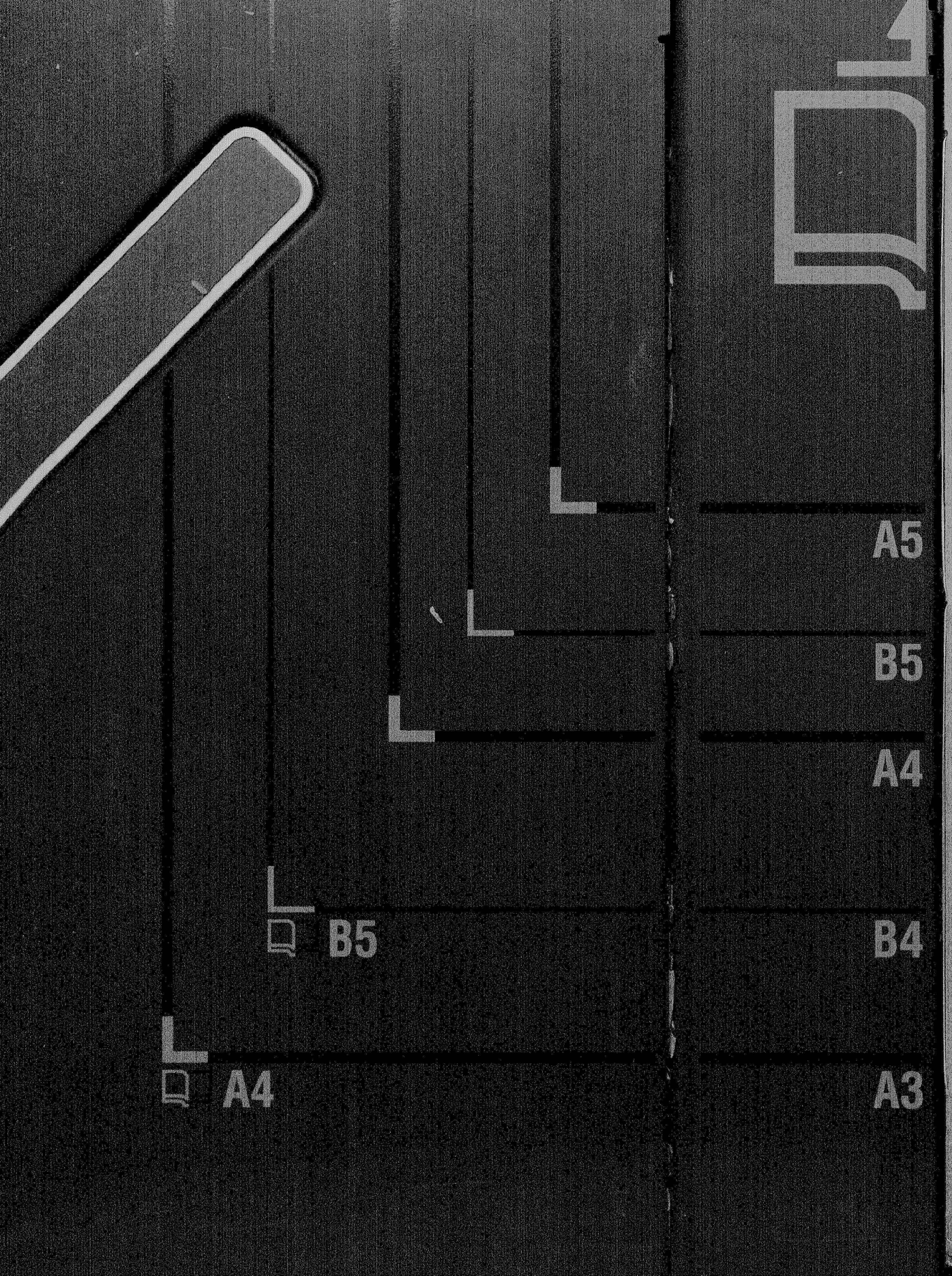


M.R.O. 1—77,066—8-6-37.

(1) Number of pages 16

(2) Date of repair 14-6-37

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

G.O. No. 210	Press / Mis.
37-38	
Dated 15-3- 18	

37-38 9/10

Not to be folded or roughly handled

14.6.39

Read again Proceedings of Government in the Revenue Department, dated 2nd December 1861, No. 2,218.

No. 37. Read also the following Extract from the Proceedings of the Government of India, in the Financial Department, dated 6th January 1862, No. 126.

Read again the following paper regarding the transfer of the duties connected with the Resource Department from the Deputy Auditors and Accountants General to the Civil Pay Masters:—

Financial Resolution, dated 26th January 1861, on report of the Budget and Audit Committee, No. 10, dated 18th January 1861.

Read the following papers respecting the manner in which the Estimates of probable Receipts and Disbursements for September last have been prepared by the Officiating Civil Pay Master, Fort William:—

Letter to the Officiating Civil Pay Master, Fort William, dated 30th September last, No. 11,910.

Reply from ditto ditto, dated 3rd October last, No. 253.

Report of the Officiating Auditor General of India on the above, dated 9th November last, No. 1,125.

Read also the following papers on the above subject, and on the preparation of the Regular Estimates and of the Annual Statement of Revenues and Charges in India, for submission to Parliament:—

Despatch from the Right Honorable the Secretary of State for India, No. 129, dated 9th August last.

Financial Resolution on the above, dated 25th September last.

Resolution.—The Governor General in Council observes that the duty of making the monthly Returns of Actual Receipts and Expenditure, as well as that of providing the Resource Estimate, was recently transferred from the Accountants to the Civil Pay Masters.

In the Accountants' offices, they used to be prepared from Returns sent in monthly by the District Officers, shewing their Actual Receipts and Disbursements for the month just closed and Estimates for the ensuing months; and the head office of Account, having the means of promptly checking, correcting and classifying those local Returns, was in a position to furnish the Finance Department with the best information both as to past actual results and as to prospective cash requirements.

The Civil Pay Master now gets these Returns from the District Officers, but he has no means of checking them in any way, so as to correct errors or disentangle unadjusted entries, nor has he the means of attempting to exercise any effective control over Budget Appropriation. He can simply ascertain that a particular payment is duly authorized, but whether or not it is in excess of the total credit under a head of Budget expenditure, he cannot even know accurately, as the fact of its being so or not may depend on adjustments which are only effected in the Accountant's office.

The only reason why these duties were transferred from the Accountants to the Civil Pay Masters, seems to have been that it was thought to present more analogy to the English system.

But His Excellency in Council is doubtful whether this is really the case, for the Indian and English systems of audit involve fundamental differences in principle, which render apparent similarity in parts often fallacious.

Accounts and audit may be considered as required for two purposes—1st, to enable a Government to check the receipts and payments of its own servants; 2ndly, to enable an authority external to the Government like the British Parliament to check the conduct of the Government itself in regard to the application of money entrusted to its care for specific purposes.

Now, the 2nd of these objects does not exist in India, and therefore the fundamental principle of English audit does not apply, viz., that Audit is to be performed by an authority entirely distinct from, and independent of, the Executive Government.

Even in England, this principle has to be modified to suit practical convenience, by allowing the chief heads of expenditure, as Army and Navy, to be audited in detail in the Departments

themselves, the Audit Board merely making up the Appropriation Audit from the detailed audit of the Accountants General of the Army and Navy ; and in many branches of Civil expenditure, the audit is in like manner done by the Treasury.

In fact, the *principle* which requires an independent audit, is almost always in conflict with the *practical convenience* which requires an audit done concurrently with the accounts, under the Executive Government; and whenever distances are great and accounts are complicated, the practical inconvenience of independent audit is so great, that the principle is partially set aside, and the Parliamentary Audit Board have to take the results furnished them by the Government Accountants, without any real check.

The check required for the purposes of Government is quite a different one, viz., that the person who spends the money shall not audit his own accounts, and this is thoroughly attained by having the audit in any branch of the Executive which does not pay or receive.

In India, therefore, the Government being unembarrassed by those considerations which complicate audit in England, regard should be had solely to the conditions which render audit most prompt, efficient, and accurate, for the purposes of the Executive Government.

Appropriation Audit is in fact in India not so much a security against the Government breaking faith with Parliament, by applying to one purpose money voted for another, as it is a weapon in the hands of the Government itself, to enable it to enforce observance of Estimates upon its own Officers and local authorities.

Hence this Government has amalgamated the duties of Auditor General with those of Accountant General and Controller of Military Finance, hoping, by this means, both to get the Actual results, as compared with Estimates, more quickly and accurately, and also to invest its Officers with greater powers of control over expenditure in their executive capacity by giving them the audit.

On the same principle the Governor General in Council deems it expedient to entrust the preparation of the Resource Estimate and monthly Return of Actuals, to the Accountants instead of the Civil Pay Masters.

It is not a correct analogy to argue from the English *principle* of independent audit, when the question is simply between *one* class of Government Officers and *another* ; and if a reference is made to the English *practice*, it will be found that it is substantially more analogous to it to give these duties to the Accountants acting under the control, and as a branch, of the Finance Department, than to the Pay Masters.

Practically, the work in question is done in England by the Treasury or by the Accountants General of the Army and Navy acting under the general control of the Treasury, and not by the Pay Masters.

His Excellency in Council considers, therefore, that the analogy of English practice, if rightly understood, is rather in favor of restoring those duties to the Accountants, than continuing them with the Pay Masters; but even if it were otherwise, he would not hesitate to revert to the old practice, as the present experiment has proved an entire failure.

With the Resource Estimate re-transferred to the Accountants, and their Department solely responsible for the monthly Returns of actual results, it is believed that in a very short time, when the books now in preparation are distributed to the District Officers, this Government might rely on obtaining actual results, substantially accurate under each of the principal heads of Budget Revenue and expenditure, from all parts of India, except possibly from British Burmah, within six weeks at latest of the close of each month.

When this is effected, the Government would be entirely relieved from the uncertainty, which even now is felt, as to the actual state of the Indian Finances, and the realization of the Budget Estimates.

The Governor General in Council having also considered the question as to the modifications necessary in the form of the Annual Return entitled "Finance and Revenue Accounts of the Government of India, &c.," forwarded to the Secretary of State for presentation to Parliament, owing to the introduction of the new Budget forms, is of opinion that it would both entail great additional labor on the Department, and be most perplexing and unsatisfactory to Parliament

Proceedings of the Madras Government, Financial Department,
15th March 1862.

and the public, if, after having adopted improved forms of Budget Estimates and accounts, they were re-cast into the old forms for the purpose of these Parliamentary Returns.

The new forms give all the same information in a far more acceptable shape, with the great advantage of being the shape in which the public accounts are actually kept, and the Estimates framed.

It would only multiply the risk of error, introduce confusion, and make a comparison between the Estimates and Actual results more difficult, if an attempt were made to re-cast all the figures for the purpose of adhering to the old forms.

For the present year, this will apply only to the Estimates for 1861-62, and as the Actual results of 1860-61 have necessarily been submitted in the old forms, the usual Comparative Statements will not this year accompany the Actuals : in all future years there will be no such difficulty.

With regard to the regular Estimates, which, under orders of this Department, dated 25th September last, have been revived, His Excellency in Council thinks, that, as by the re-transfer of the Resource Department to the Deputy Auditors and Accountants General, the monthly Estimates of probable Receipts and Disbursements will be prepared with accuracy and correctness, and the actual realizations and disbursements will be correctly noted therein, and as the actual results of the first six months will thus be received, month by month, within six weeks of the end of October, the Financial Department will be enabled to revise the Budget Estimates of April better than by a set of fresh revised Estimates in detail. And the better to enable the Financial Department to accomplish this task, His Excellency in Council desires that the several local Governments and Administrations shall submit monthly reports stating any material changes which they may see reason to anticipate. With these materials, the Financial Department will be in the best possible position for complying with the requisition of the Secretary of State, and giving with the Annual Parliamentary Returns of the Actuals of the previous year an Estimate for the current year, as accurate as possible, up to the latest date.

His Excellency in Council takes this opportunity to urge the several local Governments and Administrations themselves to consider and to impress upon every District Officer subordinate to them, that the Budget Estimate is an important document, not to be lightly given or lightly departed from, and that if in the first six months the results should differ from the expectations, endeavors must be made in the remainder of the year to bring the Actuals within the Estimates, and it must on no account be assumed that an incorrect Estimate is a matter of little importance, which may be set right by simply sending in a revise Estimate.

Ordered, that copies of the above Resolution be sent to the Home, Foreign, Public Works and Military Finance Departments, and to all Presidencies, Residencies, Commissionerships, Agencies and other Administrations, with special reference to the two last paragraphs.

Ordered, also, that copies be sent to the Auditor General, the Accountant General, all Deputy Auditors and Accountants General, and all Civil Pay Masters, with a request that the duty of making the monthly Returns of Actual receipts and expenditure, as well as that of providing the Resource Estimate recently transferred from the Accountants to the Civil Pay Masters, may again be re-transferred to the Deputy Auditors and Accountants General, together with the Establishments at present employed on those duties in the Offices of the Civil Paymasters, so that the Returns for the month commencing with the first of February may be rendered to the Financial Department by the Deputy Auditors and Accountants General.

(A True Extract.)

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

No. 33. ORDER THEREON, 15th March 1862, No. 210.

Ordered that the foregoing Extract from the Proceedings of the Government of India be communicated to the several Departments of the Secretariat.

2. The Accountant General, to whom these Proceedings have been communicated direct, is requested to furnish this Government from the 1st of May next, with monthly reports of the nature required in the penultimate paragraph of the Resolution, for which, it is observed, materials will be supplied to him in the Returns to be sent in monthly by the District Officers, showing their actual receipts and disbursements for the month just closed and Estimates for the ensuing months. These reports need not necessarily be submitted *monthly*—they should be furnished by the Accountant General only when he may see reason to anticipate any material changes in the Budget Estimate. The Accountant General will, however, furnish Government regularly with copies of the monthly Estimates of receipts and disbursements which he will have to forward to the Government of India under the present orders.

3. The Government have already in their Notification of the date noted in the magin, impressed upon all Officers concerned the importance and necessity of preparing their Budget Estimates with the greatest care and attention and in full and accurate detail—and have further warned them that they will be held personally responsible for any omissions or inaccuracies that may occur in their Estimates. The Proceedings of the Government of India will, however, be communicated through the several Departments to the Officers subordinate to them, and their especial attention drawn to the last paragraph of the Resolution.

Dated 25th October 1861, published at page 609 of the Fort Saint George Gazette of the same date.

4. It is observed that since the issue of the Orders in the Revenue Department, dated the 2nd of December last, No. 2,248, the Government of India have, in their Proceedings above recorded, directed the duties connected with the Resource Department to be re-transferred from the Civil Paymaster to the Deputy Auditor and Accountant General. From the monthly Returns which under this arrangement are required to be furnished to the Government of India, it is believed that that Government may rely on obtaining, from all parts of India, except possibly from British Burmah, actual results, substantially accurate under each of the principal heads of Budget Revenue and Expenditure, within six weeks at latest of the close of each month. If this expectation can be realized, it may fairly be hoped that the Madras Government might obtain from the Accountant General similar Returns within three weeks of the close of each month. The Accountant General will be requested to furnish copies of these Returns in the same manner as they have hitherto been sent to this Government by the Civil Paymaster—but they should be forwarded at the same time they are despatched to the Government of India, or as soon after as possible. The Statements called for by Order of Government, Financial Department, 18th January 1862, No. 52, which will have to be prepared from the abovementioned Returns should be forwarded with them. It will not therefore be necessary that a separate monthly Return of expenditure should be required from the Head of each Department, as directed in paragraph 7 of the Proceedings in the Revenue Department, above referred to, as the monthly Returns to be furnished by the Accountant General's Office will afford the Government the means of watching the receipts and expenditure.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. F. Cartledge.

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No. 126

EXTRACT from the Proceedings of the Government of India, in the Financial Department, d. 6th January 1862.

READ again the following paper regarding the transfer of the duties connected with the Resource Department from the Deputy Auditors and Accountants General to the Civil Pay Masters :—

Financial Resolution, dated 26th January 1861, on report of the Budget and Audit Committee, No. 10, dated 18th January 1861.

Read the following papers respecting the manner in which the estimates of probable Receipts and Disbursements for September last have been prepared by the Officiating Civil Pay Master, Fort William :—

Letter to the Officiating Civil Pay Master, Fort William, dated 30th September last, No. 11910.

Reply from Ditto Ditto, dated 3rd October last, No. 253.

Report of the Officiating Auditor General of India on the above, dated 9th November last, No. 1125.

Read also the following papers on the above subject, and on the preparation of the Regular Estimates and of the Annual Statement of Revenues and Charges in India, for submission to Parliament :—

Despatch from the Right Hon'ble the Secretary of State for India, No. 129, dated 9th August last.

Financial Resolution on the above, dated 25th September last.

RESOLUTION.—The Governor General in Council observes that the duty of making the monthly Returns of Actual Receipts and Expenditure, as well as that of providing the Resource Estimate, was recently transferred from the Accountants to the Civil Pay Masters.

In the Accountants' offices, they used to be prepared from Returns sent in monthly by the District Officers, shewing their Actual Receipts and Disbursements for the month just closed and Estimates for the ensuing months ; and the head office of Account, having the means of promptly checking, correcting and classifying those local Returns, was in a position to furnish the Finance Department with the best information both as to past actual results and as to prospective cash requirements.

The Civil Pay Master now gets these returns from the District Officers, but he has no means of checking them in any way, so as to correct errors or disentangle unadjusted entries, nor has he the means of attempting to exercise any effective control over Budget Appropriation. He can simply ascertain that a particular payment is duly authorized, but whether or not it is in excess of the

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total credit under a head of Budget expenditure, he cannot even know accurately, as the fact of its being so or not may depend on adjustments which are only effected in the Accountant's office.

The only reason why these duties were transferred from the Accountants to the Civil Pay Masters, seems to have been that it was thought to present more analogy to the English system.

But His Excellency in Council is doubtful whether this is really the case, for the Indian and English systems of audit involve fundamental differences in principle, which render apparent similarity in parts often fallacious.

Accounts and audit may be considered as required for two purposes—1st, to enable a Government to check the receipts and payments of its own servants; 2ndly, to enable an authority external to the Government like the British Parliament to check the conduct of the Government itself in regard to the application of money entrusted to its care for specific purposes.

Now, the 2nd of these objects does not exist in India, and therefore the fundamental principle of English audit does not apply, viz., that Audit is to be performed by an authority entirely distinct from, and independent of, the Executive Government.

Even in England, this principle has to be modified to suit practical convenience, by allowing the chief heads of expenditure, as Army and Navy, to be audited in detail in the Departments themselves, the Audit Board merely making up the Appropriation Audit from the detailed audit of the Accountants General of the Army and Navy; and in many branches of Civil expenditure, the audit is in like manner done by the Treasury.

In fact, the *principle* which requires an independent audit, is almost always in conflict with the *practical convenience* which requires an audit done concurrently with the accounts, under the Executive Government; and whenever distances are great and accounts are complicated, the practical inconvenience of independent audit is so great, that the principle is partially set aside, and the Parliamentary Audit Board have to take the results furnished them by the Government Accountants, without any real check.

The check required for the purposes of Government is quite a different one, viz., that the person who spends the money shall not audit his own accounts, and this is thoroughly attained by having the audit in any branch of the Executive which does not pay or receive.

In India, therefore, the Government being unembarrassed by those considerations which complicate audit in England, regard should be had solely to the conditions which render audit most prompt, efficient, and accurate, for the purposes of the Executive Government.

Appropriation Audit is in fact in India not so much a security against the Government breaking faith with Parliament, by applying to one purpose

money voted for another, as it is a weapon in the hands of the Government itself, to enable it to enforce observance of Estimates upon its own Officers and local authorities.

Hence this Government has amalgamated the duties of Auditor General with those of Accountant General and Controller of Military Finance, hoping, by this means, both to get the Actual results, as compared with Estimates, more quickly and accurately, and also to invest its Officers with greater powers of control over expenditure in their executive capacity by giving them the audit.

On the same principle the Governor General in Council deems it expedient to entrust the preparation of the Resource Estimate and monthly Return of Actuals, to the Accountants instead of the Civil Pay Masters.

It is not a correct analogy to argue from the English *principle* of independent audit, when the question is simply between *one* class of Government Officers and *another*; and if a reference is made to the English *practice*, it will be found that it is substantially more analogous to it to give these duties to the Accountants acting under the control, and as a branch, of the Finance Department, than to the Pay Masters.

Practically, the work in question is done in England by the Treasury or by the Accountants General of the Army and Navy acting under the general control of the Treasury, and not by the Pay Masters.

His Excellency in Council considers, therefore, that the analogy of English practice, if rightly understood, is rather in favor of restoring those duties to the Accountants, than continuing them with the Pay Masters; but even if it were otherwise, he would not hesitate to revert to the old practice, as the present experiment has proved an entire failure.

With the Resource Estimate re-transferred to the Accountants, and their Department solely responsible for the monthly Returns of actual results, it is believed that in a very short time, when the Books now in preparation are distributed to the District Officers, this Government might rely on obtaining actual results, substantially accurate under each of the principal heads of Budget Revenue and Expenditure, from all parts of India, except possibly from British Burmah, within 6 weeks at latest of the close of each month.

When this is effected, the Government would be entirely relieved from the uncertainty, which even now is felt, as to the actual state of the Indian Finances, and the realization of the Budget Estimates.

The Governor General in Council having also considered the question as to the modifications necessary in the form of the Annual Return entitled "Finance and Revenue Accounts of the Government of India, &c.," forwarded to the Secretary of State for presentation to Parliament, owing to the introduction of the new Budget Forms, is of opinion that it would both entail great

additional labor on the Department, and be most perplexing and unsatisfactory to Parliament and the public, if, after having adopted improved forms of Budget Estimates and accounts, they were re-cast into the old forms for the purpose of these Parliamentary Returns.

The new forms give all the same information in a far more acceptable shape, with the great advantage of being the shape in which the public accounts are actually kept, and the Estimates framed.

It would only multiply the risk of error, introduce confusion, and make a comparison between the Estimates and Actual Results more difficult, if an attempt were made to re-cast all the figures for the purpose of adhering to the old forms.

For the present year, this will apply only to the Estimates for 1861-62, and as the actual results of 1860-61 have necessarily been submitted in the old forms, the usual Comparative Statements will not this year accompany the Actuals: in all future years there will be no such difficulty.

With regard to the Regular Estimates, which, under orders of this Department, dated 25th September last, have been revived, His Excellency in Council thinks, that, as by the re-transfer of the Resource Department to the Deputy Auditors and Accountants General, the monthly Estimates of probable Receipts and Disbursements will be prepared with accuracy and correctness, and the actual realizations and disbursements will be correctly noted therein, and as the actual results of the first six months will thus be received, month by month, within six weeks of the end of October, the Financial Department will be enabled to revise the Budget Estimates of April better than by a set of fresh revised Estimates in detail. And the better to enable the Financial Department to accomplish this task, His Excellency in Council desires that the several local Governments and Administrations shall submit monthly reports stating any material changes which they may see reason to anticipate. With these materials, the Financial Departmentwill be in the best possible position for complying with the requisition of the Secretary of State, and giving with the Annual Parliamentary Returns of the Actuals of the previous year an Estimate for the current year, as accurate as possible, up to the latest date.

His Excellency in Council takes this opportunity to urge the several local Governments and Administrations themselves to consider and to impress upon every District Officer subordinate to them, that the Budget Estimate is an important document, not to be lightly given or lightly departed from, and that if in the first six months theresults should differ from the expectations, endeavors must be made in the remainder of the year to bring the Actuals within the Estimates, and it must on no account be assumed that an incorrect Estimate is a matter of little importance, which may be set right by simply sending in a revised Estimate.

ORDERED, that copies of the above Resolution be sent to the Home, Foreign, Public Works and Military Finance Departments, and to all Presidencies, Residencies, Commissionerships, Agencies and other Administrations, with special reference to the two last paragraphs.

Ordered, also, that copies be sent to the Auditor General, the Accountant General, all Deputy Auditors and Accountants General, and all Civil Pay Masters, with a request that the duty of making the monthly Returns of Actual Receipts and Expenditure, as well as that of providing the Resource Estimate recently transferred from the Accountants to the Civil Pay Masters, may again be re-transferred to the Deputy Auditors and Accountants General, together with the Establishments at present employed on those duties in the Offices of the Civil Pay Masters, so that the Returns for the month commencing with the first of February may be rendered to the Financial Department by the Deputy Auditors and Accountants General.

(A true Extract)

Secretary to the Government of India.

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Read again Proc: of Govt: in the Revenue Deptt dated 2d Decr 1861 - No 2248 -

Read also Extr: from the Proc: of the Govt: of India - Financial Deptt

(Dated 6th Janry: 1862 - No 126)

Order thereon 18th March 1862 No 210

Ordered that the foregoing Extract from the Proc: of the Govt: of India be communicated to the several Departments of the Secretariat

2nd The Accountant General, to whom these Proceedings have been communicated direct, is requested to furnish this Govt: from the 1st of last month by reports of the nature required in the penultimate para of the Resolution, for which, it is observed, materials will be supplied to him in the Returns to be sent

pent on monthly by the District Officers, showing their actual receipts & disbursements for the month just closed & estimates for the ensuing months. These reports need not necessarily be submitted monthly, they should be furnished by the Accountant General only when he may see occasion to participate any material changes in the Budget Estimate. The Accountant General will however, furnish Govt. regularly with copies of the monthly estimates of receipts & disbursements which he will have to forward to the Govt. of India under the present orders.

3 The Govt. have already in their Notification of the date cited in the margin impressed upon all Officers concerned the importance & necessity of preparing their Budget Estimates with the greatest care & attention & in full & accurate detail — & have further warned them that they will be held personally responsible for any omissions or inaccuracies that may occur in their Estimates. The Govt. of India will, however, be communicated through the several Departments to the Officers subordinate to them, & their especial attention drawn to the last para of the Resolution.

Dated 25 October 1864 published at page 809 of the Fort St. George Gazette of the same date

4 It is observed that since the issue of the Orders on the Revenue Department dated the 2nd of December last. No. 2248, the Govt. of India have, in their Proceedings above recorded directed the duties connected with the Resource Department to be transferred from the Civil Paymaster to the Deputy Auditor & Accountant General. From the monthly Returns which under this arrangement are required to be furnished to the Govt. of India, it is believed

believed that that Govt: may
rely on obtaining from all
parts of India except pos-
-sibly from British Burmah
actual results, substantially
accurate under each of
the principal heads of
Budget Revenue & Expen-
-diture, within six weeks
at latest of the close of each
month. If this expectation
can be realized, it may
fairly be hoped that the
Madras Govt: might obtain
from the Accountant
General similar returns
within three weeks of the
close of each month. The
Accountant General will
be requested to furnish
copies of these Returns in
the same manner as they
have hitherto been sent to
this Govt: by the Civil Pay-
-master - but they should
be forwarded at the same
time they are despatched
to the Govt of India, or as
soon after as possible - The
Statements called for by
Order of Govt: Financial
Department, 18 January 1862

No

No 5, which will have to
be prepared from the above
mentioned Returns should
be forwarded with them.
It will not therefore be ne-
-cessary that a separate
monthly return of expen-
-diture should be required
from the Head of each De-
-partment, as directed in
para 7 of the Proc: in the
Revenue Department
above referred to, as the month-
-ly Returns to be furnished
by the Accountant Generals
Office will afford the Govt:
the means of watching
the receipts & expenditure

To Public Works Depot
Military ——"——
Judicial ——"——
Public ——"——
Marine ——"——
Ecclesiastical ——"——
Political ——"——
Railway ——"——
Educational ——"——
Revenue ——"——
Accts General

Civil Pay master Judge Postage Stamps
Mint Master Collector Sanitary Fund

1862. *Department*

No. 210

PROCEEDINGS of the MADRAS GOVERNMENT.

Dated 15 March 1862.

Sets orders regarding monthly reports required by the Govt. of India of any material changes in the Budget Estimate

5329] Madras—Printed at the Government Press.