

AN
INTRODUCTION
TO
INDIAN GOVERNMENT AUDIT

BY
SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor General in India

Second Edition.

[*Corrected up to 1st May 1925.*]



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH.

1925

Price annas 8 or 10d.

**Government of India Publications are obtainable from the
Government of India Central Publication Branch,
8, Hastings Street, Calcutta, and from the
following Agents;—**

EUROPE.

OFFICE OF THE HIGH COMMISSIONER FOR INDIA, 42, GROSVENOR GARDENS, LONDON, S.W. 1.
and at all Booksellers.

INDIA AND CEYLON.

Provincial Book Depôts.

Madras :—Office of the Superintendent, Government Press, Mount Road, Madras.
Bombay :—Office of the Superintendent of Government Printing and Stationery, Poona.
Sind :—Library attached to the Office of the Commissioner in Sind, Karachi.
Bengal :—Office of the Bengal Secretariat Book Depôt, Writers' Buildings, Room No. 1, Ground Floor, Calcutta.
United Provinces of Agra and Oudh :—Office of the Superintendent of Government Press, United Provinces of Agra and Oudh, Allahabad.
Punjab :—Office of the Government of Punjab, Lahore.
Burma :—Office of the Superintendent, Government Printing, Burma, Rangoon.
Central Provinces and Berar :—Office of the Central Provinces Secretariat, Nagpur.
Assam :—Office of the Superintendent, Assam Secretariat Press.
Bihar and Orissa :—Office of the Superintendent, Government Printing, Bihar and Orissa, P. O. Gulzarbagh, Patna.
Coorg :—Office of the Chief Commissioner of Coorg, Bangalore.
North-West Frontier Province :—Government Press, Peshawar.

Thacker, Spink & Co., Calcutta and Simla.
W. Newman & Co., Ltd., Calcutta.
E. Cambay & Co., Calcutta.
S. K. Lahiri & Co., Calcutta.
The Indian School Supply Depôt, 309, Bow Bazar Street, Calcutta, and 226, Nawabpur, Dacca.
Butterworth & Co. (India), Ltd., Calcutta.
Rai M. C. Sarcar Bahadur and Sons, 90/2A, Harrison Road, Calcutta.
The Weldon Library, 17, Park Street, Calcutta.
Standard Literature Company, Limited, Calcutta.
Association Press, Calcutta.
Chukervertty, Chatterjee & Co., Ltd., 18, College Square, Calcutta.
The Book Company, Calcutta.
Higginbotham & Co., Madras.
V. Kalyanarama Iyer & Co., Madras.
P. B. Rama Iyer & Co., Madras.
Rochouse and Sons, Madras.
Bright & Co., Trivandrum.
V. S. Swaminathan, Bookseller, West Tower Street, Madras.
Thacker & Co., Ltd., Bombay.
D. B. Taraporevala, Sons & Co., Bombay.
Sunder Pandurang, Bombay.
Ram Chandra Govind & Sons, Kalbadevi, Bombay.
N. M. Tripathi & Co., Booksellers, Princess Street, Kalbadevi Road, Bombay.
Proprietor, New Kitabhana, Poona.
The Manager, Oriental Book Supplying Agency, 15, Shukrawar, Poona City.
E. S. Gondhalekar's Book Depôt, Publisher and Bookseller, Budhwar Chawk, Poona City.
Managing Director, Co-operative Bookstall, Booksellers and Publishers, Poona City.
The Standard Bookstall, Karachi, Rawalpindi, Murree, Lahore, Peshawar and Quetta.
Karsandas Narandas & Sons, Surat.
A. H. Wheeler & Co., Allahabad; Calcutta and Bombay.

N. B. Mathur, Supdt., Nazir Kanun Hind Press, Allahabad.
The North India Christian Tract and Book Society, 18, Clive Road, Allahabad.
Ram Dayal Agarwala, 184, Katra, Allahabad.
Manager, Newal Kishore Press, Lucknow.
The Upper India Publishing House, Ltd., 41, Aminabad Park, Lucknow.
Munshi Seeta Ram, Managing Proprietor, Indian Army Book Depôt, Juhl, Cawnpore.
Rai Sahib M. Gulab Singh & Sons, Mufid-Am Press, Lahore and Allahabad.
Rama Krishna & Sons, Booksellers, Anarkalli, Lahore.
Puri Brothers, Booksellers and Publishers, Katcheri Road, Lahore.
The Tilak School Book Shop, Lahore.
Manager of the Imperial Book Depôt, 63, Chandney Chauk Street, Delhi.
Oxford Book and Stationery Company, Delhi.
Supdt., American Baptist Mission Press, Rangoon.
Proprietor, Rangoon Times Press, Rangoon.
The Modern Publishing House, Ltd., 30, Phayre Street, Rangoon.
The International Buddhist Book Depôt, Post Box No. 971, Rangoon.
Burma Book Club, Ltd., Rangoon.
Manager, the "Hitavada", Nagpur.
S. C. Talukdar, Proprietor, Students & Co., Cooch Behar.
Times of Ceylon Co., Ltd.
The Manager, Ceylon Observer, Colombo.
The Manager, The Indian Book Shop, Benares City.
B. C. Basak, Esq., Proprietor, Albert Library, Dacca.
The Srivilliputtur Co-operative Trading Union Ltd., Srivilliputtur.

INTRODUCTION TO THE SECOND EDITION.

THIS volume has been thoroughly revised so as to embody all the changes in the rules relating to audit, the rule defining the financial powers of the Government of India and local Governments, rules relating to pay, leave and pension, etc., which have been brought about by the introduction of the Réforms, and the consequent changes in the Government of India Act and the Statutory rules issued under the Act. The primary object with which the volume was originally issued has been kept in view, and all the changes which have taken place since the issue of that volume, have been explained in a general manner so as to present a broad view of the whole situation.

My thanks are due to Rao Bahadur K. Balarama Iyer for the revision of the chapters relating to railway audit and audit of stores accounts, and to Mr. J. C. Mitra for the revision of the chapter on Posts and Telegraph audit.

M. F. GAUNTLETT.

The 25th May 1922.

X7:88.2

E7; F5

5179

INTRODUCTION TO THE FIRST EDITION.

THE primary object of this volume is to give probationers in the Indian Finance Department some idea of the principles underlying Government audit in India, and a summary of the more important rules to be applied in such audit.

It is hoped, however, that it may have a wider sphere of usefulness. The exposition of principle may be of value to senior audit officers as well as to probationers.

The volume may also be of some use to officers of other departments, especially to those who, as controlling officers, constitute an important link in the system of audit.

As a consequence of the primary object of the volume no attempt has been made to include in it any account of the system of work followed, or of the special rules applied, in military audit offices. But, generally speaking, that system of work is based on the principles described herein, and thus this volume may also be of some assistance to officers of the Military Accounts Department.

In regard to several matters the present volume deals with a transitional period. Thus the principles according to which re-delegation may be permitted, the resolution which will bring together all the financial powers of local Governments and the revision of the leave rules are all still unsettled. It is thought desirable, however, to issue the volume now for two reasons. Firstly, the need for it is deemed to be urgent, and secondly, it is felt that there can be no finality in such matters, and that by the time these questions are decided others will in turn be under consideration. Moreover a pioneer volume such as this will probably require revision at a comparatively early date, and, when the questions above mentioned have been decided, it may be found desirable to issue a new edition in which any defects found in this edition can be rectified.

I desire to express my indebtedness to Mr. Dicksee's "Treatise on Auditing" and for the assistance which I have received from Mr. Pritchard in the description of the existing system of audit of receipts and of the verification of the original record, from Messrs. Scott O'Connor and Avery in connection with railway audit, from Messrs. Levett Yeats and Rajagopalan regarding post and telegraph audit and from Mr. Rajagopala Ayyar in the chapter dealing with expenditure on works.

I also acknowledge the close scrutiny to which the Financial Member, the Hon'ble Sir William Meyer, and the Secretary to the Government of India in the Finance Department, the Hon'ble Mr. J. B. Brunyate, have subjected every portion of the volume, and their valuable criticisms which have led to the improvement of many of the more important sections.

M. F. GAUNTLETT.

CONTENTS.

PART I.

A general sketch of the purpose and system of audit.

	PAGE.
CHAPTER 1.—The purpose of audit	1
CHAPTER 2.—The difference between Commercial and Indian Government audit	3
CHAPTER 3.—The Audit of receipts	11
CHAPTER 4.—The verification of the original records	13
CHAPTER 5.—Audit against sanction	17
CHAPTER 6.—Audit against appropriation	32
CHAPTER 7.—Audit and Appropriation Reports	39
CHAPTER 8.—Relations between the Audit Department and the Finance Department	43
CHAPTER 9.—Allocation of expenditure to Capital and Revenue	47
CHAPTER 10.—General remarks on important audit rules	54
CHAPTER 11.—The spirit of audit and of interpretation	63
CHAPTER 12.—Relations between the old codes and the new rules framed under the Act	68
CHAPTER 13.—The structure of Audit offices	72
CHAPTER 14.—Correspondence	76

PART II.**A summary of the methods of audit.**

	PAGE.
CHAPTER 15.—Introductory	77
CHAPTER 16.—Remuneration of gazetted officers and of establishment	78
CHAPTER 17.—Travelling allowance	90
CHAPTER 18.—Pensions	96
CHAPTER 19.—Contingent expenditure	100
CHAPTER 20.—Expenditure on works	104
CHAPTER 21.—Audit of railway receipts and expenditure	113
CHAPTER 22.—Stores accounts	125
CHAPTER 23.—Special features of Posts and Telegraph audit	129

APPENDIX.

A.—Specimen of Abstract of Demands for grants	135
INDEX	143

INDEX.

	Paragraph.		Paragraph.
A		Audit—contd.	
Absentee Statement	152	Commercial Government	5 7-14, 131-142
Abstract—		Nominal	153
Classified	13, 139, 141	of appropriations and re-appropriations.	67
Consolidated	13	of contingent expenditure	Chap. 19
Primary	141	of expenditure against grants and appropriations.	67
Accountant-General	134	of grants	67
Accountant-General for Railways.	135	of pay bills	145 <i>et seq.</i>
an original Audit Officer	137	of Railway Receipts and Expenditure.	Chap. 21
Accountant-General, Posts and Telegraphs.	136	of stores	218, Chap. 22
Accounts—		of travelling allowance bills	178, 182
—Offices	134	of pensions	187 <i>et seq.</i>
Finance and Revenue	13	of receipts	Chap. 3
Adjustments between Capital and Revenue.	91, 96, 97, 291, 392	of sanctions to expenditure of works expenditure	117 210-213
Administrative approval	7	Purpose of	1-4, 14, 116
Advance—Permanent	193	Result of—by Government	14
Allocation to capital and Revenue.	Chap. 9	Results of—, how reported	66
Allowances—		Sectional	153
Compensatory	182	Spirit of	Chap. 11
Daily	186	Structure of—offices	Chap. 13
Mileage	188		
Officiating	159	Audit Department—Its relations with the Finance Department.	
Travelling	Chap. 17	<i>See Finance Department.</i>	
<i>See also Pay.</i>		Audit Department—To see how executive officers discharge their financial responsibilities.	28
“Appointed by or with the approval of the Secretary of State in Council,” Interpretation of the words.	58	Audit and Appropriation Reports	Chap. 7
Appropriation—		Audit Instructions	128, 129, 130
Audit against	Chap. 6	Audit Report	68-70, 73-75
Audit of	67	Audit Resolution	13, 45-50, 101, 102
Meaning of	57	Auditor—Origin of the word	2
Units of	62	Auditor General—	
Appropriation Report	71, 72, 75	Administrative head under the Government of India, of the Indian Audit Department.	132
Audit—		Final audit authority in India	132, 133
against appropriation	Chap. 6		
against sanction	Chap. 5		

	Paragraph.		Paragraph.
B			
Balance sheet	5, 13	Classification of officers for the purpose of travelling allowance.	185
Balance Coaching	261, 262	Collector—Audit duties of	179
Bills—		Commercial Audit—	
Classes of	144	Comparison of procedure in—	
Passage of—through Audit offices concerned.	139, 141, 142	with procedure in Government Audit	12, 13
<i>See also Pay.</i>		Object of	3
Book rates—Meaning of	290	Procedure in	5-6
Borrowing—Local Government's powers.	99, 128	Compensatory allowances	162
Budget grant, Audit against—on railways.	225	Completion Report	208, 209
<i>See also Appropriation.</i>		Completion Statement	208, 209
Budget provision, and voting of grants.	51	Conduct Rules—Issue of	128
C		Construction—Expenditure on Railway	221-232
Canons of financial propriety.	102-107	Contingencies—	
Capital and Revenue—		Classification of	196
Distinction between	88	Importance of audit of	203
Principles applicable to :—		Contingent Expenditure	Chap. 19
Government commercial undertakings.	95	Controlling Officer—Function of	27, 179
Irrigation Projects	97	As regards check of distances	180-181
Posts and Telegraph Department.	96	As regards contingent expenditure	200-202
Quasi-commercial projects	98	As regards extravagant expenditure	105, 106
Rules for allocation on railways	88-94, 291, 292	Conveyance allowance	186
Cash book	5, 13, 142	Correspondence	143
Cash Account	31	Countersigning Officers—	
Check of	32	(See under Controlling Officer)	
Cash certificates	306-308	Credit in accounts—Function of Audit	20
Central subjects	44-50	D	
Civil Audit Offices—Distribution of work in	139, 140	Daily allowance	186
Civil Account } Treatment under the Reforms.	129	Delegations	41, 42, 45, 46, 48(4), 50, 55, 81
Code.		Demands—	
Civil Service Regulations }		for grants, how made	59, 60
		Meaning and nature of	17-18

	Paragraph.		Paragraph.
Departments of Govern- ment of India—		Financial Rules framed under the Act	45-50
Delegation of powers to	55	Finance Department—	
Powers of reappropriation by	64, 65	Duties of	74, 77-82
Deposits	18	Relations with the Audit Depart- ment	Chap. 8
Deputy Accountant General—		Spirit underlying the relations with Audit Department	83, 84
Powers of—in regard to petty objections	116	Fraud—	
Deputy Auditor General	13, 138	Audit Officers and	29
Devolution Rules—Issue of	128	Detection of	14, 29
Dicksee—Treatise on audit	1, 5, 14, 88	Value of investigation of	30
Distances—Check of	180	Fundamental Rules—	
Discipline and Conduct Rules—Issue of	128	Issue of	128
Division sheets—Nature and Audit of	264-266	Summary of	156 <i>et seq.</i>
Divisional Accountant		Principles underlying the	53
Duties of	214	Funds—Authority for sanction of	58
Divisional office—Inspection of	215		
		G	
E		Gazette, Government	146, 147
Establishment Bills	145	Gazetted Officer—	
Audit of	3, 154, 155	Definition of	6
Description of	152	Need, not submit preliminary statement for verification of pensionable service	188
Estimate—		Remuneration of	Chap. 16
Preparation of—		Government Audit—Special features of	7-12
Project	113, 222	Government Inspector (Railways)—	
Revised Estimates	208	Duties of	269, 275
Supplementary Estimates	208	Governor, and Governor General—Difference between powers of sanction	61
Value of	87, 208	Grants, and units of appro- priation	62
Expenditure—		Grants—Audit of	67
Allocation of—between Capital and Revenue	Chap. 9	Grants, supplementary	68
Authority for sanction of funds	58	Grouping—For purpose of sanc- tion	108-114
Conditions for incurring	58		
Extravagant	105-107	H	
Unusual	101	Henley, Sir Walter, Tretyce of Husbandry	1
Voted and Non-voted	51, 58		
F			
Financial control—Difference between— before and after the Reforms	76		

	Paragraph.		Paragraph.
History of delegations	42 <i>et seq.</i>	Money Orders	18, 141
History of Services	151	Audit of—transactions	298—302
Honoraria	163—165		
		O	
I		Objectionable Items—State- ment of	143
Increments on Time-scale of pay	148	Officiating Government Servant—Pay of	159
Indian Audit Department Duties of—	9, 83, 84, 85, 132	Open lines of Railways— Expenditure	233 <i>et seq.</i>
<i>See also</i> Audit.		Original record— Duties of auditor in checking	32
Initial records— Submitted to Audit	31	Verification of	6, 13 & Chap. 4
Check of	32	Over-certification of funds on Railways	227
Verification of	Chap. 4		
Interpretation of Rules and Orders	119—126	P	
		Pay— Definition of	157
L		Pay bills of Gazetted Officers, and their audit	145, 146, 147
Leave Account	150	" " " Establishment, and their audit	145, 152, 153
Leave Rules	166—177	" " " Establishment on Time-scale of pay	154, 155
Leave salary— Incidence of	177	Pay of Officiating Govern- ment servants' posts	159
Amount admissible	172—176	Pay of Government servants appointed to temporary posts	161
List of payments	31	Pay slips	147
Local Governments— Financial powers of	45, 46, 47, 48, 50	Pensions	Chap. 18
Powers of borrowing	99	Audit of	194
		Authority for	192
M		Incidence and adjustment	190, 191
Measurements—Importance of	210	Payment of	193
Mileage allowance	186	Pension Rules— Issue of	54
Military Accounts Depart- ment— Duties of	9, 132	Permanent Advance	198
Ministers—Financial powers of	46	Permanent monthly allow- ance	186

