

CHAPTER IV

GENERAL OUTLINES OF SYSTEM OF ACCOUNTS

A—CLASSIFICATION OF TRANSACTIONS

80. The department executes primarily works of P.W.A.C. 81

Civil works (civil all classes under its control. It also executes civil works required for other departments of the Government, except such as are entrusted to the administration of the departments concerned, under the rules contained in Chapter XIII of Volume V, Part I of the Handbook. Civil works of the Central Government or units of the Federation or of the Defence Department or Railway works, may also be entrusted to the department, either occasionally or as a standing arrangement, and at times works for the public works or other departments of other administrations and non-government works may also have to be undertaken.

Irrigation works.
Navigation works.
Embankment works.
Drainage works.
Hydro-electric works.

NOTE—Besides the foregoing, petty services, such as the manufacture or supply of stores, are also undertaken by divisional officers.

1. The general principles followed in the classification of civil works expenditure are explained in paragraph 42 of Government of India, Public Works Department, circular letter No. 3—P.W., dated September 24, 1921. According to these principles the outlay on buildings, etc., is charged in the accounts as follows :

(a) As public works expenditure, if the administration of the works rests with officers of the Public Works Department.

(b) As expenditure of the civil department concerned, if the administration of the work is transferred by the Government from the Public Works Department to the department using or requiring it.

Works falling under class (a) are designed and estimated for by officers of the department (even though they are required for other departments) and are executed, either departmentally or through contractors under the supervision of officers of the Public Works Department.

In respect of works of class (b) both the administration and execution devolve upon the administrative department concerned though the Public Works Department may be consulted in case of difficulty.

The general principles outlined above are not inconsistent with the fundamental principle of classification laid down in Article 181 of the Audit Code viz., that the classification should follow administrative control. The term "administrative control" when applied to civil works implies *inter alia* the assumption of full responsibility for construction, upkeep and maintenance of buildings and other works and the provision of funds for their execution. This responsibility is not diminished if the execution of the work is entrusted to a different agency. Thus works, the administration of which is not transferred from the Public Works Department, may by mutual arrangement be executed by the Military Engineer Services, or by any other civil department but the charges in connexion with them are nevertheless classified as

Public Works expenditure. On the other hand, a civil department, to which a building has been assigned, may invoke the aid of the Public Works Department for technical advice or execution, but the charges relating thereto are to be provided for in the budget of the department concerned. The function of the Military Engineer Services in the former case and that of the Public Works Department in the latter is merely that of the contractor and the administration and the control of the expenditure rests with the Public Works Department in the former case and with the administrative department concerned in the latter.

The agency by which the work is executed is thus not the deciding factor in determining the question of classification.

P.W.A.C. 82.

81. Transactions relating to the charges and receipts connected with the services pertaining to the Civil Works chargeable to the revenues of the province are adjusted finally in the accounts of divisional officers against the appropriations therefor placed at their disposal. Transactions connected with the services for other Government works including civil works for departments of the Central Government are not so adjusted finally, but pass eventually out of the accounts of divisional officers for incorporation in the accounts of the departments and administrations concerned. Outlay on non-Government works is charged against the deposits received therefor.

1. When a Public Works division undertakes a service on behalf of another division in the Province, the connected receipts and charges are passed on for adjustment finally in the account of the latter division.

2. Operations undertaken in the manufactories and workshops of a division on behalf of other divisions, departments, local bodies or individuals are treated as operations of the division in the first instance, but the entire cost is ultimately recovered from the party concerned.

P.W.A.C. 83

82. In all cases the primary accounts of these transactions should be kept in accordance with the rules in this volume, even though the ultimate cost of the transactions may not have to be brought to account finally in the books of the divisional officer.

P.W.A.C. 84

83. The performance of these services and the subsidiary proceedings gives rise to a number of other transactions with other departments, etc., which have also to be brought to account, e.g., funds have to be obtained from treasuries to meet liabilities incurred, receipts realized have to be lodged in treasuries, and stores have to be obtained from other divisions or departments or from England.

P.W.A.C. 85.

84. The transactions of Public Works Officers may thus be grouped under the heads indicated below :

I.—Expenditure heads; for charges adjustable finally in the accounts of divisional officers.

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II.—Revenue heads; for revenue receipts creditable finally to the revenues of the province in the accounts of divisional officers.

III.—Remittance heads—receipts as well as payments; for cash, stores or other values received from, or paid to or on behalf of, other divisions or departments.

IV.—Debt heads; for certain receipts and payments held in suspense pending clearance by payment or recovery (as the case may be) in cash or otherwise. The suspense accounts for transactions of this group are treated either as heads subordinate to the expenditure heads or as independent heads of accounts as will be explained in later chapters.

85. The transactions under each of the above are **P.W.A.C. 86** further sub-divided for purposes of accounts. In the case of expenditure and revenue heads, the main unit of classification is known as the major head, and the further divisions of it as minor heads, each of which has a number of subordinate heads, generally known as detailed heads. (See also paragraph 111).

1. For departmental purposes, Public Works officers usually divide a detailed head into a number of "service heads" and the latter into a number of "departmental heads"; but, for purposes of account, the single term "detailed head" is used for all divisions subordinate to a minor head.

2. In the case of irrigation, navigation, embankment, drainage and water storage works sanctioned under the new rules of 1929, the sub-divisions into which the minor head "Works" is divided for departmental purposes are called "sub-works" and the further sub-division of the latter as "detailed heads".

86. The detailed classification of the account heads **P.W.A.C. 87** used in respect of Public Works Accounts is given in Appendix I.

1. To meet local requirements, the Principal Auditor is authorized, under the rules in the Audit Code, to make necessary changes in the standard list of detailed heads.

2. In the case of works of other departments and governments under taken by the Public Works Department as a standing arrangement, the prescribed classification applicable to the connected transactions is intimated by the Principal Auditor.

87. The revenue and expenditure classified under the prescribed major and minor heads of account fall under two main divisions : **P.W.A.C. 88**

(1) Central—revenue and expenditure administered by the Central Government.

(2) Provincial—revenue and expenditure entrusted to the control of the Local Government.

P.W.A.C. 89. **88.** Revenue is realized and credited to the revenues of the Province as it falls due under the statutory or other rules governing it, but expenditure can be incurred only against a grant voted by the Legislative Assembly or against the sum provided in the budget estimates of the Province to meet "the expenditure charged on the revenues of the Province" under the provisions of sections 78 and 79 of the Act. A list of items "*charged* on the revenues of the Province" (i.e. the items which are not subject to the vote of the Assembly) will be found in the Budget Manual.

NOTE—The term "expenditure" used in this paragraph includes also charges classified as *working expenses*, and taken in reduction of revenue receipts (see Appendix I, Heads XVIIIA and XVIIIB). It also includes expenditure on stores, sterling overseas pay, leave salary, etc. incurred in England (see paragraphs 117-18).

P.W.A.C. 90. **89.** [*Omitted.*]

P.W.A.C. 91. **90.** Revenue and expenditure relating to works of the Central Government entrusted to the control of the Public Works Department, should be classified separately from the transactions relating to the revenues of the Province. [*See* paragraphs 747 and 749.]

The incidence of revenue and expenditure under the Central or Provincial Government is determined by the division of subjects as detailed in the 7th schedule to the Act. (*See* also paragraphs 445A to 445C of Volume V of the Handbook.)

P.W.A.C. 92. **91.** [*Omitted.*]

B—SYSTEM OF ACCOUNTS

P.W.A.C. 93. **92.** The main features of the system of Public Works Accounts are—

(a) The divisional officer is the primary disbursing officer of the division who is permitted to obtain by cheques on the treasury the funds required for all disbursements in connexion with the execution of works. He also collects some of the departmental receipts of the division and pays them into the treasury.

(b) The accounts of these receipts and disbursements (including the transactions of subordinate officials acting on his behalf) are compiled under his supervision by an accountant posted to his office by the Principal Auditor, and are submitted monthly to the Principal Auditor who audits them

against sanctions and appropriation of funds and then incorporates them in the accounts of the Province.

(c) He is further required to maintain clear accounts of all stores received by him and to make these accounts available for audit by the Principal Auditor.

(d) Under each major head of expenditure, the charges on each project, work, or sub-work are recorded separately in the accounts of divisional officers. In the case of works of certain classes (*see* examples cited below), *pro forma* accounts of all transactions connected therewith are prepared annually by the Principal Auditor and for this purpose, the receipts pertaining to each work of this class are also shown separately in divisional accounts :

(i) Irrigation, navigation, embankment and drainage works for which both capital and revenue or only revenue accounts are kept.

(ii) *Quasi-commercial* undertakings, such as self-supporting workshops.

(iii) Residential buildings.

(e) Personal payments to all government servants of the department are made on bills presented at the treasury in accordance with the general rules in Volume V of the Handbook applicable to all civil departments and are therefore brought to account by the Principal Auditor himself from data furnished to him direct by treasury officers.

93. It is not sufficient that an officer's accounts should be correct to his own satisfaction. A disbursing officer has to satisfy not only himself, but also the Audit Department, that a claim which has been accepted is valid, that a voucher is a complete proof of the payment which it supports, and that an account is correct in all respects. It is necessary that all accounts should be so kept and the details so fully recorded, as to afford the requisite means for satisfying any enquiry that may be made into the particulars of any case, even though such enquiry may be as to the economy or the *bona fides* of the transactions. It is further essential that the records of payment, measurement

and transactions in general must be so clear, explicit and self-contained as to be producible as satisfactory and convincing evidence of facts, if required in a court of law. All transactions involving the giving or taking of cash, stores, other properties, rights, privileges, and concessions which have money values should be brought to account. The record of a transaction of receipt or expenditure should always be made at once under the final or the debt or remittance head to which it pertains, if that be known; but if the exact head cannot be ascertained at once, then the transaction should be temporarily classified under the head "Deposits" if a receipt, or under Miscellaneous P. W. Advances, if a charge. (See Appendix I.)