M.E.O. 14—10,000—21-4-22.

MADRAS RECORD OFFICE.

Government of Madras.

Revenue **DEPARTMENT.**

G.O. No. 497	Press / Mis.
52-53	
Dated 2-3-1861.	

Not to be folded or roughly handled

Proceedings of the Madras Government, Revenue Department, 4th March 1861.

No. 52. Read the following Proceedings of the Madras Government in the Financial Department, dated 1st March 1861, No. 114 :—

Communicate Proceedings, Government of India, passing orders on the points mooted in certain paragraphs of the Report of the Budget and Audit Committee. (Vide Financial Proceedings, 1st March 1861, Nos. 1, 2.)

No. 53. ORDER THEREON, 4th March 1861, No. 497.

Ordered to be communicated to the Board of Revenue for information.

(Signed) C. G. MASTER,

Deputy Secretary to Government.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read the following :—

Extract from the Proceedings of the Government of India, in the Financial Department, dated 26th January 1861, No. 858.

Read again the Budget and Audit Committee's Report, No. 7, dated the 2nd November last, and the Order thereon.

Read also the following Report from the Budget and Audit Committee, to C. HUGH LUSHINGTON, Esq., Secretary to the Government of India, Financial Department, dated Fort William, 18th January 1861, No. 10.

In our Report, No. 7 of the 2nd November last, in connection with the new system of Budget, Audit and Account, we treated of "the division of heads of branches of service which can best be adopted for the allotment and specific appropriation of expenditure," leaving the other questions adverted to in paragraph 59 of our report, No. 6 of the 27th of October, for subsequent consideration.

2. We now beg to submit our views on the questions then mentioned as remaining for consideration,* together with a general statement of the duties to be performed by the Officers of Pay and Audit in the Civil Department, in which, for the sake of perspicuity, it will be necessary to recapitulate a portion of the Orders that have already been passed.

* *I. The manner in which extraordinary expenditure, rendered necessary by unforeseen emergency, can best be provided for.*
II. The manner in which the distribution of Funds by Civil Pay Masters can best be regulated.
III. The nature of the Returns to be submitted by the Civil Pay Masters and the Auditor General, to the Financial Department of the Government of India, in connection with disbursements and Appropriation Audit in both Military and Civil Departments.

3. In accordance with the Resolution, No. 119, of 16th November last, the duties of final Appropriation Audit will be conducted under the orders of a new Board of Audit, to consist of two Members, of whom the first will be called Auditor General and Accountant General to the Government of India, and the second will be the Chief of the Military Finance Department. The Auditor General of India, in addition to his duties as Chief of the Civil Finance Department, will, as first Member and President of the Audit Board, effect the Appropriation Audit of the Accounts of the Civil and Public Works Departments, and in like manner the Chief of the Military Finance Department, inaddition to his duties in that capacity, will, in his capacity of Second Member of the Audit Board, effect the Appropriation Audit of the Accounts of the Military Department.

4. Doubts have been expressed by Colonel Balfour, Chief of the Military Finance Department, as to the correctness of this proposal, with reference to existing orders. He is of opinion that the powers assigned by us to the Auditor General and himself, as First and Second Members of the Audit Board, should not be exercised by them in those capacities, but in their capacities of Chiefs of the Civil and Military Departments. We consider that this would be doubtful in principle. The functions to be exercised by the Members of the Board in respect to Audit are, in our view, quite distinct from the functions to be exercised by the Chiefs of the Civil and Military Departments; and we do not think that it would be right to admit that as Chiefs of the Departments they have authority to give a final Audit. Colonel Balfour does not dispute the correctness of this view in so far as the principle is concerned, but he is of opinion that the general bearing of the Resolution, No. 27 of the 7th April last, as well as paragraph 8th of the Resolution, in the Military Department, No. 710 of the 6th July last, which calls for "the strict appropriation of all disbursements of money or issues of stores under the head of service for which sanctioned," being enforced by the Military Finance Department, places the power of Appropriation Audit in the hands of the Heads of the Civil and Military Departments, and that it is only when the amount granted for any service is exceeded, that any reference to the Audit

Board is necessary. This view, he states, is borne out by paragraph 16th of the Resolution, No. 119 of the 16th November last; but in this we are unable to concur. It appears to us to be the obvious intention of the Resolution of 7th April and 6th July, in so far as they relate to Appropriation Audit, to carry out in its integrity the English principle of final Audit by an authority entirely independent of the Executive Administration, and in the Resolution of 19th November, we conceive that it is by no means the intention of Government to depart from that principle except in so far as the exigencies of the Indian service may demand. It is true that the words used in paragraphs 16th and 17th of this Resolution, if taken by themselves and apart from the context, might bear Colonel Balfour's interpretation; but it is to be observed that paragraphs 13th to 18th of the Resolution refer exclusively to the constitution of the Audit Board, and consequently the reference to the Heads of the Civil and Military Finance Departments (where so designated) must be construed as applying to them solely in their capacity of Members of the Board, and this seems the more obvious, because paragraph 19th of the Resolution proceeds to describe how the Department of Military Finance (as distinct from the Audit Board) will be administered.

5. We understand the intentions of Government substantially to be as follows:—It was originally intended that the duty of final Audit and general control of the system of Account be entrusted, as in England, to a Board of Audit, who should have no concern with executive duties; but in reducing this to practice it was found that it would be sufficient for all practical purposes, and very much more economical, to confide the duty to the existing Accountant General of the Government of India as Auditor General for all India. On further consideration, however, and in view to relieve the Auditor General in some degree from such an arduous duty as the Appropriation Audit of the whole of the accounts, both Civil and Military, of the Empire, and at the same time to preserve the necessary connection of the Military Department, (which was being organized as a distinct Department) with the general system, and thus secure correctness and uniformity of action, it was felt that if a Board of Audit could be formed of Officers sufficiently independent as respects executive functions, it would prove a more satisfactory arrangement; and it was therefore determined to associate the Chief of the Military Finance Department with the Auditor General as a Board of Audit, for the purpose of effecting the Appropriation Audit in each Department respectively, and of deciding in concert upon all questions of a general nature affecting the Department of Account; the separate final consolidation of the Military Accounts with those of other Departments by the Auditor General being regarded as a check sufficient practically to counterbalance any real objection to which the arrangement might be open, from the circumstance of the Chief of the Military Finance Department being entrusted with some functions of a *quasi* executive character.

6. If these views be correct, it follows that under the new system, the Auditor and Accountant General of India will have three distinct functions for which he will have three distinct Departments and Establishments. As Accountant General, he will have, as at present, the Loan and Interest Departments, Accounts with other Governments, with the General Treasury, &c., &c., which will be divided among his Assistants, to which will be added the supervision of duties assigned to him in the Resolution of 16th November, as Chief of the Civil Departments. As Member of the Audit Board, he will have the Appropriation Audit under a distinct Department and with a distinct Establishment; and as Auditor General, he will have the general consolidation of the Accounts, Estimates and Financial Returns of the Empire in a separate Department and with a distinct Establishment.

7. In the Military Departments, the Chief of the Military Finance Department will, likewise, have two distinct functions and establishments. As Chief of the Department, he will have his proper duties and establishment, and as Second Member of the Audit Board, he will have a separate Department and establishment in the Board's Office for Appropriation Audit.

8. Under the above interpretation of the intentions of Government, the Civil and Military Finance Departments will then be respectively presided over by a Chief with a seat at the Audit Board.

As Members of the Board, they will act together in all matters of general organization, policy, economy, and control, as affecting Estimates, Budget, Audit and Accounts, determining together any important questions that may arise in connection with the final Appropriation Audit, and other arrangements of a general nature, and will together be responsible for the right and strict conduct of the Appropriation Audit. As Members of the Board, they will also act in concert in devising the arrangements necessary for the proper rendering of the Accounts, and for ensuring strictness of the Appropriation Audit.

9. The only doubt which to our mind could arise, would relate to the scope and nature of the several questions and arrangements to be settled in concert by the Audit Board.

We believe that without doubt such questions and arrangements would include all those cases in which the interests of both Civil and Military Departments are alike concerned, in relation either to general management and accounts, or in which the standing orders of Government have been infringed.

But there are other cases in respect to which doubts may exist:—

For instance, a question involving a principle arises as to the form in which Commissariat Accounts shall be kept and submitted, or as to the period which such Accounts shall embrace. Should this question be decided in concert by the Audit Board, or independently by the Military Finance Department?

Again, a question of organic change in the constitution of the Military Pay Offices is under consideration. Should this be referred for the determination of Government through the Audit Board or not?

Again, a question arises relating to the form of drafts or affecting privilege facilities of remitttance in the Civil Department. Should such a question be settled by the Audit Board, or by the Chief of the Civil Finance Department?

10. It may be said, on the one hand, that all these are questions which ought to be settled in concert by the Board.

On the other hand, it may be thought, the two first are cases specially affecting the Military Department and organization *alone;* and that such cases and all cases affecting the form of Military Accounts, in so far as those forms do not affect the ultimate Audit, ought to be decided by the Military Finance Department independently. It may be apprehended that if the Audit Board or the Auditor General were to interfere in these matters, (not directly concerning Audit) the action of the Military Finance Department would be seriously affected. And it may be said that as the Military Finance Department is responsible for the Financial Administration of their Branch, extraneous interference might render it difficult for them to perform their manifold duties. We request that specific orders on these points may be passed by the Government.

11. The Members of the Board, in their respective Departments, will be in direct communication with Government in the discharge of the duties set forth in paragraph 12th of the Financial Resolution, No. 119, of the 16th November 1860. And when the Budget Estimates have been sanctioned by the Government of India, it will rest with the Members of the Board of Audit, each in his own Department, to see that the Financial Officers of his Department efficiently and punctually discharge the duties severally assigned to them, and to make such detailed arrangements as may be necessary for that purpose. All questions unprovided for by the Budget Estimates or Standing Rules of the Department, will be referred through the proper channel to the Head of the Civil or Military Department to which they relate, and will be considered and decided on by him, if it be within his own competence to dispose of them.

12. In all cases where the matter referred affects questions which it is beyond the power of either Head of Department to dispose of, such as where any general measure affecting the system of adjustment in Accounts, or the organization of the Department, either Civil or Military, or where the orders of any local Government are in question, the Head of the Department referred to will consult his colleague in the Audit Board, and, if occasion requires, the matter will be referred to the Government of India for final decision.

13. With these preliminary remarks, we proceed to detail the manner in which the duties connected with the Civil Department will be performed. The Civil Department will, in nearly a similar manner with the Military Department, consist of a Chief of the Department, designated Auditor and Accountant General of India, aided by local Deputy Auditors General under each Government, nearly corresponding with the Military Controllers, and by Civil Pay Masters, nearly corresponding with the Military Examiners.

14. The detailed arrangements connected with the Military Finance Department, do not, we consider, come within the limits of the duties allotted to us in the Financial Resolution, No. 39, of the 11th May 1860, in which our consideration is primarily directed "to all Departments and in all Presidencies, save those immediately pertaining to the Military Service." We shall, therefore, in strict conformity with the instructions contained in paragraph 3rd of that Resolution, directing us to observe whatever Resolutions may be passed relative to the Military Finance Department, confine our notice of the proceedings in that Department to those supplemental points where the Military Finance arrangements must necessarily be combined with the system to be introduced in the other Departments, in order to ensure uniformity of system, and assimilation of arrangements.

15. We need only observe here, that the Civil and Military Finance Departments will be administered with due regard to the requirements of the Audit Board as respects the Accounts for ensuring strictness of Appropriation Audit; and that the Accounts of the various Departments, Civil and Military, will, after examination at the several Presidencies, be transmitted to the First and Second Members of the Audit Board.

16. On the Imperial Budget being sanctioned by Government, the whole Budget should be sent to the Auditor General, by whom the portions appertaining to the Civil and Public Works Departments will be communicated to the President of the Board of Audit for transmission to the Public Works Department and to the local Deputy Auditors General, while the portion appertaining to the Military Department will be made over to the Second Member of the Board, to be disposed of in accordance with the Rules framed for the management of that Department.

17. The President of the Audit Board will conduct the final Appropriation Audit in the Civil as well as in the Public Works Department, and he will eventually, in his capacity of Auditor General, consolidate with the audited Accounts of those Departments, the Accounts audited by the Second Member of the Audit Board. He will also be empowered to issue such detailed instructions as may seem to him to be fit, in respect to the forms and the general managements of the Accounts in the Civil Departments; but all instructions affecting the *general* system of Budget, Audit, or Account, whether in the Civil or Military Department, will, as before stated, be referred to the Board collectively.

18. As Accountant General, in the Civil Department, to the Supreme Government, the Auditor General will, as already provided in paragraph 85th of our Report, No. 1, dated 30th July, retain charge of such of the present duties connected with the management of the Public Debt, and the Accounts with the Home and Colonial Governments as have not otherwise been distinctly provided for: and he will also finally consolidate and check the Indian Accounts of all Railways, receiving, for that purpose, such Returns as may be necessary from the local Accountants.

19. The present local Accountants in the Civil Department will become Deputy Auditors General, in immediate subordination to the Auditor General, in all matters connected with Audit and Account; but they will, as at present, be required to conform to all requisitions of the local Governments which may not be opposed to specific Orders of the Government of India, and their relations generally in respect to the local Governments will remain unchanged. They will conduct the preliminary detailed Audit of Treasury Cash Accounts in accordance with the Rules at present existing or that may hereafter be passed for the check and adjustment of such Accounts; and they will supply to the Auditor General the Returns indicated below.

20. The present Civil Auditors will 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, without any alteration in their present relations to the Local and Supreme Governments in respect to this part of their duties. But the duty, at present exercised by the local Accountants, of regulating the movement of Funds to meet the requirements of the several Treasuries will, henceforth, be performed by the Pay Masters; and in all points connected with this duty, the Pay Masters will be in the same position in regard to the Local and Supreme Governments, respectively, as the local Accountants stand at present.

21. The Pay Masters will be supplied with copies of the sanctioned Budget Estimates by the Financial Department.

22. The Returns to be furnished by the District Treasury Officers will be much the same as at present. The Cash Accounts and all other Returns now prepared for submission to the local Accountants will continue to be sent to them as Deputy Auditors General, with the exception of the monthly Cash Balance Statements, and the Prospective Estimates of Receipts and Disbursements, which latter will be forwarded to the Pay Masters in the form annexed, marked A, in substitution of the form prescribed in paragraph 83rd of our Report of the 30th July last. The Cash requirements of the Military and Naval Departments will be communicated in Abstract to the Civil Pay Masters at the three Presidencies by the Officers whom the Military Finance Department may appoint, in such form as may be necessary to enable the Civil Pay Master to provide a proper supply of funds at each District Treasury. The Cash requirements of the Public Works Department to be entered in the form will, in like manner, be given on information to be supplied to the Civil Pay Masters by the Officers appointed for the purpose by the Department of Public Works. The Cash requirements of the Military Department will be based upon Estimates in detail of sanctioned Services under which the Expenditure is to be incurred, and which, after being duly checked by the Controllers, in accordance with paragraph 8th of the Resolution of the 6th July 1860, will be made available for the inspection of the Civil Authorities, whenever called for. The form of these Estimates will be prescribed by the Audit Board.

23. The only Offices in which the new arrangements will necessitate any material change are those of the Sub-Treasurers at Calcutta, Madras and Bombay. These Officers have hitherto rendered no complete Returns to the Offices of Account. In future, they will be required to render complete Returns of the same general character as the District Officers.

24. On the receipt of the several Estimates of Requirements, the Pay Masters will prepare Abstract Statements of the estimated Receipts and Expenditure, whether Civil, Military, Naval, or Public Works, in all the Treasuries subject to their control, and if, on a general comparison of these Abstracts with the amounts sanctioned for each service, the Estimates of Requirements appear unobjectionable, they will be complied with: otherwise the Pay Masters will report to the Heads of the Civil and Military Departments, and, in important cases, forward copies of their reports to the Government of India, in the Financial Department, for such orders as may be necessary. It will be an important function of the Heads of the Civil and Military Departments to enforce the observance of the limits, and to declare under what heads of Service the disbursements should be restricted. The revision of the Estimates being completed, the Pay Masters will, with as little delay as possible, forward copies of their revised Abstracts of Requirements for the information of the Financial Department of the Supreme Government, with such remarks and with such requisitions as may appear to be necessary for the supply of Funds. The Cash Balance Returns in the form B, mentioned in paragraph 84th of our Report, No. 1, of the 30th June, should be sent to the Financial Department of the Supreme Government, as soon as can be, after the commencement of each month.

25. It will be understood that the word "Services," as used in the foregoing paragraph, is intended to apply to all the headings given in the form marked A annexed, which shews the headings of the "Abstract of Cash Requirements," and is not confined to the Budget Grants. This is necessary in order to keep the Financial Department informed of the general financial position of the Government. It is not intended that the Civil Pay Masters should report on the extent of the issues on account of the Budget Grants of the year, which could not be done with-

out great additional labor and expense, and which will be sufficiently provided for by the monthly concurrent Audit.

26. In order to allow of the submission to the President of the Audit Board of a monthly Abstract of Expenditure under each head of Service in the Civil Department, for the purposes of a concurrent Appropriation Audit, every Officer rendering an Account to the Deputy Auditor General will forward to that Officer, on the second working day of each month, a Balanced Abstract of Receipts and Disbursements for the preceding month, in such form as may be prescribed by the President of the Audit Board, to whom a consolidated Abstract of the whole will be submitted by the Deputy Auditors General. On receipt of these Abstracts it will be the duty of the President of the Audit Board to communicate to each Deputy Auditor General the expenditure at other Presidencies out of the Grants made on account of his Presidency, which will be exhibited in the Abstracts under the head of "Receipts and Disbursements on account of other Governments."

27. When the preliminary detailed Audit of Treasury Cash Accounts has been completed for any month by the Deputy Auditors General, the proper entries will be made in the Office Abstracts, and a Quarterly Return will be submitted to the President of the Audit Board, within 30 days of the termination of the quarter. A consolidated Abstract for the whole year will also be submitted, as soon as possible, after the termination of the 4th quarter. A Statement, in full detail, of actual Receipts and Disbursements within the year will likewise be submitted to the President of the Audit Board, within four months of the expiration of the year.

28. Similar periodical Returns will be furnished to the Deputy Auditors General by the Officers in the Public Works and Military Finance Departments nominated by the respective Departments for that purpose; those from the Public Works Department being for audit, and those from the Military Department, for consolidation in the general Return.

29. All Accounts and Returns of every description will, as far as is possible, be made to follow the form of the Budget Estimates. Should difficulty be experienced in preparing any accounts in accordance to those forms, reference will be made to the Chiefs of the Civil and Military Departments for such orders as may appear to them to be necessary.

30. When the above Returns have been rendered, the Deputy Auditors General and the President of the Audit Board will be in possession of all necessary information for the prosecution of the concurrent Appropriation Audit in the Civil Department, and the Controller and Second Member of the Board will be, in like manner, prepared to conduct the same Audit in the Military Department. The Deputy Auditors General and Controllers of Military Finance will, in their respective Departments, be prepared to respond to any calls that may be made upon them by the local Governments in respect to their Financial positions. The First and Second Members of the Audit Board will, likewise, as regards their respective Departments, be in a position to comply with any calls that may be made upon them, in respect to the Financial position of the Government of India generally.

31. Provision will then have to be made for the conduct of the final Appropriation Audit, which will be based on adjusted Charges only, and which, on that account, must be deferred until after the closing of the Annual Books of each Presidency and Department.

32. The Books to be forwarded by the Deputy Auditors General to the President of the Audit Board will comprise, in detail, the adjusted Accounts of the Civil and Public Works Departments, which latter it has already been determined, shall follow the same course as the other Civil Accounts in respect to the final Appropriation Audit; and they will also contain, as at present, an Abstract of the Military adjustments, which Abstract will be furnished by the Military Finance Department.

33. The Books of the Military Department will be sent by the Military Finance Department to the Second Member of the Audit Board, and the Accounts will be dealt with in accordance with the Rules prescribed in the Financial Resolution, No. 119, of the 16th November last. It is here only necessary to observe that copies of the Military Returns mentioned above in connection with the concurrent Audit must be forwarded to the Military Finance Department, and that the adjusted Charges of the Military Department must be submitted by the Military Finance

for the final Appropriation Audit of the Second Member of the Audit Board, in pre-
ne manner as the adjusted Charges of the Civil and Public Works Departments are
ed for the final Appropriation Audit of the President of the Board by the Deputy
eral.

e mode in which the final Appropriation Audit is to be conducted by the Audit Board
een adverted to in paragraphs 15th to 17th of the Financial Resolution of the 16th
well as in the preceding part of this Report. But in order to avoid any misap-
the subject, we may here again state that, in accordance with our views, it will be
dependently by the First and Second Members, who, in their respective Departments
emselves and report to Government on the mode in which the Deputy Auditors
e Civil Department, and the Controllers in the Military Department, and all Officers
o them, have performed their respective duties; and who, whenever those duties
iciently performed, and the limits of the Budget have been carefully observed, will
l Appropriation Audit, without reference to his Colleague or to any other autho-

is only when there has been a departure from the limits of the Budget Estimate, or
ceedings of other Departments, or any orders of any local Governments are in ques-
reference to the Board of Audit, in its collective capacity, will be necessary; and it
the Board to decide how far their own authority will suffice to dispose of such ques-
ere it may be necessary to refer to the Government of India.

hen the final Appropriation Audit has been completed in both the Civil and Military
the President of the Audit Board, as Auditor General, will consolidate the Accounts
nd Military Departments of all India in the Imperial Books. If any points should
to require explanation in the Civil or Military Departments, he will refer them to
ard, in its collective capacity.

further has to be considered, first, in what manner extraordinary Expenditure,
ssary by unforeseen emergency, can best be provided for; secondly, the manner
Balance remaining undisbursed on the 1st May in any year, out of any Service
e dealt with; thirdly, whether any, and, if so, what change is necessary in the
f the General Books; fourthly, whether the Sketch and Regular Estimates shall
; fifthly, what Books, Accounts, or Returns, shall be submitted to the Home
; and sixthly, what Accounts shall be rendered to the Government of India by the
ities, in order to complete the system of Financial Audit and Account.

ith respect to the first of these points, it may be remarked, that as all Charges, of
racter, that have to be included in the Budget Estimates as the scale of Charges
should be definitely and clearly set forth in the Budget Estimates of the several
, and brought under fixed and clearly defined heads, and based on calculations
pecific to be capable of verification, the "Extraordinary" expenditure referred to
e within the above, nor is it expenditure on account of petty contingencies or
s items, for which provision is made in the Budget Estimates, for various purposes
ognized by Government and classed under fixed heads of Service. It is confined to
on account of wars, famines, inundations, and such like occasions, which cannot
foreseen, and may best be provided for by special grants as the emergencies arise;
the Civil and Military Finance Departments being immediately prepared and sub-
et the emergencies. If, therefore, as provided for in the concluding clause of
h of the Resolution of the 7th April, 1860, any unforeseen emergency shall neces-
rdinary expenditure, the Executive Government or the local authority will represent
he Supreme Government, without whose sanction no additional expenditure must
unless indeed the urgency of the circumstances is such that application for prior
ot possible, in which case the earliest report must be made with the view of obtain-
equent sanction of the Financial authorities.

regard to the second point, it appears to us, that practically it will be found the
ient arrangement that the Grants to which the undisbursed balances appertain,

should be allowed to run on for 12 months after the closing of the year for which they may have been made, so as to allow of the greater portion of the liabilities incurred within the year to which the Grants belong being adjusted before the expiration of the 12 months. All balances would then be surrendered, and any claims remaining unliquidated, which might subsequently be made good, would be discharged only under special orders of the Government of India. The Audit Board will be careful to see that these balances are not applied in discharge of any liability not incurred within the year for which the Grants may be made. It will be understood also that, if occasion may require, it will be in the discretion of the Audit Board, either on their own motion, or on the representation of the Head of either the Civil or Military Department, to call for the surrender of the balance of any particular Grant at any period short of 12 months after the expiration of the year.

40. With regard to the General Books, no change will be necessary, except in respect to the adjusted "Receipts and Charges on account of other Governments," which have hitherto been treated as Supplies, and which will now, under the system recommended in our Report, No. 6, of the 27th October last, be finally adjusted on the Local Books; in order to allow of which it will only be necessary, as stated in paragraph 46th of the same Report, to vest the Civil Pay Master and the corresponding Officers in the Public Works and Military Departments, with authority to pass charges of the description referred to, in conformity to the Rules of the Presidency to which they may appertain. The manner in which these charges will be entered in the Books has already been stated in paragraph 45th of the said Report. On the completion of the Imperial Books, the final adjustments will be communicated to the several Deputy Auditors General and to the Military Finance Department by the Audit Board.

41. With regard to the Sketch and Regular Estimates which have heretofore been reported to the Home authorities in October and January in each year, we believe that both may, without disadvantage, be discontinued. The former is rendered at too early, and the latter at too late a period; but we do not consider that it would be expedient that the Government should be left during the whole 12 months of the year without any Estimate of prospective Expenditure, beyond the Estimate of Cash Requirements that has to be furnished with the Budget Estimates; and we accordingly propose that, in lieu of the Sketch and Regular Estimates, a single Estimate of Cash Requirements within the year be prepared for despatch from the Offices of the Deputy Auditors General, in communication with the Military Finance Department, to the Audit Board, on the 1st of October of each year. This Estimate would generally include the actual Expenditure of 4 months, and it would, at the same time, be rendered early enough to allow of any necessary measures being taken to provide for demands unexpected at the commencement of the year.

42. With respect to the fifth point, *viz.*, what Books, Accounts, or Returns shall be submitted to the Home Government, we would observe that the following are at present rendered by the Accountant General to the Government of India:—

MONTHLY.

A Rates of Interest, Discount, &c., of the Bank of Bengal.
A Rates and Amounts of Bills accepted at the Accountant General's Office.
A Rates of Copper Pice, Spanish Dollars and Government Securities.
Liabilities of the General Treasury.
Accounts Current of Capital and Revenue Accounts of the East Indian Railway Company.
" Jubbulpore Line.
" Eastern Bengal do.
" Calcutta and South Eastern Railway Company.
Accounts of the third Expedition to China.

All these Accounts may continue to be sent, with the exception of the Return of the Liabilities of the General Treasury, which does not seem to be necessary. We believe that the Accounts marked A were required by the Honorable Court, in order to ascertain the state of the Money market at Calcutta.

QUARTERLY.

Accounts Current with Her Majesty's Colonial Government in the West Indies.

These Accounts were sent Home for the adjustment of advances made to the Emigration Agent for those Colonies; but as, under present arrangements, the advances are made on Bills, the Accounts may be discontinued without inconvenience.

ANNUAL.

1. General Journal and Ledger.
2. Statements of Actual Receipts and Disbursements.
3. Anticipation Sketch Estimate.
4. Sketch Estimate.
5. Regular Estimate.
6. Account with Her Majesty's Imperial Government.
7. " Her Majesty's China.
8. " Her Majesty's Ceylon.
9. " Her Majesty's Mauritius.
10. Quick Stock Statement.
11. Dead Stock do.
12. Copies of Cash Accounts of the Treasuries in the Straits Settlements.
13. Do. of the Civil Pay Department of the General Treasury.
14. Do. of the Bullion weight and other Accounts of the Calcutta Mint.
15. Copies of Cash Accounts of the Board of Examiners.
16. Do. of do. of Superintendent of Mysore Princes.
17. Do. of do. of Residents and other Political Officers.
18. Do. of do. of the Durbar Books.

From Military Branch.—Military Books.

" Annual Statement of payments on account of Lord Clive's Fund.

The Annual Statements 1, 2, 6, and 7, should be continued. Statement 10, which is sent to the Financial Department for the preparation of a Debt Statement for the Home authorities, must also be continued. But the Anticipation Sketch Estimate will not be required, as its place will be taken by the Estimate of Cash Requirements to be furnished at the same time with the Budget Estimates: and the Sketch and Regular Estimates may also be dispensed with, if the proposal for an Estimate in October, mentioned above, is approved of by the Government. Returns Nos. 8 and 9 were called for only for information. As such information may, however, be had from the Books, and as the Colonies of Ceylon and Mauritius adjust their transactions with the Indian Government direct, the Returns may be discontinued. Return No. 11 may be discontinued; the details of Dead Stock being given in the Books. Returns Nos. 12 and 18 are copies of the Monthly Accounts rendered to Accountant General's Office. As the adjustments in the Books are sufficiently detailed, these may be discontinued without inconvenience. It may, however, be observed that a proposition was submitted, some years ago, for the discontinuance of the Durbar Books as they were incorporated bodily with the General Books; but the late Honorable Court negatived it, on the ground that such discontinuance would not suit their Office arrangements. For the same reason it may perhaps be deemed desirable, before orders discontinuing any of the Returns now mentioned are issued, to obtain the orders of the Secretary of State, who might at the same time be requested to state what Returns, at present submitted by the Accountants to the local Governments, may likewise be dispensed with.

43. The following are the Returns sent to the Secretary of State by the Financial Department:—

ANNUAL.

1. Anticipation Sketch Estimate, Report and Statements.

2. Sketch Estimate, Report and Statements.
3. Regular Estimate, ditto ditto.
4. Actual Accounts, ditto ditto.

5. Abstract of Quick Stock Statements of the several Presidencies, with a general Abstract for all India, for presentation to Parliament.

6. Post Office Receipts and Charges in India, (sent through the Home Department.)

7. Finance and Revenue Accounts of the Government of India for the past year, with an Estimate of the current year, for presentation to Parliament.

QUARTERLY.

8. Comparative Statement of the Sales and Duty levied on Salt in Bengal.

MONTHLY.

9. Assets and Liabilities of the General Treasury at Calcutta.

BI-MONTHLY.

10. Statements of Subscriptions to open Loans and Treasury Bills.

Of these returns, Nos. 1, 2, and 3 may hereafter be dispensed with for the reasons already stated; Reports on the Estimates of Cash Requirements to be furnished with the Budget Estimates, and on the 1st October in each year, being substituted for them. A Return (No. 4) of Actual Receipts and Disbursements will still have to be sent, but probably in a modified form. Returns Nos. 5, 6, 7 and 10 may be continued. Returns 8 and 9 may be discontinued.

With regard to the sixth point, viz., what Accounts shall be rendered to the Government of India by the Home authorities, in order to complete the system of Financial Audit and Account, we may observe that the Returns at present received are :—

ANNUAL.

Estimate of Home Receipts and Charges (Requisition.)

Received through the Home Dept.:

- Printed—Finance and Revenue Accounts of the Government of India.
- Ditto—Estimated and Actual Accounts of the Home Treasury in London.
- Ditto—Account of the Debts and Credits in England of the Government of India.
- Ditto—List of the several Establishments of the India Office in England, with the salaries and allowances payable in respect thereof.
- Ditto—An Account of new or increased salaries, Establishments, or Pensions payable in Great Britain, granted or created in each year.
- Ditto—Allowances, Compensations, and Superannuation Pensions granted in each year to Officers and Servants.
- Ditto—Compensation granted to each of the widows and children of deceased Officers and Servants in England.
- Ditto—Do. to the families of deceased Officers of the Company's late Maritime Service in the form of Annuities.

HALF-YEARLY.

Statement of advances made from the Home Treasury to the wives and families of Officers of the Indian Service.

Ditto of sums issued to persons in England on account of their Annuities from the Bengal Medical Retiring Fund.

QUARTERLY.

Statement of sums paid and received on account of the Bengal Military Fund.

PERIODICAL.

Claims of the War Office for Arms, Ammunition, &c., sent to India.

None of these Returns can, with propriety, be discontinued; but they do not suffice for the object in view. The only portion of the Charges in England on account of India which appears on the Books in India, consists of interest paid in London on account of the Book Debt Loans, and the value of Stores of all descriptions sent out to India, the cost of which is brought on the Books from the Invoices, and credit duly afforded to London. These two items (Interest 8,00,000 and Stores 1,55,00,000) amounted in 1858-59 to £1,630,000. The greater portion, however, of the Home charges (briefly exhibited at page 9 of the English printed Statements) which amounted in that year to £6,051,566, does not appear in the Accounts in this country, as no documents are received from London by which the adjustment could be made.

44. The Financial transactions with the Home authorities connected with Railways in India, payments on account of the several Service Funds and remittance transactions with Her Majesty's Government, not being charges against India, &c., but merely remittances or advances, are omitted from the Statement referred to. These are all duly adjusted in the accounts prepared in this country; the sums received and paid in England being met by equivalent debits and credits in the general books. For the Home charges abovementioned, there is, however, no such adjustment in this country; and the system of Audit and Account will, unless sufficient information is afforded for such adjustment, be to that extent incomplete.

45. The absence of such an adjustment has led to the accumulation of large balances on the books of the Government of India, nominally against London, and in favor of India, and which amounted, in 1858-59, to upwards of seventy crores of Rupees. "Account Current with London" and similar heads of Account have been debited with the remittances made from India (*i. e.* bills drawn on India, &c.,) to meet the Home expenditure, and if this expenditure had appeared on the books under proper heads of charge, a corresponding credit *per contra* would have been afforded to London under the same heads of Accounts. In the absence of this credit, the debits remain in balance* and accumulate from year to year. In the books of Madras and Bombay, the transactions are shewn under "Supplies between India and London," which is closed to or by "Territorial Revenue," without passing through the heads either of Charge or Profit and Loss.

* *It may be necessary to remark that these balances have been held on the books from the year* 1750-51, *and submitted annually to the Home authorities.*

46. For the removal of this anomaly in the Books prepared in this country and for the completion of the system of Audit and Account by the concentration in the Books of the Board of Audit of the whole of the Receipts and Charges of the Indian Empire, two plans may be suggested. An Account Current, quarterly or annual, shewing in detail, under the several heads of Service, the Receipts and Charges of the Home Government, may be furnished for detailed check and adjustment on the Books prepared in this country, and the eventual Audit of the Audit Board; or a copy of the Home Books, with the preliminary Audit already completed in England, might be furnished to the Audit Board, for final audit and consolidation in the imperial Books; which would then represent the entire Accounts connected with Her Majesty's possessions in India under the control of the Secretary of State for India in Council.

47. It only remains for us to remark on the manner in which the Budget Estimates, and the Estimates of Cash requirements should be submitted for the consideration of Government.

On this point, it was ordered in the 6th paragraph of the Resolution of the Military Department, No. 710, dated 6th July 1860, that the detailed Estimates of Expenditure and requisitions for Stores in the Military Department of the Bengal Presidency, and for the Territories under the direct control of the Government of India, should be forwarded to the Military Finance Department, for submission to the Supreme Government; and as regards Madras and Bombay, that the Military portion of their general Estimates, together with detailed Estimates received from the Governments of those Presidencies, should be referred to the Military Finance Department, who, after check and examination, would propose to Government any alterations that might be necessary, and combine the revised Estimates into one general Estimate for all India.

48. In our Report, No. 6, of the 27th October 1860, it was proposed that the Military and Naval Estimates should be prepared and forwarded, under orders of the Military Finance Department, to the Deputy Auditors General at Madras and Bombay, who should incorporate them

with the Civil Estimates in one general Statement for the Presidency, and that such general Statement should be sent through the local Government to the Financial Department of the Government of India, by which Department it was intended that the Military and Naval portions of the Estimates should be sent for report to the Military Finance Department. We still think that this last mentioned course should be followed; but instead of the combined Military and Naval Estimate being forwarded after revision direct to the Government of India by the Military Finance Department, we consider that it should be forwarded by that Department to the Auditor General. In like manner, we think that the Civil Estimates of all the Presidencies and Administrations should be forwarded by the Financial Department of the Government of India to the Chief of the Civil Finance Department for revision, and when the Estimates of the two Departments have respectively thus been revised, that the whole should be consolidated into one General Abstract Estimate by the Auditor General of India, for submission to the Financial Department of the Government of India.

49. We may notice here the absolute necessity of a good system of periodical inspection, in order to the proper development and uniform application of every system of Account—a necessity which is indeed everywhere admitted, and has beeen particularly remarked upon by the Military Finance Commission in paragraphs 46th to 49th of their Report, No. 4, dated 30th April last. We think that this object may sufficiently be secured by vesting the Members of the Audit Board with authority to make tours of inspection, periodically, either personally or by the deputation of qualified Officers selected at their discretion from the Department, for the purpose of ensuring uniformity of action, as well as a rigid adherence to the Rules of the Department, and also by following the course indicated in the last clause of paragraph 8th and in paragraph 9th of the Resolution of the 6th July 1860, which may be applied equally to the Civil and Military Departments.

50. Should the above proposals meet with the approval of Government, the several Officers of the Civil Department may be requested to furnish reports on the changes in their several establishments that will be necessary in order to carry out the arrangements; and the change of system may be introduced from the 1st May next.

(Signed) C. H. LUSHINGTON.
(„) E. DURMMOND.
(„) R. TEMPLE.

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(Signed) C. H. LUSHINGTON.
(„) E. DURMMOND.
(„) R. TEMPLE.

A.

MONTHLY Estimate of Probable Receipts and Disbursements of the Treasury for and two ensuing months.

Estimated Receipts for the current year.	Actual Receipts of the year up to date.	No.	Probable Receipts.	Month of	Month of	Month of	Remarks.	Estimated Disbursements for the current year.	Actual Disbursements up to date.	No.	Probable Disbursements.	Month of	Month of	Month of	Remarks.
			Cash Balance on the 1st of each month....							A.	Allowances, Refunds and Drawbacks.				
		I.	Land Revenue, &c. 1. Land Revenue... 2. Sayer... .. ... 3. Abkaree...							B.	Charges against Income.				
		II.	Assessed Taxes. 1. Income Tax..... 2. Tobacco License.. 3. Duty on articles, trades, &c.....							I.	Revenue Departments.				
		III.	Customs...								1. Land Revenue. ...				
		IV.	Salt...								2. Assessed Taxes ...				
		V.	Opium..								3. Customs..				
		VI.	Stamps...								4. Salt...				
		VII.	Post Office...								5. Opium...				
		VIII.	Electric Telegraph....								6. Stamps...				
		IX.	Law and Justice... ...								7. Post Office... ...				
		X.	Police...								8. Electric Telegraph ...				
		XI.	Mint...								9. Superannuation Pensions...				
		XII.	Marine...								10 Miscellaneous... ...				
		XIII.	Public Works...							II.	Allowances and Assignments under Treaties and Engagements...				
		XIV.	Tributes, &c...							C.	Army...				
		XV.	Miscellaneous—Civil... ...							D.	Indian Navy...				
			Ditto——Military... ...							E.	Civil Services...				
		XVI.	Public Debt...							I.	Public Works...				
		XVII.	Adjusted Receipts on account of other Governments... ...							II.	Salaries and Expenses of Public Departments... ...				
		XVIII.	Remittance from other Governments—							III.	Law and Justice...				
			India...							IV.	Police...				
			Bengal...							V.	Education, Science, and Art...				
			North Western Provinces...							VI.	Political Agencies and other Foreign Services... ...				
			Punjab...							VII.	Superannuation and Retired allowances and gratuities for charitable and other purposes				
			Madras...							VIII.	Marine...				
			Bombay...							IX.	Miscellaneous...				
			Total Receipts...	—	—	—				X.	Civil Contingencies... ...				
			Probable Deficiency.. ...	—	—	—					Public Debt...				
			Grand Total Rupees...	—	—	—				F.	Adjusted charges on account of other Governments... ...				
										G.	Remittances to other Govts...				
										H.	India.....				
											Bengal....				
											North Western Provinces.				
											Punjab...				
											Madras...				
											Bombay...				
											Total Disbursements...	—	—	—	
											Cash Balance on the ...	—	—	—	
											Grand Total Rupees...	—	—	—	

Read Memorandum by Colonel G. BALFOUR, C. B., President, Military Finance Department, No. 3517, dated the 17th idem.

RESOLUTION.—The Honorable the President in Council, having considered the abovementioned Report submitted by the Budget and Audit Committee, under date the 18th instant, together with Colonel Balfour's Memorandum, No. 3517 of the 17th idem, observes that the points mooted in paragraphs 3 to 12, 19, 23, and 46 of the Report, especially call for the orders of this Government.

2. With regard to paragraphs 3 to 8, which relate to the functions of the First and Second Members of the Audit Board in their collective and separate capacities, respecting which there is a difference of opinion on the part of Colonel Balfour, Chief of the Military Finance Department, and the Budget and Audit Committee, the Honorable President in Council is not aware that any more definite orders can be passed by the Government than that no work shall be performed twice over. The action of the Chief of the Military Finance Department, in his capacity as Appropriation Auditor, will not be subject to revision by his colleague in the Audit Board, so long as the items under audit are within the sanctioned limits of the Budget Estimates. When those limits are exceeded, the item in question will come under the consideration of both Members of the Audit Board, who will then act in their collective capacity in either referring the case to Government for orders or disposing of it themselves; in other words, Mr. Drummond, as Appropriation Auditor in the Civil Department and Ex-Officio First Member and President of the Audit Board, and Colonel Balfour, as Appropriation Auditor in the Military Department and Ex-Officio Second Member of the Audit Board, will Audit and finally dispose of every thing in their respective Departments, which does not, from its involving matters affecting both Officers, or from its novelty and magnitude, or from its being wrong and contrary to sanctioned appropriation, require to be brought before the Board of Audit, which then will sit as a real Board of two acting Members. The signatures of Mr. Drummond as "Civil Auditor," and Colonel Balfour as "Military Auditor," without specifying their position as Members of the Audit Board, will suffice finally to dispose of any thing; but of course each will be responsible to his colleague and to the Government that nothing is passed on his individual authority which ought to be brought before the Board, just as the Board again will be responsible, in its collective capacity, for passing nothing deserving the consideration of the Government without calling its attention to the matter.

3. The questions noted in paragraphs 9 and 10 of the Committee's Report are, His Honor in Council observes, questions of the kind which ought to be referred to Government by the Audit Board for orders. All questions requiring a decision by Government will be submitted through the Audit Board, and all orders of Government on such questions will be communicated to that Body.

4. With reference to paragraph 19 of the Committee's Report, His Honor in Council observes that confusion will be avoided if the local Accountants retain that designation, together with their new title of Deputy Auditors. He accordingly desires that those Officers be styled "Deputy Auditors and Accountants General."

5. In regard to paragraph 23 of the Committee's Report, His Honor in Council directs that the Sub-Treasurers at Calcutta, Madras, and Bombay, be desired to render complete Returns to the Offices of Account, of the same general character as the District Officers' Returns.

6. Referring to paragraph 46 of the Committee's Report, His Honor in Council thinks that of the two plans suggested for the completion of the system of Audit and Account, by the concentration in the Books of the Board of Audit of the whole of the Receipts and Charges of the Indian Empire, the second plan is preferable to the first. He accordingly resolves that arrangements be made in order that a copy of the Home Books, with the preliminary Audit already completed in England, may be furnished to the Audit Board, for final consolidation in the Imperial Books.

7. His Honor in Council approves generally of the proposals of the Committee relating to all the other points embraced in their Report, and he resolves that they be acted on, and that the valuable labors of the Committee be brought to the notice of the Right Honorable the Secretary of State for India, in reporting these proceedings to Her Majesty's Government.

Ordered, that a copy of the above Resolution be forwarded to the Budget and Audit Committee, for information.

Ordered, also, that a copy of the Resolution, and of the Budget and Audit Committee's Report, No. 10, dated the 18th instant, be forwarded to the Departments,* Governments,† and Officers‡ noted in the margin, for information and guidance.

* Home, Foreign, Military, and Public Works Departments.
† Governments of Bengal, Madras, Bombay, North Western Provinces, and Punjab.
‡ Accountants General to the Governments of India, Madras, and Bombay.
Accountants to the Government of Bengal, North Western Provinces and Punjab.
Civil Auditors, Bengal, Madras, Bombay, North Western Provinces and Punjab.
Sub-Treasurers, Fort William, Madras, and Bombay.
Audit Board.
Military Finance Department.

Ordered, further, that the Resolution and the Budget and Audit Committee's Report be published in the *Government Gazette* for general information, and that a copy of all the papers be forwarded for the information of the Right Honorable the Secretary of State for India.

(A true Extract.)

(Signed) C. HUGH LUSHINGTON,
Secretary to the Government of India.

ORDER THEREON, 1st March 1861, No. 114.

Ordered that copies of the foregoing papers be furnished to the Revenue and Public Works and Military Departments, and also published in the Fort Saint George Gazette.

(True Extract.)

To the Revenue Department.
" Public Works Department.
" Military Department.
" Superintendent Government Press.

Exd. F. Cartledge.