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MADRAS RECORD OFFICE.

Government of Madras.

Public works **DEPARTMENT.**

G.O. No. 3071 Press —Mis.

432-33

Dated 23. 12 1862.

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Proceedings of the Madras Government, Public Works Department, 23rd December 1862.

No. 432. Read the following Proceedings of the Madras Government in the Financial Department, dated 5th December 1862, No. 856:—

Communicating Resolution of the Government of India on the desirability of introducing a system of monthly letters of credit. } (Vide Financial Proceedings, 5th December 1862, Nos. 23-24.)

No. 433. ORDER THEREON, 23rd December 1862, No. 3,071.

Communicated to the Chief Engineer for information and guidance, with reference to the Proceedings of Government in this Department dated 17th July 1862, No. 1,719. It will be seen that the Government of India has decided on the gradual introduction into the Madras Public Works Department of the system in force in Bengal of issuing monthly letters of Credit for Public Works expenditure, and that the Auditor General of India has been requested to place himself in communication with the Inspector General of Public Works Accounts for the purpose of devising measures to carry out the change.

(Signed) W. I. BIRDWOOD, Colonel, R. E.,
Secretary to Government.

FINANCIAL DEPARTMENT.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read the following Extract from the Proceedings of the Government of India, in the Financial Department, dated 28th October 1862, No. 816A.

From Major R. J. MEADE, Agent Governor General for Centra India; to the Secretary to the Government of India, Financial Department, Fort William, No. 586, dated Indore Agency, 18th July 1862.

With reference to Government Resolution, No. 4,482, dated 5th instant, I have the honor to report that the banking system, therein mentioned, has not yet been introduced in this Province, but the transactions with the Public Works Department are carried on in the old system, *i. e.*, the payments are made to the Executive Engineers on their receipts against letters of Credit. An account of these is rendered to them quarterly, for which period the letters of credit are issued in the Bombay Presidency. The following are the Officers who have transactions with the Indore Treasury, viz:—

Captain Melliss, Executive Engineer, Mhow.

Captain Finch, Executive Engineer, Mhow Division, Bombay and Agra Road.

Lieutenant Goodfellow, Executive Engineer, Biora Division, Bombay and Agra Road.

No. 37*a*, FINANCIAL DEPARTMENT, FORT WILLIAM, THE 12TH AUGUST 1862.

Forwarded to the Auditor General of India, for report, as to the practice in the Bombay Presidency of allowing three months' currency to letters of Credit, though in the Bengal Presidency they are current for one month only.

From the Officiating Auditor General of India; to the Secretary to the Government of India, Financial Department, No. 668, dated 23rd August 1862.

I have the honor to acknowledge the receipt of Mr. Under Secretary Bernard's docket No. 37*a*, of the 12th instant, giving cover to a letter* from the Governor General's Agent in Central India, with reference to which my opinion is requested, as to the advisability of continuing the practice at present observed in the Bombay Presidency, of allowing three months' currency to letters of Credit, while in the Bengal Presidency they are current for one month only.

* Herewith returned.

2. I have the honor to remark that my predecessor's Circular, No. 24, dated 8th March last, prescribing a form of monthly letter of Credit, was forwarded to the authorities at Madras and Bombay, for adoption, "should there be no special objection."

3. The Officiating Deputy Auditor and Accountant General at Madras accordingly issued instructions for the adoption of the form, but on the representation of the Chief Engineer, the Madras Government has suspended the introduction of the measure, and has referred the question for the orders of the Government of India.* The ground of objection is, that the Budget allotment for a District for the entire year, is placed to the credit of the District Engineer by the Deputy Auditor and Accountant General on the orders of Government reviewing the Budget, by an annual letter of Credit or authority issued by the Deputy Auditor and Accountant General to the Collector of the District in favor of the District Engineer, and the latter draws against this letter of Credit, monthly, whatever sums may be required for the month's disbursement. The Chief Engineer does not see that any advantage would be gained by changing this system.

* Orders of Madras Government, No. 2,719, dated 17th July 1862.

4. The Chief Engineer at Bombay has represented that he receives Quarterly Progress Reports of the state of the works in progress, and of the expenditure on them; these quarterly Reports are his guide in affording cash credits (subject of course to the Budget limit); but he would have no such guide for monthly applications. It might be said, obtain monthly Progress Reports, the answer is that the preparation of these documents is not a mechanical operation, but they must be carefully corrected by the Officer in charge whose time is already too much taken up with office duties.

5. The communications received from Madras and Bombay were forwarded to the Inspector General of Public Works Accounts, for an expression of opinion on the objections raised to the monthly Letters of Credit. Major Chesney states in reply, that the annual letters of Credit issued at Madras seem objectionable, because the letter once issued, all control over the

expenditure of the District is, to a great extent, lost for the year. In the Provinces under the Government of India, it is found that the wants of different divisions often vary much in the course of the year from the programme laid down in the Budget. Works which it was intended to undertake during the year in one place cannot, for some reason or other, be carried out, and it becomes necessary to appropriate (under fixed rules) the funds intended for such works to other objects. The issue of letters of Credit by the month enables this to be done, and the issue of cash to different divisions of Public Works is regulated according to their wants throughout the year.

6. As regards Bombay, Major Chesney is of opinion, that monthly issues would not work well with a system of quartely Accounts, and as the authorities at Bombay are satisfied with that system, he recommends that it be not disturbed.

7. I may remark, that the systems of accounts at Madras and Bombay appear to be diverse from each other, and from the system in operation in Bengal, and until uniformity of procedure in the audit and account of the Public Works Department has been enforced in all the Presidencies, the Orders of the Supreme Government, or of the Central supervising authority, which are usually based on the practice in Bengal, must be inapplicable, or impracticable, to some extent at least, at Madras and Bombay. It seems advisable, therefore, that the subject should be considered in the Public Works Department with a view to the extension of the Bengal system to those Presidencies at the earliest practicable date. The monthly letter of Credit may then be enforced at Bombay, but, in the meantime, it may be advisable to continue the quarterly letters in correspondence with the progress Reports and the Accounts.

8. With respect to the Madras Presidency, I see no insuperable difficulty in the introduction of the monthly letter of Credit, as there is in operation a monthly system of account, and I concur in opinion with the Inspector General of Public Works Accounts that the Annual letter of Credit must be useless for all real purposes of check on expenditure. The object of the letter of Credit is to enable the Controlling Officers of the Department to exercise an effective check on the progressive expenditure from month to month during the year, and if this is already done to some extent within the Department, there can be no practical difficulty in adapting the issue to the system that is found effective in Bengal, the North-Western Provinces, the Punjab, and in all the Provinces and Administrations under the Government of India. I therefore beg leave to suggest that the Madras Government may be moved to carry out the arrangements made by the Deputy Auditor and Accountant General at Madras, for the introduction of the system of monthly letters of Credit. This should be done, however, in communication with the Officers of the Public Works Department so as to prevent inconvenience of delay in the issue of funds.

No. 196*a*, FINANCIAL DEPARTMENT, FORT WILLIAM, THE 5th September 1862.

Forwarded, with the previous paper, to the Public Works Department, for consideration in regard to the system in force in Madras and Bombay respecting letters of Credit.

Proceedings of the Right Honorable the Governor General of India in Council, in the Public Works Department, (General Accounts,) No. 3,781, dated 27th September 1862.

Assimilation of the systems of Public Works Accounts in all parts of India.

Read the following papers:—

Docket No. 196*a*, dated 5th September 1862, by the Under Secretary to Government, in the Financial Department, forwarding a report by the Officiating Auditor General of India, on the system obtaining in Madras and Bombay in respect to the issue of letters of Credit.

Observations.—It appears from these papers that the Governments of Madras and Bombay having been desired to carry out in those Presidencies the system in force in Bengal, of issuing monthly letters of Credit for Public Works expenditure, have both objected to do so. In the Madras Presidency, a system of annual letters of Credit for Public Works obtains, though the accounts are rendered monthly. In Bombay, a system of quarterly letters of Credit and of Account is in force in the Public Works Department. The Officiating Auditor General is of opinion that the Bengal practice of monthly letters of Credit should be introduced into the other Presidencies, notwithstanding the objections taken, and the question is referred to this Department from the Financial Department, for further consideration.

2. The Governor General in Council has no doubt that the system of finance and account all over India in all Departments should be so far assimilated as to permit of the complete amalgamation of the results of the whole, and as to bring them all within the reach of one system of audit. Hence it seems unquestionable that the practice of rendering monthly accounts and of issuing monthly letters of Credit, which is adopted over three-fourths of the country, should be extended to the remaining fourth, and that irregularities, though they otherwise may be said to work well, should be eliminated as far as possible.

3. The system pursued at Madras, of issuing annual Credits is productive of exactly the results that might be expected; viz., that there is habitually a large portion of their Budget allotment unspent. The Executive Head of the Public Works Department having made his distribution for the year, it is not revised from time to time, as it obviously should be, in order to get the best results out of the available means.

4. The change suggested above should not, however, the Governor General in Council thinks, be carried out too precipitately. The effects of want of care in Bengal in making a change in the system of Public Works Accounts were most disastrous, and still leave traces of disorder behind, and any thing like precipitation in carrying out the change in Madras and Bombay should be most carefully avoided. But His Lordship in Council is of opinion that the Governments of Madras and Bombay may at once be informed that the Government of India has finally determined that such an assimilation of system as is requisite for the objects abovenamed, that is, for the complete review of all financial operations, the amalgamation of all accounts, and the audit of all expenditure, (so far as the action of the Supreme Government is called into play in such matters,) must be held to be essential in Public Works as in other matters, and further that these Governments may be required to take steps to make such an assimilation as this, anything of detail beyond being left to their own discretion; and that they should be informed that the Government of India will give them all requisite aid to that end.

5. The Financial Department, in communication with the Board of Audit and the Inspector General of Public Works Accounts, will be able to determine what should be insisted on as requisite to the end mentioned, and whatever is considered necessary should, in the opinion of His Excellency in Council, be ordered to be carried out as early as possible.

Order.—Ordered, that a copy of the foregoing observations be forwarded to the Financial Department, in reply to the communication from that Department quoted above, the original papers received with which are returned.

FINANCIAL DEPARTMENT, FORT WILLIAM, THE 28TH October 1862.

RESOLUTION.—His Excellency the Governor General in Council directs that a copy of the foregoing observations of Government, in the Public Works Department, be sent to the Governments of Bombay and Madras, for information and further orders, with the remark that probably Quarterly Progress Reports may be found more practically efficient than monthly ones, but that monthly letters of Credit, nevertheless, appear desirable, which might be sufficiently checked by the Quarterly Reports.

His Excellency in Council also directs that a copy be sent to the Auditor General of India, with a request that he will put himself in communication with the Inspector General of Public Works Accounts, with a view to devise measures for ensuring the gradual introduction of monthly letters of Credit into the Madras and Bombay Presidencies, and that a copy be also sent to the Deputy Auditors and Accountants General of those Presidencies.

(A true Extract.)

(Signed) E. DRUMMOND,
Secretary to the Government of India.

ORDER THEREON, 5th December 1862, No. 856.

Ordered to be communicated to Public Works Department, in view to the issue of such orders as may appear necessary.

(True Extract.)

Chief Secretary.

To the Public Works Department.

Exd. T. McMootry.

Jour 14th July 1862 vol 2 } 1862 Dec 10.
39 pp 400 } Ind Govt for Dec
n° 13 Cog L — n — 184-185.

C. P. 3729.

Copy of the Govt of India
the Financial Dept
Dated 5th } Dec/62
Received 10th }

No 856.

Communicating Resolution
of the Govt of India on
the desirability of in
troducing a System
monthly Letters of Credit.

No 3071 - 23 Dec.
Write an order

C. P. 6432-4833.

C. 16 Dec 1862. 61-19.

No 3071.

Communicated to the Chief Engineer for
information and guidance with reference to
Pro. of Govt in this Dept of 17th July/62 No 1719
It will be seen that the Govt of India has decided
on the gradual introduction into the Madras Pres
of the system in force in Bengal of issuing
Monthly Letters of Credit for P.W. expenditure
and that the Auditor General of India has
been requested to place himself in communi-
cation with the Inspector General of Pub.
Accounts for the purpose of devising
measures to carry out the change.

Cheque R
23rd Dec/62

7 Copies

To the Chief Engineer with Pro. F. Dept No 856 Dated 23
1 — — Audr General with do do
3 — — Dy Chief Engrs Circle with do do
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