M.R.O. 1—77,003—8-6-37.

(1) Number of pages 8

(2) Date of repair 10-12-10

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 269 Press Mis.

138-139

Dated 17-2-1874.

12/13

Not to be folded or roughly handled

No. 138. Read the following Proceedings of the Board of Revenue, dated 12th December 1873, No. 2565:—

Read the following letter from J. B. PENNINGTON, Esq., President of the Local Fund Boards, Trichinopoly, to J. GROSE, Esq., Secretary to the Board of Revenue, dated 30th October 1873, No. 44:—

I HAVE the honour to forward, for the orders of Government, a Resolution * of the Local Fund Board of this Circle, dated 28th August 1873, in which they adopted a proposition of mine, that Government should be requested to define more clearly the responsibilities of *individual* Members of the Board with respect to expenditure by the Department of Public Works.

* Copy enclosed.

2. At a meeting held on the 28th of May last, the Board resolved† (by a majority of four to three) that the detail Accounts of *all* expenditure from Local Funds, shall be open at all reasonable times to the scrutiny of every Member of the Board, and that all Returns of Vaccination and School grants and of any other expenditure shall be subject to the same scrutiny (*i. e.* of *individual* members).

† Copy enclosed.

3. As no exception was taken to these rulings either by the Board of Revenue or by Government, and as the District Engineer, though dissenting from them, has not thought it necessary to protest against them; no further reference would have been made to the subject, but for the views expressed by Government, in their Order, No. 1,616, dated 20th June 1873, quoted in the Resolution now under reference, in which it is laid down that, "Local Fund Boards are entitled to be supplied with any explanation that may be required to elucidate the details of expenditure, not with a view to its technical check which is left to the Controller and the District Engineer, but to its classification under heads of Accounts, etc.," and further that "Government have recognized the propriety of such demands as that which appears to have given rise to the reference, should they be made with good cause of suspicion of improper practices."

4. I must confess I do not clearly understand the position assigned to Members of the Board by this ruling, nor does it appear to me consistent with the position assigned them in the Act.

5. Unless the Members of the Board have free access to the detail Accounts of Expenditure, I do not understand how the Board can have any *good* cause of suspicion of improper practices; for the Board can only derive its information from individual members, and if the Accounts are closed to them, and they are obliged to accept the District Engineer's certificate as conclusive evidence that the money has been properly expended, they can only have cause for "suspicion" in the event of some startling scandal like that which appears to have given rise to the Government Order referred to.

6. If, however, individual members are in no way personally responsible for the proper expenditure of the money with which they are entrusted by the Act, (though Section 16 of the Act seems to me to convey a different notion of their position,) there is of course no necessity for their enquiring into the details of expenditure, and so satisfying themselves (for instance) that a grant has not been

drawn for non-existent children, or that Vaccination Returns are not entirely fictitious.

7. It has always appeared to me that Local Fund Boards were primarily intended to afford that independent check upon waste and extravagance which was wanting under the old system; and this seems to me to be their position as finally established by the Act, after much discussion, and as frequently recognized by Government since.

8. The non-official Members were never of course intended to have any direct *executive* work, but in the first Report of the Select Committee I find it laid down that it would "be the duty of the Committee (Local Fund Board) to point out any *defects* or *remissness* in the *execution* of work, and to comment generally on the application of the funds."

9. Then when the Draft Act reduced the Committee to the position of a Consultative body (to which position indeed it is very fast relapsing) it was altered in Council, because as one Member said, "the Committee must have *responsibility*," and so it was again resolved that the Committee should be administrative and not mere advisers of the Collector, and the Bill became an Act to constitute Local Boards for the due "administration of the funds."

10. Turning to the Orders of Government, in G. O., No. 216, of 7th June 1871, paragraph 4, I find it stated that "the duty of controlling the expenditure shall be made over to the Local Fund Boards;" and again "this change of system will greatly conduce to efficiency by bringing to bear local knowledge and local interest, etc." I am at a loss to understand how this desirable result can be brought about if the Boards are to be reduced to the position suggested by the Controller, and be content with the "bare facts relating to the works" (on which their money has been spent), "viz., first, the sanctioned amount; second, outlay; and third, date of completion."

11. It is quite true that District Engineers are directly responsible for proper work and fair rates, etc., but neither District Engineers nor Range Officers are infallible, omniscient or omnipresent; and I cannot help thinking they would find it to their advantage in dealing with subordinates and contractors to avail themselves more freely of *local independent* information; and that the scrutiny of the *non-official* Members of the Board especially would, as the Government say, "conduce greatly to efficiency."

12. It is not "technical" check that is wanting, but active personal self-interested supervision; and if all that the Local Fund Boards are expected to do is to allot the money, I certainly see very little use in them, and they are, after all, nothing more than *Consultative* Boards. Wasteful projects are bad, but the waste and misappropriation in the execution of works are generally considered to be much more serious.

13. In another order, * Government observed that "the *Local Fund Boards* raise the money, sanction the work, supply the funds, and give out the contracts;" and it seems to me impossible they would have gone on to say: "but having done this, their responsibility ends:" it is only then that real responsibility begins, and I cannot understand why the Boards who are simply in the position

* G. O., No. 763, of 7th June 1872.

of Trustees should be relieved of all several as well as joint responsibilities as to subsequent waste.

14. I trust, therefore, that Government will see fit to allow the Members of the Board to enquire how their money is being expended *as a matter of course*, and not on the invidious condition that they are never to see detail accounts unless they have *good* cause for suspicion of improper practices.

15. The knowledge that Members of the Board *may* look into the details of expenditure would go far to prevent such improper practices.

EXTRACT from the Proceedings of the Local Fund Board at a Meeting held on the 28th August 1873.

PRESENT.

J. B. Pennington, Esq., *President.*
L. Moore, Esq., *Vice-President.*

Official Members.

Major J. Vertue, R.E., District Engineer.
Mahomed Esuf Saib.
M. R. Ry. T. Pattahbiram Pillay.

Non-official Members.

M. R. Ry. S. Asirvadam Pillay.
,, P. Venketsamy Naidoo.
,, Iya Pillay.

V. Read G.O., No. 1616, dated 20th June 1873, regarding the submission of Monthly Progress Reports to the President of the Local Fund Board and President's memorandum thereon.

Resolved accordingly.

(Signed) J. B. PENNINGTON,
President.

"I propose that Government should be asked to define more clearly the responsibilities of Members of the Local Fund Board with respect to Department of Public Works expenditure with special reference to the resolution passed* by this Board to the effect that *each individual Member* is at liberty to ask to see the detailed accounts kept by subordinates with a view to satisfying himself that the money has been *properly* expended.

2. I think it should be pointed out how much more invidious it would be to rule that we may call for accounts *only* when we have good cause of suspicion of improper practices, and how difficult it must be to ascertain whether practices are improper without free access to the detailed accounts of expenditure."

* Paragraph 7 of 28th May 1873.

EXTRACT from the Proceedings of the Local Fund Board at Meeting held on the 28th May 1873.

PRESENT.

J. B. Pennington, Esq., *President.*
L. Moore, Esq., *Vice-President.*

Official Members.

Major J. Vertue, R.E., District Engineer.
M. R. Ry. T. Pattahbiram Pillay.
,, T. V. Subba Row.

Non-official Members.

M. R. Ry. T. Ramachendra Row.
,, Harri Row.

VII. Read President's memorandum, dated the 26th May 1873, withdrawing his memorandum, dated 8th April 1873, and proposing instead paragraph 7 thereof, which runs as follows :—

(1.) That in future the Local Fund Board invite tenders for public works contracts on specification prepared by the Department of Public Works.

(2.) That the working estimates for the maintenance of each road prepared for the guidance of the Overseers be submitted for the approval of the Board.

(3.) That the grants for maintenance be expended simply in maintaining the roads in the state they are at present, and that all expenditure for the improvement of the roads either by metalling, gravelling, bridging, or the like be provided for by separate estimates duly submitted to the Board.

(4.) That the detail accounts of all expenditure from Local Funds shall be open at all reasonable times to the scrutiny of every Member of the Board.

(5.) That all Returns of vaccination and school grants and of any other expenditure shall be subject to the same scrutiny.

Resolved—

(1.) That tenders for contracts be invited as an experiment.

(2.) That in the Remark column of the Progress Report the labour and materials be shown separately.

(3.) That maintenance allowance should not be spent upon construction.

The fourth and fifth Resolutions are carried by four votes to three.

(Signed) J. B. PENNINGTON,
President.

SUBMITTED for the orders of Government.

2. Mr. Pennington argues *first* that as Members of Local Fund Boards are responsible for misapplications of money facilitated by their neglect of duty, and are to control expenditure bringing to bear upon it their local knowledge, and are to sanction works, supply funds and give out contracts, they ought to be allowed individually to inspect all Accounts relating to Local Fund expenditure which are kept by Public Works Officers; and *second* that great advantages will be gained if they are allowed to do so.

Act IV. 1871, Section 16.

G. O., dated 7th June 1871, No. 216.

G. O., dated 7th June 1872, No. 763.

3. With regard to the first point it is sufficient to point out that so long as the rules prescribed by Government under Section 26, Act IV. of 1871, do not allow the inspection of Public Works Accounts by Members of Local Fund Boards whenever they please, they can incur no responsibility by not inspecting them.

4. The second point is one for Government to determine. The question is whether the interruption to business caused by such inspections of accounts as Mr. Pennington refers to would do more good than harm.

5. The Local Fund Board ask Government to define more clearly the responsibilities of Members, or in other words they wish for an explanation of the terms of Act IV. 1871, Section 16. The Revenue Board admit that they cannot define the neglect of duty which will make a Member liable to be sued for money mis-applied in consequence of that neglect, and doubt whether this provision of the law ever can or ever will be enforced.

6. With regard to paragraph 3 the Board observe that they are not aware that the Resolution of the 28th May 1873 was submitted for the opinion of higher authority.

(True Copies and Extract.)

(Signed) J. GROSE,
Secretary.

No. 139. ORDER THEREON, 17th February 1874, No. 269.

The Governor in Council is of opinion that Local Fund Boards being responsible for the financial and administrative condition of their Circles, ought, individually and collectively, to have full and free access to such accounts of the Public Works Officers as relate to Local Fund works. His Excellency in Council is aware that the exercise of this power will be attended by certain disadvantages which are inseparable from the present system of entrusting the execution of local public works to Government Officers, but trusts that the power will be exercised with caution and moderation and with due regard to the requirements of the public service.

(True Extract.)

W. HUDLESTON,
Chief Secretary.

To the Board of Revenue.
,, Public Works Department.

Exd. G. A. Turton and A. S. Rodgers.

t from the Proceedings of the Local Fund Board
eting held on the 28th August 1873.

Present

J. B. Pennington Esqre. President
L. Moore Esqre. Vice President
Official Members
Major S. Fortue - District Engineer
M. R. R. Mahomed Esuf Sahb
" T. Pattabhiraina Pillai
Non-Official Members
M. R. R. S. Sivaswamy Pillai
" P. Venkatasamy Naidu
" Iya Pillai.

Read Government Order
No. 1610 dated 20th June 1873 regarding
the Submission of Monthly Progress Reports to the President of the Local Fund Board and Pre-sidents

"Proposes that Government should be"
"asked to define more clearly the responsibilities"
"of Members of the Local Fund Board with"
"respect to D.P.W. expenditure with special re-"
"ference to the Resolutions passed by this Board"
"to the effect that each individual Member"
"is at liberty to ask to see the detailed"
"Accounts kept by subordinates with a"
"view to satisfying himself that the money"
"has been properly expended"

2 "I think it should be pointed out"
"how much more invidious it would be"
"to rule that we may call for Accounts"
"only when we have good cause of suspi-"

of

x Para 4 of 28th May 1873.

Bobt. of 1873 Works.

FINANCIAL.

THE BOARD OF REVENUE,
&c., &c., &c.

d February, 17th.

Read.

G.O., 17th February 1874, No. 209.

FEBRUARY.

Nos. 138-139.

Local Fund Boards.—Opinion expressed that Boards being responsible for the financial administrative condition of their Circles, individually and collectively, to have free access to such accounts of Public Works as relate to Local Fu

Extract from the Proceedings of the Local Fund Board at a Meeting held on the 28th day May 1873.

Present

J. B. Pennington Esqre. President
L. Moore Esqre. Vice President
Official Members
Major J. Fortue R. E. Irish Engineer
M. R. B. T. Pattabiramu Pillai
" T. V. Subba Rau
Non-official Members
Rao. R. R. T. Ramachendra Rau
" Narri Rau

VII Read President's Memo dated 26th May 1873 withdrawing his Memo dated 8th April 1873 and proposing instead para 7 thereof which runs as follows.

(1) That in future the Local Fund Board invite Tenders for Public Works Contracts on specifications prepared by the Department of Public Works (2) that the working estimates for the maintenance of each road prepared for the guidance of the Overseers be submitted for the approval of the Board (3) that the grants for maintenance be expended simply in maintaining the

"of improper practices, than difficult it would
"be to ascertain whether practices are improper
"without free access to the detailed Accounts
"of expenditure. —

/Signed/ E. B. Pennington
President

/True Extract/

J. B. Pennington
President

Memo thereon

Resolved accordingly

the roads in the state they are at present,
and that all expenditure for the improvement
of the roads either by metalling, gravelling,
bridging or the like be provided for by
separate estimates duly submitted to the Board
(4) that the detail accounts of all expenditure
from Local Funds shall be open at all reason-
able times to the scrutiny of every Member
of the Board, and (5) that all returns of vaccin-
nation and School grants and of any other
expenditure shall also be subject to the same
scrutiny.—

Resolved that the Engineer's Establish-
ment be limited as an experiment (2) that in the
remarks column of the progress Report the
labour and materials be shewn separately.—
(3) that maintenance allowances should
not be spent upon new constructions. The 4th &
5th Resolutions are carried by 4 votes to 3.—

(Signed) J. B. Pennington
President

S.O. No 269

P. Tables.

11

No. 2,565.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 12th December 1873.

Read the following letter from J. B. PENNINGTON, Esq., President of the Local Fund Boards, Trichinopoly, to J. GROSE, Esq., Secretary to the Board of Revenue, dated 30th October 1873, No. 44 :—

I HAVE the honour to forward, for the orders of Government, a Resolution * of the Local Fund Board of this Circle, dated 28th August 1873, in which they adopted a proposition of mine, that Government should be requested to define more clearly the responsibilities of *individual* Members of the Board with respect to expenditure by the Department of Public Works.

* Copy enclosed.

2. At a meeting held on the 28th of May last, the Board resolved† (by a majority of four to three) that the detail Accounts of *all* expenditure from Local Funds, shall be open at all reasonable times to the scrutiny of every Member of the Board, and that all Returns of Vaccination and School grants and of any other expenditure shall be subject to the same scrutiny (*i. e.* of *individual* members).

† Copy enclosed.

3. As no exception was taken to these rulings either by the Board of Revenue or by Government, and as the District Engineer, though dissenting from them, has not thought it necessary to protest against them ; no further reference would have been made to the subject, but for the views expressed by Government, in their Order, No. 1,616, dated 20th June 1873, quoted in the Resolution now under reference, in which it is laid down that, " Local Fund Boards are entitled to be supplied with any explanation that may be required to elucidate the details of expenditure, not with a view to its technical check which is left to the Controller and the District Engineer, but to its classification under heads of Accounts, etc.," and further that " Government have recognized the propriety of such demands as that which appears to have given rise to the reference, should they be made with good cause of suspicion of improper practices."

4. I must confess I do not clearly understand the position assigned to Members of the Board by this ruling, nor does it appear to me consistent with the position assigned them in the Act.

5. Unless the Members of the Board have free access to the detail Accounts of Expenditure, I do not understand how the Board can have any *good* cause of suspicion of improper practices ; for the Board can only derive its information from individual members, and if the Accounts are closed to them, and they are obliged to accept the District Engineer's certificate as conclusive evidence that the money has been properly expended, they can only have cause for " suspicion" in the event of some startling scandal like that which appears to have given rise to the Government Order referred to.

6. If, however, individual members are in no way personally responsible for the proper expenditure of the money with which they are entrusted by the Act, (though Section 16 of the Act seems to me to convey a different notion of their position,) there is of course no necessity for their enquiring into the details of expenditure, and so satisfying themselves (for instance) that a grant has not been

drawn for non-existent children, or that Vaccination Returns are not entirely fictitious.

7. It has always appeared to me that Local Fund Boards were primarily intended to afford that independent check upon waste and extravagance which was wanting under the old system; and this seems to me to be their position as finally established by the Act, after much discussion, and as frequently recognized by Government since.

8. The non-official Members were never of course intended to have any direct *executive* work, but in the first Report of the Select Committee I find it laid down that it would "be the duty of the Committee (Local Fund Board) to point out any *defects* or *remissness* in the *execution* of work, and to comment generally on the application of the funds."

9. Then when the Draft Act reduced the Committee to the position of a Consultative body (to which position indeed it is very fast relapsing) it was altered in Council, because as one Member said, "the Committee must have *responsibility*," and so it was again resolved that the Committee should be administrative and not mere advisers of the Collector, and the Bill became an Act to constitute Local Boards for the due "administration of the funds."

10. Turning to the Orders of Government, in G. O., No. 216, of 7th June 1871, paragraph 4, I find it stated that "the duty of controlling the expenditure shall be made over to the Local Fund Boards;" and again "this change of system will greatly conduce to efficiency by bringing to bear local knowledge and local interest, etc." I am at a loss to understand how this desirable result can be brought about if the Boards are to be reduced to the position suggested by the Controller, and be content with the "bare facts relating to the works" (on which their money has been spent), "viz., first, the sanctioned amount; second, outlay; and third, date of completion."

11. It is quite true that District Engineers are directly responsible for proper work and fair rates, etc., but neither District Engineers nor Range Officers are infallible, omniscient or omnipresent; and I cannot help thinking they would find it to their advantage in dealing with subordinates and contractors to avail themselves more freely of *local independent* information; and that the scrutiny of the *non-official* Members of the Board especially would, as the Government say, "conduce greatly to efficiency."

12. It is not "technical" check that is wanting, but active personal self-interested supervision; and if all that the Local Fund Boards are expected to do is to allot the money, I certainly see very little use in them, and they are, after all, nothing more than *Consultative* Boards. Wasteful projects are bad, but the waste and misappropriation in the execution of works are generally considered to be much more serious.

13. In another order, * Government observed that "the *Local Fund Boards* raise the money, sanction the work, supply the funds, and give out the contracts;" and it seems to me impossible they would have gone on to say: "but having done this, their responsibility ends:" it is only then that real responsibility begins, and I cannot understand why the Boards who are simply in the position

* G. O., No. 763, of 7th June 1872.

or Trustees should be relieved of all several as well as joint responsibilities as to subsequent waste.

14. I trust, therefore, that Government will see fit to allow the Members of the Board to enquire how their money is being expended *as a matter of course*, and not on the invidious condition that they are never to see detail accounts unless they have *good* cause for suspicion of improper practices.

15. The knowledge that Members of the Board *may* look into the details of expenditure would go far to prevent such improper practices.

ENCLOSURE No. 1.—Extracts from Proceedings of Local Fund Board.

SUBMITTED for the orders of Government.

2. Mr. Pennington argues *first* that as Members of Local Fund Boards are responsible for misapplications of money facilitated by their neglect of duty, and are to control expenditure bringing to bear upon it their local knowledge, and are to sanction works, supply funds and give out contracts, they ought to be allowed individually to inspect all Accounts relating to Local Fund expenditure which are kept by Public Works Officers; and *second* that great advantages will be gained if they are allowed to do so.

Act IV. 1871, Section 16.

G. O., dated 7th June 1871, No. 216.

G. O., dated 7th June 1872, No. 763.

3. With regard to the first point it is sufficient to point out that so long as the rules prescribed by Government under Section 26, Act IV. of 1871, do not allow the inspection of Public Works Accounts by Members of Local Fund Boards whenever they please, they can incur no responsibility by not inspecting them.

4. The second point is one for Government to determine. The question is whether the interruption to business caused by such inspections of accounts as Mr. Pennington refers to would do more good than harm.

5. The Local Fund Board ask Government to define more clearly the responsibilities of Members, or in other words they wish for an explanation of the terms of Act IV. 1871, Section 16. The Revenue Board admit that they cannot define the neglect of duty which will make a Member liable to be sued for money mis-applied in consequence of that neglect, and doubt whether this provision of the law ever can or ever will be enforced.

6. With regard to paragraph 3 the Board observe that they are not aware that the Resolution of the 28th May 1873 was submitted for the opinion of higher authority.

(A true Copy and Extract.)

J Grote

Secretary.

To the Chief Secretary to Government, Financial Department,
with one original enclosure, to be returned.

,, the President of the Local Fund Boards, Trichinopoly Circle.

Exd. G. A. Turton.

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following letter Proceedings of the Board of Revenue, dated 12th December 1873, No 2565.

Order thereon, 17 February 1874 No 269

His Governor in Council is of opinion that Local Fund Boards being responsible for the financial and administrative condition of their Circles, ought, individually and collectively, to have full and free access to such accounts of the Public Works officers as relate to Local Fund Works. His Excellency in Council is aware that the

Read 17 Feb 1874 No 269

Read 17 Feb 1874 No 269

Read 17 Feb 1874 No 269

Read 17 July 1873. Nos 3-6.
Read 31 July 1873 -- 7.
Read 7 June 1870 -- 8.
Read 7 June 1870 -- 33-34 &c.

Read 17 Feb 1874 No 269

Financial Department.

Board of Revenue, 1873, Proceedings

BOARD OF REVENUE,
MADRAS.

PROCEEDINGS, 12TH DECEMBER 1873, No. 2,565.

Proceedings 12 Dec 1873
Encl. No 269-274

Received 23 12
No 2427

DECEMBER.
No. 2,565.

Local Fund Works.—Letter from President, Local Fund Boards, Trichinopoly, requesting that responsibilities of individual Members of Boards may be clearly defined, and suggesting that Members should be allowed to inspect all Accounts relating to expenditure on — kept by Public Works Officers, submitted for orders of Government, with remarks.

the exercise of this power will be attended by certain disadvantages which are inseparable from the present system of entrusting the execution of local public works to Government officers, but trusts that the power will be exercised with caution and moderation and with due regard to the requirements of the public service: ~~Any inconvenience of execution exercise of it should without delay be reported to Government.~~

Sanctioned omit this - and not to allow such a thing -

To the Board of Revenue. Public Works Dept

19

Fin.ce Department.

No. 2427.

From Proceedings of the Board of Revenue

Dated 12th December 1873.

FOR ORDERS.

I do not see how we can
refuse the time may be.
If mis-stated, he must be
told of the mis-stating it

Let

The Local Fund Boards are responsible
for the financial & administrative
conduct of their Circles, and transfer

Govt. of 1874 Matters.

Circle

To

The Board of Revenue

Dated 17th Feby 1874, Nov 19.
Recd. "

Nos. 138-139.

Local Fund Boards.

Opinion requested that
the Boards Circles
re Cancelled for the
purpose of Constituting
their Circles, & Officers
& collecting & Disbursing
Fees & Cesses &c.

Opinion as asked &
Do. F. Records.

Power of L.F. Boards limited
to Accounts connected
with Local Purposes

C.

C 6/2
R 6—
C 10—
R 13/2—
C 13/2—

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