

4. As the Railway transactions form so large an element in the general accounts it will be of interest to state specially the working results which were as follows:

Receipts	...	...	...	...	...	...	...	\$14,675,105
Payments	...	...	...	...	...	...	...	12,964,757
Surplus receipts	...	...	...	...	...	...	...	<u>\$1,710,348</u>

Particulars of the revenue are shown in the Statement of Receipts and Payments for the year 1923 forming Appendix I to this report.

EXPENDITURE.

5. The total expenditure for the year amounted to \$52,825,572 against the estimate of \$58,884,374.

It was distributed among the four States as follows:

						Under the Estimate.
Perak	...	...	...	...	\$23,421,679	\$2,711,426
Selangor	...	...	...	...	21,062,465	2,348,203
Negri Sembilan	...	...	...	...	5,596,840	578,305
Pahang	...	...	...	...	2,744,588	420,868
Totals	...	...	...	...	<u>\$52,825,572</u>	<u>\$6,058,802</u>

6. The principal savings were made under the following heads:

Pensions	...	...	...	...	...	\$ 104,191
Civil Service	...	...	...	...	...	210,203
Agricultural Department	...	...	...	...	...	100,243
Clerical Service	...	...	...	...	...	115,475
Education Department	...	...	...	...	...	288,891
Forest Department	...	...	...	...	...	241,472
Medical Department	...	...	...	...	...	1,077,868
Mosquito Destruction Boards	...	...	...	...	...	215,017
Municipal	...	...	...	...	...	385,746
Police Department	...	...	...	...	...	191,659
Posts and Telegraphs Department	...	...	...	...	...	203,849
Prisons Department	...	...	...	...	...	168,977
Public Works Department	...	...	...	...	...	532,545
„ „ Annually Recurrent	...	...	...	...	...	632,523
Railways (Expenditure on Revenue Account)	...	...	...	...	...	1,351,110
Transport	...	...	...	...	...	237,200

7. The only instance of importance where expenditure exceeded the estimate was under the head Miscellaneous where there was an excess of \$1,053,411.

The following were the principal items unprovided for:

Compensation to Rubber Estates with forward contracts...	\$137,937
Creation of provision to meet loss on Sand Lime Bricks	
Loan	120,000
Loss on War Loan Investment Trust Malaya	355,000
Additional Capital to Government Factory	186,015
Share of expenditure, s.s. "Marama"	201,546

BALANCE SHEET, VIDE APPENDIX II AND III.

8. The balance sheet discloses an excess of assets over liabilities amounting to \$35,642,377 and it will be noted that over \$29,000,000 of the assets are represented by cash and bank balances and funds at short call, viz:

Cash in Treasuries and Banks	...	...	...	...	\$ 6,574,255
„ with Agencies	...	...	...	...	1,106,495
„ in Transit	...	...	...	...	226,911
Fixed Deposits	...	...	...	...	5,750,000
Advances at Call and Temporary Investments by Crown Agents	...	...	...	...	15,551,027
					<u>\$29,208,688</u>

9. The principal liability to be met is the repayment of the \$15,000,000 loan falling due in 1926.

Special arrangements have been made under which the proceeds of the sale of tin are set aside and specially invested for that purpose.

Reference to the assets will show that \$7,716,321 was already available on 31st December on which date more than half the tin stocks remained to be disposed of.

10. These stocks stand at \$11,104,760 as against \$18,839,045 in 1922. The present figure includes, however, \$693,435 being balance of loss on sales of stocks up to 31st December last. It is not proposed to adjust the tin account until the whole of the stocks have been disposed of when any balance of profit or loss will be transferred to revenue or expenditure account as the case requires.

11. Colony Municipal debentures which stood at \$1,248,050 in the 1922 balance sheet are now reduced to \$47,800.

A loss of \$80,605 was incurred on realisation concerning which I thought it necessary to ask for fuller information than was at my disposal in the accounts themselves.

I was assured in reply that the realisation of the investments, which was effected in March and April of 1923, was in accordance with the policy and intentions of the Government.

12. Railway Stores and Materials have been reduced from \$4,703,520 in 1922 to \$2,845,696.

Suspense Stock Values were written down to market value in 1923, involving a charge of \$550,324 against the Railway revenue account. Revised prices were brought into force as from 1st January, 1924.

The reducing process which was begun in 1922, when \$232,183 was written down, was completed in 1923.

13. In reply to enquiries as to the position with regard to stock verification the Chief Accountant has informed me that while verification was carried out to the fullest possible extent under conditions obtaining, shortage of staff necessitating the employment of the Stock Verifiers on extraneous duties even more than in previous years, coupled with the need of devoting more time to audit of ledger postings as distinct from actual checking of stocks made it impossible to make complete verification of every store within the year.

The preceding comments refer to Open Lines Stores and Materials. The Construction Accountant reports that all construction stocks were verified once during the year by members of his staff.

In addition a continuous verification of stocks was maintained by officers in charge of the stores, a state of affairs confirmed so far as Kelantan was concerned on the occasion of my visits of inspections.

The staff of this department also made periodical test surveys.

14. Reference was made in my last annual report to a loss of approximately \$200,000 incurred on the working of the Railway Timber Department.

It had not been found possible to adjust this matter by the end of 1923. The Chief Accountant has, however, informed me recently that proposals have been submitted to Government with the object of effecting final settlement of the account.

15. The item Suspense \$341,699 appearing as an asset in the balance sheet includes charges aggregating \$254,018 made by the Indian Government on account of the Burmah Rifles which are in dispute.

16. It is perhaps not out of place at this point to observe that, gratifying as may be the working result of the last financial year, the position cannot be strictly compared with previous years which stood the weight of much expenditure now met from loan account.

17. It will be recognised also that the unstable conditions of the tin and rubber markets make essential a degree of caution which the mere audited figures cannot disclose.

MANNER IN WHICH ACCOUNTS ARE KEPT.

18. The more efficient arrangements in the Treasury to which reference was made in my last report have been maintained. The greater promptitude with which the monthly accounts are now published is a matter for gratification, and the form employed has the advantage of making progressive comparison of actual results with the estimates month by month.

The system of accounts, apart from the one-twelfth system which is peculiar so far as my experience goes to the Federated Malay States, follows that prescribed under Colonial Office Financial Regulations.

It will be understood, therefore, that the Government balance sheet is not and does not purport to be a commercial balance sheet. In my opinion it would not be desirable, even if such a course were appropriate, to endeavour to transform it into such an account.

Accounts must be designed to suit the nature of the undertaking with which they are concerned.

What is essential is that, where the Government embarks on undertakings of a commercial nature, the departments administering them should be required to produce accounts on commercial lines drawn up in the standard form appropriate in each case. The Railway Department in its annual report presents accounts following to a considerable extent the standard form required for railways in the United Kingdom and attention has been directed to the advisability of publishing a balance sheet. The Chandu Department prepares commercial accounts, so too do the Government Factory, the Electric Light Department, and the Forest Department in respect of its small damar trading accounts and furniture business. The Timber Department will do likewise. The Water Department, Kuala Lumpur, does not yet prepare proper accounts, but steps have been taken to correct this defect.

All these accounts have been audited by officers with professional qualifications on the staff of this department.

DEFALCATIONS.

19. The total defalcations during the year amounted to \$10,644. Of this sum \$4,241 has been recovered and \$2,691 has been treated as a loss. A portion at least of the balance will certainly be recovered from the guarantee fund.

Considering the public turnover runs into several millions and that public money passes through hundreds of hands before getting into the Treasury the position is not unsatisfactory.

NATURE AND EXTENT OF AUDIT.

20. The nature of the audit was the same as in previous years. Its extent was, however, much widened by the taking over of all accounts previously audited by the Director of External Audit, viz., Railway Department, Chandu Department, Planters' Loan Board and Government Factory.

By this change a considerable saving of expenditure was effected.

It is a feature of the work of this department that it is asked to advise on numerous points, general and specific, connected with the public accounts which should, in my opinion, be referred to the Treasury, the department responsible for the accuracy and regularity of the public accounts in all respects.

It has even happened on occasion that vouchers have been sent for pre-audit and have had to be returned.

GENERAL.

21. From 1st January, 1923, this department took over all audits previously carried out by the Director of External Audit in the Federated Malay States.

22. The Auditor-General ceased to be a member of the Government Factory Board consequent on becoming responsible for the audit of the Factory Accounts.

23. Mr. Grenier, acting Assistant Auditor-General, went on long leave in August. He was replaced in the department by Mr. H. B. Polglase.

24. Mr. Hedley, Assistant Auditor in charge of the Branch Office for Railway Accounts, was transferred to the Colony on 1st October, being replaced in the department by Mr. A. O. Wilson.

G. P. BRADNEY,

Auditor-General, Federated Malay States.

17th April, 1924.

APPENDIX II.

GENERAL BALANCE SHEET, 31st DECEMBER, 1923.

	\$	c.		\$	c.
Capital Account (Straits Settlements Sterling Loan) Balance at credit thereof (a)	50,115,460	36	Cash in Treasuries and Banks as per distribution statement	6,574,255	36
Composition Stamp Duty Fund, 4½ per cent. Loan	267,768	49	Cash with Agencies—		
Sundry Outstanding Accounts	653,454	59	Crown Agents	\$ 104,616.61	
Straits Settlements Government War Service			F.M.S. & S.S. Joint a/c, India	32,696.96	
Land Grant Scheme	215	96	Malay States Information Agency	7,874.46	
Indian Agency Account	431,832	87	Penang Agency	5,349.57	
Due to Johore	19,305	96	Singapore Agency	955,957.60	
" on account of Causeway	11,109	67	Cash in Transit		1,106,495 20
Family Remittances	2,514	28	Fixed Deposits		226,911 68
Bentong Tailings Retention Scheme	59,976	95	Advances at call and other temporary investments		5,750,000 00
Deposits—			by Crown Agents		15,551,027 94
Courts	\$194,740.05		Composition Stamp Duty Fund, 4½ per cent. Loan		
Forests	92,792.37		with Crown Agents		267,768 49
Land	239,687.02		Ceylon Agency Account		14,708 01
Postal	183,450.58		Due by other Governments—		
Miscellaneous	881,880.24		Ceylon	\$ 252.53	
	1,592,550	26	India	60,787.41	
Sundry Funds—			Kedah	62,102.29	
Bailey Fund... ..	\$ 938.25		Kelantan	2,172.60	
Police Fine and Reward Fund	26,868.38		Perlis	45.54	
Public Officers' Guarantee Fund... ..	203,854.03		Singapore	31,141.69	
Red Cross Fund	124,630.40		" Account Johore Causeway	6,028.89	
Miscellaneous	29,876.07		Trengganu	30,953.99	
	386,167	13	Sundry Outstanding Accounts		193,484 94
War Savings Certificates, 1924-1927	405,047	03	Family Remittances		437,585 29
Straits Settlements Government, 7 per cent. Loan, 1926	15,000,000	00	Investments (Surplus Funds):		908 63
Suspense	22,467	41	S.S. Municipal Debentures (at cost)		47,800 00
Capital Fund—			Investments specially ear-marked for the		
Bagan Serai Rice Mill	302,429	73	redemption of Straits Settlements, 7 per cent.		
F.M.S. Government Factory	400,000	00	Loan—1926		7,716,321 13
Surplus	35,642,377	24	Investments (Specific Funds) (at cost):		
	105,312,677	93	Bailey Fund	\$ 938.25	
			Police Fine and Reward Fund	26,226.75	
			Public Officers' Guarantee Fund	159,296.02	
			Red Cross Fund	124,555.36	
					311,016 38
			Investments War Savings Certificates (at cost) ...		405,047 03
			Loans—		
			Siamese Government (b)	\$39,685,714.30	
			Unfederated States and Brunei	6,005,928.57	
			Planters	2,945,018.28	
			War Service Land Grant Scheme... ..	1,198,858.49	
			Miscellaneous	1,330,535.22	
					51,166,054 86
			Advances		118,120 96
			Imprests		67,521 57
			Marine Slipway Account		10,321 47
			Museums, Natural Products Account		1,000 00
			Stores and Materials, Railways		2,845,696 42
			" Account, Post Office		133,584 76
			" and Furniture Account, P.W.D.		44,463 05
			" Account, Marine Slipway		26,698 93
			Furniture Making Account, Forest Department ...		2,921 42
			Timber Account, Forest Department		51,278 57
			Tin Purchases... ..		11,104,760 48
			Sundry Assets		62,696 98
			Bagan Serai Rice Mill		302,429 73
			F.M.S. Government Factory... ..		400,000 00
			Inter-Treasury Account		30,098 95
			Suspense		341,699 70
	105,312,677	93			105,312,677 93

NOTE:

(a) The Straits Settlements Sterling Loan, the first two instalments of which totalling £9,355,000 (\$80,185,714.29) have been fully subscribed, appears on the credit side of the Capital Account (*vide* III). The expenses of issue of the loan and expenditure on Sinking Fund, the instalments of which are to be provided out of revenue.

(b) Repayable by 26 yearly instalments commencing from 1st January, 1924.

DISTRIBUTION OF CASH BALANCES ON 31st DECEMBER, 1923.

	Amount.		Total.	
	\$	c.	\$	c.
In Treasuries—				
Federal	150,386	81		
Perak	127,609	26		
Selangor	34,889	20		
Negri Sembilan	65,766	71		
Pahang	128,773	77		
			507,425	75
In Banks—				
Federal	4,719,257	47		
Perak	429,542	59		
Selangor	324,688	78		
Negri Sembilan	294,659	95		
Pahang	298,680	82		
			6,066,829	61
			6,574,255	36

Examined,

H. B. POLGLASE,
Acting Auditor-General, F.M.S.

12th June, 1924.

APPENDIX III.

Dr. STRAITS SETTLEMENTS STERLING LOAN CAPITAL ACCOUNT Cr.
TO 31st DECEMBER, 1923.

	\$	c.	\$	c.	\$	c.	\$	c.
To Loan Expenses—								
Interest on Deferred instalments, 6 per cent. Loan	268,092	28						
Interest on Deferred instalments, 4½ per cent. Loan	110,958	96						
			379,051	24				
Composition Stamp Duty, 6 per cent. Loan	552,321	42						
Composition Stamp Duty, 4½ per cent. Loan	360,000	00						
			912,321	42				
Discount on Issue Price, 6 per cent. Loan	1,325,571	43						
Discount on Issue Price, 4½ per cent. Loan	1,800,000	00						
			3,125,571	43				
Underwriting Commission, 6 per cent. Loan	441,857	14						
Underwriting Commission, 4½ per cent. Loan	360,000	00						
			801,857	14				
Commission for obtaining Underwriting, 6 per cent. Loan	110,464	29						
Commission for obtaining Underwriting, 4½ per cent. Loan	90,000	00						
			200,464	29				
Crown Agents Commission, 6 per cent. Loan	110,464	29						
Crown Agents Commission, 4½ per cent. Loan	90,000	00						
			200,464	29				
Brokerage to Sundry Brokers and Bankers on the allotment of Stock, 6 per cent. Loan	108,049	28						
Brokerage to Sundry Brokers and Bankers on the allotment of Stock, 4½ per cent. Loan	89,355	00						
			197,404	28				
Miscellaneous—Stamps, etc., 6 per cent. Loan	5,873	21						
Miscellaneous—Stamps, etc., 4½ per cent. Loan	4,475	18						
			10,348	39				
Advertisements, 6 per cent. Loan	31,052	18						
Advertisements, 4½ per cent. Loan	29,630	03						
			60,682	21				
					5,888,164	69		
To Loan Works—								
Public Works Department			4,646,073	35				
Posts and Telegraphs Department			440,154	82				
Topographical Survey Department			181,861	60				
Railways—Open Lines			901,380	40				
„ Construction			18,012,619	07				
					24,182,089	24		
To Balance					50,115,460	36		
					80,185,714	29		
							80,185,714	29

STATEMENT OF LOAN CAPITAL WORKS EXPENDITURE FOR PERIOD 1st JANUARY TO 31st DECEMBER, 1923, COMPARED WITH THE ESTIMATES, 1923, AND TOTAL EXPENDITURE TO 31st DECEMBER, 1923.

Department.	Expenditure during Dec., 1923.		Expenditure January to Nov., 1923.		Expenditure January to Dec., 1923.		Estimated Expenditure, 1923.		Total Expenditure to 31st Dec., 1923.	
	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.
Public Works	446,968	47	1,594,440	00	2,041,408	47	4,335,293	00	4,646,073	35
Posts and Telegraphs	28,069	81	131,956	04	160,025	85	417,500	00	440,154	82
Topographical Surveys	17,332	53	Cr. 4,373	97	12,958	56	150,000	00	181,861	60
Railways—Open Lines	40,246	46	66,901	01	107,147	47	140,000	00	901,380	40
„ Construction	Cr. 99,724	93	6,186,625	70	6,086,900	77	7,102,201	00	18,012,619	07
	432,892	34	7,975,548	78	8,408,441	12	12,144,994	00	24,182,089	24

Examined,

H. B. POLGLASE,
Acting Auditor-General, F.M.S.

12th June, 1924.

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