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MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 1772

614-615

Press

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Dated

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1865

Not to be folded or roughly handled

*Proceedings of the Madras Government, Public Works Department,
26th June 1865.*

No 614. Read the following letter from Lieutenant-Colonel C. H. DICKENS, R. A., Secretary to the Government of India, Public Works Department, (Account,) to the Secretary to the Government of Madras, in the Public Works Department, dated Simla, 30th May 1865, No. 490 A.—

SIR,

* Copy enclosed

1. With reference to Public Works Resolution No. 482 A of 30th May 1865,* regarding Railway appropriation audit, and the proposal therein made for the deputation of Mr. Kellner, Assistant Accountant General in this Department, to Madras to aid in carrying out the establishment of this audit, I am directed to say that the Government of India will await the expression of the opinion of the Government of Madras before finally directing the deputation proposed.

2. I am to add that it appears to the Governor General in Council that the occasion of Mr. Kellner's visit to Madras may, perhaps, be usefully taken to apply his services in connection with the revised system of account just established in the Controller's Office of Public Works Accounts. It is possible that the Controller's Office may experience difficulty at first in dealing with accounts and forms that are in a measure new to it, which Mr. Kellner's experience as an Accountant and knowledge of the requirements of the system, might sensibly aid to overcome. If the proposed deputation should not be objected to, and if considered advisable by the Government of Madras, that gentleman will accordingly be instructed, on arrival, to place himself in communication with the Controller of Public Works Accounts at Madras, and to afford him such assistance and co-operation in the preparation of his new books and accounts as may be wished, and generally to aid in any other way which the Government of Madras may deem desirable.

(Signed) A. B. SAMPSON, *Assistant Secretary.*
For Secy. to the Govt. of India.

Copy forwarded to the Accountant General, Public Works Department.

Proceedings of the Governor General of India in Council, Public Works Department, (Account,) dated Simla, 30th May 1865, No.—A.

Government Appropriation Audit of Railway expenditure.

Read—

Resolution No. 477 A of 30th May 1865, approving of the mode of Appropriation Audit of the Railway Accounts introduced by the Department of the Accountant General, Public Works Department.

Note by Accountant General, Public Works Department, on above subject.

1. RESOLUTION.—The introduction of a complete and thorough audit of the accounts of Railway expenditure is a question which has for some time engaged the particular attention of the Government of India.

2. The arrangement originally made for this purpose required the audit to be undertaken by the Consulting Engineer to Government. This audit was, for the most part, confined to the compiled accounts of expenditure submitted by the Railway Company, and has been based on a comparison between such expenditure and the authorizations on which it has been incurred. Expenditure unauthorized, or incurred in excess of the amount sanctioned, has usually been rejected from audit, while a large expenditure appears never to have been submitted for audit at all. Thus it has happened that, as is now reported by the Accountant General in this Department, of more than 20 millions sterling expended on the East Indian Railway since its first commencement, about 5 millions still remains unaudited, and has been thrown into what is termed the Inefficient Balance, thus greatly adding to the difficulty of the final settlement of account which has to be made between the Government and the Company.

3. The state of things on the Calcutta and South-Eastern Railway is no less unsatisfactory. The Accountant General reports that, on taking up the accounts, it is found that the Inefficient Balance amounts to 13½ lakhs, out of a total expenditure of 28½ lakhs.

4. It is apparent that the mere comparison of the accounts submitted with the authority quoted for the expenditure, which is all that the Consulting Engineer could be expected to do, is not sufficient for the object in view, and it is therefore desirable to substitute the action of a regular Accounts Department which shall be able to examine and ascertain the actual state

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5. Further, the Railway accounts heretofore kept in the Office of the Accountant General to the Government of India, have been principally confined to a record of the cash receipts and disbursements of the Railway Companies, and have not been sufficient for, and have not included an audit or adjustment of the accounts between the Government and the Companies.

6. And, again, although a great reform has resulted from the deputation of the Honorable G. N. Taylor, as Special Commissioner, to enquire into and report on the systems of Railway management in India, in the introduction of a much more precise and methodical arrangement both in granting authorizations for expenditure, and in the mode of making disbursements against these authorizations on the East Indian and other Railways centered in Calcutta, and although these authorizations are now strictly controlled by the Consulting Engineer, and a simple and precise system has been introduced for regulating the check on cash outlay, and for recording the course of the expenditure, it still remains to establish, as a necessary sequence to the measures already adopted, a proper system of audit of the final accounts as recorded in the books of the Railway Companies. That is to say, it is necessary that the record of all the expenditure and individual authorizations and audits shall be examined by a professional Accountant to see that no expenditure escapes scrutiny, and that every item of outlay is booked under its proper heading.

7. This duty was placed on the Office of the Accountant General, Public Works Department, when that Office was first established, and Mr. G. W. Kellner was appointed to it as Assistant Accountant General, mainly in view to his being specially employed upon the Railway Accounts.

8. Some discussion subsequently arose as to the precise manner in which this duty should be carried out, which is contained in the Proceedings noted in the margin, and ultimately a commencement of this new audit was made in February 1865, in the first instance, on the accounts of the East Indian Railway.

9. The procedure adopted is described in the papers cited at the head of this Resolution, and resembles in its main features the Appropriation Audit of the Accounts of the different Public Departments in England carried out by the Board of Audit appointed by Parliament. An officer attached to the Accountant General's Department is daily engaged at the office of the Railway Company, under the immediate supervision of Mr. Kellner, who follows the course of the accounts of the expenditure through the original books, and records the results day by day. By this arrangement, duplicate accounts or voluminous returns to Government are rendered unnecessary, while all cases of irregular or unauthorized expenditure can be at once detected and brought to notice. The Accountant General reports that the system is working well, and that it appears to be acceptable to the officials of the Railway Department, who thus obtain a clearance of their expenditure from day to day without any extra labor being imposed on them in the preparation of special accounts for audit.

10. The foregoing remarks have reference only to the East Indian Railway, to the Accounts of which this Appropriation audit has as yet been confined, but the Governor General in Council considers that no time should be lost in extending the arrangement to all other Railways in India.

11. His Excellency in Council has already directed that the appropriation audit should be commenced upon the accounts of the Eastern Bengal and Calcutta and South-Eastern Railways, but as soon as this is properly established, the accounts of the other Railways should be taken up without delay, and while the services of the Assistant Accountant General are available, before the season comes on for the preparation of the annual estimates.

12. It has, however, to be remarked, that it is an essential feature of an Appropriation audit, as now determined upon, on the simple and economical footing which has been found to work so satisfactorily with the accounts of the East Indian Railway, that the Railway accounts should undergo a thoroughly complete classification and scrutiny by the officers of the Railway Company, following upon a systematic procedure in regard to authorizations by the Agent and Consulting Engineer, so that the functions of the Government auditor may be confined to tracing the results of such a system through the books, in short, to seeing that the Railway officers keep their accounts properly. In the case of the East Indian Railway, this object has been secured by the appointment by the Company of an Auditor responsible directly to themselves, and some corresponding agency will be necessary in the case of every other Railway, in order that the accounts may be brought into a complete state by the Railway Company, so as to admit of an audit being given without undue labor.

13. His Excellency in Council understands that a system of the kind above referred to, viz., an independent audit of the accounts by an officer of the Railway Company, following upon the authorization of expenditure by the Consulting Engineer and the Agent at periodical Official meetings, is about to be introduced into the Railways at Bombay, and the Governor General in

*Proceedings of the Madras Government, Public Works Department,
26th June 1865.*

Council would now request the Government of Madras to make the needful arrangements for establishing a similar procedure at the earliest possible date on the Railways in that Presidency.

14. As soon as this point shall have been satisfactorily arranged, the final Appropriation Audit may be everywhere at once entered upon, and in view to aiding in the necessary arrangements for this purpose, His Excellency in Council has determined to propose to the Governments of those Presidencies that Mr. Kellner shall be deputed to Madras and Bombay, to explain personally to the Consulting Engineers and Railway Officials the nature of the final audit to be given, and to arrange with them under the orders of the Governments of Madras and Bombay, respectively, for establishing this audit.

15. It will be desirable that Mr. Kellner should not leave Calcutta until the system has been thoroughly established upon the Eastern Bengal and the Calcutta and South-Eastern Railway, an operation, which the Accountant General reports, will probably occupy about two months more. Mr. Kellner may, therefore, be expected to reach Madras in August and Bombay in October, by which time it may be hoped everything will be in readiness to admit of the Appropriation audit being at once entered upon.

16. As regards the Establishment necessary for the purpose, an Accountant, First Grade, has been temporarily attached for six months to the Accountant General's Office for examining the accounts of the East Indian Railway, and the Accountant General reports that the undivided attention of this Officer is required, at any rate for the present, upon these accounts. Under the circumstance, the appointment may usefully be confirmed for a year, at the end of which time the Accountant General should report whether an improved method of accounting in the Railway Office has not led to a reduction in the work of auditing those accounts.

17. For the Eastern Bengal and Calcutta and South-Eastern Railways, the Accountant General has applied for an Accountant, Second Grade, to be employed in both Offices. This recommendation will be considered in the Financial Department.

18. It may be observed that the expense of these two appointments will be nearly saved by the reductions made in the Consulting Engineer's Office North Western Provinces, consequent on the introduction of the new system by which the whole of the accounts are considered and audited in Calcutta.

19. For each of the other Railways, probably a First or Second Grade Accountant will be necessary, but the details of these Establishments can, it is thought, be best arranged provisionally by the Governments of Madras and Bombay at the time of Mr. Kellner's deputation. It should be considered whether it may not be practicable to detach an Accountant from the present staff of the Consulting Engineer's Office for the special duties to be now undertaken, and so to carry out the change without any increase of expense.

20. As regards the detailed procedure to be adopted in Madras and Bombay in effecting the Appropriation Audit this will have to be settled by the Governments of those Presidencies, upon the recommendation of their Consulting Engineers in communication with Mr. Kellner. The Governor General in Council will therefore only here express a general opinion that it appears desirable to place the Accountants employed on the audit under the Consulting Engineer, and that the brief periodical returns of the progress made, that will be required for the Accountant General, should be supplied through him.

21. Once every year an officer from the Accountant General's Department should visit the office of each Railway, and declare the state of the audit and of the account between the Government and the Company.

22. The Governor General in Council hopes that the measures above described, as already carried out or to be adopted, present a satisfactory solution of the difficulty which has so long been experienced of a sufficient audit of the Railway accounts in India, in a manner which shall be satisfactory to the Railway Companies, and shall be as little costly to the State as could probably be devised compatibly with the great interests involved.

ORDER.—Ordered, that a copy of the foregoing Resolution be forwarded to the Governments of Madras, Bombay, Bengal, North Western Provinces, and Punjab, in the Railway Department, and to the Chief Commissioners of the Central Provinces and Oudh for information and guidance. Also to the Financial Department with Office Notes, and Tabular Statement of the Establishment required for auditing the Railway Accounts in Calcutta, for early consideration and orders on the proposals made in paragraphs 16 and 17.

*Assist. Secy.,
for Secretary to the Govt. of India.*

*Proceedings of the Madras Government, Public Works Department,
26th June 1865.*

No. 615.

ORDER THEREON, 26th June 1865, No. 1,772.

ACCOUNT, No. 101.

1. Referred to the Financial Railway Department.

2. The Controller of Public Works Accounts will be requested to state, with reference to paragraph 2, whether he would wish to avail himself of the services of Mr. Kellner.

(True Extract.)

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

To the Financial Railway Department
Controller of Public Works Accounts

Exd. S. T. Augustin.

Account

1772

*Referred to the Finan.
cial Railway Department.*

*2. The Controller of P.W.
Accounts will be requested to
state, with reference to para 2,
whether he would wish to avail
himself of the services of
Mr. Kellner.*

*Forth George
26 June 65*

A.B.

*To Finl Railway Dept
Cont'r P.W. Accts
27 June*

*Copy in Letter to England
5/24: March No 16 of 1865*

*1865 Dep
No. of Govt. for June
No 2265.*

Account.

To

SECY TO GOVT. OF MADRAS,
IN THE PUBLIC WORKS DEPT.

FROM

SECY. TO GOVT. OF INDIA,
IN THE PUBLIC WORKS DEPT.

No. 490 A.

Dated SIMLA, 30th May, 1865

Received 22 June

Q1.

Proposed deputation of Mr. Kellner to Madras

No. 614 615

No. 1772-26 June 1865