

MADRAS RECORD OFFICE.

Government of Madras.

Judicial DEPARTMENT.

G.O. No. 845	Press ~~Mis.~~
87-88.	
Dated 14.6.1865	19.

6/7

Not to be folded or roughly handled

Proceedings of the Madras Government, Judicial Department,
14th June 1865.

No. 87. Read the following Proceedings of Government in the Financial Department.

Communicating Resolution of the Government of India on the system of Account and Audit in the Civil Department. } (Dated 8th June 1865, No. 288).

No. 88. ORDER THEREON, 14th June 1865, No. 845.

Communicated to the Honorable the Judges of the High Court, to all Civil and Session Judges, to the Inspectors General of Police and Jails, and to the Commissioner of Police.

(True Extract).

A. J. ARBUTHNOT,
Chief Secretary.

To the Honorable the Judges of the Court.

- „ Civil and Session Judge of
- „ Inspector General of Police.
- „ „ of Jails.
- „ Commissioner of Police.

Ed. J. H. Burns.

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Proceedings of the Madras Government, Financial Department,
8th June 1865.

No. 24. Read the following Extract from the Proceedings of the Government of India, in the Financial Department, dated 20th April 1865, No. 2189.

Read again Financial Resolution, No. 2805, dated 4th October 1864, requesting the opinion of the local Governments and Administrations on the Report of the Commissioners of Inquiry into Indian Accounts, on the system of Account and Audit in the Civil Department.

Read again the following replies to the requisition, viz.,

From the Chief Commissioner, Central Provinces, No. 100, dated 19th November 1864.

" " Resident at Hyderabad, No. 1635, dated 3rd January 1865.

Read also the following replies to the requisition :—

From the Government of the Straits Settlement, No. 59, dated 21st November 1864.

" " Commissioner for Mysore, No. 1480, dated 12th December 1864.

" " Chief Commissioner, Oude, No. 3360, dated 13th December 1864.

" " Governor General's Agent, Rajpootanah, No. 2051, dated 30th December 1864.

" " Chief Commissioner, British Burmah, No. 971, dated 31st December 1864.

" " Government of the North-Western Provinces, No. 136, dated 16th February 1865.

" " of Bombay, No. 183, dated 28th February 1865.

" " of the Punjab, dated 23rd March 1865.

" " of Madras, No. 174, dated 27th March 1865.

RESOLUTION.—By these Reports the Government of India has been put in possession of the opinions of the several local Governments and Administrations, and of all the Officers of Account, except those at Calcutta. The opinions of these latter have been otherwise obtained, and the following orders are in general accordance with their views.

2. The Report of the Commissioners is chiefly occupied with a criticism of defects in the existing system of Audit and Account, and as their remarks on this head were suggested, mainly by an inspection of the books in the offices at Calcutta, merely, some of the criticisms have proved inapplicable, more or less, to one or other of the *Presidencies* which the Commissioners have not visited.

3. The chief defect in the present system is the total untrustworthiness of the monthly accounts, in consequence of their including numerous entries requiring subsequent adjustment, so that the Financial Department possesses no means of keeping itself acquainted with the progress of the current income and expenditure. Another defect is the delay in closing the annual books of account. The remedy for these defects is the main object of the recommendations of the Commissioners.

4. The procedure in framing and sanctioning the Annual Budget Estimates, has necessarily been considered along with the accounts.

5. The Budget Estimates, as submitted to the Government of India, in the Financial Department, are in great detail; and on the several recommendations for condensing them, the Governor General in Council is pleased to pass the following orders :—

I. Hitherto, the Budget Estimate has shown the figures proposed by the Deputy Auditor and Accountant General, and the Local Government, respectively, but in future, only one set of figures for the new year shall be submitted to the Government of India, in the Financial Department, viz., those which the Local Government may settle in communication with the Deputy Auditor and Accountant General, and with any Heads of Departments whom the Government may consult. Should the Deputy Auditor and Accountant General differ, he will record his reasons in a paper to be annexed to the Estimate.

II. The grants for Salaries, Establishments, and contingencies, even when relating to appointments and establishments for different Districts, will be given in totals for the Presidency or Province for each Department. District details will be omitted, for both Revenue and Charge, in the Estimates for the Financial Department; but they will be obtained for the use of the local Government or Administration, under such rules as it may lay down, subject only to a strict conformity to the classification of Receipts and Charges, prescribed by the Government of India.

III. At present, the Budget Estimates show the estimate for the new year, the Budget and the Regular Estimates for the current or expiring year, and the actuals of the previous year. These details must be retained in the estimates for the local Governments and Administrations; but in those submitted to the Financial Department, the figures for the new year should be contrasted with the Budget Estimate, merely, of the current or expiring year, any considerable difference between them, as also any large increase in the provision for contingencies and temporary establishments, and in other items, being fully explained in the transmitting letter.

6. The Forms of Estimates and Finance Accounts, proposed by the Commissioners, are approved, with the modifications in the following paragraphs, viz.,

I. All receipt and payment entries, under Income, Charge, and Debt, which are peculiar to the Home Accounts of the Secretary of State for India, will be omitted from the Indian portion of the accounts, pending the assent of the Secretary of State to the proposition for establishing counterpart books of account in England and India for the revenues and charges of India.

II. In the distribution of charges among Presidencies and Provinces, the expenditure of the Army will be shown under General and Political for the Bengal Army and under Madras and Bombay for the Armies of those Presidencies.

III. The head "Marine," which is proposed by the Commissioners as an independent head, on the footing of Military, Public Works, and Civil, will continue as a subordinate head in the Civil Estimates, where it will be inserted after "Police."

IV. Allowances and Assignments under Treaties and Engagements should be entered before Miscellaneous.

V. "Allowances, Refunds, and Drawbacks" should be retained under expenditure.

VI. There will be one entry for Guaranteed Interest, less net Traffic Receipts of Railways, no re-payments by Railways being shewn on the receipt side.

VII. The loss by Exchange on Railway transactions will be shown at net, i. e., after deduction of the similar gain by Exchange.

All transactions on Capital Revenue will be treated in the accounts of the Civil Department in India as supplies of London.

IX. The present practice of crediting to the Opium Department the cost of its supply of Opium to the Abkaree Department by a debit to Abkaree at the time of supply, and subsequently crediting the whole proceeds of sale of the Opium to Abkaree, will continue.

7. In the General Abstract of the Revenue and Expenditure of India, which forms the first of the proposed series of Estimates, a column for Actuals will be provided, the figures being supplied from the accounts in the Financial Department.

8. The forms of Finance Accounts should also be altered under the following heads :—

APPENDIX.

REVENUE AND RECEIPTS.

Opium.

Instead of "Proceeds of Sale by Auction"—show—

Opium—Behar.

" Benares.

Land Revenue.

EXPENDITURE.

Settlement charges should be shewn as a distinct item.

Opium.

Sub-division—Behar.

Benares.

Add—

Transit charges to Presidency.

Presidency Expenses.

Administration and Public Departments.

Add—

Military Secretariat.

Public Works Secretariat.

Law and Justice.

Instead of "Law Officers and Courts of Small Causes"—show—

Small Cause Courts.

Law Officers of High Courts.

Justices of the Peace, Coroners, and Sheriffs, at the Presidency Towns.

Marine.

For "Light Houses and Establishments at out-ports"—read "Light Houses."

Public Works.

Pensions should be transferred to the Civil Estimates.

9. In issuing the revised forms of Estimates and Finance Accounts, items of sufficient importance to be shewn separately, which may be peculiar to any Presidency or Province, will be added in the forms for that division of territory, in communication with the Local Government.

10. On some of the suggestions for reducing work, the following orders are passed :—

I. The Cash Requirement Estimate should be continued.

II. In the Treasury Accounts rendered to the several Deputy Auditors and Accountants General, Collections of Land Revenue will be credited without distinction of past, current, and future years, and a Return thereof will be furnished by the Deputy Auditor and Accountant General, to the controlling Revenue authority, for verification of the aggregate of realisations shewn in the Return of Demands, Realisations, and balances of past, current, and future years, which is furnished to those authorities by the Collectors of Revenue.

III. The cost of any Establishment under Civil Administration which can be distinctly referred to any branch of Revenue, is to appear under the head of that branch: supervising officers (such as Boards of Revenue and Financial and Divisional Commissioners) who administer several branches of Revenue, should be shewn under "Administration and Public Departments." The cost of establishments in the Bombay Presidency which are common to both Customs and Salt, the charge for the Commissioner of Customs, Salt, and Opium, should be shown under Customs. In the North-Western Provinces and the Central Provinces, the cost of the Customs Line, which principally collects the Salt Revenue, should be shewn under Salt. The existing division of the charge for Collectors, &c., between Land Revenue and Law and Justice, must, however, continue, save that the division will not be made on the individual bills, but all these charges will, in the first instance, be carried in the detail books, to a subordinate head under Land Revenue, and a monthly transfer of a moiety of the total amount will be made to the proper subordinate head under Law and Justice.

11. The fundamental changes of system proposed by the Commissioners are—

1st.—The preparation of the Finance Accounts from Audited receipts and charges, as recorded in the books.

2nd.—The separation of Cash from Store Accounts, and of the accounts of the Civil Department, from those of the Military and Public Works Departments.

3rd.—The consolidation of these separated Cash Accounts, by a Central office, into a general account for India.

4th.—The abolition of pre-audit, and abolition of the offices of Deputy Auditor and Accountant General, and Civil Paymaster.

5th.—Unclassified Treasury Accounts.

12. Orders adopting the recommendations under the first two heads have been issued already, and the third, also, must be adopted of necessity.

13. The procedure in consolidating the accounts for India will be as follows :—

I. The Receipts and Disbursements of each Presidency and Province, and of the Military and Public Works Departments, will be written up monthly after audit, and posted.

II. An audited monthly account of Revenue and Receipts, and of Expenditure and Disbursements, will be furnished to the Central office of account in Calcutta, by the several Deputy Auditors and Accountants General, and by the Military and Public Works Departments, for consolidation in monthly and annual accounts for India.

III. The same officers, and the Military and Public Works Departments, will prepare, from their own Ledgers, annual accounts, as at present; but the Finance Accounts for Parliament will be prepared from the books of the Central Office.

14. The Commissioners have recommended that there should be but one office, viz., the central office of account, in account current with London. Pending the orders of the Secretary of State on this recommendation, the Account Current with London, kept by the Civil, Military, and Public Works Accountants, will be consolidated in one Account Current for the three Departments, by the Local Civil Accountants, for transmission to London.

15. The Commissioners recommend that revenues and charges belonging to one Presidency, received and paid, respectively, in another Presidency, be treated in the accounts as appertaining to the Presidency in which the receipt or payment occurs. This recommendation has been noticed in some of the replies. The subject affects principally the head of expenditure. The only point of any magnitude, that would be affected by the recommendation, are certain tributes from States, realised through Treasuries subordinate to the Accountant, North-Western Provinces, which are now credited to the Government of India.

The Government of Madras is of opinion that "the Budget of each Presidency should be for all disbursements which it has to make. On this principle, the Central Provinces, Ash Burmah, &c., should provide for the Military expenditure incurred in them, but debited "to Madras."

17. Inasmuch, however, as the administration of the Madras Army, Government of Madras, and as it is indispensable for a proper check of Military expenditure of the three Armies, in the three Presidencies, should be estimated for as a whole, the above opinion, as regards the treatment of Military expenditure in the accounts, cannot be adopted.

18. There is no objection, however, to the Military Account Department furnishing to each Local Government, for insertion in its Administration Report, a statement of the particulars of total Military charges which are debited to it.

19. With regard to Civil charges that are disbursed in other than the Presidency or Province to which they in strictness appertain, it is well observed by the Government of the Punjab, and the Deputy Auditor and Accountant General, Madras, that the largest of such payments, viz., Pensions, Allowances, and Assignments under Treaties and Engagements, are already adjusted as charges of the territory in which the payments occur, and that it will be decidedly advantageous to apply the same rule to all other items, such as salaries, the substantive pay of officers on deputation, &c. The substantive pay of officers on deputation is a fair charge of the appointments in which they officiate, i. e., of the place where the payment is made:—while the amount disbursed as salaries to officers absent from their own province on leave, is too unimportant to be a ground for making aside a wholesome general rule.

20. The Budget deficiency, viz., insufficient provision in one Presidency, for salaries of another Presidency, is met by the remark of the North-Western Provinces Government, that an estimate for the full charge, at the sanctioned scale for salaries, will cover all payments of Civil charges on account of other Governments, especially as such payments by one province will be compensated in a measure by similar payments on its account in another.

21. On these grounds, the Governor General in Council directs that the adjustment of receipts and charges between Presidencies and Provinces shall cease, with the following exceptions.

22. All local receipts and disbursements in the Berars, on account of the Governments, and all similar transactions elsewhere, on account of the Berars, shall be recorded in the accounts of the territory in which they occur, as receipts and charges of the Governments or of the Berars, to which they may appertain.

23. The tour charges of the Governor General, and the charges of the Secretariat and other establishments that accompany His Excellency from the Secretariat, will form another exception to the general rule.

24. According to the system of account recommended by the Commissioners, the office of account of each Province will prepare a classified digest or abstract of all the receipts and payments shewn in the monthly account of each Treasury, whereby the materials for statistical returns of District details will be preserved in a form convenient for tabulation when required; but these details will be carried through the abstract or detail books for the regular accounts in a way which will bring out one total for all Districts under each head of service.

25. The Government of the Punjab remark, however, that "it seems quite indispensable to allot its own receipts and expenditure to each District, in the Auditor's accounts."

26. There is a misapprehension here of the system recommended by the Commissioners. The grant for salaries, establishments, and contingencies, will be given in totals for the Province; and as salaries and establishments are passed under fixed rules, District details are not required to keep them within Budget limits; while the grant for fluctuating expenditure, or that for temporary establishments, allowances, and contingencies, will be allotted to Districts and supervised by the Head of the Department. The Treasury Officer and the Deputy Auditor and Accountant General being informed of this allotment, any insufficiency of the provision in a particular District would be noticed, and would be met from a surplus upon some other District; but to this end, it is not necessary to encumber the accounts with a District detail of the progressive expenditure under each head of service during the year. The post audit registers will provide all the needed information; or, in other exceptional cases, it can be collected when required.

27. The several local Governments and Administrations, as also some of the Deputy Auditors and Accountants General, agree to the abolition of pre-audit, the assent being qualified in some cases by a stipulation for the issue of simple codes of rules for leave of absence, and deputation and travelling allowances, so that the existing checks against erroneous payments may not be relaxed. The materials for such a code have been collected, and it will be issued in the course of the year.

There will not be an efficient post audit, such as will ensure a proper sense of responsibility in those who draw bills, and in the Heads of Departments who countersign them. But this is a misapprehension.

29. The Honorable the Governor of the North-Western Provinces, while assenting to the abolition of the Civil Paymaster's with the Deputy Auditor and Accountant General's office, and from "a not inconsiderable experience of what has been, and they therefore again occur," that "Looking to the character and calibre of subordinate Native Clerks, their powers of combination, their talent for intrigue, and the extent of the temptations to which they occasionally may be exposed, His Honor regards, with not unnatural reluctance, the abandonment of that system of double check, by means of the independent officers of Examiner of Claims, and Auditor of Accounts, which seems to His Honor almost an essential in the constitution of our administration in India."

30. It is overlooked that this double check was abandoned some years since, in the Public Works Department, where the Controllers of Public Works Accounts both examine claims and adjust payments. Moreover, it has not prevailed in the Madras Presidency, and in the Bombay Presidency "the Deputy Auditor and Accountant General does not, at present, critically re-examine vouchers passed by the Civil Paymaster, nor keep a register of establishments." Furthermore, the post audit, under the new system, will be promptly made under competent supervision.

31. On these grounds, and having regard to the imperative necessity of obtaining prompt accounts based upon audited charges, and to the preponderance of opinion and argument in favor of abolishing pre-audit, and amalgamating the establishments of the Deputy Auditor and Accountant General, and the Civil Paymaster, it has been determined to give effect to those measures as soon as the necessary arrangements can be made.

32. Apprehensions of two opposite kinds have been expressed with regard to the responsibility to be thrown on the Treasury Officer who is to disburse salaries and allowances without pre-audit. In the 213th paragraph of their Report, the Commissioners proposed the issue of a permanent order to the Officer in charge of the Treasury as his guide in discharging regular monthly bills for salaries and Establishments. This permanent order would indicate the sanctioned rate and net amount admissible, and, with regard to contingencies, it would show the monthly limit within which they may be allowed. The Government of Madras requests that it may "be remembered that in this Presidency, the Collector is in entire charge of the District Treasury; and the Government strongly object to any measure tending to lessen this responsibility, or to render the Collector's subordinates in any way independent of him." No such measure was intended by the Commissioners in their recommendation.

33. On the other hand, it has been urged in other quarters that the responsibility of the Treasury Officer with regard to over-payments should be clearly defined.

34. Under the system now to be introduced, equally as under the present system, the privilege of drawing Pay abstracts or bills for salary, allowances, or contingent expenses, will be restricted to responsible Officers; and the drawer of the bill will be held answerable for any over-charge. The responsibility of the countersigning Officer will be that which attaches to all controlling Officers, and which brings them under a liability to make good any loss arising from their culpable negligence. The Treasury Officer who makes payments without pre-audit will be responsible for checking any palpable errors, and (in case of change of office, or of rate of salary of gazetted officers) for passing the new rate with due reference to the orders directing the change. In short, the responsibility for an over-charge will rest primarily with the drawer of the bill, and (in case of any error from him) the over-charge will be recovered from the Treasury Officer or the Officer who countersigned the bill.

35. In their Report, the Commissioners observed that "if any irregularity in the payment is made by the officer in charge of a Treasury on a proper voucher, the amount should be passed in the Treasury Account, and any irregularity which may appear in the payment should have been in excess of the Budget Grant, or otherwise, should be met by calling on the officer who authorized the payment to explain the cause, or make good the excess. In the case of computations, and other matters where the Treasury Officer has the means of exercising supervision, any over-charge, or over-payment, should be struck out of his account, and he should be directed to balance accordingly."

The principle which guided the Commissioners was that when a payment is made on account of a completed service, on a proper voucher, the fact of the payment is not altered, because some portion of it may have been over-paid. The payment must be accepted, and must be recorded as a charge against the grant for which it was made. The amount over-paid, when subsequently recovered, would be credited as a re-payment to the grant, or, as would generally be the more convenient course, would be deducted from the amount due upon a succeeding bill for a similar service.

36. The Commissioners recommend that the work of Treasury Officers be simplified by requiring from them accounts unclassified as to charge, and classified, by simpler methods than hitherto, as to receipts of revenue, and in some other cases where receipts or payments of one class are very numerous. The recommendation is approved by the Governments and Administrations in the Bengal Presidency, the Government of the Punjab, and the Board of Revenue, North-Western Provinces, and it is expected that the unclassified account will immensely relieve Treasury Officers.

37. The Government of the North-Western Provinces, indeed, gives a qualified approval hesitating only as to the ability of the Deputy Auditor General's Office to cope with the additional work in a Province where intelligent Clerks are scarce. In this objection, the relief to

that functionary from the compendious journal, and the simpler processes of the new system, has been overlooked, while also regard has not been paid to the consideration that the intelligent labor requisite for classification can be more readily collected in one Office, than in above 30 Treasuries. Erroneous classification by the latter must add to the labor of the Central Office.

39. Accordingly, the unclassified Treasury Account, according to the forms which have been used in the Bengal Presidency, will be adopted in the remaining Provinces of the Bengal Presidency.

40. In the Presidencies of Madras and Bombay, the classified Treasury Account will be retained for the present, in difference to the very strong representations of the Deputy Auditor and Accountant General, Bombay, and the Government of Madras; but as they have overlooked that through an unclassified account, the post audit, and the recording of the greater portion of the charges, will be expedited by a month, the Governor General in Council trusts that after experience of the unclassified Treasury account in the Bengal Presidency, it may yet be extended throughout India.

41. Care will be taken to provide each Deputy Auditor and Accountant General with an efficient establishment for an intelligent and prompt audit, record, and compilation of accounts, but this will be readily effected within the present cost of the establishments.

42. The Journals of the Deputy Auditor and Accountant General will be considerably reduced by being disencumbered of District details and of the elaborate personal account of each gazetted Officer hitherto recorded in the books. That account will be kept, under the new system, in the post-audit Registers. The trouble of examining the Treasury Officer's classification of charges, to the minutest detail, and of correcting errors in his classification will also cease.

43. Having regard to the large reduction of work under these heads, which will more than compensate for the new work of classifying charges in the Deputy Auditor's Office, it is recommended that the unclassified Treasury Account may be adopted.

44. Deposit Accounts have been separately issued, but all notes the concurrence of the Government of the Punjab in the account of Land Revenue, should be deposited in the Treasury, or belonging, partly, to co-sharers with Government, should still be placed in deposit.

45. His Excellency in Council also approves of the suggestion of the Chief Commissioner in Oude, that fines imposed in appealable cases be credited at once to revenue, subject to refund on the merits of the case, or the Appellate Court.

46. The Commission of Audit and Accounts recommended that the accounts of the several local Governments and Administrations, to Mr. M. H. Foster, Works Department, and to the Office of Account and Audit in the Civil Department.

47. The Commission of Audit and Accounts recommended that a copy of the Resolution be forwarded to the Auditor General of India, with a view to the issue by him of such subsidiary instructions to the several Officers of Account as may be necessary for carrying out the above orders.

Order, further, that this Resolution be published in the Gazette of India.

(A true Extract.)

Ordered, that a copy of the Resolution be forwarded to the Auditor General of India, with a view to the issue by him of such subsidiary instructions to the several Officers of Account as may be necessary for carrying out the above orders.

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Order, further, that this Resolution be published in the Gazette of India.

(A true Extract.)

No. 25.

ORDER THEREON, 8th June 1865, No. 288.

Ordered to be communicated to the several Departments of the Secretariat.

(True Extract).

(Signed) Arthur D.
Chief Secretary.

To the Revenue Department.

"	Military	do.
"	Public Works	do.
"	Railway	do.
"	Judicial	do.
"	Marine	do.
"	Public	do.
"	Educational	do.
"	Local	do.

The money was paid
of the bank of England
and I have been informed by the date 16/6

17/6 }
18/6 }
19/6 }

Not 845-14 & Nov 1865.
Communicated to the Hon. the Judges of the
High Court, to all civil & session Judges, to the
Superior Criminal of Police & Gaol, & to the Com-
missioner of Police.

Exd. J. Wright.

Edith Under

Received 1853 of the
 Gov. of Ind in the
 fine Department
 No 288
 about 83 Jan 1855
 Dec-12-53 Jan 1855
 No 1271
 Compt. Secy of the
 Govt of Ind in the
 Department of Accounts
 audit in the
 Department of
 Feb. 2041.