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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 476 Press Mis.

31-32

Dated 17-12- 1866.

31-32 1 of 11

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
17th December 1866.

No. 31. Read the following Proceedings of Government in the Public Works Department, dated 7th November 1866, No. 3550.

Passing orders on the system of account and audit to be adopted on the Railways in this Presidency. } (Vide Proceedings, Public Works Department, dated 7th November 1866, Nos. 144 & 145.)

No. 32. ORDER THEREON, 17th December 1866, No. 476.
To be recorded.

(Signed) A. J. ARBUTHNOT,
Chief Secretary.

Exd. J. Tulloch.

No. 144. Read the following letter from the Consulting Engineer for Railways, to the Secretary to Government, Public Works Department, dated Madras, 15th October 1866, No. 406 :—

1. I have the honor to forward the following letters on the subject of the Audit of Accounts of the Madras and Great Southern of India Railways, with reference to the rules proposed by the Accountant General, Public Works Department :—

G. O. No. 2,674, dated 23rd August 1866.

From Agent and Traffic Manager, Great Southern of India Railway Company, dated 25th September 1866, No. 2,153.

From Acting Agent and Manager, Madras Railway Company, dated 27th September 1866, No. 490, with five enclosures.

2. It will be observed that the Acting Agent and Manager of the Madras Railway has generally acquiesced in the proposed system. The only objections which he and the Chief Auditor have to offer are to the following effect :—

I. That Rules XXXV., VI., VII., are calculated to encourage, rather than discourage, unauthorized expenditure.

II. That Forms III. and IV. may be modified with advantage.

III. That the preparation of the Schedules of Works, required by Rule XXIV., would involve a vast amount of extra labor ; that the information it would yield can be obtained on reference to the Railway books, and that its submission to the Consulting Engineer to Government, would be contrary to the spirit of the new Audit system, as originally contemplated by the Government of India.

3. Lieutenant Filgate, the Government Examiner of Railway Accounts, does not concur in the objection offered by the Railway authorities to Rules XXXV., VI., VII. His remarks on this and the other questions above referred to are embodied in a separate Memorandum attached to this letter.

4. As regards the proposed Schedule of Works, I would observe that it is not clearly shown in Major Chesney's Memorandum whether it was the intention that the Schedule should be drawn up in the books of the Railway Company, or that it should be submitted to Government. I should certainly not advocate the submission of such a document to the Consulting Engineer. It would be an enumeration of several hundred works, one half of which or more, may not have been in progress during the month, and would not furnish him with any information, at least as regards the works on the open line, which he is already not able to obtain, by a reference, through the Government Examiner, to the Railway books.

As the Chief Auditor observes the submission of such a Schedule could not be required, if the audit of the Railway Accounts is to be conducted on the principle laid down by the Government of India.

5. I think it necessary to add that on the occasion of Mr. Kellner's visit to Madras, the fact of his having come with full power to introduce a new system of Government Audit, led both myself and the Railway authorities to believe implicitly that all the arrangements, which were then entered into, would be final. On that understanding the chief Officers of the Railway, desirous of meeting the views of Government, so far as they could, without sacrificing the interests or authority of the Company, co-operated with Mr. Kellner in a manner which enabled him to effect

his object with complete success, and without difficulty or delay. The Government of India have thanked Mr. Kellner for the tact and ability with which he conducted the business intrusted to him, and secured the concurrence of all parties concerned in the proposals brought forward.

6. I learn partly from the accompanying correspondence, and partly from discussions at the weekly meetings at the Railway Office, that the Railway authorities are somewhat disappointed to find that extensive additions are to be made to the system as introduced by Mr. Kellner, and further that there is no guarantee that the rules and forms now proposed by the Accountant General are to be final. No serious objections are offered to the rules and forms themselves, which are for the most part approved of.

7. As regards the introduction of the rules in question on the Great Southern of India Railway, it will be seen from the accompanying letter from the Agent and Traffic Manager, that he objects to change his present system of accounts. I can only recommend that the Board of Directors may be requested to authorize such alterations as may allow of an efficient audit being carried on, especially that a cash book should be kept up.

8. I conclude, if the proposed rules are adopted by the other Railway Companies in India, that the Board of the Great Southern would not continue to stand alone in opposing them, and that they cannot fail to perceive the propriety of having the accounts audited in the way that those of the Madras Railway are now done.

It is the more desirable that there should be a Chief Auditor for the Great Southern, from its being impossible for the Government Examiner to exercise the same scrutiny over the accounts, that he has the opportunity of doing in regard to those of the Madras Railway.

9. With reference to paragraph 33 of Major Chesney's Memorandum, I would beg to point out that it is not clearly defined at what point the responsibility of the Consulting Engineer, as regards the audit of accounts, is to begin and end. It is stated that the Government Examiner is to exercise the duties in subordination to him, although on his own responsibility. It is also stated that all communications to an Examiner from the Accountant General should be addressed to the Consulting Engineer. If the Examiner is to act on his own responsibility, it is to be inferred that he is to be altogether independent of control, or that he is to receive his instructions from the Accountant General, Public Works Department. I cannot understand how the Examiner is to act on his own responsibility, and yet be in subordination to the Consulting Engineer, unless such subordination is merely nominal. It was originally proposed to conduct the audit by Examiners, deputed from the Accountant General's Office, and acting solely under his orders. The change now proposed, as above explained, appears to be more nominal than real, and it would be impossible for the Consulting Engineer to gather from it, that he is to be anything more, as regards the audit, than the medium of communication between the Accountant General and the Examiner.

10. I would respectfully request further information on this point, and to express my opinion that the Examiner should be entirely under the orders of one superior, that if he is to receive his instructions from the Accountant General, the Consulting Engineer should be relieved of all responsibility as regards the audit of

Proceedings of the Madras Government, Public Works Department,
7th November 1866.

Railway Accounts, or, on the other hand, that the Consulting Engineer should be responsible for the proper conducting of the audit, and that the Examiner should act solely under his orders; and further, that communications from and to the Accountant General, Public Works Department, should be conducted through the same channel as heretofore, viz., the Government of the Province.

11. In paragraph 36 of Major Chesney's Memorandum, it is mentioned that "the Examiner's next step would naturally often be to Deputy Consulting "Engineer." It would appear to me to depend very much on the course which the Government of India take with reference to the alternative explained in the preceding paragraph of this letter, whether or not the Examiner would have it in his power to acquire a general knowledge of Railway matters exclusive of purely account business.

12. Were the Examiner in the position of Assistant or Deputy to the Consulting Engineer, I consider that he should continue, as far as practicable, the duties of Examiner of Accounts with those of an Inspector of Works. It is only to a very partial extent that the latter could be carried on without prejudice to the former, still as Lieutenant Filgate, the Examiner in Madras, has to make periodical visits to the Great Southern of India Railway, and to pass along the line, and as his duties as Examiner will also, as may be inferred from the accompanying Memorandum, oblige him to make a periodical inspection of the books of the Resident Engineers on the line of Railway under construction, I consider that Lieutenant Filgate might, with advantage, be called upon to report at the same time on the condition of such works as should come under his observation. Should these views meet with the approval of Government, I would respectfully request their re-consideration of his official designation.

Paragraph 3 of G. O. No. 2,674, dated 23rd August.

13. The audit of the Chief Auditor is not confined to only a portion of the expenditure of the Company, the whole of the books are now open to him, and are examined as far as possible by him. The Chief Engineer's Department receives his special attention, and no item of expenditure in this Department is passed finally to account without having been first examined by the Chief Auditor and the Examiner of Railway Accounts. The Order of the Government of India must have been based on Mr. Kellner's report, which represented the aspect of affairs prior to the introduction of the Appropriation Audit, up to which period the Chief Engineer's books were subject to no audit, and the Chief Engineer simply submitted forms showing the distribution of his expenditure for incorporation in the General books of the Company.

14. The books of the Locomotive and Store Departments have also engaged the time and attention of the Chief Auditor, and several useful reforms have been introduced, all tending to hasten the adjustment and final charging off of expenditure; altogether I am of opinion that the appointments of Chief Auditor and Chief Accountant have decidedly worked well on the Madras Railway, and I should be sorry to see any change in the present system, as I consider that the latter official should always be engaged in the Account Office, while the former can beneficially employ a good portion of his time in examining the books of the various departments.

Paragraph 8 of the above G. O.

15. With reference to the sufficiency of the establishment of Accountants, Major Chesney in his note proposed to allot a second grade Accountant to Madras, if necessary. This, I think, is the case, as during the absence of the Examiner on the Great Southern of India Railway, a good quantity of arrears necessarily accumulate, and besides this at present a good deal of the Examiner's time is taken up with what may be termed merely mechanical labor, which might well be entrusted to such an Accountant as it is proposed to appoint, while the Examiner could easily find more important employment for himself. The Examiner should also go far deeper into the Store Accounts than he has had yet time to do, as I am convinced that a great deal is still to be done in that department; and to carry out the rules laid down in Major Chesney's note, with reference to this department alone, will involve no small amount of labor.

Memorandum on the correspondence received from the Railway Authorities regarding the Appropriation Audit.

1. The Chief Auditor's first letter of the 26th September, is almost entirely directed against the introduction of the head "Unaudited expenditure" into the Company's books; in this, I am sorry to say, I cannot agree with him, as I am of opinion that if an objectionable item is susceptible of explanation, it is far more likely to be quickly brought to account, if passed at once to such a head, than it would be if simply left in the books of the Department, incurring the liability, where it might remain for an indefinite period, without being brought to notice. Whereas, if it be passed to the account in question, it will be to the interest of the Agent and the Account Department to have the blot cleared away as soon as possible. The Officer incurring the unauthorized expenditure would of course be held liable for the amount, until he affords satisfactory explanation for the same.

2. With reference to the Schedules IV. and V., I must say I cannot see what use they can be to Government. Schedule No. III., in conjunction with the balance sheet, I think will afford all the information they require. In this account the Chief Auditor is of opinion that the balance shown should be the actual cash balance held by the Agent alone, but I consider that, as far as the Government are concerned, that the balance should show the actual sum to be accounted for by the Agent and the disbursing Officer of the Company.

3. In the Statements of Receipts and Expenditure, as now prepared, the advances made by the Agent disappear from the account altogether, whereas in the form as now proposed, the amount of such advances will be shown against the Department receiving the same, until accounted for. I think, however, it would be as well to omit the "value of stores used on works," which it is proposed to enter on both sides of the account, and to confine the Statement to cash transactions. A supplementary Statement, showing the receipts and issues of Stores, could be prepared without much trouble.

4. The form marked B., which it is proposed by the Chief Auditor to substitute for No. 4, could be prepared very easily, and I think contains every information, but as I said before, I do not see its necessity, as long as I am satisfied that all the salaries drawn have been duly authorized, and that the distribution between capital and revenue is correctly made.

5. With regard to Schedule No. V., the expenditure on all works on the open portion of the Line is duly brought to account each month, under the head of Stores, and what may be called Form D. expenditure, this last contains the outlay on labor, materials, and miscellaneous articles. Each work is shown on a separate folio, the heading of which gives the date of sanction and amount of the estimate. These are all checked by me monthly, and any excess over an estimate is at once detected and reported. For works on the unopened line, I am unable to exercise the same control,

Proceedings of the Madras Government, Public Works Department, 7th November 1866.

as the Construction Ledgers are kept in the Districts, and are not brought down to the head office until the Line is opened for traffic, but as the greater portion of the Line now under construction on the Madras Railway is being made by contract, I do not think it will be necessary to call for the Schedule which, I think, will give extra work to the Engineers, without corresponding benefit.

6. Mr. Betts in his letter says he cannot make any alteration in his system without the consent of his Directors, but promises to send in whatever forms Government may require. I have before given it as my opinion that an Accountant ought to be appointed with full financial powers, and I can see no reason for altering this view, and I would further recommend that the Great Southern be made to conform their system of accounts as much as possible to that in force on the Madras Railway.

(Signed) A. J. FILGATE, Lieutenant, R. E.,
Examiner of Railway Accounts.

(Signed) J. C. ANDERSON, Colonel, R. E.,
Consulting Engineer for Railways.

From the Agent Great Southern of India Railway, to the Consulting Engineer for Railways, dated Negapatam, 25th September 1866, No. 2,153.

1. I regret I was unable to reply to your letter No. 238 of the 20th instant, by return of post, as my fortnightly report to the Directors was in hand, and had to be completed (in order to catch the English Mail) before yesterday's post.

2. As you press for an immediate answer to the papers sent with your letter No. 220, I can only reply generally thereon.

3. The system adopted in keeping the Company's books was laid down in England, and it has now been successfully worked for more than seven years. In reply to a letter, conveying a suggested alteration in this system, the Secretary remarked to my predecessor, "The subject has again engaged "the earnest consideration of the Board, and with every disposition to meet your views and those "of the Chief Accountant, they adhere to the instructions already given;" and further they have remarked, that the accounts to be rendered to Government must be in such form as they may see fit to direct, but with the departmental accounts they will not interfere.

4. The chief books of the Company are kept in London, and the printed balance sheets are drawn out from those books. The receipts and expenditure in England are not dealt with by me, the value of English Stores being alone journalized in bulk as a debit to the General Stores Account. Their distribution, and consequent credit to this account, is certified to by the several heads of Departments drawing the stores. The outlay on works of construction is entirely under the control of the Engineering Department, whose Forms D. are fully vouched and then audited by me. I mention these things to show that it is an error to suppose that "absolute executive and financial "control in the same hands exists on the Great Southern Line."

5. Any alterations which Government may desire to make in the accounts to be rendered to them shall be immediately attended to, but, as you see, it will be necessary to address the Directors relative to any alteration of system in their own books.

6. Major Chesney's suggestion with regard to "the supply of funds," appears to me a good one; it will save accounting, and not at all interfere with our system.

7. With regard to the appointment of a Chief Accountant, and the attendant cost of a separate establishment. This is also a matter for the Directors' consideration. The Madras Government agreed with the Secretary of State and the Directors, when they abolished the office, because it was not necessary for so small a line. Since then the extension works have been actively pushed on, and the affairs of the Company, as Mr. Kellner has been pleased to observe, have been carried on with ability and prudence. Now that those works are nearly finished, and expenditure is daily decreasing, bringing with it a decrease of accounting work, I am unable to see the necessity for such an appointment, more especially so, as the Company's books are now audited by the Government Examiner of Railway Accounts.

8. In the event of the Company extending their Line southwards, I would recommend the Directors to appoint a Chief Accountant, but with the small amount of accounting now performed there is not sufficient work to employ the time of such an officer.

9. The papers sent with your letter No. 220 are herewith returned, as requested.

From the Acting Agent and Manager of the Madras Railway Company, to the Acting Consulting Engineer for Railways, dated Madras, 27th September 1866, No. 490.

1. I have the honor, with reference to Major Prendergast's letter No. 448, to submit my views and those of other Officers in the Account Department of this Company on Mr. Kellner's Report and Major Chesney's Rules.

2. The results arrived at, at the Meeting held in my Office on the 21st instant, were agreed to by all present.

3. The Chief Auditor's opinion of certain clauses in Major Chesney's Rules is also concurred in by the Chief Accountant and myself.

From the Chief Auditor Madras Railway Company, to the Acting Agent and Manager, dated Madras, 26th September 1866, No. 198.

1. Referring to Rules XXXV., VI., VII., and to paragraph 22 of Major Chesney's Note on the audit of Railway Accounts, it is feared that the Rules proposed are calculated to encourage, rather than discourage, the incurring of expenditure without authorization.

2. It has not been the practice on this line to give credit to the Head of a Department in the principal books of the Company for expenditure incurred, for which due authorization, voucher, or complete and satisfactory explanation is not forthcoming, and thus we impose upon each Officer charged with the disbursing of money, the responsibility of clearing his books and accounts.

3. Up to the present time the cases in which expenditure has not been allowed to be passed to account promptly, have been so few and far between, that it would not be advisable, judging by past experience, to open an account, which may in any degree serve to encourage the accumulation of such cases.

4. I think there is also to be apprehended, from the passing of any order for the introduction of the proposed account in the General books of the Company, this danger. From pressure of business, or other unforeseen circumstance, it may happen that the Government Auditor may be unable to give, at the time, sufficient consideration to a questionable item, and the probability is, it would forthwith be passed into the account, "unaudited expenditure," and would remain there for an indefinite period. It strikes me the much better course to take is to remove the objectionable item from the account until proper explanation is forthcoming.

5. In that case, the item would, of course, remain on the books of the Department in suspense, and the head of the Department would then feel his obligation to get it passed. But it is submitted that if his account in the books of the Head Office is relieved of such item, he is likely to lose sight of his obligation altogether.

6. I will put an extreme case by way of illustrating my meaning. Supposing an Officer in spite of all orders to the contrary incurred unauthorized expenditure, is it wise to allow him to take credit in his own accounts and to sanction his proceeding, as it were, by giving him credit in the principal books of the Company? I think not; and therefore recommend that unaudited expenditure should not be passed on to the chief books, but remain in the books of the Department.

7. In reference to the Schedules, I see no objection to them, provided we are allowed to modify them so as to suit our circumstances. The form appended, marked A., shows the change which we propose to effect in Schedule No. 3, and for No. 4 we propose to substitute B.

8. The information afforded by the Monthly Summary Statements, as now prepared by us, give very nearly the same information as No. 3, and by the aid of the balance sheet, which we are to render half yearly, and the monthly Statements, the Consulting Engineer may at any time, by a very simple process, arrive at the balances of Departments.

(True Copy.)

(Signed) W. G. SMART,
Acting Agent and Manager.

Proceedings of the Madras Government, Public Works Department, 7th November 1866.

30TH JUNE 1866.

Balances.

	Rs.	A.	P.
Oriental Bank	87,743	12	7
Bank of Madras	55,960	4	0
Chief Engineer...	1,10,983	11	1
Locomotive Superintendent	22,817	13	3
Cashier	437	9	5
General Storekeeper	700	0	0
Traffic Manager, Advance Account	6,398	2	11
Cashier, Maintenance do.	44,198	0	8
Chief Engineer, do. on account of Leading Sleepers... ...	18,500	0	0
Total ...	3,47,739	5	11

MADRAS RAIL WAY COMPANY.
SOUTH-WEST LINE.
Summary of Receipts and Expenditure for the month of July 1866.

Receipts.	Capital.	Revenue.	Total.
	RS. A. P.	RS. A. P.	RS. A. P.
Balance brought forward...	...	...	3,47,739 5 11
GOVERNMENT, Cash advances, viz :—			
Government of India Capital Account	1,27,228 15 11	...	1,27,228 15 11
Do. Locomotive Workshop Account North-West Line	1,439 1 0	...	1,439 1 0
Do. Revenue Account	...	72,367 12 6	72,367 12 6
Do. do. Locomotive Advance Account	...	11,000 0 0	11,000 0 0
Do. do. Sleeper do.	...	9,051 5 7	9,051 5 7
TRAFFIC RECEIPTS.			
Receipts from 30th June to 30th July 1866	...	3,60,620 12 3	3,60,620 12 3
Rents of Bungalows	...	952 8 1	952 8 1
OTHER RECEIPTS.			
Proceeds of Sale of Stores	6,728 0 6	...	6,728 0 6
Unpaid Salaries and Wages	505 10 1	...	505 10 1
Materials lost	218 6 0	...	218 6 0
Engineering Expenses.—Stores supplied to Beypore Pier Works	23 0 10	...	23 0 10
Chief Engineer.—Interest accrued in the Oriental Bank on sums deposited half-year 30th June 1866	218 6 10	...	218 6 10
Interest on Government and other Securities	1,429 8 0	...	1,429 8 0
Do. on account of Fire Insurance Fund	...	1,000 0 0	1,000 0 0
Madras Terminal Station and Perambore Works, for amount credited in Form D. in January 1866 for sale of chunam ...	563 3 7	...	563 3 7
REFUNDS.			
Home Payments	1,465 0 2	...	1,465 0 2
General Suspense Account	...	58,641 8 8	58,641 8 8
North-West Line Advance Account ...	2,561 3 7	...	2,561 3 7
	1,42,380 8 6	5,13,633 15 1	
Total ...	...	...	10,03,753 13 6

Payments.		Capital.	Revenue.	Total.
		RS. A. P.	RS. A. P.	RS. A. P.
ESTABLISHMENTS.				
General Management ...	June 1866.	2,877 13 8	4,507 2 9	7,385 0 5
Engineering Department.	do.	4,611 11 6	6,067 4 6	10,679 0 0
Telegraph do.	do.	90 4 3	2,006 10 2	2,096 14 5
Locomotive do.	do.	5,478 15 1	9,283 5 3	14,762 4 4
Traffic do.	do.	...	19,253 8 0	19,253 8 0
CONTINGENCIES.				
General Management ...	do.	61 6 4	854 7 6	915 13 10
Law Charges	do.	5 15 8	...	5 15 8
Engineering Department.	do.	3 9 5	3 13 2	7 6 7
Traffic do.	do.	...	4,293 1 3	4,293 1 3
STORE and Materials purchased		1,09,154 3 9	...	1,09,154 3 9
GOVERNMENT.				
Paid to Government Treasury gross Traffic Earnings from 10th June to 7th July 1866		...	3,08,398 8 2	3,08,398 8 2
Do. proceeds of sale of Stores for June do.		2,064 11 8	...	2,064 11 8
ADVANCES, &c.				
Home Payments		1,530 9 10	...	1,530 9 10
General Suspense Account		...	57,948 4 10	57,948 4 10
N. W. Line, Advance Account... ...		248 13 6	2,201 3 11	2,450 1 5
OTHER PAYMENTS.				
Unpaid Salaries and Wages		363 4 9	...	363 4 9
Interest on Govt. and other Securities ...		1,762 0 10	...	1,762 0 10
MAINTENANCE.				
Electric Telegraph ...	May 1866.	...	354 3 6	354 3 6
Locomotive Running Account	June do.	...	17,813 15 1	17,813 15 1
Maintenance of Way and Works,	May do.	...	26,598 11 11	26,598 11 11
CONSTRUCTION.				
Locomotive Rolling Stock.	June do.	13,593 0 8	...	13,593 0 8
Engineering, viz :—				
Brickwork and Masonry.	July do.	10,010 13 6		
Permanent Way... ...	do.	125 6 0		
South-West Line.—Madras Terminal Station and Perambore Works	do.	5,981 3 2	...	18,405 0 0
Beypoor Terminal Works	do.	1,600 3 2		
Salt Cotaur Branch ...	do.	539 3 3		
Telegraph Department ...	do.	148 2 11		
Earthwork	do.	2,043 2 5		
Brickwork and Masonry	do.	6,791 14 1		
Bangalore Branch.—Permanent Way	do.	14,207 2 10	...	26,565 4 11
Engineering expenses ...	do.	735 14 5		
Bangalore Terminus ...	do.	2,731 10 6		
Electric Telegraph ...	do.	55 8 8		
		1,86,816 13 10	4,59,584 4 0	
Oriental Bank		72,284 0 2		
Bank of Madras		1,09,135 0 2	1,81,419 0 4	
Chief Engineer		80,576 9 9		
Locomotive Superintendent ...		25,552 8 0		
Balances.—Cashier		197 11 5		
General Storekeeper		700 0 0		
Traffic Manager, Advance Account.		4,780 4 6		
Cashier, Maintenance do. ...		45,626 9 8		
Chief Engineer, Advance for Leading Sleepers		18,500 0 0	1,75,933 11 4	3,57,352 11 8
Total ...		...	...	10,03,753 13 6

B.

MADRAS RAILWAY COMPANY.

Abstract of Salaries, Wages, and Contingencies for the month of July 1866.

Forms.	Departments.	South-West Line.			North-West Line.			Total.		
		Capital.			Revenue.					
		Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
	General Management.									
A	Salaries...	2,257	3	0	554	1	10	11,956	1	8
B	Contingencies	67	6	0	11	11	0	1,182	6	0
	Engineering.									
A	General Superintendence	1,595	2	1	41	12	6	8,717	10	1
A	Special do.	2,816	11	6	552	9	10	20,159	8	9
B	General Contingencies...	69	13	5	1	14	0	482	8	1
M	Maintenance of Way and Works	.....			1,539	2	11	28,483	3	11
	Locomotive.									
A	Salaries...	4,889	7	1	1,437	11	5	15,989	10	4
D & H	Muster Roll	7,411	8	2	2,524	1	2	29,474	0	10
	Traffic.									
A	Salaries and wages	.....			2,794	6	9	22,244	8	4
B	Contingencies	.....			1,305	13	0	5,877	15	7
	Telegraph.									
A	Engineering salaries, &c.	179	9	7	70	15	7	1,566	14	3
A	(Traffic) Signallers, &c.	.....			107	8	0	1,069	15	3
D	Maintenance	.....			27	1	10	355	12	2
		19,286	12	10	10,968	13	10	1,47,560	3	3

(Signed) A. K. THOMSON,
Chief Accountant.

(Signed) W. G. SMART,
Acting Agent and Manager.

MADRAS,
24th September 1866.

Minutes of a Meeting held in the Agent and Manager's Office, Royapooram Terminus, on Friday the 21st September 1866.

1. The Proceedings of Government of India on Mr. Kellner's Report, referred to in the Consulting Engineer's letter No. 448, were read.

2. The omission noticed in the 7th paragraph of Mr. Kellner's Report will in future be rectified.

3. The statement made by Mr. Kellner in paragraph 15 of his Report, refers to the system that formerly prevailed in the Chief Engineer's Office, but since the new system of accounts has been instituted, the Government Examiner and the Chief Auditor have had access to all documents in that Office, and exercise the same scrutiny over the accounts as they do over those of other departments.

4. The remarks contained in paragraph 10 of the letter of the Secretary to the Government of India, do not appear to be fairly deducible from Mr. Kellner's report.

5. The Store Accounts of the Locomotive Department have been placed on a satisfactory footing.

6. The preparation of Form No.5, "Schedule of Works," would be attended with so much labor that it would necessitate an increase in the staff of the Chief Engineer's Account Department. This will at once be apparent when it is stated that on the open Line the works, for which there are open estimates, amount to between six and seven hundred, and on the unopen Line they will, in the course of a few months, be about five hundred. It is further to be observed, that the whole of the information which this form is intended to convey is at present and has been for years supplied by the monthly Form D., with which all concerned are familiar. For these reasons the Officers of the Company are of opinion that it is not advisable to adopt Form No. 5.

7. The Chief Auditor was requested to state his opinion in writing with respect to Major Chesney's rules and notes.

(True Extract.)

(Signed) J. C. ANDERSON, Lieut.-Colonel, R. E.,
Consulting Engineer for Railways.

From the Chief Auditor of the Madras Railway, to the Acting Agent and Manager, dated Madras, 8th October 1866, No. 1.

1. From what transpired at our Finance Committee Meeting on Tuesday last, it appears that I have not set forth so fully as I ought to have done my reasons for proposing certain modifications in the Schedules attached to Major Chesney's Note on the audit of Railway Accounts. I beg therefore to be allowed the opportunity of expressing my views more fully on this subject.

2. When the "Appropriation Audit" was first proposed for the adoption of the Local Governments and of the Railway Companies, it was stated, after the procedure had been described, that "by this arrangement duplicate accounts "or voluminous returns to Government are rendered unnecessary, while all cases of irregular or "unauthorized expenditure can be at once detected and brought to notice. The Accountant "General reports that the system is working well, and that it appears to be acceptable to the "officials of the Railway Department, who thus obtain a clearance of their expenditure from day "to day without any extra labor being imposed on them in the preparation of special accounts for "audit."

Letter from Lieut.-Colonel C. H. Dickens, R. A., Secretary of Government of India, Public Works Department, to the Secretary to the Government of Madras, paragraph 9.

3. After requesting the Government of Madras to make the needful arrangements for establishing a similar procedure on the Railways in this Presidency at the earliest possible date, the Governor General goes on to remark :—

"As soon as this point shall have been satisfactorily arranged, the final Appropriation Audit "may be everywhere at once entered upon, and in view to aiding in the necessary arrangements

"for this purpose His Excellency in Council has determined to propose to the Government of "those Presidencies that Mr. Kellner shall be deputed to proceed to Madras and Bombay, to "explain personally to the Consulting Engineers and Railway officials, the nature of the final audit "to be given, and to arrange with them, under the Orders of the Governments of Madras and "Bombay, respectively, for establishing this audit."

4. In reference to the introduction of the new system of audit, Mr Kellner reports:—"I have "thus endeavoured to describe, as briefly as possible, the methods of account followed in the Madras "Railway, and the changes that have already been determined upon, or that seem to be desirable. "The main object of my deputation, viz., the introduction of the new system of audit, was accom- "plished without difficulty, through the cordial co-operation of the Officers of the Railway and of the "Consulting Engineer's Department. The audit is now in full operation, with every promise of "satisfactory results."

5. Thus it will be seen that the chief feature in the new system of audit which Mr. Kellner was deputed to introduce is a "final audit" "without any extra labor being imposed * * in the "preparation of special accounts for audit." But on reference to Major Chesney's Note* it would appear that it is now proposed to deprive the new system of its most important and valuable feature, "final audit;" and to revert, by the introduction of compiled accounts, "to be rendered by the Agent of the Railway Company to "the Consulting Engineer," to the old system.

* III. Audit of Accounts, paragraph 20.

6. It is, however, submitted that any change in the Appropriation Audit, so recently established by Mr. Kellner, and which has had a trial of a few months only, would be altogether premature.

7. It is no doubt essential that the Consulting Engineer should have returns, which will give him the results of the audit, as well as of the operations of the Company, and this information will be afforded in the half-yearly Balance Sheets, the Monthly cash accounts, and the Revenue accounts, and in our periodical Reports. Seeing, moreover, that an officer on behalf of Government is in attendance at the Railway daily, and has access to all our books, accounts, and vouchers; that at our weekly Meetings, at which the Consulting Engineer is present, the charges and bills which have been passed during the week are reported and recorded, and subsequently printed and circulated; that whenever expenditure is incurred in excess of estimate, or without authority, it is likewise reported and recorded, it can hardly be necessary that any further detailed information in reference to the accounts of the Railway Company can be required by the Consulting Engineer.

8. We may fairly enquire then, to what use are the Schedules, excepting the cash account, to be applied after the audit has been made? If required as a record, our reply is, the record is made, and published weekly; if for the purpose of re-auditing the accounts, we must appeal to the Governor General's Minute, wherein "the nature of the final audit" to be introduced is settled.

9. To what length Major Chesney proposes to extend his system of audit is not clear; on reference to his Note, extending over fifteen pages of closely printed matter, you will observe that it is described as "Section I."

10. With special reference to the Schedule referred to in Rule XXI., I may state that it will not show, what seems to be required, the actual cash balance in the Chief Engineer's and other Officer's hands; but the amount for which each will be accountable to the Agent after his books have been relieved of audited expenditure. If this is sufficient, it can be prepared accordingly, though I should have preferred retaining the original, showing the advances made to disbursing officers month by month, as well as the amount credited to their several accounts.

No. 145. ORDER THEREON, 7th November 1866, No. 3,550.

RAILWAY, No. 11.

1. The foregoing papers contain the views of the Consulting Engineer for Railways, and of the principal Officers of the Madras and the Great Southern of India Railway Companies, upon the points discussed by the Government of India in the letter from their Secretary dated the 23rd July last, No. 658A, and in their Resolution of the same date, No. 642 A.

2. The rules drafted by the Accountant General, Public Works Department, and embodied in the note which accompanied the above quoted letter, are generally approved of; and, with the exceptions noted below, the Government direct that they be at once adopted in the audit of the Accounts of the Madras and the Great Southern of India Railways.

3. The submission of the Monthly Schedule* of Works, referred to in Rules XXIV. and XXV., and which seems to the Government to be unnecessary for the purpose of effecting an audit, may for the present be suspended.

* In Form V.

4. With regard to the Schedule of Establishments referred to in Rules XXII. and XXIII., the Government consider that the form recommended by the Chief Auditor of the Madras Railway, in his letter† dated the 26th September, No. 198, may with advantage be substituted for the form appended to Major Chesney's rules.

† Paragraph 7.

No. IV.

5. The alterations proposed by Mr. Church in the Form‡ of the monthly Account Current the Government cannot accept. They concur with the Examiner of Railway Accounts in considering it essential that the whole of the cash balances, whether held by the Agent or by other Officers of the Company, should be clearly shown in this monthly Return.

‡ No. III.

6. After giving careful consideration to the objections raised by Mr. Church to the procedure laid down in Rules XXXV., XXXVI., XXXVII., XXXVIII., and to the introduction of the head "Unaudited expenditure" into the books of the Railway Companies, the Government are unable to agree with him, and the course enjoined in the rules will therefore be followed.

7. The attention of the Agent of the Madras Railway Company will be drawn to paragragh 8 of the letter§ quoted above from the Secretary to the Government of India, which it will be observed supersedes the provisional permission to bank with the Oriental Corporation accorded to the Company by this Government upon‖ the 18th December 1862. In future the Company will be required to bank solely with the Bank of Madras.

§ 23rd July 1866, No. 658 A.

‖ In G. O. No. 680.

8. With regard to the Great Southern of India Railway the Government are decidedly of opinion that the appointment of an Auditor with full control over the accounts of all Departments is advisable, and a representation to this effect will accordingly be made to the Secretary of State.

9. The Government trust that, upon consideration, the Agent of the Great Southern will feel that he is empowered so far to modify the present system of

accounts upon that Railway as to admit of the free operation of the Audit rules now brought into force. Among other points, the Government consider the introduction of a General Cash Book essential to the carrying out of an efficient audit, and they request that this measure may be at once adopted. They concur with the Consulting Engineer in deeming it desirable that the system of accounts upon the Great Southern should be, as far as possible, assimilated to that in force upon the Madras Railway.

10. The attention of the Government of India will be solicited to paragraphs 9 and 10 of Colonel Anderson's letter, and they will be requested to define more clearly the responsibility which, under the new system of audit, will attach to the Consulting Engineer, and the position which the Examiner of Accounts is intended to hold with regard to that Officer, and to the Accountant General, Public Works Department. It does not, however, appear to the Government that there is anything in the designation of the office now held by Lieutenant Filgate to prevent the Consulting Engineer from calling upon him to report upon the progress or the condition of works upon either of the Lines of Railway which his duties as Examiner of Accounts may lead him to pass along.

11. On the recommendation of the Consulting Engineer, the Government sanction the entertainment of an Accountant of the grade allotted to this Presidency in paragraph 38 of Major Chesney's note upon a salary of Rupees 250 per mensem.

12. The papers at the head of these Proceedings will be sent, with the following letter, to the Government of India.

Ordered that the following letter be sent.

(Here enter 7th November 1866, No. 3,551.)

(True Extract.)

(Signed) CHARLES A. ORR, Colonel, R. E.,
Secretary to Government.

/True Copy/
Charles A. Orr Colonel R.E.
Secretary to Govt

To the Consulting Engineer for Railways.
— Controller of P. W. A.
— Acctt Genl
— Financial Deptt

Exd. S. T. Augustin.

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Financial 1866. DEPT.

Proceedings of Government in the
Public Department.
No. 3530

Dated 7
Received 20 } November 1866.

No. 4189

Passing orders on the
system of account and
audit to be adopted on
the Railways in this
Presy.

17th Decr 1866 R=470-

31. 32.