

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.	1212	Press
		Mis.
	322. 323	
Dated	17. 7.	18 1863

Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
17th July 1863.*

No. 322. Read the following Proceedings of the Board of Revenue, dated 20th April 1863:—
Read the following letter from J. L. LUSHINGTON, Esq., Acting Deputy Auditor and
Accountant General, to W. HUDLESTON, Esq., Secretary to the Board of Revenue,
dated Fort Saint George, 17th April 1863, No. 7,623.

SIR,

1. I have the honor to acknowledge the receipt of the Proceedings of the Board of
Revenue, under date the 10th instant, No. 2,049, a copy of
Standing Circular No. XL. which was furnished to me, and to observe that the instructions
issued by them to Collectors, based on the principles contained in the paper of questions and
answers, regarding the framing of future Budget Estimates of the Revenue Department, are at
present premature and opposed to the rules now in force, laid down by competent authority.

2. In the first place, I have to remark that the paper of questions and answers above alluded
to is not authenticated, nor was it accompanied, as it assuredly would have been had the paper
been intended for guidance, with the requisite instructions from the Government of India,
for carrying out in full or in part, the principles therein enunciated. Four copies of the same
paper were received by me under blank cover, but in the absence of instructions on the subject,
I did not consider myself authorized to effect any change. I also remark that the Madras
Government, in communicating the paper in question to the Board, sent it for "their informa-
tion," and not "guidance." Had the Government received any instructions with the paper of
questions and answers, they would certainly have communicated them to the Board.

3. The principles enunciated in the paper of queries and answers, and the rules now in opera-
tion, for the preparation of the Budget Estimates are so opposite that, if the changes directed
by the Board were carried into effect, it would as a matter of necessity, involve changes in all
the estimates and actual accounts rendered by this Office to the Home and Indian Governments,
not excepting the General, Territorial and Political Books, because it affects one of the funda-
mental principles of the Budget system, which is that arrears of receipts and charges be kept
distinct from current transactions, and that the Budget Estimates embrace receipts and charges
of the year only.

4. From this it will be seen that unless the orders now in force be cancelled, and the entire
forms for rendering the various returns be changed, the principle laid down in the paper of
queries and answers cannot be acted upon, nor can the said paper be regarded as authority for
effecting these changes, as it has not been forwarded for guidance.

5. Under these circumstances I request that the Board will re-consider the Circular instruc-
tions referred to, issued by them.

1. Ordered to be submitted to Government for their decision, with copy of the Board's
Circular.

2. As no Budget Estimates have to be framed for some months to come, there is ample time
to rectify any mistake, but the Board are under the impression that the principles which the
Acting Accountant General states to be at variance with the existing Rules and practice, are more
likely to be adopted than rejected.

(A true Copy and Extract.)

(Signed) W. HUDLESTON, Secretary.

No. 323.

ORDER THEREON, 17th July 1863, No. 1,312.

Letter from Government of India, Financial Department, to
Officiating Auditor General of India, dated 6th May 1863,
No. 1,870. Vide "Fort Saint George Gazette," page 935
of 5th June 1863.

payment. This is the only sound principle and there is nothing in the circumstances of this
Presidency to warrant a departure from it.

(Signed) J. D. SIM,
Secretary to Government.

*Secretary to Government
Revenue Department
with copy of Board's Circular of 20th April 1863*

STANDING CIRCULAR, No. XL.

Board No. 2,049.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 10th April 1863.

Read the following:—

REVENUE DEPARTMENT.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read the following:—

Questions and Answers on framing Budget Estimates "for the liabilities of the year", or for "sums expected to come in course of payment within the year."

Question by Sir Charles Trevelyan. 1st.—Are you as perfectly convinced as ever that it is an indispensable condition of an effective system of official accounts, and of their appropriation audit, that the Votes should be taken for the sums "which shall come in course of payment during the year?"

Answer by Mr. W. G. Anderson, Principal Financial Officer of Her Majesty's Treasury at Whitehall.—Few will be disposed to deny that, in a perfect system of accounts, it is essential that the principle applied, in recording the cash transactions, should be uniform and consistent throughout.

First, let us take Receipts. What has always been considered to constitute "Revenue"? We have been consistent in this branch of our accounts, even when we had conflicting principles in force on the expenditure side of the Balance Sheet. We have invariably taken actual Receipts of Customs, not sums due. Actual Receipts for Excise, Taxes, Stamps, Income Tax, not assignments of sums payable. Crown Rents actually received, not Rents due and payable. In short Actual Receipts have uniformly constituted the Revenue side of the Public Account.

As regards "Expenditure," we have construed the term differently, without any reference to consistency of account. In some cases, a liability incurred has been considered as Expenditure, and has been charged accordingly, without any reference to the date of payment. Thus a supply made, or a service performed, in a given year, and paid for in a subsequent year, has been charged back as expenditure belonging to the year in which the liability was incurred. A salary, Pension, or Annuity of any kind, has, in like manner, in some Departments been considered as expenditure belonging to the year in which the same was due, and not to the year in which the payment was ordered, or made. Nor were we consistent in adopting either one principle or the other. Some Departments adopted one principle, some another, according to their caprice or convictions. Some have carried the principle so far as to consider a contract entered into for a supply as expenditure belonging to the period at which the contract was made, without reference either to the date of delivery of the supply, or to the date of payment; (see some of the early Naval Balance Sheets after 1831, Article "Victuals,"). Controversies have also arisen as to what constituted an actual payment, *i. e.*, whether an order for payment issued, or the actual cashing of that order. These inconsistencies rendered it impossible to consolidate the accounts of the different Departments into one uniform national account.

In determining the principle upon which Votes for public expenditure should be taken, the first question which obviously arises is "What is the object of a Vote?" Is it not to determine the amount which shall be levied on the tax-payer to meet the current wants of the public service? The object is not to draw from the people money not wanted for the service of the year for which the Vote is obtained, to be locked up as "dead and unemployed" capital in the Exchequer. A fair balance being always kept in hand, the current expenditure should, as far as practicable, be met by the current receipts. After the taxes are paid in, the sooner the money is put in circulation again, the better. It is therefore considered that the income being "the sums which come in course of receipt during the year," the expenditure ought to consist of "the sums which come in course of

Secretary to Government

Revenue Department.

with copy of Board Circular of 10th April 1863

payment during the year." This principle is simple and is susceptible of universal application. Any other must lead to complication and inconsistencies.

Question by Sir Charles Trevelyan. 2nd.—In the Departments to which this principle is applied, is the line absolutely drawn at the close of the last day of the official year, with the result that the quarter's salaries paid on the first day of the succeeding quarter are thrown forward into the accounts of the following year?

Answer by Mr. W. G. Anderson.—This question must be answered, first, as to the strict application of the Rule of charging to the account of the year only those "sums which come in course of payment during the year;" and secondly, as to the practical construction of the word "Payment."

The rule of charging to the year's account only those sums which are paid within the year (subject to the explanation which follows) is strictly followed both in the War and Naval Departments. Thus final payments made by those Departments, and chargeable directly to the Votes, cease on the 31st March, the last day of the financial year, and the payments made on the 1st April fall into the succeeding year. Money advanced to Sub-Accountants, on Imprest, is not charged against the Votes, but is debited to their personal accounts. When the Sub-Accountants render their accounts of payments to the 31st March, the sums paid by them up to that date are charged against the Votes for the year in which such payments have been made. Any balance of the Imprest remaining on the 31st March is carried to the account of the next year as cash in hand, and so much of it as may be paid away in such succeeding year is charged against the Current Votes of that year. If a Sub-Accountant pays more than the amount of his Imprest in the year, his whole payments are charged against Votes of the year, and the deficient balance due to him is carried forward and diminishes, *pro tanto*, the surplus cash on other accounts. Any Imprest, not accounted for before the closing of the year's account, is carried forward as a balance to be accounted for in the next year's account, and thus falls into the expenditure of that year, if the expenditure of such Imprest be accounted for before the final closing of the account of such year.

It should now be explained what the Army and Navy Departments consider to be a *payment*.

In ordinary private matters, if a person gives his tradesman a cheque on his Banker, taking his receipt for the same, he considers his account actually paid, whether the tradesman has thought proper to present his cheque or not; his account at his Banker's remains liable for the amount of the cheque, and the sum so assigned for payment is no longer at his disposal. In short, the cheque given is treated by the drawer as an actual payment of the amount which it represents. So it is with the Army and Navy Departments. They pay by orders issued on their Banker, the Paymaster General. These orders, whether called Bills, Warrants, &c., are treated as "payments," or as Instruments equivalent to what we generally understand by a draft or cheque on a private Banker. The date of the issue of such order regulates the charge against the vote of the year. The cashing of the orders does not affect the service account of the year; the cash is considered as appropriated to the payment of the order on the day on which the order is drawn. Salaries are paid upon lists; these collective orders are treated in the same way as single orders, and are passed to account as payments within the year. Accounts are opened in the War Office and Admiralty Ledgers for "Bills or orders payable," or for "Salary lists payable." These accounts are credited with the amounts of the orders debited against the Votes, when issued, and they are debited "to Cash" when cashed. The Accounts "Orders Payable" and "Cash" are personal accounts, and the shifting of charge from one to the other does not affect the general balance. The amount of the orders has been charged to the fund appropriated to the Service or Vote at the time of issue, and an account of "Orders payable" has been raised to represent the cash appropriated to the payment of such orders; the general balance is not affected therefore by the cashing of such order. Such is the practice in the Army and Navy Departments, so far as it relates to Effective

The Non-Effective services for those Departments are paid by the Paymaster General, on permanent orders given once for all. For all payments of this class, the rule of "actual payment by the Paymaster General within the year" is strictly followed.

The uniform regulations which have been applied to the expenditure of the great Naval and Military Departments have not yet been extended to the Miscellaneous Civil Expenditure, although the Votes for Civil Services were last year taken for "the sums which shall come in course of payment during the year," the system of accounts for carrying into effect the audited appropriation of the Civil Votes, on the same principle as that adopted for the Army and Navy, having not yet been established. One point of difference, which will arise in the application of the same system, refers to the payment of salaries. The system of payment is necessarily different. The Civil Services are scattered over so many Departments, some of which draw directly on the Pay-

master General, others indirectly through the superior Departments under whose control they act, and upon special orders, others upon permanent authorities, that it will not be possible to apply the exact uniform routine followed for Army and Navy services. The practical rule which appears likely to work best is that adopted for all Non-Effective services, namely, that the date of payment by the Paymaster General should determine the year to which the charge belongs; this is also the rule applied to dividends and other payments of the Public Debt.

Under this regulation, supposing the system of *monthly* payments to exist in India, the payments in the year would represent the sums due for one month of the back year and 11 months of the current year.

The difficulty of obtaining Votes for Civil Services sufficiently early in the Session to meet the payments for salaries of the Civil Departments on the 1st April (being for salaries due for the period from 1st January to 31st March), is the only objection which exists here to the adoption of the strict rule of considering the date of payment as the guide for charging the year's account, but this difficulty does not exist in India, and even here we hope to get over it by inducing the House of Commons to give us Votes "upon account," so that we may obtain supplies for the year, available for issue on the 1st April.

TREASURY, 10th January 1863.

ORDER THEREON, 21st March 1863, No. 26.

Ordered that a copy of this paper be furnished to the Board of Revenue for their information.

(True Extract.)

(Signed) J. D. SIM,
Secretary to Government.

1. Ordered to be circulated to all Collectors, for guidance in preparing their future Budget Estimates of Receipts and Expenditure.

2. They will observe that the approved principle, which they will carefully maintain in framing their calculation, is that *sums which come in course of receipt during the year* constitute income, and that *sums which come in course of payment during the year* constitute expenditure. Thus what may be expected to be *actual payments*, not *liabilities*, will be provided for in the Budget of charges, and probable *actual receipts*, whether on account of *current* or *arrears*, and not *demand*, will be estimated in the Budget of Receipts.

(True Extracts.)

(Signed) W. HUDLESTON,
Secretary.

(True Copy.)

(Signed) W. SCHARLIEB,
First Assistant.

To All Collectors.

Ed. J. Wright.

War Office Department.
with copy of Board's Circular of 10th April 1863

unless the orders now in force be cancelled, and the entire forms for rendering the various Returns be changed, the principle laid down in the Paper of Queries and Answers cannot be acted upon nor can the said paper be regarded as authority for effecting these changes, as it has not been forwarded for guidance.

5. Under these circumstances I request that the Board will reconsider the Circular instructions referred to, issued by them.

S. George
Adm. & Acct. Genl. Office
17th April 1863.

Sham & Co.
Sd. J. L. Lushington
By Dy Acct. &
Acct. General.

Ordered to be submitted to Government for their decision with copy of the Board's Circular. As the Budget estimates have to be framed for some Months to come, there is ample time to rectify any mistake, but the Board are under the impression that the principles which the Acct. General states to be at variance with the existing rules and practice, are more likely to be adopted than rejected.

True Copy & Extract.

D. Low Esq.
Secretary to Government

Secretary

Revenue Department.

with copy of Board's Circular of 10th April 1863

Submitted to the Board of Revenue
for their consideration
17th April 1863.

STANDING CIRCULAR, No. XL

PROCEEDINGS OF THE BOARD OF REVENUE
To All Collectors.

Dated 10th April 1863.

Received

Recd 9/17/63

Board No. 2,049

Circulating for guidance Government Order containing certain instructions to be observed in preparing future Budget Estimates of Receipts and Expenditure.

