

1923

KENYA

C O
39939

RE
RE 10 AUG 23

701

DATE
30th. June 1923

SUBJECT

MILITARY EXPENDITURE
ADJUSTMENTS

Enclosed copies were received from
the Treasurer and from the G. I. S., K.A.R.
Clearance Section resp. -

MINUTES

Mr. B. M. Kelly + I went through
his books before he went on
leave.

Write to him as in Dr. review
& return to me promptly

Thu 14/8/23 advised

S. L. Stephenson

✓ It should be good to have
your comments on this I prefer
particularly as regards the
correctness of the amounts
arrived at in it and as
regards is bearing you no

710

7

end
3.

Previous Page

628
2383

628
2383

Subsequent Page

861
40748

reconciliation of
 accounts up to March 31/
 1922 draft with in your
 minute on Jev 33672/23.

As regards Robertson
 contribution - request of
 the Garrison for 1919
 - 1920 is also for 2589/25
 which
 appears
 to be the total of expenses
 certain that the expenses
 estimate submitted as
 originally expressed in
 sterling will have to
 be increased by 50%
 as (1) the War Office had
 to find money at an
 average rate of 10 rupees
 or florins to be paid to
 finance the Garrison for

the period in question. [We make the
 average rate of exchange between 1/4/19
 and 31/3/20 1/11.95^d] 2) if
 the Dependents had paid for their
 Garrison currency during this period,
 as was originally intended, their cash
 balances available benefiting by the
 fixation in 1920 would have been
 reduced by an amount which with
 that benefit would have represented
 the original sterling estimate plus
 50%

Em 18/2/23

Mr Machtig,

The principal figures now quoted correspond
 with those dealt with in my Memorandum on 33672/23.
 It appears to me that, at the present juncture,
 nothing is to be gained by following up these
 details till the War Office have considered the
 enclosures in, or till Kenya have replied to the
 despatch on 33672/23.

Your

the period in question. [We make the
 average rate of exchange between 1/4/19
 and 31/3/20 $1/11.95^d$] 2) if
 the Dependencies had paid, for their
 garrisons currently during this period,
 as was originally intended, their cash
 balances available benefiting by the
 fixation in 1920 would have been
 reduced by an amount which, with
 that benefit, would have represented
 the original sterling estimate plus

30%

Em 8/2/23

Mr Machtig,

The principal figures now quoted correspond
 with those dealt with in my Memorandum on 31672/23.
 It appears to me that, at the present juncture,
 nothing is to be gained by following up these
 details till the War Office have considered the
 enclosures in, or till Kenya have replied to the
 despatch on 33672/23.

Your

Your observations regarding the Estimate contributions are sound, but, as the Treasurer states in para. 15 of his Memorandum, a considerable proportion of the estimated sum must have been paid in sterling, and therefore, I think that the War Office should be urged to accept the compromise suggested by the Treasurer in para. 16 of his Memorandum and supported by the Governor. But this might be postponed until the receipt of the further despatch promised. So far as Uganda is concerned, I understand from such information as I have so far been able to obtain about the 1923 Estimates that a lump sum, based on their estimated available surplus, is to be paid to the Imperial Treasury in respect of War liability. The Estimate of the available surplus was based on a liability of £47,000 only for the 1919-20 contribution, and therefore any increase of that liability would seem to involve a corresponding reduction in the lump sum payment.


11.8.23

KENYA.

2000 NO. 1031.



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

39939
RE
P. 10 AUG 23

30th June, 1923 703

My Lord Duke,

With reference to Your Grace's
despatches No.326 and No.366 dated 1st and 8th of
March respectively, on the subject of adjustments
between Kenya Funds and Army Funds in respect of
East Africa War Expenditure, I have the honour to
transmit for Your Grace's information copies of the
undermentioned correspondence received from the
Treasurer of this Colony and from the Officer-in-
Charge of King's African Rifles Clearance
in respect of this matters-

Treasurer's letter No.876/1923/30 dated 11th June.

Capt.Nicolson's letter No.6/CS/834/Accts/409
dated 9th May.

Capt.Nicolson's letter No.0/CS/8/34/Accts/410
of 9th May.

Capt.Nicolson's letter No.0/CSS/34/Accts/562
of 15th June.

I also confirm my telegram No.183 dated 27th of
June stating that Captain Nicolson, working on the
figures in enclosure "A" to Your Grace's despatch
No.326 of 1st March, accepts the Treasury assessment
of a credit in favour of the Colony of Fls.4,702,223,
but points out that the ultimate balance will be
subject to final reconciliation between his own and

the

HIS GRACE
THE DUKE OF DEVONSHIRE, K.G., P.C., G.C.M.S., G.C.V.O.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, LONDON, S.W.

u.c.
9945
Treasurer (1)
11th June.
Nicolson (3)
16/6/23.

See
323-23
02
9/13

the Treasury books, which may involve material reductions in the amount due by the War Office. These differences are now being investigated with a view to early settlement.

From the sum quoted should be deducted the contribution from Kenya for King's African Rifles Expenditure in respect of the year 1919-20, the exact amount of which is dealt with in a subsequent paragraph of this despatch.

2. With regard to the Statement of Account forwarded by the War Office in their letter of February 24th, I have to point out that the responsibility of the Government of Kenya is confined to satisfying the War Office that monies advanced by the latter through the local Treasurer on account of War Expenditure have been duly transferred to the several Accounting Officers. This Government can accept no liability for the disbursement of these monies by the Accounting Officers concerned. This Government has merely formed a channel for transmission of the Accounts rendered between these officers and the War Office. The receipt side of the "Statement" is one for which the Colony is responsible, but the "Expenditure" side is entirely controlled by the Military Accounting Officers in respect of the several sums received by them from the Treasury.

3. Paragraph 3 of the War Office's letter under review shows that the summary enclosed therewith agrees with the Statements rendered by the Colony with the exception of five items specifically mentioned: Captain Nicolson deals with these points in the enclosed memoranda, but it is desired to offer the following additional observations:-

The Treasurer and the Officer-in-Charge of Clearance Section are in agreement that provision for these items has already been allowed for with the exception of the amount of PIs.1,090,900/10 cents, which, as stated in paragraph 7 of the Treasurer's letter should have been shown on the receipt side of his Balance Sheet. An adjustment of the amount has been effected.

4. The question of currency conversion only affects the Treasurer's receipts. The War Office have already accepted his statement with the exception of the five items. It follows, therefore, that there is no question of currency conversion to be disposed of outside these special items. As far as they are concerned, the accompanying Accounts, it is hoped, will satisfy the War Office that the adjustments have been made at the appropriate rates of exchange.

5. I am informed that the King's African Rifles contributions up to March, 1919, have been adjusted. There is no direct notification of Nyasaland's action in this matter, as the military accounts of that Protectorate have never come under the control of the Military Accounts Departments operating in this Colony. I understand, however, that copies of the Nyasaland Accounts from 1st April, 1916, to 31st March, 1920, were submitted to the Officer-in-Charge of Clearance Section and accompanied his annual account forwarded with Sir Edward Northey's despatch, King's African Rifles No.143 dated 4th August, 1922.

6. The question of currency conversion has been raised in connection with the Uganda contribution for their 1919-20 King's African Rifles Accounts. The

estimated

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Kenya

estimated contribution for 1919-20 so far as Uganda is concerned has been paid in cash at F1s.10/- to the £.

In the event of this basis being refused there appears to be no alternative for this Government, but to adopt the suggested compromise submitted in paragraphs 15-16 of the Treasurer's memorandum which I desire to endorse. Authority for the Kenya contribution will be sought from Legislative Council as soon as a settlement on this point has been reached. I am addressing Your Grace on this subject in a separate despatch.

7. As regards the general question of financing the War Accounts, it has always been understood here that the local Government's provision under the Military Heads of its annual estimates was to be pooled and paid to the Officer-in-Charge of the King's African Rifles Pay Department, now called Officer-in-Charge of Clearance Section. These contributions should be taken into account when final allocations of war charges is made. It is a fact that the normal expenditure on a Military garrison in Kenya would have been required in any event.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted
and most obedient servant,

F. S. [Signature]
GOVERNOR'S DEPUTY.

(Draft approved by Acting Governor.)

The Treasurer,
P.O. Box No. 591,
Nairobi, 11th June, 1923. 707

Ref. No. 144, 1923, 140.

876/1923/30

INCL. 50

Despatch No. 1 of 1923

The Hon. Ag. Colonial Secretary,

NAIROBI.

The general issue raised in the Secretary of State's despatch is whether the Military Accounting Officers should be regarded as accountable direct to the War Office or to this Government. I have been under the impression since coming to the Colony that these gentlemen were directly responsible for their accounts to the War Office and that this was recognized by all concerned. The form of the accounts kept in this Department supports this view. The Treasurer's accounts merely showing on the one hand amounts received from the War Office and on the other payments made to and on behalf of Officers who were regarded as representatives of the War Office, no details being kept in the Treasury of final allocations.

I find myself somewhat handicapped in forming an opinion on the question owing to my unacquaintance with certain correspondence which Capt. Nicholson's letter to you No. 144, 1923, 140 of the 9th May 1923 leads me to think has taken place. Capt. Nicholson refers to Colonial Office despatches which conveyed to this Government that the Military Accounting Officers were merely sub-imprest holders of the local Treasury. I scarcely think however that such a position has ever been agreed to by the Colonial Office, having regard to the form of the Treasury accounts and also to para 3 of the Colonial Office despatch now being dealt with.

I myself am strongly in favour of the War Office being pressed to accept the view that this Government has

erely

merely acted in the capacity of a Banker to the war Office and that the Military Accounting Officers are responsible to that office for all funds handed over to them by the Treasury on behalf of the war Office. 708
Capt. Nicholson informs me that his predecessors took all their instructions in regard to financial matters from Imperial Officers - Col. Lean and Col. Hunter - and that not only did they not recognize any local Treasury control but that they would be certain to have resented any attempt to subject them to such control. I can see no possible advantage to any one concerned in changing at this late date a position which has apparently been accepted by all concerned since the commencement of the war.

2. The following is the accounting procedure hitherto adopted by the local Treasury.

All funds received from the war Office have been credited to an account styled "Loans to meet War Expenses - Common Charges". Issues made to people like the Field Disbursing Officer, Indian Expeditionary Force were debited direct to this account. Issues made to the Chief Paymaster, East African Pay Corps, who is now represented by Capt. Nicholson, were charged to a temporary account styled "Suspense - ^{Holding of A.P.C.} war expenses" until such time as final accounts were prepared and audited when an intimation was received by the Treasurer from the Paymaster that a specific sum should be debited to an account "war Expenses - Common Charges" which included all finally allocated expenditure as notified by the Chief Paymaster. E.A.P.C., corresponding credit was given to the temporary account previously referred to. The Treasury had no cognizance of the details of the final charges which were regarded as exclusively concerning the war Office.

Issues

issues to the Chief Paymaster of the King's African Rifles, who is now represented by Capt. Nicholson under the title of Officer-in-Charge, K.A.R. Clearance Section, were charged to a temporary account styled "Suspense - King's African Rifles" until such time as final accounts were prepared and audited, when an intimation was received by the Treasurer from the Officer-in-Charge, Clearance Section, K.A.R., that a specific sum should be debited to an account "war expenses K.A.R. - Common Charges" which includes all finally allocated K.A.R. expenditure as notified by the Officer-in-Charge, K.A.R. Clearance Section. Corresponding credit was given to the temporary account previously referred to. The Treasury had no cognizance of the details of the final charges which were regarded as exclusively concerning the war Office.

On going to the details of the statement submitted by the war Office. The first credit included in the statement which did not appear in the ~~Balance Sheet~~ ^{Statement of account} submitted by me on 15th December 1922 is an amount of Florins 5,962,448.12 "King's African Rifles Contribution to March 1919 stated to have been paid". Of this amount Fls. 3,109,431.08 was credited year by year in accordance with the usual procedure, to Suspense - ~~K.A.R.~~ ^{K.A.R.} and was understood from Capt. Nicholson duly taken into account and deducted from his expenditure with the result that the figures of expenditure shown on the war Office Statement are net i.e. after allowing for the credit of Fls. 3,109,431.08. It follows therefore that if we are to include the amount as a credit to the war Office on our ~~Balance Sheet~~ ^{Statement of account} the war Office must include the amount as expenditure on their statement thus leaving the position as shown by me unchanged as far as this amount is concerned

but

but reducing the claim of Fls. 9,123,954.83 shown on the War Office Statement. 710

The difference between the Fls. 3,109,431.06 referred to in this para and the Fls. 5,962,448.12 shown on the war Office Statement apparently represents K.A.N. contributions due from other Colonies, and ^{also} an incorrect conversion by the War Office from sterling to local currency as explained in the notes attached to Capt. Nicholson's letter No. O/CS/E/34/Accta/409/E dated 9th May 1923. After discussing the matter with Capt. Nicholson I have reversed the entry in my books and have debited the Suspense a/c and credited the war Office a/c. The result of this entry is that my ^{Statement of account} Balance Sheet of 15th December 1922 should now have this amount inserted on both sides.

6. The second credit to the war Office which appears in their Statement but not on my ^{Statement} Balance Sheet of 15th December 1922 is an amount of Fls. 1,866,666.66. Advance by War Office for Sierra Leone Carriers. The position as I understand it is that a sum of £140,000 was paid to the Crown Agents by the War Office when the Rupee was at 1/6. The first intimation, however, that this Colony had of the receipt of the amount by the Crown Agents was apparently when their March 1921 account, in which it was included, was received, and it is impossible to agree that this Colony should put the amount through its ^{books} ~~books~~ at any other rate of exchange than that which prevailed in March 1921 viz 2/- ^s. That this money was not in the possession of the Government of Kenya until March 1921 is clearly shown by the fact that the war Office benefitted by the interest amounting to £14,269-2-6 which accrued on the amount between the dates when the war Office made the payments to the Crown Agents and March 1921.

This amount, converted at 2/- ^s ~~was~~ ^{were} in accordance with ^{Military of 18th July 11}
 the usual procedure credited to Suspense - ~~was~~ ^{has} ~~Expenses~~
 and ^{have} has been duly taken into account by Capt. Nicholson.
 If, therefore, the amounts ^{are} ~~is~~ included in my ^{Statement} ~~Balance-Sheet~~
 of 15th December 1922, the expenditure figures shown on
 the War Office Statement must be similarly increased.

After discussing the matter with Capt. Nicholson I ^{have} ~~have~~
 reversed the entry in my Books by debiting ^{Military} ~~Suspense~~ ^{Exp.}
~~Expenses~~ and crediting the War Office a/c. The result
 of this entry is that my ^{Statement} ~~Balance-Sheet~~ of 15th December
 should now be amended by including the amount of ^{152,269.13} ~~£240,000~~
 or ^{1,542,691.35} ~~Fls. 1,400,000~~ on both sides.

The third item appearing as a credit to the
 War Office on their Statement but not appearing in my
~~Balance-Sheet~~ of 15th December 1922 is an amount of
 Fls. 1,090,909.10. "£400,000 converted at 2/9 instead of
 2/". The amount was paid to the Crown Agents on 24th
 March 1920. The Treasury conversion appears to have been
 made on the strength of the War Office instructions
 conveyed in Colonial Office despatch No. 1320 of 9th
 September 1920. In para 6 of the enclosure to that
 despatch the War Office specifically stated that this
 amount should be converted at 2/9. I have now been
 informed by the National Bank of India that the rate on
 the 24th March 1920 was 2/- and I have accordingly adjusted
 the conversion as requested by the War Office. The
^{Statement} ~~Balance-Sheet~~ of 15th December 1922 should therefore be
 amended by inserting a sum of Fls. 1,090,909.10 on the
 receipt side. I ~~venture to~~ suggest however, that further
 enquiries regarding this adjustment be made by the
 Colonial Office in view of the definite statement in the
 War Office letter referred to above that this amount of
 £400,000 should be converted at 2/9 and in view also of

the statement in para 77 of the Treasurer's Financial ⁷¹² Report for 1919-20 that the reduction of the rate to 2/- was effected on March 31. At the same time I fear that the Bank Rate will have to be the determining factor, as the War Office could of course have remitted the amount through the Bank.

8. The fourth credit claimed by the war Office is an amount of Rs.198,206.65. Difference in Cash Balance handed over by Divisional Naval Transport Officer. The amount received by the Paymaster, S.A. Pay Corps, from the Divisional Naval Transport Officer, Dar-es-Salaam, was Rs.968,636.12 and the Colony acknowledges liability for this amount only.

9. An incorrect entry was made in the books of this Department by which only-594,619.79 of the Rs.968,636.12 was credited to the account "Loans to meet War Expenses - Concessions". The difference of Rs.174,016.33 was credited to "Suspense - ^{Admission} ~~war expenses~~" and was I understand from Capt. Nicholson duly taken into account and deducted from his expenditure with the result that the figures of expenditure shown on the war Office statement are net after allowing for the credit of the amount Rs.174,016.33. The entry has now been reversed in my Books and the proper credit given, the result of which is that the amount Rs.174,016.33 should now be inserted on both sides of my ^{Balance Sheet} ~~Statement~~ of 15th December 1922.

10. A cheque for Rs.21,950.04 was received in this Department from the Inspecting Paymaster, South African Forces, Durban, the amount being stated to represent the balance of funds in the hands of the Divisional Naval Transport Officer when his Department was closed down. This cheque was returned, however, by registered

registered post as it was thought it had been sent to Nairobi in error, and the Colony does not acknowledge 713 any liability for this amount. The war Office claim that the amount credited should have been.....792,826.44 The Colony acknowledges liability for768,636.12 The difference..... 24,190.32 is accounted for by the fact that the war Office treated the amounts as sterling whereas all the transactions in this Colony took place in local currency, and, ^{also} by the return of the cheque for 21,959.94 to Durban.

9. The fifth credit claimed by the war Office is an amount of £18,5,734.30. The Treasury know nothing of this transaction which is explained by Capt. Nicholson in his letter No. O/OS/S/34/Accts/409/11 of the 9th May 1923. If the transaction were put through my accounts it would have to be included on both sides of the ^{Statement} ~~Balance-sheet~~. Capt. Nicholson does not wish the entries to be made in the Treasury Books and I also can see no object in doing so.

10. I attach ^{a Statement of Account} ~~Balance Sheet~~ as at 31st March 1922 amended in the light of the above remarks from which it will be observed that the only alteration which affects the Balance in my ^{Statement} ~~Balance Sheet~~ of 15th December 1922 is the item of £18,090,909.10 which short credit as previously explained is due to this Department being noted on war Office instructions.

11. With regard to the K.A.A. contribution of the Colony for the year 1919-20 reference has been made to the liability in my statement on the 1st Supplementary Estimate 1923 and if His Excellency concurs, the amount should be included in the 2nd Supplementary Estimates of the year.

12. With regard to the contribution in this of the other

other Colonies referred to in the despatch I am not in a position to speak. You will no doubt consult Capt. Nicholson on this point.

714

13. The question of the rate of conversion in connection with the contribution was considered by my predecessor who in para. 10 of his Annual Report for the year 1919-20 quoted the amount due on this a/c as £190,172 and in para 38 of the following year's Report makes it £285,258 50% having been added as the result of the Rupee fixation.

14. If, as I gather from my predecessor's Reports, the estimate on which this liability is based was prepared in Rupees and converted into sterling at Rs.15 to the £ then the amount due to the War Office in Rupees was 2,852,350 which at the current rate of exchange has an equivalent sterling value of £285,258 ^{7/8} which is the figure at which the debit is placed in para 38 of Mr. Kemp's Report for 1920-21.

15. It is clear however that a sterling estimate prepared on these lines would only be correct as regards payments expected to be made locally, and as a considerable number of payments on this account must have been made in London it follows that such an estimate as a basis for arriving at our liability must be excessive, but to what extent could only be ascertained if an actual account were rendered by the Officer-in-Charge of the A.A.H. Clearance Section.

16. I understand that it is practically impossible for such an account to be submitted, and in the circumstances I suggest that the War Office be pressed to compromise the matter and to accept a sum of say £240,000. It would scarcely be correct to ask the War Office to accept in settlement of the liability the original figure of £190,172

as the larger part of the expenditure must have been incurred locally, and the sterling equivalent of such local expenditure ^{has} been increased by the fixation of the Rupee.

17. It will be noticed that my revised ^{Statement} Balance-sheet shows a balance due to the Colony from the war Office of Rs. 4,702,223.33 whereas Capt. Nicholson states in his letter No. O/CB/S/34/Accts/409/11 of 9th May 1923 that if the Treasury put through the necessary adjustments there would be a balance due to the war Office of Rs. 2,976,488.48. Capt. Nicholson has apparently omitted to take into account the fact that the expenditure on his statement, which purports to show what the position at 31st March 1922 would have been if the adjustments referred to in this letter had been made, should be increased by Rs. 4,721,158.00.

18. It is difficult to understand the criticisms on the Treasury accounts contained in para. 2 of Capt. Nicholson's letter No. O/CB/S/34/A/CW/410/11 of 9th May 1923 viz that the position would have been simplified had the local Treasury kept a separate account with the Crown Agents showing war expenses items only instead of one common account for all transactions with this Colony. I cannot think that an Officer of Capt. Nicholson's experience fails to recognize that if separate Ledger accounts are kept as was done in the Treasury it is quite unnecessary to keep a separate cash account for each set of transactions. The soundness of the Treasury system has been clearly established by the ^{Statements} Balance-sheets produced, and their agreement with the war Office figures.

Sd/- R. Clifton Grannam
TREASURER.

P.S. I understand from Capt. Nicholson that he is submitting

a statement to you which shows a balance identical with that shown on mine. I have read over my minute to Capt. Jackson who has asked me to quote the following remarks thereon which he has made:

"By reference to the controlling of military expenditure in East Africa referred more to the policy of the War Office to do everything through the Colonial Office and this appears through the Despatches referred to as having been accepted by the C.O. and conveyed to this Government. The point of who the military Paymasters were sub-invest holders of was too minute to be discussed.

"Although my predecessors always regarded themselves as under the order or instructions of the military authorities, I have always regarded my position as somewhat different, as an Officer specially appointed to perform certain duties in this Colony I have regarded myself as under the directions of the local Government and responsible to the Home Authorities through them".

Intd. C.O.

IMPERIAL WAR OFFICE
IN ACCOUNT WITH
THE COLONY AND PROTECTORATE OF KENYA
AS AT 31st MARCH 1922.

Dr.		Fls.	Cts.			Fls.	Cts.
To Suspense - Military Accounts Dept. (i.e. advances to and payments on behalf of Chief Paymaster, K.A.A.C.) vide Treasury Statement dated 15-12-22.	23,836,885			By Net total cash received from War Office - vide previous Treasury Statement dated 15th December 1922.	162,328,786	25	
Adjustments made as per contra:-				Cash received from Divisional Naval Transport Officer, Dar-es-Salaam, vide previous Treasury Statement dated 15th December 1922.	594,619	79	
(2)	1,542,691	34		Adjustments made in light of statement received from War Office:-			
(4)	174,016	53	25,553,592	67			
Suspense - A.A.A. Clearance Section (i.e. advances to and payments on behalf of Chief Paymaster, A.A.A.) vide Treasury Statement dated 15-12-22.	55,930,743	34		(1) Kenya Colony A.A.A. contributions to March 1919.	3,109,431	98	
Adjustment as per contra (No.1)	3,109,431	98	39,040,174	82			
War Expenses - Co on charges			108,948,904	63			
				(2) War Office advances for Sierra Leone Carriers 414,000 plus interest 414,269-1-34.	1,542,691	34	
				(3) Difference between 2400,000 @ 2 1/2% and 2/9, the amount being converted originally at the latter rate in accordance with War Office instructions.	1,099,909	00	
				(4) Difference between the amount handed over by the Divisional Naval Transport Officer, Dar-es-Salaam, Rs.768,636-12 and the amount credited War Office.	174,016	53	5,917,047
				By Balance due from War Office	4,702,223	53	
							175,542,671
							92
							92

Fls. 175,542,671 92

This balance is subject to reduction by the amount of the Kenya's A.A.A. Contribution for the year 1919/20.

Duplicate

The Hon. Colonial Secretary,
NAIROBI.

Statement of the Account between the War Office and
the Government of Kenya in respect of Recover-
able Military Expenditure in East
Africa as at 31/3/1922.

I have the honour to acknowledge receipt of your Minute
Number 22113/111 of the 21st ultimo, enclosing copy of War Office
Minute Number 0165/1597 (F.7.) of the 24th February, 1923, with
copy of the above Statement of Account which formed the subject
of Colonial Office Despatch Number Kenya 326 of the 1st March last.

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2. Enclosure A. to the War Office Minute under reference
shows the true cash position as on the 31st March, 1922, with the
exception of the five items referred to amounting to
£s.9,123,954.86., and owing to the adjustment required on this
figure the Cash Balance shown on the War Office Statement will
also require amendment.

My notes explaining the position of these five items are
attached and if the adjustments referred to were effected by
the Treasury and put through their December 1922 Account the
"Receipts by the Government of Kenya" as at 31.3.22. would read
£s.171,693,027.89. A Statement is attached showing how
this figure is arrived at.

I shall be glad if the War Office agreement of this
figure is telegraphed in order to arrive at a final reconciliation
of the Account before closing the Accounts for the year 1922/23.

3. Credit for Kenya Colony's contribution in respect of
King's African Rifles expenditure for the year 1919/20 has not yet
been afforded the War Office by the Treasury.

The figure of £397,496.10.10. shown was the total con-
tribution in respect of K.A.R. expenditure to 31.3.1919. for

Kenya Colony, and
Uganda Protectorate,

is equivalent to Florins 5,746,462.33. converted at the inter-
departmental rates and in view of the fact that only the K.A.R.
portion of the K.A. War Expenditure was converted at the fluctuating
rates of exchange it will be advisable to refer to the expenditure
and contributions to 31.3.20. in Florins only.

The amount of £385,098. is passed through the Account
as Florins 5,771,565, Kenya Colony and Tanganyika Territory
having assessed the amount at £s.15 to £. whereas Uganda
Protectorate have refunded at £s.10 to the £. A Statement of
these contributions is enclosed giving full details of the
figures referred to.

4. Uganda Protectorate have paid their 1919/20 contribution at the rate of Fls. 10 to the £. viz. 400,500/-Florins.

Tanganyika Territory have passed credit to my Account for the amount of their contribution for the period 1st April 1919 to 31st March 1920; (the amount payable for the months of February and March 1919 has not yet been arrived at) viz. Fls. 2,216,236, thus converting the previous balance on an inter-departmental account to one in my favour of Fls. 1,674,196.46. They have not yet paid this amount although the War Office have been credited in my accounts with the total contribution.

The observations made in the War Office letter on the subject of the rendition of future Accounts are noted and will receive my careful attention when rendering my Annual Accounts for the year 1920/21.

Encls: 4

W. A. Wilson
Officer-in-Charge.

W/ES.

KING'S AFRICAN RIFLES CONTRIBUTION
Fls. 5,862,448.12. in March, 1919.

719

The amount of this contribution credited to the King's African Rifles Accounts by the Treasury in local currency was Fls. 5,746,462.33. equalling £307,496.10.10. converted at the appropriate inter-departmental rate; the K.A.R. Accounts having been compiled and converted into sterling at the fluctuating rates. The War Office would appear to have been misled by the figure recoverable in respect of this contribution at 31.3.1919. having been quoted as £. 307,496.10.10., whereas the figure of Fls. 5,746,462.33. should have been telegraphed for their information.

The amount due to the War Office under this head should, therefore, read Fls. 5,746,462.33. and not Fls. 5,862,448.12. Kenya Colony's portion of this amount being Fls. 3,109,431.08 and Uganda Protectorate Fls. 2,637,031.25. Credit for the latter amount is shown in the Accounts of the Officer-in-Charge of the East Africa War Accounts Clearance Section, in the 1922/23 Accounts under the heading "War Office (K.A.R. Uganda Contribution to 1919)" as well as the amount due by them for the year 1919/20. The amount due by Tanganyika Territory for that year is also shown in these Accounts as a credit to the War Office under the heading "War Office (K.A.R. Tanganyika Territory Contribution 1919/20)". The Statement of Account between the War Office and the Government of Kenya should, therefore, show a credit to the War Office as at 31.3.1919. of Fls. 3,109,431.08 only. In the circumstances the War Office Statement, after allowing for the adjustment in respect of Uganda Protectorate's portion, would appear to have over-credited Kenya Colony to the extent of Fls. 215,985.79.

The amount of Fls. 2,852,580. due by Kenya Colony in respect of 1919/20 has not yet been credited by the local Treasury in their War Office Account.

£140,000 ISSUED BY WAR OFFICE TO CROWN AGENTS
FOR SIERRA LEONE CARRIAGES ON 8th AUGUST.
1918.

The sum of £140,000. together with £14,269. 2. 8. accrued interest thereon, was credited in the Crown Agents East Africa Common Charges Account for the month of March, 1921, and credit for the amount was afforded the War Office in the Accounts of the East Africa Pay Corps for the year 1921/22, under the heading "War Office Repairs Account" for the equivalent in local currency, namely, Fls. 1,842,091.34. This amount has, however, been adjusted and credit now appears in the Treasury War Office Account.

In view of the date on which credit for the amount in question was passed by the Crown Agents, there would appear to be no doubt as to the rate of conversion and in the circumstances the Statement of Account prepared by the War Office, Kenya Colony has been over-debited to the extent of Fls. 323,975.32.

Balance shown on Treasurer's Balance Sheet, dated 15th May, 1922.
Cash advanced by the War Office,
Cash handed over by the Missionary
Naval Transport Officer, Dar-es-Salaam

Fls. Cts. Fls. Cts. Fls. Cts.
 162,328.790.25.
 554,619.79. 162,923,450.04.

Amounts for which the Treasurer has
admitted to give credit

Kenya Colony, King's African Rifles }
 Contributions to March, 1919 }
 do. 1919/20, }

Advanced by the War Office for }
 Sierra Leone Carrier Corps }
 Issued to Crown Agents }

do. 5th Dec. 1918 560,000. 0. 0. }
 do. 10th Jan'y. 1919-40,000. 0. 0. }
 do. 5th Feb. 1919-40,000. 0. 0. }

2400,000.0.0. was paid to the Crown }
 Agents on 24-3-1920, i.e. when the }
 report was at 2/6 but the Treasurer }
 has given up the amount at 2/9 i.e. }
 Rd. 2,900,090.90. Undercredited. }

The cash balance handed over by the }
 D. H. T. O. at Dar-es-Salaam, was }
 Rs. 769,656.12. not Rs. 594,619.79. as }
 stated above. }

Cash Balance in hands of Paymaster }
 2nd Rhodesia Regiment - see item on 1st }
 Jan. 1916 the date when he commenced }
 to account to the Chief Paymaster, }
 E. Africa Pay Corps. }

3,109,431.08.

2,852,880.-

1,542,691.34.

1,090,909.10.

174,016.33.

Nil.

8,769,627.85.

Total
 Common
 Charges
 & E.A.R.
 Accounts.

169,716,535.47

Cash Bal. }
 due by }
 Treasurer }
 Kenya }
 Pay Corps }

2,976,495.42.
 Fls. 171,693,027.89.

Fls. 171,693,027.89.

The Hon. Colonial Secretary,
NAIROBI.

EAST AFRICA WAR EXPENDITURE.

Referring to your Minute Number S.22113/111 of the 21st April last, enclosing copy of Colonial Office Despatch Kenya No. 366 of the 8th March, 1923, I have the honour to state my Minute Number O/CS/8/34/Accts./409 of even date deals with the five accounting queries or points of difference on the Statement of Account submitted by the War Office and referred to in their letter O165/1897 (P.7.) of the 24th February, 1923. I, therefore, submit my comment on the other points of accounting for War Expenditure in East Africa dealt with in the Colonial Office Despatch.

2. While it may be admitted that the "Statement of Account" forwarded by the War Office under cover of their letter of the 24th February, may be more correctly described as a Statement of Account between the War Office and the several Accounting Officers in East Africa, who have actually made the payments in respect of War Expenses; it is nevertheless a fact that all monies to meet this expenditure was paid over by the War Office to the Crown Agents for the Colonies for the credit of the Government of Kenya Colony. There can, therefore, be no doubt that the local Government are responsible to the War Office for these funds until they are fully accounted for. In the circumstances the object of the Statement of Account referred to can hardly be regarded as one shewing the sums advanced by the War Office to these Accounting Officers, but, to shew the sums advanced to the local Government for War Expenses, and how these sums have been brought to account. These Military Accounting Officers drew their funds from the local Treasury, on Imprest Accounts, to whom they annually rendered their Accounts through the local Auditor - or at least the Chief Paymaster, East Africa Pay Corps did; the Chief Paymaster, King's African Rifles having rendered no Accounts until these were compiled and rendered by me, as Officer-in-Charge King's African Rifles Clearance Section, after I took up my appointment in April, 1921, - and the cash balances held on these Officers' Accounts agree with the figures stated to be due from them by the Treasury. It will, therefore, be observed that these Accounting Officers were merely Sub-Imprest Holders of the local Treasury, and as their operations were carried out under the supervision of the Government of Kenya they had no direct dealings with the War Office, which perhaps was a fault of the accounting system. It would seem to me, in that case, that it cannot rightly be held that the adjustment now under consideration is one for these Accounting Officers, but one for the local Treasury, i.e. to agree with the War Office the total sum of money they received for the purpose of meeting War Expenses in this country, and when that is accurately arrived at, and agreed, the situation should present no further difficulty. It would, therefore, seem incorrect to state that the large balance in question, whose verification has given so much difficulty, was principally to the fact that the local Treasury did not accurately convert and keep a separate account of the amounts received from the War Office, and at no period would appear to have agreed the figure, is now in the hands of the Accounting Officers referred to. The position would have been simplified had the local Treasury kept a separate account with the Crown Agents, shewing War Expense items only, instead of one General Account for all transaction with this Colony.

It is clear the War Office are aiming at receiving one Account embodying the receipts and expenditure in respect of war Expenses in East Africa, with the amount issued by them shown as "Receipts" and the amount expended shown under Army Vote Heads as the "Expenditure", but in view of the fact that the local Treasury received the funds and had the "Receipts" side of the Account in their books, whereas the "Expenditure" side of the Account, (except the balance of the cash drawn by the Treasury which was not issued) was in the books of their Sub-Represent Holders, the Accounting Officers referred to, it is difficult to see what other form of "Statement of Account" could have been prepared to arrive at the general cash position between the War Office and the Government of Kenya. It would seem, therefore, that the War Office could not take any other view than the one indicated in the Colonial Office Despatch under reference, viz. that as the operations of the local Accounting Officers were carried out under the supervision of the Government of Kenya, the Government of Kenya is responsible financially for the adjustments now required and any other adjustments necessary until all the War Office funds received by them are accounted for.

3. That was the position as regards the cash issued and expended in East Africa for war expenses and accepted by the Military Accounting Officers who were in charge of the submission of War Accounts as the recognised procedure defined by the War Office, and conveyed to His Excellency the Governor of Kenya under Colonial Office Despatches. From these Despatches there would appear to have been good grounds for believing that that method was the one desired by the War Office and agreed to by the Colonial Office. It would seem, therefore, that the reopening of the question now would serve no good purpose. Unless it is desired to make this Department directly responsible to the War Office, in which case any further cash required in East Africa to meet war Expenses would, I presume, be credited to my Account at the National Bank of India, Nairobi, by the Crown Agents for the Colonies. This course would be eminently more satisfactory from an Accounting point of view, and if considered convenient even at this late date, I would not hesitate to accept full responsibility for all financial transactions and the regular submission of all War Accounts. The existing circuitous method does not lend itself to direct control and promptitude in submitting a Statement of Account showing the general cash position, in respect of War Expenses in East Africa, when called for. It having in the past proved a matter of great difficulty to obtain definite knowledge of the actual advances received by the local Treasury to meet war Expenses, and the disentangling of these items from the Kenya Colony's Ordinary Account with the Crown Agents have been one of the chief causes of the delay in compiling the Statement of Account under reference.

4. The question of currency does not affect the position so far as this Department is concerned, as all its transactions were throughout in terms of Florins. The point raised, however, is one that affects the Treasurer, and it may be stated that all sterling amounts paid in to the Crown Agents for the credit of the local Treasury to meet war Expenses were drawn here in local currency, and this is where many adjustments had to be effected, as the correct equivalent in local currency was not recorded in all cases in the Treasurer's books in the first instance.

Turning now to the Statement of Account prepared by the War Office on the lines described in para 2., it is noted they have accepted as correct the statement submitted by me showing the sum of £1,162,923,400.04, as the amount drawn from the Treasury by the local Military Accounting Officers as at 14th December, 1922, the inclusion of the five items on the credit side of the Account, the inclusion of which the Treasurer has omitted to give credit, or which it is stated the Treasurer has omitted to give credit, are not all admitted as shown and my notes dealing with each

tem attached to my Minute No. O/GS/B/34/Accts./409. will show the position in the case of each item. The adjustments necessary, however, are purely accounting adjustments, in which case it would seem unnecessary to discuss them further, with the exception of the first one, until my observations on them are laid before the War Office when a satisfactory settlement is anticipated. The first of the five items referred to (King's African Rifles Contributions to March, 1919) as shown in the War Office Statement is incorrectly stated and the amount should read £5,746,462.33, of which Uganda Protectorate contributed £1,2,637,031.25, leaving a balance of £4,509,431.08, as Kenya Colony's Contribution. Credit for this amount was received by the Chief Paymaster, F.A.R. through his Treasury Account, monthly, and the amount was credited to Final Expenditure, Head I, and debited to the Treasury. The amount, however, should have been shown as a credit by the Treasury in their Account with the War Office, and an adjustment has been put through in the month of December, 1922, reversing the original entry, crediting the amount back to the Treasury who have shown it as a credit to the War Office in their Account. Had the amount been left as in the Statement of Account rendered by the War Office, the expenditure under Head I would have been increased by a similar amount, and the balance on hand in the Statement would have been affected. A further credit later in the Treasury Account with the War Office of £1,2,852,500, being Kenya Colony's K.A.R. Contribution for 1919/20, the total contributions to March, 1920, in respect of Kenya Colony being £5,962,011.08.

The contributions payable by the Government of Uganda Protectorate for the period 1914 to 31st March, 1920, and Tanganyika Territory for the year 1919/20 are embodied and shown in the K.A.R. War Accounts for the year 1922/23, under a War Office heading "K.A.R. Contributions"; these Governments having rendered their Accounts in respect of War Expenses to the Chief Paymaster, King's African Rifles. The total amount of all contributions in respect of the three Territories to 31.3.1920 is £11,518,027.35. The amount due from Uganda Protectorate, only, has been paid in cash. The Government of Tanganyika Territory have not yet intimated when payment of the amount due by them will be made.

The Statement of Account should be regarded as a balance sheet between the War Office and the Government of Kenya, and the contributions shown as a credit to the War Office would, therefore, have the same effect as if the War Office had paid the money and in that case the balance unspent would be due to be refunded to the War Office. The position has always been accepted by the Military Accounting Officer as one where the War Office supplied the funds for all war charges irrespective of what refunds they might afterwards claim. The normal peace cost of the King's African Rifles would have fallen on the dependences in any event, and I have no doubt that when it has been decided what portion of War Expense these Governments shall pay, the War Office will take the amount of the contributions already yielded by the East African Governments, into consideration.

I regret the position so far as the Nyasaland King's African Rifles Expenditure is concerned and how it affects the accounts, cannot at present be commented upon as the work of the consolidation of the inter-office Account with Zomba is being proceeded with with all possible speed, and I hope when submitting my Annual Accounts for the year 1922/23 to be able to report fully on the position.

The reference made to the Belgian Government claim is noted and will receive my attention when submitting my Annual Accounts.

Cliff Dawson
 Officer-in-Charge.

By to:-
 Treasurer and Acting Colonial Auditor

Gen 39939/23 Kenya

C. D.
R 15406
D

17 Aug 1943
725

Recirc: ~~Highly~~

DRAFT

(9945)

The Sec
WO

and

MINUTE

Mr. Macdougall 14/8/43

Mr. ~~...~~

Mr.

Mr. Davis.

Sir G. Grindle.

Sir H. Bond.

Sir J. Musterton Smith.

Mr. Grenaby-Gore.

Deputy of Despatch.

For No 366 8 marks
9945/23

Gen. 30 June
39939 all subs.

Sir
In the further view to
your letter No 0765/1597
of 27 Feb 43 I am etc
to transmit to you to be
laid before the ac. the
acc. copy of a report from
the OAG of Kenya with
view to adjustment
between Kenya fund &
Army fund in respect
of moneys supplied for
C.A. war expenditure. A

Copies of the book to

which it refers is also

enclosed

The days will examine
the info in ~~the~~ ^{as far as} Dept. in

consultation with the

Director of Criminal Justice,

but he thinks it well to

forward a copy to the

W.C. at once in order

to avoid delay

I am

(Signed) H. J. READ