduced in Madras, and the accounts of the Collectors were not in consequence kept on so secure a system as under the Bengal system. Moreover the system that prevails in Bengal is in strict accordance with the system on which Banker's Accounts are kept, which system of Account is declared by a writer of authority* to be the simplest form of double entry, and which appears in every respect to be a better form than the mercantile Form of double entry for such transactions, as require to be recorded in the Collector's accounts. But however this may be, there is no question as to which system is the simplest and the most easily understood; and as, under the practice of the Accountant General's Office in Calcutta, every advantage that can possibly be ensured by the Madras system, is secured under the Bengal system, and as the greatest inconvenience would result from the introduction of the Madras system in Bengal, the North Western Provinces and the Punjab, His Lordship in Council feels no hesitation in determining that the instructions already issued shall be carried into effect without previous reference to the Honorable Court.

* *The following remarks will be found at page 52 of T. B. Cary's Practical Treatise on Accounts.*

"*A Banker's is one of the most simple of the double entry and a Solicitor's one of the most complex of the single entry accounts. A Banker deals only in the medium of exchange money—Cash Books and Bill Books are the first in which the entries are made. Upon each side of the house,* viz., *the paying and receiving sides, the payments and receipts are entered in the Cash Books at the paying and receiving Counters, no journal is kept but both the cash Books and waste books contain the original entries. The Ledger accounts are made upeach night and a trial balance is made.*" *This is as nearly as possible the system, under which the Collector's account are kept in Bengal.*

11. With respect to the recommendation of the Select Committee in England that the commercial system of Book keeping by double entry should be extended, on account of its superiority, to all the Public Departments in England in which it has not yet been adopted, His Lordship in Council is by no means satisfied that it was thereby intended that that system should be introduced into every Subordinate Office. It seems to him that it would be unreasonable, for instance, to require a petty Post Master, or a tax gatherer, or even a Commissariat Officer to keep his Accounts by the commercial system of double entry. All that appears to have been intended by the Committee was that the Departments of Account in the *Metropolis*, where the Accounts of each Department are concentrated, should keep *their* accounts by double entry: and if this was all that was intended, then the plan recommended by the Select Committee for keeping the Accounts of the Imperial Government is the plan that has long been in force in Calcutta as regards the Bengal Accounts of all Departments, Post Office, Mint, Revenue, Military, &c., which have for many years been kept by the Accountant General here on the commercial system of double entry.

12. As regards the Establishments required under the Bengal system in the Collector's Offices at Madras, His Lordship in Council doubts whether it is advisable to delay the enquiry. He thinks it cannot be necessary, if the Bengal system is well understood at Madras, to defer the consideration of the question till the change of account is actually introduced. He is of opinion, however, that the enquiry will be conducted more satisfactorily by Mr. Ricketts, Commission for the Revision of Civil Salaries and Establishments throughout India, who is well acquainted with the requirements of the Bengal Collector's Offices, than by the Accountant General at Madras, and with this view a Copy of the present correspondence will be forwarded to the Commissioner for his information and guidance.

(Signed) C. HUGH LUSHINGTON,
Secretary to the Government of India.

No. 25. ORDER THEREON, No. 819; dated 22nd December 1857.

Ordered to be communicated to the Accountant General, with reference to his letters of the 28th September, No. 175, and 31st of October last, No. 221. It is observed that Mr. Prendergast was directed by the Order of the 10th July 1857, No. 409, to carry out the orders of the Supreme Government for establishing a uniform system of Account, and to report the arrangements that might be necessary for the purpose.

Exd. J. A. Wilson.

No 819

Ordered to be communicated to the Accountant General, with reference to his letters of the 28th September No 175 and 31st October last No 221. It is observed that His Boundergast was directed by the Order of the 10th July 1857 No 1067 to carry out the orders of the Supreme Govt for establishing a uniform system of Accounts, and to report the arrangements that might be necessary for the purpose.

JP

For 6 & 8th George
22nd December 1857

To the Accountant General Despd 24th

Have the honor to be
Sir
Your most obedient Servant

Fort William
The 30th Nov 1857

Rusk Cushman & Co