M.R.O. 1—77,606—6-6-37.

(1) Number of pages_____

(2) Date of repair_____

(3) Initials of the Referencer_____

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 174 Press
Mis.

Dated 27-3- 1865.

43-45 20/21

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department, 27th March 1865.

Read the following papers:—

No. 43. From F. LUSHINGTON, Esq., Deputy Auditor and Accountant General, to the Honorable A. J. ARBUTHNOT, Chief Secretary to Government, Fort Saint George; dated 25th November 1864, No. 160.

Budget and Finance Department.

I have the honor to submit my views, upon the Report of the Commissioners of Inquiry into Indian Accounts, on the mode of conducting the business of the Financial Department and of the Offices of Account and Audit attached to that Department, referred to me by Government, in their Financial Order No. 561, dated the 5th instant.

2. The most important changes which the Commissioners recommend in their Report, are:—

1st.—The abolition of the Pre-audit of the State charges by the Civil Paymaster and the transfer of the duties now performed by that Officer to Collectors and Departmental Heads, and to the Deputy Auditor and Accountant General.

2nd.—The substitution of unclassified and piece-meal accounts for the more complete and systematic Returns now transmitted by Tahsildars to Collectors, and by Collectors to the Deputy Auditor and Accountant General.

3rd.—The establishment of a number of separate accounts to be kept by the Heads of Departments, controlling Receipt and Expenditure at the Presidency: and,

4th.—The introduction of a system of accounts by which inter-Presidential and inter-Provincial adjustments are to be avoided and local distinctions altogether abolished.

3. The recommendations of the Commissioners appear to be based mainly upon the inquiries made by them with reference to the practice which obtains in Bengal; and though they have stated, *that, in proposing the new system of account*, they have endeavoured to frame it so as to be susceptible of adaptation to differences of practice existing in other Presidencies, they seem to have overlooked, or, perhaps, not have been aware of the fact, that in some respects the local differences of the Minor Presidencies are of so important a character, and so deeply interwoven with the existing Revenual systems, that the proposed machinery which might possibly work well in Bengal, would fail elsewhere to be attended with the same results; as for instance, the proposal, that in the Mofussil, the receiving and paying of cash should, as far as possible, be confined only to the Head District Treasuries, might, without very great inconvenience, be carried out in Bengal, where the business in the Tahsildar Treasuries is insignificantly small, whereas the introduction of that system into this Presidency would be productive of very different results. The system of land tenure in Madras being mostly Ryotwary, the restriction to pay Revenue only at the Head District Treasury would place the holder of the land, who generally is himself the farmer and the cultivator in serious difficulty.

4. I shall now proceed to consider the Report of the Commissioners in the order in which they have proceeded, pointing out, wherever necessary, the peculiarities belonging to this Presidency, which would render the adoption of the Commissioners' suggestions in some instances almost if not altogether impracticable.

5. *Paragraph* 11, *Books.*—I am not aware to what accounts the Commissioners refer in this paragraph, but I deem it proper to remark that the Books of this Presidency, since the introduction of the present system of Account and Audit, have been closed and despatched on the dates noted in the margin.

For 1861-62 on the 11th February 1864.
For 1862-63 „ 22nd November 1864.

6. *Paragraph* 12, *Financial Accounts.*—The cause of the difference between the Quarterly and Annual Statements, is mainly due to the circumstances, that in the latter are shewn the several entries made in the Adjustment Books of the Book Department, on account of interest, difference of interest and Exchange and Donations to the several Service Funds of this Presidency, all of which cannot be shown in the Quarterly Statements, as the Interest and Donations, &c., do not appertain to any particular quarter but to the whole year. The great differ-

ence, therefore, between the quarterly and Annual Statements alluded to, is not so much owing to the charges being subjected on subsequent audit to retrenchments and extensive adjustments, as alleged by the Commissioners, as to the causes above stated.

7. The question which first comes under the consideration of the Commissioners is that relating to the estimates. There are at present four estimates prepared in the course of the year, viz.—The Budget, the Cash Requirement, the Revised and the Regular Estimates. Under the system which the Commissioners sketch, the Cash Requirement and the Revised Estimates are to be dispensed with, and the Regular Estimate to be continued only for the present. In regard to the Budget Estimates many important suggestions are made, the carrying out of which will no doubt greatly simplify the Returns in question and facilitate their preparation.

8. *Paragraph* 21, *Amendments made on total grants.*—It is not correct, however, to state, that the Deputy Auditor and Accountant General and the Civil Paymaster are not made officially acquainted with the details of the deductions or additions made by the Local Government or by the Financial Department. Each item of charge whether struck out or added to, is made known to the Deputy Auditor and Accountant General and Civil Paymaster, to enable the former to communicate the result to the Department concerned, and to the latter to enable him to prepare the Register accordingly, for the Auditor of the charges within the limits of the sanctioned grant.

9. *Paragraph* 24, *Number of revisions.*—Under the orders of the Madras Government, passed in their Proceedings, No. 289, dated 11th April 1862, the estimates of the Departmental Officers are not received direct by the Deputy Auditor and Accountant General: they are in the first instance received by the Government, where after careful revision they are passed by Government with such modifications as to them may seem necessary. The Deputy Auditor and Accountant General does then digest, arrange, and consolidate these Departmental Estimates sanctioned by the Government, and the revision he makes, in no ways affects the receipts, while so far as the expenditure is concerned, he refuses to admit only such items as are not formally sanctioned by the Supreme Government, or such as may not fall under any of the general provisions laid down for the guidance of the Financial Department. Thus it will be seen that in the Madras Estimates, the variations that may be noticed between the figures of the Government and the Deputy Auditor and Accountant General, are of a very rare and exceptional character, and only such as could not but be entered in the estimates sent to the Government of India.

10. *Paragraph* 25. *Original Estimate should be settled by personal consultation with the Local Government.*—The proposal made in this paragraph might certainly be carried out, if considered desirable, but it would not unfrequently be attended with serious inconvenience to the Public Service. Many of the Heads of the Administrative Departments, such as the Inspector General of Jails, Inspector General of Police, Director of Revenue Settlement, and Director of Public Instruction, are usually on duty in the Provinces, and to require their presence at the Presidency absolutely when the Budget Estimates are prepared and passed, might seriously interfere with their Administrative duties. At the same time the advantages of personal communication are not undervalued in this Presidency, and it is invariably resorted to wherever it is practicable and calculated to expedite work and facilitate references.

11. *Paragraphs* 26, 27, *to* 38 *and* 40 *to* 50, *Minor suggestions regarding Estimates.*—The suggestions contained in these paragraphs appear to be very judicious and are calculated to simplify the work much. Under the orders of the Government of India, inter-Presidential adjustments are already dispensed with in many cases, and the extension of the principle, as pointed out in my Administration Report for the past year, would afford much relief to the Offices of account.

12. *Paragraph* 44, *Check Ledgers for the Adjustments between Grants.*—The remarks offered by the Commissioners in allusion to the detailed check maintained for the alterations made in the sanctioned grants do not call for any special observations. The principle that when once the Annual Budget Estimates have been passed and sanctioned, no alterations should be admitted, except in special cases, is under the existing system rigidly observed. In this Presidency the

check upon the Budget Grants with reference to each District is not maintained to the minute extent described in the Commissioner's Report, and the appropriation Audit exercised over the expenditure, has reference merely to the total grants for each service and its sub-divisions, care being of course always taken that in the event of the expenditure in any one District being unusually large, the necessary explanation is rendered by the proper Department. It is nevertheless necessary for the purpose of maintaining a systematic check, to register as is now done in the Audit Office here, the orders of the Government sanctioning the transfer.

13. *Paragraph* 39, *Erroneous practice in regard to Military Buildings.*—The anomalous practice referred to by the Commissioners as existing in Bengal, in regard to the mode of exhibiting certain transactions between the Estimates and the Actuals, does not exist in this Presidency. The accounts here are made strictly to follow the Estimates so as to render the check of one against the other quite complete.

14. *Paragraph* 51, *Accounts for comparing Estimates.*—That the set of accounts instituted for financial purposes forms the basis of a correct Appropriation Audit there is not the slightest reason to doubt. The observation that the Annual Accounts of the Actual payments are unclassified or are incorrectly classified, appears to me to be inaccurate. It must have proceeded from the impression that these returns include in a large measure unaudited expenditure, and that such expenditure is not correctly classified. On this point it must be noticed that the unaudited payments made by a Treasury Officer do undergo in this Presidency as careful a revision in respect to classification, as the audited payments, previous to the transactions being posted by the Deputy Auditor and Accountant General in the Abstracts kept for the preparation of the Quarterly and Annual Statements.

15. I would further remark that the unaudited expenditure which appears in the Collectors' accounts forms in itself a very small portion of the total annual disbursements of the Civil Department, and of this the amount which actually passes into the annual accounts is still less, for it must be recollected that in many instances the payments made prior to Audit are audited in the course of the year, and the actual balance outstanding on account of unadjusted disbursements at the end of the year which virtually passes into the Statement as unaudited expenditure, consists only of advances made towards the close of the year.

16. *Paragraphs* 52 *and* 54, *A General Budget Estimate should be prepared.*—The suggestions contained in these paragraphs, may with much advantage be adopted.

17. *Paragraphs* 55 *to* 58 *and* 61 *to* 63, *Classification, &c.*—The other suggestions of the Commissioners under the Budget Estimates are upon subjects of minor detail. The alterations proposed in the classification are not of very great importance. I may, however, remark with reference to the observations of the Commissioners in paragraph 57, that "Tributes and Contributions from Native States" are now shewn distinctly in our accounts, and are not blended with Land Revenue as alleged. The removal of "Allowances, Refunds and Drawbacks," from the expenditure side, will not, in my opinion, be an improvement, as it will be necessary to deduct the Refunds, that are generally made on account of the collections of previous years, from the Revenue estimated for a subsequent year. The amalgamation of the two heads "Miscellaneous" and "Civil Contingencies" will be advantageous.

18. *Paragraphs* 59 *and* 60, *Railway Receipts and Charges.*—The changes proposed with reference to the exhibition in the estimates of the Railway receipts and charges, the payments on account of interests, and the profit and loss on exchange on Railway transactions will be considered in connection with the audit and account of this portion of expenditure.

19. *Paragraphs* 64 *to* 73, *Revised and other Estimates.*—The remarks offered in connection with the other estimates do not call for any special observations. The revised estimate required of the Deputy Auditor and Accountant General in October is a substitute recently introduced for the monthly estimates, previously sent, of material changes anticipated under the Budget heads of Receipts and Disbursements. It is not a Return of very great importance and may be dispensed with. But considering how seriously our financial calculations in this

Empire are affected by the variations of seasons and other local causes, I am doubtful whether it will be found practicable to dispense altogether with the regular estimate.

20. As regards the discontinuance of the Cash Requirement Estimate I do not clearly understand how in the absence of this Return, the Government of India will be able to arrive at correct estimated balances in reference to debt and Remittance transactions. The necessity, however, for this Return is lessened by the important change that has since been introduced, under which the amounts estimated in the Budget are for Revenue to be received, and charges to be paid within the year, and not for Demands or Liabilities. No change is proposed with reference to the Local Fund Estimates.

21. *Paragraphs 74 to 77, Revenue Board.*—I now come to the portion of the Report which treats of Revenues and Receipts. The Revenue Board here, as in Bengal, administer the Revenues of the country, but there are no Local Commissioners to assist them. The Board have a separate account establishment of their own, and only two Annual Returns regarding the Assessment and Collection of duties are rendered to them by the Deputy Auditor and Accountant General. The check by the Board over the Receipts of the Presidency is complete.

22. *Paragraphs 78 to 135, Land Revenue, Abkaree, &c.*—These paragraphs chiefly refer to administrative details upon which the Board of Revenue, it is believed, have been called upon to report separately. As regards to paragraph 87, it is however proper to observe that the Annual Returns referred to in the above paragraph are the only Statements transmitted to the Board of Revenue for comparison and check which the results shewn in the accounts prepared in their own Office.

23. *Paragraph 89, Forest Revenue.*—The Conservator of Forests has a separate Account Office of his own, in which he receives the accounts of his Department and checks them. The charges of this Department are passed by the Civil Paymaster, the heavy contingent charges being previously countersigned by the Board of Revenue who have a general control over the operations of the Forest Department.

24. The suggestions contained in paragraphs 138, 141, 142, 145, 147, 149, and 150, it appears to me may with great advantage be carried out.

25. The next point of the Report which requires to be considered is that relating to expenditure.

26. *Paragraphs 157 to 162 Pre-audit of Salaries and Fixed Charges inconvenient.*—In these paragraphs the Commissioners, by way of illustrating the inconvenience of the present system of Pre-audit, have taken the remote District of Ganjam in this Presidency, and they state the course of procedure observed in the audit of the Bills of that District in the Office of the Civil Paymaster. In justice to the Civil Paymaster, who may perhaps not have the opportunity of defending himself, I think it only right to state, that the practice of the Audit Office is not such as represented. It is notorious that no delay in the audit of a Salary Bill is ever allowed to occur in that Office, and no bills are ever detained more than one day, and usually they are passed on the day of their receipt. Nor is an Establishment Bill ever returned unpassed for correction; if any errors in the Bill are discovered, the objectionable items are struck out, and the Bill passed for the remainder, with instructions that a fresh Bill be submitted for the sums disallowed with explanation to justify the charge.

27. I am altogether unable to concur with the Commissioners in their view, that a Post-audit will have the effect of saving time, labor, and correspondence. On the contrary, I believe that all these will be greatly increased, at least such was found to be the case when the Post-audit system was in force in this Presidency some years ago, and the difficulties of effecting recovery of retrenchments were then great indeed. It is far easier to keep money out of the pocket than to extract it when once there. The duties of Collectors are already sufficiently onerous, and, if in addition, they are now to be held pecuniarily responsible, as for the protection of Government they must be, for all over-payments made in their Districts, they will have good cause to rule the day when the present system of Pre-audit was abolished.

28. *Contingent charges paid before Pre-audit.*—Under the system of Permanent Advance Fund which has hitherto worked well in this Presidency, but which I observe in a subsequnt part of their Report is condemned by the Commissioners, Advances on account of the Contingent charges of the several Departments, are paid from that Fund. Every Officer who may incur any monthly Contingent expenditure is allowed a small Permanent Advance, generally equal to two months' average Contingencies of such Officer, from which he is authorized to defray the petty Contingent charges of his Department prior to Audit, and which he is required to replenish from time to time by Cash drawn upon Contingent Bills duly passed by the Civil Paymaster. No advances are allowed to appear in the Treasury Accounts for Contingent Charges, which should be met from the Permanent Advance Fund.

29. *Paragraph 163, Responsibility should be thrown on Departmental Officers.*—If it be determined to abandon the present system of Pre-audit, and with it, the Civil Paymaster's Office, the Audit of Charges must be assigned to the Heads of the several Departments, but I have grave fears for the result. By some Departments I have no doubt the Audit would be conscientiously and efficiently carried out, but by others, and they would form the most numerous class, the Examination of Bills would be considered a most uninteresting and unimportant duty, and as such confided to a very subordinate Officer of the Establishment. In that case the Audit would be a mere *pro formâ* one, and a very imperfect substitute for that of the Civil Paymaster.

30. *Paragraph 164, Delay caused in the preparation of Accounts.*—It is not clear in what manner the system of Pre-audit delays the preparation of the Accounts as alleged. If our Accounts consisted only of such items as are susceptible of Pre-audit, they might unquestionably be closed and despatched on the 1st of the month with the utmost punctuality, but it is precisely those items which cannot be audited that delay the preparation of Accounts, namely, Advances &c., which remain unadjusted, either from the absence of Budget provision for unforeseen expenditure, or from the want of proper Vouchers, or Bills, from the Officers taking up the advance, and which Bills cannot be prepared and submitted with the Accounts, until the purpose for which the advance was taken up has been fully completed. I am referring now more particularly to Bills, such as those submitted periodically by the Officers noted in the margin, who are compelled to take up large sums for the payment of coolies, &c., as well as for advances, which they again are obliged to make to contractors, and which advances are frequently not worked out for some months after they have been made. The outstanding advances on our Books against these two Departments alone on the 30th of April amounted to nearly a lac and a half of Rupees. It cannot, I think, be the intention of the Commissioners that in cases such as these, Bills should be submitted for departmental or other audit, immediately after the disbursement of the advance has taken place, and before the completion of the work for which it has been made, as such a course would obviously remove all control over the subsequent expenditure, and lead to most extensive frauds. But if any other means can be suggested by the Commissioners which may render the entry of such items in the Accounts unnecessary, and without at the same time impairing the present check over the expenditure, it will be a very great boon to the Account Department, as nothing can be more unsatisfactory to the Accountants themselves than the exhibition in their Accounts of the long outstanding advances now shewn in their Books.

Forest Department
Cinchona Plantations.

31. *Paragraph 168, Unclaimed Salaries pass through Deposit Accounts.*—The practice stated by the Commissioners in this paragraph to obtain in the Bengal Civil Paymaster's Office is not observed here. The whole of a Salary Bill is not passed each month. All sums not paid on account of Absence and Savings arising from other causes are deducted from the total, and only the balance is passed: but the intermediate Deposit Head is introduced for crediting the undisbursed portion of the Salaries of such Clerks, whom duty, or other cause may compel to be absent on the pay day. This entry might be avoided either under the present or proposed system of Audit, by requiring the submission of a separate Abstract for the Absentee's pay, though it

would greatly multiply the difficulty in auditing the Vouchers with the Registers for fixed payments to be kept in the Office of Account.

32. *Paragraph* 169, *Salaries to be paid on the last day of the Month.*—If this suggestion can be carried out, it will be a decided improvement; but I much question whether it would be practicable even at the Presidency Town, with all the appliances at the command of the Bank, to discharge all the Monthly Salary Bills in the course of one day, and in the Districts it would certainly be quite impossible. The proposed change would consequently have the effect of causing the payments due for one month to be exhibited in two months' Accounts, whereas under the present system the entire payments due for any one month are generally exhibited in the Accounts for the following.

33. *Paragraph* 172, *Civil Paymaster cannot check Mint wages.*—The Civil Paymaster can and does exercise a check on the sums to be paid in the matter of the Pre-audited Pay List, and in the case of extra pay also, he exercises a check, for he sees that the sums paid are in accordance with the extra hours employed in work. It is also, to be observed that in this Presidency the sums for extra work are not paid before Audit.

34. *Paragraph* 172, *Contingent Charges audited in some cases four times over.*—Vide my Remarks upon paragraph 163. The utmost that can be said of Contingent Charges, is that they are audited twice: once by the Controlling Head of the Department, and once by the Civil Paymaster.

35. *Paragraph* 177, *Civil Paymaster's audit open to reversal.*—In all questions depending on the Leave Rules, and most questions do depend on these, the decision of the Civil Paymaster is considered sufficient authority. The Deputy Auditor and Accountant General looks to the headings, but he does not examine Charges in connection with their bearing on the Leave and other Regulations.

36. *Paragraph* 183, *Double audit unnecessary.*—This Paragraph will be considered in connection with paragraphs 195 and 196.

37. *Paragraph* 190, *in Madras the inffiecient balances amount to 44 lakhs.*—In this sum is included Rupees 20,00,000 on account of Remittances in Transit from one Treasury to another.

38. *Paragraph* 191, *Personal Accounts in Books do not shew Cash balance.*—Prior to the introduction of the Budget system, all advances remaining unadjusted were shown under "Miscellaneous Advances;" but subsequently they were directed to be included in the Cash Balance, until adjusted, with a view to make the Treasury Officer more responsible for their prompt adjustment. But the Balance Sheet of the Madras Books shows distinctly the amount of actual Cash, as well as the amount remaining unadjusted.

39. *Paragraphs* 195 *to* 197, *Double Audit in the Civil Paymaster's and Deputy Auditor's Office.*—It will not be out of place here, to observe, that the double audit which the Commissioners have alluded to as existing in Bengal in the Audit and Account Offices in respect to Vouchers and Treasury Accounts, does not exist in this Presidency; and that while with reference to audited charges, the Bills passed by the Civil Paymaster are admitted as sufficient authority, the audit of the Deputy Auditor and Accountant General is confined mostly to Bill, Remittance, Deposit and other like transactions, and to the unadjusted disbursements made by Treasury Officers. As regards the Abstracts passed by the Civil Paymaster, the audit in the Deputy Auditor and Accountant General's Office has not reference to the nature of the claim, for the correctness of which the Pass of the Civil Paymaster is considered sufficient, but is confined to observing that the payments entered in the Treasury Accounts agree with the amounts of the Vouchers passed by the Civil Paymaster, and that the said payments are correctly classified. It thus will be seen that the Civil Paymaster and the Deputy Auditor and Accountant General do not keep similar records in their Offices.

40. *Paragraphs* 198 *and* 199, *Accountants should be appointed to Offices having numerous payments.*—Many of the Controlling Heads of Departments have now small Account Establishments under them, but these will have to be strengthened and well organized, if the proposed system of Departmental Audit be brought in force, and the expense caused by it will be heavy.

41. *Paragraphs* 200 *to* 216, *The duty of paying claims in the Presidency.*—I have now stated at some length, my reasons for considering the present system of Pre-audit to be the one the best adapted to the condition of this Empire. It may be true that the corrections made by the Civil Paymaster in Bills are few in number, but it remains to be seen whether Bills will be as correctly prepared, when it is known that the charges contained in them will not undergo scrutiny until after payment of them. If disbursing Officers generally were well trained to their work as in England, or though untrained, if they had sufficient leisure to devote to the examination of each charge prior to its disbursement, I believe that the present system of Pre-audit, which it must be admitted is cumbrous, and often vexatious, might well be dispensed with; but such is not the case. The Collectors, by whom the disbursements are usually made, are but little acquainted with the Rules regulating such payments, and they assuredly have but little leisure to devote to the examination of the Bills; and this duty will, consequently, as a rule, devolve upon a subordinate officer of the Establishment. If it be finally determined, however, to abandon the Pre-audit system, the course of procedure sketched out in these paragraphs seems to be the best that could be devised.

42. The fourth subject of the Report relates to Accounts. It has been already remarked that the Tahsildars of this Presidency have large collections to make; the payments are likewise very heavy, and could not be confined to the Head District Treasury only.

43. *Paragraph* 219 *Present Classified account unnecessarily voluminous.*—The Classified Treasury Account of a District in this Presidency consists of 6 pages of Foolscap on the Receipt side, and 17 pages of the same on the Charge side, both Receipts and Disbursements being written consecutively.

44. *Paragraph* 220, *Causes delay and admits of improper adjustments.*—It will be seen from the following paragraph that this is not the case in this Presidency.

45. *Paragraph* 221, *Unclassified Cash Accounts to be introduced.*—The advantages of this change are not apparent: if as the Commissioners recommend Departmental Accounts are to be kept, the result of this proposition would be to throw similar labor upon two offices in the Presidency, the Departmental Account Office and the Office of the Deputy Auditor and Accountant General. The work which is now divided between twenty Districts will have to be performed in one office, and under the proposed arrangement there will neither be a saving of labor nor of time.

Mode of conducting Treasury business referred to in paragraphs 259 to 261.

46. At the Head District Treasury in this Presidency there are two Departments:—the Cash-keeper's and the Native Accountant's. A Day Book is kept in the latter Department, which is the primary record of all transactions both Cash and Transfer of the Hoozoor or the Head District Treasury. Cash presented at the Hoozoor Treasury is accompanied by a Memorandum descriptive of the purpose which it is brought. The Native Accountant on receiving the Memorandum examines it and puts on it the word "correct," notes on it the Head of account and affixes his initials: the entry is then made in the Day Book and the Memorandum, numbered a fresh series of numbers being used for each month. The Memorandum is then returned to the payer for presentation with the cash in the Cash-keeper's Department. No cash is received by the Cash-keeper without this Memorandum.

47. Orders for payment in cash are addressed to the Cash-keeper and are signed by the Officer in charge of the Treasury; and no payment is made on them unless attested by the Native Accountant as having been entered in his Day Book. When the amount is discharged, the original voucher is stamped with the word "paid." The cash and the Day Book are closed each day, and after comparison, their correspondence is attested by the Head Ministerial Officer, any entries in the Day Book which might not have passed into the Cash Book, being cancelled by a line being drawn through them in red ink. The transactions of the Treasury as taken from the Day Book are entered daily by the Native Accountant into the Daily Abstract, and a total made as soon as the transactions of the last day of the month have been posted.

48. At the Talook or the Tehasaeldaree Treasury likewise, a Cash Chittah is kept in which the bonâ-fide Cash Receipts and Payments are entered indiscriminately in the exact order in

which they actually occur with the Head of account, under which they should appear in the account current rendered to the Hoozoor. The Chittah is closed every day, and the balance, struck, which is attested by the Chief Ministerial Officer on the spot. The transactions as they appear in the Chitta are posted daily into an Abstract: and as all the Treasuries which render their Accounts to the Collector, are required to be closed at 12 o'clock at noon, on the last day of each month, the Abstracts are closed, and the monthly Accounts to the Head Treasury are completed and despatched on the same evening.

49. As soon as the Talook Accounts are received, they are carefully examined and the items entered under their proper Heads, in the daily Abstracts, and when all the Talook Accounts are received and posted, the totals are made and the preparation of the monthly Treasury Account for the Deputy Auditor and Account General is at once commenced upon.

50. In this Presidency, the classified District Accounts are usually despatched from the Districts between the 8th and 12th of the following month; but, with the simplified forms which have now been furnished to the Collectors, it is confidently expected that an earlier date may be attained. It will be at once apparent, therefore, that the state of things existing in this Presidency, is quite different from that in Bengal. The excessive delay noticed in the despatch of the Taluq Accounts of Bengal never occurs here, nor is the preparation of the Treasury Accounts delayed on account of the classification, until after the expiration of the month. The chief cause of delay in the preparation of the Hoozoor Accounts is the great distance of many of the Taluqs from the Head Station, and the imperfect means of communication between them, and this source of delay will not in any way be removed by the measure proposed by the Commissioners, namely, the submission of unclassified Returns. A system which requires Taluq Accounts to be sent *daily* to the Hoozoor, appears in itself cumbrous, when it is considered that the payments in each Taluq are not unfrequently as heavy as at the Head Treasury; but when to this is added the fact of their being unclassified, and that in this form they will reach the Deputy Auditor and Accountant General, I have no hesitation in saying that there will be no advantage whatever gained by the change, as regards time or economy, as the principal portion of the transactions of a District, viz, the Revenues and Receipts will still have to be classified by the Treasury Officers for the Board of Revenue, and for this purpose, the District Account Establishments will have to be maintained at or nearly equal their present strength, while the Establishment of the Deputy Auditor and Accountant General will require considerable augmentation. On the whole, therefore, I am strongly of opinion that the present system should remain undisturbed in respect to this Presidency at least.

See paragraph 83 of the Commissioner's Report, regarding Taluq Accounts.

51. *Paragraphs 231 to 237, Deposits.*—These paragraphs refer to sundry details regarding Deposits. Many of the suggestions made by the Commissioners are judicious. In this Presidency, no Vernacular Ledgers are kept of Deposits received: nor are any Land Revenue collections credited under that head.

52. *Paragraphs 248 to 258, Accounts kept in the Vernacular.*—Great exertions are already being taken to displace the Vernacular Accounts; this however cannot be done at once, and the change must be the work of time. Printed Forms with English Translations are now in use.

53. *Paragraphs 263 to 265, Accounts of the Revenue Board.*—There are no Revenue Commissioners in this Presidency. Monthly Accounts of Demand, Collection and Balance, are sent by Collectors to the Board of Revenue.

54. *Paragraphs 274 to 279, Mode of making payments, &c., in the Provinces.*—The course of procedure described in these paragraphs will take effect on the abolition of the Pre-audit system.

55. *Paragraphs 278 and 279, Responsibility of exceeding grants to rest upon Officer issuing order. Collectors may Report to Deputy Auditor and Accountant General.*—It has been already stated that under the proposed system, the responsibility thrown upon the Heads of Departments, and more especially upon Collectors, will be very great as well as largely increase their work; and I have only further to remark, that in the event of the changes being introduced,

arrangements should, in my opinion, be made for entrusting the details of the work to trained Assistants drafted from the Offices of the Financial Department. The Deputy Collectors in charge of Treasuries upon whom under the proposed change, the heaviest work will fall, should have a better knowledge of the details of their Account work than at present. The Board of Revenue and this Office have already had frequent occasions of complaint against these Officers, and I am of opinion that should the Pre-audit system be abolished, the Treasury Officers will have entirely to be relieved of their Magisterial work, and their appointments made with greater regard to the requirements of the Financial Department.

56. *Paragraphs 290 to 303, Objectionable practices at some Treasuries.*—These paragraphs do not call for remark. Orders are already in force, prohibiting beyond a certain date in the month, transactions with the Public Works, Postal and other Departments in the Taluq Treasuries. The practice referred to regarding Government Securities of the Police Department does not exist in this Presidency.

57. *Paragraphs 304 to 310, Money Order Office.*—There is no money Order Office in this Presidency, and, as I believe, it works well in Bengal, the only Province were such an Office at present exists, I see no reason why the introduction here of a similar Office would not be attended with equal advantage. The duty of Controller could be undertaken by one of the Assistants of this Office

58. *Paragraphs 311 to 313, Military, Marine and Public Works Accounts.*—These paragraphs do not call for any special observations.

59. *Paragraphs 314 to 316, Railway Accounts.*—Statements of Payments and Receipts on account of the Capital and Revenue Accounts of the different Lines are transmitted by this Office monthly to the Secretary of State for India. It also sees to the exhibition, under proper heads in the Books, of the payments and receipts, and occasionally adjusts the transfer of sums from Capital to Revenue Accounts, which are made under the Orders of the Local Government, based on the recommendation of the Consulting Engineer. There are no arrears in this Office either in furnishing the Statements, or in making the adjustments, which are all up to date. It is to be observed, in reference to paragraphs 59 and 60 of the Report of the Commissioners, that no guaranteed interest is paid in this Presidency. The Payments and Receipts on account of the Revenue Account are shown entire in the Accounts. No entries on account of difference of exchange on Revenue Account, are made in the Accounts of this Presidency.

60. *Paragraphs 317 to 321 Savings' Bank Accounts.*—The Savings' Bank Accounts are now kept by the Bank of Madras, which receives a monthly sum of Rupees 500 for performing this duty. The mode of calculating Interest here, is simply to give each depositor his due, and no fractions are withheld. This Office has hitherto admitted the monthly sum shewn as paid in the Bank Accounts, on account of Interest, and the daily Statement received from the Bank of Receipts and Payments, embodies the transactions of the Savings' Bank, but practically there is no check whatever over the Bank transactions, nor can there be any, unless every depositor's Pass Book were forwarded to this Department for examination yearly, which would be simply impossible. There is no limit in this Presidency to the use of Savings' Bank, which is open to the whole general public.

61. The balance due to depositors amounting to nearly 9 lacs on the 1st May last, is not funded in any way, but shewn in the Public Accounts under "Deposits." I am strongly of opinion that the greater portion of this balance, or say 8 lacs, might be conveniently and with profit invested in 4 per cent. Government Promissory Notes, to be purchased by the Deputy Auditor and Accountant General gradually, from time to time, as the state of the Public Balance might warrant, thus saving the heavy charge incurred for Interest which amounted last year to nearly 30,000.

62. *Paragraphs 322 to 327, Claims passed by the Civil Paymaster.*—With reference to paragraph 324, it is to be remarked, that the course prescribed by the Commissioners for the Audit Office is followed in this Presidency, no instance being known of a claimant having been directed to leave the Office and call the following day.

63. *Claims cashed at the Bank.*—It is also to be observed with reference to paragraph 325 that the course of payment observed in the Madras Bank is very simple. The claimant presents Bill to one of the Examiners, who, after checking the deductions, and endorsing the amount, returns it to him. The Bill is then presented to the Shroff, who pays the value at once, whether in Notes or Specie. The instances in which this office has found occasion to correct the classification made by the Bank are few in number.

64. The difficulties noticed in paragraph 329 are not left here.

65. *Paragraphs 334 and 335, Letters of Credit.*—The course of procedure laid down in these paragraphs seems very desirable.

66. *Paragraphs 344 to 347, Savings caused under the proposed changes.*—The work now done in the Audit office is, as has been already explained not repeated in this office. The Audit Department of this office is very small, consisting only of five Auditors, at a monthly cost of Rupees 420. Its present strength is only sufficient for concurrent Appropriation audit with reference to passed Abstracts, and for the original audit of payments made either prior to audit or of expenditure not susceptible of audit by the Civil Paymaster. Its principal duty is to look to the classification. Under the proposed changes, the Department will unquestionably require very considerable augmentation, and I do not believe that the savings anticipated will actually be effected.

67. *Paragraph 354, Sketch Journal.*—The Regular Journal is at once prepared in this Presidency from Abstracts. No Sketch Journal is prepared.

68. *Paragraph 355, Vouchers re-examined.*—The Vouchers are not re-examined in the Book Department of this office, after they have been once compared with the Treasury Accounts by the Auditors.

69. *Paragraph 357, General Journal.*—If the several accounts under heads of service are consolidated in the General Journal, the receipts and charges of each District cannot be known. If it be required to know the aggregate amount of receipts and charges under each head of Service the Ledger at once gives the information.

70. *Paragraph 359, Its delay.*—There is no delay in this office in the commencement of the Journal for want of vouchers.

71. *Paragraph 360, Bombay and Madras Accounts.*—The remarks made here regarding the Madras Books are not peculiar to these Books alone, but are equally applicable to the Books of all the other Presidencies—vide paragraphs 165 and 357 of the Commissioners' Report.

72. *Paragraph 363, Stock Accounts are mixed with Cash transactions.*—If the suggestion contained in this paragraph be entirely carried out, the payments made for the purchase of Salt and which are now exhibited in the Cash Account under "Salt" will have to be debited to some other head of Service.

73. *Paragraph 364, Each Department has "Profit and Loss Account."*—The intermediate entry of crediting "Profit and Loss of Revenue Department" and debiting "Land Revenue" with the demand of the year, is not made in the Books of this Presidency.

74. *Paragraph 367, Accounts furnished to the Revenue Board.*—Two Annual Statements of Demand, Collections, Remissions, and Balances are furnished by this office to the Board of Revenue.

75. *Paragraphs 370 to 379, Record and Audit proposed.*—In these paragraphs is described the course to be pursued in the office of Account, in the event of the recommendations of the Commissioners as regards the abolition of Pre-audit and the submission of Unclassified Accounts being carried out. The course prescribed seems well adapted to the object in view, but I must again express my belief, that the accounts will neither be so expeditiously, or correctly prepared as they might be with a very slight modification of the present system.

76. *Paragraph 397, Notes deposited.*—Five per cent. interest is paid on the Police Funds at Madras invested in Treasury Notes, and not six per cent. as appears to be the case in Bengal.

77. *Paragraph 401, Registers for Interest.*—The system of endorsing interest on Notes, is not in force in Madras. The practice here, is for the owners to receipt their Notes for interest, which, after examination, is passed under the initials of three of the Clerks of the Bond or Loan Department, and that of the 2nd Assistant Accountant General, and an interest order issued for the amount. The receipt for interest, endorsed on the Note, contains the half-year as well as the date up to which interest is passed for payment. The suggestion of the Commissioners on this point is, therefore, in accordance with the Madras practice.

78. *Paragraph 403, Defective check upon Interest.*—The Accountant General to the Government of India has exercised no check whatever on payments of interest made in this Presidency from 1862, when the Register of Interest payments made at the Presidency Town, which had been hitherto furnished to that Officer, was discontinued. The check exercised by the Loan Department at Madras is as complete as possible. As regards payments of interest made by the Mofussil Treasury Officers under this Presidency, a complete check is exercised by the Bond Department at Madras, as well as by the Calcutta Loan Office, both of which Departments are furnished by such Treasury Officers with a Monthly Register of interest paid by them respectively, containing every necessary detail. General Registers are kept in this office of all Notes, interest on which is made payable at the Provincial Treasuries, (Extracts from which are monthly communicated to the Calcutta Loan Department) and in these are regularly posted every payment of interest made in the Provinces; and should a double payment of interest be made, such can, with certainty, be detected, when the posting in the Provincial General Register is effected. The remark of the Commissioners, that if payments of interest were made by a Collector, and he omits to report them to the Accountant General, the omission would not be discovered, does not hold good with this Presidency, because the Detail Register of Interest payments furnished by the Collectors monthly, are compared with their Treasury Accounts furnished to this office, in which every payment made by a Treasury Officer must appear. On discovery of any discrepancy between the amount shewn as paid for interest in the Treasury Account and the amount exhibited in the Register of Interest received from Collectors, such Collectors would at once be called upon for explanation.

79. *Paragraph 409, Fees payable on renewal, &c. of Notes.*—Fees collected in the Bond Department at Madras are recorded in different books, and are classified as follows:—

1st. For the renewal of Notes effected in Calcutta.
2nd. For the renewal of Stock Receipts of the Book Debt Loan effected in Madras.
3rd. For enfacement of Notes "Interest payable in London," effected here.

80. The first description of fees is collected on the delivery of new Notes and remitted monthly to the Accountant General to the Government of India by a Transfer Receipt accompanied by an Account Current, whilst the second and third are paid into the Madras Bank, monthly, to the credit of this Presidency. The suggestion of the Commissioners that all applications for renewal of Transfer of Notes should be made on stamped paper equal in value to the amount of fee payable, would I think, be preferable to the practice now prevailing.

81. *Paragraphs 411 and 412, Supply Bills.*—In this Presidency it is the Deputy Auditor and Accountant General and not one of his Assistance who signs the Bills. The Bank might be made to issue the Bills after acceptance of the Tender by the Deputy Auditor and Accountant General.

82. *Paragraphs 413 to 422, Auditor & Accountant General to the Government of India.*—These paragraphs refer to the duties of the Auditor and Accountant General to the Government of India and do not call for any observations from this office.

83. *Paragraph 423, Stores from England.*—Stores purchased in England might at once be charged in the Home accounts.

84. *Paragraphs 424 to 442, Home and Imperial Accounts.*—These paragraphs chiefly refer to Home and Imperial Accounts. With regard to paragraph 441, I agree with the Commissioners in thinking that the salaries of many of the Clerks on the Establishments of the Account Department are not adequate to their work and responsibility.

85. *Paragraphs* 443 *to* 448, *Privilege Remittances.*—I also concur with them in thinking that some check is needed regarding the Issue of Privilege Remittance Transfer Receipt.

86. *Paragraphs* 449 *&* 450 *Permanent Advances.*—The system of Permanent Advance Fund is working well in this Presidency, and I do not recommend any change in it.

87. *Paragraph* 481, *Cheques should not be drawn for trifling sums.*—I agree with the Commissioners in the observations made in this paragraph.

88. *Paragraphs* 452 *&* 453.—These paragraphs do not require any special remarks with reference to what has been already stated.

89. *Paragraphs* 454 *to* 458, *Different years which are in use.*—The suggestion to close the Indian Accounts on the 31st December appears to be good. The continuance of the Fusli and official years seems no longer necessary, if the Indian Accounts are required to be laid before Parliament at an earlier date than at present.

90. In submitting for the consideration of Government the foregoing remarks, which I regret to find have extended to an unexpected length, I beg to state that I have not been unmindful of the great weight which must necessarily be attached to the opinions of Officers of the large Financial experience and ability of Messrs. Foster and Whiffin. A comparison has been drawn by them between the systems of accounts which obtain in England and in India, and, as might naturally be expected, the contrast is very unfavorable to the latter, both as regards the promptness and accuracy with which the accounts are rendered. But in instituting this comparison, it does not appear to me, that due allowance has been made for the very different conditions of the two countries. In England the accounts are received at the Head Office, from the remotest parts of the Kingdom within four and twenty hours of their despatch, and, if any explanation of them is deemed necessary it is obtainable within forty-eight hours. In India the Taluq accounts passing through the Huzur cannot possibly reach the Presidency from many of the Districts in less than 12 days, and the reply to any explanation which may subsequently be called for, is frequent y not obtainable under a month. In England the disbursements are made by experienced Paymasters, and recorded by skilful Accountants, and, finally, the accounts are collated, checked, and classified, by Officers of the greatest experience, and talent which England can command. In India the payments are chiefly made by the Revenue Officers unacquainted with the Rules which should regulate such payments, and whose time and attention are fully occupied by other responsible and onerous duties, and the accounts are prepared by Officers who from the Head of the Department down to the Taluq Gomastah are wanting in that special training, which is considered of such peculiar value in England. In England, again, the system of making advances is unknown, while in India, but few works, however trifling can be carried on without them, and it is these items, as I have already observed, that so much retard and encumber our accounts. I have pointed out how far the suggestions of the Commissioners accord with the practice which now obtains in this office, and to what extent they may, in my opinion, be carried into effect. I have also endeavoured to the best of my ability to explain, where those suggestions appear to me inexpedient, and the difficulties in the way of their adoption. It is very possible that the greater experience of the Commissioners in the treatment of accounts may lead them to view these difficulties as imaginary, or such as may be readily overcome, and it only remains, therefore, for me to add that, should such be the case, and it be determined after mature consideration, to introduce the proposed changes in the Indian accounts, no pre-conceived opinion of their inexpediency will be allowed to interfere with the cheerful co-operation of myself and my establishment in carrying out the suggested reforms.

No. 44. Proceedings of Government in the Revenue Department, dated 20th March 1865, No. 615.

Reviewing the Revenue Board's remarks on the report of the Commissioners of inquiry into the system of Account and Audit in the Financial Department. (Vide Proceedings, Revenue Department, dated 20th March 1865, Nos. 342 and 343.)

No. 45. To the Secretary to the Government of India, Financial Departm[illegible]ed Fort Saint George, 27th March 1865, No. 174.

In acknowledging the receipt of the Extract from the Proceedings of the Government of India, under date the 4th October last, No. 2805, calling for the opinion of the Madras Government as to the expediency of adopting the revised system of account and audit recommended by the Commission of Inquiry into Indian Accounts in their report, dated the 7th September 1864, I am directed to submit for the consideration of His Excellency the Governor General in Council, the annexed copy of a letter from the Deputy Auditor and Accountant General, and of the Proceedings of this Government in the Revenue Department, under date the 20th instant, and to offer the following remarks.

2. *Estimates.*—The number and forms of the estimates now in use, were all prescribed with great stringency by the Supreme Government. In this Presidency, the Budget Estimates are prepared by the local officers, and submitted by them to the Controlling Boards, or Heads of the Departments, who carefully revise the estimates, and, uniting with them the estimates of their own offices, submit one consolidated Budget to the Government.

3. The Government make such modifications as they deem necessary, and transmit the Budgets to the Deputy Auditor and Accountant General for compilation, in accordance with the rules and forms, and for any remarks he may wish to offer on the component items. This procedure, in the opinion of the Governor in Council, is preferable to that described in paragraph 18, or that proposed in paragraph 25. Under the present system, the Accountant General is very often an Officer of another Presidency, wholly unacquainted with Madras, and his work is facilitated by his having before him the views of the Government.

4. The form of the Budget Estimate proposed by the Commissioners is a great improvement on that now in use, and the Madras Government recommend its adoption, with, however, the addition of a column showing the actual expenditure of the penultimate year. This information is available and easily supplied; it affords a very useful general guide in judging of the estimates, and renders the Statement more complete. These considerations, in the opinion of this Government, render the retention of this column advantageous.

5. Under this arrangement, the detailed estimates, showing the receipts and charges of each District and Department, will not go beyond the Local Government, and considering how very large a proportion of each estimate comprises fixed charges, not subject to fluctuations from year to year, the submisssion of the details now afforded is useless.

NOTE.—In the Land Revenue estimate of charges for 1865-66, only 4 out of 38 lacs were of a variable character.

6. Of the four estimates mentioned by the Commissioners in paragraph 15, the first, viz., the Budget estimate, is the only one in the preparation of which the Local Governments have any concern.

7. The remarks in paragraphs 19 and 21 of the report are inapplicable to the procedure of this Government, whose reasons for alterations in their Budgets are always given.

8. The Government concur generally in the remarks of the Commissioners as to adjustment entries. The Budget of each Presidency should provide fully for all disbursements which it has to make. On this principle, the Central Provinces, Burmah, &c., should provide for the Military expenditure incurred in them, but debited to Madras.

9. As regards the District Budgets, the practice here is much simpler than that described in paragraph 43, and should be retained.

10. The proposed abolition of the system of dividing a single charge among several heads has the full concurrence of this Government. They regret much that the exception noted in paragraph 48 should be retained. It is true that as Collectors in this Presidency are also Magistrates, part of their salary is debitable to the head "Law and Justice," but the portion so debited is of necessity only a rough approximation, while the retention of the division causes much trouble and correspondence. It can, if the Supreme Government particularly desire it, be shewn in the new form of estimate submitted to them, but its retention in the Local Budget necessitated deductions

and additions in every revenue Bill passed by the Civil Paymaster and in the Collectors' monthly Treasury accounts, the pay of establishments was occasionally delayed, and altogether so much inconvenience and correspondence caused, that the distinction was ordered by this Government to be given up in the Budget of 1865-66. The Supreme Government, however, directed that the distinction should be retained in the Budget and accounts, but discontinued in the bills.

11. The revision of the Budget classification proposed in paragraphs 55 and 56 is very desirable; but the revised forms should be sent, before adoption, to the Local Governments, so that errors may be avoided.

12. The Government do not concur in the proposal to abolish the head "Allowances, Refunds, and Drawbacks." It is true that disbursements under this head cannot be accurately estimated beforehand, but the experience of past years is a fair guide. The principle of showing only net receipts is unsound, and it is evidently better that an officer should state how much he expects to refund, than deduct an unstated sum from his receipts; both are estimates and equally liable to error, but excessive or insufficient allowance for the item may be checked in the former, which it cannot be in the latter case.

13. As already stated, the Government have no concern with the estimates referred to in paragraphs 66 to 71. They have long since caused monthly statements of actual receipts and disbursements, of the nature proposed in paragraph 70, to be submitted to them in the Revenue Department, and find them very useful.

14. The Supreme Government are aware that the Local Funds of this Presidency have lately been placed on an efficient footing.

15. *Revenues and Receipts.*—With reference to the Commissioners' recommendations regarding Revenue and Receipts, I am directed to refer you to the Proceedings of this Government in the Revenue Department, and to the Deputy Auditor and Accountant General's letter sent herewith, from which it will be seen that the Madras Government and their Chief Financial Officer, as well as the Board of Revenue, strongly deprecate any change in the system under which Revenues and Receipts of this Presidency are accounted for in the District and Taluq Treasuries, and especially the radical change recommended by the Commissioners of substituting simple unclassified cash accounts for the classified accounts which are now kept. His Excellency in Council trusts that the objections which have been urged by the Accountant General and the Board of Revenue, and also in the Proceedings of Government, against any such change, will receive full consideration, and that the system at present in force in this Presidency, which, as observed in those Proceedings, works well and smoothly, and which meets all local necessities for efficient administration as well as Imperial requirements, will be allowed to continue.

16. The suggestions and remarks of the Commissioners in the paragraphs noted in the margin, are noticed in paragraphs 15 to 34 of the enclosed Proceedings.

Paragraphs 75 to 77, 79 to 81, 83 to 86, 88, 89, 91, 95, 98, 99, 103, 104, 108 to 117, 120 to 135.

Paragraph 149.

17. The Government Revenue from fees in this Presidency is very trifling.

18. *Expenditure.*—The Deputy Auditor and Accountant General entertains grave doubts as to the expediency of abolishing the system of pre-audit, and shows that the inconveniences connected with it are much overstated in the Commissioners' report, at all events, as regards this Presidency. The Board of Revenue incline to the same opinion. They observe that "excessive delay in payments or adjustments is not found to be the inevitable result of the pre-audit system," that it "ensures correctness of charge in a great measure," and "relieves from additional responsibility the body of Collectors, who are laden with multifarious duties of a most important administrative character," and that it "also greatly promotes the speedy submission of Bills." The Governor in Council, while he considers that there is much force in the arguments urged by the Board and by the Accountant General in favor of the present system, is not prepared to press for its retention. A considerable portion of the expenditure of the country is not, and cannot be, subject to pre-audit, and, as regards the disbursement of salaries and other

fixed charges, it will not be difficult to frame rules which will have the effect of ensuring punctuality, at all events, in the preparation of the Bills. Moreover, so much stress has been laid of late years on the punctual and correct preparation of Bills, that it may reasonably be hoped that the inconvenience which formerly attended the post-audit system will not recur. Further, as the Commissioners observe, a post-audit is necessary under any circumstances, to show that the money, pre-audited, has been actually disbursed. As a general rule, a departmental audit, conducted by officers conversant with the facts to which the charges relate, must be far more efficient than any audit which can be made by an officer in the position of the Civil Paymaster.

19. Some arrangement of the kind here suggested would be desirable, as it would be inconvenient for each Head of a Department to draw cheques on the Bank.

Paragraphs 201 to 212.

20. I am to request the attention of the Supreme Government to the remarks made in paragraph 36 of the accompanying Proceedings, with reference to paragraph 213 of the Commissioners' report. It is of great importance that the responsibility and authority of the Collector, as the officer in entire charge of the District Treasury, should not in any way be diminished.

Paragraph 213.

21. The Madras Government have already urged, but without success, the abolition of cash payments for service telegrams.

Pargraph 300.

22. The Madras Government have also advocated the extension of the money order system to this Presidency, but without effect.

Paragraphs 304 to 310.

23. It has long been the opinion of the Governor in Council that the present constitution of the Finance Department is a bad one. The objections of this Government are two-fold;—first, that it is an error so entirely to dissever the local Governments from the accounts of their administrations,—next, that there seems every prospect of the Department soon being filled exclusively by persons who have had no experience in the administration of the country. The system of accounts of a country, as distinguished from mere book-keeping, must be adapted to its peculiarities, and an Officer ignorant of the latter cannot really be an efficient Head of the Account Department. In Madras there has lately been more than one Accountant General, who had never set foot in the Presidency, till sent to fill that important office. The Supreme Government apply to such officers for estimates of Revenue and other important returns, though it is quite clear that, being utter strangers to the Presidency they can only be compilers or retailers of information derived from the local officers. There are now but two Madras officers, both of high standing, in the Department, and when they leave the country, the Department will not contain an officer, with the slightest personal knowledge of the Madras Presidency. As no fresh officers have joined the Department, it is probably less attractive than other Departments, but the Government attribute this, not to the prizes in it being too few, for illiberality in salaries, or slowness in promotion, has not as yet characterized it, but to its being a separate Department, under the Supreme Government. It cannot be expected that officers will be willing to dissever themselves from their own Presidencies and services, and subject themselves to frequent changes from one Presidency to another, involving heavy expense and much personal discomfort. The present system can only produce clever Book-keepers. The remedy which the Government would adopt would, therefore, be a reversion to the former system.

Paragraphs 385-6.

24. The indulgence of privilege remittances has never been carried to the extent or abused in the manner indicated by the Commissioners. It must be remembered that public servants are prohibited from having pecuniary dealings with Natives within their jurisdiction, and it is, therefore, necessary that when there is no Bank,

Paragraphs 443 to 448.

the Government should afford them the means of remitting a portion of their salary to the Presidency Town. A single remittance monthly will, however, suffice, and this should be granted gratuitously, as the necessity is caused by the restriction imposed by the Government itself.

25. I am directed, in conclusion, to request the attention of the Supreme Government to the suggestion made in paras. 48 to 53 of the enclosed Proceedings in the Revenue Department, to the effect that, if the calendar year be adopted as the year of account (and this His Excellency in Council considers to be a very desirable arrangement), the accounts of the Fusly year, which begins on the 1st July, shall be closed half-yearly, so that the accounts of the calendar year will comprize the last half of one, and the first half of the next Fusly year, and will reach England in time to be submitted to Parliament, without entailing the great inconvenience which would be occasioned by the abandonment of the Fusly year.

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

Exd. J. H. Burns.

despd 27/3/65 by the P. & O. steamer

/ 17

Financial Department.

No. 174

To

The Secretary to the Government of India.

Financial Department,

Sir,

In acknowledging the receipt of the Extract from the proceedings of the Government of India under date the 4th October last No. 2805 calling for the opinion of the Madras Government as to the expediency of adopting the revised system of account and audit recommended by the Commission of Inquiry into Indian Accounts in their report dated the 7th September 1864, I am directed to submit for the consideration of His Excellency the Governor General in Council the annexed

Copy

copy of a letter from the Deputy Auditor and Accountant General and of the proceedings of this Government in the Revenue Department, under date the 24th instant, and to offer the following remarks.

Estimates.

2 The number and forms of the Estimates now in use were all prescribed with great stringency by the Supreme Government. In this Presidency the Budget Estimates are prepared by the local officers and submitted by them to the Controlling Boards or heads of the Departments who carefully revise the Estimates and uniting with them the Estimates of their own offices and of the separate departments under their control submit one consolidated Budget to

to the Government.

3 The Government make such modifications as they deem necessary and transmit the Budgets to the Deputy Auditor and Accountant General for compilation in accordance with the rules and forms, and for any remarks he may wish to offer on the component items. This procedure is preferable in the opinion of the Secretary in Council to that described in para 18 or that proposed in para 25. Under the present system the Accountant General is very often an officer of another Presidency wholly unacquainted with Madras and his work is facilitated by his having before him the views of the Government.

4 The form of the Budget Estimate proposed by the Commissioners is a great improvement on that now in

use

pose and the Madras Government recommend its adoption with however the addition of a column shewing the actual expenditure of the penultimate year. This information is available and easily supplied – it affords a very useful general guide in judging of the estimates, and renders the Statement more complete. These considerations in the opinion of this Government, renders the retention of this column advantageous.

5 Under this arrangement the detailed estimates shewing the receipts and charges of each district and Department will not go beyond the Local Government, and considering how very large a proportion of each estimate comprises fixed charges, not subject to fluctuations from year

Note – In the Land Revenue estimate of charges for 1865/66 only 4 out of 30 lacs were of a variable character.

year to year the submission of the details now afforded is useless.

6 Of the 4 estimates mentioned by the Commissioners in para 15, the first, viz: the Budget estimate, is the only one in the preparation of which they have any concern.

7 The remarks in paras 19 and 21 of the report are inapplicable to the procedure of this Government, whose reasons for alterations in their Budgets are always given.

8 The Government concurs generally in the remarks of the Commissioners as to adjustment entries. The Budget of each Presidency should provide fully for all disbursements which it has to make. On this principle

the

the Central Provinces, Burmah &c. should provide for the Military expenditure incurred in them, but debited to Madras

9 As regards the District Budgets the practice here is much simpler than that described in para 43 — and should be retained.

10 The proposed abolition of the system of dividing / providing a single charge among several heads has the full concurrence of this Government. They regret much that the exception noted in para 48 should be retained. It is true that as Collectors in this Presidency are also Magistrates, part of their salary is debitable to the head "Law and

and Justice" but the portion so debited is of necessity only a rough approximation - while the retention of the division causes much trouble and correspondence. We can, if the Supreme Government particularly desire it, be shown in the new form of estimate submitted to them, but its retention in the Local Budget necessitated deductions and additions in every pension Bill passed by the Civil Paymaster and in the Collectors monthly Treasury accounts, the pay of establishments was occasionally delayed and altogether so much inconvenience and correspondence caused that the distinction was ordered by this Government to be given up in the Budget of 1865/66. The Supreme Government however directed that the distinction

should

should be retained in the Budget and accounts but discontinued in the Bills.—

// ~~It may be remarked~~ with the exception of this Province the Governments whose Departments with any apportionment of these salaries among those Departments. It is difficult therefore to understand why an exception should be made in respect of their Ministerial functions alone.

14 The revision of the Budget classification proposed in paras 55 and 56 is very desirable but the revised forms should be sent, before adoption, to the Local Governments so that errors may be avoided

~~12~~ The Government do

I think this last letter is an "and".

do not concur in the proposal to abolish the head "Allowances, Refunds and Drawbacks" It is true that disbursements under this head cannot be accurately estimated beforehand but the experience of past years is a fair guide. The principle of showing only net receipts is unsound and it is evident by better that an officer should state how much he expects to refund than deduct an unstated sum from his receipts. both are estimates and equally liable to error, but excessive or insufficient allowance for the item may be checked in the former which it cannot be in the latter case.

~~13~~ As already stated the Government have no concern with the estimates referred to

in

in paras 66 to 71. They have long since caused monthly statements of actual receipts and disbursements of the nature proposed in para 70 to be submitted to them and found them very useful

¶ 14 The Supreme Government are aware that the Local Funds of this Presidency have lately been placed on an efficient footing.

Revenues & Receipts

¶ 15 With reference to the Commissioners recommendations regarding Revenue and Receipts, I am directed to refer you to the proceedings of this Government in the Revenue Department and to the Deputy Auditor and Accountant General's letter sent herewith, from which it will be seen that the Madras Government and their chief financial officer

officer as well as the Board of Revenue strongly deprecate any change in the system under which Revenues and Receipts of this Presidency are accounted for in the District and Taluk Treasuries, and especially the radical changes recommended by the Commissioners of substituting simple cash accounts for the classified accounts which are now kept. His Excellency in Council trusts that the objections which have been urged by the Accountant General and the Board of Revenue and also in the proceedings of Government against any such change, will receive full consideration and that the system at present in force in this Presidency which as observed in those Proceedings works well and smoothly which meets

all

all local exceptions usefulness for efficient administration as well as Imperial requirements, will be allowed to continue.

¶16 The suggestions and remarks of the Commissioners in the paras noted in the margin are noticed in paras 20 to 41 of the enclosed proceedings

Paras 75 to 77 + 79 to 81-83 to 86-88, 89, 91 95, 98, 99, 103, 104, 108 to 117, 120 to 135

¶17 The Government from fees Revenue proper in this Presidency is very trifling

Para 149

...

Her

Expenditure.-

1871 19 The Deputy Auditor and Accountant General entertains grave doubts as to the expediency of abolishing the system of pre audit, and shows that the inconveniences connected with it are much overstated in the Commissioners report, at all events as regards this Presidency. The Board of Revenue incline to the same opinion. They observe that ~~notwithstanding~~ "excessive delays in payments or adjustments is not found to be the inevitable result of the preaudit system, but it "ensures correctness of charge in a great measure" and "relieves from additional

additional responsibility the body of Collectors who are laden with multifarious duties of a most important administrative character," and that it "also greatly promotes the speedy submission of Bills." The Governor in Council, while he considers that there is much force in the arguments urged by the Board and by the Accountant General in favor of the present system, is not prepared to press for its retention. A considerable portion of the expenditure of the Country is not, and cannot be, subject to preaudit, and as

as regards the disbursement of salaries and other fixed charges it will not be difficult to frame rules which will have the effect of ensuring punctuality at all events in the preparation of the bills. Moreover the Board is much ~~strengthened~~ by the ~~reorganisation~~ of their financial ~~force~~ of late years & the punctual ~~Department has been of~~ ~~work in preparing of Bills~~ ~~much improved since the~~ ~~post audit system previously~~ ~~in force was abandoned~~ and that it may reasonably be hoped that the inconvenience which formerly ~~in Post audit system~~ attended it will not recur. ~~Further~~ ~~Moreover~~, as the Commissioner observes, a Post Audit is necessary under any circumstances to show that the money preaudited has been actually disbursed. As a

General

general rule a departmental audit conducted by officers conversant with the facts to which the charges relate, must be far more efficient than any audit which can be made by an officer in the position of the Civil Paymaster.

20. Some arrangement of the kind here suggested would be desirable, as it would be inconvenient for each Head of a Department to draw cheques on the Bank.

20 I am to request the attention of the Supreme Government to the remarks made in para 48 of the accompanying proceedings with reference to para 213 of the Commissioner's report

Paras 201 to 212.

Para 213.

report. It is of great importance that the responsibility and authority of the Collector as the officer in entire charge of the District Treasury should not in any way be diminished.

Para 300.

22 The Madras Government have already urged, but without success, the abolition of Cash payments for service Telegrams. Nov

23 The Bombay Government have shared

24. It has long been the opinion of the Governor in Council that the present constitution of the Finance Department is a bad one. The objections of this Government are two fold. First, that it is an error to entirely to disseverate the local Governments from the

Paras 304 & 310

† advocated the extension of the money order system to this Presidency but without effect.

Paras 385-6

the accounts of their ad-
=ministrations - next, that
there seems every prospect
of the Department soon
being filled exclusively by
persons who have had no
experience in the admini-
=tration of the country. The
system of accounts of a
country as distinguished
from mere book-keeping
must be adopted to its
peculiarities, and an of-
=ficer ignorant of the latter
cannot really be an ef-
=ficient head of the Accom
Department. In Madras
there has lately been more
than one Accountant General
who had never set foot in
the Presidency, till sent
to fill that important
Office - the Supreme Govern-
=ment

Government apply to them,
either strangers though they
be for estimates of Revenue
&c &c, though it is quite
clear that they can only
be Compilers and Retailers
of information derived from
the local Officers. There are
now but two Madras Of-
=ficers both of high standing
in the Department and
when they leave the Coun-
=try, the Department will
not contain an Officer, with
the slightest personal Know-
=ledge of the Madras Presidency
& no fresh Officers have
joined the Department, it
is probably less attractive
than other Departments
but the Government attri-
=bute this not to the prizes

in

in it being too few, for ib-
liberality in salaries or
slowness in promotion
has not as yet character-
ized it, but to its being
a separate Department un-
der the Supreme Govt. it
cannot be expected that
Officers will be willing to
dissever themselves from
their own Presidencies and
Services and subject them-
selves to frequent changes
from one Presidency to an-
other involving heavy
expense and much per-
sonal discomfort. The
present system can only
produce clever Book-Keepers.
The remedy which the Go-
vernment would adopt
would therefore be a reversion
to
ment

Paras 443 to 448.

37

to the former system.

25. The indulgence of Passage
remittances has never been
carried to the extent or as-
sumed in the manner in-
dicated by the Commissioners.
It must be remembered
that Collectors and their
Assistants are precluded
by Law from having pecu-
niary dealings with na-
tives within their juris-
diction, and it is therefore
necessary that where there
is no Bank the Govern-
ment should
afford them the means of
remitting a portion of their
salary to the Presidency
Town. A single remittance
monthly will however suf-
fice and this should be
granted gratuitously, as
the

the necessity is caused by the restriction imposed by the Government Despatch 23 I am directed in Conclusion to request the attention of the Supreme Govt. to the suggestion made in para 17 of the enclosed proceedings in the Revenue Department, that if the Calendar year be adopted as the year of Account (as this Excellency in Council considers to be a very desirable arrangement) the accounts of the Fusly year which begins on the 1st July, shall be closed half yearly, so that the accounts of the Calendar year will comprize the last

last half of one and the first half of the next Fusly year and would reach England in time to be submitted to Parliament without entailing the great inconvenience which would be occasioned by the abandonment of the Fusly year.

Fort Saint George
27th March 1865.

I have &c.

(Sd) G. Lee

Copy to the Accountt. Genl. dispd 31/3

24-9-08

17-11

21-5-12

Financial 1885. Departt.

No 174

To

The Secretary to the
Govt of India

Dy 27 March 1885

Government of India
furnished with the views
of the Madras Govt on
the revised system of
Account and Audit re-
commended by the Com-
mission of Inquiry into the
Indian Accounts—

48 @ 2/6