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MADRAS RECORD OFFICE.

Government of Madras.

Judicial DEPARTMENT.

G.O. No. 1290 Press ~~Mis.~~

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Dated 5-10-~~19~~ 1936

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Proceedings of the Madras Government, Judicial Department,
5th October 1860.

No. 35. Read the following Proceedings of Government, in the Financial Department, dated 26th September 1860, No. 490.

Communicating the Resolution of the Government of India, in the Financial Department, relative to the new system of Estimate, Budget, Accounts and Audit for India. (Vide Proceedings, Financial Department, dated 26th September 1860, Nos. 66 and 67.)

No. 36. ORDER THEREON, 5th October 1860, No. 1,290.

To be recorded.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. S. T. Augustin.

Financial Department.

Proceedings of the Madras Government.

Read the following:—

No. 43/7.

EXTRACT from the Proceedings of the Government of India, in the Financial Department, d. 18th August, 1860.

Read again the Financial Resolution, No. 27, dated the 7th April, 1860, relative to the new system of Estimate, Budget, Accounts and Audit for India.

Read again the Financial Resolution, No. 39, dated the 11th May, 1860, appointing a Committee to report on the manner in which the principles of the new system mentioned above can best be carried out.

Read the following Report submitted by the Committee, No. 1, dated 30th July, 1860, and its enclosures :—

In forwarding, for the consideration of Government, the following report on the manner in which the principles of the English system of Estimate, Budget, Audit and Account, can best be carried out in India, we think it necessary, in the first instance, to offer a few remarks on the systems existing in the two countries at the present time, in order that the differences in the systems may be fully and correctly apprehended, and that it may clearly be understood on what points the present Indian system is deficient.

ENGLISH SYSTEM.

2. Under the system of Financial control which exists in England, the State expenditure is classified under two main headings, namely :—

1*st*. That which is known as charges on the Consolidated Fund under Act of Parliament, and which having the authority of Parliament, so long as that authority endures, does not require further annual sanction; and on account of which the Treasury makes payments, quarterly or otherwise, in virtue of the above authority.

2*nd*. That pertaining to public departments, which is variable in its nature, and for which Parliament only gives sanction by votes, from year to year; and which is known as the voted services.

3. The 1st, a permanent class of expenditure, is for the following services :—

1*st*. Funded Debt.
2*nd*. Civil List.
3*rd*. Annuities and Pensions.
4*th*. Salaries of certain independent Officers, Judges, and the like.
5*th*. Courts of Justice.
6*th*. Miscellaneous, such as interest on certain Foreign loan, compensation, &c.

These charges then continue payable, from year to year, according to the terms by which they were made, without any renewal of Parliamentary authority.

4. The 2nd, or annual class of expenditure, is for the following services:—

1*st*. The payment of the Unfunded Debt (Exchequer Bills.)
2*nd*. The Military Forces.
3*rd*. The Naval Forces.
4*th*. The Collection of the Revenue.
5*th*. The Civil and Miscellaneous Services.

5. For these, then, votes of the House of Commons are required annually.

6. The foundation of the expenditure for the voted services for the financial year, consists of estimates for the extra charges classified under four main headings, namely :—

1. Army.
2. Navy.
3. Revenue Collection.
4. Civil or Miscellaneous.

These estimates are framed in the respective departments, and are submitted to, and sanctioned by, the Treasury, before being presented to Parliament.

7. As soon as Parliament meets, a Committee of Supply of the whole House is set up. This committee is fixed for certain evenings of the week, throughout the whole session.

8. By this committee, the estimates for the voted services are considered. These are framed in much detail, under headings for separate services, or portions of services, amounting to nearly 250 in number, for each of which a separate vote is taken. The committee then vote the sums for these services, either according to the estimate, or after such modifications as may be decided on. These services are thus called the voted services, or supply services. The grants are voted for periods of one year, and for payments to be incurred by a particular department, or for a particular service, within the financial year.

9. It is usual for the executive Government to first lay the estimates for the Army and Navy before the Committee of Supply ; these being the two main heads of expenditure. As soon as the amounts for these two great services have been voted, the Government consider that Parliament is committed to the main portions of the year's expenditure.

10. Usually, soon after this, the Chancellor of the Exchequer lays before the House the Budget of Income and Expenditure for the year. The main items of expenditure have been accepted by Parliament ; and Parliament must provide the means for meeting the charges of the year. The budget sets forth the ministerial plan for effecting this object. This budget is not an integral part of the finance of the session. It is not treated as a certain account, on which credits and debits might be made, but merely as an explanatory statement.

11. Early in the session, a Committee of Ways and Means (of the whole House) is set up, and is fixed for certain evenings throughout the whole session.

12. As soon as money is required to be issued for the expenditure sanctioned in the session, a resolution is taken in the Committee of Ways and Means, for the application of money from the Consolidated Fund, to an amount not exceeding the votes of supply passed up to that date. Upon such resolution is founded a Ways and Means Bill, which, after passing through the usual stages, becomes an Act of the Imperial Legislature, and which forms an authority under which the Treasury supplies monies from Consolidated Fund, for the grants voted by Committee of Supply. Thus, until such Ways and Means Bill shall have been regularly passed, the grants authorized by the votes of supply are inoperative : And without this, the Government could not direct an issue from the Consolidated Fund, to meet the expenditure.

13. As the session proceeds, the remaining votes for the Army, Navy, Revenue, Civil and Miscellaneous departments, are taken in Committees of Supply, and Ways and Means Bills are passed, to meet the necessary expenditures, as may be needful, from time to time, within the limit of the votes.

14. Before the close of the session, the Committee of Supply will have passed all the votes required. Then final resolution will be passed in the Committee of Ways and Means, to make up the balance of the votes not provided for in the several Ways and Means Bills already passed.

15. Upon this, the final Appropriation Act is founded. This act recites the various votes of supply, which have been allowed during the session, the various Ways and Means Bills which have passed, and includes a Ways and Means Bill for the balance of the votes not already provided for. This act completes the financial proceedings of the sessions, and, as it were, gathers up all the threads together. It finally appropriates specific sums for separate services, and thus limits the expenditures of the several departments to the sums so granted : and it gives Legislative authority to all the proceedings of the Committee of Supply.

16. Thus, it is Parliament that creates the taxes ; Parliament that votes the supplies ; and Parliament that authorizes the application of money from the Exchequer to defray the expenditure.

17. The sums thus appropriated are granted by Parliament to the Crown. The taxes are also granted to the Crown, under limitations and restrictions imposed by Parliament.

18. All public monies, whether raised by taxation or by loans, or otherwise, constitute the Consolidated Fund. These monies are ultimately paid into

the Bank of England, or Bank of Ireland, and are there placed to the credit of the Exchequer. The revenue received by the several Collectors, acting under the Revenue Department, is paid, in the first instance, to the Bank of England, to the account of the Receiver General of those departments, and a transfer from those accounts to the general account of the Exchequer, takes place at the Bank.

19. As regards issues from these funds, for what have been described as the permanent grants chargeable on the Consolidated Fund, the Treasury authorize the Comptroller of the Exchequer to make issues in favor of the Pay Master General for the payment thereof.

20. As regards issues for the voted or supply services, the Treasury obtains a Royal warrant for the total sums voted for each of the four great heads of expenditure, *viz*:—

1. The Army
2. The Navy
3. The Collection of the Revenue.
4. The Civil and Miscellaneous Services.

21. These warrants delegate to the Treasury the Royal authority for the application of all these sums.

22. The Treasury directs the Exchequer, from time to time, to instruct the Bank of England to give credits to the Pay Master General, for sums on account of each vote as required; care being taken that the aggregate of each is not exceeded. These issues are thus strictly regulated by the amounts of the votes as passed in detail. No issues can be made in excess of these votes; nor can saving under one vote be appropriated to covering excess upon another vote. But while departments are generally prohibited from applying any part of one specific grant, the Treasury, on the other hand, in relation to Army, Navy or Ordnance Services, is authorized to sanction the application of the surplus on one grant to supply the deficiency on any other; provided the total of all the grants for the particular department be not exceeded. The Pay Master General keeps the Treasury informed, from day to day, of his requirements, so that the Treasury may direct the necessary credits to be granted to him at the Bank.

23. Beyond this, the Treasury does not take cognizance of the payments. Each department is responsible for its own expenditure under the amount of the Parliamentary votes assigned to it; and on its own responsibility furnishes the prescribed authority to the Pay Master General, who complies with their requisitions within the limit of their credits.

24. The Pay Master General has one general cash account at the Bank of England, to the credit of which all issues made in his favor are placed. From this account he feeds his two working accounts, *viz*:—

1st. The Drawing Account.

2nd. The Bill Account.

From the funds placed to the drawing account, all cheques drawn by the Pay Master General (or by a person authorized by him) are paid. All bills of exchange, whether accepted at the Treasury or the Admiralty or the Pay office itself, are made payable at the Pay Master General's bill account: no funds can be placed in these accounts save by transfer from the general cash account. And the funds in the general cash account cannot be made available for the payment of any demand.

25. Thus the Pay Master General keeps *no* separate balance for each department, *but one general consolidated balance.* From this balance all his payments are made.

26. In his own office, he opens a separate head of account for each voted service. He credits all issues, and debits all payments to each vote: and the allotments in his books are kept strictly according to form.

27. The Pay Master General transmits to the Treasury a weekly statement shewing the actual balances on his accounts at the Bank, and a monthly return of the service balances of cash, on every head of account opened in his books.

28. The Pay Master General then is the banker of the various departments. He opens a credit in favor of each department according to the instructions he may receive from the Treasury, or from some authority authorized by the Treasury, in that behalf. From these funds he makes payments on the authority of the proper departmental officer. Thus he holds their monies; makes their payments; and debits them accordingly. He settles the accounts between the departments, for supplies or other assistance furnished by one to the other; for advances received and the like, by making transfers from the cash account of one to that of the other. He collects the receipts of the several departments, and carries the amounts to their credit accordingly. Thus the amount of cash passing actually through his hands is not great, compared with the magnitude of the transactions.

29. In the Military and Naval departments, the Pay Masters transmit their accounts, with vouchers and authorities, to their departmental superiors, who examine the same, and, after examination, transmit *an abstract of the accounts, but not the accounts themselves, to the Audit Board in London.* In the Civil department, the Accountants transmit their accounts *in the bulk*, together with all vouchers and authorities, to the Audit Board.

30. The pecuniary affairs of the Naval and Military services having so many ramifications could not be efficiently audited, unless the whole of the moneys received by these great departments were traced, step by step, from their origin to their final record under their appropriate heads of service. This detailed examination is conducted in the departments themselves, where the expenditure is incurred, and upon the original books in which they are recorded. This scrutiny does not wait till the close of the year, when the result of the expenditure, as compared with the votes, is known ; but is *concurrent* with the *daily progress of the transaction* ; and every disputed question is discussed and settled before the final completion of the year's account.

31. Positive rules are prescribed by which the Civil accountants are to perform their duties. The following will be among the chief of these :—

Cash book to be kept according to a form. This is to contain the whole of the Accountant's receipts and payments; and every item, whether of receipt or payment, is to be entered in the Cash book, on the day, and under the date of its actual occurrence. This Cash book is to be balanced on the last day of every month, and a copy of the same, together with all the documents and vouchers, is to be sent to the Commissioners for auditing public accounts, within the month following that in which the expenditure has been defrayed; and every item, whether of receipt or payment must be entered daily in its actual order of occurrence, so that the balance in the hands of the Accountant may be ascertained at any time by abating the total on the credit side from the total on the debit side.

32. A certificate of the balance remaining in the Bank to the credit of the Accountants, on the last day of each month, must be delivered with each monthly account.

33. The cash account must be accompanied by a classified abstract, containing the totals of the monthly receipts and payments under their several heads of service.

34. Every Accountant is to furnish to the Commissioners of Audit, in the month of April of each year, an " Annual Abstract Account " made up to 31st March, comprising, on the debit side, the heads of receipts, and on the credit side, the heads of payments.

35. The Accountant is to transmit to the Audit office his Bank Pass book, with the last monthly account of the year.

36. The accounts thus rendered are audited and checked by an Audit Board in London.

37. This Board consists of five Commissioners independent of Executive Government, and responsible to Parliament. They hold their offices on the same tenure as the Judges.

38. The Commissioners of Audit are to examine the accounts transmitted to them, and in relation to their account to call for any document, or examine any person on oath as they may think fit. When this shall be completed, they transmit the account to the Treasury. The Treasury, if it approves the account, will authorize the Commissioners of Audit to sign and pass it. As soon as any account has been thus passed and signed, a certificate of discharge is provided to the Accountant. As a rule, no such article of discharge is allowed, without a written voucher. But in certain cases, where public inconvenience would arise from the transmission of vouchers, the Commissioners of Audit may dispense with them, on the production of statements signed by the head of the department, on account of which the payments were made, or of the warrants, bills, orders, or other usual authorities.

39. Any Accountant dissatisfied with a disallowance ordered by the Commissioners of Audit, may appeal to the Treasury. The Treasury may, by a warrant, order the disallowance to be removed. But with regard to sums allowed by them to an Accountant's credit, the decision of the Auditors is final. They are to decide, whether the payments are properly authorized and vouched : if they consider that the payments are so, then the Treasury cannot order the amount to be disallowed. In the preparation of the accounts, the Auditors are absolutely free in the exercise of their judgment; being bound only by the provisions of the statutes under which they act. The Treasury *cannot* issue directions to them as to the mode in which an account should be audited. Much constitutional importance is attached to this freedom of judgment.

Vide App., 25 and 26 to Evidence taken by Committee on Public monies.

40. The Commissioners of Audit allot among themselves the various branches of the public accounts. They sit in Committees of two ; the Chairman often presiding: they have a Secretary. Each Commissioner then has his own department : under him there are two or more Inspectors to superintend the examination of the accounts : and under each Inspector there are several Examiners. One Inspector, with a staff of Examiners, is detached from the Audit department, to examine the accounts of the Navy, Army, and Ordnance departments, which, as previously explained, do not send their accounts, in *extenso*, to be audited. This special establishment, working under the Audit Board, does, day after day, examine the accounts of these departments, and mark them off, as correct or otherwise.

41. The Secretary is to keep up a general register of accounts received in the office of the Audit Board. From this, a monthly abstract is to be prepared, exhibiting the title of every account ; the date up to which it has been received in office ; the date to which audited ; the number of accounts

in arrear of delivery into office; and the number of accounts in office in arrear of audit. This return, so important for ensuring the speed and regularity of business, is to be presented to the Board, within six days after the expiry of the month. An abstract is prepared, half-yearly, of the accounts, for declaration before the Chancellor of the Exchequer. Then, there are prepared for Parliament the following annual returns :—

1. Return of Account depending, upto end of February, each year.
2. Balance due to, and from, the Public on final account.
3. Return of officers accountable to Commissioners of Audit.

42. The Commissioners of Audit annually prepare and lay before the House of Commons a report, accompanied by a statement of every account audited by the said Commissioners during the year to which such report may relate, together with a list of all accounts remaining unaudited in the Audit office: and in such report, the Commissioners shall call attention to any case in which the directions of Parliament, with reference to any of the accounts included in the statement, have not, in the opinion of the said Commissioners, been complied with.

43. The Inspector is to be responsible for the speedy and efficient examination of the accounts under his charge. He must inspect each account, within one week after its receipt. After inspection, he submits it to the Commissioner to whose department it is allotted.

44. The Examiner, when the account is handed to him, is to obtain from the Ledger-keeper a certificate that the Accountant charges himself with the balances due to the public, and see that the Accountant debits himself with all the sums with which he is properly chargeable. He is to observe, whether the authority on which a payment has been made, is sufficient, and whether the sum authorized to be paid, is properly receipted and vouched, and is accompanied by such certificate, declaration, &c., as the case may require.

45. It will be observed, that the audit conducted by this Board is of two kinds: *First*, THE APPROPRIATION AUDIT, for the purpose of trying whether the expenditure under each head of service is within the limit prescribed by the Appropriation Act of Parliament: *Second*, THE DETAILED AUDIT, to try whether all the accounts, both debit and credit, are technically and actually correct, and whether each payment has been properly authorized and vouched.

46. The first head of aud it is conducted by the Board, entirely in its own office. The second head of audit is conducted in the Board's own office for all accounts, save those of the Army and Navy, (which latter are the largest of all) and for the detailed examination of which, the Board deputes an officer to the department in question.

47. The leading principle which guides the Board of Audit, is thus described in a demi-official letter, by their Secretary, Mr. C. Macaulay :—"The

"Auditors should be bound to try the accounts submitted to them, by fixed rules:
" they should see that all sums with which their Accountants are chargeable,
" are brought to credit; they should be bound to disallow, except in cases for
" which special provision has been made by law, all items of expenditure which
" are not properly vouched and properly authorized. The principal Financial
" Department (in England, the Treasury) should have the power of removing
" those disallowances, and the Auditors should be bound to transmit all audited
" accounts to the principal Financial Department, with such observations as
" would enable that department to decide as to the propriety of maintaining
" or removing the disallowances. It is, in short, the business of the Auditors,
" without reference to any consideration of policy, or expediency, to give their de-
" cision on the question of accounts submitted to them, in accordance with the
" ascertained requirements of regulations; and it is the business of the chief
" department of Finance to review, and, if necessary, revise the decisions in a
" spirit of fairness and equity."

INDIAN SYSTEM.

48. Under the system prevailing in India, the expenditure may, as in England, be divided into two main branches, namely :

1*st*. Charges of a permanent, character, which having the sanction of Government, are incurred so long as that authority endures, and may consequently be looked upon as " fixed charges," such as :—

1. Interest on Public Debt.
2. Civil salaries and Establishments.
3. Military Pay and Allowances.
4. Pensions and Annuities.
5. Payments to Foreign Governments.
6. Donations to Service Funds.

&c. &c.

2*nd*. Charges of a temporary or casual nature, or charges which are subject to variations, such as :—

1. Contingencies.
2. Temporary Establishments.
3. Cost of Stores.
4. Repairs of Buildings.
5. Passage money of Troops.
6. Extra Batta.

&c. &c.

49. Both classes of expenditure are included in the estimates, which, like the English estimates, are in considerable detail, and which are submitted for the consideration of Government, at three different periods of the year.

Receipts.	1858-59. Actual.			1859-60. Regular Estimate.	1860-61. Anticipation Sketch Estimate.	Explanatory remarks in reference to the Estimated Increase and Decrease in 1859-60 and 1860-61.
Revenue Ordinary.	Scale of income for 1858-59.	Add arrears of former years realized in 1858-59.	Deduct income of current year unrealized in 1858-59.	Total realizations in 1858-59 of the Public Revenue.		
General.						
Superintendents of Stamps				10,72,000	* 15,00,000	* This amount, though 1½ lac in excess of Local Estimates, will, it is expected, be more than realized in 1860-61, if the new Stamp Act is passed and comes into operation in that year.
Post Offices Department				14,65,000	15,00,000	
Political Department				0	0	
Public Instruction				1,82,000	75,000	
Other items				19,000	0	
				27,28,000	30,75,000	
Disbursements.						
Charges Ordinary.	Scale of charges for 1858-59.	Add arrears of former years paid in 1858-59.	Deduct charges of current year unpaid in 1858-59.	Total payments in 1858-59.		
Territorial and Pol. pensions	5,25,000	94,000	11,000	6,08,000	10,00,000	Maintained for 1860-61 as in Rough Estimate, dated 26th August, 1859. What the scale of pensions may be is not yet known. Investigations, it is believed, are still in progress.
Pensions and charitable allowances	74,000	2,000	1,000	75,000		
Sagar Compensations	43,000	0	0	43,000		
	6,42,000	96,000	12,000	7,26,000	10,00,000	10,00,000
Pensions.						
					10,00,000	10,00,000
				27,28,000	30,75,000	30,75,000

50. The first of these estimates is required to be submitted by the local Accountants to the Supreme Government, 2½ months prior to the commencement of the official year to which it relates. It is called the "Anticipation estimate," and the entries are exhibited in detail, in parallel columns with the actual receipts and disbursements of the two previous years, respectively, with such explanations of increase and decrease in each year as may seem to be fit.

51. The Anticipation estimate is followed by the "Sketch" estimate, which is due when four months of the official year have expired, with corrections up to date of issue. The third and final return is the "Regular" estimate, which is furnished three months later, and which is partly actual and partly estimated; the actual receipts and disbursements of the first six months having then, for the most part, become known.

52. The *Disbursement* portion of the estimate embraces payments for the public service of India, in all branches, exhibiting, in classified detail, the whole anticipated expenditure.

53. For the preparation of this return, detailed

estimates are furnished by every officer in charge of public monies. These are rendered to the heads of departments, and by them to local Accountants, by whom they are revised, and amended, and entered in a general estimate for the provinces to which they respectively appertain, and finally submitted to the Financial Department of the Supreme Government, where they are scrutinized and consolidated into one general estimate for all India.

54. The estimated *Receipts* exhibit the Revenues of India, for the year, from all sources. The comparison of receipts and payments gives the final result, and shews at once what further provision is required to meet the estimated demands.

55. The extent of requirements having been thus ascertained, it has been the part of the Financial Secretary to submit his views to the Government as to the necessity, or otherwise, of providing additional funds for the requirements of the year; and the necessary measures having been taken for this purpose, it has been the duty of the Financial Secretary to see that the several Governments are provided with such a supply of funds as may be requisite, of the extent of which he is made aware by returns of cash balance furnished to him monthly by the local Accountants.

56. The local Accountants again are, from time to time, made acquainted with the requirements of the disbursing officers subordinate to them, by means of monthly or weekly returns as occasion may render necessary; and it is the business of the local Accountants to arrange for supplies to the disbursing officers, either by remittances of cash from the accumulations of public revenue in other district treasuries, or by supply bills, or, in case of necessity, by application to the Financial Secretary for funds from other presidencies. In the Departments of Public Works, the Commissariat and the Stud, letters of credit are issued monthly by the heads of the departments, upon estimates sanctioned by Government, and the Revenue officers are authorized to honor the drafts of the disbursing officers in these departments, to the extent of the credits. Payments for Regiments are effected chiefly on drafts issued by Divisional Pay Masters.

57. An allotment of funds having thus been made, the disbursements of the several officers, whether of the Civil, Military, Public Works, or other departments, are all checked in detail by the departments of Audit:

Civil Charges and Contingencies ... ... } by the Civil Auditor.

Military Pay and Contingencies ... } Ordnance ... ... } „ Military Auditor General.

Commissariat	by	the Commissariat Auditor.
Marine	„	Superintendent of Marine.
Public Works	„	Controller and Auditor.
Clothing	„	Superintendent of Clothing.
Stationery	„	Superintendent of Stationery
Medical	„	Director General, Medical Dept.
Telegraph and Post Office Departments	„	Partly by the Civil Auditor, and partly by the Superintendent of Telegraphs, and the Post Master General, or Director General of the Post Office.

58. The Audit departments are furnished with the orders of the Supreme Government for charges as they arise, and, although payment may have been made on the sanction of the local Governments, the authority of the Supreme Government is required, before the disbursing officer can be relieved from responsibility by the Audit department. The Auditor determines whether the authority for a payment is sufficient, and whether the bill is accompanied by the necessary certificates and declarations. In the Civil branches, bills are generally audited before payment, and the disbursing officer is at once relieved of responsibility. In the Military branch, the audit is, for the most part, after payment, but the disbursing officer is allowed to charge the sums in account; all unauthorized payments (*i. e.*, payments not sanctioned by the Supreme Government, or not properly vouched) being retrenched by the Audit department, and brought to credit by the disbursing officer.

59. Military advances to individuals and to corps are extensively made from both Military and Civil treasuries, under orders of the Chief Military authority at the station, for subsequent adjustment. These sums are held in Inefficient Balance, until adjusted by the recovery of the amount, or the production of audited bills to support the debit in the disbursing officer's account.

60. At the end of each month, the accounts of the several disbursing officers are made up, and submitted for examination to the local Accountants, who ascertain that the debits and credits are correct and properly vouched.

61. The accounts exhibit classified receipts and payments; where the details are extensive, they are given in annexures. In the Military and some other departments, the total of the disbursements is given in account, and the particulars exhibited in Disbursement Statements, specially prepared for the purpose of audit. The department of Account checks the realization and correct credit of public revenue, retrenchments, miscellaneous receipts, and all credits raised by drafts on other treasuries. Every charge in account is rejected,

unless supported by an audited bill, or by an equivalent credit in some relative account. The correctness of the account on both sides and the balance is thus proved.

62. Payments on account of another department are charged in the accounts of the disbursing officer to the department or Government concerned. Documents in support of the charges are forwarded to the local Accountants, by whom they are communicated to the department or Government, and a corresponding credit, requested.

63. When the accounts of a year have been received, an annual return is made to Government of all receipts and disbursements during the year, including payments for which audits have been obtained, and payments for which the disbursing officers are still held responsible.

64. The form of receipts and payments in this return is in exact correspondence with the estimates, but in greater detail. The information is classified in two divisions— ordinary and extraordinary. Under each of these, there are six main headings :—

I. Civil.
II. Military.
III. Interest.
IV. Public Works.
V. Debt.
VI. Supplies.

The first, or "Civil," is sub-divided into principal heads of service for each province, exhibiting the details under :—

1. Political.
2. General.
3. Judicial.
4. Revenue.
5. Marine.

The second, "Military," shews the expenditure separately for the two divisions of the Army— British troops and Indian forces— under the following :—

1. Military Pay and Allowances.
2. Clothing Department.
3. Ordnance.
4. Stud.
5. Commissariat.
6. Manufacturing Establishments.

The third, "Interest," exhibits the payments under the different loans, on account of service funds, and miscellaneous items :—

The fourth, "Public Works," is classed under :—

1. Imperial.
2. Provincial.

The fifth, "Debt," embraces :—

1. Loans.
2. Service Funds.
3. Foreign Governments.
4. Prize Funds.
5. Deposits.

And sixth, "Supplies," represents the pecuniary transactions with :—

1. Her Majesty's Government, London.
2. Her Majesty's Colonial Governments.
3. Local Residencies and Provinces.

65. The statement is completed by the cash balances as they existed at the beginning, and at the close of the year.

66. Charges properly supported by audits, or transfer credits, are classified and journalized yearly for entry in the annual accounts, or General Books, under their respective heads. This is technically known as the *adjustment*. All monies received by an officer, or for which he is responsible, are classified and adjusted annually to his debit in the public accounts, and an officer is not relieved from his responsibility, except by the adjustment of a debit in his account as a public charge on the books, or a debit to some other officer or department. A disbursing officer's annual adjustment exhibits all sums for which he has become liable during the year, and all sums for which he has been relieved by the Audit department, by orders of Government, or by transfer to some other account; and the balance is held against him on the books. He is relieved from responsibility only by the audit, and the amount is removed from his debit on public books only by the adjustment.

67. The "General Books" exhibit the whole of the financial operations of the Government; the distinguishing characteristic of this account being, that no public charge can be admitted, unless supported by the established audit, or the direct authority of the Government, as in the case of sums written off to profit and loss.

68. The final return is an Annual Comparative Report, shewing the result of the actual, as compared with the estimated disbursements, and in which the excess or deficiency under each head is exhibited, and the differences traced to their origin and explained.

Comparison of the two systems.

69. In comparing the two systems it is obvious that many parts of the English practice are inapplicable to this country. The Executive Govern-

ment of India being supreme in respect to questions of expenditure, there is no necessity for any measures of the kind introduced in England to ensure Parliamentary control. The balances throughout the country being in the Government treasuries, there is no room for any arrangements of the kind existing between the Home Government and the Bank of England. There being no facilities in India of raising money at a moment's warning for the use of this Government, as is done in England by the issue of Exchequer Bills, it is useless to make issues to disbursing officers in the manner in which issues are made by the Comptroller of the Exchequer in favor of the Pay Master General, and which have in view the saving of interest by keeping the balances at the lowest amount that may be necessary to meet immediate requirements. Nor does it appear possible, with reference to the extent of country to be provided for, and the delay in communication in India, that any advantage could be derived from an attempt to place any officer in the position of a Pay Master General, as Banker to the several departments, or an Adjuster of supplies from one department to another.

70. With respect to other points, the Indian system appears to be advantageous, in so far as it limits, in a greater degree than the English system, the discretion allowed to departmental officers in the the regulation of expenditure. It has now for many years been the primary object of the Indian Government to reduce its expenditure to the utmost. It has consequently been an established rule, that all expenditure shall be passed under the immediate review of the Government; that no charges of the nature of "fixed charges" shall be incurred, without its specific sanction; that no such charges shall be sanctioned, except in case of absolute necessity; and that all charges of a "variable" nature shall, as before observed, be subjected to the strictest scrutiny in the offices of Audit and Account, and not passed, except they shall be shewn to have been incurred under a specific sanction of the Government, or under the close application of general rules. It seems impossible, under any but exceptional circumstances, that so great a latitude for unnecessary expenditure can exist, as when, the gross amount of expenditure under any service being estimated before the commencement of the year, the departmental officers are at liberty, so long as they limit their total expenditure to the total amounts sanctioned under the estimates, to regulate their disbursements according to their own judgment of the requirements of their departments, and to apply the surplus of one grant to supply the deficiency of another.

71. A second point of advantage in the Indian system is the double check by independent officers, to which every disbursement is subjected. Whether in cases of pre-audit, or of post-audit, each item is scrutinized first by the Auditor, and secondly by the Accountant; and it is not until the Auditor has satisfied himself that the charge is duly covered

by the authority of Government, and the Accountant has satisfied himself that the pass of the Auditor is correct, that an adjustment in account is carried out, and the disbursing officer, freed from his responsibility. There is no such double check under the English system. It is sufficient under that system, if it is shewn that the money has been applied under orders of the head of the department to a particular service, and it is passed by the Auditor General, when it is ascertained that it has been put to the debit of the service concerned, provided always that the limits of the voted amounts are observed.

72. The chief deficiency in the Indian system is the want of a budget estimate of specific votes or sanctions for each service, and branch of service, for the year, and of appropriation audit, which are necessary to a system of Imperial audit and account; and the absence of any return by which the progress of expenditure, under the several heads of sanctioned service, can, from time to time, be ascertained in the course of the year. Regarding the introduction of a budget estimate, there can be no difficulty. The anticipation estimate, with the exercise of greater care in the preparation of departmental estimates, and by stricter supervision on the part of the local Governments, may be made sufficiently trustworthy, to allow of its being taken as the standard of disbursements, in the same way as the appropriation Acts are taken in England; the previous separate sanctions of the Supreme Government being equivalent to the separate votes of the Committee of Supply. The general revenues of the Indian Empire not being brought together in a Consolidated Fund, there appears to be no such deficiency in the existing system of distributing funds to the several treasuries, or in the issue of money in payment of expenses, or in the existing system of audit or account, as to call for any radical change in respect to them. But the final statement of actual, compared with estimated, expenditure now furnished, is prepared too late to be of much practical use, and it is essential, in order that the Government may have timely information of its financial position, that arrangements should be made for the introduction of an appropriation audit in accordance with the English system, by means of which the progress of expenditure may be ascertained, from month to month.

73. The question for determination then appears to be, the means by which this appropriation audit can best be introduced, and in considering this question, it will at once be admitted, that it is desirable not to disturb the existing practice, further than is absolutely necessary in order to the attainment of the object in view. So long as the requisite checks are obtained, and the required information is readily secured to the Government, it is of comparatively little importance whether the business of the department is conducted in precisely the same form as in England, or not. The Indian system has been shewn to have its advantages, and those advantages ought to be retained in any arrangements that may now be made. No further latitude than at present ought to be given

to the discretion of disbursing officers. No relaxation of the pre-audit system, or of the double check that is now secured upon payments, ought to be allowed.

Plans for the introduction of an Appropriation Audit.

74. Under these impressions, we submit the two following plans for the consideration of Government: —

75. We believe, in the first place, now that a Military Finance Commission has been appointed for the disposal of all matters connected with the accounts of the Army, and (as we understand) probably of the Indian Navy also, and that the examination of the accounts of the Public Works department is separately provided for, that most of the practical advantages of the English system might be obtained simply by allotting to the Accountant General to the Government of India the duties of Auditor General under the English system, and placing under him the local Accountants for the detailed audit of the local accounts. He would thus become Auditor General for all Governorships and provinces, and departments throughout the Empire, exercising the same functions as those exercised by the Audit Board in London.

76. Under this plan, a copy of the budget for all India would be forwarded to the Accountant General (as Auditor General), with instructions to see that the disbursements under every head of service were properly supervised.

77. The Accountant General (as Auditor General) would forward to the Public Works Department, to the Military Finance Commission, and to each of the local Accountants, copies of the portions of the budgets appertaining to their respective charges; and it would be the duty of the Military Finance Commission and the local Accountants, to see that such sums only were placed at the disposal of disbursing officers, as might appear to be necessary and proper, with reference to the amounts sanctioned for the several services, and that the sanctioned expenditure under each service was not allowed to be exceeded, without authority previously obtained. The local Accountants would also see, as at present, that funds were duly provided for the requirements of the several treasuries, and send monthly reports to the Financial Department of the state of the balances in their several treasuries.

78. The passing of charges by the Auditors of the several departments, remaining under the control of the local Accountants, would be conducted as it is now. The accounts of those departments would also be rendered as at present, and the same duties in respect to check and adjustment would be exercised by the local Accountants. The only additional duty imposed upon the local Accountants, would be the submission to the Accountant General (as Auditor General) of a monthly abstract of expenditure under each head of service, in order that the Accountant General might give a final audit, after the exercise of all necessary supervision, in respect to the sums disbursed, and prepare a general return of expenditure for all India, for submission to the Financial Department.

79. The above plan appears to us to be free from any material defects. It

may, however, be urged that the duties of the Civil Auditor, as they stand at present, are more akin to the business of a Pay Master; that the local Accountant who, in respect to the adjustment of accounts, would be an Auditor, would, in his capacity of a regulator of the movements of funds, be in the position of a Pay Master; that the plan would not, therefore, sufficiently approach to the English method; that it would be impossible under it to act up to the published Resolution of the 7th April; that when the Indian system does actually possess many advantages similar to those possessed by the English practice, it is better at once to assimilate it in principle to the English system, once for all, so that India may in future possess a financial system, which will be admitted to be theoretically and practically perfect. It may possibly, on these grounds, be considered, that some modification of the plan is desirable.

80. In this case, we are of opinion, that it will only be necessary, in order to obviate the objections, to make a partial transfer of duties between the Civil Auditors and Accountants, by the allotment to the former of the duties exercised by the Accountants in respect to the movement of funds.

81. The two great departments of Finance would then be in the hands of two distinct classes of officers, as in England. There would be one class, whose duty it would be exclusively to supervise the disbursements: there would be another class, whose duty it would be exclusively to supervise the accounts. The Accountant General to the Government of India would become Auditor General for all India, and exercise the same functions as under the first plan. The local Accountants would become local Auditors for the check and adjustment of accounts, in accordance with existing rules, with the additional duty of supplying the Auditor General with abstract returns for final audit, of the description adverted to in the first plan. The Auditors all over India, then, would be subordinate to the Auditor General. They would conduct the preliminary detailed audit, and the Auditor General would conduct the final appropriation audit. The present Civil Auditors would become Pay Masters to their respective local Governments, continuing to pass charges, either before, or after, payment, according to the existing practice of the Civil Auditors; but with the further duty of regulating the movement of funds to meet the requirements of the several treasuries. These several Pay Masters would be subordinate to the Financial Department of the Supreme Government. Each Pay Master would account to the Financial Department, for the sums entrusted to him, and similarly each disbursing officer or department would account to the Pay Masters.

82. In other respects, there would be little change in the existing practice. The returns to be furnished by the district treasury officers, would be the same as at present. The cash accounts and all other returns now prepared would continue to be sent to the Auditors (Accountants), with the exception of the monthly cash balance statements and the prospective estimates of receipts and disbursements, which would have to be forwarded to the Pay Masters, and the only point to be provided for, would be the form in which those estimates

should be prepared, and the form in which the Pay Masters should report to the Financial Department the state of the balances in the several treasuries.

83. With respect to the first of these points, we are of opinion that the estimates should embrace a period of 3 months; that they should invariably be despatched to the Pay Master by the 10th of the month in which they are prepared; that they should shew the cash balance (actual or estimated, as the case may be), on the 1st of each month, together with all receipts and disbursements anticipated during the current and ensuing two months; that they should be prepared in full detail of sanctioned services; and that they should contain a column shewing the amount of receipts and expenditure under each sanctioned service, during the previous month, in the manner shewn in the Form* annexed.

* See Form marked A.

84. On the receipt of these estimates, the Pay Master would prepare an abstract statement, in detail, of sanctioned services, of the total estimated receipts and disbursements in all the treasuries subject to his control. He would also require from the Military Finance Commission and the Public Works officers, an estimate, in a like form, in detail, of Collectors' treasuries, of the receipts and expenditure anticipated in the Military and Naval departments; and from the Chief Engineer, of the Public Works department: and when all had been examined, and he had satisfied himself, by a comparison of the results with the amounts sanctioned for each service, that the estimates were unobjectionable, the Pay Master would pass them, or point out under what heads of service the disbursements were to be restricted, and he would subsequently submit a copy of his revised abstract, together with a cash balance return, in the Form marked B., for the information of the Financial Department of the Supreme Government, with such requisitions, as might appear to him to be necessary, for a supply of funds from any other presidency.

85. To enable the Accountant General to the Government of India, as Auditor General, to undertake the appropriation audit, we propose that he should be relieved of the examination of the accounts of the out-lying provinces, at present under his charge, marginally noted†. These we would make over, for detailed audit, to the nearest local Auditors. The accounts of the Hyderabad Assigned Districts might be disposed of at Madras; those of Nagpore, at Bombay; those of Pegu, Tenasserim, and the Martaban Provinces, by the Auditor for Bengal; and those of Oude, and the Political Agencies in Central India, except Indore, which would go to Bombay, by the Auditor in the North Western Provinces. The accounts of the Military department have already been provided for by the appointment of the Military Finance Commission. The rest of the duties at present performed by the Accountant General could, without difficulty, continue to be performed by him, in addition to his duties of the appropriation audit.

† Oude, Nagpore, Pegu, Tenasserim, Hyderabad Assigned Districts, and the various Political Treasuries.

86. With these remarks, we beg to submit for the decision of Government, which of the two plans suggested for the appropriation audit shall be introduced. The first mentioned plan has the advantage of causing fewer changes in existing practice, and it will be introduced at less expense. The second plan has the advantage of approaching more nearly to the English practice, and of offering through the Pay Masters a more perfect check on issues, than would be obtained by the first plan, under which the prospective estimates of the Treasury officers would be submitted to the local Auditors. But this point does not appear to be of great practical importance, so long as the present system of passing bills, in detail, is continued; though, on the other hand, the point is essential to the perfecting of our financial system according to English views. Further, in the second plan, care and vigilance will be needed in the re-distribution of existing establishments, otherwise comparatively large additional expense will occur. We feel assured that under either of the two plans the great objects of an appropriation audit would effectually be secured, and that in either case no disturbance of existing arrangements in the provinces or districts of the interior, and no practical difficulty at head quarters will arise.

87. When the decision of Government is made known, we shall be prepared immediately to propose detailed arrangements for the guidance of the several officers concerned, and at the same time to communicate our views in respect to the system under which the audit of the accounts of the Marine, Post office, and Electric Telegraph departments can best be disposed of, and to shew how every part of the financial system can be made at once to fit into one general whole.

Form A.

General Directions.

This return should be prepared on the 1st working day of each month, after a careful consideration of the probable income and expenditure of the treasury for the period it embraces, in communication, when necessary, with the local officers concerned.

Cash receipts and disbursements only should be included; transfers in account, not affecting the cash balance, being omitted from both sides.

The head "Miscellaneous advances," must be excluded, and all expenditure, of whatever nature, exhibited under appropriate heads of charge, as it would ordinarily be after audit; subsequent cash recoveries being credited to the same heads.

An anticipated deficiency of funds should be specifically shown as such, and not accounted for as a cash remittance, when such a remittance cannot reasonably be expected.

Fractions of a rupee are to be rejected, and the estimated receipts and disbursements, expressed in even hundreds.

All items of Rupees 5,000 and upwards, coming under the head of "Miscellaneous," should be separately entered.

Form A.

ESTIMATE of the Probable Receipts and Disbursements of the Treasury for the month of

Remarks.	Actual Receipts in the past month.	Probable Receipts.	Month of	Month of	Month of	Remarks.
		Revenue.				
		Land Revenue				
		Abkaree				
		Sayer and Miscellaneous Revenue				
		Customs				
		Judicial Stamps				
		Post and Loss				
		Fees, Fines and Escheat				
		Total				
		Bills.				
		India { General Treasury / Other Treasuries				
		Bengal				
		North Western Provinces				
		Punjab				
		Madras				
		Bombay				
		Total				
		Remittances.				
		India { General Treasury / Other Treasuries				
		Bengal				
		North Western Provinces				
		Electric Telegraph Department				
		Engineer's Department				
		Post Office Department				
		Military Department				
		Total				
		Deposits				
		Local Funds				
		Subscription to Loans				
		Miscellaneous				
		Total				
		Total Receipts				
		Cash Balance on the 1st of each month				
		Probable Deficiency				
		Grand Total				
		Treasury, 18 }				

The three blank columns should shew the Estimated Receipts and Charges of the current and two following months.

Deputy Comptr. in charge of Treasury.

Form B.

STATEMENT of the Cash Balances in the Treasuries under the control of _____, *on the* _____ 18

Name of Treasury.	Silver Value in Co.'s Rupees.										Copper Value in Co.'s Rs.		Remittances in transit to Treasuries of other Presidencies.	Estimated Cash Balance in Treasuries, the Cash Balance Reports of which have not yet come to hand.	Grand Total.	Grand total at close of preceding month.	Increase.	Decrease.
	Paper Value in Co.'s Rupees.				Gold Value in Co.'s Rupees.			Uncurrent.										
	Bank Notes.	Bank Post Bills.	Govt. Promissory Notes.	Total.	Current.	Uncurrent.	Total.	Sicca Rs.	Furruckabad Rs.	Lucknow Rs.	Nagpore Rs.	Rupees of sorts and Bullion.	Cabinet of Coins.	Spanish Dollars.	Total.	Co.'s Rupees.	Other coined & uncoined Copper.	Total.						
Grand Total Co.'s Rupees																		
Do. at close of preceding month																		
Increase																		
Decrease																		

FINANCIAL DEPARTMENT, THE 18TH AUGUST, 1860.

Resolution.

His Excellency the Governor General in Council considers, that the second of the proposed plans, as described in paragraphs 80 to 86 of the above report, is the best.

2. It retains every advantage of the present Indian system and super-adds some of the advantages of the English system; probably all of the latter that are applicable to India at present.

3. His Excellency in Council infers, from the report of the Committee, that the plan in question will not entail upon the departments concerned much additional labor, even at first.

4. Its additional cost is, so far as it goes, an objection; but this cost will not extend further than to an increase of the strength of some of the present establishments, and this, not in their higher ranks.

5. It will be a complete measure, and the mere fact of its being a closer approximation to the English system, is, His Excellency in Council observes, in itself a recommendation, provided that no practical inconvenience results from this.

6. His Excellency in Council is pleased to sanction the arrangements proposed in paragraphs 80 to 86 of the Committee's Report, and desires to express the thanks of the Government of India to the Committee, for their very clear and useful Report.

7. His Excellency in Council will be glad to receive the further proposals, which the Committee promise to submit in the final paragraph of their Report.

ORDER.—Ordered, that a copy of the above Resolution be forwarded to the Committee, for information.

Ordered, also, that a copy of the Resolution be forwarded to the Departments,* Governments,† and Officers‡ noted in the margin, for information, with an intimation that detailed instructions will be forwarded hereafter, as to the manner in which the arrangements should be carried out.

* Home, Foreign, Military, and Public Works Departments.
† Governments of Bengal, Madras, Bombay, N. W. Provinces, and Punjab.
‡ Accountants General to the Governments of India, Madras, and Bombay.
Accountants, Bengal, N. W. Provinces, and Punjab.
Civil Auditors, Bengal, Madras, Bombay, N. W. Provinces, and Punjab.

(A true Extract)

Signed C. Hugh Lushington,
Secretary to the Government of India.

Order thereon 26th September 1860, No. 190.

Ordered to be communicated to the Departments of

of the Secretariat notes below.

Revenue and Public Works Departt.
Military Department.
Judicial —— do ——
Public —— do ——

(True Extract.)

Signed/ T. Pycroft
Chief Secretary.

To,
The Judicial Department

P. M. Komarek

Encl. No. 507

Judicial 1860 Dept.
Pro: of Dept.
Pro: of Govt. in the Jud.
Dept. No. 4940.

Dl. 26th Sept. }
Rd. 2nd Oct. } 1860.

No. 1628.

Copy the Resolution of the Govt. of India in the Jud. Dt. relative to the new system of Estimate, Budget accounts and audit for India.

No. 1290 — 5 October 1860.

To be recorded.

35730