Marine (1896) Department.

923

G.O., No. 850 Mar

DATED 9 December

[Despatch Abstract.]

Audit: Passing orders on correspondence relating to the Examiner's — & the Construction Accounts of the Harbours Trust Board for the years 1893-94 & 1894-95

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T.C. 9/12

## BACK PAPERS.

| G.O. | No. | Department. | Date. | G.O. | No. | Department. | Date. |
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| memo | 4032 | mar | 12. 8. 96 | | | | |
| Go. | 484 | mar | 7. 7. 96 | | | | |
| " | 259 | P.W. | 22. 1. 96 | | | | |

## FURTHER PAPERS.

| G.O. | No. | Department. | Date. | G.O. | No. | Department. | Date. |
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| 1398 of 96. | | | | | | | |
| | 519 | mar | 9. 6. 97 | | | | |

# Government {1896} of Madras.

## MARINE.

*Recd.* } 1896. *Enclosures*

*Regd.* *Spare copies*

**G.O., No. 850, 9th December 1896.**

**DECEMBER.**

**Audit**

Passing orders on correspondence relating to the Examiner's — of the construction accounts of the Harbour Trust Board for the years 1893–94 and 1894–95.

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

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Read—again the following papers :—

G.O., No. 259 W., dated 22nd January 1896.
" " 1260 W., " 10th April 1896.

Read—also the following papers :—

From the Chairman, Harbour Trust Board, dated 6th March 1896, No. 4705.
" Examiner, Public Works Accounts, dated 26th March 1896, No. 230 B.
" Chairman, Harbour Trust Board, dated 1st July 1896, No. 1904.
Office-note from the Examiner, Public Works Accounts, dated 26th August 1896, No. 611 A.

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Order—No. 850, Marine, dated 9th December 1896.

The correspondence read above relates to the Examiner's audit of the construction accounts of the Harbour Trust Board for the years 1893–94 and 1894–95. The results are brought into one view in the following tabular statements, the last column of which contains the orders of Government :—

[*Statement.*

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1893-94.<br><br>(*a*) Re-alignment of Beach Railway, Rupees 14,679. | This outlay was not necessary for the convenience or benefit of construction, but for the convenience of the Tramway Company's works. Capital having put down the line, its removal to another place is a charge to Revenue. (Paragraph 12 of the Examiner's audit report, printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | This amount is debitable to harbour construction, the re-alignment having been rendered necessary by the delay in completing the harbour, and being absolutely necessary to enable the Board's Engineer to complete the south arm. The line is used solely for construction purposes and forms no part of the completed project. This line of railway was originally laid at the side of the Municipal road from behind Clive's Battery on the north to Messrs. Arbuthnot and Co.'s office on the south, and in that position was outside of harbour limits. It is not required for Harbour Trust purposes after construction is completed and is used solely for harbour construction except that advantage is taken of its existence to permit the railway vehicles to pass over it. These concessions are made merely as a convenience to the public and are not of such a nature as to warrant the charge for re-alignment being met from Revenue funds. Under the Secretary of State's Despatch, No. 17, dated 9th March 1864, the lines which the Board will have to lay down for traffic purposes when harbour construction is finished would form a charge against Capital and will be met from harbour improvement loans obtained either from Government or by debentures. It would appear that the harbour construction benefited in the first instance by the permission granted to lay the line along the road instead of constructing a costly embankment to carry it within the limits of the harbour premises and which would have necessitated going either over or under the iron screw pile pier subsequently Revenue funds paid for raising the level of the ground to the eastward of the Beach road, and the Engineer merely shifted the line necessary to get to the south pier. It should be remembered that the original line had been down for a great number of years, and was unfit for traffic to continue over it, so that in any case whether the alignment was altered or not, the material would have had to be renewed, as has been the case, piecemeal, with most, if not all, of the other construction lines. For these reasons the Board prefers that the charge should remain against harbour construction—*vide* paragraph 4 (*a*) of the Chairman's letter, No. 4705, dated 6th March 1896. (Flagged J.) | I agree that the expenditure is chargeable to the construction estimate. It appears that the line was laid on a municipal property and its removal should have been provided for as a contingency in the estimate and inasmuch as it was still necessary for construction purposes the cost of relaying was likewise a charge to the estimate—*vide* paragraph 3 of the Examiner's letter No. 230-B., dated 26th March 1896. (Flagged A.) | No remarks .. .. .. | No remarks .. | 1. No orders required. |
| (*b*) Extensions to the Fort drain, Rs. 13,948.<br><br>(*c*) Repairs to revetment, Rs. 10,301. | (*b*) and (*c*) These are maintenance charges to be borne by Revenue. Owing to the advance of the foreshore south of the harbour, the drain has had to be extended from time to time and may have to be still further lengthened as the foreshore advances. The revetment is to the north of the harbour and necessitates continual repairs. Supposing the drain originally constructed had fallen in, or the revetment had given way, capital having once paid for them cannot be called on to pay for them again — *vide* paragraph 12 of the Examiner's letter printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | (*b*) This charge should not have been met from Harbour Trust funds, but as Government has ruled that it should be paid by the Board, it has been rightly charged to Construction account, *i.e.*, Capital, and should not be met from Revenue. This item should not be regarded as one of maintenance, the extension of the drain near the Fort is an original work connected with the construction of the harbour and is therefore rightly charged to the estimate, if to be paid for out of any of the funds administered by the Board. Provision will hereafter have to be made for the maintenance of this drain should Government decide, upon a reference lately made, that the Trust should extend the drain from time to time as necessary and also maintain it—*vide* paragraph 4 (*b*) of the Chairman's letter, No. 4705, dated 6th March 1896. (Flagged J.) | (*b*) This is not a charge to the construction estimate; it is not a work in connection with construction, but in consequence of it and inasmuch as it may have to be farther and farther extended, the cost of past extensions should not have been charged against construction, merely because that estimate happened to be open. The amount should be written back to Revenue, pending provision from an extended Capital account — *vide* paragraph 3 of the Examiner's letter. (Flagged A.) | (*b*) and (*c*) The Board agrees with the Examiner that Capital expenditure not included in the estimate for harbour construction should not be charged to that estimate; but it remains a charge against Capital nevertheless; and when the construction accounts are closed, book adjustments can be made charging to Capital under the major heads included in the current year's budget estimates. All items not properly chargeable to the Construction estimate — *vide* paragraph 3 (*a*) of the Chairman's letter. (Flagged A I.) | (*b*) and (*c*) I would suggest that formal sanction be obtained and estimates be approved for such of the expenditure wrongly charged to the construction estimate as the Board considers chargeable to Capital—*vide* paragraph 5 of the Examiner's office-note, No. 611-A., dated 26th August 1896. (Flagged E I.) | 2. The amounts will be charged to Capital. |
| (*d*) Compensation for land north of the harbour, Rs. 4,138. | All the land previously paid for by construction now vests in the Trust and the rents which up to 1887 went to the credit of the Construction accounts are taken into general revenues of the board. This is a contingent charge which the general revenues should meet and may be called on to meet again hereafter. See also sections 26 to 28 of the Act—*vide* paragraph 12 of the Examiner's Audit report printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | This charge should be debited to Capital account and not directly to the Harbour Construction estimate. Further claims for Rs. 12,500 and Rs. 10,500 have since been received and should be added to this item. Such large amounts cannot be met from Revenue without unduly increasing the burden upon the present trade of the port; it seems only fair that such payments should be distributed over a series of years and this can only be done by charging these claims to Capital account and adding them to outstanding liabilities which are liquidated by the annual repayment of one lakh of rupees provided for in section 31. The rents collected have been small from Rs. 500 to Rs. 600 yearly and such a return is not even sufficient to pay interest upon the amounts paid as compensation. For these reasons, it is considered that the claims as they arise should be charged to Capital but may be deducted from Harbour Construction expenditure, although so charged from the commencement of the work—*vide* paragraph 4 (*d*) of the Chairman's letter. (Flagged J.) | The remarks against (*b*) apply to this item also—*vide* paragraph 3 of the Examiner's letter. (Flagged A.) | The remarks against (*b*) and (*c*) apply to this item—*vide* paragraph 3 (*a*) of the Chairman's letter. (Flagged A I.) | I would suggest that formal sanction be obtained and estimates be approved for such of the expenditure wrongly charged to the construction estimate as the Board considers chargeable to Capital—*vide* paragraph 5 of the Examiner's office-note, No. 611 A, dated 26th Aug. 1896. (Flagged E I.) | 3. The amounts should be charged to Capital. |
| (*e*) Insurance, Rupees 1,291. | This is part of the general charges of the business and should be met from Revenue funds and not from Loan funds—*vide* paragraph 12 of the Examiner's Audit report printed with G.O., No 259 W., dated 22nd January 1896. (Flagged G.) | (*c*) The Examiner has been misinformed as to the nature of this work. It is to be noted that the protective revetment to the north of the harbour was not made over to the Trust as a completed work, but must be fed with material and extended northwards until it has become so by its attaining a natural permanent slope and by the cessation of erosion beyond its northern extremity. It is understood that Mr. Parkes in his original proposals contemplated the necessity of such expenditure, but the charges, past and future, should not be debited to the harbour Construction estimate, there being therein no sub-head to which it can properly be charged. As, however, the work in no way comes under the head of repairs or maintenance, but is an original and yet incomplete work, the cost should, it is considered, be charged to Capital, following the ruling of the Secretary of State's Despatch, No. 17, dated 9th March 1864 (Flagged E). This item should, however, be eliminated from the harbour Construction estimate and charged to Capital under the sub-head provided for protective works in the budget estimate for 1896-97, and when the Harbour Construction accounts are closed and the expenditure upon protective works to the north can be deducted from the estimate and shown under its proper sub-head—*vide* paragraph 4 (*c*) of the Chairman's letter. (Flagged J.) | (*c*) The remarks against (*b*) apply to this item also — *vide* paragraph 3 of the Examiner's letter. (Flagged A.) | No remark .. .. .. | .... | .... | 4. Should be charged to Revenue. |

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1893–94<br>(*f*) Provident fund contributions, Rs. 31,681.<br>Exchange Compensation allowance, Rupees 10,797.<br>Leave and Acting Allowances.<br>Audit and other fees. | Under section 22 of the Act these are chargeable to Revenue and should appear as sub-heads of "Office Establishment" in the Revenue accounts as other contributions do. Under section 22 of the Act, Mr. Pogson's furlough allowance and the acting allowance of his *locum tenens* should be paid by revenue. The fee to Sir Alexander Rendel is in the same category as the contributions and allowances mentioned in that section and should be met from Revenue. Likewise the leave allowances and acting allowances which in the accounts under review were charged to construction, viz., furlough allowance of Mr. Gunther, charge allowance to Mr. Boteler, privilege leave allowances to Messrs. Pogson Boyle, Ritchie and Manuel, to the accountant, cashier and peon. Additional sub-heads under "Office Establishment" in the Revenue accounts should be designed to meet such charges | These amounts have been rightly charged to Harbour Construction establishment as they form part of the salaries and allowances paid to employés engaged solely in harbour construction, as also should the fee paid to Sir Alexander Rendel and allowances caused by the necessity of granting leave to the Board's Engineer, the various Foremen and others from time to time. In fixing annually the charges for establishment, necessary to carry on the construction of the harbour, the Board has constantly had in view the possibilities of reducing the expenditure under this head and it views the allowances granted as part of the salaries paid to individuals which in the opinion of the Board have been fixed at the minimum for which the labour required could be obtained. In section 21, Act II of 1886, artisans, porters and labourers are excluded from the meaning of sections 22 and 23 and it is of such persons that the Engineer's staff almost exclusively consists. For this reason therefore the allowances in their cases could not be charged to the General (Revenue) fund of the Board. Moreover, the Board is of opinion that Capital and Revenue accounts together constitute its general fund and that the expression, as used in section 23, does not compel allowances paid for work done for harbour construction being charged to Revenue raised under section 45. With regard to the fee paid to Sir Alexander Rendel, and the leave allowances paid from time to time to the Board's Engineer and the Harbour Works Foremen, the Board considers that these charges should be debited direct to the harbour estimate as they are charges incurred, of necessity, solely for the purpose of harbour construction, and form part of the wages paid for the labour employed in the construction of the harbour or expenses directly connected therewith. The Board further remarks that Act II of 1886 deals with the harbour as a completed work and did not contemplate harbour construction charges | These items are the Board considers legitimate charges, not only the construction estimate, but equally to capital funds are not contributed to by Capital, but by earnings or Revenue — precedents are numerous. To borrow money on which interest is paid in order to contribute to funds and again pay interest on it has no precedent that I am aware of. It has been ruled that exchange compensation allowance is *not* salary. Furlough allowances are met from general revenue Fees of all kinds are part of the general charges of a business written off to profit and loss and are certainly not a legitimate charge to works. The Board is no doubt correct in its opinion that the General fund referred to in section 22 of the Act is composed of the Capital and Revenue funds together, but apparently overlooks the fact that, up to the present time, Capital funds have been granted annually for specific expenditure on construction, and that no provision has been made for the classes of expenditure now under question, either in the estimate or in the requisitions put forward for advances from Government for the works; that therefore Revenue was the only source from which expenditure contemplated in section 22 could have been met, as it alone | The Board does not agree with the Examiner that expenditure properly chargeable to Capital should be debited to Revenue —*vide* paragraph 3 (*a*) of the Chairman's letter. (Flagged A I.) | Let the items which I have challenged as not chargeable to Capital, but which the Board considers so chargeable, be referred for the orders of Government—*vide* paragraph 5 of the Examiner's office-note, No. 611 A, dated 26th August 1896. (Flagged E I.) | 5. *Exchange Compensation Allowance.*—According to paragraph 41 (*c*) and paragraph 12 of Appendix B B, Civil Account Code, Volume I, this allowance is chargeable to the same head as the pay of the officers concerned, and as in the present case the pay is a charge to Capital, the Exchange Compensation Allowance will be charged to the same head.<br>6. *Provident Fund Contribution.*—The contribution is made to enable the men employed on harbour construction to receive a gratuity on termination of service. It thus becomes a payment in addition to salary and is rightly chargeable to the same head.<br>7. *Leave and Acting Allowance.*—These allowances should be charged to the same head as pay, *viz.*, *Capital.*<br>8. *Audit Fees.*—The audit is conducted for the benefit of the Construction Accounts. The cost would therefore be rightly charged to construction. As, however, the amount is small, it may be charged to Revenue.<br>9. *Other Fees.*—The amount paid to the Consulting Engineer in England is chargeable to construction, that gentleman having been employed in connection with the construction of the works. |
| | —*vide* paragraph 12 of the Examiner's audit report, printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | being brought under any particular sections of the Act. It deprecates any material departure, just as the work of reconstruction is about to be completed, from the practice which has hitherto prevailed in charging most of the above items to Construction account; and it must be remembered that whether charged to Harbour Construction or to Capital expenditure the Board is responsible for the repayment of the full amount; but is not in a position to meet, from current revenue, charges which are rightly debitable to Capital, if not to the sanctioned estimate. The Board requests that no material departure should be made in the system of accounts which has obtained since the Trust was constituted; more especially that no large debits should be passed against the Revenue account, as the trade of the port is already contributing heavily to Harbour Funds and cannot be expected to meet exceptional items of outlay in connection with construction, and though some items may not be properly chargeable to the harbour estimate, they should, in the opinion of the Board, be debited to Capital expenditure, for the repayment of which the Board is liable, whether charged specifically to Harbour Construction or to Capital account—*vide* paragraphs 4 (*f*) and 5 of the Chairman's letter. (Flagged J.) | formed the General Fund. If the Board considers that expenditure of this character should be met from Capital, the sanction of the Governor in Council must be obtained under the Act. No change has been proposed in my reports "in the system of accounts which has obtained since the port was constituted." The practice which has hitherto prevailed in charging most of these items to Construction account has not, in my opinion, and for the reasons given, been correct, even if only because they have not received sanction required by the Act. To continue on the plea of usage and convenience, a practice which has not been good cannot commend itself to the Board—*vide* paragraph 3 of the Examiner's letter. (Flagged A.) | | | |
| 1894–95.<br>The same items as those referred to in the Audit report on the accounts for 1893–94 which, up to the end of 1894–95, amount to Rs. 1,48,609. | The Harbour Trust Act came into force on 1st June 1886 and up to the end of 1894–95 items aggregating Rs. 1,48,609 have been wrongly charged to Construction. It will be sufficient to effect the adjustment of these items by a lump sum deduction from the total expenditure on the construction of the harbour, as it is impossible to write them back to the heads to which they were originally debited—*vide* paragraph 4 of the Audit report on the accounts for 1894–95. (Flagged H.) | The principles which have guided the Board and which are set forth above apply also to the report for 1894–95 and it is not therefore necessary to enter into details of the items referred to by the Examiner—*vide* paragraph 6 of the Chairman's letter. (Flagged J.) | I would recommend that the adjustment of Rs. 1,48,609 *less* the item of Rs. 14,679 for realignment of railway and of Rs. 682 for insurance (not Rs. 1,291 as stated in the report for 1893–94) or Rupees 1,33,248 be effected in the accounts for 1895–96 by credit to the Construction estimate and debit to Revenue. Rupees 4,138 for land compensation was omitted in my report for 1894–95 and should be treated for the present in the same manner as the above sum of Rs. 1,33,248. I do not consider that the existing sanction for construction should be reduced by that amount, because there will be many adjustments necessary hereafter in respect of other transactions—*vide* paragraphs 4 and 5 of the Examiner's letter, No. 230-B., dated 6th March 1896. (Flagged A.) | No remarks have been made as those on the items of 1893–94 apply to these also. | The remarks have been made as those on the items of 1893–94 are also applicable to these. | 10. The decision in respect to the items appearing in the accounts for 1893–94 will apply to the corresponding items in the accounts for the following year. |

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1894-95. | | Rs.<br>New Works .. .. .. .. 1,47,090<br>Tools and Plant .. .. .. 38,516<br>Total .. 1,85,606<br>From the year 1886-87 to the close of 1894-95 the above amounts have been erroneously paid from Revenue. It is therefore necessary to open a Capital account distinct from, but including the Harbour Construction estimate, from the commencement of the official year 1896-97. The total sum which the Examiner considers has been wrongly debited to Harbour Construction is Rs. 1,48,609—*vide* remarks in the Audit report on the accounts for 1894-95 and the above amount of Rs. 1,85,606 has been wrongly charged to Revenue, instead of Capital. All that it is necessary, therefore, in any case, would be to adjust the Revenue and Capital accounts by book entries and as the Harbour Works accounts will, as suggested by the Examiner, be transferred to the Secretary's office from 1st April next, this can be easily settled between the Examiner and the Secretary in the Accounts Department, subject to the approval of the Trustees—*vide* paragraph 5 of the Chairman's letter. (Flagged J.) | As no portion of the sum of Rs. 1,85,606 can have any connection with Construction nor can sanction for its transfer from Revenue be obtained in the current official year, there is no reason for deferring the adjustment affecting the Construction estimate. The sums of Rs. 1,85,606 and Rs. 1,33,248 charged to Construction account to end of 1894-95 have nothing in common and cannot be treated as claim and counter claim in the Construction accounts. Sanction of the Governor in Council will be necessary to the charge to Capital of the Rs. 1,85,606 which the Board seeks to transfer from Revenue, statement of course being prepared giving details of works, &c.—new minor works chargeable to Revenue to such limit as may have been determined by the Board being eliminated, as well as all tools and plant which were not new supplies as distinct from renewals or replacements—*vide* Examiner's letter, No. 230-B., dated 26th March 1896. (Flagged A.) | No remarks. | Let formal sanction be obtained and estimates approved against Capital for the Rs. 1,85,606 which the Board claims to be removed from Revenue to Capital—*vide* paragraph 5 of the Examiner's office-note, No. 611 A., dated 26th August 1896. (Flagged E.L.) | 11. Details of the charges should be submitted when Government will decide as to their incidence. |
| Regulations for the grant of leave and allowances. | In G.O., Mis. No. 227, Marine, dated 16th June 1894, the Chairman was requested to submit to Government copies of regulations to be framed under section 22 of the Act. No regulations have yet been framed. It is very desirable that uniformity of practice should be possible and this can be ensured only if rules are drawn up affecting leave and allowances to *all* staff, whether borne on salary bills as "officers and servants" or on works establishment lists as "artisans, mechanics," &c. There are no doubt sundry resolutions and minutes of the Board ruling on these points, but it would be advantageous to have the rulings collected in one plan and properly arranged, so that officers, servants, artisans, labourers, porters, &c., could know the rules affecting them and that there is method in dealing with them—*vide* paragraph 13 of the Examiner's report printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | .... | .... | In section 22, Act II of 1886, it is provided that:—The Board shall from time to time frame regulations—<br>(1) *for regulating the grant of leave to the officers (other than the Chairman) and servants of the board.*—This has been done by adopting the Civil Service Leave Rules;<br>(2) *for authorizing the payment of allowances to the said officers and servants or to any of them while absent on leave.*—Having adopted the Civil Leave Rules, the regulations of the Civil Leave Code, regarding payment of allowances during absence on leave, have been applied as a matter of course;<br>(3) *for determining the remuneration to be paid to the persons appointed to act for any such officers or servants during their absence on leave.*—The provisions of the Civil Leave Code have also been applied in the case of acting appointments and the acting allowances connected therewith;<br>(4) *for regulating the period of service of all such officers and servants; and*<br>(5) *for determining the conditions under which such officers and servants or any of them shall be entitled, on retirement, to pensions, gratuities or compassionate allowances, and the amount of such pensions, gratuities or compassionate allowances.*—The Board has framed no regulations, and does not consider the time has arrived for doing so; as under sub-section (6) a Provident Fund has been established, which is intended to take the place of pensions.<br>As the officers and servants of the Trust are entertained at any age, and selected from such persons as have acquired the business knowledge fitting them for the service, it would be detrimental to the Board's interest to fix any hard and fast rule that they should be retired, or allowed to retire, after any specific period of service, or upon attaining any specified age.<br>The interests of the Board will be best served in the matter of gratuity or compassionate allowance by dealing with each case as it may arise, until such time as experience has shown what general regulations can be framed with advantage to the Mercantile community, whose interests are chiefly concerned.<br>The Civil Leave Code and connected regulations have, so far, very well answered all purposes. This Code is the outcome of vast labour and experience, and yet it is not final or complete; alterations and additions being still constantly made to it.<br>The question of framing separate regulations has not, however, escaped the consideration of the Board, and, on the 25th June 1894, an inquiry was made of the Secretary of the Bombay Port Trust as to what regulations had been framed by that body under the corresponding sections of the Bombay Port Trust Act. The reply was that the Civil Service Regulations of Government had been adopted, and no separate regulations had been framed. The Board submits that section 22 of Act II of 1886 does not render it compulsory to frame regulations under all the sub-sections of that section, until such time as the necessity for, and practicability of, doing so arises—*vide* paragraphs 4 to 8 of the Chairman's letter, No. 1904, dated 31st July 1896. (Flagged A 1.) | I presume Government will be satisfied with the statements that the Civil Service Regulations have been adopted by the Board for regulating matters connected with leave allowances and acting allowances and that regulations regarding period of service and pensions, gratuities or compassionate allowances may be held over until the necessity for, and practicability of, framing them arises—*vide* paragraph 6 of the Examiner's office-note, No. 611 A, dated 26th August 1896. (Flagged E 1.) | 12. The Board's explanation is accepted. |

(True Extract.)

(Signed) D. McNEIL CAMPBELL, Colonel, R.E.,
Secretary to Government.

To the Chairman, Harbour Trust Board.
,, Examiner, Public Works Accounts.

Ed. A. F. Eccleston.

From orders

Marine Department.

No. 850 from 9th December 1896.

# PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read again the following

G. O. No. 259. W dated 22nd January 1896
" " 1260. W dated 10th April 1896

Read also:—

Letter from the Ch: A. T. Bd to the Exr: P. W. accts: M. No. 4705 d/6-3-96
— do — Exr: P. W. accts: to the Ch: A. T. Bd " " 230. B d/26-3-96
— do — Ch: A. T. Bd — " " 1904 d/31-7-96.
office note from the Exr: P. W. accts: — " " 611 A d/26-8-96.

The correspondence read above relates to the Examiner's audit of the Construction accounts of the Harbour Trust Board for the years 1893-94 and 1894-95. The results are brought into one view in the following tabular statements, the last column of which contains the orders of Govt

(M. Tabular Statt. attached)

B 4/12

To Ch: A. T. Bd
Exr: P. W. accts:

[ P. W. 40. ]

Marine
~~N.~~ DEPARTMENT.

Audit of Harbour
Construction Accounts.

Read the following:— again

~~G.O. 259 W a/ 22 Jany 1896~~
" 1260 W a/ 10 April 1896
~~Letter from the Ch. H.T.B^d to the Exam. P.W. Accts n^o 4705 26.3.96~~ Read also
~~— do — Exar, P.W. Accts, to the Ch. H.T.B^d n^o 230 Ba/ 26.3.96~~
~~— do — Chairman, H.T.B^d, n^o 1904 a/ 31^st July 1896.~~
~~Office Note from the Examiner, P.W. Accounts, n^o~~
~~611 A, dated 26^th August 1896.~~

FOR ORDERS.

The Examiner's audit notes on the construction accounts of the Harbour Trust Board for 1893–94 and 1894–95 have formed the subject of a lengthy correspondence. The results are now brought into one view in a tabular form as the readiest means of dealing with the items under dispute.

The last column contains the proposed orders of Government.

2/12/96

The proposed orders seem correct

DA
4/12/96

43—500-22-1-96.

FOR ORDERS.

Tabular Statement

6

## Madras Harbour Trust Board Construction Accounts.—The audit of — by the Examiner, Public Works Accounts.

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1893–94.<br><br>(*a*) Re-alignment of Beach Railway, Rupees 14,679. | This outlay was not necessary for the convenience or benefit of construction, but for the convenience of the Tramway Company's works. Capital having put down the line, its removal to another place is a charge to Revenue. (Paragraph 12 of the Examiner's audit report, printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | This amount is debitable to harbour construction, the re-alignment having been rendered necessary by the delay in completing the harbour, and being absolutely necessary to enable the Board's Engineer to complete the south arm. The line is used solely for construction purposes and forms no part of the completed project. This line of railway was originally laid at the side of the Municipal road from behind Clive's Battery on the north to Messrs. Arbuthnot and Co.'s office on the south, and in that position was outside of harbour limits. It is not required for Harbour Trust purposes after construction is completed and is used solely for harbour construction except that advantage is taken of its existence to permit the railway vehicles to pass over it. These concessions are made merely as a convenience to the public and are not of such a nature as to warrant the charge for re-alignment being met from Revenue funds. Under the Secretary of State's Despatch, No. 17, dated 9th March 1864, the lines which the Board will have to lay down for traffic purposes when harbour construction is finished would form a charge against Capital and will be met from harbour improvement loans obtained either from Government or by debentures. It would appear that the harbour construction benefited in the first instance by the permission granted to lay the line along the road instead of constructing a costly embankment to carry it within the limits of the harbour premises and which would have necessitated going either over or under the iron screw pile pier subsequently Revenue funds paid for raising the level of the ground to the eastward of the Beach road, and the Engineer merely shifted the line necessary to get to the south pier. It should be remembered that the original line had been down for a great number of years, and was unfit for traffic to continue over it, so that in any case whether the aligument was altered or not, the material would have had to be renewed, as has been the case, piecemeal, with most, if not all, of the other construction lines. For these reasons the Board prefers that the charge should remain against harbour construction—*vide* paragraph 4 (*a*) of the Chairman's letter No. 4705, dated 6th March 1896. (Flagged J). | I agree that the expenditure is chargeable to the construction estimate. It appears that the line was laid on a municipal property and its removal should have been provided for as a contingency in the estimate and inasmuch as it was still necessary for construction purposes the cost of relaying was likewise a charge to the estimate—*vide* paragraph 3 of the Examiner's letter No. 230-B., dated 26th March 1896. (Flagged A). | No remarks .. .. .. | No remarks .. | 1. No orders required |
| (*b*) Extensions to the Fort drain, Rs. 13,948.<br><br>(*c*) Repairs to revetment, Rs. 10,301. | (*b*) and (*c*) These are maintenance charges to be borne by Revenue. Owing to the advance of the foreshore south of the harbour, the drain has had to be extended from time to time and may have to be still further lengthened as the foreshore advances. The revetment is to the north of the harbour and necessitates continual repairs. Supposing the drain originally | (*b*) This charge should not have been met from Harbour Trust funds, but as Government has ruled that it should be paid by the Board, it has been rightly charged to Construction account, *i.e.*, Capital, and should not be met from Revenue. This item should not be regarded as one of maintenance, the extension of the drain near the Fort is an original work connected with the construction of the harbour and is therefore rightly charged to the estimate, if to be paid for out of any of the funds administered by the Board. Provision will hereafter have to be made for the maintenance of this drain should Government decide, upon a reference lately made, that the Trust should extend the drain from time to time as necessary and also maintain it—*vide* paragraph 4 (*b*) of the Chairman's letter, No. 4705, dated 6th March 1896. (Flagged J.) | (*b*) This is not a charge to the construction estimate; it is not a work in connection with construction, but in consequence of it and inasmuchas it may have to be farther and farther extended, the cost of past extensions should not have been charged against construction, merely because that estimate happened to be open. The amount should be written back to Revenue, pending provision from an extended Capital account — *vide* paragraph 3 of the Examiner's letter. (Flagged A.) | (*b*) and (*c*) The Board agrees with the Examiner that Capital expenditure not included in the estimate for harbour construction should not be charged to that estimate; but it remains a charge against Capital nevertheless; and when the construction accounts are closed, book adjustments can be made charging to Capital under the major heads included in the current year's budget estimates. All items not properly chargeable to the Construction estimate — *vide* paragraph 3 (*a*) of the Chairman's letter. (Flagged A I.) | (*b*) and (*c*) I would suggest that formal sanction be obtained and estimates be approved for such of the expenditure wrongly charged to the construction estimate as the Board considers chargeable to Capital—*vide* paragraph 5 of the Examiner's office-note, No. 611-A., dated 26th August 1896. (Flagged E I.) | 2. The amounts will be charged to Capital. |

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| | constructed had fallen in, or the revetment had given way, capital having once paid for them cannot be called on to pay for them again — *vide* paragraph 12 of the Examiner's letter printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | (c) The Examiner has been misinformed as to the nature of this work. It is to be noted that the protective revetment to the north of the harbour was not made over to the Trust as a completed work, but must be fed with material and extended northwards until it has become so by its attaining a natural permanent slope and by the cessation of erosion beyond its northern extremity. It is understood that Mr. Parkes in his original proposals contemplated the necessity of such expenditure, but the charges, past and future, should not be debited to the harbour Construction estimate, there being therein no sub-head to which it can properly be charged. As, however, the work in no way comes under the head of repairs or maintenance, but is an original and yet incomplete work, the cost should, it is considered, be charged to Capital following the ruling of the Secretary of State's Despatch, No. 17, dated 9th March 1864. (Flagged E). This item should, however, be eliminated from the harbour Construction estimate and charged to Capital under the sub-head provided for protective works in the budget estimate for 1896-97, and when the Harbour Construction accounts are closed the expenditure upon protective works to the north can be deducted from the estimate and be shown under its proper sub-head — *vide* paragraph 4 (c) of the Chairman's letter. (Flagged J.) | (c) The remarks against (b) apply to this item also — *vide* paragraph 3 of the Examiner's letter. (Flagged A.) | | | |
| (d) Compensation for land north of the harbour, Rs. 4,138. | All the land previously paid for by construction now vests in the Trust and the rents which up to 1887 went to the credit of the Construction accounts are taken into general revenues of the board. This is a contingent charge which the general revenues should meet and may be called on to meet again hereafter. See also sections 26 to 28 of the Act—*vide* paragraph 12 of the Examiner's Audit report printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | This charge should be debited to Capital account and not directly to the Harbour Construction estimate. Further claims for Rs. 12,500 and Rs. 10,500 have since been received and should be added to this item. Such large amounts cannot be met from Revenue without unduly increasing the burden upon the present trade of the port; it seems only fair that such payments should be distributed over a series of years and this can only be done by charging these claims to Capital account and adding them to outstanding liabilities which are liquidated by the annual repayment of one lakh of rupees provided for in section 31. The rents collected have been small from Rs. 500 to Rs. 600 yearly and such a return is not even sufficient to pay interest upon the amounts paid as compensation. For these reasons, it is considered that the claims as they arise should be charged to Capital but may be deducted from Harbour Construction expenditure, although so charged from the commencement of the work—*vide* paragraph 4 (d) of the Chairman's letter. (Flagged J.) | The remarks against (b) apply to this item also—*vide* paragraph 3 of the Examiner's letter. (Flagged A.) | The remarks against (b) and (c) apply to this item—*vide* paragraph 3 (a) of the Chairman's letter. (Flagged A I). | I would suggest that formal sanction be obtained and estimates be approved for such of the expenditure wrongly charged to the construction estimate as the Board considers chargeable to Capital—*vide* paragraph 5 of the Examiner's office-note, No. 611 A, dated 26th Aug. 1896. (Flagged B I). | 3. The amounts should be charged to Capital N |
| (e) Insurance, Rupees 1,291. | This is part of the general charges of the business and should be met from Revenue funds and not from Loan funds—*vide* paragraph 12 of the Examiner's Audit report printed with G.O., No 259 W., dated 22nd January 1896. (Flagged G). | The Board agrees with the Examiner that this charge for insuring against fire a portion of the Board's Capital stock should be met from Revenue funds and states that such items will be adjusted between Harbour Construction funds and Revenue account—*vide* paragraph 4 (e) of the Chairman's letter. (Flagged J). | No remark .. .. .. | .... | .... | 4. Should be charged to Revenue — |

(31)

## Madras Harbour Trust Board Construction Accounts. The audit of — by the Examiner, Public Works Accounts—*cont.*

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1893-94.<br>(*f*) Provident fund contributions, Rs 31,681.<br>Exchange Compensation allowance, Rupees 10,791.<br>Leave and Acting Allowances.<br>Audit and other fees. | Under section 22 of the Act these are chargeable to Revenue and should appear as sub-heads of "Office Establishment" in the Revenue accounts as other contributions do. Under section 22 of the Act, Mr. Pogson's furlough allowance and the acting allowance of his *locum tenens* should be paid by revenue. The fee to Sir Alexander Rendel is in the same category as the contributions and allowances mentioned in that section and should be met from Revenue. Likewise the leave allowances and acting allowances which in the accounts under review were charged to construction, viz., furlough allowance of Mr. Gunther, charge allowance to Mr. Boteler, privilege leave allowances to Messrs. Pogson Boyle, Ritchie and Manuel, to the accountant, cashier and peon. Additional sub-heads under "Office Establishment" in the Revenue accounts should be designed to meet such charges | These amounts have been rightly charged to Harbour Construction establishment as they form part of the salaries and allowances paid to employés engaged solely in harbour construction, as also should the fee paid to Sir Alexander Rendel and allowances caused by the necessity of granting leave to the Board's Engineer, the various Foremen and others from time to time. In fixing annually the charges for establishment, necessary to carry on the construction of the harbour, the Board has constantly had in view the possibilities of reducing the expenditure under this head and it views the allowances granted as part of the salaries paid to individuals which in the opinion of the Board have been fixed at the minimum for which the labour required could be obtained. In section 21, Act II of 1886, artisans, porters and labourers are excluded from the meaning of sections 22 and 23 and it is of such persons that the Engineer's staff almost exclusively consists. For this reason therefore the allowances in their cases could not be charged to the General (Revenue) fund of the Board. Moreover, the Board is of opinion that Capital and Revenue accounts together constitute its general fund and that the expression, as used in section 23, does not compel allowances paid for work done for harbour construction being charged to Revenue raised under section 45. With regard to the fee paid to Sir Alexander Rendel, and the leave allowances paid from time to time to the Board's Engineer and the Harbour Works Foremen, the Board considers that these charges should be debited direct to the harbour estimate as they are charges incurred, of necessity, solely for the purpose of harbour construction, and form part of the wages paid for the labour employed in the construction of the harbour or expenses directly connected therewith. The Board further remarks that Act II of 1886 deals with the harbour as a completed work and did not contemplate harbour construction charges | These items are the Board considers legitimate charges, not only the construction estimate, but equally to capital funds are not contributed to by Capital, but by earnings or Revenue — precedents are numerous. To borrow money on which interest is paid in order to contribute to funds and again pay interest on it has no precedent that I am aware of. It has been ruled that exchange compensation allowance is *not* salary. Furlough allowances are met from general revenue Fees of all kinds are part of the general charges of a business written off to profit and loss and are certainly not a legitimate charge to works. The Board is no doubt correct in its opinion that the General fund referred to in section 22 of the Act is composed of the Capital and Revenue funds together, but apparently overlooks the fact that, up to the present time, Capital funds have been granted annually for specific expenditure on construction, and that no provision has been made for the classes of expenditure now under question, either in the estimate or in the requisitions put forward for advances from Government for the works; that therefore Revenue was the only source from which expenditure contemplated in section 22 could have been met, as it alone | The Board does not agree with the Examiner that expenditure properly chargeable to Capital should be debited to Revenue —*vide* paragraph 3 (a) of the Chairman's letter. (Flagged A I.) | Let the items which I have challenged as not chargeable to Capital, but which the Board considers so chargeable, be referred for the orders of Government—*vide* paragraph 5 of the Examiner's office-note, No. 611 A, dated 26th August 1896. (Flagged E I). | 1. Exchange Compensation Allowance. According to para 41(c) and para 12 of Appendix B.B, Civil Account Code, this allowance is chargeable to the same head as the pay of the officers concerned, and so in the present case, the pay is a charge to Capital, the Exchange compensation allowance will be charged to the same head.<br>6. Provident Fund Contributions. The contribution is made to enable the men employed on harbour construction to receive a gratuity on termination of services. It thus becomes a payment in addition to salary and is rightly chargeable to the same head.<br>7. Leave and Acting allowances. These allowances should be charged to the same head as pay — viz. Capital.<br>8. Audit Fees. The audit is conducted for the benefit of the Construction Accounts. The cost under these heads is rightly charged to construction. As however, the amount to defray it might be charged to Revenue.<br>9. Other Fees. The amount paid to the Consulting Engineer in England is chargeable to Construction, that gentleman having been employed in connection with the Construction of the works. |

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| | —*vide* paragraph 12 of the Examiner's audit report, printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | being brought under any particular sections of the Act. It deprecates any material departure, just as the work of reconstruction is about to be completed, from the practice which has hitherto prevailed in charging most of the above items to Construction account; and it must be remembered that whether charged to Harbour Construction or to Capital expenditure the Board is responsible for the repayment of the full amount; but is not in a position to meet, from current revenue, charges which are rightly debitable to Capital, if not to the sanctioned estimate. The Board requests that no material departure should be made in the system of accounts which has obtained since the Trust was constituted; more especially that no large debits should be passed against the Revenue account, as the trade of the port is already contributing heavily to Harbour Funds and cannot be expected to meet exceptional items of outlay in connection with construction, and though some items may not be properly chargeable to the harbour estimate, they should, in the opinion of the Board, be debited to Capital expenditure, for the repayment of which the Board is liable, whether charged specifically to Harbour Construction or to Capital account—*vide* paragraphs 4 (*f*) and 5 of the Chairman's letter. (Flagged J.)<br>The principles which have guided the Board and which are set forth above apply also to the report for 1894-95 and it is not therefore necessary to enter into details of the items referred to by the Examiner—*vide* paragraph 6 of the Chairman's letter. (Flagged J.) | formed the General Fund. If the Board considers that expenditure of this character should be met from Capital, the sanction of the Governor in Council must be obtained under the Act. No change has been proposed in my reports "in the system of accounts which has obtained since the port was constituted." The practice which has hitherto prevailed in charging most of these items to Construction account has not, in my opinion, and for the reasons given, been correct, even if only because they have not received sanction required by the Act. To continue on the plea of usage and convenience, a practice which has not been good cannot commend itself to the Board—*vide* paragraph 3 of the Examiner's letter. (Flagged A.) | | | |
| 1894-95.<br>The same items as those referred to in the Audit report on the accounts for 1893-94 which, up to the end of 1894-95, amount to Rs. 1,48,609. | The Harbour Trust Act came into force on 1st June 1886 and up to the end of 1894-95 items aggregating Rs. 1,48,609 have been wrongly charged to Construction. It will be sufficient to effect the adjustment of these items by a lump sum deduction from the total expenditure on the construction of the harbour, as it is impossible to write them back to the heads to which they were originally debited—*vide* paragraph 4 of the Audit report on the accounts for 1894-95. (Flagged H.) | I would recommend that the adjustment of Rs. 1,48,609 *less* the item of Rs. 14,679 for realignment of railway and of Rs. 682 for insurance (not Rs. 1,291 as stated in the report for 1893-94) or Rupees 1,33,248 be effected in the accounts for 1895-96 by credit to the Construction estimate and debit to Revenue. Rupees 4,138 for land compensation was omitted in my report for 1894-95 and should be treated for the present in the same manner as the above sum of Rs. 1,33,248. I do not consider that the existing sanction for construction should be reduced by that amount, because there will be many adjustments necessary hereafter in respect of other transactions—*vide* paragraphs 4 and 5 of the Examiner's letter, No. 230-B., dated 6th March 1896. (Flagged A.) | No remarks have been made as those no the items of 1893-94 apply to these also. | The remarks have been made as those on the items of 1893-94 are also applicable to these. | |

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## Madras Harbour Trust Board Construction Accounts.—The Audit of—by the Examiner, Public Works Accounts—*cont.*

| Items. | Remarks by the Examiner, Public Works Accounts. | Reply by the Harbour Trust Board to remarks in column 2. | Rejoinder by Examiner to remarks in column 3. | Reply by the Harbour Trust Board to remarks in column 4. | Final remarks by the Examiner. | Orders of Government. |
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| 1894-95. | | | As no portion of the sum of Rs. 1,85,606 can have any connection with Construction nor can sanction for its transfer from Revenue be obtained in the current official year, there is no reason for deferring the adjustment affecting the Construction estimate. The sums of Rs. 1,85,606 and Rs. 1,33,248 charged to Construction account to end of 1894-95 have nothing in common and cannot be treated as claim and counter claim in the Construction accounts. Sanction of the Governor in Council will be necessary to the charge to Capital of the Rs. 1,85,606 which the Board seeks to transfer from Revenue, statements of course being prepared giving details of works, &c.—new minor works chargeable to Revenue to such limit as may have been determined by the Board being eliminated, as well as all tools and plant which were not new supplies as distinct from renewals or replacements—*vide* Examiner's letter, No. 230-B., dated 26th March 1896. (Flagged A.) | No remarks. | Let formal sanction be obtained and estimates approved against Capital for the Rs. 1,85,606 which the Board claims to be removed from Revenue to Capital —*vide* paragraph 5 of the Examiner's office-note No. 611 A., dated 26th August 1896. (Flagged E.L.) | 11. Details of the charges should be submitted when Govt will decide as to their incidence. |
| | | New Works .. .. .. .. Rs. 1,47,090<br>Tools and Plant .. .. .. 38,516<br>Total .. 1,85,606<br>From the year 1886-87 to the close of 1894-95 the above amounts have been erroneously paid from Revenue. It is therefore necessary to open a Capital account distinct from, but including the Harbour Construction estimate, from the commencement of the official year 1896-97. The total sum which the Examiner considers has been wrongly debited to Harbour Construction is Rs. 1,48,609—*vide* remarks in the Audit report on the accounts for 1894-95 and the above amount of Rs. 1,85,606 has been wrongly charged to Revenue, instead of Capital. All that it is necessary, therefore, in any case, would be to adjust the Revenue and Capital accounts by book entries and as the Harbour Works accounts will, as suggested by the Examiner, be transferred to the Secretary's office from 1st April next, this can be easily settled between the Examiner and the Secretary in the Accounts Department, subject to the approval of the Trustees—*vide* paragraph 5 of the Chairman's letter. (Flagged J.) | | | | |
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| Regulations for the grant of leave and allowances. | In G.O., Mis. No. 227, Marine, dated 16th June 1894, the Chairman was requested to submit to Government copies of regulations to be framed under section 22 of the Act. No regulations have yet been framed. It is very desirable that uniformity of practice should be possible and this can be ensured only if rules are drawn up affecting leave and allowances to *all* staff . | In section 22, Act II of 1886, it is provided that:—The Board shall from time to time frame regulations—<br>(1) *for regulating the grant of leave to the officers (other than the Chairman) and servants of the board.*—This has been done by adopting the Civil Service Leave Rules;<br>(2) *for authorizing the payment of allowances to the said officers and servants or to any of them while absent on leave.*—Having adopted the Civil Leave Rules, the regulations of the Civil Leave Code, regarding payment of | I presume Government will be satisfied with the statements that the Civil Service Regulations have been adopted by the Board for regulating matters connected with leave allowances and acting allowances and that regulations regarding period of service and pensions, gratuities or compassionate | | 12. The Board's explanation is accepted<br>R.S. 27. Aug 96.<br>2/12/96 |

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No. 880 (16)

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| whether borne on salary bills as "officers and servants" or on works establishment lists as "artisans, mechanics," &c. There are no doubt sundry resolutions and minutes of the Board ruling on these points, but it would be advantageous to have the rulings collected in one plan and properly arranged, so that officers, servants, artisans, labourers, porters, &c., could know the rules affecting them and that there is method in dealing with them—*vide* paragraph 13 of the Examiner's report printed with G.O., No. 259 W., dated 22nd January 1896. (Flagged G.) | *muneration to be paid to the persons appointed to act for any such officers or servants during their absence on leave.*—The provisions of the Civil Leave Code have also been applied in the case of acting appointments and the allowances connected therewith;<br>(4) *for regulating the period of service of all such officers and servants; and*<br>(5) *for determining the conditions under which such officers and servants or any of them shall be entitled, on retirement, to pensions, gratuities or compassionate allowances, and the amount of such pensions, gratuities or compassionate allowances.*—The Board has framed no regulations, and does not consider the time has arrived for doing so; as under sub-section (6) a Provident Fund has been established, which is intended to take the place of pensions.<br>As the officers and servants of the Trust are entertained at any age, and selected from such persons as have acquired the business knowledge fitting them for the service, it would be detrimental to the Board's interest to fix any hard and fast rule that they should be retired, or allowed to retire, after any specific period of service, or upon attaining any specified age.<br>The interests of the Board will be best served in the matter of gratuity or compassionate allowance by dealing with each case as it may arise, until such time as experience has shown what general regulations can be framed with advantage to the Mercantile community, whose interests are chiefly concerned.<br>The Civil Leave Code and connected regulations have, so far, very well answered all purposes. This Code is the outcome of vast labour and experience, and yet it is not final or complete; alterations and additions being still constantly made to it.<br>The question of framing separate regulations has not, however, escaped the consideration of the Board, and, on the 25th June 1894, an inquiry was made of the Secretary of the Bombay Port Trust as to what regulations had been framed by that body under the corresponding sections of the Bombay Port Trust Act. The reply was that the Civil Service Regulations of Government had been adopted, and no separate regulations had been framed.<br>The Board submits that section 22 of Act II of 1886 does not render it compulsory to frame regulations under all the sub-sections of that section, until such time as the necessity for, and practicability of, doing so arises—*vide* paragraphs 4 to 8 of the Chairman's letter No. 1904, dated 31st July 1896. (Flagged A I.) | allowances during absence on leave, have been applied as a matter of course;<br>(3) *for determining the re-* | allowances may be held over until the necessity for, and practicability of, framing them arises—*vide* paragraph 6 of the Examiner's office-note No. 611-A, dated 26th August 1896. (Flagged E I.) |

# Marine (1896) Department.

CURRENT No. 923

*Order*

*From*
The Examiner, P.W. accounts
Madras.

*No.* 611 A.

*Dated* 26th August 1896
*Received* 28th August 1896

*Enclosures* 5

*Spare copies* -

SUBJECT.

Harbour Construction Outlay

Furnishing further remarks on certain items to be written back from the ——

[M 4.
1,000—8-8-96.]

## BACK PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| " | 527 E | marine | 26-10-96 ✓ |
| " | 678 mar: | do | 2-10-96 ✓ |
| " | 589 | do | 2-9-96 ✓ |
| " | 4038 | do | 12-8-96 ✓ |
| " | 538 | do | 5-8-96 ✓ |
| " | 485 | do | 7-7-96 ✓ |
| " | 484 | do | 7-7-96 ✓ |
| " | 447-48 | P.W. | 19-6-96 ✓ |
| " | 228-9 | marine | 24-96 ✓ |
| " | 1491.C | P.W. | 17-3-96 ✓ |
| " | 143-4 | marine | 6-3-96 ✓ |
| " | 122. | Marine | 26-2-96 ✓ |
| " | 2817 W | P.W. | 6-11-95 ✓ |
| " | 66 | mar | 1-2-96 ✓ |
| " | 2770 W | do | 2-11-95 ✓ |
| " | 2029 W | do | 15-8-95 ✓ |
| " | 2024 W | do | 15-8-95 ✓ |
| " | 1710 W | do | 11-7-95 ✓ |
| " | 1573 W | do | 27-6-95 ✓ |
| " | 1487 W | do | 18-6-95 ✓ |
| " | 153 mar | | 31-5-95 ✓ |
| " | 1108 W | do | 9-5-95 ✓ |
| " | 1109 W | do | 9-5-95 ✓ |
| " | 1108 W | do | 9-5-95 ✓ |
| " | 1261 W | do | 10-4-95 ✓ |
| " | 1260 W | do | 10-4-96 ✓ |
| " | 13 D | do | 19-4-95 ✓ |
| " | 210 | marine | 26-3-96 ✓ |
| " | 259 W | P.W. | 22-1-96 ✓ |
| " | 2945 W | P.W. | 16-11-94 ✓ |
| " | 2194 W | P.W. | 4-9-94 ✓ |
| " | 227 | marine | 16-6-94 ✓ |
| " | 14/5 of mar | | 26-4-88 ✓ |
| | 430 Ry: Dept: | | 8-7-64 ✓ |
| | Act II of 1886 | | |

## FURTHER PAPERS.

| G.O. | No. | Department. | Date. |
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### MINUTES OF MEETING.

The Committee re-assembled at 7-20 A.M., on Wednesday, 15th January 1896, at the residence of the Hon'ble Mr. Chambers.

*Present :*

Mr. F. W. Ashpitel, A.M.I.C.E., *President.*
Mr. R. J. Black.
Mr. Cowasjee Eduljee Panday.
Mr. W. S. Shaw.

In the absence of the Chairman, Mr. Ashpitel was elected to preside.

2. The minutes of the last meeting having been circulated, were taken as read, approved, and ordered to be recorded.

3. Read letter, dated 29th November 1895, from Mr. F. W. Ashpitel, suggesting that as the construction estimate for the Madras Harbour will shortly be closed, the question of allocating charges between Capital and Revenue accounts should be considered by the Board.

Read Memorandum addressed to Mr. Ashpitel by the Examiner of Public Works Accounts, upon the same subject, and endorsement thereon.

Read despatch from the Right Hon'ble the Secretary of State for India, No. 17, dated 9th March 1864, laying down general rules regarding the allocation of Railway expenditure, to Capital or Revenue.

Resolved that the Committee approves of the suggestions made by Mr. Ashpitel and the Examiner of Public Works Accounts, upon the lines laid down in the despatch of the Right Hon'ble the Secretary of State for India, as regards Railways, in his despatch, No. 17, dated 9th March 1864, and is of opinion that these principles should be applied to the Harbour Trust Accounts.

4. The Committee then took into consideration the recommendations made by the Examiner of Public Works Accounts, in paragraph 12 of his report, upon Harbour construction accounts for the year 1893-94, No. 4142 B, dated 25th November 1895.

(*a*) *Realignment of Harbour Construction Railway to the south arm, Rs. 14,679.*

Resolved that, in the opinion of this Committee, this amount is debitable to Harbour construction, the realignment having been rendered necessary by the delay in completing the Harbour, and being absolutely necessary to enable the Board's Engineer to complete the south arm. The line is used solely for construction purposes and forms no part of the completed project.

(*b*) *Extension of Municipal outfall drain at the north-east corner of the Fort, Rs. 13,948.*

Resolved that, in the opinion of this Committee, this charge should not have been met from Harbour Trust funds, but that as Government has ruled that it should be paid by the Board, it has been rightly charged to Construction account, *i.e.*, Capital, and should not be met from Revenue.

(*c*) *Repairs to revetment, Rs. 10,301.*

Resolved that, in the opinion of this Committee, the Examiner of Public Works Accounts has been misinformed as to the nature of this work. It is to be noted that the protective revetment to the north of the Harbour was not made over to the Trust as a completed work but must be fed with material, and extended northwards, until it has become so by its attaining a natural permanent slope, and by the cessation of erosion beyond its northern extremity. It is understood that Mr. Parkes, in his original proposals, contemplated the necessity of such expenditure, but the charges, past and future, should not, in the opinion of this Committee, be debited to the Harbour Construction estimate, there being therein no sub-head to which it can properly be charged. As, however, the work in no way comes under the head of repairs or maintenance, but is an original and yet incomplete work, the cost should, it is considered, be charged to Capital, following the ruling of the Right Hon'ble the Secretary of State in his despatch, No. 17, dated 9th March 1864.

(*d*) *Compensation for land north of the Harbour, Rs. 4,138.*

To the above amount must be added a sum of Rs. 8,857, the estimated value of land which it is necessary to acquire, as it is now threatened with erosion, and to do which steps have already been taken under the Land Acquisition Act.

The Committee is of opinion that such charges should be debited to Capital account, and not directly to the Harbour Construction estimate.

(*e*) *Insurance, Rs. 1,291.* The Committee agrees with the Examiner of Public Works Accounts that this charge, for insuring against fire a portion of the Board's Capital stock, should be met from Revenue funds.

(*f*) *Provident Fund Contributions, Rs. 31,681.*
*Exchange Compensation Allowances, Rs. 10,791.*

Resolved that, in the opinion of this Committee, these amounts have been rightly charged to Harbour Construction establishment, as they form part of the salaries and allowances paid to employés engaged solely in Harbour construction, as also should the fee paid to Sir Alexander Rendel, and allowances caused by the necessity of granting leave to the Board's Engineer, the various foremen and others from time to time.

The Committee would remark that, with reference to the views expressed above, it would appear that Act II of 1886 deals with the Harbour as a completed work, and did not contemplate Harbour construction charges being brought under any particular sections of that Act. The Committee would deprecate any material departure, just as the work of reconstruction is about to be completed, from the practice which has hitherto prevailed in charging most of the above items to Construction account; and it must be remembered that, whether charged direct to Harbour construction or to Capital expenditure, the Board is responsible for the repayment of the full amount; but is not in a position to meet, from current revenue, charges which are rightly debitable to Capital, if not to the sanctioned estimate.

4. (1) *Paragraph 14, Audit fee, Rs. 3,877-12-0.*
The Board has already objected to pay this charge and has requested the Chairman to again address Government. The Committee would however bring to notice that the Bank of Madras pays only Rs. 1,600 per annum to two duly qualified public accountants for the audit of the accounts of that institution, a far more complicated set of accounts, involving the expenditure of much more time; and would also remark that should, say, Rs. 8,00,000 be spent in harbour improvements and additions in any one year, in the near future which seems not at all improbable, the fee would, at the rate of $1\frac{3}{4}$ per cent., amount to no less than Rs. 14,000. The Committee is further of opinion that the charge for the audit of Construction accounts should be met from Construction funds.

5. The Committee would bring to the notice of the Board the necessity of opening a capital account distinct from, but including, the Harbour Construction estimate from the commencement of the official year 1896–97. It is observed that from the year 1886–87 to the close of 1894–95 the following amounts have been paid from Revenue:—

| | Rs. |
|---|---|
| New works .. .. .. .. .. .. .. | 1,47,090 |
| Tools and plant .. .. .. .. .. .. .. | 38,516 |
| Total .. | 1,85,606 |

These amounts should, in the opinion of the Committee, have been charged to Capital and not against the revenue receipts of the various years in which the sums were expended.
It is observed that over Rs. 1,18,000, expended upon the renewal of the decking and tie bars of the iron screw pile pier during the abovementioned period, have been rightly charged to Revenue, as also have all charges for every description of ordinary repairs and upkeep, which procedure is in accordance with the principles laid down by the Right Hon'ble the Secretary of State for India in his despatch above quoted.

6. Read extract of proceedings of the Trustees of the Harbour at a meeting held on Friday, 20th December 1895, referring to the Committee for report correspondence between the Chairman and the Accountant-General as to the valuation in the opening and closing balances of the Revenue account of Government securities.
Resolved, that the Committee recommended that the value of Government paper held by the Trust be entered in the annual accounts at a fair market value to be fixed by the Board.

F. W. ASHPITEL,
*President.*

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**Madras Harbour Trust,**
SECRETARY'S OFFICE,
*6th March 1896.*

No. 4705.

FROM

WARE AUSTIN, ESQ., I. C. S.,
CHAIRMAN, HARBOUR TRUST BOARD,
*MADRAS.*

To

D. C. GORDON, ESQ.,
EXAMINER OF PUBLIC WORKS ACCOUNTS,
*Madras.*

SIR,

I have the honour to acknowledge the receipt of your letters, dated 25th November 1895, No. 4142 B and 23rd January 1896, No. 64 B, reporting upon the audit of the Harbour Construction Accounts, for the years 1893–94 and 1894–95 respectively.

2. The report for 1893-94 was considered by a Committee of the Board, and I hand you herewith for information a printed copy of the Minutes of the Committee's Proceedings held on Wednesday, 15th January, from which you will observe that the Committee approves of the suggestions made by Mr. Ashpitel and yourself, in his Memorandum, dated 29th November 1895, and yours of the 2nd December.

3. The principle involved regarding the allocation of charges between Revenue and Capital appears to have been settled, so far as Railways are concerned, by the despatch of the Right Honorable the Secretary of State for India, No. 17, dated 9th March 1864, and the Board accepts this, as a general guide, in dealing with Harbour Accounts.

4. Referring to para. 12 of your report for 1893-94 you will observe from the proceedings of the Committee that the members considered each of the items referred to by you, and the following resolutions were passed, in which the Board concurs.

(*a*) *Realignment of Harbour Construction Railway to the south arm, Rs. 14,679.*

Resolved that, in the opinion of this Committee, this amount is debitable to Harbour Construction, the realignment having been rendered necessary by the delay in completing the Harbour, and being absolutely necessary to enable the Board's Engineer to complete the south arm. The line is used solely for construction purposes, and forms no part of the completed project.

I would add to the above that this line of railway was originally laid at the side of the Municipal road, from behind Clive's Battery on the north, to Messrs. Arbuthnot and Co's. Office on the south, and in that position was outside of Harbour limits. It is not required for Harbour Trust purposes after construction is completed, and is used solely for Harbour construction, except that advantage is taken of its existence to

permit the S. I. Ry. vehicles to pass over it to load bulk oil, from Messrs. Best and Co's. tanks at Royapuram, and M. R. C. vehicles are similarly allowed to pass to the south of the Pier to load heavy weights &c., direct from the Board's cranes instead of conveying them as formerly by road trolly to Salt Cottaur's Station. These concessions are made merely as a convenience to the public, and are not of such a nature as to warrant the charge for realignment being met from Revenue funds. Under the ruling of the Secretary of State, above referred to, the lines which the Board will have to lay down for Traffic purposes, when Harbour Construction is finished, would form a charge against Capital, and will be met from Harbour Improvement loans, obtained either, from Government or by Debentures. It would appear that Harbour Construction benefited in the first instance by the permission granted to lay the line along the road instead of constructing a costly embankment to carry it within the limits of the Harbour premises, and which would have necessitated going either over, or under, the iron screw pile pier. Subsequently Revenue funds paid for raising the level of the ground to the eastward of the Beach road, and the Engineer merely shifted the line necessary to get to the South Pier. It should be remembered that the original line had been down for a great number of years, and was unfit for traffic to continue over it, so that in any case, whether the alignment was altered or not, the material would have had to be renewed, as has been the case, piecemeal, with most, if not all, of the other construction lines.

For these reasons the Board prefers that the charge should remain against Harbour Construction.

(*b*) *Extension of Municipal outfall drain at the north-east corner of the Fort, Rs. 13,948.*

**Resolved that, in the opinion of this Committee, this charge should not have been met from Harbour Trust funds, but that as Government has ruled that it should be paid by the Board, it has been rightly charged to Construction Account, *i. e.*, Capital, and should not be met from Revenue.**

The Board is of opinion that this item should not be regarded as one of maintenance; the extension of the Municipal drain near the Fort being an original work connected with the construction of the Harbour, is therefore the Trustees consider rightly charged to the estimate, if to be paid for out of any of the funds administered by the Board. Provision will, hereafter, have to be made for the maintenance of this drain, should Government decide, upon a reference lately made, that the Trust must extend the drain from time to time as necessary, and also maintain it.

(*c*) *Repairs to revetment, Rs. 10,301.*

**Resolved that, in the opinion of this Committee, the Examiner of Public Works Accounts has been misinformed as to the nature of this work. It is to be noted that the protective revetment to the north of the Harbour was not made over to the Trust as a completed work, but must be fed with material, and extended northwards, until it has become so by its attaining a natural permanent slope, and by the cessation of erosion beyond its northern extremity. It is understood that Mr. Parkes, in his original proposals, contemplated the necessity of such expenditure, but the charges, past and future, should not, in the opinion of this Committee, be debited to the Harbour Construction estimate, there being therein no sub-head to which it can properly be charged. As, however, the work in no way comes under the head of repairs or maintenance, but is an original and yet incomplete work, the cost should, it is considered, be charged to Capital, following the ruling of the Right Hon'ble the Secretary of State in his despatch, No. 17, dated 9th March 1864.**



I need only remark in reference to the above, that when submitting proposals for extending the protective revetment beyond Cassimode, the Board's Engineer reported that it could not be completed, until the sea had attacked it, and it had slipped down, when more stone would have to be added. No such subsidence has yet taken place, and the revetment, as proposed to be executed, is yet incomplete.

This item should, however, be eliminated from the Harbour Construction estimate, and charged to Capital, under the sub-head provided for protective works, in the form of Budget estimate which Government has approved, and which has been in use since the formation of the Trust, although no provision has ever been separately made for protective works.

In the Budget estimate for the year 1896–97 provision has so been made, separately, for the protective works which the Board is advised are necessary to the south of the Harbour; and when the Harbour Construction Accounts are closed, the expenditure upon protective works to the north can be deducted from the estimate, and be shown under its proper sub-head. This will not alter the total now appearing under the head Capital Account, liabilities outstanding.

(*d*) *Compensation for land north of the Harbour, Rs. 4,138.*

**To the above amount must be added a sum of Rs. 8,857, the estimated value of land which it is necessary to acquire, as it is now threatened with erosion, and to do which steps have already been taken under the Land Acquisition Act.**

**The Committee is of opinion that such charges should be debited to Capital account, and not directly to the Harbour Construction estimate.**

Since the above was written, the amount to be added to the item named by you, has been reported by the Deputy Collector of Madras to be Rs. 12,500, and I have since received another claim for Rs. 10,500. Such large items cannot be met from Revenue, without unduly increasing the burden upon the present trade of the port; it seems only fair that such payments should be distributed over a series of years, and this can only be done by charging these claims to capital account, and adding them to outstanding liabilities, which are liquidated by the annual repayment of one lakh of Rupees provided for in Section 31. The rents collected have been small, from 500 to 600 Rupees yearly, and such a return is not even sufficient to pay interest upon the amounts paid as compensation. For these reasons the Trustees consider that the claims, as they arise, should be charged to Capital, but may be deducted from Harbour Construction expenditure, although so charged from the commencement of the works.

(*e*) *Insurance, Rs. 1,291.*

**The Committee agrees with the Examiner of Public Works Accounts that this charge, for insuring against fire a portion of the Board's Capital stock, should be met from Revenue funds.**

Such items as the above will be adjusted between Harbour Construction funds and Revenue account.

*(f) Provident Fund Contributions, Rs. 31,681.*

*Exchange Compensation Allowances, Rs. 10,791.*

Resolved that, in the opinion of this Committee, these amounts have been rightly charged to Harbour Construction establishment, as they form part of the salaries and allowances paid to employés engaged solely in Harbour Construction, as also should the fee paid to Sir Alexander Rendel, and allowances caused by the necessity of granting leave to the Board's Engineer, the various Foremen and others from time to time.

I would add to the above remarks of the Committee, that in fixing, annually, the charges for the establishment, necessary to carry on the construction of the Harbour, the Board has constantly had in view the possibilities of reducing the expenditure under this head, and it views the allowances granted as part of the salaries paid to individuals, which, in the opinion of the Board, have been fixed at the minimum for which the labour required could be obtained. In Section 21, Act II of 1886, artisans, porters and labourers are excluded from the meaning of Sections 22 and 23, and it is of such persons that the Engineer's staff almost exclusively consists. For this reason, therefore, the allowances in their cases could not be charged to the general (revenue) fund of the Board. Moreover, the Trustees are of opinion that Capital and Revenue Accounts together constitute their general fund, and that the expression, as used in Section 23, does not compel allowances paid for work done for Harbour Construction being charged to Revenue raised under Section 45. With regard to the fee paid to Sir Alexander Rendel, and the leave allowances paid from time to time to the Board's Engineer, and the Harbour Works Foremen, the Board concurs in the opinion of the Committee, that these charges should be debited direct to the Harbour estimate, as they are charges incurred, of necessity, solely for the purpose of Harbour Construction, and form part of the wages paid for the labour employed in the construction of the Harbour, or expenses directly connected therewith.

The Committee would remark that, with reference to the views expressed above, it would appear that Act II of 1886 deals with the Harbour as a completed work, and did not contemplate Harbour Construction charges being brought under any particular sections of that Act. The Committee would deprecate any material departure, just as the work of reconstruction is about to be completed, from the practice which has hitherto prevailed in charging most of the above items to Construction account; and it must be remembered that, whether charged direct to Harbour Construction or to Capital expenditure, the Board is responsible for the repayment of the full amount; but is not in a position to meet, from current Revenue, charges which are rightly debitable to Capital, if not to the sanctioned estimate.

5. In the above remarks of the Committee, which apply to all the foregoing items, the Board fully concurs, and would request that no material departure should be made in the system of accounts which has obtained since the Trust was constituted; more especially that no large debits should be passed against the Revenue account, as the trade of the port is already contributing heavily to Harbour funds, and cannot be expected to meet exceptional items of outlay in connection with construction, and though some items may not be properly chargeable to the Harbour estimate, they should, in the opinion of the Board, be debited to Capital expenditure, for the repayment of which the Board is liable, whether charged specifically to Harbour Construction, or to Capital account.

6. The principles which have guided the Trustees, and which are set forth in the above proceedings of the Finance Committee, apply also to your report for 1894-95, so I need not now enter into details of the items alluded to therein by you.



I would, however, invite your attention to para. 5 of the Committee's report as follows :—

5. The Committee would bring to the notice of the Board the necessity of opening a Capital account distinct from, but including, the Harbour Construction estimate from the commencement of the official year 1896-97. It is observed that, from the year 1886-87 to the close of 1894-95, the following amounts have been paid from Revenue:—

| | Rs. |
|---|---|
| New works ... ... ... ... ... ... | 1,47,090 |
| Tools and plant ... ... ... ... ... ... | 38,516 |
| Total Rs. ... | 1,85,606 |

These amounts should, in the opinion of the Committee, have been charged to Capital and not against the Revenue receipts of the various years in which the sums were expended.

It is observed that over Rs. 1,18,000, expended upon the renewal of the decking and tie bars of the iron screw pile pier during the abovementioned period, have been rightly charged to Revenue, as also have all charges for every description of ordinary repairs and upkeep, which procedure is in accordance with the principles laid down by the Right Hon'ble the Secretary of State for India in his despatch above quoted.

The total sum, which you consider has been wrongly debited to Harbour Construction, is Rs. 1,48,609, and, on the other hand, the above amount of Rs. 1,85,606 has been wrongly charged to Revenue, instead of Capital. All that is necessary, therefore, in any case, would be to adjust the Revenue and Capital accounts by book entries, and as the Harbour Works Accounts will, as suggested by you, be transferred to the Secretary's Office from 1st April next, this can easily be settled between yourself and the Secretary, in the Accounts Department, subject to the approval of the Trustees.

I have the honor to be,

Sir,

Your obedient servant,

W. AUSTIN,

*Chairman,*

*Harbour Trust Board.*

CHAIRMAN
MADRAS 30.MAR.96
HARBOUR TRUST

From

D. C. GORDON, Esq.,
*Examiner, Public Works Accounts, Madras,*

To

The CHAIRMAN,
*Harbour Trust Board, Madras,*

No. 2308, dated Madras, 26 March 1896.

Sir,

I have the honour to acknowledge your No. 4705 of 6th instant, replying to my No. 4142 B. of 25th November 1895, and my No. 64 B. of 23rd January 1896, forwarding minutes of proceedings of a Committee of the Board who had considered certain points in my audit reports on the Construction accounts for 1893–94 and 1894–95, and communicating to me the Board's views on the Committee's recommendations.

2. The points taken up were those put forward concerning the allocation of expenditure which, in my opinion, had been erroneously charged to Capital.

The use by me of the ordinary terms "Capital" and "Revenue" was due to the fact that the outlay on the construction estimate was the only "Capital" outlay sanctioned, and therefore that any erroneous charge to Construction must be written back to "Revenue," the only other source from which expenditure was being incurred. Consequently, "Capital" was equivalent to "the Construction estimate" and "Revenue" to any account not belonging to that estimate.

Adjustments now agreed to should be effected in the Construction accounts in 1895–96, and must be written back to Revenue. The adjustment between Revenue and Capital (in the new arrangements for an extended Capital account referred to in your remarks, paragraphs 4 (*c*) and 6) can be made in the accounts for 1896–97. My reports apply to the accounts to 1895–96, when this mode of adjustment is not practicable.

3. In reference to the individual items under question—

*Paragraph* 4 (*a*)—*Re-alignment of railway.*—I agree that the expenditure is chargeable to the Construction estimate. It appears that the line was laid on municipal property and its removal should have been provided for as a contingency in the estimate, and inasmuch as it was still necessary for construction purposes, the cost of relaying was likewise a charge to the estimate. Apparently Revenue paid a portion (raising ground level); this was correct if the work was for the convenience of Revenue and not required by Construction.

*Paragraph* 4 (*b*)—*Fort drain.*—This is not a charge to the Construction estimate; it is not a work in connection with Construction, but in consequence of it; and inasmuch as it may have to be farther and farther extended, the cost of past extensions should not have been charged against Construction, merely because that estimate happened to be open. The amount should be written back to Revenue, pending provision from an extended Capital account.

*Paragraph* 4 (*c*) *and* (*d*).—The remarks in the preceding paragraph apply to these.

*Paragraph* 4 (*e*) requires no remark.

*Paragraph* 4 (*f*).—Charges on account of Provident Fund contributions, exchange compensation allowance, leave and acting allowances, audit fees and other fees, as Board considers, legitimate charges, not only to the Construction

estimate, but equally so to Capital. Funds are not contributed to by Capital, but by Earnings or Revenue — precedents are numerous. To borrow money on which interest is paid in order to contribute to funds and again pay interest on it, has no precedent that I am aware of. It has been ruled that exchange compensation allowance is *not* salary. Furlough allowances are met from General Revenues. Fees of all kinds are part of the general charges of a business written off to profit and loss and are certainly not a legitimate charge to Works.

The Board is no doubt correct in its opinion that the General Fund referred to in section 22 of the Act is composed of the Capital and Revenue funds together, but apparently overlooks the fact that, up to the present time, Capital funds have been granted annually for specific expenditure on Construction, and that no provision has been made for the classes of expenditure now under question, either in the estimate or in the requisitions put forward for advances from Government for the works; that, therefore, Revenue was the only source from which expenditure contemplated by section 22 could have been met, as it alone formed the General Fund.

If the Board considers that expenditure of this character should be met from Capital, the sanction of the Governor in Council must be obtained under the Act. No change has been proposed in my reports in "the system of accounts which has obtained since the Trust was constituted." The practice which has hitherto prevailed in charging most of the above items to Construction account has not, in my opinion, and for the reasons given, been correct, even if only because they have not received the sanction required by the Act. During the past nine years Revenue has been debited with Rs. 1,85,606 which it is now sought to charge to Capital, and various debits made to Construction accounts are now judged by the Board to have been erroneous as having no connection with that estimate. To continue, on the plea of usage and convenience, a practice which has not been good cannot commend itself to the Board.

4. With reference to the concluding remarks in your paragraph 6, I would recommend that the adjustment of the Rs. 1,48,609 *less* the item of Rs. 14,679 (assuming that to be the correct amount chargeable to Construction), or Rs. 1,33,930, be effected in the accounts for 1895–96 by credit to the Construction estimate and debit to Revenue. The sanction of the Governor in Council will be necessary for the debit of the sum of Rs. 1,85,606 to Capital, and as nothing in that sum can have any connection with Construction, nor can sanction for its transfer from Revenue be obtained in the current financial year, there is no reason for deferring the adjustment affecting the Construction estimate. The sums of Rs. 1,33,930 and Rs. 1,85,606 have nothing in common and cannot be treated as claim and counter-claim in the Construction accounts.

5. To sum up: Taking the items set out in my No. 64 B. of 23rd January 1896, comprising Rs. 1,48,609—

(i) Rs. 14,679 (assuming that to be correct) needs no further action in accounts.

(ii) Items aggregating Rs. 1,33,248 * may, perhaps, be hereafter sanctioned by Government as a charge to Capital, but they are not chargeable to Construction; so should be written back to Revenue.

| | Rs. |
|---|---|
| | * 11,419 |
| | 26,732 |
| | 34,167 |
| | 7,866 |
| | 28,800 |
| | 13,963 |
| | 10,301 |
| Total ... | 1,33,248 |

(iii) Rs. 682 (not Rs. 1,291 as at first stated) should be written back to Revenue.

(iv) Rs. 4,138 for land compensation was omitted in my report for 1894–95 and should be treated for the present in the same manner as the above Rs. 1,33,248.

(v) I do not consider it necessary that the existing sanction for Construction (Rs. 1,27,52,508) should be reduced by that amount, because there will be many adjustments necessary hereafter in respect of the transactions noted in paragraphs 2 to 5 of my memorandum of 2nd December 1895.



(vi) Sanction of the Governor in Council will be necessary to the charge to Capital of the Rs. 1,85,606 which the Board seeks to transfer from Revenue, statements of course being prepared giving details of works, &c.,—new minor works chargeable to Revenue to such limit as may have been determined by the Board being eliminated, as well as all tools and plant which were not new supplies as distinct from renewals or replacements.

I have the honour to be,

Sir,

Your most obedient servant,

(Signed) D. C. GORDON,
Examiner, P.W. Accounts, Madras

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No. 232.

Copy forwarded to the Secretary to Government, Public Works Department, with copy of letter No. 4705 of 6th March 1896, from the Chairman, Harbour Trust Board, for information in continuation of undersigned's No. 65 B. of 23rd January 1896, for such action as may be deemed necessary.

26 March 1896.

(Signed) D. C. GORDON,
Examiner, P.W. Accounts.

No. 1904.

Harbour Trust Office,
*Madras, 31st July 1896.*

FROM

WARE AUSTIN, ESQ., I. C. S.,
CHAIRMAN, HARBOUR TRUST BOARD,
*MADRAS.*

TO

THE HON'BLE COL. D. McNEIL CAMPBELL, R. E.,
SECRETARY TO GOVERNMENT,
*Marine Department.*

SIR,

I have the honor to acknowledge the receipt of G. O., Marine, No. 484, dated 7th July, and to submit, for the information of Government, copy of my letter No. 4705, dated 6th March, with enclosure, addressed to the Examiner of Public Works Accounts, and of his reply No. 230 B, dated 26th idem, which letter was considered by the Finance Committee on the 21st April.

2. The Examiner, Public Works Accounts, contends that certain debits, against Harbour Construction Estimate, should be charged to Revenue, and in para. 2 of his letter, above quoted, explains :—"The use by me of the ordinary terms, Capital and Revenue, was due to the fact that the outlay on the Construction Estimate was the only "Capital" outlay sanctioned, and, therefore, that the erroneous charge to construction ...st be written back to *Revenue*, the only other source from which expenditure was ...eing incurred."

3. (*a*) The Trustees agree with the Examiner that Capital expenditure not included in the Estimate for Harbour Construction, should not be charged to that Estimate: but ...t remains a charge against Capital nevertheless; and when the Construction Accounts ...are closed, book adjustments can be made charging to Capital, under the major heads included in the current year's Budget Estimates, all items not properly chargeable to the Construction Estimate; but the Trustees cannot agree with the Examiner that expenditure properly chargeable to Capital should be debited to Revenue.

4. (*b*) With regard to Section 22, Act II of 1886, it is provided that :—*The Board shall from time to time frame regulations—*

(1) *for regulating the grant of leave to the officers (other than the Chairman) and servants of the Board.* This has been done by adopting the Civil Service Leave Rules;

(2) *for authorising the payment of allowances to the said officers and servants or to any of them while absent on leave.* Having adopted the Civil Leave Rules, the regulations of the Civil Leave Code, regarding payment of allowances during absence on leave, have been applied, as a matter of course;

(3) *for determining the remuneration to be paid to the persons appointed to act for any such officers or servants during their absence on leave.* The provisions of the Civil Leave Code have also been applied in the case of acting appointments, and the acting allowances connected therewith.

5. (4). *For regulating the period of service of all such officers and servants ;* and (5) *for determining the conditions under which such officers and servants or any of them shall be entitled, on retirement, to pensions, gratuities or compassionate allowances, and the amount of such pensions, gratuities or compassionate allowances.* The Board has framed no regulations, and does not consider the time has arrived for doing so ; as under Sub-section (6) a *Provident Fund* has been established, which is intended to take the place of pensions.

6. As the officers and servants of the Trust are entertained at any age, and selected from such persons as have acquired the business knowledge fitting them for the service, it would be detrimental to the Board's interest to fix any hard and fast rule that they should be retired, or allowed to retire, after any specific period of service, or upon attaining any specified age. The interests of the Board will, in the opinion of the Trustees, be best served in the matter of gratuity or compassionate allowance by dealing with each case as it may arise, until such time as experience has shown what general regulations can be framed with advantage to the Mercantile Community, whose interests are chiefly concerned.

7. The Civil Leave Code and connected regulations, have, so far, very well answered all purposes. This Code is the outcome of vast labour and experience, and yet it is not final or complete; alterations and additions being still constantly made to it.

8. The question of framing separate regulations has not however escaped the consideration of the Board, and on the 25th June 1894, an enquiry was made of the Secretary of the Bombay Port Trust, as to what regulations had been framed by that body, under the corresponding sections of the Bombay Port Trust Act. The reply was that the Civil Service Regulations of Government had been adopted : and no separate regulations had been framed. The Harbour Board submits that Section 22 of Act II of 1886 does not render it compulsory to frame regulations under all the Sub-sections of that Section, until such time as the necessity for, and practicability of, doing so arises.

I have the honor to be,

Sir,

Your obedient servant,

*Chairman,*
*Harbour Trust Board.*

Mar Genl 923/96



**Extract of Proceedings of the Trustees of the Harbour of Madras, at a Meeting held at the Offices of the Board on Friday, the 31st day of July 1896.**

* * *

2. Read draft of reply to G. O., No. 484, Marine, dated 7th July 1896, passing orders on the Examiner's Audit Report of the Madras Harbour Works Accounts for 1895-96.

Approved.

* * *

(True Extract.)

C. PINSENT,

*Secretary,*
*Harbour Trust Board.*

EXAMINED 1856/2A 15 AUG 1896 P. W. ACCOUNTS

MARINE O. No. 854 Dt

# MARINE DEPARTMENT.

From

THE CHAIRMAN,
HARBOUR TRUST BOARD,
*MADRAS.*

To

THE SECRETARY TO GOVERNMENT,
*Marine Department.*

DATED 31*st July* 1896.

DESPATCHED 5*th August* 1896.

RECEIVED ,,

ENCLOSURES, Copy of letter No. 4705, dated 6th March 1896, addressed to the Examiner, P. W. Accounts, and of his reply No. 230 B, dated 26th idem.

No. 1904.

## SUBJECT.

Audit report of the Examiner, P. W. Accounts.

Replying to G. O., No. 484, Marine, dated 7th July 1896.

(*a*). Submitting that Capital expenditure not chargeable to Harbour Construction Estimate, is not therefore necessarily debitable to Revenue, but to other major heads of Capital expenditure.

(*b*). Submitting particulars of the rules framed under Section 22, Act II of 1886.

G. C. & Co.

Re. 403 Ed. 12th August 96.
Referred to the Examiner Public Works Accounts for any further remarks which he may consider necessary.

Lt. Col. Cumberlege R.E.
Secretary to Govt
Marine Deptt

To the Exam. P.W.A.
to be returned

E. No. 27.
1,000—9-12-95.

KEEP-WITH CURRENT No. GOVT. OF MADRAS. } 1896. { P. W. DEPT.

dated 189 .

EXAMINER, P. W. ACCOUNTS,

*Madras,* 26 August 1896.

OFFICE NOTE No. 611A

To

Your No. 403 E. dated 12th. August /96.

Section 34 of Act II of 1886 authorizes advances of money to the Board for the general purposes of this Act, and contains a proviso that no expenditure shall be charged to Capital except with the express sanction of the Governor in Council.

2. Section 42 of the Act lays down that the Board shall not, save in cases of pressing emergency, expend any sum for any purpose not approved in some estimate for the time being in force, nor shall they expend for any purpose not so approved any sum exceeding two thousand rupees without the assent of the Governor in Council.

3. The expenditure which has been challenged by me as a charge against Harbour Construction and as against Capital, has not had the sanction of the Governor in Council, nor has it been provided for in any estimate for the time being in force, the only estimate

which has been in force and has been properly sanctioned being the Re-construction estimate, in which this expenditure is not provided and against which it is not chargeable. Such expenditure even if met from funds advanced by Revenue for works to be paid for by Capital should not have been charged to Capital till duly sanctioned.

4. If by the remarks in his para 3 the Chairman means that the expenditure originally questioned by me and again discussed in para 3 of my letter to him No.230 B. of 26th. March 1896 (No. 231 B. of same date to Government) "remains a charge against Capital nevertheless", I would point out that the items Fort drain, Repairs to Revetment, compensation for land, can be charged to Capital only when formally sanctioned; that the item of Insurance has been admitted to be chargeable to Revenue and should have been at once written back from the construction outlay; that no decision has yet been arrived at regarding Provident Fund Contributions, Exchange Compensation allowance, leave & acting allowances, audit and other fees. Further, the Chairman remarks that when the Construction accounts are closed book adjustments can be made ~~under~~ charging to Capital under the major heads included in the current years budget estimate all items not properly chargeable to the Construction Estimate. As affecting all these points, I would invite reference to paras 3, 4 and 5 of my No. 230 B. above quoted.

5. I would suggest the following course now. Let formal sanction be obtained and estimates be approved for such of the expenditure wrongly charged to the construction estimate as the Board considers chargeable to Capital. Let the items which I have challenged as not chargeable to Capital (Fund subscriptions, audit fees etc.) but which the Board consider so chargeable be referred for orders of Government. Let formal sanction be obtained and estimates approved against Capital for the Rs. 185806 which the Board claim to be removed from Revenue to Capital. If these suggestions have in any way been already met in the Chairman's letter No. 4535 of 22nd. March 1896 printed with G.O. No. 210 Marine of 26th. March 1896 in connection with his remarks in para 3 under "Petty Construction and Repairs" and para 5, it should be shown how much of the expenditure has been included and in what items.

6. With reference to para 4 et seq of the Chairmans present letter, I presume Government will be satisfied with the statements that the Civil Service Regulations have been adopted by the Board for ~~suggesting~~ regulating matters connected with leave, leave allowances and acting allowances and that regulations regarding period of service and pensions, gratuities or compassionate allowances, may be held over until the necessity for practicability for fram... the