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TAMIL NADU ARCHIVES

GOVERNMENT OF TAMIL NADU

REVENUE DEPARTMENT

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2905

GOVERNMENT OF MADRAS.
FINANCIAL DEPARTMENT.

15th November 1878, No. 2017.

Accounts and Finance.

Read the following paper:—

No. 46. *Proceedings of the Government of India in the Financial Department, (Accounts and Finance), dated Simla, 26th October 1878, No. 3667.*

Read again the following Resolutions:—

- (1) No. 1886, dated 28th March 1877.
- (2) " 1072, " 20th February 1878.
- (3) " 1137, " 23rd " "
- (4) " 1911, " 18th March 1878; and the appended Financial Statement for 1878-79.
- (5) " 2098, " 29th " "

RESOLUTION.—By the earliest of these Resolutions, the separate Provincial Revenue and Expenditure, and, by the second and fifth, the separate Local Revenue and Expenditure, were incorporated in the General Estimates and Accounts of the Empire, in order that these Estimates and Accounts might exhibit, in suitable detail, the whole Public Revenue and Expenditure.

2. The General Accounts thus expanded continue to show the true result of a comparison between the Imperial Revenue and Expenditure only; the surplus or deficit of Imperial Revenue brought out upon the General Accounts being exactly the same as would appear if the provincial and local transactions were not thus incorporated, or were again eliminated.

3. To produce this result, the incorporated transactions are brought into exact equilibrium, the incorporated revenues being made precisely equal to the incorporated expenditure; this is effected by the entry, under an adjusting or transfer head, of the actual difference between the incorporated Provincial and Local Revenue and Expenditure, any surplus of such Provincial and Local Revenue being added to the Provincial and Local Balances, and therefore appearing as Imperial expenditure, and any deficit being made good from those balances to the Imperial Treasury, and therefore appearing as Imperial Revenue.

4. At the same time, by the third Resolution now read again, careful precautions have been taken against the inclusion, under the Imperial adjusting revenue head "*Provincial Deficits*," of any sum in excess of the balances actually in possession of any local Government or Administration. In the 24th paragraph of the present Resolution, analogous precautions are prescribed against the credit under the same adjusting head, as a Local Fund Deficit, of any sum in excess of the balance at credit of any Local Fund.

5. The incorporation in the General Accounts of the provincial and local transactions made no change in the relations between the Imperial, Provincial, and Local Finances, whose separate rights and responsibilities are in no way affected by their compilation into one General Account. This is clearly explained in the 5th paragraph of the Financial Statement for 1878-79, and also in the 5th paragraph of the fifth Resolution now read again.

6. It is now necessary to issue instructions to ensure—

- (1) the separate methodical record of the Provincial, and also of the Local, Revenue and Expenditure;

(2) that contributions from one of the three separate funds to either of the others shall be so treated that there shall be no double entries of Revenue or Expenditure, in connection with such transactions, in the General Account.

7. In what follows, the Governor-General in Council intends only to indicate the general principles to be observed, and the general results to be ascertained: it will be for the Comptroller-General to determine by what detailed accounting methods effect may most conveniently be given to the instructions of the Government.

8. With effect from the beginning of the current year, 1878-79, four separate Accounts must be prepared and submitted to the Government of India by each Accountant-General and Deputy Accountant-General in independent charge for his own Province (through the Comptroller-General), and by the Comptroller-General for the treasuries in direct account with him:

I.—An Account of the Imperial Revenue and Expenditure reserved under the control of the Government of India.

II.—An Account of the Provincial Revenue and Expenditure.

III.—An Account of the Revenue and Expenditure of those Local Funds of which the transactions are, under Resolution No. 2098, dated 29th March 1878, incorporated in the GENERAL ACCOUNTS.

IV.—A General Account combining Accounts Nos. I, II, and III.

9. Each of these four Accounts will be prepared in precisely the same form, in detail of the major heads in use for the Imperial Accounts only, without any variation whatever. The entry under each major head in the General Account No. IV will be the sum of the entries under the same major head in the three Accounts, Nos. I, II, and III.

10. Besides the major heads of Account common to all four Accounts, certain adjusting or transfer heads will be necessary for the record of transactions between Provincial Funds and Local Funds and Provincial Funds and Imperial Funds. No transfer transactions will be allowed directly between the Imperial Treasury and Local Funds: if any contribution is made from the Imperial Treasury to Local Funds, or vice versa, it must be adjusted through the Provincial Accounts in the manner described in the 26th paragraph. Direct payments from a Local Fund to the Imperial or Provincial Treasury for services received—as, for instance, rent of an Imperial or Provincial building occupied by a Local Committee, or interest on an Imperial Loan to a Local Fund—will, however, be treated as Local Expenditure and Imperial or Provincial Revenue, and not as a Contribution or Transfer; such transactions and any like converse transactions in respect to services rendered by a Local Fund to the Imperial or Provincial Government will, in short, be dealt with in the manner described in paragraph 30, as applicable to transactions between Imperial, Provincial or Incorporated Local Funds and Excluded Local Funds. But no transactions between the Imperial and Provincial Governments may be thus dealt with: such transactions may be adjusted only by transfer entries, upon the principle that Provincial Revenue and Expenditure is only a sub-division of Imperial Revenue and Expenditure.

11. Financial transactions between the Provincial and the Imperial Governments are of two kinds:—

First.—Transactions under quasi-contracts, as follows:—

(a) Allotments from the Imperial Treasury for Provincial Services, whether such allotments be fixed, or a share of some Imperial Revenue;

Contributions from Provincial Resources to the Imperial Treasury, as follows:—

(b) Interest on the capital expended by the Imperial Government on Provincial Productive Public Works, or as the Imperial share of the profits from those Works;

(c) The Imperial share of other Provincial Revenues;

(d) In aid of the surplus which the Government of India desires to maintain in ordinary times, to enable it to meet expenditure for counteracting famine when periodically it occurs;

(e) For stamps and stationery supplied from the Imperial stores, the cost of which appears in the General Accounts as Imperial Expenditure.

Second.—Transactions in what may be called mutual aid or support: as when, for instance, the Imperial Government makes a grant to a Provincial Government in aid of, or undertakes to pay part of the cost of, a particular Provincial work of material improvement, the cost of which appears in Account No. II as Provincial expenditure; or when, conversely, a Provincial Government contributes, under like circumstances, for an object the charge for which appears in Account No. I as Imperial Expenditure.

12. Clearly, all such transactions of either kind might be set against each other, and a single net transfer entry made in the Accounts, without affecting the surplus or deficit of the Accounts. Accordingly, in the General Account No. IV, no entry at all will be necessary or admissible in respect to these transactions, the whole effect of which, however numerous they may be, and whatever their character, will be adjusted in Account No. IV by the entry under Provincial and Local Surplus or Deficit.

13. But in Account No. II such transactions will be recorded gross under the following transfer heads, with corresponding entries in Accounts No. I and No. III. These transfer heads may be conveniently grouped together immediately above the totals of Revenue and expenditure.

I.—As Revenue—

- (1) Allotments from the Imperial Treasury;
- (2) Contributions from Local Funds.

II.—As Expenditure—

- (3) Contribution on account of Productive Public Works, viz., interest* on Imperial Capital and Imperial share of profit of Productive Public Works;
- (4) Imperial share of other Provincial Revenues;
- (5) Contributions for Famine Insurance;
- (6) Stamps and Stationery* supplied from Imperial Stores;
- (7) Other contributions to the Imperial Treasury;
- (8) Contributions to Local Funds.

14. When, under the option allowed to it in paragraph 5 of Resolution No. 2099, dated 23rd March 1878, a Provincial Government expends Provincial Resources on Productive Public Works, such expenditure will be recorded in Account No. II above the total expenditure, and will operate to reduce the Provincial Surplus, or increase the Provincial Deficit. But in the General Account No. IV, any such Provincial expenditure upon Productive Public Works will be combined with the Imperial expenditure under the head of Productive Public Works, below the total expenditure. It is not overlooked that the effect of this arrangement will be, in such cases, to make the remaining Imperial surplus more, or the Imperial deficit less, than it would otherwise be, and that this result is open to some objection. But the amounts are never likely to be large; and it seems better to submit to that inconvenience than to break up the head of "Productive Public Works," and show the Provincial part of the expenditure on such works above the surplus or deficit of the year.

* Interest paid directly from Provincial Resources, as, for example, on a Provincial Debenture Loan, must be shown in Account No. II, not as a Transfer, but as Expenditure under I, INTEREST ON DEBT, and the cost of stationery bought in the market with Provincial Funds, and not procured from the Imperial Stores, must be shown in Account No. II, not as a transfer, but as Expenditure under 24, STATIONERY AND PRINTING.

is permitted from any Local Fund in excess of the balance at its credit. If, accidentally, any such excess expenditure occurs, it must (unless the Governor-General in Council authorises its adjustment under some Imperial head) be balanced at once by a "Contribution from Provincial Funds," which will produce a corresponding reduction of the Provincial Surplus or increase of the Provincial Deficit, and so prevent any untrue credit in the *General Account No. IV* under the heading "XXVIII. Provincial and Local Deficits." Such contribution may, if the local Government think fit, be recovered in a later year, and will, in such case, upon recovery, appear in *Account No. II* as a *Contribution from Local Funds*; but it is contrary to fundamental principles that any sum due from any Local Fund should be recorded as Revenue before it is recovered.

25. In the Public Works Accounts, cognisance will not, in future, be taken of transactions between Provincial and Local Funds, or contributions from the Imperial Treasury to either Provincial or Local Funds, or *vice versa*: all such contributions will be arranged by the Financial Department of the local Government through the general Civil Accounts: the duty of the Public Works Account Department will be confined to seeing that the expenditure on Public Works from any particular grant, from whatever source, does not exceed the amount of the grant. Every grant by the local Government for Public Works must be made either wholly from Provincial Funds or wholly from some specified Local Fund, any necessary mutual contributions between these Funds on account of the work being arranged in the Civil Accounts.

26. In order to avoid the multiplication of adjusting or transfer heads, it is thought more convenient that all contributions from the Imperial Treasury to Local Funds, or from Local Funds to the Imperial Treasury, should be effected through the *Provincial Account No. II* by additions to, or subtractions from, the *Allotment from the Imperial Treasury for Provincial Services*. Thus, if the Imperial Treasury makes a grant to a Local Fund, the amount will be added to the *Provincial Allotment*, and, on the opposite side of the *Provincial Account No. II*, to the "Contributions to Local Funds," with a corresponding entry in the *Local Funds Account No. III* under "Contributions from Provincial Funds," *vice versa*, any contribution from a Local Fund to the Imperial Treasury will appear in the *Local Funds Account No. III* under "Contributions to the Provincial Treasury," and in the *Provincial Account No. II* under "Contributions from Local Funds"—the allotment being subjected to a corresponding reduction.

27. It will be necessary for each Accountant-General and Deputy Accountant-General in independent charge, for his own Province, and for the Comptroller-General, for the treasuries in direct account with him, to prepare separate yearly statements, as follows, to show how the amounts due to or from each Provincial Treasury under its quasi-contracts with the Imperial Treasury are calculated:—

(A) *The allotment from the Imperial Treasury for Provincial Services;*

In this statement must be recorded every addition to the allotment, or reduction thereof, with the proper authority for each entry.

(B) *The contributions from the Provincial Treasury to the Imperial Treasury for Productive Public Works:*

In this statement must be shown—

- (1) the Imperial Capital Expenditure on Productive Public Works in the Province to the end of the last complete year, on which capital four and a-half per cent. must be contributed;
- (2) the same expenditure during the current year, on which two and a quarter per cent. must be contributed;
- (3) in case the Imperial Treasury has any claim upon the profits from these works, the share of such profits so due, as provided by the contract with the Imperial Treasury in each case.

(C) *Imperial share of Provincial Revenues:*

(D) *Contributions for Famine Insurance:*

These two statements must contain the data necessary to determine the contributions due from each Government under its contract with the Imperial Treasury.

(E) *Stamps and Stationery supplied to each Government from the Imperial Stores.*

The particulars for entry in this statement must be obtained from the Superintendents of Stationery.

(F) *Any other Contributions to the Imperial Treasury.*

28. In future, each Accountant-General and Deputy Accountant-General in independent charge will submit, with his Annual Estimates, Accounts and Estimates of A, B, C, D, E, and F as thus prescribed; and also four separate Abstract Accounts and Estimates of the Imperial, Provincial, Local, and Combined Revenues and Expenditure, as ordered in paragraph 8.

29. The instructions contained in this Resolution will involve a modification of the form of Abstract III appended to the Financial Statement for 1878-79, as follows:—

- (1) *Interest on Debt* in that Abstract will no longer be in italics, but, as an ordinary Service Head, in roman letters. At present, the only entries under it will be the interest paid from Provincial Revenues upon Provincial Debenture Loans, or other like Loans, such as the Mathura-Hatras Railway Loan.
- (2) The transfer heads specified in paragraph 13 will all be placed together, immediately above the *totals*.
- (3) If necessary, a head, *Productive Public Works*, will be introduced above the total under which will be entered any expenditure from Provincial Resources on Productive Public Works.
- (4) The Abstract will be replaced by two Abstracts, *viz*:—
Revenue and Expenditure of the Provincial Governments and Administrations,
and
Revenue and Expenditure, and Receipts and Disbursements, of Local Funds.

Each of these Abstracts will open and close with a balance.

30. None of the orders contained in this Resolution affect contributions from Imperial, Provincial, or Local Resources, in aid of any of the excluded funds specified in paragraph 22, the transactions of which are not incorporated in the *General Accounts*, or *vice versa*, to contributions from any such Excluded Fund in aid of the Imperial, Provincial, or Local Resources. A contribution to such funds must be recorded as expenditure under the head appropriate to the object of the contribution, in the Imperial, Provincial, or Local Funds Account, *Nos. I, II, or III*, as the case may be, and so in the *General Account No. IV*: and contributions from such Funds must be shown in the same Accounts as Revenue under the head "XXI, *Miscellaneous*," unless some other specific head appears more suitable.

31. Nor do these orders refer to transactions between one Incorporated Local Fund and another: in respect to such transactions no fresh instructions are needed.

ORDERED that this Resolution be distributed for information and guidance as follows:—

- (1) To the Home, Revenue, and Public Works Departments of the Government of India.
- (2) To the several local Governments and Administrations, whose attention should be specially invited to paragraphs 17 to 21.

2906
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GOVERNMENT OF MADRAS.
FINANCIAL DEPARTMENT.

15th November 1878, No. 2017.

Accounts and Finance.

Read the following paper:—

No. 46. *Proceedings of the Government of India in the Financial Department, (Accounts and Finance,) dated Simla, 26th October 1878, No. 3667.*

Read again the following Resolutions:—

- (1) No. 1886, dated 28th March 1877.
- (2) " 1072, " 20th February 1878.
- (3) " 1137, " 23rd "
- (4) " 1911, " 18th March 1878; and the appended Financial Statement for 1878-79.
- (5) " 2098, " 29th " "

RESOLUTION.—By the earliest of these Resolutions, the separate Provincial Revenue and Expenditure, and, by the second and fifth, the separate Local Revenue and Expenditure, were incorporated in the General Estimates and Accounts of the Empire, in order that these Estimates and Accounts might exhibit, in suitable detail, the whole Public Revenue and Expenditure.

2. The General Accounts thus expanded continue to show the true result of a comparison between the Imperial Revenue and Expenditure only; the surplus or deficit of Imperial Revenue brought out upon the General Accounts being exactly the same as would appear if the provincial and local transactions were not thus incorporated, or were again eliminated.

3. To produce this result, the incorporated transactions are brought into exact equilibrium, the incorporated revenues being made precisely equal to the incorporated expenditure; this is effected by the entry, under an adjusting or transfer head, of the actual difference between the incorporated Provincial and Local Revenue and Expenditure, any surplus of such Provincial and Local Revenue being added to the Provincial and Local Balances, and therefore appearing as Imperial expenditure, and any deficit being made good from those balances to the Imperial Treasury, and therefore appearing as Imperial Revenue.

4. At the same time, by the third Resolution now read again, careful precautions have been taken against the inclusion, under the Imperial adjusting revenue head "*Provincial Deficits*," of any sum in excess of the balances actually in possession of any local Government or Administration. In the 24th paragraph of the present Resolution, analogous precautions are prescribed against the credit under the same adjusting head, as a Local Fund Deficit, of any sum in excess of the balance at credit of any Local Fund.

5. The incorporation in the General Accounts of the provincial and local transactions made no change in the relations between the Imperial, Provincial, and Local Finances, whose separate rights and responsibilities are in no way affected by their compilation into one General Account. This is clearly explained in the 5th paragraph of the Financial Statement for 1878-79, and also in the 5th paragraph of the fifth Resolution now read again.

6. It is now necessary to issue instructions to ensure—

- (1) the separate methodical record of the Provincial, and also of the Local Revenue and Expenditure;

2. To the Board of Directors of the Bank of India

27. Nov 78.

Revenue

No 2906

Expt. of 1878

Revenue Deficit

FINANCIAL.

THE REVENUE DEPARTMENT

Date November, 1878.

Revenue

26. 26

G.O. 15th November 1878 No. 2017

NOVEMBER
Nos. 46-47.

Accounts and Finance.—Resolution of Government of India regarding the inclusion in the general estimates and accounts of the Empire of the separate Provincial Revenue and Expenditure, and also of the separate Local Revenue and Expenditure, recorded

No 2906-27th November 1878

Dr. W. G. G. G.

(2) that contributions from one of the three separate funds to either of the others shall be so treated that there shall be no double entries of Revenue or Expenditure, in connection with such transactions, in the General Account.

7. In what follows, the Governor-General in Council intends only to indicate the general principles to be observed and the general results to be ascertained: it will be for the Comptroller-General to determine by what detailed accounting methods effect may most conveniently be given to the instructions of the Government.

8. With effect from the beginning of the current year, 1878-79, four separate Accounts must be prepared and submitted to the Government of India by each Accountant-General and Deputy Accountant-General in independent charge for his own Province (through the Comptroller-General,) and by the Comptroller-General for the treasuries in direct account with him:

I.—An Account of the Imperial Revenue and Expenditure reserved under the control of the Government of India.

II.—An Account of the Provincial Revenue and Expenditure.

III.—An Account of the Revenue and Expenditure of those Local Funds of which the transactions are, under Resolution No. 2098, dated 29th March 1878, incorporated in the GENERAL ACCOUNTS.

IV.—A General Account combining Accounts Nos. I, II, and III.

9. Each of these four Accounts will be prepared in precisely the same form, in detail of the major heads in use for the Imperial Accounts only, without any variation whatever. The entry under each major head in the General Account No. IV will be the sum of the entries under the same major head in the three Accounts, Nos. I, II and III.

10. Besides the major heads of Account common to all four Accounts, certain adjusting or transfer heads will be necessary for the record of transactions between Provincial Funds and Local Funds and Provincial Funds and Imperial Funds. No transfer transactions will be allowed directly between the Imperial Treasury and Local Funds: if any contribution is made from the Imperial Treasury to Local Funds, or *vice versa*, it must be adjusted through the Provincial Accounts in the manner described in the 26th paragraph. Direct payments from a Local Fund to the Imperial or Provincial Treasury for services received,—as, for instance, rent of an Imperial or Provincial building occupied by a Local Committee, or interest on an Imperial Loan to a Local Fund,—will, however, be treated as Local Expenditure and Imperial or Provincial Revenue, and not as a Contribution or Transfer; such transactions and any like converse transactions in respect to services rendered by a Local Fund to the Imperial or Provincial Government will, in short, be dealt with in the manner described in paragraph 30, as applicable to transactions between Imperial, Provincial or Incorporated Local Funds and Excluded Local Funds. But no transactions between the Imperial and Provincial Governments may be thus dealt with: such transactions may be adjusted only by transfer entries, upon the principle that Provincial Revenue and Expenditure is only a sub-division of Imperial Revenue and Expenditure.

11. Financial transactions between the Provincial and the Imperial Governments are of two kinds:—

First.—Transactions under quasi-contracts, as follows:—

(a) Allotments from the Imperial Treasury for Provincial Services, whether such allotments be fixed, or a share of some Imperial Revenue;

Contributions from Provincial Resources to the Imperial Treasury, as follows:—

(b) Interest on the capital expended by the Imperial Government on Provincial Productive Public Works, or as the Imperial share of the profits from those Works;

(c) The Imperial share of other Provincial Revenues;

(d) In aid of the surplus which the Government of India desires to maintain in ordinary times, to enable it to meet expenditure for counteracting famine when periodically it occurs;

(e) For stamps and stationery supplied from the Imperial stores, the cost of which appears in the General Accounts as Imperial Expenditure.

Second.—Transactions in what may be called mutual aid or support: as when, for instance, the Imperial Government makes a grant to a Provincial Government in aid of, or undertakes to pay part of the cost of, a particular Provincial work of material improvement, the cost of which appears in Account No. II as Provincial expenditure; or when, conversely, a Provincial Government contributes, under like circumstances, for an object the charge for which appears in Account No. I as Imperial Expenditure.

12. Clearly, all such transactions of either might be set against each other, and a single net transfer entry made in the Account without affecting the surplus or deficit of the Accounts. Accordingly, in the General Account No. IV, no entry at all will be necessary or admissible in respect to these transactions, the whole effect of which, however numerous they may be, and whatever their character, will be adjusted in Account No. IV by the entry under Provincial and Local Surplus or Deficit.

13. But in Account No. II such transactions will be recorded gross under the following transfer heads, with corresponding entries in Accounts No. I and No. III. These transfer heads may be conveniently grouped together immediately above the totals of Revenue and Expenditure.

I.—As Revenue—

- (1) Allotments from the Imperial Treasury;
- (2) Contributions from Local Funds.

II.—As Expenditure—

- (3) Contribution on account of Productive Public Works, viz., interest* on Imperial Capital and Imperial share of profit of Productive Public Works;
- (4) Imperial share of other Provincial Revenues;
- (5) Contributions for Famine Insurance;
- (6) Stamps and Stationery* supplied from Imperial Stores;
- (7) Other contributions to the Imperial Treasury;
- (8) Contributions to Local Funds.

14. When, under the option allowed to it in paragraph 5 of Resolution No. 2009, dated 23rd March 1878, a Provincial Government expends Provincial Resources on Productive Public Works, such expenditure will be recorded in Account No. II above the total expenditure, and will operate to reduce the Provincial Surplus, or increase the Provincial Deficit. But in the General Account No. IV, any such Provincial expenditure upon Productive Public Works will be combined with the Imperial expenditure under the head of Productive Public Works, below the total expenditure. It is not overlooked that the effect of this arrangement will be, in such cases, to make the remaining Imperial surplus more, or the Imperial deficit less, than it would otherwise be, and that this result is open to some objection. But the amounts are never likely to be large; and it seems better to submit to that inconvenience than to break up the head of "Productive Public Works," and show the Provincial part of the expenditure on such works above the surplus or deficit of the year.

15. The Provincial Account No. II and the Local Funds Account No. III will each begin and end with a balance. No Debt heads must be admitted to the Provincial Account No. II: the separate rights and obligations of the local Governments extend only to Revenue and Expenditure: in debt transactions carried out

* Interest paid directly from Provincial Resources, as, for example, on a Provincial Debenture Loan, must be shown in Account No. II, not as a Transfer, but as Expenditure under 1, INTEREST ON DEBT, and the cost of stationery bought in the market with Provincial Funds, and not procured from the Imperial Stores, must be shown in Account No. II, not as a transfer, but as Expenditure under 24, STATIONERY AND PRINTING.

under their authority, the local Governments represent the Imperial Government, and such debt transactions must be recorded in the Imperial Accounts only. But it does not appear possible to dispense with Debt heads in the *Local Account No. III*: the debt transactions of Local Funds should be entered under a single head on each side of *Account No. III* below the total Revenue and Expenditure, and should not appear at all in the *General Account No. IV*, which is an account of Revenue and Expenditure only.

16. The original intention expressed by the Government of India in the second Resolution now read again was to incorporate in the General Estimates the transactions of only those Local Funds which are at the unfettered disposal of the Provincial Governments for provincial uses. It was found, however, that the several Provincial Governments do not exercise the same jurisdiction over Funds of the same character, and that it is not always possible to discover what are the precise powers of a local Government over a particular Fund. Under these circumstances, it appeared that the incorporation of only those Funds which were at the absolute disposal of the local Governments would produce incomplete and anomalous results. The original intention of the Government of India was therefore abandoned, and by the fifth Resolution recited in the preamble, all Funds of a general character were incorporated, whatever the powers of the local Government over them.

17. It is, however, important to show in one Account the entire Revenues more or less completely at the disposal of each local Government for provincial purposes and the Expenditure therefrom; and the *Account No. II* now prescribed should be prepared on this basis, *Account No. III* being reserved exclusively for the Local Funds which are not at the free disposal of the local Government for provincial purposes. Accordingly, each local Government should determine, in consultation with the local Accountant-General, whether any Local Funds may be conveniently transferred to the category of Provincial Funds, in order to the inclusion, in *Account No. II*, of the entire transactions of every fund heretofore called "Local" which is, from beginning to end, at the disposal of the local Government for provincial purposes, unfettered by any law or orders of superior authority. The Accountant-General will have no difficulty in maintaining, as hitherto, a separate Account of any Fund thus made Provincial, if the Provincial Government thinks that it is not enough to appropriate to it separate minor heads under *VI and 8—Provincial Rates*. A Fund should not be excluded from the category of "Provincial Funds" by reason of its being applicable to some particular service only, as, for instance, Public Works or Education, provided that it may be spent on such service at the discretion of the local Government throughout the Province, but only if its expenditure is restricted, not only to particular objects, but also to particular districts or localities.

18. Further, the balances or particular assets of some Local Funds which it may not be found possible to convert *simpliciter* into "Provincial Funds," and incorporate in *Account No. II* sometimes become by lapse of time, operation of law, undisputed practice or otherwise, applicable, at the discretion of the local Government, to the whole Province. All such balances and assets should be shown in the *Local Funds Account No. III* under the transfer head "Contributions to Provincial Funds," and in the *Provincial Accounts No. II* under the transfer head "Contributions from Local Funds." Thus, the closing balance of the *Provincial Account No. II* will always be the whole amount at the disposal of each local Government for expenditure in the Province generally, either at its absolute discretion, or upon some particular services, and the closing balance of the *Local Funds Account No. III*, the amount of public money, the use of which is restricted by law or order to special districts or localities, and is not at the disposal of the local Government for expenditure throughout the Province.

19. The transactions of a Fund which is primarily appropriated by law to particular districts or localities, should not be excluded from *Account No. III*, and included in *Account No. II*, merely because, as is practically the case with the local Rates Funds of the North-Western Provinces, the unspent balances belong to the Province generally. But the transactions of a Fund which, like the Oudh Margin

Fund, is not appropriated to particular districts or localities at all, or which, like the Calcutta Canals Fund, or the Madras Tolls Fund, is appropriated entirely at the discretion of the local Government, should be, none the less, excluded from *Account No. III*, and included in *Account No. II*, because, in practice, its expenditure may be confined to some particular services.

20. The really important figures will be the separate balances of the two Accounts. The Government of India quite understand that the balances shown under these orders in *Account No. II* will not be at the unrestricted disposal of the local Governments, irrespective of the objects upon which they may be spent; but the restrictions affecting these balances will be based, not upon law, but upon practice or executive orders; and, inasmuch as they will apply chiefly to Public Works, to which object, in practice, almost all the available balances of the several local Governments are ultimately devoted, it is considered more convenient that balances over which the control of the local Government is subject to such partial and practically nominal restrictions should be shown in the Provincial than in the Local Funds Account.

21. Each Accountant-General should, as soon as possible, submit for the orders of the local Government, the measures which he suggests for carrying into effect the instructions contained in paragraphs 17 and 18, and, after those measures have been sanctioned by the local Government, report them through the local Government, for the information (and, if necessary, orders) of the Government of India. Moreover, inasmuch as the multiplication of separate Funds of any kind is *prima facie* open to great objection, the local Governments and the Accountants-General should bear in mind that no such Separate Fund should be instituted or continued without unavoidable necessity. It should, therefore, be the constant effort of both the local Governments and the Accountants-General to prevent the formation of fresh Funds, and to abolish every Fund which can be dispensed with, either by absorbing it in the general Provincial Revenues, or by amalgamating it with some other existing Fund. Upon this point, attention is invited to Resolution No. 1275, dated 19th June 1877.

22. Nothing contained in the foregoing paragraphs applies to any of those Local Funds, of which the transactions were excluded from the Public Accounts by the fifth Resolution now read again. These excluded Funds are as follow:—

Municipal, Cantonment, Port, Town and Station Funds.
Educational, Dispensary, Hospital, and all other Trust or Endowment Funds.
Police Remount Fund.
The Persian Famine Relief Fund; the Poor Pilgrims' Fund; the Bareilly Tribute Fund; the Bombay Esplanade Fee Fund; the Bombay Cotton Improvement Fund; the Indus Conservancy and Registration Fund; and any other Funds which may be especially classed by the Governor-General in Council among the "Excluded Local Funds."

23. The adjusting entries in the General Abstract of the *General Accounts and Estimates* published with the Financial Statement of 1878-79 were entitled "Adjusting Receipts from, and payments to, Provincial Governments (Provincial Deficits and Surpluses)." But the entries really, of necessity, included, besides the deficits and surpluses of Provincial Revenue, the deficits and surpluses of Local Revenue, and must be, accordingly, with the sanction of the Secretary of State, amended in future, thus: *Provincial and Local Deficits and Surpluses*. The surpluses and deficits brought out upon the separate *Provincial and Local Accounts Nos. II and III* herein ordered will, in the *General Account No. IV*, be brought together under these heads.

24. But, for reasons analogous to those which dictated the precaution recited in paragraph 4, the Provincial Government must be responsible that no expenditure is permitted from any Local Fund in excess of its credit. If accidentally any such excess expenditure occurs, it (unless the Governor-General in Council authorises its adjustment under some special head) be balanced at once by a "Contribution from Provincial Funds," which will produce a corresponding reduction of the Provincial Surplus or increase of the Provincial Deficit, and so prevent any untrue credit in the *General Account No. IV* under the heading "XXVIII—Provincial and Local Deficits." Such contribution may, if the local Government think fit, be recovered in a later year, and will, in such case, upon recovery, appear in *Account*

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No. II as a *Contribution from Local Funds*; but it is contrary to fundamental principles that any sum due from any Local Fund should be recorded as revenue before it is recovered.

25. In the Public Works Accounts, cognisance will not, in future, be taken of transactions between Provincial and Local Funds, or contributions from the Imperial Treasury to either Provincial or Local Funds, or *vice versa*: all such contributions will be arranged by the Financial Department of the local Government through the general Civil Accounts: the duty of the Public Works Account Department will be confined to seeing that the expenditure on Public Works from any particular grant, from whatever source, does not exceed the amount of the grant. Every grant by the local Government for Public Works must be made either wholly from Provincial Funds or wholly from some special Local Fund, any necessary mutual contributions between these funds on account of the work being arranged in the Civil Accounts.

26. In order to avoid the multiplication of adjusting or transfer heads, it is thought more convenient that all contributions from the Imperial Treasury to Local Funds, or from Local Funds to the Imperial Treasury, should be effected through the *Provincial Account No. II* by additions to, or subtractions from, the *Allotment from the Imperial Treasury for Provincial Services*. Thus, if the Imperial Treasury makes a grant to a Local Fund, the amount will be added to the *Provincial Allotment*, and, on the opposite side of the *Provincial Account No. II*, to the "*Contributions to Local Funds*," with a corresponding entry in the *Local Funds Account No. III* under "*Contributions from Provincial Funds*," *vice versa*, any contribution from a Local Fund to the Imperial Treasury will appear in the *Local Funds Account No. III* under "*Contributions to the Provincial Treasury*," and in the *Provincial Account No. II* under "*Contributions from Local Funds*,"—the allotment being subjected to a corresponding reduction.

27. It will be necessary for each Accountant-General and Deputy Accountant-General in independent charge, for his own Province, and for the Comptroller-General, for the treasuries in direct account with him, to prepare separate yearly statements, as follows, to show how the amounts due to or from each Provincial Treasury under its quasi-contracts with the Imperial Treasury are calculated:—

(A) *The allotment from the Imperial Treasury for Provincial Services*:

In this statement must be recorded every addition to the allotment, or reduction thereof, with the proper authority for each entry.

(B) *The contributions from the Provincial Treasury to the Imperial Treasury for Productive Public Works*:

In this statement must be

- (1) the Imperial Capital expenditure on Productive Public Works in the Province to the end of the last complete year, on which capital four and a-half per cent. must be contributed;
- (2) the same expenditure during the current year, on which two and a quarter per cent. must be contributed;
- (3) in case the Imperial Treasury has any claim upon the profits from these works, the share of such profits so due, as provided by the contract with the Imperial Treasury in each case.

(C) *Imperial share of Provincial Revenues*:

(D) *Contributions for Famine Insurance*:

These two statements must contain the data necessary to determine the contributions due from each Government for its contract with the Imperial Treasury.

(E) *Stamps and Stationery*:

The particulars for entry in each Government from the Imperial Stores:—The statement must be obtained from the Superintendent of Stationery.

(F) *Any other contributions to the Imperial Treasury*:

28. In future, each Accountant-General and Deputy Accountant-General in independent charge will submit, with his annual Estimates, Accounts and Estimates of A, B, C, D, E, and F as thus prescribed; and also four separate Abstract Accounts

and Estimates of the Imperial, Provincial, Local and Combined Revenues and Expenditure, as ordered in paragraph 8.

29. The instructions contained in this Resolution will involve a modification of the form of Abstract III appended to the Financial Statement for 1878-79, as follows:—

- (1) *Interest on Debt* in that Abstract will never be in Italics, but, as an ordinary Service Head, in Roman letters. At present, the only entries under it will be the interest paid from Provincial Revenues upon Provincial Debenture Loans, or other loans, such as the Mathura-Hatras Railway Loan.
- (2) The transfer heads specified in paragraph will all be placed together, immediately above the totals.
- (3) If necessary, a head, *Productive Public Works*, will be introduced above the total under which will be entered expenditure from Provincial resources on Productive Public Works, viz.:—
- (4) The Abstract will be replaced by two Abstracts, *Revenue and Expenditure of the Provincial Government*, and *Revenue and Expenditure, and Receipts and Disbursements of Local Funds*.

Each of these Abstracts will open and close with a balance.

30. None of the orders contained in this Resolution affect contributions from the Imperial Provincial or Local Resources, in aid of a he excluded Funds specified in paragraph 22, the transactions of which are incorporated in the *General Excluded Fund* in aid of the Accounts, or *vice versa*, to contributions from any Excluded Fund in aid of the Imperial, Provincial, or Local Resources. A contribution to such Funds must be recorded as expenditure under the head appropriate to the object of the contribution, in the Imperial, Provincial, or Local Funds Account, I, II, or III, as the case may be, and so in the *General Account No. IV*: and contributions from such Funds must be shown in the same accounts as *Revenue* under the head *LXI, Miscellaneous*, unless some other specific head appears more suitable.

31. Nor do these orders refer to transactions in which one Incorporated Local Fund and another: in respect to such transactions no instructions are needed.

ORDERED that this Resolution be distributed for information and guidance as follows:—

- (1) To the Home, Revenue, and Public Works Department of India.
- (2) To the several local Governments and Administrations, whose attention should be specially invited to paragraph 21.
- (3) To the Comptroller-General, who should report whether any action may appear to him necessary that may appear to him necessary by the Government of India is necessary respect to the Provinces not administered by the Government.
- (4) And to the several Accountants-General in independent charge, who should report whether any action may appear to him necessary in independent charge, who should report whether any action may appear to him necessary without delay.

(Signed)

H. HOLLINGBERRY,
Secretary to the Govt. of India.

2017.

No. 47.

ORDER THEREON, 15th November

Recorded.

(True Extract)

To the Revenue Department, for information.

Exd. F. R. Bantleman.

G. MASTER,
Acting Chief Secretary.

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Revenue Department

Obbt. of 1878

FINANCIAL

THE REVENUE DEPARTMENT

India November 15th

India

India

G.O. 15th November 1878, No. 2017.

NO. 10 1878

Accounts and Finance.—Resolution of Government of India regarding the inclusion in the general estimates and accounts of the Empire of the separate Provincial Revenue and Expenditure and also of the separate Local Revenue and Expenditure, recorded.

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Consensus of the

Revenue

27 November 1878