M.R.O. 1—77,000—3-6-37.

(1) Number of pages 12

(2) Date of repair 2-12-37

(3) Initials of the Reference

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No. 667 Press / Mis.

40-41

Dated 15-10- 1863.

40-41 7/8

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
15th October 1863.

No. 40. Read the following Extract from the Proceedings of the Government of India, in the Financial Department, dated 18th September 1863, No. 4,559.

Read an Extract from Proceedings of the Public Works Department, with the Governor General, No. 9, dated the 28th April 1863, on the subject of the Local Fund Administration in the Punjab.

RESOLUTION.—In his Proceedings, dated April 28th last, the Right Honorable the Governor General expressed his desire to support any further measures which might be required for completing, on a thoroughly sound basis, the organization for the satisfactory application of Local Funds to the purposes to which they are by rights devoted, and His Excellency particularly pointed out the necessity for establishing a proper system of Local Funds audit, and desired that the subject should receive the early attention of the Financial Department.

The only General Regulation which has been laid down by this Department on the subject is that contained in the Resolution of October 24th, 1861, which directs that a Budget Estimate of the expenditure chargeable to the various Local Funds should be annually submitted through the local Governments to the Government of India.

It was afterwards explained, in reply to communications from the Governments of Madras and Bombay, that the object in requiring this estimate was not to exercise any interference with the expenditure of funds which were entirely at the disposal of the local Governments, but merely that the Government of India should be kept informed of the outlay, for financial purposes, and of the nature of the projects in reference to their effect upon the wants of the country which remain to be met from Imperial Funds.

The following General Rules, based upon this principle, will, it is believed, suffice for the proper administration of the Local Funds:—

1*st.* An annual Estimate of the expected receipts and proposed expenditure of Local Funds should be prepared by the Officers charged with their administration in the several Districts, which estimates, after they have been revised and consolidated by the local Governments, will be regarded as the fixed appropriation for these Funds during the ensuing year, subject only to further consideration by the local Government on any particular point.

2nd. This Annual Local Fund Estimate should be prepared according to the same rules as the Budget Estimate of the public income and expenditure, except that the estimated balance at the beginning and the end of the year, in reference to each Local Fund, should be included; and the balance at the end of the year will be available for expenditure during the following year. The whole of the receipts and expenditure of each Fund should be shown, without deduction, on the face of the estimate. The estimates should be prepared so that they may be received by the Government of India, in their consolidated form, at the same time with the Budget Estimates.

3rd. Every Fund, for the proper administration of which the local Government is responsible, should be included in the estimate, whether derived from local cesses or from private endowments.

4th. An annual account of the expenditure of the Local Funds should also be rendered by each local Government to the Government of India, under the same heads as the Local Fund Budget Estimate, not later than the period at which the annual "Actual" Account of the public expenditure of the preceding year is directed to be furnished.

5th. Except when otherwise directed, the detailed audit of the expenditure should be conducted monthly by the Commissioner, or other superintending local Officer. He should see that the expenditure has been in accordance with duly sanctioned estimates or other adequate authority; that the sanctioned amounts have not been exceeded; and that the Funds have not been misapplied. When the expenditure is for Public Works, it should be supported by Certificates, signed by the Officers executively responsible, showing the payments made, the parties paid, and the work done. When the cost of a work is charged piece-meal in more than one monthly bill, the total cost up to date should be noted in each bill until completion, so that the superintending Officer may be in a position to ascertain that the sanctioned estimates have not been exceeded. The countersignature of the superintending local Officer to the monthly bill

will clear the amount in the monthly accounts, and his audit should be as speedy and complete as possible.

6*th*. When works are executed by the Public Works Department out of Local Funds, the audit of that Department will be accepted in reference to the expenditure.

7*th*. According to this arrangement, the Local Committee, or the Magistrate, or other local Officer, will order the payments, and the Commissioner, or other superintending local Officer, will audit them. If the local Government think proper to avail themselves of his services, the Deputy Auditor and Accountant General may, with much advantage, perform the same duties, in reference to the Local Fund Accounts of each Government or Administration, as the Auditor General performs for the public accounts of the whole of India; that is to say the Local Fund accounts may be reviewed by him, so far as may be necessary to see that the authorized Budget appropriations have not been exceeded; that the balances have been duly brought forward; and that there is every reason to believe that the local detailed audit has been properly made.

It is also the desire of the Government of India that the Deputy Auditors and Accountants General should give any other aid in their power, and that the other Financial Officers of this Government should assist as far as they are able.

His Excellency the Governor General also desired that special attention might be directed to the caution conveyed in the paragraph quoted in the margin, from a report upon Local Funds by Mr. Cust, the Judicial Commissioner in the Punjab. Upon this it is to be observed that the Local Funds are, as stated, *Trust Funds* applicable to the benefit of the local communities; and that if they are diverted to the special advantage of favored sections of those communities, or are misused in the interest of individuals, a great discouragement must be given to the principle of local self-government. The remedy for this is to be found in a careful revision of the Annual Budget Estimates, by which the current income arising from the Local Funds is appropriated, and in a careful audit of the expenditure, by which any departure from that appropriation would be brought to notice.

"Against the abuse of Local Funds, which are Trust Funds, "we cannot too closely guard. It is positively dishonest "to misapply the Road and Municipal Funds, which belong "to the landowners and Citizens; as regards the Local "Agency Ferry, Prison labor, and Forest Funds, of course "Government possess an unlimited discretion; but I am "decidedly opposed to such projects as Camel Trains and "Mule Trains for the convenience of European Officers, "lavish expenditure on Sanitaria, and Public Gardens. I "do not like to see little Supplemental Grants to increase "the salaries of servants of Government. At the same "time the Local Committees should pay for what they take, "give full compensation from their own Funds for land "occupied, and pay the Canal authorities for water which "they require for their own Gardens."

Ordered, that the foregoing Resolution be communicated to the Public Works Department at the Presidency and with His Excellency the Governor General; the Foreign and Home Departments; the local Governments and Administrations; and the Officers of Audit and Account.

(A true Extract.)

(Signed) R. H. HOLLINGBERY,
2nd Asst. Secretary to the Government of India.

No. 41. ORDER THEREON, 15th October 1863, No. 667.

Resolved that a copy of the foregoing Proceedings be furnished through the proper Departments to all Officers charged with the administration of Local Funds, in view to their attention being drawn to the General Rules laid down by the Government of India for their guidance, and to such further instructions being issued as may appear to be necessary.

2. The Local Fund Budget Estimate will, as on the last occasion, be prepared by the Deputy Auditor and Accountant General from the Annual Estimates of the expected receipts and proposed expenditure to be furnished by the Officers in charge of these Funds, and should be submitted for transmission to the Government of India at the same time with the General Civil Budget Estimate.

Proceedings, 10th June 1863, No. 378.

Proceedings of the Madras Government, Financial Department,
15*th October* 1863.

3. The annual account of the expenditure of the Local Funds required by the 4th Clause of the Rules to be rendered to the Government of India, will also be prepared by the Deputy Auditor and Accountant General and furnished at the period therein prescribed for transmission to that Government.

4. His Excellency the Governor in Council considers it desirable that the Deputy Auditor and Accountant General should undertake the duties connected with the review of the Local Fund Accounts of this Presidency, as proposed in Clause 7 of the Rules.

(Signed) A. J. ARBUTHNOT,
Chief Secretary.

Exd. T. McMootry.

No. 4559.

EXTRACT from the Proceedings of the Government of India, in the Financial Department, d. 18th September 1863.

READ an Extract from Proceedings of the Public Works Department, with the Governor General, No. 9, dated the 28th April 1863, on the subject of the Local Fund Administration in the Punjab.

RESOLUTION.—In his Proceedings, dated April 28th last, the Right Hon'ble the Governor General expressed his desire to support any further measures which might be required for completing, on a thoroughly sound basis, the organization for the satisfactory application of Local Funds to the purposes to which they are by rights devoted, and His Excellency particularly pointed out the necessity for establishing a proper system of Local Funds Audit, and desired that the subject should receive the early attention of the Financial Department.

The only General Regulation which has been laid down by this Department on the subject is that contained in the Resolution of October 24th, 1861, which directs that a Budget Estimate of the Expenditure chargeable to the various Local Funds should be annually submitted through the Local Governments to the Government of India.

It was afterwards explained, in reply to communications from the Governments of Madras and Bombay, that the object in requiring this Estimate was not to exercise any interference with the expenditure of funds which were entirely at the disposal of the Local Governments, but merely that the Government of India should be kept informed of the outlay, for financial purposes, and of the nature of the projects in reference to their effect upon the wants of the country which remain to be met from Imperial Funds.

The following General Rules, based upon this principle, will, it is believed, suffice for the proper administration of the Local Funds :—

1*st.* An Annual Estimate of the expected Receipts and proposed Expenditure of Local Funds should be prepared by the Officers charged with their administration in the several Districts, which Estimates, after they have been revised and consolidated by the Local Governments, will be regarded as the fixed appropriation for these Funds during the ensuing year, subject only to further consideration by the Local Government on any particular point.

2*nd.* This Annual Local Fund Estimate should be prepared according to the same rules as the Budget Estimate of the Public Income and Expenditure, except that the estimated balance at the beginning and the end of the year, in reference to each Local Fund, should be included; and the Balance at the end of the year will be available for expenditure during the following year. The whole of the Receipts and Expenditure of each Fund should be shewn,

vithout deduction, on the face of the Estimate. The Estimates should be prepared so that they may be received by the Government of India, in their consolidated form, at the same time with the Budget Estimates.

3*rd*. Every Fund, for the proper administration of which the Local Government is responsible, should be included in the Estimate, whether derived from local cesses or from private endowments.

4*th*. An annual Account of the Expenditure of the Local Funds should also be rendered by each Local Government to the Government of India, under the same heads as the Local Fund Budget Estimate, not later than the period at which the annual "Actual" Account of the Public Expenditure of the preceding year is directed to be furnished.

5*th*. Except when otherwise directed, the detailed audit of the Expenditure should be conducted monthly by the Commissioner, or other Superintending Local Officer. He should see that the Expenditure has been in accordance with duly sanctioned Estimates or other adequate authority; that the sanctioned amounts have not been exceeded; and that the Funds have not been misapplied. When the Expenditure is for Public Works, it should be supported by Certificates, signed by the Officers executively responsible, showing the payments made, the parties paid and the work done. When the cost of a work is charged piece-meal in more than one monthly Bill, the total cost up to date should be noted in each Bill until completion, so that the Superintending Officer may be in a position to ascertain that the sanctioned Estimates have not been exceeded. The countersignature of the Superintending Local Officer to the monthly Bill will clear the amount in the monthly Accounts, and his audit should be as speedy and complete as possible.

6*th*. When works are executed by the Public Works Department out of Local Funds, the audit of that Department will be accepted in reference to the expenditure.

7*th*. According to this arrangement, the Local Committee, or the Magistrate, or other Local Officer, will order the payments, and the Commissioner, or other Superintending Local Officer, will audit them. If the Local Government think proper to avail themselves of his services, the Deputy Auditor and Accountant General may, with much advantage, perform the same duties, in reference to the Local Fund Accounts of each Government or Administration, as the Auditor General performs for the Public Accounts of the whole of India; that is to say, the Local Fund Accounts may be reviewed by him, so far as may be necessary to see that the authorized Budget appropriations have not been exceeded; that the Balances have been duly brought forward; and that there is every reason to believe that the Local detailed Audit has been properly

It is also the desire of the Government of India that the Deputy Auditors and Accountants General should give any other aid in their power, and that the other Financial Officers of this Government should assist as far as they are able.

His Excellency the Governor General also desired that special attention might be directed to the caution conveyed in the paragraph quoted in the margin, from a report upon Local Funds by Mr. Cust, the Judicial Commissioner in the Punjab. Upon this it is to be observed that the Local Funds are, as stated, *Trust Funds* applicable to the benefit of the Local Communities; and that if they are diverted to the special advantage of favored sections of those Communities, or are misused in the interest of individuals, a great discouragement must be given to the principle of local self-government. The remedy for this is to be found in a careful revision of the Annual Budget Estimates, by which the current income arising from the Local Funds is appropriated, and in a careful audit of the expenditure, by which any departure from that appropriation would be brought to notice.

"Against the abuse of Local Funds, which are Trust "Funds, we cannot too closely guard. It is positively dis- "honest to misapply the Road and Municipal Funds, which "belong to the Landowners and Citizens; as regards the Local "Agency, Ferry, Prison labor, and Forest Funds, of course "Government possess an unlimited discretion; but I am de- "cidedly opposed to such projects as Camel Trains and Mule "Trains for the convenience of European Officers, lavish ex- "penditure on Sanitaria, and Public Gardens. I do not "like to see little Supplemental Grants to increase the sala- "ries of servants of Government. At the same time the Local "Committees should pay for what they take, give full "compensation from their own Funds for land occupied, "and pay the Canal authorities for water which they re- "quire for their own Gardens."

ORDERED, that the foregoing Resolution be communicated to the Public Works Department at the Presidency and with His Excellency the Governor General; the Foreign and Home Departments; the Local Governments and Administrations; and the Officers of Audit and Account.

(A true Extract)

2d Asst. *Secretary to the Government of India.*

[Exd. N. C. Coar.]

Financial Department

Proceedings of the Madras Govt.

Read the following
Ex: from the Proc: of the
Govt of India in the Finl
Dept.

(Dated 18th September 1863 - No 4569)

Order: No 667 of 15th Octr 1863.

Resolved that a copy
of the foregoing Proceed-
-ings be furnished through
the proper Departments
to all Officers charged
with the administration
of Local Funds, in view
to their attention being
drawn to the General
Rules laid down by the
Govt of India for their
guidance, and to such
further instructions being
issued as may appear
to be necessary.

2. The Local Fund
Budget Estimate will,
as on the last occasion,
be prepared by the Depu-
-ty Auditor & Accountant
General from the Annual
Estimates

63 - Gr 378

Rec: 4th Oct 63 - 21-22
" 12th Nov 62 - 31-32
" 10th Sept 63 - 13 2/3

Financial 1863 Oct

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Madras Govt
Proceedings, Financial Dept
Dated 15th Oct 1863
Rec'd 19th Oct
Answd 6th Nov
Regd

Dy 675

Communicates
Order for the Collectors
& Administration of
Local Funds, & the
Local Governments.

1863
Oct 15

Estimates of the expected Receipts and proposed Expenditure to be furnished by the Officers in charge of these Funds, and should be submitted for transmission to the Government of India at the same time with the General Civil Budget Estimate.

3. The annual Account of the Expenditure of the Local Funds required by the 4th clause of the Rules to be rendered to the Government of India, will also be prepared by the Dep[y] Auditor & Accountant General and furnished at the period therein prescribed for transmission to that Government.

4 His Excellency the Governor in Council considers it desirable that the Deputy Auditor and Accountant General should undertake the duties connected with the re-

-views

-cies of the Local Fund Accounts of this Presidency, as proposed in Clause 4 of the Rules.

To Public Works Dep[t]
" Revenue "
" Educational "
" Marine "
" Public "
" Military "
" Dy Audr & Rect General.

dup[d] 21

A. D. F.

Financial 1863 Departt

№ 667

Proceedings of Govt

#1 418-63
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Dy 15 October 1863.

Rules laid down by the Government of India for the proper administration of these Funds.

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