



# PERCEIVING THE OFFICE OF THE ACCOUNTS AND AUDIT THROUGH THE EYES OF HISTORY

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## **ABSTRACT**

*The systems of Finance, Accounts and Audit may be as old as civilisation itself, different eras in time perceiving and practicing different forms it, all the while keeping checks and balances, that help in the smooth functioning as the core emphasis. In India the present office of the Comptroller and Auditor General, may be a direct result of the British Administration with the origins of the office in 1753, but roots of the organisation in similar fashion may be traced back to very early history of the nation. As the existence of a broad Finance, Accounts and Audit establishment can be traced back to ancient Indian History. This paper tries to portray the acknowledgements made by history towards Accounts and Audit through Ancient history to the 18<sup>th</sup> century.*

**Key Words:** *Accountant, Arthasastra, Auditor, General, Service*

## **I. INTRODUCTION**

The office of the Comptroller and Auditor General of India, today derives its powers, duties and functions from the Comptroller and Auditor Generals (Duties, Powers and Conditions of Service) Act, 1971 by the Parliament,<sup>1</sup> and is granted its position by the Constitution of India. This office helps the people in exercising their authority over the Executive Government, through financial Control. It acts as an independent constitutional functionary that functions as a system of public accountability to the expenses of the Government. In India the “parliamentary financial control is enforced in two stages, the policy stage and the Implementation stage. In the policy stage, Parliament or Legislatures do not exercise and detailed and intensive control. Proposals for demand for grants are brought before the Parliament and State Legislatures... popularly known as Budget. They are discussed and approved by the respective houses with or without amendments. Time allotted for scrutiny of budget estimates being limited...the parliament and State Legislatures approve and pass the Budget estimates, leaving the work of effective scrutiny of the budgetary performance to the subsequent stage...”<sup>2</sup> An efficiently scrutinized Report regarding the activities materialised during the execution of Budget and the Expenditure sustained out of it are made by the Comptroller and Auditor General and annually submitted “to the President/Governor, who cause them to be laid on the table of Parliament/State Legislature respectively.”<sup>3</sup>

In india more than two thousand years ago, it was recognised that, in balancing the expenditure with the revenue through early and speedy inspection and to keep the morale of the workforce of any given government up, there



must not be any delays in the distribution of his dues, for which a suitably planned system of accounts for keeping track of the transactions availing to the Revenue and Expenditure of the Government was necessary.

In the Ancient Indian Epic Ramayana, Valmiki states this very principle through Rama asking his brother Bharata, “Is your income more than your expenditure and expenditure less than your income? Regarding delays in disbursements of dues to Government employees... Rama had to say to his brother... ‘are you paying what are payable to the army as rations and salaries as they fall due to disbursement and are not dilatory? Inordinate delays in the distribution of rations and disbursement of salaries to the Military, result in their indignation and abuse towards their master and this will have no mean consequence.”<sup>4</sup>

Kautilya’s Arthashastra, gives for detailed account on the business of keeping up accounts in the office of the accountants, like how the office should be built, arranged and maintained so that the accountants could do their jobs seamlessly. A description on what the accountant is to write down in a prescribed book is also given, like “...the number of several departments; the description of the work carried on and of the results realised in several manufactories (*Karmānta*); the amount of profit, loss, expenditure, delayed earnings, the amount of *vyāji*(premia in kind or cash) realised, —the status of government agency employed, the amount of wages paid, the number of free labourers engaged (*vishti*) pertaining to the investment of capital on any work,... transactions of countries, villages, families, and corporations; the gains in the form of gifts to the king's courtiers, their title to possess and enjoy lands, remission of taxes allowed to them, and payment of provisions and salaries to them...and payments of tribute from or to, friendly or inimical kings.”<sup>5</sup> And from these books the Superintendent of accounts was to furnish the accounts in a defined form to the King, and he could set the limits on profitable expenditure with studying these accounts.

Kautilya also gives a detailed structure of rules the Accountants, Superintendents, and Masters of Departments should follow when it comes to compiling and presenting of Accounts. Strict fines and punishments were prescribed if those rules were to be broken, also to whomever that makes any form of problems when it comes to the collection and writing of these accounts, like that of an officer who produces with the wrong receipts or does not accommodate the accountant, to the clerk who writes wrong information in to the Account books, were to be punished, also mentioned is a clear view on how to critically compile the accounts with great scrutiny, this gives clear indication on how much importance was given to a thoroughly dissected entry into the Accounts were.

During the Mauryan period it is seen that “the final authority in the matter of finance, as in everything else, was the King, one of whose daily duties was to attend to the accounts of receipts and expenditure... As for the expenditure of public revenue, the department officers appear to have been primarily responsible. The chief officer of each department thoroughly scrutinized the real amount of work done, the receipts and the expenditure relating to his department, both in detail and in the aggregate. Every department had its own accountant, treasure... and each minister was responsible for the finances of his department.”<sup>6</sup>



The Mauryan Empire in its vastness received tremendous amount of income from various means, which also displayed large amounts spent on Public expenditures among others as “the Mauryan state displayed itself chiefly from the point of view of the *yogaksema*...”<sup>7</sup> Apart from the expenses on Defence, Army and Navy, the Royal Household expenses, Payments towards officers and employees of the administration, the state had also invested heavily on productive expenditures like on “industrial and manufacturing establishments, such as factories, manufactories, exploitation of the forests, mines and treasure troves, construction of big irrigation works, and aid to co-operative irrigation schemes, construction of dams and embankments, help to the new settlements of villages, grant and loans to agricultural classes, regulation of trade and commerce, and regulation of banking and currency etc.”<sup>8</sup> The state also catered to the relief programs to the poor, aged and starving including anticipated famines and epidemics. The Construction of Lakes, Reservoirs, Roads fell under the expenses on public Utility works, while grants for educational purposes and to Religious establishments were also done on a large scale.

“The total income of the Mauryan State was large and the expenditure was equally enormous. This income and expenditure then necessitated an elaborate machinery of administration for receipt and audit. At the apex of this department were the *Sannidhata* or the Finance Minister and *Samaharta* or the Collector-General...<sup>9</sup> The Accounts Office also referred to a General Record room was called the *aksapatala*. It is assumed that the current accounts were kept in the Department of Accounts while past records kept in the Records office under the supervision of the Accounts department. There are parallels that can be drawn while examining the working of the Department with the present form, where each year at a particular month, the account books were sealed and submitted for auditing and sanction and to prevent corruption and bribery periodical transfers were practiced as it was introduced by *Kautilya*.

It can be noted that the same level of importance could be noted during the administration of Asoka, evident in the expression of *Gananayam* which simply translates to the Department of Accounts as referred to in the *Arthashastra*. In V.A Smith’s translation of the Edict, it is understood that Asoka committed great value to even small expenses which inevitably accumulated through time, in his translation he writes, “excellent is small expense with accumulation... The council also will inculcate (the same) on the Officials in the Accounts Department, with regard both to the principle and the text (of the order).”<sup>10</sup> It is clearly evident that the Finance Department under the Mauryan Government shares many characteristics similar to the Modern Administration and Accounts keeping.

The maintenance and periodical submission of accounts for audit and approval can be unmistakably seen in the Gupta Empire, as did in their predecessor. As an absence of such a system of accounting and accounts keeping is irrevocable in a vast empire such as that of the during the Gupta period. “This could be made clear to by the use of the term *Patyuparika*, which may be translated to the modern Accountant General, or “the *Uparika* in charge of accounts and audit.”<sup>11</sup> “It also implies that there was an Accounts Department where records were kept for inspection and audit...The Accountant General who presided over the accounts department was responsible to the council of ministers for his acts. From the fact that the Accountant General is



mentioned and from the fact that Gupta Government took the precaution of taxing the profit and not the capital, it is evident that there was an elaborate Department of Accounts in the Gupta times.”<sup>12</sup> Further similarities to the present functioning of the departments like “frequent transfers of officers, even of rank. When circumstances demanded their services in a particular locality...”<sup>13</sup> etc., further draw comparison with the present systems.

In the Brahmana Period, where the term Akshavapa, which is explained as the Controller of Gambling, which had been under state control as it brought in revenue. “But the prominence of the department is rather strange and one is inclined to doubt the meaning... Among the officers the... Akshapatala or (the Department of) the Accountant General.”<sup>14</sup> And as accounts in those days might have been calculated using, “squares or Akshas made on some board (Patala or Adhidevana)”<sup>15</sup> Which would denote that the term Akshavapa should correspond to an officer in charge of accounts.

In the administrative setup of Chandragupta Maurya, the only Officer of the same higher status to that of the Minister of Revenue and Stores or the Sannidhata and the Minister of Collections or the Samaharta who were the two most important officers in the civil service was the Officer similar to that of the Accountant General or Akshapataladyaksha, to whom the different departments had to submit their accounts. “He was in charge of the two offices of Currency (Akshapatala) and Accounts (Ganana).”<sup>16</sup> The officer was to have a comprehensive record of all the details of the different departments that come under the privy of his control, in the respective account books, extending on the different works undertaken by them, the completed and incomplete works, cash balance, revenue and expenditure, statement of accounts and up to the time the report has to be submitted to the office by the different heads.

The accountant general was to record details regarding, Religious practices, law, customs of the region, the privileges enjoyed by state officials, special allowances given to the royal family etc. in his books. “the Chief Accountants of different departments are to come to headquarters to present their accounts in the... last month of the financial year... The Chief Accountants who do not present themselves... will have to pay a penalty.”<sup>17</sup> Any discrepancies found at the time of presenting the accounts to the accountant general was dealt with a penalty of usually 8 times the amount of difference. Above all this within each Head of Department, the Accountant was to submit daily cash balance and accounts to the chief accountant who was to clarify it with a specific criterion, and an abstract of the same was to be prepared 5 days, fortnight, month, 4 months and yearly. The failure to do so and within the prescribed form, or wrong or double entries or even in an incomprehensible manner was punishable.

The period shows great insight in the established organisation that deals with the overall accounts of the state, and its people and goes to great lengths to keep tally on the revenue of the land from being misused or wasted.

Under the Delhi Sultanates, the Chief Accountant was called as the Mushrif and the Auditor was called the Mustaufi, worked alongside with the Divan-i-Khalsa for crown lands and Divan-i-tan for salaries, in the Divan’s Department. These officers were the divans subordinates and not his colleagues. But “the Mushrif under



FiruzTughluq was next to the divan, and the position seems to have been maintained by Akbar. The Mustaufi retained his importance...sat on the right and next to the Vazir in the office of the divan.”<sup>18</sup> By the time of Aurangzebe, there was a “Mushrif in each branch of the department... The Mustaufi audited the accounts of the Karkhanas, verified the expenditure with vouchers, prepared a statement...put it before the divan of the department...”<sup>19</sup> The Sahib-i-taujih, or the Military Accountant “kept the account of receipts and disbursements”<sup>20</sup> as the military Accounts were kept under the Head of the Military Accounts Department separate from the Civil Accounts.

Under the Maratha Empire, the Council of 8 ministers of Shivaji’s administration was assisted by a staff of 8 clerks each, in their departmental duties, of which were the Mazumdar or the Auditor and Accountant and the Fadnis or the Deputy Auditor. “The auditor or Mazumdar approved deeds or accounts before they went to the registrar or Fadnavis,”<sup>21</sup> and also supervised the work of the Jamenis who took care of revenue related matters of the lands. Some of the duties of the Mazumdar included, the daily balancing the day-book, authentication of the letters and accounts prepared by the Fadnis and Chitnis, to see that the salary registers are correctly totalled, and prepare estimates of receipts and expenditure were some of them.<sup>22</sup>

In the late 17<sup>th</sup> century, was when the British East India Company saw the growth of their territorial possessions that urged the need for a more efficient financial and accounts departments for a more productive internal administration that “the Board of Directors was empowered by the Charter dated the 8<sup>th</sup> January, 1753 to appoint an officer under the name of Accountant General of the Mayors Court... to carry into execution the orders of the Mayors Court relating to the suitors moneys, effects and securities and to keep the accounts thereof with the President and Council.”<sup>23</sup> Their immediate action was only internal administration of accounts, as introduction of a unified accounts system throughout the company provinces was later followed by in the princely states, as the systems in place in the nation was not immediately altered by the British. The Office of the Accountant General went through a great deal of change and modifications within the Company Rule, leading up to the time of Independence.

## **II. CONCLUSION**

The Arthasastra attaches great importance to Artha or Wealth, as it is explained that the others in the trivarga or the trinity group depended on it, even though it does not denote that wealth is superior to the rest. “But it does mean that wealth is the means, nay the indispensable means, towards the realisation of the two ends, namely, Dharma and Karma...that every activity of the state was to be necessarily preceded by a well formed treasure...an insufficient treasury the king would be forced to resort to resources which would invoke popular discontent, revolt and revolution.”<sup>24</sup>As a sound administration of revenue and expenditure of a state was the principal reason behind its successful operation. This idea can be seen as an accepted certainty throughout the different reigns of Kings and Kingdoms of Emperors and Empires, who all saw to that a properly working Accounts department was present and given main stand duly in their administrative duties.And, despite the fact the Accounts Department under the Comptroller and Auditor General of today, which draws a great deal of similarities with the offices the nation saw throughout its history that functioned in a similar manner, is drawn



up by the system that was introduced by the British. It indicates that, even though the idea remains the same, the way it is accomplished should bare change with its place in time. As an efficient Department of Accounts serves the Government it is under as well as the People in a magnanimous way.

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