

ORDINARY MS.

G.O., No. 201

DATED 4. 3. 1913.

[Despatch Abstract.]

Public auditors Recording copy of letter addressed to the Govt of India by M. R. Ry S. Murugajaya Chetti, Madras, on the subject of providing suitably trained men to ^{act} as — under the Indian Companies Bill.

Papers of the department to which the current belongs.

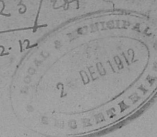
Number.	Date.	Original (=O.) or spare copy (=S.O.)	Remarks. (In this column such of the papers as have been removed for copying, printing, etc., should be marked with a cross.)	Initials of clerk with date in token of return to Reference department.

Papers of other departments.

Department.	Number.	Date.	Original (=O.) or spare copy (=S.O.)	Initials with date of (1) clerk of the Chief Secretariat department acknowledging returns of the paper concerned or (2) Despatcher to denote the return of the papers to departments outside the Chief Secretariat.

C. 3237

3.12.12

295, Linghee Chetty Street,
MADRAS, 30. 11. 1912 1912.

To

THE SECRETARY to the GOVERNMENT OF MADRAS,
EDUCATIONAL DEPARTMENT.

Sir,

I beg to forward for the information of the GOVERNMENT of MADRAS, a copy of letter I addressed the Government of India on the subject of PROVIDING SUITABLY TRAINED MEN TO ACT AS PUBLIC AUDITORS under the Indian Companies' Bill now under the consideration of the Government of India.

2. As the Life Assurance Companies' Act and the Provident Societies' Act recently passed by the Governor-General in Council have already created a demand for qualified Auditors, it seems to me that the time has arrived for the Government of Madras to consider the means of providing a training for this class of men in this Presidency. It is earnestly hoped that the steps taken to work out the scheme will satisfy all the conditions enumerated in my letter so that when the Companies' Bill is passed into Law, the same scheme may be advantageously adopted for the purpose of that Act.

3. I venture to say that in this way a training can be devised for our young men which, while strengthening the powers of judgment, sharpening the intellect and stimulating the imagination - the ends of all really liberal education, may yet be useful for the practical duties of later life.

I beg to remain,

Sir,

Your most obedient servant,

Enclosures - Two.

M. M. Chetty

*with one
Spare Copy.

8/12/12

295, LINGHEE CHETTY STREET,
Madras, 15th May 1912.

To

*The Secretary to the Government of India,
Educational Department,
Simla.*

Sir,

*vide speech
on 15/5/12
of Parl. 17
of the 1911
of India
as 11/12/11*
The recent announcement made by the Honourable Member for Commerce and Industry at the Imperial Legislative Council on the 22nd of March last, that the subject of **providing suitably trained men to act as public auditors** (under the new Indian Companies' Bill) is engaging the attention of the Honourable Member for Education encourages me to place the following humble lines before the Government of India for their information, consideration and such action as may be found necessary.

2. With the rapid expansion of Joint Stock enterprise and the increasing development of huge industrial organisations dependent on it, involving the employment of a large amount of public capital in this country as well as in Great Britain, the need for a careful examination of the accounts of these concerns, by qualified auditors, is becoming more and more keenly felt. Although the published accounts of these undertakings are required by law to be certified by an auditor, yet the qualifications of these men are nowhere defined and this question has, therefore, not received the serious attention it deserves. The demand that the qualifications required of these men should be included in the new Companies' Bill, has, however, brought much nearer the consideration of this important question.

3. Informed public opinion in India on this subject may now be said to be gaining ground and we have, therefore, in inaugurating any scheme providing for the necessary qualifications of these men, not so much to overcome resistance as to guide the movement. Great Britain has all along enjoyed a privilege which was denied to India, because, so far back as 1812 the increased importance given to proper and systematic accounting and their examination created a demand for men who should be experts in that particular branch of work, and, we find the evidence that this demand was suitably met by the publication of a list of accountants in the directories of that year. In the middle of the same century a serious attempt was made to organise what was already looked upon as an important profession and the outcome of it was that a Royal Charter of Incorporation was granted to the Society of Accountants at Edinburgh and this marks an important era in the history of the accountancy profession. Then followed the formation of the two important bodies of qualified accountants, which control the profession throughout the British dominions to-day, the Institute of Chartered Accountants in 1880 and the Incorporated Society of Accountants and Auditors in 1885, and ever since, there has always been a

strong public opinion in favor of entrusting these duties only to those who are earmarked as qualified by these two recognised bodies; and, side by side, with this demand, there has been a ready supply of a sufficiently large number of such men well educated and efficiently trained. In spite of these advantages, one of the organs of the professional accountants in England speaking disparagingly, of the situation in that country says, "It is a popular theory that if a man means to be dishonest, he will find an opportunity whatever safe-guards may be employed. But this is entirely contrary to experience. There are of course exceptions, but past history will abundantly show that in the great majority of cases, crimes of this character have only been perpetrated where control and supervision have been loose and the chances of detection correspondingly small. Cases of really ingenious frauds are few and far between. In nine cases out of ten, the initial thefts have had their inception in a pressing need for money and a means of obtaining it with the reasonable probability of escaping detection. Had that probability been more remote, the fraud would, in all likelihood, never have been perpetrated. This raises an important question. Is there not a definite moral obligation upon employers of labour, whether societies, corporations, or individuals, to see that a proper check and supervision is exercised over all who have the control or handling of money, and where such precautions are neglected, is the party who has been robbed more to be pitied than blamed? And further, has not the State some responsibility in the matter from the wider aspect of the protection of the community? As the embodiment of the nation's wisdom and legislative power, has not Parliament a duty to see, that, in the case of Institutions of a public or semi-public character an effective supervision is applied? That this is admitted in theory may be assumed from the fact that every public company is now required by law to have an auditor. It is only in theory, however, for what are we to say of the practical value of the admission, so long as the auditor may, as in this case, be a working man with no knowledge of the duties he should perform. * * * This system is good enough for an industrial society entrusted with the custody of large funds, good enough until the day of reckoning arrives. Then the professional auditor is called in, but not to perform his proper and legitimate function, not to guard against fraud and prevent irregularities, but, forsooth, to unravel the tangle, to tell the loss, and to assist in bringing the "unfortunate culprit to his doom." If this is the picture of the situation in England, what are we to say of India where no provision for the training of auditors exists and where, consequently, any man absolutely devoid of any knowledge of accounts can claim to be an auditor?

4. It is no exaggeration to attribute the many failures of Joint Stock Companies in India to the want of duly qualified auditors capable of placing before the general bodies of shareholders and others, from time to time, the real financial position of their concerns and show, when necessary, how and where improvement is needed. In fact, an auditor is often, in the performance of his duties, called upon to weigh the respective merits of conflicting arguments, readily grasp and marshal facts and figures, proceed with his investigation with the help of the scantiest material, restore order out of chaos, put a reasonable construction on anything he comes across, and act tactfully in any position that may arise; and these things cannot become possible unless he is so thoroughly equipped that he can really enjoy his work.

5. The next point for consideration is the method to be followed in shaping the future auditors of India. Among the present-day auditors, are found those who

after giving up all hopes of being hall-marked by the University as fit for any kind of higher literary or professional training have, in despair, joined some school of commerce and obtained a smattering of book-keeping knowledge. There are others, who by virtue of their occupying some minor position in Government or other account offices, have somehow created a general impression that they are the only body of available and suitable men competent to be entrusted with this work; there are others still—young men—who have recently come out as members of some of the so-called accountants' societies in England now springing up as rivals to the two officially recognised bodies of Chartered and Incorporated Accountants. Some of these have already met with an inglorious end. It must always be borne in mind that men without some standard of general education and knowledge can never profit by any kind of specialised study or training. In intellectual as in material architecture, no good edifice can be built on a faulty foundation. The knowledge of accounts that the second mentioned class of men possess is based only on the chance events brought to their notice in the round of their daily work, and although, these men may be found steady and useful in minor occupations, yet, in order to grapple with the more intricate problems of modern finance and accounts, they will not be found to know much beyond the dry husks of their long practical experience. As regards the last-mentioned type of men, their qualification for auditorship, to say the least, is represented by nothing more than their membership fees, advertisements and sign-boards.

6. We have now to replace men of these descriptions by those possessing a sufficient standard of general education combined with a tested knowledge of higher accountancy and law and trained in the rudiments of practical audit work. Unless all these requirements are fully satisfied, it is impossible to say that an advance has been made in the right direction. The next question naturally arises as to how these conditions are to be fulfilled both as regards future entrants and existing men.

7. It must be admitted that the extent and scope of the examinations conducted by the Institute of Chartered Accountants and the Incorporated Society of Accountants and Auditors of England, should undoubtedly, have a considerable effect on the policy to be adopted in instituting any accountancy examination in India. The following salient features of these examinations will be of interest as indicating the lines on which a scheme to suit Indian requirements can be successfully worked out.

INSTITUTE OF CHARTERED ACCOUNTANTS.

GENERAL.

Subjects.

- (1) Dictation and Short English Composition.
- (2) Arithmetic.
- (3) Algebra and Geometry.
- (4) Geography.
- (5) English History.

SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Subjects.

- (1) English Grammar and Composition and Dictation.
- (2) Arithmetic.
- (3) Algebra and Euclid.
- (4) Geography.
- (5) English History.

- (6&7) Two of the following (one to be a language) Latin, Greek, French, German, Italian, Spanish, Advanced Mathematics, Physics, Chemistry, Biology, Geology, and Stenography.
- (6) Latin.
- (7) One of the following, French or German.

Examination Fees: £ 2-2-0. £ 1-1-0.

REMARKS.—More or less of the standard of the Matriculation Examination of any Indian University. Formal exemption is granted when a candidate has already passed an equivalent examination.

SPECIAL AND FINAL.

- | | |
|--|--|
| (1) *Book-keeping and Accounts, including Executorship accounts. | (1) *Advanced Book-keeping, Auditing and general commercial knowledge. |
| (2) *Auditing. | (2) * Do. do. (2nd Paper.) |
| (3) *Book-keeping and Accounts, including Partnership accounts. | (3) *Adjustment of Partnership and Executorship accounts. |
| (4) *Rights and Duties of Liquidators, Trustees and Receivers. | (4) *Rights and Duties of Liquidators Trustees and Receivers. |
| (5) Bankruptcy and Company Law. | (5) Joint Stock Company and Bankruptcy Law. |
| (6) Mercantile Law and the Law of Arbitration and Awards. | (6) Mercantile Law. |
| | (7) Law of Arbitrations and Awards. |
| | (8) *Law relating to Partners. |

Number of Papers: Six. Eight.

Duration of Examination: 14 hours. 17 hours.

Examination Fees: £ 2-2-0. £ 2-2-0.

An Intermediate Examination in Accountancy and Law is held in the subjects marked.*

Examination Fees: £ 2-2-0. £ 1-11-6.

8. Regarding existing men, it is necessary to insist on those who are to be admitted to practice, possessing qualifications described below :—

General Education.—Say, at least, the Matriculation Examination of an Indian University or an examination equivalent thereto.*

Higher knowledge of Accountancy and Law.—Any existing examination conducted by Local Governments or Administrations of a standard equal to that for future entrants.*

Practice.—For the present, actual practice as a public accountant from 3 to 5 years or professional official experience of a suitable type.*

*These are to be decided by a Committee appointed in each local centre where examination for future entrants will be held. It is really a difficult matter to judge the fitness of existing men except by following some definite plan such as the one above. But other cases, not coming within this, should be decided on their own individual merits.

9. In conclusion, I may be permitted to say that the future of the accountancy profession in India will largely depend upon the way in which the start is given for the training of these men. Year after year, it is becoming, more and more a necessity for private firms, Banks, Municipalities, Railways, Trusts, &c. to have their books efficiently maintained, and for this purpose they engage the services of accountants. As employment is the bait of modern times, it is desirable to influence these bodies to reserve a certain number of such appointments for men who can be trained in future for these special lines of accountancy work. It would also be advantageous to offer these men some suitable posts in Government departments wholly devoted to accounts work where they will be found more useful in quickly grasping the peculiarities and meaning of different modes of procedure and readily yield to every demand for a change calculated to ensure economy, improve efficiency and bring effective control, none of which will be possible to attain with men brought up under rule-of-thumb methods and tradition.

I beg to remain,

Sir,

Your most obedient servant,

S. M. CHETTY.

20-12-12

VV

NOTES.

Page

Educational Department

[CM 3237]

6

Indt 3237-1 est d. 17. 12. 12

Referred to the S.P.T for remarks

SK
11.12.12

CA
17.12.12

Ch
17.12.12

notes in Call book

CA
17.12.12

L

The S.P.T with CM 3237
in original (to be
returned)

Sept
19.12.12

EDUCATIONAL DEPARTMENT

F.R.D.-897

C. 83 Ed

Received



191

Registered

10/1/13 191

Subject.

Public auditors - Hoping that the suggestion of S. Murugaiya chetty on the subject of providing suitably trained men to act as — may wait for the scheme that the Hon. Mr. Butler has in hand.

ENCLOSURES

No.

Dis. No. 139/12

Spare copies

Station Madras, Dated the 7th January 1913.

From (Name) The Hon. Sir Alfred Gibbs Bourne, D.Sc., F.R.S., K.C.I.E.,
(Designation) Director of Public Instruction, Madras.

To the Secretary to the Government of Madras,
Educational Department.

Sir,

With reference to Government Memo No. 3237-1, Educational, dated 17th December 1912, referring for remarks the petition (herewith returned) from S. Murugaiya Chetty on the subject of providing suitably trained men to act as Public Auditors, I have the honour to suggest that it would be better to wait for the scheme that the Hon'ble Mr. Butler has in hand.

I have the honour to be,

Sir,

Your most obedient servant,

(Signature)

For Director of Public Instruction.

K.V.T.

C. No. 3237/ From the S. H. Chetty No. 139/13, dated 30. 4. 1912
83/13 B.P.D " 7. 1. 13.

SUBJECT

Regarding the question of providing
suitably trained men to act as
auditors.

The memorialist, S. H. Chetty, makes certain
suggestions in regard to the training
to be given to persons who ^{have to qualify} them-
~~selv~~ selves for the posts of auditors. The Honble
~~Mr~~ Mr Clark, Member in charge of the
Dept^t of Commerce & Industries, ~~in India~~
of the Govt of India, has in the course
of his speech ~~in the Imperial Legislative Council~~ introducing
the Indian Companies Bill in the Imperial
Legislative Council, stated that a scheme
for the starting of schools of accounts
for the training of auditors is under
the consideration of the ~~Indian~~ Govt
of India. The Indian Companies Bill has
been referred to the local govt for
remarks and ~~it~~ is now under consideration
in the judicial Dept^t. It is understood
that that Dept^t is also considering
the question of providing trained men
to act as auditors. The memorial from
S. H. Chetty may, it is submitted, be ~~forwarded~~ ^{forwarded}
to the

Page 576 of Part II.
George Gazette 1912
Part II

vide Gazette
of India 1912
G

to the judicial department for ^{remarks} ~~disposal~~.
 SK. It may eventually be necessary to re-
 22.1.13. cord the papers in view of the D.P.'s letter
 on pages 2 & 3.

28/1/13 The case may go u.o. to judicial
 for remarks, but the ultimate disposal
 is plain that indicated by the
 D.P. If India has not scrapped the
 idea as premature, we shall no doubt
 receive a reference on the subject before
 very long.

L.D.
 29.1.13

40 83-1 Est
 29.1.13



Cur No. 300

Ref. 30-1-13

for the US.

for the US.

Mr Chetty's letter ~~is~~ mainly indicates the lines on which the Accountant's communications to be hereafter instituted in India, should proceed. What this Government are immediately concerned with is the prescription of qualifications for Auditors under the new Acts V & VI of 12. The letter does not help much in this matter. This department may agree with Educational that the proper disposal of the present communication is to await the scheme which India have now in contemplation.

A reference has been made to the Secy of Registrations as to the qualifications of Auditors under the Acts V & VI of 12. It does not seem necessary to forward a copy of the Accountant to the Secy in this connection.

Submitted that the case may be returned to Educational with the above remarks.

OK.

31-1-13.

WJ
31-1-13

This letter is only for information.

It may be submitted to the H.M.

(Regd) for perusal

WJ
31-1-13

3 2 13
H.M. (Regd).

Box 29
Circ 47
Ref 52

C. F. Chetty's letter to the Secy of Registrations of 22nd March 1912 at 51/13

Memorandum

at 51/13 I & M

Account no 1026-1059-113

(Circulation)

(Sd. Chetty)

226-1-13
21-1-13

Box No. 58
Civ. 11-2-13
Ret. 12-2

NOTES.

Page 4

Have we for any information
about the Butler's scheme.

W

4-2-13

We have none here, and I gather that
Educ^l has not either. Will Educ^l
please say?

8m
6p

Educ^l is

300-1. Jnl. C.

6.2.13



Educational Disputes

Submitted that Educational have
no information regarding the Harcourt Butler
scheme for training auditors.

Ca
7.2.13

8.2.13

Jr. C.

Jnl. C.

Educ^l 83-2
8.2.13



Submitted to the H.M. with reference
to his query above

8m
10p

H.M.

W
11-2-13

300-2(C)

18/2/13

Do Educ^l propose to send any reply to S.M. Chetty?

8m
13p

Educ^l is

Educational Department

P. L. Chetty forwards only a copy of the memorial he has submitted to the Govt of India. It does not appear that a reply should go to him now. The just dept may be informed accordingly.

SK
26.2.13

It seems to me better to send an acknowledgment to him. Perhaps we may give a final disposal to this by saying that we await the Govt of India's proposals. But we hardly know that India is incubating any proposals. Ah

Just. 40. 20.2.13



Ed. no. 83-3
21.2.13

Cur. No 582.

Just. C.

Py? 20.2.13

For the Ed.

This department has no own knowledge than Educational about India's proposals. For what as to whether the disposal suggested above may be accepted. I hardly think a reply

is necessary now
Educ in
25/2/13

582-1 (M.C.)

25/2/13

Educational Department

For orders whether pending receipt
of any ~~receipt~~ reference on the
subject from the Govt of India these
papers may be recorded.

8th
27-2-13

CA
1-3-13

Record.

4
3-3-13

Gov No 282

Part C

Part 5-5-13

Part 5-5-13

282-1 (20)

2-2-13

191

C. No. 3237, From the S. M. Chetty, No. _____, dated 30/1-1912.

83, 202, 135, 7-1-1913

No 201 his, dated 4. 3. 1913..

Ms

Recorded.

C.S.A.

3. 3. 13

Dr 3/3

SK
4-3-13
gnd
5513

[Handwritten notes:]

- OK 4-3-13
- msd 5515
- Burke 4-5-13
- M
- ✓ - More and copy of manuscript
- ✓ - The printer's estimate please be sent
- Copy to be done
- Jos. Spalte
- ✓ ✓
- copy of page 77
- of printed file.

When given for copying _____
 When copied _____
 When examined _____
 When signed _____

191

GRAN AGAIN G.O. No. _____
 191 . _____

CURRENT No.

ENCLOSURES TO C. No.

ORDER OF GOVERNMENT.

A A A A A A A

LETTER OF GOVERNMENT.

STATEMENT WITH DETAIL.

PAYERS NOT HELD UP, BEING READY FOR REPLY
 IN ORIGINAL.

V.E.—

A = Copy in full
 B = Not to be copied.
 F = Copy abstract only.
 Q = Copy Heading only