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Judicial DEPARTMENT.

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General Departt.

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Fort Saint George
Accountt Genlt Office
14th September 1860

No. 192.

From

The Acting Accountant General

To

The Chief Secretary
to Government
Judicial Department
Fort Saint George

Sir,

I have the honor to acknowledge the receipt of the order of Government No. 789 dated 22d June last, in para 6 of which I am required to report to Government on the Journal, Ledger, Forms of Check and Directions for balancing and auditing Accounts which the Sudr Adalut were at the time preparing, and which on completion were to be sent to me, and to state whether any, and what modifications are necessary to adapt them for the use of the Civil Courts generally.

2. These Accounts &c. were forwarded to me with a letter from the Registrar of the Sudr Court 30th July last,

and

and the last letter I received from Mr. Channer in reply to information sought by me is dated 16th. Ultimo.

3. Before entering on a consideration of the Forms of accounts &c.a prepared by the Sudr Court and hereunto submitted for the inspection of Government, I have to remark that in Extract Minutes Consultation dated 7th. November 1834 (circular Order of the Sudr Court dated 15th. December 1834) it is ordered "that there should be a separate account of every kind of deposit in the Court Treasury" and that the plan should be adopted of entering distinctly every item of receipt in each separate account on one page and writing off the repayment on the opposite page. It is obvious that the "separate account of every kind of deposit" prescribed in this order is that class of separate accounts produced in a Ledger posted up from a Cash Book or Journal. The Order, therefore, did not indicate what sort of Account Book only should be kept, but

but rather what sort of account Books was required in addition to the Cash Book. For, from the very nature of things, there could be no Ledger, which is a derivative Book, unless the primary account, the Cash Book, co-existed. But it seems, from the observations in paras 3 and 6 of Mr. Channer's letter No. 53, dated 12th. June* last, that a wholly different construction was put on these orders of 7th. November 1834. The Ledger or "separate account of every kind of deposit" was held to be all-sufficient, and made to supersede, in place of being superadded to, the Cash Book. With this explanation, it is easy to understand why, as Mr. Channer observes, "almost insuperable difficulties" were experienced in endeavouring to inquire into the origin of the deficiencies discovered in the treasuries of certain Courts.

* Recorded in order No. 780 dated 22d. June 1860.

4. This state of utter confusion in the accounts of the Courts, makes it quite necessary

necessary that the system of book-keeping in the Judicial Department should be entirely reformed. I have accordingly given great attention to the system set up in the accompanying forms sent to me by the Registrar of the Sudr Adalut. My opinion of it is, that while the Rules themselves are, many of them, such as seem consistent with the Ordinary systems of Book-keeping, the manner in which the directions are worked out in the so-called "Journal" and Ledger, and generally specified in the Rules, are altogether at variance, and would not be found efficient in restoring order in the working of the Court Treasuries.

5 I shall now endeavour to point out, briefly, the most prominent defects of the system prepared in the Sudr Court. In the Rules, the name "Journal" is a misnomer for Cash Account Current Book. This may appear a small matter, but

but unless names are used distinctively confusion will ensue in enforcing the observance of a uniform system in all the numerous Courts of the Presidency. In Rule 5, a left or debtor side (see page) and a right or creditor side, are spoken of as appertaining to the Journal, which according to Rule 2, is expected to indicate the cash balance. A Journal does not necessarily relate only to cash transactions, it is in point of fact a narrative of transactions and should be written up currente calamo - is never in folio, and consequently cannot possibly have debtor and creditor sides or pages, nor can any balance be possibly exhibited in it. The book described in the rules which possesses these qualities is simply a Cash Book, and as such, is well known to accountants. As aforesaid all Journals are silent as to Balances, and must necessarily be so because

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because every debit must have a corresponding credit, and vice versâ, and therefore there can be no difference, - whereas in the Cash book there is no expressed credit for every debit and debit for every credit, and the difference between the two sides constitutes the balance. As has already been shewn there is no such difference or balance in the Journal.

6. Under Rules 11 and 12, the Journal is to be strongly bound and the pages numbered throughout, while the Ledger "may at the Judge's discretion be either "bound in one volume, or kept in distinct "parts." These, if not mistakes, are surely strange precautions, and diametrically opposed to the established systems of checks. The Journal, or more properly designating it, the Cash Book, is a chronological register of receipts and disbursements kept in close continuous order. Any abstraction from, or interpolation in the sheets composing it, can readily be detected by the date or by the Balance brought forward, + whereas the Ledger

Ledger, which is composed of a number of distinct unconnected accounts and is merely a collection, under separate groups or classified heads, of each and all the various items appearing in the Cash Book, (called by Mr. Chanier a Journal) ought of necessity to be a bound volume and paged carefully throughout, sheets may, at least with temporary impunity, be otherwise abstracted or interpolated and very serious frauds be thus perpetrated. This is, rightly, held to be of such importance that Foreign Accountants record on the 1st page of their Ledger in words and figures, the number of folios in the volume, and have the Statement attested by a Notary Public. The better course would be to direct that both books be bound, and the folios numbered

7. On examining the postings of the Ledger I find that the receipts entered

entered on the left-hand or debtor side of the Journal, are posted on the same ie the left-hand or debtor side of the Ledger. This is in accordance with Rule 5. which is true as regards the Cash Book, but from being extended to the Ledger, has resulted in the anomaly under remark. This is a deviation from the Maxim, on which the whole art of Book-keeping is based, Viz: that every debit must have a corresponding credit, and vice versa. and the corollary from this, is the rule that entries on the debit side of the Cash Book must be posted on the credit side of the Ledger. To illustrate this: the Court receiving a sum of money is of course responsible for it, and so charges itself by an entry on the left-hand or debtor side of the Cash Book. as with the responsibility thus incurred there is a claim conferred on the individual

depositing

depositing the money, or on the party on whose behalf it has been paid in, this reciprocal relation is exhibited by carrying or posting the debit entry to the credit or right-hand side in the Ledger Account. At the periodical balancing of all the accounts, the sum-total of debits will be identical with the sum-total of the credits, and with the assets thus proved to be equal to the liabilities.

8 It will be obvious from the foregoing remarks that to maintain the Equilibrium, the Cash Book and Ledger should contain precisely the same entries, but on different sides. In the forms under examination this fundamental law is violated. Rule 10 indeed lays down that no entry in the "Journal" is to be omitted from the Ledger, but under Rule 13, entries ie of sums disbursed (except in the case of salaries) will

will be introduced marginally or in the Column provided for the purpose in the Ledger, without a corresponding entry in the Journal or Cash Book. There is the dictum in Rule 5 that all disbursements are to be entered on the right or creditor side, and, yet in the instances under allusion, this rule is neglected, apparently to give effect to the useless precaution in Rule 13.—

I found that the Ledger gives more particulars than the Journal entries thus:

January 10th II To Cash received Penalties on Documents ——— Rs. 122-8-0

Ledger Entry

II Penalties on Documents.

January 10. To (By?) Cash received from Palani, Plaintiff in O. S. No 98 of 1859. Rs. 122-8-0

This mode of entry is to be obtained, it is to be presumed, by two independent inspections of the vouchers, viz: one for entry in the Cash Book, and again for entry in the Ledger. It cannot be contended that any advantage is derived by this means. On the other hand, as the Ledger is merely an Index to the Cash Book, in which latter all transactions are entered in the order of time, or just as they occur, a very certain door to error is opened by permitting the Ledger to be drawn from any other source than the Cash Book, to which it is so closely allied. It is the usual and preferable way to extract into the Ledger the precise entry from the Cash Book. This is shown below—

Dr. ——— Cash Book Entry.

January 10: To Penalties on Documents Received from Palani, Plaintiff in O. S. No. 98 of 1859 ——— Rs. 122-8-0

Ledger Entry

Penalties on Documents ——— Cr.

January 10: By Cash received from Palani Plaintiff in O.S. No. 98 of 1859 — Rs. 122-8-0

In

10. In Impersonal accounts, and the bulk of the accounts of the Courts will be of this description, it is of little consequence whether the particulars of entries are repeated in posting into the Ledger. In the Personal accounts, however, the entries should be given with sufficient detail in the Cash Book, and then copied fully into the Ledger. By this means, each Personal Account in the Ledger will possess all the facilities of an Account Current. But it would appear from Rules 41 and 43, that it is proposed to have all the accounts of the Ledger impersonal, and as regards the payment of dues or refunds to individuals, claims are to be exhibited in a separate "Cause Book" to be prepared from the Ledger. I can see no reason for this course, no such subsidiary Book as a Cause-Book need be kept. Personal accounts might be opened in the Ledger at once, and speculation

speculation of "Parties Money" rendered less easy than if their claims were accounted for in a separate Cause Book.

11. According to the Forms under notice, it is intended that 'Salaries' are to be passed through the Courts' accounts. This seems needless labor. Under the System of pre-audit in force, no more is drawn from the Revenue Treasury on Pay Abstracts and Bills than is actually due for the past month. The money should be immediately handed over to the Judge and Court servants, and any record of this, beyond the established Acquittance Roll, must be unnecessary. Mr. Chamier in his letter to me dated 11th Ultimo, para 6, remarks that "The Judges are of opinion that it is expedient to bring every sum to account, including the pay of the Establishment and Contingent Charges, and they conclude that the Collector has to adopt a similar course." This however is a misconception on the part of the Judges, as the Collector does not do so,

and

and I fail to perceive wherein the expediency of the measure lies.-

12. As regards the precautions detailed in Rules 14 and 18, I would suggest that Cash Chests at all Courts be abolished, and that the Courts be required to bank with the Collector or Tahsildar, in conformity with the practice which obtains in the North Western Provinces.- Mr. Chamier in para 8 of his letter above cited, states,- "The Judges consider that the freedom from "pecuniary responsibility which the Courts "would obtain if all Judicial payments "were required to be made into the Revenue "Treasury, and sums were disbursed to "parties by cheques on the Collector, would "be outweighed by the inconvenience which "would be entailed upon suitors, and the "great additional labor which would be "thrown upon the Revenue Officers.- Upon these "considerations the Judges could not rec- "ommend such a measure".- I am not in a position to judge regarding the inconvenience to suitors, but I have no fear that the additional work that would be thrown upon the Collector or Tahsildar would be more than he can bear.-

13 With these remarks I shall now proceed to explain the system of Book-keeping I would recommend for the use of the Courts.- Two books or accounts will be required for each Court.-

I The Cash Book.- Receipts and disbursements each under distinct headings, to be entered day after day, in opposite pages.- For "Parties Money," these headings will be the names of the individuals, to whom the deposits belong.- The other headings will be impersonal, and the proper designations can be laid down so as to preserve uniformity in all Courts.- The Cash Book should be balanced daily, weekly, or monthly as required.-

II The Ledger.- Each heading, Personal and Impersonal, will appear as an account in this book, and all entries

entries in the Cash account will be posted in the Ledger accordingly. As each posting is made, the folio whereto posted in the Ledger should be entered in the Cash Book, and the folio of the Cash Book in like manner recorded against the item in the Ledger. By this means, any entry in the Cash Book can be traced out in the Ledger, and vice versa.

III. Statement of Balances.

Every year (or half year or quarter) the Cash Book and every account in the Ledger will be closed, and the balance resulting, exhibited together. The sum-total at debit, representing the assets of the Court, will equal the sum-total of the credits, representing the liabilities of the Court. When all the balances on either side are extracted they will exactly agree, and the items may then be ~~extracted~~ exhausted into a Balance sheet of Assets and Liabilities.

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The foregoing is merely a sketch of what I consider a proper system. It is in the main such as would have been established in all the Courts, had the orders dated 7th Novem. 1834 been rightly construed and applied. The system is simple and efficient. It will not prevent peculation, but it will do all that account-keeping professes to do, viz. to afford a ready record to trace out with facility and certainty any one or more particular transactions. This is all that can be expected, as far as mere Accounts go.

15. I intend this report as preliminary only, and if the objections which I have urged against the form of Accounts proposed by the Sudr Court, are deemed by Government of sufficient weight to require those forms to be set aside, I shall prepare a set of rules for

Judicial Department.

Memorandum.

To the Honble. the Financial Secretary & Accountant General } (Dated 14th Septr. 1860, No 192.)

In the report — 12th June 1860 — on the defalcations in the Ellichpore Court, the Registrar of the Court of Sudder Cutcherry stated — para. 7 — that with the assistance of Mr. Beauchamp, he was preparing specimens of a Journal and Ledger to be kept by the Lower Courts, on a system introduced by him in Lombaconum, and that these would be accompanied by forms of check, and very full directions for the balancing and auditing of the accounts at stated periods, by which means it was expected that,

Mr B

for working out the system in accordance with the views above stated.

I have the honor to be
Sir
Your obedient servant
F. Drummond
Actg Accountt. General

Compd. W. Ward
Copd. Christie Hammond

that, with ordinary care and attention on the part of the Judge, it would be impossible to commit frauds upon the judicial treasuries without immediate detection.—

2.— The Court in their order of 22? June 1869, directed that the Journal, Ledger, Forms of Check, and Directions for balancing and auditing accounts alluded to in paragraph 7, should, on being completed, be submitted by the Sudr Board to the Accountant General, who would report on them to Court, and state whether any and, if so, what modifications were necessary to adapt them for the use of the Civil Courts generally.—

3.— The Accountant General now furnishes this report. He takes sundry objections to the forms of Account proposed by the Registrar, and gives— para: 13— a sketch of the system of book-keeping which he would recommend for the use of the Courts.—

4.— The remarks of Mr. Lushington seem to me very sensible, and his proposed mode of keeping the Court accounts good and simple— His views in paras: 11–12 as to the exclusion of salaries from the accounts and abolition of Court-cash Chests also appear to me judicious.—

5.— By Section 381 Act VIII, 1859 the Sudder Court have power to make and issue general rules, and frame forms for keeping all books, entries and accounts to be kept by the officers, and from time to time to alter any such rule or forms— But this seems no reason why they should not take the advice of the Accountant General, who is the chief authority in matters of account, and may reasonably be supposed to be more conversant with the subject than those who take it up only incidentally, and not as their peculiar and proper study.—

The

6.— the Accountant Generals Report might then perhaps be sent to the Govr, and they might be informed that the scheme prepared by their Registrar appeared to have been drawn up with much care and would probably be found an improvement on the present state of things— still that it seemed open to the objections raised by the Accountant General— and the Govt thought that it would be advisable to modify it in the manner proposed by that officer. They would therefore wish the Judges to communicate with them in view to the rules alluded to in the concluding para: of his letter being prepared.—

It might be said also that the Govt concurred in the remarks of the Accountant General in paras: 11 & 12 of his letter.—

Yrs Wly JP

Enclosure

Of King's (Kr Jnr) propositions respecting Registrar Deputy Registrars & Clerks

I think the last letter will be to acquaint the Judges & Solicitor Genl with the contents of the A-G—

W M

Kennedy

No 1245 of 3rd Sept. under 1860

The Govt. in their Order of the 22d June '59, directed that the Original Ledger, Forms of Check, & Directions for balancing & auditing Accts. which were reported to be in course of preparation in the Sudder Court, should on being completed, be submitted by the Judges to the Acct. Genl., who was requested to report on them to Govt., & state whether any, & if so, what modifications would be necessary to adapt them to the rule of the Civil Courts generally.

2. The Acct. General now furnishes this report. He takes sundry objections to the forms of

of Account proposed by the Registrar & giving a sketch of the system of Book-keeping, which he would recommend for the use of the Courts.

3. A copy of the Acct. Genl's Report will be furnished to the Sudder Court. The scheme prepared by their Registrar appears to have been drawn up with much care, & would probably be found a useful improvement on the present state of things. Still it seems open to the objections pointed out by the Accts. Genl, & the Govt. think it will be advisable to modify it in the manner proposed by that officer. The Judges will, therefore, communicate with him, in view to the rules alluded to in the last para of this letter being prepared.

4. The Govt. concur in the remarks of the Accts. Genl. in paras 11 & 12 of his letter.

The Sudder Court
" Accts. Genl.
Wilt Forms pet.

Rec'd 22nd June 1860 & Ans'd 60/461.

Copy of dispatch

From

The Acct. Genl.

To The Chief Secretary

to Government

Judicial Depart.

Fort St. George

Dated

Recd. 18th September 1860

No. 672

No. 1522

Commenting on the most prominent defects of the system of accounts prepared by the Audr. Genl. and called for the use of the Courts.

179 to 183

C20 Sft 1-25

With an Order.

C20 Sft 925