

1182
Marine (1897) Department.

G.O., No. 14. Mar

DATED 5 January

Removed from 779 Mar
6-9-97

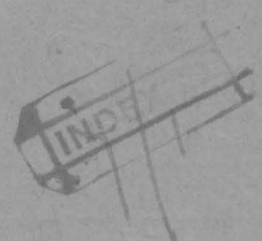
[Despatch Abstract.]

Charge for audit of Harbour Works Accounts:

Stating that H.E. the Governor in Council is not prepared to reduce to a less sum than Rs. 200 per annum, the ~~charge~~ — from Rs. 97.

60/3

9.6/11



<i>Recd.</i>	} 1897.	<i>Enclosures</i>
<i>Regd.</i>		<i>Spare copies</i>

G.O., No. 14, 5th January 1897.

JANUARY.

Charge for Audit of Harbour Works Accounts

Stating that His Excellency the Governor in Council is not prepared to reduce to a less sum than Rs. 200 per mensem the — from 1896-97.

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

READ—the following papers:—

From W. AUSTIN, Esq., I.C.S., Chairman, Harbour Trust Board, Madras, to the Secretary to Government, Marine Department, dated 20th October 1896, No. 3151 (a).

I have the honour to acknowledge the receipt of G.O., No. 678, Marine, dated 2nd October, and to inform you that the sum of Rs. 3,000 has been paid into the Treasury, as directed, to the credit of the Public Works Department being audit fee of the Madras Harbour Works accounts for 1893-94, 1894-95 and 1895-96.

2. I submit that this amount should be charged to Construction and not to Revenue account as has always hitherto been the custom, being part of the expenses incurred in connection with construction.

3. The annual charge for the audit of the Engineer's accounts subsequent to the date of the completion of the harbour on the sanctioned design, fixed at Rs. 200 per mensem, will, it is presumed, apply only when harbour improvements are in active progress, and there are accounts to be audited, and not to the period which has elapsed since the date the harbour was reported as completed (9th May) up to the present time when no work has been going on and accounts are non-existent, except for a small monthly cash statement of expenditure on minor heads, which are incorporated in the general accounts of the Trust and require no special separate audit.

No. 527 E., Marine.

Referred to the Examiner, Public Works Accounts, for remarks.

26th October 1896.

(Signed)

D. McNEIL CAMPBELL, Colonel, R.E.,
Secretary to Government.

Office-note from the Examiner, Public Works Accounts, dated Madras, 28th October 1896, No. 782 A.

Please refer to the papers forwarded with my No. 231 B. of 26th March 1896, and see paragraphs 4 (f) and 5 of the Chairman's letter, and paragraph 3 of my letter in reply to his above-quoted paragraphs. These deal with the general question of the legitimacy of charging to Capital (Construction estimate of that time) expenditure on audit and other fees, as well as other items of a general nature, which, in my opinion, were proper charges to Revenue.

2. As to audit fees I consider that the Construction accounts are part and parcel of the accounts to be audited and examined under section 43 of the Act, and that the cost of audit is distinctly a part of the expenses of general management. The charge for the accounting for expenditure on the works has been borne by the estimate in the cost of the Engineer's office staff, the examination and audit of that accounting is in the interest of the management as Trustees.

3. The annual charge for audit applies to the official year, as usual; the fee has been paid for 1895-96, the next has effect from April 1896, from which date accounts have been sent for audit by this office, and can be paid at the monthly rate, or in full before the end of the year, as the Board may find convenient.

From W. AUSTIN, Esq., I.C.S., Chairman, Harbour Trust Board, Madras, to the Secretary to Government, Marine Department, dated 2nd November 1896, No. 3352 (a).

In continuation of paragraph 3 of my letter, No. 3151 (a), dated 20th October, I am requested by the Trustees to again address you regarding the audit fee for the Engineer's accounts, which, under G.O., No. 678, Marine, dated 2nd idem, has been fixed at Rs. 200 per mensem.

2. The Board is of opinion that this amount is excessive and not justified by the nature and extent of the audit, even when harbour improvements are in active progress, and the audit concurrent.

3. As pointed out in my letter, No. 5087 (a), dated 21st February 1896, the audit fee paid by the Bank of Madras for the audit of the whole of the accounts of the Presidency Bank, is only Rs. 1,800 per annum to two qualified public accountants, and there can be no comparison between the audit of such a set of accounts and of the simple statements to be maintained in the Engineer's office hereafter, relating to harbour improvements, kept by one single native accountant; and yet the Board has been directed to pay for such an audit more than the Madras Bank pays for accounts kept by numerous large departments, and dealing with crores of rupees monthly.

4. The Board would submit that Rs. 600 per annum, or Rs. 50 monthly, is ample remuneration to cover the expenses to the Public Works Examiner of such an audit as is, in future, required for the accounts of the Board's Engineer.

No. 563 E., Marine.

Referred to the Examiner, Public Works Accounts, for remarks.

(Signed)

D. McNEIL CAMPBELL, Colonel, R.E.,
Secretary to Government.

10th Nov. 1896.

Office-note from the Examiner, Public Works Accounts, dated Madras, 17th November 1896, No. 817 A.

Your office-note No. 563 E. of 10th November 1896, on the question of the fee for the audit of the Capital accounts of the Harbour Trust Board.

The straight answer to the Board's reference is, that no public accountants, however qualified they may be to audit the whole of the accounts of the Presidency Bank, are qualified to conduct "the regular audit from month to month which is given in the case of all public works expenditure," and that Government has considered it a necessity that there should be "a regular audit of the Harbour Works accounts on the same system as that adopted in the case of ordinary public works" (G.O., No. 1108 W. of 9th May 1895).

2. The public accountant's work commences and ends with his audit. Having made his report, he has no concern in the result; he can enforce nothing he may have recommended; he has no accounts or vouchers to file, no correspondence to take up his time, or to register and file; he has no registers of sanctions, and estimates, and expenditure, to keep up; no responsibility for the scrutiny or competency of sanctions. His professional and ordinary duties do not need the special knowledge required by the Public Works Department system of accounts and audit.

3. The Examiner's audit commences with *control*—this is the essence of the Public Works Department system—the routine, or book-keeper's, audit being only a link in the chain of the Examiner's responsibility. *Before* any expenditure is incurred the Examiner's functions commence, in the scrutiny of sanctions, and his responsibility as auditor does not end until his representations have been considered and his objections removed.

4. Because of the audit system adopted in the case of ordinary public works, the Examiner's audit of the Harbour Works accounts has discovered, disregard of the rules laid down in sections 34 (proviso) and 42 of the Act, non-compliance with the rules in section 64 as to Government sanctions; misapplication of rules in matters coming under the Civil Service Regulations; indiscriminate charging to a sanctioned estimate of outlay which had no connection with it; arbitrary adjustments of charge with the object of bringing expenditure into agreement with estimate; absence of all rules in regard to the general principles which regulate the allocation of expenditure to Capital or Revenue.

5. These are serious irregularities judged by the critical audit under Public Works Department rules, but they would not be considered at all in the audit by a public accountant, because they would not be thought of in his ordinary work and experience. To take one instance, the matter noticed in the second part of paragraph 3 of Examiner's report on the accounts for 1893-94 was the arbitrary adjustments of charge with the object of bringing expenditure into accord with estimate. No public accountant would have acquired the knowledge that this was irregular, and yet were this procedure reported in this department, the officer responsible would be most severely censured. Again the memorandum of suggestions, and the Secretary of State's despatch acknowledged in paragraphs 2 and 3 of the Chairman's letter, No. 4705 of 6th March 1896 (my No. 231 B. of 26th March 1896, to Government), could not have been furnished by any public accountant; nor could the matters in paragraph 12 of Examiner's report on the accounts for 1895-96 (G.O., No. 484, Marine, dated 7th July 1896) have been within his knowledge, and yet all that information is essential for the proper administration of the funds for which the Trust is responsible.

6. The only point common to an audit by a public accountant and one by a Public Works Department accounts officer is the routine or book-keeping audit—the responsibility of the public accountant is *nil* compared with that of the Public Works Officer—control, the former has none, whereas the latter is bound to exercise it.

7. The Board considers that Rs. 50 a month, the minimum pay of a third-class clerk in this department, is sufficient for audit work as it would be done by a public accountant. I have shown that that work is but a mechanical routine of the Public Works system, that there are higher responsibilities of control, to exercise which a training and experience are necessary which are not necessary to a public accountant, and that there is a deal of clerical work which no public accountant undertakes. The work I personally have to do in my connection with the Harbour Works accounts takes up more of my time than any Public Works division, for the simple reason that there has been no system or control in the past, and correspondence on accounts and administrative matters arises, which would be unnecessary with any departmental office. Matters noticed in the report published in G.O., No. 259 W. of 22nd January 1896, are still under correspondence, and from what I know of the course of work it will be long before the Public Works Department system is understood and accepted in the Board's office.

8. The Presidency Bank can obtain its audit for Rs. 1,800, the Madras Municipality used to pay Rs. 1,500; yet the latter audit requires more experience than the former, inasmuch as it requires a knowledge of stores accounts and of workshops accounts, and the amount of work to be got through is not less than that in the Presidency Bank, though the sums dealt with do not approach crores of rupees. Supposing Government decided to appoint an auditor to do the work single-handed and to be responsible for the audit and control, to the same extent as the Examiner and his office are at present responsible, only a Public Works accounts man would be selected, and it would employ his whole time. Would Government select a 4th grade accountant, whose pay is Rs. 200 a month, for the work and responsibility? If not, the Board is getting its audit done below its value when asked to pay Rs. 2,400 per annum. For the irregularities of the past, so far as they are caused by neglect of the provisions of the Act, some one is responsible, and the necessity for efficient control as well as audit is manifest.

ORDER—No. 14, Marine, dated 5th January 1897.

For the reasons advanced by the Examiner, Public Works Accounts, in his office-note, No. 817 A., dated 17th November 1896, His Excellency the Governor in Council is not prepared to reduce to a less sum than Rs. 200 per mensem the charge for audit from 1896-97.

2. The incidence of the charge is decided in paragraph 8 of G.O., No. 850, Marine, dated 9th December 1896. It will go against Revenue.

(True Extract.)

Under Secretary to Government.

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

The Hon Mr. G. S. S. V.

Marine

DEPARTMENT.

Audit of Harbour Works Accounts

No 14 Mar of 5.1.97

PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read the following

Letter from the Ch. A. T. B. (H.E. No 3151(a) d/20 Oct. 1896)
Office note from the E. P. W. A. 782 A d/28 " "
Letter from the Ch. A. T. B. (" " 3352(a) d/2 Nov. 1896)
Office note from the E. P. W. A. (" " 817 A d/17 " ")

Print

10 P

For the reasons
advanced by the Examiner
Public Works Accounts
in his office note No 817 A
dated 17 November 1896,
His Excellency the Governor
in Council is not prepared
to reduce to a less sum
than Rs 200 per mensem
the charge for audit from
1896-97.

JS
29/12/96

2. The incidence of the
charge is decided in
para 8 of L.O. No 850 Marine
dated 9 Decr 1896. It
will go against Revenue.

The Ch. A. T. B.
" E. P. W. A.

24/11/97

B. L. S.

RS.

23/12/96

Rates

1 3/4 per acre on outlay $\frac{1}{4}$ = 202029 w/ 15 Aug 95

the 1000 per annum for 1893-94 to 1896-97
for both acres

80.467 mania of 15 Jan 96

the 3500 per an. for mostly and -

the 1500 the 200 per annum - Proposed
man

80.589 mania of 23 Sep 96

the 200 per annum lands by
Madras govt

80.678 - 12 Oct 96

up. There seemed no urgency
in the case. I shall attend
to it tomorrow or the day
after.

L.S.

11 Dec 96

Wm

Wm

11/12/96

W

1. I have now gone through
these papers and find that
they cannot be disposed
of till the issue of the
order was in the Press
dealing with the Examiner's
audit reports.

2. The question of the
incidence of the charge
for audit fees is raised,
and this has to be
settled in accordance
with the principle adopted
in the previous order referred
to in para 1 above.

3. It is suggested therefore
that the papers lie over
till the previous order
issues.

4. There seems no urgency
of any kind.

L.S.

12 Dec 96

Let it be put off till the previous
order is issued.

12/12/96

Department.

Marine (1896) Department.

CURRENT No. ⁸² 1136



No. 5278 of 26th October 1896
Order Indl

Referred to the
Examiner Public Works
Accounts for remarks.

From
The Chairman,
Harbour Trust Board,
Madras.

No. 3/51(a),

J. H. Russell Esq. Colonel R.E.
Secretary to Govt.
Marine Department.

Dated 20th
Despatched 20th
Received 21.10.96 October 1896
Enclosures "
Spare copies "

To
The Examiner Public Works
Accounts to be returned.

N.S.

SUBJECT.

See for Audit of Harbour Works Accts
Submitting the payment of —
sanctioned in his Memo dated
2nd Oct 96. At 678, submit that
the amount should be charged
to Construction Fund to Reserve
account that no special
separate Audit required
under the circumstances
explained —

BACK PAPERS.

G. O.	No.	Department.	Date.
678		marine + bakers	2/10/96

FURTHER PAPERS.

G. O.	No.	Department.	Date.

Harbour Trust Office,

MADRAS, 20th October 1896.

No. 3151 (a)

27 OCT 1896

FROM

Wm Austin Esq. Secy.

CHAIRMAN, HARBOUR TRUST BOARD,

MADRAS.

TO

The Honble Col. McNeil Campbell R.E.

SECRETARY TO GOVERNMENT,

Marine Department.

Sir,

I have the honor to acknowledge the receipt of G.O. Marine dated 2nd Dec. 1895 and to inform you that the sum of Rs 3000/- has been paid into the Treasury as directed to the credit of the Public Works Department being Audit fee of the Madras Harbour works accounts for 1893/94, 1894/95, & 1895/96.

2 I submit that this amount should be charged to Construction and not to Revenue account as has always hitherto been the custom, being part of the expenses incurred in connection with Construction.

3 The annual charge for the audit of the Engineers accounts subsequent to the date of the completion of the Harbour on the sanctioned design, fixed at Rs 200/- per annum, will

it

Order the
charge to be
made from
580 Marine
of 9/96.
R.S.

it is presumed apply only when Harbours
improvements are in active progress, and
there are accounts to be audited, and not
to the period which has elapsed since
the date the Harbour was reported as
completed 9th May - up to the present time,
when no work has been going on, and
accounts are non-existent, except for
a small monthly Cash statement of
expenditure on minor heads, which are
incorporated in the General accounts
of the Trust, and require no special
separate audit.

I have the honor to be
Sir

Your most obedt Servant

Warrant
Chairman
S. J. D. D.

Chairman
S. J. D. D.

Recd
11/22/96

E. No. 27.
1,000-9-12-96.

KEEP-WITH

CURRENT No.

GOVT.
OF MADRAS. }

1896.

{ P. W.
DEPT.

EXAMINER, P. W. ACCOUNTS,

dated

189 .

Madras, 28th October 1896.

OFFICE NOTE No. 782 A.

To

W.

Your No. 527 E. dated 26th. October
1896.

Got 1261W 10-4-96.
Flag C.

Recd
250
9 Dec 96

Please refer to the papers for-
warded with my No. 231 B. of 26th. March
1896, and see paras 4(f) and 5 of the
Chairman's letter and to para 3 of my
letter in reply to his above quoted
paras. These deal with the general ques-
tion of the legitimacy of charging to
Capital (construction estimate of that
time) expenditure on audit and other
fees, as well as other items of a gene-
ral nature, which in my opinion were
proper charges to Revenue.

2, As to audit fees I consider
that the construction accounts are
part and parcel of the accounts to be
audited and examined under section 43
of the Act, and that the cost of audit
is distinctly a part of the expenses
of general management. The charge for
the accounting for expenditure on the
works has been borne by the estimate
in the cost of the Engineers office

Act II 1886 marked
with red line

staff - the examination and audit of
that accounting is in the interest of
the management as Trustees.

3. The annual charge for audit ap-
plies to the official year, as usual ;
the fee has been paid for 1895-96, the
next has effect from April 1896 from which
date accounts have been sent for audit
by this office, and can be paid at the
monthly rate, or in full before the end
of the year, as the Board may find con-
venient.

C.
28/10

Marine
Public Works (1896) Department.

L.O. No 218

CURRENT No. 1182

3 1/2

Order

From
The Examiner
P. W. Accounts
Madras

No. 782 A.

Dated 28 October 1896.

Received 30.10.96

Enclosures 2.

Spare copies

SUBJECT.

For audit of Harbour
Works Accounts.
Returning with
remarks Chairman's
letter intimating the
payment of — Rs.
Rs.

Attach the tabular
statements now in the
Press.
S. S.
30 Oct 96

the audit fee paid by the Bank of Madras for the audit of the whole of the accounts of the Presidency Bank, is only Rs. 1,800/- per annum, to two qualified public Accountants, and there can be no comparison between the audit of such a set of accounts and of the simple statements to be maintained in the Engineer's office hereafter, relating to Harbour Improvements, kept by one single Native Accountant; and yet the Board has been directed to pay for such an audit more than the Madras Bank pays for accounts kept by numerous large departments, and dealing with crores of Rupees monthly.

4. The Board would submit that Rs. 600 per annum, or Rs. 50 monthly, is ample remuneration to cover the expenses to the Public Works Examiner of such an audit as is, in future, required for the accounts of the Board's Engineer.

I have the honour to be
Your obedient servant

W. A. S.

Chairman

Marine (1896) Department.

CURRENT No. 497

11 NOV 1896

N^o 563 L d/10th November 1896.

Order Endorsement

Referred to the
Examiner Public Works
Accounts for remarks.

From

The Chairman,
Harbour Trust Board,
Madras.

No. 3352 (a)

Dated 2nd

Despatched 2nd

Received 5th

Enclosures

Spare copies

SUBJECT.

Audit fee for the Engineer's Accounts

Submitting that the —

fixed at Rs. 200 per mensem in G. O. no. 678 Marine, dated 2nd Octr. '96, is excessive & Rs. 600 per annum or Rs. 50 monthly will cover the expenses to the Public Works Examiner of such an audit as is, in future, required for the accounts of the Board's Engineer.

Encls 1
Mar 1263/96

Order

From

The Examiner
P. W. Accounts.

No. 814 A.

Dated 17 Nov/96.

Received 18.11.56

Enclosures 2

Spare copies

SUBJECT.

Free for the audit of the
Capital Accounts of the
Harbour Trust Board—
Offering remarks on the
question of—

BACK PAPERS.

G.O.	No.	Department.	Date.
S.O.	850	Marine	9-12-96
"	678	"	2-10-96
"	589	"	2-9-96
"	447-8	"	19-6-96
"	143-4	"	6-3-96
"	2770 W	"	2-11-95
"	2029 W	"	15-8-95
"	1109 W	"	9-5-95
"	1108 W	"	9-5-95

FURTHER PAPERS.

G.O.	No.	Department.	Date.
	779	clear:	6-9-97

KEEP-WITH

CURRENT No.

GOVT. OF MADRAS. }

1896.

E. No. 27.

1,000-9-12-95.

{ P. W. DEPT.

EXAMINER, P. W. ACCOUNTS,

dated

189 .

Madras, 17 November 1896.

OFFICE NOTE No. 814 A.

To

W.

Your Office note No 563 E of 10th November 1896, on the question of the fee for the audit of the capital Accounts of the Harbour Trust Board.

The straight answer to the Board's reference is, that no public accountants, however qualified they may be to audit the whole of the accounts of the presidency bank, are qualified to conduct "the regular audit from month to month which is given in the case of all public works expenditure", and that Government has considered it a necessity that there should be "a regular audit of the Harbour Works accounts on the same system as that adopted in the case of ordinary public works" (G.O. No 1108 W of 9th May 1895).

2. The public accountants work commences and ends with his audit. Having made his report he has no concern in the result; he can enforce nothing he may have recommended, and yet all that.

he has no accounts or vouchers to file, no correspondence to take up his time, or to register and file; he has no registers of sanctions, and estimates, and expenditure, to keep up; no responsibility for the scrutiny or competency of sanctions. His professional and ordinary duties do not need the special knowledge required by the P.W.D. system of accounts and audit.

3. The Examiner's audit commences with control - this is the essence of the P.W.D. system - the routine, or book-keeper's audit being only a link in the chain of the Examiner's responsibility. Before any expenditure is incurred the Examiner's functions commence in the scrutiny of sanctions, and his responsibility as auditor does not end until his representations have been considered and his objections removed.

4. Because of the audit system adopted in the case of ordinary public works, the Examiner's audit of the Harbour Works accounts has discovered disregard of the rules laid down in Sections 34, Proviso, and 42 of the Act; non compliance with the rules in section 64 as to Government sanctions; misapplication of rules in matters coming under the C.S.R.; indiscriminate charging to a sanctioned estimate of outlay which had no connection with it; arbitrary adjustments of charge with the object of bringing

Act-II of 1886
Lodged as 1182/96

expenditure into agreement with estimate; absence of all rules in regard to the general principles which regulate the allocation of expenditure to Capital or Revenue.

5. These are serious irregularities judged by the critical audit under P.W.D. rules, but they would not be considered at all in the audit by a public accountant, because they would not be thought of in his ordinary work and experience. To take one instance - the matter noticed in the second part of para 3 of Examiner's report on the accounts for 1893-94 was the arbitrary adjustments of charge with the object of bringing expenditure into accord with estimate. No public accountant would have acquired the knowledge that this was irregular, and yet were this procedure reported in this Department the officer responsible would be most severely censured. Again the memorandum of suggestions, and the Secretary of State's despatch acknowledged in paras 2 and 3 of the Chairman's letter No 4705 of 6th March 1896 (my No 231 B of 26th March 1896 to Government), could not have been furnished by any public accountant, nor could the matters in para 12 of Examiner's report on the accounts for 1895-96, No 484 Marine 7th July 1896, have been within his knowledge, and yet all that

259 W
227-96
Flay S.
Lodged as 1182/96

Flay J.
CN-923
Lodged as 1182/96

Flay S.
Lodged as 1182/96

information is essential for the proper administration of the funds for which the Trust is responsible.

6. The only point common to an audit by a public accountant and one by a P.W.D. accounts officer is the routine or book keeping audit- the responsibility of the public accountant is nil compared with that of the P.W. Officer. control, the former has none whereas the latter is bound to exercise it.

7. The Board considers that Rs 50 a month, the minimum pay of a third class clerk in this Department, is sufficient for audit work as it would be done by a public accountant. I have shown that that work is but a mechanical routine of the Public Works system, that there are higher responsibilities of control, to exercise which a training and experience are necessary which are not necessary to a public accountant, and that there is a deal of clerical work which no public accountant undertakes. The work I personally have to do in my connection with the Harbour Works accounts takes up more of my time than any P.W. Division, for the simple reason that there has been no system or control in the past, and correspondence on accounts and administrative matters arises which would be unnecessary with any departmental officer. Matters noticed in the report published in G.O. No 259 W of 22nd January 1896 are still under correspondence, from what I know of the course of the P.W.D.

system is understood and accepted in the Board's Office.

8. The presidency bank can obtain its audit for Rs 1800, the Madras Municipality used to pay Rs 1500, yet the latter audit requires more experience than the former, inasmuch as it requires a knowledge of stores accounts and of workshops accounts, and the amount of work to be got through is not less than that in the presidency bank, though the sums dealt with do not approach crores of rupees. Supposing Government decided to appoint an auditor to do the work single handed, and to be responsible for the audit, and control, to the same extent as the Examiner and his office are at present responsible, only a P.W. accounts man would be selected, and it would employ his whole time. Would Government select a 4th grade accountant, whose pay is Rs 200 a month for the work and responsibility? If not, the Board is getting its audit done below its value when asked to pay Rs 2400 per annum. For the irregularities of the past, so far as they are caused by neglect of the provisions of the Act, some one is responsible, and the necessity for efficient control as well as audit is manifest.