

AN
INTRODUCTION
TO
INDIAN GOVERNMENT ACCOUNTS

BY
L. E. PRITCHARD,
Accountant General, Burma.



CALCUTTA—
GOVERNMENT PRINTING, INDIA
Reprinted 1917

Price As. 6 or 7d.

An Introduction to Indian Government
Accounts.

**Agents for the Sale of Books Published by the
Superintendent of Government Printing, India, Calcutta.**

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INTRODUCTION.

THIS is meant to be a companion volume to the Introduction to Indian Government audit. They have the same end in view, *viz.*, to present in as simple a form as possible the general system of Indian Accounts and Indian Audit.

2. Mr. L. E. Pritchard is primarily responsible for Chapters I to IV and VII while the original draft of Chapters V and VI was prepared by the undersigned. The chapters have all been carefully scrutinised by selected officers, and it is hoped that the volume in its present form will be found a guide to those who have to trace their way through the intricacies of Indian Government accounts.

M. F. GAUNTLETT.

The 4th July 1914.

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An Introduction to Indian Government Accounts.

CHAPTER I.

Brief Preliminary Survey.

1. For purposes of administration India is divided into ^{Treasuries.} Presidencies (Madras, Bombay, and Bengal), presided over by Governors, and Provinces (the United Provinces, the Punjab, etc.), prescribed over by Lieutenant-Governors, or Chief Commissioners. Presidencies and Provinces are again divided into "divisions" (groups of districts) administered by Commissioners and lastly into "districts" in charge of Collectors or Deputy Commissioners. (There are no divisions in Madras.) At the head-quarters of each district there is a Government treasury called the "District Treasury" with one or more sub-treasuries distributed throughout the district. These treasuries are the units of the fiscal system of India and the points at which the public accounts start.

2. There are at present in existence nearly 300 district treasuries and over 1,200 sub-treasuries scattered over the length and breadth of India. Into them are paid the whole of the public receipts and from them (but almost entirely from the treasuries alone) are disbursed the whole of the public payments of the country. Speaking generally, when anyone has a payment to make to Government he pays the money into one of these treasuries and receives a receipt for it; when he has a payment to receive from the Government he presents a receipted bill, or a cheque, issued in his favour by a competent officer, at a Government treasury and obtains payment on it. This treasury business is conducted for Government by the Presidency Banks at the Presidency

Towns and at almost every station at which they have a branch, the Banks making payments under the orders of competent Government officers. This decentralisation of treasury work is a feature of the Indian financial system which should be clearly grasped at the outset as it conditions the whole of the subsequent arrangements. In England the public receipts and payments are all centralised at the Bank of England, London, and the Bank of Ireland, Dublin, and there are no outlying State treasuries.

3. While all public receipts and payments pass through the treasuries whose conjoint accounts, therefore, present a complete record of the transactions of the country,* it should be noted as an important variation in detail, that in the case of certain large departments, *viz.*, the Railway, Military, Forests, Post Office and Telegraphs, the payments into the treasuries are not made directly by the debtors of Government but in lump through the departmental officers. Payments also are made by cheques on the treasury or from lump sums drawn from the treasury by the departmental officers. In respect, therefore, of these departments the treasury accounts show lump transactions, or payments by cheque. In the case of the Public Works Department the procedure formerly was as indicated above, but there is now a tendency to pay directly from the treasury all personal demands of the departmental officers and establishment.

4. The revenue so received and the payments so made at the treasuries are compiled at each district treasury into a monthly account which is sent to the Provincial Accountant General; and at the same time the officers of the departments mentioned in the last paragraph send monthly detailed accounts of their lump transactions with the treasuries to their own Account Officers.

Initial
accounts.

* The conjoint cash balances of these treasuries, including those at Presidency Banks and at their branches, do not represent the total cash balances of the Government of India, as large sums are withdrawn from them into Reserve Treasuries.

The balances of the Secretary of State in London also constitute a portion of the total cash balances of the Government of India.

5. The next step is Classification, or the taking of each item of receipt and payment to the heads of account to which it belongs. This process is carried out in great detail, and eventually every item of receipt and payment is most carefully and minutely differentiated and classed, as will be further explained in Chapter IV below. An elaborate list of the prescribed heads of classification will be found in Appendix P. of the Civil Account Code, Volume II. In Madras the classification is made at the treasury and the account submitted monthly in that Presidency by each treasury is a classified account.

6. Then comes Audit, which is fully dealt with in another manual. At this stage it may be defined as seeing, as regards receipts, that all sums receivable by Government are duly received and recorded, and, as regards expenditure, that it is duly authorised, acknowledged, and recorded. The audit of receipts (*i.e.*, check against demand) is for the most part carried out by the departmental officers who collect the Government revenue; that of expenditure, apart from the limited preliminary check applied at the treasuries, is conducted by trained Audit Officers (Civil, Railway, Military, etc.), who with the aid of large staffs scrutinise the expenditure over its whole extent, and by means of correspondence with the disbursing officers bring it into accordance with the elaborate codes, sanctions and orders framed for its regulation.

7. Finally comes Compilation. The monthly accounts received from the treasuries and the departmental officers, and already classified and audited, are compiled in the Account Offices into consolidated monthly accounts of Provinces, Railways, Divisions, Circles, etc., and sent to the Comptroller and Auditor General.

8. At the same time monthly accounts of certain receipts and payments appertaining to India which occur in England, and are controlled, audited, and compiled in England under arrangements made by the Secretary of State

for India, are sent by the India Office to the Comptroller and Auditor General.

9. This officer then compiles the Provincial, etc., monthly accounts, including the Home Accounts, into a consolidated monthly account for the whole of India, and at the end of the year into a yearly account which is presented to the Secretary of State and to Parliament.

10. There are thus four stages of compilation—(1) the monthly compilation by the district treasuries and certain departmental officers; (2) the monthly compilation by the Accountants General, certain departmental Account Officers and the India Office; (3) the monthly compilation for the whole of India by the Comptroller and Auditor General, and (4) the yearly compilation by the same officer. Audit and classification come in between stages (1) and (2).

11. It will be noticed that the accounts are built up from below. Each of the 300 district treasuries and 1,200 sub-treasuries contributes its quota and these, together with the detailed accounts of their treasury transactions prepared by the departmental officers, proceed monthly to the various account centres, whence, after certain processes, they emerge in larger streams and, joined by the accounts from England, finally converge and concentrate in the Office of the Comptroller and Auditor General, where they are combined into one consolidated account for the whole of India.

12. This, in broadest outline, and purposely omitting at this stage all divergencies in detail, is the method of the record, classification, audit, and compilation of the public accounts in India from the point at which the initial receipts and payments occur at the district treasuries and sub-treasuries and the Home treasury to that at which, in the form of a classified, audited, and consolidated account of the year's transactions, they reach the Secretary of State and the House of Commons.

13. To complete this preliminary sketch of the financial machinery of India, it is necessary to glance at the arrangements for the provision of funds for the public service which

come under the heads known as Budget, Ways and Means, and Resource.

14. In the cold weather of each year detailed estimates ^{Budget.} (called budget estimates) of the probable receipts and requirements of all kinds in India and England during the ensuing financial year (April to March) are prepared and, after careful examination and discussion, are sanctioned by the responsible authorities. There is an Imperial budget for the services retained in its own hands by the Government of India, and a separate budget for each Presidency, Province, Department, etc., down to each disbursing officer. The estimates of expenditure sanctioned under the different heads form the "grants" or "allotments" for expenditure in the ensuing year. It may be mentioned in passing that one of the most important functions of audit is to see that these "grants" are not exceeded.

At the same time as these budget estimates are prepared for the ensuing year the budget estimates for the current year are also revised.

15. The consideration of "Ways and Means" aims at ^{Ways and Means.} arranging that the Government cash balance, and also that portion held in England, shall at all times during the year be sufficient to meet the demands made on them respectively. Into these cash balances enter not only the multifarious sums due to and by Government which are generally known as *revenue and expenditure*, but also the very large amounts borrowed by Government for capital expenditure on Railways and Irrigation, and also other amounts in regard to which Government acts as a banker or remitter, or borrower or lender, such as deposits of all kinds, money order and loan receipts and issues, advances, remittances, etc., etc., which are grouped in the accounts under the term "Debt and Remittance." The whole of these enter and leave the treasuries and affect the public cash balance, and are technically known as public *receipts and disbursements*, or *incomings and outgoings*, as distinguished from public *revenue*

and expenditure proper. It is with these transactions as a whole that "Ways and Means" deals. A forecast of the opening balance of the year, and of the monthly incomings and outgoings of all kinds is prepared and it is arranged, by adjusting the one to the other, by raising a loan for example or reducing the amounts proposed for expenditure, that the estimated Government cash balance shall never fall unduly low. With the same object a careful watch is maintained throughout the year on the actual progress of transactions.

Resource.

16. "Resource" is the process of distributing the cash balance of the country between the different treasuries or paying centres (including the Home Treasury), so that each shall at all times have sufficient funds to meet the local demands on it. Some treasuries collect more receipts than they require for their payments, others less; and the surplus treasuries have to feed the deficit ones. The Home Treasury, for instance, is always heavily in deficit and is supplied with funds by means of what are known as the Secretary of State's Council bills and Telegraphic Transfers, and sometimes by direct remittances from India. Generally, "resource" is carried out by means of remittances between treasuries, either in cash or by bills, and by the establishment of "reserve treasuries" for the collection of surplus funds and of "currency chests" for utilising for remittance purposes the cash balances held against the currency note circulation, in a manner which will be explained in Chapter VI below.

17. In matters dealt with in paragraphs 5 to 13 above Account Officers act under the orders of the Comptroller and Auditor General, who arranges for the periodical inspection of their offices by his Deputy Auditors General, while they conduct the duties mentioned in paragraphs 14 to 16 under the general control of the Controller of Currency.

Comparison,
with English
system.

18. In concluding this chapter it will serve to bring into further relief the distinctive features of the Indian system if a brief comparison is instituted between it and the English arrangements.

(1) It may be said generally that the administrative arrangements of a country govern its fiscal arrangements. Thus, in Great Britain a highly centralised fiscal system follows a highly centralised form of Government. There are only two public treasuries as compared with 300 main treasuries, and 1,200 sub-treasuries, in India. It is not of course to be supposed that the whole of the English public receipts and payments occur exclusively at the Bank of England, London, and the Bank of Ireland, Dublin, though the arrangements admit of a large proportion of them so occurring. These two banks are, however, the only centres where the public balances and accounts are kept, and from which original issues of public money are made—in other words, they are the only two Government treasuries. The English account and audit, and budget, arrangements are similarly centralised: “resource” may be said to be non-existent; and “ways and means” as dealt with by the Chancellor of the Exchequer, is simplified by being confined to *revenue and expenditure proper* and by excluding *debt and remittance*, which are separately dealt with.

(2) In India, on the other hand, in place of this concentration and simplicity, we have decentralisation and immense multiplicity and variety, due mainly to the enormous area of the country and its enormous as well as diverse population. To these two causes, combined with a small development of private banking, are due the 300 treasuries with the connected sub-treasuries, distributed at wide distances from each other all over the country, where public money is always being received and paid and public accounts are always being prepared and issued to the numerous provincial and departmental account centres.

(3) The number of treasuries again brings in its train the Indian “resource” problem or the never-ending task of distributing a cash balance, which may vary from 15 to 35 crores of rupees, over 300 main centres and the Home Treasury according to their fluctuating requirements.

(4) From the same two causes, *viz.*, the area and population to be dealt with, necessitating as they do a large delegation of executive authority, primarily spring the administrative divisions and arrangements mentioned in paragraph 1, which again re-act on and condition the financial arrangements, and give India its provincial and departmental as well as Imperial finance and budget, and its various account and audit offices.

(5) Finally in India, where the State still performs many functions which elsewhere are undertaken by private enterprise, Government acts largely as a banker and remitter, and holds and pays immense sums which are not State revenue or expenditure proper, and which greatly complicate the already large problem of "Ways and Means," or the constant adjustment to each other of the fluctuating volumes of incomings and outgoings.

CHAPTER II.

The Working of a Treasury.

19. The personnel of a District Treasury consists of :— Personnel.

- (1) The Collector or Deputy Commissioner of the District.
- (2) The Treasury Officer, generally a Deputy Collector.
- (3) The Treasurer.
- (4) The Accountant. There are also clerks, money testers, messengers, etc.

The Collector is in general charge of the treasury and is personally responsible for its general administration, for the correctness of its returns, and for the safe custody of the valuables it contains; but takes no part in the daily routine of treasury business.

The Treasury Officer is (under the Collector) in immediate executive charge of the Treasury.

20. Under these two officers the Treasury is divided into two departments, that of Cash, Stamps, and Opium under the charge of a Treasurer, who always has to give security, and that of Accounts in charge of the Accountant.

21. The treasury building contains a counter at which Building. money is received and paid, and a strong room in charge of an armed police guard in which the valuables are secured under double locks, one key being held by the Treasury Officer as the Collector's representative and the other by the Treasurer.

22. The procedure of opening the Treasury for the day is as follows :—

Both the Treasury Officer and Treasurer being present, the locks and seals of the gates of the strong room are made over intact by the guard and the room is opened, each officer using his own key, and sufficient cash and currency notes to meet the probable demands of the day are taken out,

made over to the Treasurer, and entered in his accounts. The strong room is then again double locked. Issues from the strong room to meet further demands during the day are similarly made. Stamps and opium are issued to the Treasurer from the double lock as required, subject to the general rule that the value of cash, notes, stamps and opium in the hands of the Treasurer at any time shall not exceed his security.

Receipts.

23. The receipt and issue of money then begin.

When any one has occasion to pay money into a Treasury he first procures (at the Treasury) a document called a "chalan," which is usually bi-lingual and in duplicate, one copy to serve eventually as a receipt and the other for record in the Treasury. In the chalan he enters the nature of the payment as well as the person or officer on whose account it is made, and has the entries checked, passed and recorded by the revenue department concerned. He then takes the chalan to the Accountant, who, if it is in order, initials it and directs the presenter to take it with the money to the Treasurer, who, seeing the Accountant's initials, tests and counts the money, enters the transaction in his account, and signs both copies of the chalan in token that he has received the money. The presenter then takes the chalan back to the Accountant, who, on the strength of the Treasurer's signature, enters the transaction in his accounts, and completes his signature on one copy of the chalan which then forms a full acquittance. In the case of sums of Rs. 500 and upwards the Treasury Officer also signs the receipt.

Payments.

24. Similarly, all payments are made by the Treasurer after examination by the Accountant, but only upon an order to pay signed by the Treasury Officer himself.

When a bill or other voucher is presented for payment it is received and examined by the Accountant, who enters it in his accounts and lays it before the Treasury Officer, who, if it is in order, signs an order for payment on it. It is then passed on, together with the payee, to the Treasurer's

Department, and the Treasurer makes the payment and enters it in his account. The voucher is stamped "paid" and retained by the Treasurer for delivery to the Account Department at the end of the day, when the books are compared in the manner explained in paragraph 26 below.

Before payment the bill or voucher has to be receipted by the payee.

25. The Treasurer's account consists of a cash book (without subsidiary registers) in which each transaction of receipt and payment is posted as it occurs; but the Accountant has, in addition to a cash book, subsidiary registers for receipts and payments of frequent occurrence, or of a special nature, or belonging to departments for which separate returns are prepared, and only the daily totals of these registers pass into his cash book. Treasurer's
and Account-
ant's Books.

26. Receipts and payments continue throughout the day according to this method. At the same time, a daily sheet (supported by vouchers) is received in the district treasury from each of its sub-treasuries reporting the receipts, payments and balance of the day before (in some cases the second or third day before according to the distance by post); and after examination is at once posted into the Accountant's books at the district treasury, but not into the Treasurer's account. Sub-Treasury
accounts.

27. The process of closing the Treasury for the day is as follows :—

(1) The Accountant transfers the totals of his subsidiary registers into his cash book, sums and closes the latter, and prepares a balance sheet in a prescribed form.

(2) The Treasury Officer checks both registers and cash book, comparing each payment entry with its voucher, and the register totals with those entered in the cash book, and verifying a certain number of the totals, the rest being checked by a clerk other than the Accountant. The cash book totals are also checked by a senior subordinate other than the Accountant.

(3) Meanwhile the Treasurer sums both sides of his cash book and draws up a balance memorandum which gives details in kind of the notes, coin, etc., composing the balances in his hands. If the results in the two balance sheets agree the Treasury Officer signs both cash books and both balance sheets and the accounts for the day are closed.

NOTE.—The Accountant's balance includes the balances of the sub-treasuries (paragraph 26) and also remittances in transit between treasuries in the district, which have to be deducted before agreement can be effected with the Treasurer's balance.

(4) The Treasury Officer then verifies the cash, etc., in the hands of the Treasurer as shown in his balance memorandum, and, together with the Treasurer, locks it up under double locks in the strong room which is then left for the night in charge of the guard.

Receipt,
issue, and
safe custody
of treasure.

28. The actual process of dealing with the valuables in a treasury, *viz.*, gold, silver, copper, nickel, currency notes, stamps, and opium, is as follows:—

(1) Payments into and from the Treasury are made in gold, silver, copper, and nickel coin, and in currency notes. Stamps and opium are also kept in stock and issued as required.

(2) All coin, besides being counted, is tested in detail before receipt to see that it is genuine, current, and up to weight according to certain rules laid down.

(3) Currency notes are similarly examined to see that they are genuine and not mis-matched or altered, etc.

(4) Coin intended for reception into the strong room is made up into bags of uniform contents (Rs. 5,000, Rs. 2,000, Rs. 1,000) and before deposit the contents of each bag are poured into scales, weighed and tied up again in bags, in the presence of both the Treasury Officer and the Treasurer.

(5) Notes are made up in bundles according to denominations and counted by both the Treasury Officer and the Treasurer.

(6) In the strong room itself the bags of coins are placed as a rule in iron boxes or safes or wooden chests, or occa-

sionally in built recesses or wells, each receptacle being under double locks like the strong room itself. Coin which has been longest in the treasury is given out first, two boxes or other receptacles being, for this purpose, brought into use simultaneously, one in which all receipts are placed, the other from which money required is given out.

(7) The bundles of currency notes are similarly kept in suitable boxes in order of receipt, so that those longest in stock may be first issued; and similarly with stamps and opium, all the separate boxes being under double locks.

(8) Most treasury strong rooms also contain currency chests in which a portion of the cash balance held against the note circulation of the country is kept for remittance purposes (*see* paragraph 104 in Chapter VI below). These chests also are under double locks, but the second key remains with the Collector not with the Treasury Officer.

29. The working of the treasury proceeds in this way from day to day, and the monthly process is completed by the cash (coin and notes) present in the district treasury on the last day of the month being counted in detail by the Collector himself, or by a responsible assistant if he should not be at headquarters, the cash in each sub-treasury being similarly counted by the local officer in charge. An actual cash balance report for the whole district is then drawn up with which the account balance is compared.

30. The point has now been reached for the despatch of the monthly returns to the Accountant General. These consist of lists and a cash account supported by the cash balance report described in the last paragraph. These are written up *daily* in the treasury and the vouchers are day by day numbered, arranged, and put away under lock and key. On the 11th of each month a list of payments supported by the actual vouchers is sent to the Accountant General for the payments made from the 1st to the 10th of the month; and on the 1st of the succeeding month a second list of payments with vouchers is sent for payments from the 11th

Monthly
accounts.

to the end of the month; and at the same time a cash account is sent, accompanied by the actual cash balance report mentioned in paragraph 29, containing the receipts of the month and working up to the actual cash in the Treasury on the last day of the month as personally counted by the Collector (paragraph 29).

31. The lists of payments and cash account described above as sent from each treasury monthly to the Accountant General represent the first stage of compilation of the public accounts (paragraph 4, Chapter I). They cover conjointly the whole of the public transactions of the country, including departmental accounts and debt and remittance, and work up conjointly to the cash balance of the country at the end of each month. They may be said to constitute the primary fabric of the public accounts of the country.

32. It will be noticed generally that the correctness of the daily accounts of a treasury is secured by making two independent officials (the Accountant and the Treasurer) separately deal with and record each item of receipt and payment as it occurs, and by effecting an agreement at the end of the day between the two sets of accounts thus prepared, and at the same time verifying the actual cash balance in the hands of the Treasurer. This daily check is reinforced by the actual count of the whole of the cash balance in the treasury on the last day of each month by the Collector himself.

Similarly the safe custody of the treasure is secured by placing it conjointly in the hands of two independent officials, the Treasury Officer and the Treasurer (one of whom, the Treasurer, gives substantial security) under the system of double locks.

Presidency
Banks.

33. At almost every station where there is a Presidency Bank or a branch thereof Government deposits its treasury balances therein. The actual procedure varies according to the agency whereby Government authorises the Bank to accept receipts or to make payments. Thus in a Presidency

Town there is no treasury, and the Accountant General alone issues the necessary authority. At other headquarters stations of provincial Governments there are both Accountants General or Comptrollers) and treasuries, and in some cases the Accountant General issues the necessary orders and in others the Treasury Officer. There are also branches of a Presidency Bank at stations where there are treasuries but no Account offices. At such stations the necessary orders are issued by the Treasury officer; the Bank sends a daily account with vouchers to the Collector who compiles monthly accounts in the ordinary way and sends them to the Accountant General. Wherever an Account Office intervenes nearly every demand for payment is pre-audit. Amounts below Rs. 100 are paid in cash at the Account Office. All other demands are met by cheques drawn on the Bank, which sends the Accountant General a daily account with vouchers. The monthly compilation is made in the Accountant General's office.

It is unnecessary to detail the classes of receipts and expenditure which can be accepted or paid by the Bank without authority, or on the authority of the Accountant General or the Treasury Officer, except to say that the receipts and expenditure of Departments, which have their own letters of credit and issue cheques against them, are dealt with direct by the Banks.

34. It remains to describe—

- (1) Audit at the treasury.
- (2) Classification at the treasury.
- (3) The discipline that governs the working of a treasury.

(1) In paragraph 24 it is stated that the Treasury Officer passes a payment order in writing on each bill presented for payment at the treasury, *provided it is in order*. The words in italics connote the check or audit applied at the treasury to all bills before they are paid. The Treasury Officer has to satisfy not only himself but the Accountant ^{Audit at the treasury.}

General that the claim is valid; and has further to prove that the payee has actually received the sum charged. He has, therefore, to see that the claim is covered by general or special orders, that the voucher is in the proper form and properly drawn up, that it is signed (and if necessary countersigned) by the proper officer, that it is stamped if necessary, that the arithmetical calculations are correct, that the amount claimed is entered in words as well as figures, that there are no erasures and that all corrections and alterations are attested by the drawing officer. This general check or audit is applied to all vouchers before they are paid at a treasury.

Its most important features are that it is applied *before* payment, *i.e.*, *pre-audit*, and that it secures that no claims not generally and *primâ facie* admissible shall be paid at a treasury; and that all bills shall be drawn and receipted by the responsible officers, and shall be in the proper forms and arithmetically correct. While this check is an indispensable element of the general arrangements in India for preventing irregular payments from the public funds, it must not be confounded with the audit applied in the account offices, which is generally audit *after* payment, *i.e.*, *post-audit*, and includes a re-application of the checks applied at the treasury as well as a detailed examination of every item of expenditure with the sanctions, orders, and codes of the different departments.

Classifica-
tion at the
treasury.

(2) The lists of payments and cash account sent monthly by a treasury to the Accountant General have the broad (major) heads of account or classification printed on them, and the great mass of the monthly receipts and payments are entered (by totals) against these printed heads from the subsidiary registers maintained at the treasury; but a few items occur every month which do not clearly fall under any of the printed heads, and these the treasury describes in detail in the body of the cash account or list of payments and leaves to the Account Office to classify. The Account Office does this and at the same time makes a much more

minute classification of the items already broadly classified by the treasury (*see* Chapter IV below).

(3) Attention is invited to paragraph 19 of this chapter, which describes the personnel and the executive arrangements of a treasury. ^{Discipline}
_{of a treasury} -

In addition each treasury is inspected once a year by an Accounts Officer deputed by the Accountant General or Comptroller of the Province. Any irregularities detected in the course of the inspection are brought to the notice of the Commissioner, and, if necessary, of the Local Government, with a view to suitable action being taken. An annual report on the inspections made during the year is submitted to the Comptroller General.

In matters of accounts and audit the Collector, with the Treasury Officer under him, is responsible to the Accountant General, whose instructions he is bound to obey. The Accountant General also controls the "resource" of the treasury, *i.e.*, keeps it supplied with a sufficiency of coin and notes and, when necessary, removes surplus funds elsewhere. He does not, however, ordinarily interfere with the Collector's responsibility for its practical working further than by the annual inspection referred to above and by constant correspondence with him for the removal of irregularities detected in the accounts and returns submitted.

CHAPTER III.

Non-Civil Departments and their Relations with the Treasury.

35. We have now arrived at the point where a treasury has completed the month's transactions and has despatched the month's accounts to its Accountant General. These accounts, as we have already seen, contain the "civil" transactions in broadly classified detail; but those of the "non-civil" departments (Public Works, Railway, Military, etc.), called "departmental accounts," appear in them only in lump (paragraph 3, Chapter I). The present chapter describes the relations of these departments with the treasury and also the arrangements in each for the preparation of the initial accounts.

36. As regards relations with the treasury, the general method followed in all these departments is that they pay the whole of their receipts into the treasury, and for their payments receive an allotment or assignment (called a "letter of credit") on the treasury against which they draw by cheques. They have, therefore, a kind of banking account with the treasury which differs from the ordinary banking account in that the amount they can draw from the treasury does not depend on the amount they pay into it, but on arbitrary allotments or credits fixed periodically with reference to their requirements, and with reference also to the budget allotments sanctioned at the beginning of the year. Correspondence between the treasury and departmental accounts is secured by pass books, sent to the treasury with each transaction, in which the credits and debits are entered at the treasury as they occur, or by monthly returns prepared at the treasury, which are agreed with the departmental books.

37. As regards receipts and payments and the preparation of the monthly accounts, the arrangements are broadly those of the Government treasury *in petto*. Each depart-

ment has a cash chest into which departmental receipts are paid pending their remittance to the treasury, and in which is held money intended for expenditure which has been drawn from the treasury on cheques or otherwise received but cannot at once be paid away. This chest generally has two locks, and there are generally rules as to who should hold the keys and how the chest is to be opened and closed. Receipts are given by responsible officers for all departmental revenue paid into the chest, and payments from the chest or the treasury (by cheques) are only made on bills prepared in accordance with the regulations. Cash transactions as they occur are entered daily in a cash book. If transactions involving stores or adjustments are numerous, as in the Public Works Department, they are entered in separate registers; otherwise they are also entered in the cash book. From these initial records the monthly accounts for the Audit Office are compiled, and at the same time the actual cash balance in the chest is counted by the responsible officer and his accounts thus proved. All this, it will be seen, is very much the Government treasury procedure (Chapter II) on a small scale.

38. The following clauses describe the particular arrangements of each department more in detail :—

PUBLIC WORKS.

(a) Constitution of the Department.

39. For purposes of Public Works Administration each province is divided into circles which are in charge of Superintending Engineers. Each circle is divided into divisions which are again sub-divided into sub-divisions. The divisions are in charge of Executive Engineers, and the sub-divisions in charge of Assistant Engineers or upper subordinates who are called Sub-Divisional Officers. The Executive Engineers and Sub-Divisional Officers are also called Divisional and District Engineers in some provinces.

The Department as a whole is again divided into two

Branches—Buildings and Roads, and Irrigation—each Branch in a province being generally in charge of a Chief Engineer who controls the Superintending Engineers.

(b) *Relations with the treasury.*

40. Executive Engineers are placed in funds by monthly letters of credit issued by the Civil Accountant General. Early each month the Executive Engineer makes a careful survey of sub-divisional and divisional requirements for the succeeding month and sends an application to the Accountant General, who issues the requisite authorities to the treasuries concerned. Against these the Executive Engineer or his Sub-Divisional Officer draws by cheques. Separate treasury pass books are maintained for receipts and payments. The receipt pass book is sent to the treasury, together with the usual chalan, with each remittance, and the treasury acknowledgment is recorded in it. At the end of the month a consolidated receipt is given by the treasury which the Executive Engineer attaches to his accounts. The payment pass book is sent periodically to the treasury and each cheque paid is recorded in it by the treasury officer. The letter of credit is also recorded in the payment pass book, as well as in a separate register, and a balance is struck after each payment. The paid cheques are sent by the treasury bi-monthly to the Accountant General in support of the lump debits in the lists of payments.

(c) *Preparation of initial accounts.*

41. The Public Works administrative and accounts unit is the "division," which is generally distinct from the division (group of districts) presided over by a Commissioner, and includes one or more sub-divisions. To each divisional office is attached an Accountant whose duty it is to check all accounts and bills received and to compile the divisional accounts and returns. This Accountant is a subordinate of the Accountant General posted to the Executive Engi-

neer's office to check and compile the divisional accounts under the supervision and responsibility of the latter.

Sub-Divisional Accounts.

42. A Sub-Divisional Officer is placed in funds in one of three ways :—

- (a) by a fixed imprest or permanent advance which he can recoup on depletion;
- (b) by transfers of cash from the divisional chest;
- (c) by a drawing account against the Executive Engineer's letter of credit.

He generally has a cash chest in which he places any departmental revenue received by him pending its remittance to the treasury, giving printed receipts for it signed by himself; and also, if he has a drawing account with the treasury, all sums drawn on cheques which he is unable to disburse at once to the payees. If he is financed by a fixed imprest or an advance from the Executive Engineer's chest, he keeps the balance of the imprest or advance in his cash chest. Payments are only made on properly prepared bills, in cash from the chest in the case of imprests or advances, by cheques where there is a drawing account. Cheques are unusually drawn in favour of the actual payees (contractors, etc.), who present them at the treasury, but sometimes in favour of the officer himself to replenish his chest when he has small payments to make.

43. A Sub-Divisional Officer's fundamental account records are—

- Cash book.
- Muster roll.
- Measurement book.
- Day book or works abstract.

(Little or no departmental revenue is as a rule collected in sub-divisions. The revenue registers will therefore be

dealt with in the section devoted to the Executive Engineer's accounts—*see* paragraph 54 below.)

Cash book.

44. The cash book is the primary account record. On it the whole accounts of the sub-division are based and all other accounts and returns are subsidiary to it. All receipts and payments are posted into it daily. The Sub-Divisional Officer regularly examines and initials it and is personally responsible for its correctness. It is balanced at the end of the month and signed by the Sub-Divisional Officer, who at the same time personally counts and certifies the cash balance.

•Muster roll.

45. The muster roll, as its name denotes, is a nominal roll or list of labourers employed daily on public works. There is generally a separate roll for each work. Payments on muster rolls are made and witnessed by the executive officer of highest standing available on the spot, who actually counts the labourers, has the payments made in his presence and attests the roll. Muster rolls do not pass beyond the office of the responsible disbursing officer, *e.g.*, Sub-Divisional Officers do not send them with the monthly accounts to the Executive Engineer.

Measurement book.

46. The measurement book is an account, or rather executive record, of the greatest importance in the Public Works Department. It is the basis of all accounts of quantities (and qualities), whether of work by daily labour or by the piece or contract, or of materials received. From the measurement book, or record of quantities (and qualities) made on the spot by personal measurement by the responsible executive officer, all bills for work (buildings and roads, bridges, canals, etc.), are prepared.

47. It may be useful to pause at this point and note in what the extreme importance of the muster roll and measurement book consists. They represent the point of contact between the concrete facts and the paper accounts, or between the payments and their equivalents. It is here that the accounts may be said to obtain their original vita-

lity and reality. Their accordance with the facts through all their subsequent changes of form, depends on their truth at this point; and it is on that account that attention is primarily directed to an examination of these initial documents during the annual inspection of Executive Engineer's Offices by audit officers.

48. The day book or works abstract records in detail the progress of execution and payment of each work whether carried out by departmental agency or contract. A separate works abstract is also prepared for each manufacture operation for which an estimate is sanctioned. Day book or works abstract.

49. Besides the above, the Sub-Divisional Officers keep simple lists showing the quantities of each kind of stores received and issued each day. At the end of the month accounts are prepared showing the total quantity received and issued under each class of article during the whole month. In these accounts the receipts are also classified according to the sources from which the stores are received and the issues according to the works to which they are issued. Store accounts.

50. The monthly sub-divisional accounts for the Executive Engineer are prepared and despatched as follows:— On the 1st of the month, the Sub-Divisional Officer counts the cash in his chest and submits a statement of cash balance to the Executive Engineer. At the same time he sends him a copy of his cash book for the last month accompanied by a works abstract with vouchers for each work, and returns of stock, tools and plant, etc., etc. He makes no attempt to prepare a separate compiled monthly account. For such an account, which is described in paragraph 55 below, the division and not the sub-division is the unit. Monthly sub-divisional accounts.

51. If the Sub-Divisional Officer is financed by an imprest, the Executive Engineer embodies the sub-divisional cash book in his own cash book; if, however, the Sub-Divisional Officer has a separate drawing account on the treasury, or if cash is transferred to him from the divisional cash chest, his cash book is taken direct into the divisional

cash abstract and is not embodied in the divisional cash book.

Divisional Accounts.

52. As in the case of the Sub-Divisional Officer, an Executive Engineer has a cash chest, a cash book, muster rolls, measurement books and day books or works abstracts, and uses them in the same way. The foregoing remarks under these heads apply equally to him. He has also store accounts, and in some cases manufacture and workshop accounts. He receives revenue in the same way as the Sub-Divisional Officer and makes payments on properly drawn bills, by cheques against letters of credit or, if the bills are for small amounts, in cash from his chest.

53. The main accounts which he keeps in addition to those also kept in the sub-division are :—

- (1) The Contractors' Ledger.
- (2) The Register of works.
- (3) The Adjustment Book.

Contractors
ledger.

The Contractors' Ledger is a running account with each contractor, showing the amounts due *by* him for advances made to him, and *to* him for work done by him, and is closed and balanced monthly.

Register of
works.

The Register of Works contains a record of every original work or repair estimated to cost more than Rs. 200 showing the expenditure month by month compared with the estimate. The expenditure is here recorded by sub-heads of works, *i.e.*, by items of work such as brick work, etc., which are specified in the sanctioned estimate. The object of such a record is to show the Executive Engineer the rates at which these different kinds of work are carried on and to enable him to obtain the necessary sanction.

Adjustment
Book.

The Adjustment Book contains a record of all the adjustment transactions included in the accounts of the Division, *e.g.*, work done or payments made by other Divisions or

Departments, write-back of an erroneous debit or credit, etc. The book is posted as soon as the transactions become known from advices of debit, write-back orders, etc. In this book is also entered the credit to the Civil Department on account of cheques drawn during the month.

At the end of the month an abstract is made in the book itself showing the total debit and credit to each head of account.

54. The main records as regards revenue are—

- (1) Demand and realization registers of public works revenue collected in the civil department. Revenue accounts.
(These refer principally to irrigation revenue.)
- (2) Rent registers and demand lists for the recovery of rents of public works buildings occupied by civil and military officers.

These are the two principal items of revenue in the Public Works Department.

Other miscellaneous public works revenue is credited as it occurs in the cash book.

55. On the 1st of each month the Executive Engineer counts the cash in his chest, and closes his cash book, and on receiving cash balance statements from his sub-divisions (paragraph 50), he prepares a divisional statement of cash and treasury balances which he sends to the Accountant General. The entries in the cash book are then abstracted in the Cash Abstract Book and those in the stock returns in the Stock Abstract Book. The postings in the Cash Abstract Book are then completed by adding the totals from the Adjustment Book and the Stock Abstract Book, and the grand totals are then taken into a Monthly Account, and sent to the Accountant General each month. Monthly divisional accounts.

This account is accompanied by schedules the more important of which are :—

- (1) Monthly Stock Account—which is prepared from the Stock Abstract Book; and

- (2) Schedules of expenditure against Budget Grants, which are prepared from the sub-divisional works abstracts completed in the divisional office as regards stores and adjustment transactions.

MILITARY.

(a) *Relations with the treasury.*

56. Military receipts paid into a treasury have to be accompanied by an order for receipt signed by one of a printed list of departmental officers. Funds are obtained by annual assignments on treasuries issued by the Civil Accountant General on application by the Controllers of Military Accounts. The probable requirements of each month are specified in these assignments and it is an essential feature of the arrangement that the payments at any stage shall not exceed the proportionate provision to date made in the assignment. Drawings against the assignments are by cheques which, as usual, are sent by the treasury to the Accountant General in support of the lump debits in the treasury lists of payments. Emergent funds outside the annual assignments can also be obtained under special arrangements.

(b) *Preparation of initial accounts.*

57. The Military administrative and accounts unit is the "division," which again is entirely distinct from the Civil "division" in charge of a Commissioner, or the Public Works "division" in charge of an Executive Engineer. There are 10 Military divisions in India and four independent brigades. The accounts of each division are under a divisional accounts officer called a "Controller of Military Accounts." One of these Controllers has two independent brigades attached to his division, while two others

have each one independent brigade attached to theirs. The actual arrangement is as follows:—

1st (Peshawar) Division.

2nd (Rawalpindi) Division with Kohat and Bannu Brigades.

3rd (Lahore) Division with Derajat Brigade.

4th (Quetta) Division.

5th (Mhow) Division.

6th (Poona) Division with Aden Brigade.

7th (Meerut) Division.

8th (Lucknow) Division.

9th (Secunderabad) Division.

Burma Division.

58. In each division there are two account offices, namely, the audit office and the disbursing office. The reorganisation of the Military Accounts Department, which is now in process of being brought into effect, will cause a complete separation between disbursement and audit duties, the former being carried out entirely in the Divisional disbursing office and the latter in the Divisional audit office. The Divisional Controller, besides being in administrative charge of both offices, is himself the responsible audit officer in the division. He is also responsible for the preparation of the periodical accounts of the division submitted to the Military Accountant General and the Comptroller General. The disbursing office is in charge of an officer who disburses the whole of the charges of the division. With a few exceptions he prepares the monthly pay accounts, travelling allowance claims, etc., of all the units, officers and establishments in the division, and disburses the claims, all of which are by these means subjected to a careful preliminary audit, a further audit being carried out subsequently in the Divisional audit office. The Military Divisional disbursing office thus occupies much the same position as a Civil Treasury, with these modifications, that all the bills and pay lists of officers, units, etc., are actually prepared

in the office and that the officer in charge is an account officer instead of an officer of the Provincial Civil Service. The Divisional audit office becomes an office of account and audit only.

59. Funds are obtained by Divisional disbursing officers by annual assignments (paragraph 56), and payments are made by cheques on the civil treasuries.

60. In addition to these ten Divisional audit and disbursing offices, which are mainly connected with the pay and allowances of combatant units which proceed beyond the base of operations in time of war, there are Military departmental accounts for Ordnance and Clothing Factories, Arsenals and Ordnance Depôts, Remount and Medical Store Depôts, Dairy Farms and Railway charges. As a matter of convenience the Royal Indian Marine Accounts are also included in this class. The whole of these departmental accounts for all India are under one Controller, called the Controller of Military Supply Accounts, stationed in Calcutta. His office also is divided into pay, audit and account sections. The Pay Section pays all charges with the exception of those connected with Army Clothing Factories, Remount Depôts and Dairy Farms, which make their own disbursements. Claims are dealt with in the audit sections concerned and sent to the pay section for payment after audit. Funds are obtained by annual assignments, and payments made by cheques on treasuries.

In regard to Ordnance Factory Accounts, the work of audit is allotted partly to the Examiner of Ordnance Factory Accounts in the office of the Controller of Military Supply Accounts, Calcutta, and partly to the Inspecting Staff attached to the Office of the Military Accountant General, and these latter officers visit each factory in turn and carry out a Local Audit of a portion of the Accounts *in situ*.

61. To ensure the maintenance of the work of Divisional audit and disbursing offices, and of the Supply Controller's office, at a high standard of efficiency, there are two Mili-

tary Deputy Auditors General, senior officers of the Military Accounts Department, whose duty it is to carry out an annual test-audit of every Divisional disbursing office and a biennial inspection of the Divisional audit offices and the office of the Controller of Military Supply Accounts.

RAILWAYS.

(a) *Relations with the treasury.*

62. Each Railway station remits its cash collections daily to the Railway Examiner of Accounts or Auditor at head-quarters, who makes consolidated payments into the head-quarters Government treasury. At the end of each month a consolidated receipt is furnished by the treasury to the Examiner or Auditor. A few large stations pay their collections directly into the nearest treasury. Funds are obtained on cheques drawn against monthly letters of credit issued in favour of the Manager and Examiner or Auditor of the Railway jointly by the Civil Accountant General. Cheques issued on railways worked by companies are signed jointly by the Agent and Auditor, but those issued on State-worked Railways are signed by the Examiner alone and as usual support the debits in the treasury lists of payments.

RAILWAYS—OPEN LINES.

(b) *Preparation of initial accounts.*

63. The Railways of India may be broadly divided into three classes, *viz.* :—

- (a) Railways owned and worked by Government, *e.g.*, the Eastern Bengal State Railway, the North-Western State Railway, the Oudh and Rohilkhand State Railway.
- (b) Railways owned by Government, but worked by private companies to whom they have been leased, *e.g.*, the East Indian, Great Indian

Peninsula, Bombay, Baroda and Central India, Railways, etc.

- (c) Railways owned and worked by private bodies under agreement with the Government of India, *e.g.*, the Bengal and North-Western, and Rohilkund and Kumaon Railways.

64. In this manual we are directly concerned only with Government railways coming under class (a) and the following paragraphs relate exclusively to such railways, but it may be added that the general account procedure of railways coming under (b) and (c) above, is much the same as that of Government railways.

Receipts.

65. In railways the revenue unit is the station, in charge of a station master, who remits his cash collections daily to the Examiner and sends him monthly accounts of receipts.

66. Each station maintains two main cash books for coaching and goods traffic respectively. There are also a number of subsidiary registers in which are recorded the details of the collections under each head of traffic. Thus, under coaching, a separate account is maintained in respect of passengers' tickets, excess fares, parcels, luggage, horses, carriages and dogs, etc.; and, under goods, on account of both inward and outward consignments. Each of these accounts is again sub-divided into two parts according as the traffic is "local," *i.e.*, beginning and terminating on the home railway, or "foreign," *i.e.*, beginning or terminating on another railway.

67. At the close of the month each station master prepares two cash accounts called balance sheets, one for coaching and the other for goods transactions. The entries for both receipts and payments (*i.e.*, remittances to the head office) are taken from the cash books and subsidiary registers and are supported by vouchers and schedules. The closing balances represent the cash in hand or sums recoverable for which the station master is held accountable.

68. The station master makes no payments, nor, for that ^{Payments.} matter, do any railway officers on open lines except in special cases. Payments are made by the Examiners, after pre-audit of bills, by the agency of a staff of travelling pay clerks. In this feature the railway practice is similar to the Military. The spending units are the various departments of the Railway, *viz.*, Management, Engineering, Traffic, Locomotive, etc. As audited and paid, the bills are entered in the primary registers and books, from which the monthly accounts of the Railway are compiled. The only expenditure accounts compiled by spending units of open lines of Railways and sent to the Examiner, are Workshop accounts from the Locomotive, Carriage and Wagon, and Signal Departments, the necessity for these arising from the fact that, these being manufacturing departments, the compilation of such accounts would be extremely difficult if performed by the Examiner's office. They are, however, compiled by a member of the Examiner's staff permanently located in each workshop.

The executive departments responsible for the maintenance and working of Open Lines of Railway are not permitted (except in certain special instances) to make their own purchases of materials required by them in their operations. All such purchasers are centralised in the Stores Department under the control of a Chief Storekeeper by whom issues of materials are made to executive departments as required. Initial documents connected therewith are submitted to the Examiner, by whom the Stores Accounts are compiled, the Storekeeper maintaining numerical records of stock only.

RAILWAYS UNDER CONSTRUCTION.

69. For administrative purposes a railway line under construction is divided into a number of divisions, each being in charge of an Executive Engineer who is responsible for all the expenditure incurred in his division whether by himself or by his subordinates. As in the case

of the Public Works Department, each Railway division is divided into a number of sub-divisions which are in charge of Assistant Engineers or upper subordinates.

70. The procedure followed in accounting for the receipts and payments of a Railway under construction is exactly similar to that described above in the section dealing with the Public Works Department. Similar records are maintained both by the Executive Engineer and his Sub-Divisional Officers, and monthly accounts in the same form are rendered to the Examiner.

71. Railway accounts are supervised by an Accountant General for Railways, who has an inspecting officer called the Deputy Accountant General for Railways for Inspection. A more appropriate title would be Railway Deputy Auditor General as he, like the Military Deputy Auditor General, inspects on behalf of the Comptroller and Auditor General.

POST OFFICE.

(a) Relations with the treasury.

72. Post Offices have one pass book with the treasury for both receipts and payments, which is sent to the treasury with all transactions, as they occur, and attested by the Treasury Officer. Receipts are paid into the treasury with the usual chalan and the acknowledgment is given in the pass book. Letters of credit are issued by Deputy Accountants General, Post and Telegraphs, as required, and are intimated to the Civil Accountant General. Funds are drawn on simple receipts which support the debits in the treasury lists of payments. At the end of the month each Post Master sends a copy of his pass book to the treasury, which is signed as correct by the Treasury Officer. In paragraph 36 above it has been said that departmental receipts are paid direct into the treasuries. An exception is permitted in the case of post offices to facilitate money order transactions.

(b) *Preparation of initial accounts.*

73. The account unit is the Head Post Office, which incorporates in its accounts the transactions of the sub and branch post offices under it. The primary accounts maintained by a Head Post Office are—

- (a) The Treasurer's cash book.
- (b) The head office summary.
- (c) The head office cash book.

(a) *Treasurer's cash book.*—In each Head Post Office one of the clerks is appointed Treasurer and receives and pays all money. All valuables are kept in a safe, under double locks, one key of which is held by the Post Master and the other by the Treasurer. All transactions of receipts and payment (including stamps) are entered in the Treasurer's cash book as they take place. At the close of the day the cash book is totalled and balanced and signed by the Post Master, who at the same time verifies the cash balance.

(b) *Head office summary.*—This is a classified account of cash receipts and payments of the head office and is written up daily by the Treasurer, its daily balance agreeing with the daily balance of the Treasurer's cash book. As each transaction of receipt and payment occurs it is entered, not only in the cash book, but also by an independent clerk in subsidiary registers, such as Letter Postage Account, Register of Miscellaneous Receipts and Payments, Money Orders and Savings Bank Journals, Register of Treasury transactions, etc. The daily totals of these subsidiary registers are taken into the Summary. In this respect the system is similar to that of the Civil Treasury (Chapter II). In addition to the account items the Summary contains a memorandum of items kept out of account in the joint custody of the Post Master and the Treasurer, e.g., undisbursed salaries, permanent advances, value-payable money orders remaining in hand, etc. It is signed daily by both the Post Master and the Treasurer.

(c) *Head office cash book*.—This is a classified record of the daily transactions, not only of the head office, but also of the sub and branch offices under it. The entries are made daily by the Post Master from the head, sub and branch office summaries (the two latter prepared in the head office from the sub and branch office accounts), and progressive totals are given from day to day. A daily balance sheet is also prepared to effect a reconciliation between the head office cash book and the Treasurer's cash book.

74. On the first of each month a cash account is sent by each head office to the Deputy Accountant General concerned. The entries are taken from the head office cash book and a statement is given at foot of the account showing total drawings from and remittances to each treasury with which the head office (including its sub and branch offices) has transactions. The cash account is signed by the Post Master and is accompanied by a cash balance report in prescribed form as well as vouchers and schedules.

75. *Revenue*.—The bulk of the revenue consists of postage and money order commission. The collections under the former are scrutinized by the departmental officers and audit can exercise no check over this item of revenue. Commission on money orders is credited in accounts and audited in detail in the audit office.

76. In addition to the monthly cash account and cash balance report, the head office sends weekly, to the Deputy Accountant General concerned, journals of money order and savings bank transactions of its own and its sub and branch offices supported by vouchers.

TELEGRAPH DEPARTMENT.

(a) *Relations with the treasury.*

77. There is a separate pass book for receipts, which, together with a chalan, is sent to the treasury with each remittance, and is signed by the Treasury Officer. Funds

are drawn in three different ways:—(1) on bills with which have to be sent separate receipts for the net amount payable on each bill, (2) on a certificate that out of the imprest or permanent advance granted to the drawing officer so much has been expended by him, and (3) on cheques against letters of credit. For the payment of bills and imprest certificates annual assignments on the treasury are obtained by Circle Directors and Telegraph Masters, through the Deputy Accountant General, Post and Telegraphs, from the Civil Accountant General. The working of the letter of credit and cheque system is the same as in the Public Works Department. The debits in the treasury lists of payments are supported by the receipts, imprest certificates and cheques.

(b) *Preparation of initial accounts.*

78. Separate accounts are maintained by each divisional officer and each officer in charge of a signal office. The former is responsible for all receipts and expenditure incurred in connection with the construction, maintenance and repair of telegraph lines within his jurisdiction, while the latter has to account for all receipts and disbursements of his own office.

79. The primary account record in the case of both divisional and signal offices is the same, *viz.*, the cash book which contains a complete record of the cash transactions as they take place. At the close of the month a classified account, called the Primary Abstract of the cash book, is prepared and sent to the Deputy Accountant General, Telegraphs, for audit.

80. *Store Transactions.*—A central depôt in Calcutta with branches in several places in India maintains a stock (valued at about 60 lakhs of rupees) of materials and instruments for the use of the department. Detailed ledgers for these stores are maintained by the Audit Office, to which the depôts render daily accounts of receipts and issues. Audit makes monthly adjustments debiting pro-

per account heads with the net value of stores issued or freight charges incurred.

81. *Local Accounts.*—In respect of construction, Divisional Superintendents of Telegraphs stand on a footing analogous to that of Executive Engineers of the Public Works Department. There is, therefore, a similar procedure in vogue in respect of Registers of Works, Muster Rolls, and Contractors' Ledgers.

82. *Revenue.*—(a) The bulk of the revenue consists of message fees. All drafts of telegrams signalled in India find their way to a central office in Calcutta, called the Telegraph Check Office. This office exercises a test-audit to see that stamps of the correct value are affixed to the messages. It also acts as a clearing house for message exchanged with other Telegraph Administrations, and fixes the amount due from or to these administrations.

(b) Other items of revenue are telephone rents and maintenance charges for wires leased to Railway and Canal Administrations. The Audit Office arranges for the due recovery of this revenue in collaboration with the departmental authorities.

83. There is a separate Accountant General for Post and Telegraphs, but there is no separate Deputy Auditor General for the inspection of the account offices under his control, this work being undertaken by the Civil Deputy Auditors General.

FOREST.

(a) *Relations with the treasury.*

84. The Forest Department does not use any pass book for treasury receipts or payments. Receipts are sent to the treasury with a chalan in duplicate, one copy being retained with the treasury, while the other is returned as an acknowledgment. Funds are obtained on cheques against letters of credit issued quarterly by the Civil Accountant General. A consolidated receipt for the

month's remittances is furnished by the treasury to the divisional forest officer. The debits in the lists of payments are as usual supported by the paid cheques.

(b) Preparation of initial accounts.

85. Like the Executive Engineer in the Public Works Department, each (divisional and sub-divisional) Forest Officer has a cash chest in which he keeps revenue not remitted to the treasury and money drawn from the treasury not paid away. The cash is counted by the Forest Officer himself on the last day of the month and a report is sent to the Accountant General.

86. The main divisional account record is the cash book, in which are recorded the daily transactions as they take place as well as the monthly total of the sub-divisional cash books received towards the end of the month.

87. In addition to his cash book the divisional officer maintains a Contractors' and Disbursers' Ledger or running account with each departmental contractor and disbursers.

88. Besides the Cash Balance Report mentioned in paragraph 29, the divisional officer renders the following monthly accounts to the Accountant General:—

- (i) Cash Accounts;
- (ii) Schedule of remittances of revenue to the treasury;
- (iii) Abstract of Contractors' and Disbursers' Ledger.

The Cash Account is a classified account of the receipts and disbursements of the whole of the division, and is compiled from the Divisional Cash Book and signed by the Divisional officer personally.

The schedule of remittances is supported by the treasury receipts and shows each item of remittance separately.

IMPERIAL DEPARTMENTS.

89. In this connection these are the Survey of India, Northern India Salt Department, Meteorological Depart-

ment, Archæological Department, Geological Department, Central Criminal Intelligence Department, Imperial Service Troops, Imperial Cadet Corps.

These departments, whose operations extend over several provinces, are grouped under the audit of the Comptroller, India Treasuries, Calcutta. In the case of the Northern India Salt, a large revenue department, receipts are paid into the treasury with chalans and pass book; otherwise chalans only are used. Funds are obtained by "payment orders" and letters of credit issued periodically by the Comptroller, India Treasuries, against which bills in the prescribed forms are presented at the treasury except in the case of the Central Criminal Intelligence Department, the Imperial Service Troops and the Imperial Cadet Corps, whose bills are paid at treasuries without any special authority. Such bills are sent by the account officers of the provinces in which they are paid to the Comptroller, India Treasuries, who compiles them into monthly accounts.

CHAPTER IV.

Classification.

90. One of the most distinctive features of the public account system of India is the minute elaboration with which the financial transactions of Government under both receipts and payments are differentiated and classified. The first great division is into *Revenue and Service* heads for the revenue and expenditure proper of Government, and *Debt and Remittance* heads for the receipts and payments in regard to which Government acts as a banker or remitter or borrower or lender, or which are merely in transit from one place or head of account to another (see paragraph 15, Chapter I). The main unit of classification is the *Major* head such as I.—Land Revenue or 20.—Police, of which there are about 34 under *Revenue*, 51 under *Service*, and about 70 on each side of the account for *Debt and Remittance*. These *Major* heads are combined into *Groups* which have specific titles such as *A. Principal Heads of Revenue; B. Interest; C. Post Office, Telegraph and Mint*, etc., etc., of which there are about ten on each side of the account under *Revenue and Service*, and nine on each side under *Debt and Remittance*. The *Major* heads are subdivided into *Minor* heads, of which there are over 200 under *Revenue* and nearly 300 under *Service*, and several hundreds under *Debt and Remittance*. And finally the *Detailed* heads, which run into thousands.

91. Outside these thousands of heads of classification or account, there is a further broad division into Imperial and Provincial revenue and expenditure. The revenue and expenditure falling under certain heads (major, minor or detailed) of account is reserved wholly to the Imperial Government and is called Imperial; the revenue and expenditure under certain other heads has been transferred wholly to the Local Governments and is called Provincial; and the remaining heads are divided in varying propor-

tions between Imperial and Provincial. Formerly there was a third division called "Local" for the receipts and payments of Municipalities, District Boards and local bodies; but of late years these have been excluded from the main public accounts.

92. The object of all this elaborate classification is to secure the utmost possible uniformity of accounting amid the immense volume and variety of the financial transactions of the Government of India; and thereby render possible not only reliable comparisons between the accounts of different localities and periods, but especially the system of budget estimates, or forecasts of receipts and payments, with which the public finance and administration of India are so closely bound up. (See paragraph 14, Chapter I.) Classification carried to this extent also compels each disburser to a minute periodical review of the public receipts and payments in his charge, and so makes for effective financial control and economy.

93. The broad principle which governs classification is that the head to which a receipt or payment belongs has closer reference to the department in which it occurs than to its objects or grounds.

The process is most carefully and rigidly carried out and forms one of the most important duties of the Government Account Offices.

94. Every bill or voucher received from the treasuries is separately classified, the major, minor and detailed heads to which the charges it records belong being entered on its face; and similarly every item of receipt in the monthly cash accounts received from the treasuries is classified against its major, minor and detailed heads on the face of the account. The treasuries in Madras, and Public Works divisions everywhere classify these accounts, however, before they submit them.

CHAPTER V.

Capital Accounts.

95. Some departments of Government, as for example, Railways, Irrigation, Post and Telegraphs, are run on a commercial basis, and to indicate adequately the results in such departments, the maintenance of capital as well as of revenue accounts is necessary. This separation between capital and revenue is not carried out to the same extent in all cases. In the case of Railways and of productive Irrigation works the separation is complete. Expenditure on such works is not charged against the Revenue account, and is recorded as capital expenditure. In the case of Telegraphs capital expenditure is recorded separately in the Government accounts but is charged against the Revenue accounts. In the case of the Post Office and of protective Irrigation works (*i.e.*, works which are not expected to be productive, but which are undertaken as a protection against famine) the expenditure is neither recorded in the Government accounts as capital expenditure nor is it taken against the capital account. Departmentally, however, a *pro formâ* capital account is maintained in order to show the results. The detailed explanation below applies fully only to Railways and productive Irrigation works.

96. The success of a commercial undertaking is determined by the percentage of the net profits to the capital expenditure. To indicate these points accurately a different set of accounts is necessary. The following abstract of the fabric of railway accounts would apply equally, with possible modifications in detail, to any other departments in which the accounts have to be maintained on a commercial basis. The frame work of railway accounts is as follows:—

- (1) A Capital (or Block) account showing the money received and expended on the con-

struction of the railway, its works, buildings, plant, machinery, and rolling stock.

(2) A Gross Revenue (or Earnings) Account showing the Revenue derived from *Coaching Traffic*, which includes the carriage of passengers, mails, parcels, horses, carriages and goods; from *goods traffic*, which includes the carriage of general merchandise, coal and other minerals, cattle, military stores, etc.; and from *miscellaneous sources*, such as the transmission of telegraph messages, the working of steam boats, mileage and demurrage of working stock lent to foreign railways, rents for the use of joint lines and stations used by other railways, and rents of refreshment rooms and residential quarters provided for the staff.

(3) A Revenue Expenditure (or Working Expenses) account showing all expenses of management and operation, the cost of repairs and maintenance of way, works, buildings, plant, machinery, and rolling stock or, when worn out, their renewal or replacement, and other miscellaneous expenditure such as rents, hire and demurrage paid for the use of lines, stations and stock belonging to other railways, law charges, rates and taxes.

The difference between (2) Gross Revenue and (3) Working Expenses, represents the Net Revenue, which is available for the payment of interest on Capital expended. When it does not suffice to meet this charge, the railway is being worked at a loss; when, in addition to meeting this charge, it provides a surplus the railway is being worked at a profit.

Provision of funds for capital expenditure.

97. It may be desirable at this stage to indicate the manner in which funds are provided for capital expenditure. This explanation applies equally to all capital

expenditure but is given here inasmuch as that on railways is by far the largest portion. The main sources of funds for capital expenditure are—

- (a) current surplus revenues or cash balances accruing from previous surpluses;
- (b) any excess of savings bank deposits over withdrawals; and
- (c) amounts borrowed in the open market either in India or in England by the Secretary of State or by Railway Companies.

The entire amount required for Railway construction expenditure in any year, whether on State or Company worked lines, is set out in an annual Programme the limits of which are determined on the one hand by the ability of the Secretary of State to raise money in the open market, and on the other by the capacity of the Railways to spend the money within the year.

98. Some time before the commencement of the next official year a careful forecast is made by the Finance Department of the surplus revenues from all sources which, it is expected, will be available in the Government Treasury during the year; the amounts which it is necessary to borrow in England and India respectively are then settled in correspondence between the Government of India and the Secretary of State; and a formal announcement is made of the amount for which the Programme is to be prepared. The apportionment of this amount between the several railways, whether State or Company worked, and irrespective of the sources from which the funds are to be provided, is then settled by the Railway Department on estimates, known as the July Forecast and the December Schedule of Demands, in which the railway administrations intimate beforehand their requirements for the ensuing year.

CHAPTER VI.

Resource and Currency.

99. The currency of India takes three main forms. The most common form is the silver rupee with its subsidiary silver, nickel and bronze coins. Sovereigns and notes payable in rupees or sovereigns are the other forms.

The rupee, being of such small denomination, will probably continue to be the most widely used form of currency.

The sovereigns in India have been imported by private agency. Rupees and notes are manufactured and issued by Government.

100. A currency note is a promise by Government to pay to the bearer on demand, at a certain specified place or places, a specified amount expressed in rupees. The payment may be made in legal tender rupees, half rupees, sovereigns or half sovereigns.

Notes are issued of the following denominations :—Rs. 5, 10, 50, 100, 500, 1,000, 10,000. The notes of the three highest denominations are stamped for payment at the place of issue only, *i.e.*, at Calcutta, Bombay, Madras, Rangoon, Lahore, Cawnpore or Karachi, as the case may be. The other notes are called "universal" notes, implying thereby that they are payable at any of these offices of issue.

The Government, however, have issued orders that currency notes should be cashed at any Government treasury whenever this can be effected without inconvenience to resource operations.

The advantages of a more general use of currency notes are generally recognised, and it is probable that their use will be greatly encouraged if more extended facilities are offered for the encashment of notes. The Royal Commission on Indian Finance and Currency have strongly recommended that the existing facilities should be increased, and steps are being taken to give effect to this recommendation.

101. The sovereign is unlimited legal tender in India at the rate of Rs. 15 to £1, and there is a statutory obligation on the part of Government to issue notes in exchange for it. The Government have also expressed their readiness to give sovereigns for rupees at this rate, but they are under no legal obligation to do so.

102. An obvious duty of Government is to provide, at any place at which Government payments are made, sufficient money with which to make such payments. A few payments are made at sub-treasuries, some are made by Departmental officers who obtain funds for the purpose from treasuries. The bulk of the payments, however, are made at treasuries. The main function, then, of Government resource work is to ensure the provision at each treasury of money sufficient to meet the Government demands on that treasury.

103. The primary source of such money is, of course, the receipts at that treasury. But these vary considerably at different treasuries and from month to month at any treasury. Thus from the resource point of view treasuries may be divided into four classes :—

- (1) those in which the receipts regularly exceed the outgoings;
- (2) those in which the outgoings regularly exceed the receipts;
- (3) those in which the receipts do not regularly, but do on the whole, exceed the outgoings;
- (4) those in which the outgoings do not regularly, but do on the whole, exceed the receipts.

It is obvious that remittances must be constantly made from treasuries in classes (1) and (3), and to treasuries in classes (2) and (4).

It is equally obvious that resource work can be facilitated if the excess receipts in certain months at treasuries in classes (3) and (4) can be retained at those treasuries to meet as far as possible the excess outgoings in future months.

This facility is offered by the provision at treasuries of currency chests:

104. There is no limit to the amount of issues of currency notes, but the Act permitting their issues provides that the whole amount at any time in circulation shall be secured by a reserve of gold and silver coin or bullion and securities of the Government of India or of the United Kingdom. The total amount of such securities is subject to a limit which has been raised from time to time with the growth of the volume of the Paper Currency Reserve. The metallic portion of the Reserve or any part of this may be held either in London or in India or partly in both places, and also in gold coin or bullion, or in rupees or silver bullion (the last named being valued at cost price) at the free discretion of Government, subject only to the exception that rupees may only be kept in India and not in London. The bulk of the reserve is necessarily held in coin, and the portion of it that is held in India is scattered all over the country at headquarters offices and in currency chests at District Treasuries, nearly every treasury having such a chest. Whenever, then, the treasury balances at any treasury become unnecessarily high or fall too low, they are depleted or repleted by transfers to or from the currency chest at that treasury against corresponding opposite transfers at headquarters or elsewhere.

105. A considerable amount of resource work, however, deals with private demands for money. Money in itself is a valuable commodity in great demand. Government is by far the largest holder of money in India and also holds it at more places than any bank or firm dealing in the commodity. Mercantile firms requiring money at trade centres are, therefore, constantly applying to Government for remittance orders from one place to another within the country, and Government meets their requirements, so far as it can do so, by the issue at a small charge of supply bills and telegraphic transfers through currency or treasury. The

amount of remittances annually effected through Government in this way is very large.

Thus Government undertakes to meet not only all Government outgoings at any treasury but also supplies a large portion of the private demands for money at different treasuries.

Remittances from England to India are also effected through Government in large amounts. The annual exports from India are generally in excess of her imports, and an adjustment of the value of the net exports is effected partly by remittances through Government, partly by actual shipments of coin and bullion, and partly in other ways. The remittances through Government are made through the agency of Banks and financial houses who buy Council Bills from the Secretary of State in London. These Council Bills are promises by Government to pay on demand at the treasuries in Calcutta, Madras and Bombay the amounts specified in the Bills, and the provision of funds at these places to meet these payments is an important part of the resource work in India.

106. It has been seen that the receipts and outgoings of each treasury vary from month to month. In the same way, viewing the transactions of the Government of India as a whole, the receipts and outgoings, and consequently the Government balance, vary from month to month. But it is obvious that the balance must not be allowed to fall at any date below a specified minimum. It is found in actual practice that the minimum balance comes about the end of the calendar year. It is at present estimated that this should not be less than 12 crores, and that to ensure this the estimated closing balance at the end of any financial year should not be less than 18½ crores. The minimum balances with which the treasuries can be worked do not vary very largely from month to month. Consequently Government will nearly always be in possession of funds in excess of its minimum requirements. A portion of these surplus funds is

always in the custody of the Presidency Banks, who rely upon them for a large portion of the profits which they derive from being the Government bankers. It has hitherto, however, been the practice to retain the bulk of them in Reserve Treasuries.

107. Just as it is necessary for Government to meet the outgoings at a treasury in India, so it is essential for it to find funds to meet all the outgoings in England. Here the treasury is permanently and seriously deficit and it finances itself by the Secretary of State's sale of Council Bills. These bills thus supply the double purpose of placing the Secretary of State in funds in London, and also, as has been shown in paragraph 105 above, of enabling a trade remittance to be made in the opposite direction from London to India.

108. In addition to the provision of the total amount of funds required for the purpose of meeting their outgoings, it is also incumbent on Government to have regard to the form of currency in which their total resources are held. Thus, it is necessary on the one hand to hold in India a sufficient stock of rupees to ensure that importers of gold shall be able to obtain this form of currency for their gold when required, and, on the other hand, to hold adequate liquid resources in sterling to enable them to redeem rupees in gold when desired.

The second requirement is a vital one. The pivot of the present currency system of India is the maintenance of the exchange between England and India at or about 1s. 4d. per rupee. There is a definite promise that the Secretary of State will sell unlimited Council Bills on India at 1s. 4½d. and the Royal Commission on Indian Finance and Currency have suggested that conversely Government should promise definitely to sell bills on England to an unlimited extent at 1s. 3⅔d. These points are fixed approximately just above the points at which it would pay to ship gold from England to India and *vice versa*. The more important point is to

ensure, of course, that the exchange shall not fall seriously below 1s. 4*d.* The maintenance of exchange at this level is, generally speaking, dependent on the ability of India to pay by her exports for her imports and for the other services rendered to her by other countries, including the use of foreign capital. On this and other accounts, apart from any private liabilities, the Secretary of State has every year to make large payments in England on behalf of the Government of India. When, therefore, the amounts payable to India on account of her exports, etc., are less than those payable by India, including the amounts which the Secretary of State ordinarily requires to draw upon India for official purposes, exchange will normally tend to fall. In order to maintain exchange under these conditions Government hold a large reserve in England to meet the bills which will be drawn on England. This reserve constitutes the Gold Standard Reserve. The questions of the location and the form of this reserve have lately been under consideration of Government and are not yet finally decided. In any case, such details are outside the scope of the present work.

109. The Controller of Currency is responsible for the performance in India of the duties described in this chapter, and, as has been indicated in paragraph 17 above, the Accounts Officers act as his deputies in these matters.

CHAPTER VII.

Compilation.

110. As has already been seen, the first compilation of the Indian public accounts takes place at the Government treasuries; the second in the Civil Account offices, one for each Presidency and Province; and the third and final compilation in the office of the Comptroller General. The last officer also receives monthly compiled accounts from the India Office, and from the Military, Railway, and Post Office and Telegraph Account offices, whose transactions appear in the treasury accounts in lump. The system of account is practically *single entry throughout*.

111. The initial compilation is the daily one of each receipt and payment as it occurs in the cash books and subsidiary registers of the treasurer and accountant at each treasury. This process corresponds to the daily postings of the cash book and ledgers in a business firm or company (except that the ledgers are kept by double-entry). On the 11th of each month each treasury compiles a partially-classified list of payments made between the 1st and 10th of the month, and sends it to the Account office together with the payment vouchers, which are then completely classified, audited, and posted in the audit registers, in the Audit Office. On the 1st of the succeeding month each treasurer sends to the Account office a second list of payments (with vouchers) made between the 11th and the end of the month; and also a partially classified list of receipts of the month and a cash balance report. The second list payment vouchers are then classified, audited and posted in the audit registers as before, and the receipts completely classified.

Classified
Abstracts.

112. The receipts and payments belonging to each detailed head of account are then grouped, totalled, and posted into Classified Abstracts (one for each district treasury), which contain the heads of account in the vertical

column to the left and a vertical column for each month; and also columns for showing the budget estimates and budget allotments. Progressive totals for 4, 6, 8, 10, and 12 months are arranged for, and also columns for posting transfers between heads and exchange account transactions (explained below). The lower part of each page is kept blank for details of the items composing a single entry. These Classified Abstracts bring out the monthly totals of receipts and payments of all kinds under each detailed and minor head of account for each district.

113. The next compilation book is known as the Detail Book, of which the first two vertical columns to the left show the period of account and the district and the horizontal column at the top the detailed heads of account. The vertical totals thus give the totals under each detailed head for the Province, and the cross totals the totals under minor head for each district and for the Province. The Detail Books are posted from the Classified Abstracts, and the cross minor head totals compared with those already worked out in the Abstracts. There are columns as before for transfers and exchange account entries. We have now got the Provincial totals under each detailed and minor head.

114. The figures are then thrown into what are called Consolidated Abstracts. The form of this abstract is similar to that of the Classified Abstract except that columns are provided for showing the up-to-date totals for all months except April, and that the Budget figures are shown in the last column.

115. The monthly consolidated Provincial figures are finally despatched to the Comptroller General monthly on the 1st of each second month, in a form known as the monthly Civil Account, which is the Consolidated Abstract in a different form. The figures are printed by the Comptroller General and become the standard of reference for information regarding the accounts.

Finance and
Revenue
Accounts.

116. *Departmental Accounts.*—The process of compilation is slightly different in the case of Public Works and other Departmental accounts which are sent compiled to the Audit Office. In the case of these accounts the primary compilation is already completed, and so the accounts and the schedules accompanying them are posted direct into the Detail Books, a separate set of which may be kept for each Department like Public Works. From these Detail Books, the totals are taken into the Consolidated Abstract and the monthly Account.

117. Some time after the close of the year the Comptroller General compiles the year's accounts of the whole country (including the India Office portion), in a form known as the Finance and Revenue Accounts, for submission to the Secretary of State and Parliament.

118. The Comptroller General also prints and submits to the Government of India the following monthly compilations of the accounts received by him :—

- (1) One for Civil Accountants General.
- (2) A compilation of the Post Office and Telegraph, Military Works and Marine accounts.
- (3) A compilation of the Military accounts.
- (4) A compilation of Railway Revenue and Capital Accounts.
- (5) A general abstract of the whole.

These, however, are not available until two months after the month to which they relate. Statements of treasury receipts and issues, however, are submitted to the Government of India within nine and eighteen days of the end of the month, while an approximate account is submitted in the first week of the following month.

In view of their importance figures of railway earnings are submitted every week with the figures for the corresponding period of the previous year.

119. It will be noticed that the monthly compilations in the Account offices proceed in three stages. The original accounts reach the Account office in the form of batches of payment vouchers (with covering lists) and lists of receipts, and the problem is to ascertain the total receipts and payments under each detailed, minor or major head of account for the whole Province. To this end the receipts and payments of each district are (1) classified under detailed heads, (2) grouped and totalled under each detailed head, (3) summed into district totals under each minor head, (4) summed into Provincial totals under each detailed and minor head, (5) summed into Provincial totals under each minor and major head. The heads of account and the localities are alternately placed in the vertical column to the left in the different books until the totals under each detailed, minor, and major head for the whole country are obtained. Opportunity is at the same time taken to compare the growing figures with the budget estimates and allotments. The essential compilation books are the Classified Abstract, the Detail Book, and the Consolidated Abstract; the Civil Account is the Consolidated Abstract in a slightly different form; and the Finance and Revenue Accounts have a special form of their own. The whole is single-entry accounting and merely arithmetical summation.

120. Transfer entries are entries made to transfer an item from one head of account to another in order to correct an error of classification. The idea is in itself simple, but the procedure necessary to carry it out somewhat elaborate. Two alternative plans and sets of forms are described in Chapter 55 of the Civil Account Code. The final outcome of each plan is a statement showing the debits and credits to be made under each detailed head, the totals of the debits and credits being necessarily equal. In the case of revenue and service heads, only the net result appears in the statement, *i.e.*, the debits and credits under each detailed head are deducted from each other and only the balance posted; but in the case of debt and remittance heads, the gross

credits and debits are posted, as these heads have answering accounts on both sides. Each Transfer Entry is posted in the Classified Abstracts with a *minus* sign in the column of the month in which the error occurred and against the particular item *from* which the amount is transferred, and with a *plus* sign in the column of the account month in which the transfer is made against the item *to* which the amount is transferred. The net result of all the transfer entries as worked out by one of the alternative plans is posted monthly at the foot of the Detail Books and the detailed and minor head totals thus corrected.

Exchange
Accounts.

121. Exchange Account transactions are of the nature of paper remittances from one Department to another. The Military Department receives or pays an amount which belongs to Civil. It credits or debits it to "Exchange Account between Civil and Military" (a head under Debt and Remittance) and sends an account to Civil, which responds by debiting or crediting "Exchange Account between Civil and Military" by credit or debit to the proper revenue or service head. On the Government books, therefore, for the single transaction (which we will say is an item of receipt) there are in the first stage three entries, *viz.*, a credit and a debit to "Exchange Account between Civil and Military," and a credit to the proper revenue heads. In the Comptroller General's office the entries under the Exchange Account head are taken against and cancel each other, and the net result is the credit to the revenue head transferred from the Military Department where it occurred to the Civil Department where it has to be brought to account. As in the case of transfer entries, while the idea is simple, the actual process is a somewhat elaborate bit of accounting.

Division of
accounts into
Imperial and
Provincial,
and adjust-
ments

122. It has already been stated (paragraph 91, Chapter IV) that in addition to the numerous heads of account or classification there is a broad division of the accounts (and the finance) into Imperial and Provincial. In the Classified

Abstracts, Detail Books, and Consolidated Abstracts, the treasury figures are shown without distinction of Imperial and Provincial, except in the case of specially assigned heads which are separately stated, being expressly designated Imperial or Provincial. From the Consolidated Abstract a separate Provincial Account is prepared monthly for each Local Government. The figures under heads which are wholly Provincial already appear separately in the Abstract; and the Provincial shares of the receipts and expenditure of divided heads are calculated outside the accounts on monthly distribution statements, which bring out also the opening and closing balances of Provincial funds.

between
Imperial and
Provincial.

Adjustment between Imperial and Provincial funds are made through the Land Revenue head (which is always a divided head) by additions to, or deductions from, the Provincial share of land revenue.

123. As already stated, the mass of the Government accounts are kept by single entry. The whole of the compilation dealt with so far is single-entry compilation—may in fact be regarded as the compilation of one huge daily, monthly, and yearly Cash Book broken up into treasury, provincial, and departmental sections; and working out to a daily, monthly, and yearly cash balance or surplus. But there is also a double-entry portion of the Government accounts; that is, a Government journal and ledger. At the commencement of each year, as soon as the budgets are sanctioned, the whole of the year's estimated revenue of a Province is entered in the Government books in a single double-entry by a credit to the head Government and a debit to General Revenue Account; and the whole of the estimated expenditure of a Province by a debit to the head Government and a credit to Grant Account.

Technical
accounts.

The various debt head and personal account balances are also transferred from the head Balance (to which they were closed at the end of the previous year) to the several ledger

accounts to which they belong. The main ledger heads are:—

1. Opening and closing heads, *viz.*, Government, General Revenue Account, Grant Account, Balance.
 2. Revenue heads
 3. Expenditure heads
 4. Debt and Remittance heads
 5. Personal Accounts of Collectors.
- } being the major and minor heads of the list given in Appendix P., Civil Account Code, Volume II.

The ledger heads, Government, General Revenue Account, Grant Account, and heads under Revenue and Expenditure, have to do with service revenue and expenditure only; the ledger head Balance and those under Debt Remittance and Personal Accounts, with the debt and remittance portion of the accounts, *i.e.*, with balances payable by or to Government.

124. There is a ledger for each major head of account (with the minor heads under it), and the consolidated monthly transactions under each minor head in each Province are posted monthly in one entry into each ledger from the Consolidated Abstract, and the major head totals struck. In the case of revenue and service heads the postings are of course on one side of the ledger only; in the case of debt and remittance and personal accounts, on both sides. At the end of the year the revenue ledger postings under each major head are totalled and closed to General Revenue Account. This head opens with the amount of revenue estimated under each major head, and when the actual receipts under each such head are known the net excess over or deficiency from the estimate is worked out and credited or debited to the head Government.

In the same way the service ledger postings under each major head are totalled and closed by Grant account and the net saving out of or excess over the estimates already

entered in this account is credited or debited to the head Government.

For the debt and remittance and personal heads the difference between the postings on each side of the ledger is taken to or by Balance. The process may be exhibited thus :—

- Let A = estimated revenue of the year.
 B = actual do. do.
 C = estimated expenditure of the year.
 D = actual do. do.
 F = a deposit balance of the previous year.
 G = repayments of this deposit during the year.
 H = an advance (by Government) of the previous year.
 K = recoveries of this advance during the year.

Then

Dr. Cr.

General Revenue Account.

A (estimated revenue) broken up into major heads.	B (actual revenue), viz., the major head totals for the year from the revenue ledger.
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Grant Account.

D (actual expenditure), viz., the major head totals for the year from the service ledger.	C (estimated expenditure) broken up into major heads.
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Government.

C (estimated expenditure). D—C (excess expenditure of the year).	A (estimated revenue). B—A (surplus revenue of the year).
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Balance.

F (opening balance of deposit due by Government).	G (repayments of F).
K (recoveries of H).	H (opening balance of advance due to Government).

125. The debit and credit entries under the General Revenue and Grant accounts can best be explained by noting that the Revenue authorities become responsible for collecting the estimated revenues; the General Revenue Account, therefore, is debited with these estimated revenues. The Revenue authorities absolve themselves of their responsibility by collecting the revenue, so that the actual collections are credited to the account. In the same way disbursing authorities are given permission to spend up to the estimated expenditure; the Grant Account, therefore, is credited with the estimated expenditure, while the actual expenditure must, of course, be debited to the account.

It will be seen that the net result of the first three heads (and of the revenue and service ledgers) is the actual revenue and expenditure of the year respectively credited and debited under Government. The balance under Government is the revenue surplus or deficit of the year.

Under balance, F is of course always greater than G, and H than K. The ledger is closed by taking F *minus* G on the credit side and H *minus* K on the debtor side, and the new year's ledger is opened by reversing the process.

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