

1923

KENYA

C O
55783RET
No. 19 NOV 23ESTIMATE
NUMBER

1923

DATE
17th OCTOBER 1923

SUBJECT

ARBITRARY EXPENDITURE

The memo. by the Treasurer detailing grounds on which he is unable to accept D.C.A.'s representations. Fully substantiated representations will be accepted.

MINUTES

Sir E. Stephenson

Could you kindly advise whether
 the Treasurer's views? I
 have say we shall have
 a decision before the next
 meeting with the C^o - I think
 we shall probably do very soon.

GCS 23/1/23

Mr. Stephenson

I think that another discussion
 would be desirable. I find it difficult
 to understand why Kenya Colony is unable
 to furnish a startling account showing

Approved For:

25/9/23

The Office concerned was advised
 as to the standing of the account
 of exchange as provided
 by the War Office, the War
 Office Letter to Kenya 22861/22
 and 4712, and in relation to the
 War Office in this regard, the
 account is that the balance sheet
 was prepared in 1922
 Office, as between the War
 Office and Kenya Colony

From this statement it
 will be seen that, on the basis
 of operations from 1919 to
 the end of the existing rates
 of exchange, the accounts show
 that the balance overpaid to
 Kenya Colony on 31st March
 1922 amounted to £267,491.5.0,
 that is to say £19,216.9.2 less
 than the amount (£286,907.3.-)
 arising from conversion at the
 official rates, as shown by the
 General Statement Accounts of
 Kenya 22861/22, and this dif-
 ference represents a loss to
 Kenya which appears to be pro-
 perly recoverable from the War
 Office. The disputed sum of
 £21,241.5.10 which the
 Treasurer of Kenya claims to
 be recoverable from the War
 Office

Office does not represent a loss
 on exchange but is, in point of
 fact, merely a book difference
 which was created by the alteration
 in the official rate of conversion,
 on the 1st April 1920, from 1s 4d.
 to 2s/6 in the rupee. On the basis
 of conversion at varying rates of
 exchange it appears to me there-
 fore that the balance owing by the
 War Office to Kenya Colony on the
 31st March 1922 amounted to
 £267,491.5.0 + £19,216.9.2, making
 £286,907.3.0 as shown in the state-
 ment above referred to. But to
 this figure should, I think, be
 added certain credits which were
 given by the Treasurer to the War
 Office in the year 1919-20, through
 the Common Charges Account, purport-
 ing to be in respect of gains on
 exchange in connection with ster-
 ling expenditure met by the Crown
 Agents in this country. In my
 opinion these credits should be
 reversed in the Kenya Colony Accounts
 for the reason that no gains on
 exchange could possibly accrue to
 the War Office on sterling trans-
 actions in this country. The total
 sum thus overcredited to the War
 Office in the Kenya Colony Accounts
 amounted apparently to £1,241.5.2
 (£1,241.5.2) up to the end of
 July 1919 (vide Report of Director
 of Military Audit on War Expenditure

If the conclusions in this memo
 are accepted, Am W.O. 269
 is written to be in draft
 submitted for review here with

Jan 22 1953

Dr. H. S. Gandy
 The memo is quite clear. I do
 not disagree at all with
 the proposed, and indeed I have
 done so in a way, & that
 Dr. E. Stephenson has no objection
 whatever to a decision, for the purpose
 of the meeting at, referred from the
 fact, which he anticipates, if
 accounts have been given

My only point is that on view is not
 adjusted to the facts of Hagan's
 testimony by its addition: I have
 the discussion with the Committee, I
 don't find that this "must be a
 fact" evidence, I did not see
 the other side (found, allowing
 to preserve the neutrality of these
 accounts) and he is not

W.O. 269 12 27

The following is a copy of the
 report from the Committee
 of the House of Representatives
 on the activities of the
 Communist Party in the
 United States, as reported
 to the House of Representatives
 on December 10, 1950.

1/23/53

...
 ...
 ...
 ...
 ...
 ...
 ...
 ...
 ...

The Inter Departmental Committee on East African War Expenditure has now nearly completed its main task i.e. we have agreed on the percentages of the joint accounts which are chargeable to the Dependencies "under the arrangements entered into during the war", and the calculation of the totals to be divided is nearly complete.

We have had to consider, inter alia, three questions which are not strictly part of the question what percentage each Government is liable for, but which arise out of exchange difficulties affecting certain outstanding adjustments between the local Governments and the War Office.

These are:

- (1) The calculation of the sterling amounts, to be deducted from the Dependencies' ascertained shares, in respect of the current contributions already made.
- (2) The assessment of the amounts to be paid by the 3 Dependencies and Tanganyika in respect of their garrison expenditure in 1919-1920 when the local authorities found it impossible to keep garrison accounts separate from the general war expenditure accounts.
- (3) The assessment of the balance at April 1st 1922 as between the War Office and the Government of Kenya in respect of the actual financing of the war expenditure in the Northern East Africa theatre.

This memorandum concerns the last point only, but it is necessary to refer to the other two, as we shall

shall

shall have to show that what we propose on (3) will not affect the other points.

Briefly the difficulty as to (3) is as follows:- When the War Office began to finance the expenditure in the East African campaign it was arranged that the Auditor of Kenya, as local Director of Military Audit, should audit the accounts (which in effect consisted of advances received from the War Office by the ~~and sums~~ ^{and sums} handed out by the Government of Kenya to the various local disbursing officers) and that the certificate of the Director of Colonial Audit on the audited accounts should be accepted. At the time when this was arranged the rupee stood at 15 to the £ and the accounts were kept in sterling on this basis. The principle of sterling accounts was followed and has, in fact, been followed to the end by the Director of Colonial Audit. When ^{it} ~~the~~ rupee ^{began} ~~to~~ appreciate, the Government of Kenya still kept the military accounts, like their own accounts, at 15 rupees to the £, and controversy has arisen between the Treasurer of Kenya and the Director of Colonial Audit as to the adjustments necessary to harmonize the accounts kept on this artificial basis with the actual facts. On the other hand, the War Office on the assurance of the local military authorities that accounts could not be rendered according to the fluctuating rate of exchange, have proceeded on the assumption that the accounts must be in local currency, since (apparently) any change would render necessary important alterations in the Army Accounts as rendered to the Controller and Auditor General.

There is no dispute as to the numbers of local coins received and expended respectively, and the War Office and the Treasurer of Kenya are, it appears, agreed that the sum due from the War Office to Kenya in respect of the period up to 31.3.1922 is £470,000. The Director of Colonial Audit on the other hand, on a basis of periodical conversions into sterling, with certain adjustments which need not be set out in detail, does not make the amount more than £407,000. It is, therefore, to the advantage of the Government of Kenya to accept the War Office view.

The question was discussed sometime ago at a Conference with representatives of the War Office, the Director of Colonial Audit being present, and it has subsequently been discussed on several occasions with the Director of Colonial Audit alone.

It is obviously difficult to throw over the Director of Colonial Audit's certificate of the accounts and adopt another method for purpose of the necessary adjustment, but we are satisfied that, in principle, the view of the Treasurer must be upheld and that it would have been adopted from the beginning if the fluctuation of the rupee could have been foreseen. The position is that the Treasurer of Kenya acted for this particular purpose purely as an agent for the War Office, receiving and disbursing local currency and having nothing to do with sterling. To convert the balance into sterling at a particular date (immediately prior to a change in the rate of exchange) and to convert it back into local currency at the new rate (which is in effect what the Director of Colonial Audit has done) implies actual remittances between Africa and

and this country at the date in question and, as nothing of the kind took place, gives an entirely artificial complexion to the account. Actually if at that date the Treasurer held a balance of rupees, or, on the other hand, had had to supply a deficiency in rupees from Kenya's resources, the change in the rate left the Treasurer's position unaltered, whatever effect it may have had if regarded in terms of sterling.

Taking this view of the Treasurer's position i.e. simply as an agent dealing with local currency only, it is obvious that what he now requires to close this account is the amount of local currency in which the War Office advances have been deficient.

Sir E. Stephenson's difficulty in accepting this view is that the accounts have been certified by him on the basis previously agreed and that he cannot go back on them. If, however, the two Departments of State are agreed to effect the adjustment on the basis recommended above, he sees no difficulty in accepting the decision and disposing of the discrepancy by an adjusting entry in the next account.

It was necessary for us to consider carefully whether this arrangement, by which this adjustment is treated as one of local currency—which is urged on us by the War Office and is to the advantage of Kenya, — might not recall on us in connection with some other branch of the war expenditure account. We have satisfied ourselves that

that this is not likely to be the case and Sir H. Stephenson agrees with our view in this. At a recent meeting of the Committee it was agreed that the Protectorates would be charged with a share of the amount of sterling provided by the War Office. There is therefore no difficulty either as regards the assessment of current contributions or as regards the assessment of the total war bill which is dependent simply upon War Office sterling allocations and not upon any question of local currencies. As regards the remaining point, the payments due to the four Governments in respect of garrison expenditure for 1919-1920 the War Office have now agreed to treat the matter on an independent basis on which the payments to be made have been separately assessed. That question is therefore now closed.

On the assumption that the above is accepted, it appears desirable to write to the War Office as in draft herewith.

VAN OFFICE

in account with

KENYA COLONY.

Drawdowns by Kenya Colony	Local Currency	Exchange Rate	£. s. d.	Van Office Advances to Kenya Colony	Total Currency	Exchange Rate	£. s. d.
Advances Aug: 1914 to 30th 1917	80,428,307.80	1/4	8,966,883.18. 8.	By Advances Aug: 1914 to Sept: 30th, 1917 * Balance carried down	80,428,307.80	1/4	8,966,883.18. 8.
Advances from 1 Oct 1917 to 30th June 1918	4,463,348.23	1/3	417,820.10. -	By Advances 1st October 1917 to 30th June 1918 * Balance carried down	36,858,403.28	1/3	3,610,841.1. 3.
	14,276,517.28	*	2,477,502.15.10.		4,564,455.23	*	304,710. 4.
	4,472,858.48	£	2,935,323. 5.10.		41,439,858.48	£	3,375,361. 5.10.
Advances from 1st July 1918 to 30th June 1919	1,324,761.76	1/6	324,732. 4. 7.	By Advances 1st July 1918 to 30th June 1919	17,286,833.75	1/6	2,796,512.10. 8.
	1,224,581.56	*	2,469,726. 8. 4.				
	77,584.14	*	2,083.17. 9.				
	17,286,833.75	£	2,796,512.10. 8.		37,286,833.75	£	2,796,512.10. 8.
Advances from 1st July 1919 to 30th September 1919	477,194.19	1/8	185,549.13. 8.	By Balance brought down 1st July 1919	24,546.65	1/8	2,083.17. 9.
	176,571.86	*	114,889. 4. 9.	* Advances 1st July 1919 to 30th September 1919	1,000,000.00	*	83,333. 8. 8.
	3,245,267.08	£	270,436.18. 5.	* Balance carried down	2,220,680.40	*	185,081.14. -
	1,850,517.00	2/-	185,081.14. -		3,245,267.08	£	270,436.18. 5.
Advances from 1st October 1919 to 31st March 1920	1,922,022.34	*	392,202. 4. 8.	By Advances 1st October 1919 to 31st March 1920	4,300,000.00	2/-	430,000. - -
	5,772,539.34	£	577,253.18. 8.	* Balance carried down	1,472,539.34	*	147,253.18. 8.
	1,472,539.34	2/-	147,253.18. 8.		5,772,539.34	£	577,253.18. 8.
Advances brought down 1st April 1920	5,523,410.58	*	552,341. 1. 2.	By Advances 1st April 1920 to 31st March 1922	3,319,745.00	2/-	331,974. 4. -
	6,995,949.92	£	699,594.19.10.	* Balance carried down	3,676,206.92	*	367,620.13.10.
					6,995,949.92	£	699,594.19.10.

2367,620.13.10.

(a) Balance due to Kenya on basis of conversion at exchange rates.

19,316. 9. 2.

(b) Difference between balance due on basis of exchange rates (2367,620.13.10) and on basis of official rates of conversion (2366,937.3.0).

(c) Balance due to Kenya as shown by the audited accounts of Kenya Colony

To Balances brought down being amount
drawn down by Kenya Colony on 31st
March 1922 on basis of conversion
from Rupees to sterling at ex-
change rates.
Add:- Loss on exchange recoverable by Kenya

STATE OF KENYA
 in account with
KENYA COLONY.

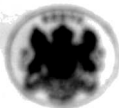
Payments by Kenya Colony	Local Currency	Rate	£. s. d.	By Office Advances to Kenya Colony	Local Currency	Rate	£. s. d.
By Advances Aug. 1914 to 30th Sept. 1917.....	82,498,307.80	1/4	5,966,883.18. 8.	By Advances Aug. 1914 to Sept. 30th, 1917 * Balance carried down	82,531,000.00	1/4	5,968,773. 8. 8.
		£	5,966,883.18. 8.			£	5,968,773. 8. 8.
By Advances 1st Oct. 1917 to 30th June 1918.....	6,463,348.23	1/3	457,820.10. -	By Advances 1st October 1917 to 30th June 1918 * Balance carried down	36,858,403.28	1/3	2,767,140. -
	10,278,510.25	*	2,477,502.15.10.		4,584,456.23	*	324,770. 8. 8.
	1,379,458.48	£	2,935,323. 5.10.		41,479,656.48	£	3,091,910. 8. 8.
By Advances 1st July 1918 to 30th June 1919.....	1,229,761. 5	1/6	324,732. 4. 7	By Advances 1st July 1918 to 30th June 1919.....	17,286,833.75	1/6	1,294,110. 8. 8.
	1,229,480.56	*	2,469,726. 8. 4.		17,286,833.75	*	1,294,110. 8. 8.
	1,277,585.14	*	2,083.17. 9.		17,286,833.75	£	1,294,110. 8. 8.
	17,284,833.75	£	2,796,512.10. 8.		17,286,833.75	£	1,294,110. 8. 8.
By Balance brought down 1st July 1919.....	155,549.13. 8.	1/8	155,549.13. 8.	By Balance brought down 1st July 1919.....	24,984.55	1/8	1,783. 8. 8.
By Advances 1st July 1919 to 30th September 1919.....	114,889. 4. 9.	*	114,889. 4. 9.	* Advances 1st July 1919 to 30th September 1919.....	1,000,000.00	*	83,137. 8. 8.
	1,379,570.56	*	270,436.18. 5.	* Balance carried down	2,220,620.40	*	1,80,781.14. -
	3,245,267.05	£	270,436.18. 5.		3,245,267.05	£	270,436.18. 5.
By Advances 1st October 1919 to 31st March 1920.....	185,081.14. -	2/-	185,081.14. -	By Advances 1st October 1919 to 31st March 1920.....	4,300,000.00	2/-	430,000. -
	392,202. 4. 8.	*	392,202. 4. 8.	* Balance carried down.....	1,472,539.34	*	147,253. 8. 8.
	5,772,539.34	£	577,253.18. 8.		5,772,539.34	£	577,253. 8. 8.
By Advances 1st April 1920 to 31st March 1922.....	147,253.18. 8.	2/-	147,253.18. 8.	By Advances 1st April 1920 to 31st March 1922.....	3,319,745.00	2/-	331,974. 6. -
	552,341. 1. 2.	*	552,341. 1. 2.	* Balance carried down.....	3,676,208.92	*	367,620.13.10.
	6,995,949.92	£	699,594.19.10.		6,995,949.92	£	699,594.19.10.

To Balance brought down being amount
 overpaid by Kenya Colony on 31st
 March 1922 on basis of conversion
 from rupees to sterling at ex-
 change rates.
 Add:- Loss on exchange recoverable by Kenya

2367,620.13.10.
 19,316. 9. 2.

(a) Balance due to Kenya on basis of conversion at exchange rates.
 (b) Difference between balance due on basis of exchange rates
 (2367,620.13.10) and on basis of official rates of conversion
 (2368,937.3.0).
 (c) Balance due to Kenya as shown by the audited accounts of Kenya Colony

KENYA
No. 1141.



Colonial Office
London
W. 1A

25th October, 1952.

55783

Handwritten: J.W. 14400

My Lord, Sir,

I have the honour to refer to my telegram No. 280 of the 29th September, relating to the position of the account as between this Colony and the War Office in connection with East Africa War Expenditure and to transmit copy of a memorandum by the Treasurer detailing the grounds on which he is of the opinion that the conclusions reached by the Controller of Expenditure Audit in the enclosure to Your Grace's despatch No. 1143 of the 13th August last.

I am in full agreement with the arguments of my financial adviser, which refer to a matter of corollary on the attitude adopted in paragraph 3 of Kenya despatch No. 1081 of the 20th June 1952. Stephenson does not appear to regard the position of this Colony as an Agent of the War Office for the distribution of supplies to the Military and Air Force Officers in respect of transactions connected with the East African theatre of operations apart from Greece, and I am unable to accept the view that the Colony should bear the total loss resulting from fluctuations in the rate of exchange. Losses arising from actual disbursements in local currency and their subsequent allocation in Accounts on a sterling basis are, I submit, a legitimate charge against the Principal.

Stamp: MEMORANDUM
No. 22-9-52

SPACE

OFFICE OF THE SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S. W.

3. At the same time I support the
Treasurer's contention that the simplest as well
as the fairest solution is the presentation of the
Company's Balance Sheet for 1935-36 and following
years in figures of local currency.

4. I trust that Your Grace will be
prepared to accept and support these representations.

I have the honor to be,

My Lord, Sir,

Your Grace's most devoted
and most obedient servant,

W. H. ...

SECRETARY'S OFFICE.

ENCLOSURE

A. S. S. S. S. S. S.

THE GOVERNMENT
OF INDIA

New Delhi, 22nd September 1922.

The Hon. Colonial Secretary,

A. S. S. S. S. S.

Your No. 22/1003/24 of 6-9-22 and in continuation
of my No. 276/1003/24 of 21-8-22.

I am in receipt of the report forwarded to me
relating that the Colony's accounts and assets account
should be worked with a view of 20% profit. The adjustment
of the paper and floating balances in account of the office
receipts and expenditures appearing in the Colony's books.

2. The object of the question is whether or not it
the matter of the Colony's accounts should be worked with
their title stipulation is not subject exclusively to the
principal, but is subject to a number of different
conditions. The Colony is not to be held in the capacity
of a banker to the Bar Office, receiving and disbursing
local currency on behalf of that office. My view of the
matter is that the Colony is not and that as an agent
receiving and disbursing local currency for its principal, it
is entitled to claim that any debt in local currency shown to
be due to it from the records of such transactions shall be
discharged in full, regardless of the fact of owing to the
Principal to discharge the debt.

3. There is no doubt that the Colony's books, which
are kept exclusively in local currency, and which have been au-
dited and found correct, constitute a true and accurate
record of the actual number of local notes received and dis-
bursed on behalf of the Bar Office. I have already stated in
my memorandum No. 26/8/22 of the 22nd November 1922 that
funds credited to the account "Loan to meet Bar Expenses

Cash Charges were received through the medium of the local banks and the Green Agents, and that in the former case local coins were actually received while in the latter the sterling credits which appeared in the Green Agents accounts were converted into local currency at the prevailing rates of exchange. In the Railway's books are:

- (1) That as of 31st March 1922 the Railway had accounted on behalf of the War Office

Rs. 67 1/2. One. etc.
148,714,732 177,433,064.95

Exts

(The War Office and Agents Surveys No. 2 under 1922 provides that a debt addressed in Rupees is payable in Pounds and Ordinance No. 1 of 1922 provides that the value of all things shall be read in Rupees or Pounds)

- 2) That at the same date the Railway had received from the War Office a number of local notes.
- 3) That at the same date and the aggregate of local notes actually accounted on behalf of the War Office exceeded the number of local notes actually received from the War Office by

Rs. 24,379 148,48,511.75

Rs. 2,70,223 3,40,446.95

In other words the Railway's books show that acting as the Agent of the War Office the Railway advanced on behalf of its Principal Rs. 24,379, or 3,40,446.95 in excess of the number of local notes which it had received from its Principal. I respectfully submit that an assertion of exchange would alter the fact that the debt which the Principal owes to its Agent is 2,70,223 local florins or, expressing the sum in terms of the present currency, 3,40,446.95 local sterling notes, if I were to take a vote for 2,70,223.10 as Sir Stewart Stephenson suggests I should have to credit the War Office accounts in my books with its equivalent in local notes i.e. Rs. 1,44,703.75; and to do this would mean that the Principal (The War Office) would be relieved, and the Agent (The Railway) would have to shoulder a part of the debt shown by the Agent's books to be due from the Principal, notwithstanding the fact that the accuracy of the Agent's

books is not questioned by the Principal. I entirely disagree with such a suggestion.

8. Sir Edward Stephenson observes all that the above arguments stand for with the remark that "the Treasurer's claim to settle with the War Office on the basis of the Florida figures as shown in the local Treasury books is inadvisable for the reason that it means accepting Florida prices of exchange & transactions which occurred prior to 1st April 1920". It is transactions which occurred in a period when the exchange rate was not stable. The statement, however, seems to mean the same as saying that the War Office should accept a number of local prices as the basis of its figures. It is not possible to certify the sterling balance sheet for 1920-1921 and subsequent years in local currency figures.

It is allowed to be the issue between the Director of Colonial Audit and the Department will resolve itself into the simple question whether the debit balance of £2,404,446.95 standing against the War Office in my books is to remain, or whether £1,145,773/- of that balance is to be written off as a bad debt in my books. My arguments for the full sum remain at the debit of the War Office as set out in the earlier paragraphs of this memorandum.

9. The sterling figures which have appeared in the statements submitted to and certified by the Director of Colonial Audit

In the past have been mere equivalents of local currency figures and the basis in which these equivalents were arrived at were hopelessly incorrect during the period that the sterling value of the Rupee was fluctuating. As an example of what I mean, the actual number of Rupees received in 1919-1920 and credited to the account "Loan to meet War Expenses - Common Charges" in the Treasury books was 4,321,129 that being the actual number of coins received by the Colony, all sterling credits having been converted at the actual rates of exchange prevailing. Now although the rate of exchange varied five times during the year commencing at $\frac{1}{6}$ ^{s d} -ending at $\frac{2}{-}$ and rising in the interval as high as $\frac{2}{4}$ ^{s d} Nevertheless these Rupees were converted for the purposes of the sterling statements submitted to and certified by the Director of Colonial Audit at a fixed rate of $\frac{1}{4}$ ^{s d}. These incorrect sterling equivalents were reflected throughout Sir E. Stephenson's statements submitted

7. I gathered that Sir Edward Stephenson is of the opinion that because the net sterling liability on the account of the old Imperial Loans had not been increased in the sterling Balance Sheet as a result of the currency fixation therefore the net sterling asset in respect of the advances from the War Office should not have been increased. These two sets of transactions however are entirely different. In the one case (Imperial Treasury Loans) the Colony was lent a certain number of pounds sterling and its liability is to repay that number of pounds sterling and not a number of local coins. Any gain or loss on exchange in converting that number of pounds into local currency and vice versa is obviously the concern of the Colony and not of the Imperial Treasury. In the other case (The War Office advances) the War Office placed a certain number of local coins with the local Government to discharge certain War Office local liabilities and any loss or gain in providing these local coins must obviously concern the War Office alone. The following simple illustration will perhaps make my meaning more clear (1) If A had borrowed £100/- in London from B before the currency fixation and at a time when the Rupee was at $\frac{1}{4}$ ^{s d} he could have converted that £100 locally into Rs. 1,500/-. After the currency fixation took place and the Rupee

... stood at 2/- his Rs.1,500/- would have been worth to him £150/-. His debt to A, however, would have remained £100/- and he would have made a profit of £50/- on the transaction, paying his debt of £100/- to A and keeping the gain on the exchange for himself. This is the case of the Imperial Loans. (2) If A in London had had liabilities in Kenya amounting to Rs.1,500/- which he desired B to meet on his behalf he A would have paid to B's credit in London, if the transaction had taken place while the Rupee was at 1/4 £100/- sterling which would have given B in Kenya the required Rs.1,500/-. Now suppose for some reason these Rs.1,500/- which were A's property and not B's, had had to be returned to A after the Rupee had been fixed at 2/- without the local liability having been discharged B would obviously have owed A in sterling £150/-, the gain on the exchange belonging to A and not to B who merely acted as A's agent. (3) If B in Kenya had advanced to meet a debt in Kenya on behalf of A in London Rs.1,500/- it would have cost A to discharge that debt with the Rupee at 1/4 £100/- but with the Rupee at 2/- £150/-. (2) & (3) represent the case of the war Office advances. If B had shown these three sets of transactions in his Balance Sheet before the fixation of the Rupee he would have shown the amount in sterling in each case as £100. After the fixation he would correctly have shown his sterling liability in the case of (1) as £100/- and in the case of (2) as £150/-. In the case of (3) he would have shown a sterling amount of £150. This is what has been done in the Colony's accounts. The question as to what the sterling equivalent of the Rupee was when a debt in local currency was incurred by an Agent in Kenya for a principal in London, is, I submit, of no importance whatever. The vital consideration in such a case is the sterling equivalent of the debt when that debt has to be paid.

8. A point that must be borne constantly in mind in

dealing

cooling with this matter is that the expenditure recorded in the Common Charge Account was not incurred in respect of Kenya alone but also, as the title of the accounts explains expenditure common to the Imperial Government and to a number of Colonies. If at a later date the charges are allocated against the several countries concerned therewith Kenya will of course bear her proportion of any losses that may have arisen in respect of exchange but to ask the Colony as I understand Sir Edward Stephenson does to bear the whole of such losses is I submit altogether unreasonable.

M/- R. CLIFTON GRANSON.

T R E A S U R E R .

Handwritten notes at top of page, including a date that appears to be 12/15/33.



Leaving Street,

14 December, 1933.

Mr.

Handwritten initials 'JC'.

I am directed by the Duke

of Devonshire to acknowledge the receipt of your letter No. 1100/1023 P. 6 of 12th October regarding the adjustment of the current account between the War Office and the Treasurer of Kenya in respect of East African War Expenditure, and to request you to inform the Army Council that after further discussion with the Director of Colonial Audit and the Government of Kenya His Grace is disposed to accept the view of the Council that the accounts should be settled on a rupee (or Florin) basis.

2. The Secretary of State

understands that there is no difference of opinion as to the amount of local coins received and disbursed respectively by the Treasurer of Kenya, namely

DRAFT.

Secretary,
War Office.

Handwritten notes:
Final
Original
3849
24
(23/11)

MINUTE.

- Handwritten notes:* as provided, 13/15/33
- Handwritten notes:* 13/15/33
- Handwritten notes:* 13/15/33
- Handwritten notes:* 13/15/33
- Handwritten notes:* 13/15/33
- Handwritten notes:* 13/15/33

Handwritten notes:
for Carson
P. H. H. H.

164,014,309 rupees or florins and
166,716,832 rupees or florins, so that
the deficiency to be made up from Army
funds amounts to 4,702,223 florins or
\$470,222. 6. 6. He will be glad to
learn that the Army Council agree that
this figure should be accepted.

I am etc.,

(Signed) H. J. READ

164,014,309 rupees or florins and

166,716,532 rupees or florins, so that

the deficiency to be made up from Army

funds amounts to 4,902,223 florins or

2470,222. 6. 0. He will be glad to

learn that the Army Council agree that

this figure should be accepted.

I am etc..

(Signed) H. J. READ