

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.	2700	Press
63-64		~~Mis.~~
Dated	6 - 11 - 1868.	

Not to be folded or roughly handled

*Proceedings of the Madras Government. Revenue Department,
6th November 1865.*

No. 63. Read the following Extract from the Proceedings of the Government of India, in the Financial Department, Simla, under date the 6th October 1865, No. 2,778.

Read a letter dated 29th August 1865, from Mr. M. H. FOSTER, Commissioner of Inquiry into Indian Accounts, containing his views regarding the formation of a Central Office of Account.

RESOLUTION.—The Governor General in Council observes that there is already a Central Office of Account, viz., that of the Auditor General of India, but the work hitherto prescribed for it has to be modified and adapted now to the requirements of the new system of accounts.

2. From various causes it was deemed inexpedient, under the old system of accounts, to obtain from the Account Offices other than annual accounts of the actual receipts and charges of the several Presidencies and Provinces. The monthly and quarterly statements of receipts and disbursements fulfilled but imperfectly the purpose of an account of actual receipts and charges.

3. Under the new system, however, the abolition of pre-audit, and the separation of Cash accounts from Store accounts in the Civil and Military Departments, and of the accounts of the Military and Public Works Departments from those of the Civil Department, have facilitated materially the submission henceforth of monthly accounts of audited receipts and charges by the several Offices of Account in the Civil, Military, and Public Works Departments.

4. To utilize these monthly accounts, at the earliest practicable period, they should be incorporated, monthly, in Imperial Books, which the Central Office will keep, for shewing the revenues and charges of India, as well as of each Presidency and Province.

5. The procedure described in the 21st to the 33rd and 36th and 37th paragraphs of Mr. Foster's Memorandum, will be followed in the submission of accounts to the Central Office, and in the preparation there of the Imperial Books; and at the close of the year the annual Finance and Revenue accounts, for submission to Parliament, will be prepared from those books.

6. In order that the Imperial Books may be opened without delay, the Central Office of Account will accept from the Accountants General of the several Presidencies and Provinces, and from the Military and Public Works Departments, approximate balances for the 30th April 1865, which can be set right afterwards by corrective entries.

7. And in order that the monthly accounts of the local Accountants General may be rendered promptly to the Central Office of Account, the Governor General in Council requests that the several local Governments and Administrations will issue stringent orders for the punctual submission of the monthly Treasury accounts by Officers in charge of Treasuries.

8. If punctuality be ensured in this respect, "there is no reason," as observed by Mr. Foster, "why the monthly abstract accounts of the several Presidencies and Provinces should not be transmitted to the Central Office within four weeks after

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"the expiration of each month. The accounts of such Treasuries as lie at a great distance from Head Quarters, and are habitually late in their arrival, should be "treated as accounts of the subsequent month," except in the last month of the financial year. For the submission of the accounts for that month to the Central Office a little longer time will be allowed.

9. Under these orders, the monthly and quarterly statements of receipts and charges, which appertain to the old system of account, will be dropped as soon as they can be superseded by the monthly account of audited receipts and payments under the new system.

10. In connexion with this revised procedure for a monthly in place of an annual consolidation of the accounts of receipts and charges of India, it is necessary to revise the several Establishments under the officer who is Auditor General of India and Accountant General to the Government of India.

11. Henceforth, this officer will be called Comptroller General of Accounts,—the Board of Audit; which has been in abeyance for some time, being hereby abolished.

12. The Comptroller General will deal on his own authority with all ordinary questions relating to Indian Accounts, such as the classification of receipts and payments, the processes of recording them, the mode of closing subsidiary heads of account, and the like, his decisions on these points, when they establish a general rule, being simply communicated to the Financial Department.

13. But questions affecting any two of the three Departments, Civil, Military, and Public Works, or affecting the degree of control by the Supreme and local Governments, respectively, of particular items of receipt or payment, should be referred to the Government of India, in the Financial Department, for settlement, in communication, if necessary, with the Secretariats of the Departments concerned,—or if any points of this character, affecting one Department only, be settled in accordance with the report of the Comptroller General of Accounts, by an order of Government in the Department concerned, the report and decision should be communicated to the Financial Department.

14. The fundamental principles also of the new system, viz., the separation of cash from store accounts, except in the Public Works Department,—the prohibition, save in a few authorized exceptional cases, of interdepartmental adjustments,—the restriction of Treasury Accounts, as far as practicable, to mere elementary facts,—are not to be relaxed by the Comptroller General of Accounts without a reference to Government.

15. The Budget and Regular Estimates will be consolidated by the Comptroller General, but they will be reviewed as hitherto in the Financial Department.

16. In Provinces where the Budget Estimate is printed, a copy will be sent to the Financial Department and to the Comptroller General respectively, but where this desirable end has not yet been attained, and the Budget is still furnished in manuscript, one copy only will be submitted, viz., to the Financial Department,

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6th November 1865.*

which Department, after reviewing the Estimate, will forward it to the Comptroller General for incorporation in the Imperial Estimate.

17. The Comptroller General of Accounts will have charge of the following duties, viz :—

1st.—The management of the Public Debt, until the transfer of the duty to the Bank of Bengal.

2nd.—The accounts of the Treasuries which are under officers who are immediately under the Government of India.

3rd.—The Central Office of Account.

18. For these duties he will be allowed the aid of a Deputy Comptroller General, and Assistant Comptroller General, and a complement of other officers on the classified list of the Account Department, with the requisite office establishment.

19. But as, in connexion with the arrangements now ordered, the cost of the Auditor General's Office.
Board of Audit.
Office of the Accountant General.
Government of India, for Treasury Accounts.
Audit of Postal and Telegraph charges.

Financial Secretariat must be reduced, the additional charge for the Comptroller General's Department, beyond the cost of the offices now under him, which are noted in the margin, should be met from

the above-mentioned saving, the new Department being organized by a re-distribution of officers rather than by any increase of expense.

Ordered, that a copy of this Resolution, and of paragraphs 21 to 40 of Mr. Foster's Memorandum regarding the Central Office of Account, be sent to the Foreign, Home, Military, and Public Works Departments of the Government of India; the several local Governments and Administrations; the Comptroller General of Accounts; the several Accountants General,—and to the Deputy Accountants General in independent charge. Also that the Resolution, and paragraphs 21 to 40 of Mr. Foster's Memorandum, be published in the *Gazette of India*.

(A true Extract.)

(Signed.) E. H. LUSHINGTON,
Secretary to the Government of India.

(A true Copy.)

(Signed.) J. E. COOKE,
Asst. Secy. to the Govt. of India.

Transferred to the Revenue Department for disposal.

24th October 1865.

(Signed) W. HUDLESTON,
Acting Secretary to Government.

No. 64.

ORDER THEREON, 6th November 1865, No. 2,700.

Miscellaneous.

1. Communicated to the Board of Revenue, whose particular attention is called to paragraph 7 of the Order of the Supreme Government, and paragraph 40 of the Extract from Mr. Foster's Memorandum, accompanying it.

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2. They will issue the strictest instructions to Collectors on the subject of the punctual submission of their Treasury Accounts, and impress on them that they will be held responsible for insisting on the observance of those instructions. The Government have much reason to think that in many Districts there is a tendency to shift all responsibility in this matter on the Deputy Collector in charge of the Treasury Department, but this cannot be allowed, and Collectors must understand that the relief that has been given them by the appointment of Deputy Collectors has in no way lessened their own ultimate responsibility.

(True Extract.)

(Signed) W. HUDLESTON,
Acting Secretary to Government.

To the Board of Revenue.

Exd. S. T. Augustin.

by Mr. A. H. Foster
Extract, paras. 21 to 40, from a Memorandum on the measures to be adopted for establishing a Central Office of Account in India.

21. Each Government and Administration will prepare and forward to the Comptroller General a Monthly Abstract of Receipts and Payments in the Form already laid down. This Abstract shows the Receipts,—1st, under the Main Heads, such as "Land Revenue," "Customs," &c.; and 2nd, under Minor Heads, such as, as regards the latter, "Imports," "Exports," "Miscellaneous;" and Expenditure under,—1st, Main Heads, such as "Land Revenue;" 2nd, Minor Heads, such as "Collectors' Establishments;" and 3rd, Detailed Items, such as "Salaries," "Contingent Charges," &c.

22. The Main and Minor Heads will be sufficient for the records of the Central Books, so that the detailed items may be omitted from these Accounts, though they will be included in the Abstracts for the purpose of reference in case of need. Before these Abstracts are dealt with in the Central Office, it would be convenient to strike out the annas and pies from the totals that are to be posted, increasing by one Rupee such totals as have the greatest number of annas in as many cases as will be sufficient to compensate for an equivalent number of Rupees lost by the omission of annas and pies.

23. The Military and Public Works Departments will also furnish monthly Statements of their transactions in the form prescribed by Government. In these the Main Ledger Heads will be "Army" and "Public Works," and the Minor Heads will consist of the Grants and other Heads of Service or of Receipt.

24. The Ledger will open with three General Accounts, viz., "Government Account," "General Revenue Account," and "Grant Account." Then will follow the several Revenue and Receipt Heads, then the Expenditure and Payment Heads, and finally the Personal and Balance Accounts.

25. It is needless to give all the Ledger entries in detail, but the following are the main entries, and will be sufficient to show the principle upon which the Account is to be worked.

26. The Balance Account will show the total debit and credit, opening and closing balances which will appear on the several Heads of Account throughout the Ledger. The Grants will be debited to Government and credited to Grant Account; Revenues and other Receipts will be credited to the Heads of Receipt Account; and debited to the Accountants receiving them. Sundry Services will be debited with the amount of payments, and the Accountants making them will be credited. The General Revenue Account will be credited with the amount of Revenue received, and the Heads of Revenue will be debited. The General Revenue Account, under which all the items of Revenue will be collected, will be debited, and Government will be credited with the total amount of Revenue.

27. On the other hand, the Heads of Expenditure will be credited with payments out of Grants, and the Grant Account will be debited with the amount of such expenditure. The balance on this account at the close of the year will show either a saving on the Grants or an excess of Expenditure, and will be credited or debited to Government Account accordingly. The balance at the credit of the Government Account will represent the difference between assets and liabilities of Government, and will be carried to Balance Account. The balance on the Receipts Accounts will represent the sums at the credit of Funds, &c., and will be carried to Balance Account. The balances of Funds and Debt Accounts will be carried to Balance Account, and the debit balances on the Accounts of sundry Accountants will represent the amount for which they are indebted to Government, and being carried to Balance Account, the Books will be closed.

28. Under this arrangement the Books will display the whole of the financial transactions of the Indian Empire, including the Grants, the Receipts, the Expenditure, the Savings on the Grants or the excess of Expenditure, and the Balances.

29. A Table is added, which will exemplify these operations more clearly than words can do. It must be remembered that the Ledger Headings are put in classes, and many detail Suspense and Adjustment Heads are omitted, as they will follow the ordinary course and not affect the principles laid down.

30. There should be no "Profit and Loss Account." Profit should go to the proper Head of Revenue, and losses as charges against the Head of Service on account of which they have been incurred.

31. The entries will be carefully journalised monthly in a Journal, similar in shape to that now being introduced into the Bengal Account Office, with Debtor and Creditor Columns on opposite sides. The Debtor and Creditor Columns of the Journal should agree in amount at the close of each entry and thus check its correctness.

32. The Minor Heads will be thus dealt with and will be posted monthly into the Ledger, which will have a separate Heading for each Minor Head tabulated with inner columns for the separate Governments. This will not be difficult to arrange as regards space, if the annas and pies be rejected. These Minor Headings will be closed annually to the Major Heads for which an opening will be reserved at the commencement of each set of Minor Heads. The mode of closing the Major Heads has already been described.

33. A monthly Trial Balance Sheet should be prepared on a printed Form from the Ledger. The totals on the Debtor and Creditor side of this Sheet will correspond in amount with those on the Journal, in which the total should be carried on throughout the year. It need scarcely be stated that no entry should appear in the Ledger that does not also pass through the Journal, though supplementary details may be added to either, when found convenient, without interfering with the totals forming the actual entry.

34. Before the opening entries can be passed into the Books, it will be necessary to obtain from the several Governments and Administrations, and from the Military and Public Works Departments, a Statement of the closing balances on their Books at the end of the previous financial year, in order that the opening entries may be correctly made in the Central Books.

35. There will be considerable difficulty in obtaining an accurate Statement, owing to the state of arrear which pervades almost all the Indian Accounts. Every effort should be made to bring these up in the shortest possible time, and where correct balances cannot be obtained, rather than delay the opening of the Books, it would be preferable to accept approximate balances, and as errors or discrepancies are discovered, to set them right by corrective entries.

36. When the Accounts have been brought into working order, a monthly Account should be prepared in the Form herewith annexed, showing in abstract the Balances and the Receipts and Payments throughout India brought together under the main heads, and giving, in separate columns, the transactions of the month, and the totals for the expired period of the year, the estimated amount for the 12 months being shown in the third column, so that an exact comparison can be made against the Estimates of the progressive revenue and expenditure. The twelfth monthly Account will show the total transactions of the year compared with the Budget Estimate. One copy of this Account should be submitted monthly to the Financial Department, and one copy to the Secretary of State. Specimen Forms of the Journal, Ledger, and Trial Balance Sheet are also attached.

37. The annual Finance Accounts would be an extension of this Account, and would show the same transactions in greater detail. The Form of this Account appended to the Commissioner's Civil Report has been sanctioned by Government under Financial Resolution dated 20th April 1865, subject to some trifling modifications set forth in the Resolution.

38. These appear to be the main points to be dealt with in laying down a scheme for the establishment of a set of Imperial Accounts which will combine

the whole of the financial transactions in India, those which are conducted in England being for the present excluded from the Indian Books.

39. That difficulties will arise in the practical application of a system so new to India, is fully to be expected, but if the general principles laid down be kept in view, there is no reason to suppose that these difficulties cannot be successfully overcome.

40. The most stringent rules should be adopted for securing the punctual submission of the monthly Treasury Accounts, as a failure in this respect must be one of the chief obstacles to the successful working of any system of Account. When once the new system has been fairly established, there is no reason why the monthly Abstract Accounts of the several Governments should not be transmitted to the Central Office within four weeks after the expiration of each month. The Accounts of such Treasuries as lie at a great distance from Head Quarters and are habitually late in their arrival, should be treated as Accounts of the subsequent month, except, perhaps, those of the last month of the financial year, for the receipt of which a limited extra time may be accorded.

APPENDIX C.

Table of Ledger Entries.

Dr.	GOVERNMENT ACCOUNT.	Cr.
50,00,00,000	To Balance Account for Balance brought forward, being excess of liabilities over assets.	
42,80,00,000	To Grant Account for Grants.	
	By General Revenue Account for transfer of Revenue received ...	43,00,00,000
	By Grant Account for Savings on Grants ...	30,00,000
	By Balance Account for Balance ...	49,50,00,000
	RENEGAL REVENUE ACCOUNT.	
	By Sundry Revenue Accounts for Revenue received ...	43,00,00,000
43,00,00,000	To Government Account for transfer of Revenue.	
	GRANTS ACCOUNT.	
	By Government Account for Amount of Grants ...	42,80,00,000
42,50,00,000	To Sundry Service Accounts for Expenditure.	
30,00,000	To Government Account for Savings on Grants.	
	SUNDRY REVENUE ACCOUNTS.	
	By Sundry Accountants General for Receipts ...	43,00,00,000
43,00,00,000	To General Revenue Account for transfer of Revenue.	
	SUNDRY EXPENDITURE ACCOUNTS.	
42,50,00,000	To Sundry Accountants General for Disbursements.	
	By Grant Account for Expenditure ...	42,50,00,000
	SUNDRY FUND AND DEBT ACCOUNTS.	
	By Balance Account for Sundry Credit Balances...	5,00,00,000
50,00,000	To Balance Account for Sundry Debit Balances.	
	By Sundry Accountants General for Receipts ...	20,00,00,000
19,50,00,000	To Sundry Accountants General for Payments.	
5,60,00,000	To Balance Account for Credit Balances.	
	By Balance Account for Debit Balances ...	60,00,000
	SUNDRY ACCOUNTANTS GENERAL.	
10,00,00,000	To Balance Account for Balances brought forward.	
63,00,00,000	To Sundry Revenue and Fund Accounts for Receipts.	
	By Sundry Service and Fund Accounts for Disbursements ...	62,00,00,000
	By Balance Account for Balances carried forward ...	11,00,00,000
	BALANCE ACCOUNT.	
	By Government Account for Balance brought forward ...	50,00,00,000
5,00,00,000	To Sundry Fund and Debt Accounts for Credit Balances on Funds brought forward	
	By Fund and Debt Accounts for Debit Balances brought forward ...	50,00,000
	By Sundry Accountants General for Balances brought forward ..	10,00,00,000
49,50,00,000	To Government Account for Balance remaining at Debit of Government carried forward.	
	By Sundry Fund and Debt Accounts for Balances at Credit of Funds carried forward ...	5,60,00,000
60,00,000	To Sundry Fund and Debt Accounts for Balances at Debit of Funds carried forward	
11,00,00,000	To Sundry Accountants General for Balances carried forward.	
4,28,80,00,000		4,28,80,00,000

2700.

Comm. & the 81.

of Ld. Those particulars
attention is called to para
7 of the order of the Sup. Govt.
& para 40. of the Act. from
H. Foster's memo. accounts
it. They will issue the strictest
instructions to Govts. on the
subject of the persistent
submission of their Treasury
accounts & impress on them
that they will be held responsible
for insisting on the observance
of those instructions. The Govt. have
much to learn & think that in many
cases there is a tendency to shift al.

Wm. J. Foster

Dec: 30/14/65

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16. In Provinces where the Budget Estimate is printed, a copy will be sent to the Financial Department and to the Comptroller General respectively, but where this desirable end has not yet been attained, and the Budget is still furnished in manuscript, one copy only will be submitted, *viz.*, to the Financial Department, which Department, after reviewing the Estimate, will forward it to the Comptroller General for incorporation in the Imperial Estimates.

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1st.—The management of the Public Debt, until the transfer of the duty to the Bank of Bengal.

2nd.—The accounts of the Treasuries which are under officers who are immediately under the Government of India.

3rd.—The Central Office of Account.

18. For these duties he will be allowed the aid of a Deputy Comptroller General, an Assistant Comptroller General, and a complement of other officers on the classified list of the Account Department, with the requisite office establishment.

19. But as, in connexion with the arrangements now ordered, the cost of the Financial Secretariat must be reduced, the additional charge for the Comptroller General's Department, beyond the cost of the offices now under him, which are noted in the margin, should be met from the above-mentioned saving, the new Department being organised by a re-distribution of officers rather than by any increase of expense.

Auditor General's Office.
Board of Audit.
Office of the Accountant General,
Government of India, for Treasury
Accounts.
Audit of Postal and Telegraph
charges.

Ordered, that a copy of this Resolution, and of paras. 21 to 40 of Mr. Foster's Memorandum regarding the Central Office of Account, be sent to the Foreign, Home, Military, and Public Works Departments of the Government of India; the several local Governments and Administrations; the Comptroller General of Accounts; the several Accountants General, and to the Deputy Accountants General in independent charge. Also that the Resolution, and paras. 21 to 40 of Mr. Foster's Memorandum, be published in the Gazette of India.

(A true Extract.)

(Signed) E. H. LUSHINGTON,

Secretary to the Govt. of India.

Asst. Secretary to the Govt. of India.

*Responsibility in this matter on the side of
Govt. in charge of the Treasury Dept. but
this cannot be allowed. & Govt. must
understand that the
Chief of that has been
given them by the app't.
of Govt. has no
long assumed their
own ultimate responsibility.*

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with necessary encs.
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No 571*

Transf. to the
Ld. Dept. for
disposal

[Kendall
after 8.00]

24. Oct. 63-

Revenue
Dept.
No. 3014-
Extract from Proceedings
of the Govt. of India with
Financial Dept.
No 2770

Dated 6. }
Recd 26 } Oct 1863

One & 3/4 page of text
& enclosure

24. 10. 63-
No 511

Communicating the order
taken for reorganizing the
Office of the Auditor General
of India, to be hereafter
designated the Office of the
Comptroller General of
Accounts -

No 2700 16 Nov

With a copy of
order

No 63464.

27 Oct 1863

J. W. 37
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