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MADRAS RECORD OFFICE.

Government of Madras.

Public Works DEPARTMENT.

G.O. No. 3098 Press

609-610

Dated 17-10- 1865

Not to be folded or roughly handled

3. The main points provided for are as follows :—

1st.—All authorizations will be recorded, and the detailed audit of all expenditure will be conducted, by one Government Consulting Engineer, at the head quarters of the Company's Agency. This will at once admit of the closing of the Audit Offices of the Deputy Agent and of the Consulting Engineer, North Western Provinces, at Allahabad, and no delay should be permitted in carrying this measure into effect.

2nd.—Sanctions for construction expenditure, when approved by the Agent, will be given by the Consulting Engineer, of the Local Government within whose territory the expenditure will be incurred, but the formal record will be made at an official meeting by the Consulting Engineer to the Government of Bengal. If the Agent should at any time desire a change in the system of authorizing construction expenditure, the question must be discussed between him and the Local Government before it can be allowed.

3rd.—General Establishments, so far as they are consolidated, will be dealt with by the Government of Bengal. Any further amalgamation or general modification of system, &c., that the Agent may desire, should be discussed by him with the Consulting Engineers of both Governments, but so long, and so far, as local establishments exist they will be regulated by the Local Government, the same general course of proceeding being followed, as is provided for construction expenditure.

4. The details of the system both of authorization and audit will be left to the Consulting Engineers to arrange, in communication with the Agent.

5. The Governor General in Council considers that all the larger salaries should be fixed in the authorization, whether the working charges are further limited by a mileage rate or not. Rupees 100 per mensem may perhaps be adopted as a minimum for the specific sanctions of salaries ; and below that a lump sum may be adopted for minor establishments or otherwise, as seems best to the Local Officers. Where a mileage sanction is given for working charges it will not the less be necessary for the Deputy Consulting Engineer to scrutinize exactly the actual outlay under all heads to satisfy himself that all proper economy has been ensured.

6. As some misapprehension seems to prevail as regards the probable effect of requiring the Head of each Department to submit first of all, for the approval of the Agent, a detailed organization of his establishments, the Governor General in Council desires to remark that it would seem to be a mistake to suppose that responsibility is weakened by a systematic arrangement of this sort. It appears, on the contrary, to be an essential part of every well conducted Administration. Without needless interference in details it is desirable that the Chief of the Administration should be satisfied with the propriety of every measure which emanates from the Executive Heads of Departments, in order that he may have the means of preventing extravagance, irregularity or inaction. Undoubtedly the necessity of reporting his proceedings to his superiors tends to secure an Officer's strict adherence to duty.

7. Regarding the adoption of a mileage rate for authorization and audit of working expenses, the Governor General in Council would also add that, although such rates may be sufficient and useful for general purposes, they are not adapted to the immediate administration of the affairs of a Railway. The standard is too vague for the purposes of audit and account, which, to avoid delay and complication, should proceed upon the transactions as they occur. The review of general results, and their comparison with those of other Railways by a mileage rate, for which such a standard is well adapted, should be kept quite distinct from the current settlement of the accounts.

8. The Government mode of dealing with the affairs of the Railway must be in conformity with that adopted by the Railway Agency. It will not be convenient, nor indeed practicable, for the Railway to pursue one system and the Government another, and if the Agent and Auditor prefer the trial of mileage rates as the basis of authorization and audit, the Government will not object to it.

9. A mileage rate allows, however, a somewhat wide latitude. It would be difficult, for example, to determine whether 40 or 50 per cent. of the earnings is a fair allowance of charge for working the line, and the per-centage must of course vary under different circumstances. To assume the previous year's expenditure as the standard is an imperfect way of proceeding. Where as, if each item of expenditure were judged upon its own merits, such a course would suggest and insure economy. However, if the Agent prefers it, and undertakes to accept a fair moderate standard, the Governor General in Council would not object to the trial of the mileage rate system for the whole line for one year.

10. The detailed post audit will be simple, speedy and effective, and will be conducted under the orders of the Consulting Engineer for Bengal, who will be specially aided by a Deputy Consulting Engineer who will be transferred from the North Western Provinces and nominated to this duty.

11. The professional post audit by the Deputy Consulting Engineer of the detailed expenditure, as brought forward by the Railway Auditor, seems, for the present at least, to be desirable. If further experience tends to show that the whole of this duty can be satisfactorily performed by the Officers of the Accountant General's Department, it can be transferred to that Department.

12. Meanwhile the Deputy Consulting Engineer in charge of the audit will, in addition to the duties connected with those operations, take special cognizance of that very important branch of the supervising Officer's duties, the examination of the statistical details, and analysis of the working expenses.

13. It should be explained that the post audit by the Deputy Consulting Engineer is merely to be a testing of the actual receipts and expenditure in connection with the proper vouchers in the former case, and the authorizations in the latter. He has nothing to do with any intermediate process of pre-audit that the Railway Auditor may require for his own purposes.

14. An appropriation audit on the Railway Books will be conducted concurrently with the Departmental Audit by the Accountant General, Public Works Department, and the final certificate of audit will be given by that Officer who will also keep the Government accounts with the Railway, and check the cash transactions of the Agent, in communication with the Accountant General in the Civil Department in the usual manner.

15. A Deputy Consulting Engineer under the Government of Bengal will be appointed for the purpose of carrying out the inspection of the whole line from Calcutta to Delhi. Action as a rule will be taken on his reports after due reference to the Government concerned with the section of the line to which his proposals relate.

16. The Consulting Engineer to the North Western Provinces Government will be relieved of all duties of account and audit.

17. The ultimate advisability of removing the head-quarters of the Railway Agency to Allahabad is referred to in the correspondence. This matter, however, may be better discussed hereafter.

18. The new arrangements may be held to have begun on the 1st July.

19. The result of these new Rules will not be, as it appears to the Governor General in Council, to weaken the authority of the North Western Provinces Government. The two Consulting Engineers will together discuss the system of management, and they will doubtless be able to agree with the Agent on a system that will be uniform for all parts of the line, and still ensure a proper weight to the representations of the Local Government Officers.

20. The assistance of the Accountant General, Public Works Department, should on all occasions be freely asked in any matters connected with Railway Accounts on which the Consulting Engineer may have doubts, or finds difficulties to arise. This Officer should also be referred to in case of differences on such points between the Railway Auditor and the Consulting Engineer. As the last resort only, a reference to the Government of India should be made.

ORDER.—Ordered, that a copy of this Resolution, and of the Rules for Authorization and Audit as approved by the Government of India and annexed hereto, be forwarded to the Governments of Bengal and North Western Provinces for information and guidance, together with a copy of the Note by the Assistant Accountant General, Public Works Department.

Also, copies to the Financial Department for information.

Also, copies to the Accountant General, Public Works Works Department, for guidance.

(Signed) R. STRACHEY, Colonel, R. E.,
Secy. to the Govt. of India.

Draft Rules for Government Authorization and Audit of East Indian Railway Receipts and Expenditure.

I. All authorizations of expenditure shall be recorded at official meetings to be attended on behalf of the Government by the Consulting Engineer for Bengal, whose signature shall attest all such sanctions. The Consulting Engineer for the North Western Provinces may under the orders of the Local Government, and under the rules referred to in Clause V, attend any official meetings. Copies of all the proceedings at such meetings should be regularly submitted to the Governments of Bengal and the North Western Provinces.

II. All proposals connected with construction of works or rolling stock after general approval by the Agent, to be duly certified, shall be laid by the Head of the Construction Department of the Province to which they refer, before the Consulting Engineer of that Province, who under the orders of his Government will finally dispose of the same. Sanctions thus given in the North Western Provinces will be sent to Calcutta for formal record of the authorization at an official meeting as laid down in Clause I. Bengal sanctions will be thus dealt with in ordinary course.

III. Proposals relating to the establishments employed in the general management of the whole line will be dealt with solely under the orders of the Lieutenant Governor of Bengal, but copies of the proceedings at the official meeting authorizing any new arrangements or modifications of old ones should be sent to the Government, North Western Provinces, for information and to admit of any representations thought proper being made by that Government.

The following are the establishments that fall under this head:—

Agent's Office.	Traffic Manager.
Auditor's Office.	Locomotive Superintendent.
Stores Department.	Telegraph Superintendent.

IV. Proposals relating to the local establishments in either Province will in the first place be laid by the Agent before the Consulting Engineer of the Province concerned, and he will convey the decision of the Government on the subject to the Agent. If such decision be objected to by the Agent as not being in conformity with the general system that should be adopted on the whole line the matter will be considered by the two Consulting Engineers in personal communication, and if they concur (under the orders of their Governments) in any recommendation it will be final. A continued difference of opinion that cannot be reconciled should be reported to the Government of India. The final and formal authorization will be given at an official meeting as in Clause II.

V. The Consulting Engineers for Bengal and North Western Provinces will, as early as possible, reconsider in communication with one another and the Agent, all the local arrangements and establishments with a view to the adoption of an uniform system, so far as the local requirements will admit of it. The system under which the working and maintenance of the whole line is carried on, and the system under which Government sanction is given to proposals, should be assimilated in like manner on the general basis of the procedure laid down in Clauses I to IV, and such subsidiary rules as may seem suitable should be drawn up on these matters, which after consulting the Agent, and on approval by the Lieutenant Governors of Bengal and North Western Provinces, should be adopted for future guidance. Future modifications of these rules should be made in a similar manner.

VI. The Agent on all occasions will preserve his right of appeal to the Government of India.

VII. The only sanction to expenditure of any sort required by the Government previous to the disbursements will be the authorization, and no Government pre-audit will be made.

VIII. A post-audit of the actual receipts and disbursements both for the Revenue and Capital Accounts will be made by the Consulting Engineer in Bengal, both for Bengal and the North Western Provinces, on the detailed accounts prepared by the Railway Auditor. As regards the expenditure this detailed post-audit will be carried on in such a manner as shall best provide for the speedy disposal of all charges, and as far as possible on the original documents as drawn out in the Railway Auditor's Office, and shall be based on a comparison of the total expenditure as certified by the Railway Auditor (which may as a rule be accepted by the Consulting Engineer without check of the arithmetical processes), with the authorizations. The Consulting Engineer to the Government of Bengal may pass all charges whether for Bengal or North Western Provinces in excess of the authorizations to the extent of 10 per cent. on his own authority, and, subject to the special orders of the Bengal Government, may pass any excess relating to charges for Bengal, or the general management. Excesses beyond 10 per cent., or doubtful matters relating to North Western Provinces, should be referred to the Consulting Engineer of that Government. The Consulting Engineer in Bengal will have a Deputy specially placed under him for the performance of these duties.

IX. A general appropriation audit of the Railway Books will be carried on simultaneously with the above detailed audit, under the orders of the Accountant General in the Public Works Department, independently of the Consulting Engineer. This audit will be for the purpose of verifying the account operations, and generally checking the authorities for charges. The audits of the Deputy Consulting Engineer will be taken as final in all cases excepting where the authority seems insufficient. All questions arising on the appropriation audit will be referred back to the Consulting Engineer, and if needful to the Local Government. Any continued difference of opinion between the Accountant General, Public Works Department, and the Local Governments or the Railway Agent, will be referred to the Government of India. The final certificate of audit will be given by the Accountant General in the Public Works Department.

X. The Government accounts with the Railway Company to be kept by the Accountant General, Department Public Works, will show on the one side all cash advances to the Railway Company, sums payable as Customs duty, payment on account of guaranteed interest, and the like. On the other side the audited expenditure as finally certified by the Accountant General, and cash payments per contra, or on account of capital, &c., will appear. These accounts will show separately the Capital and Revenue Accounts. It will be left to the Accountant General to determine the form of these accounts in communication with the Railway Auditor, subject to final approval in the Financial Department. Half-yearly entries of the expenditure as passed on the final audit will probably suffice.

XI. The cash transactions of the Railway Agent will be checked by the Accountant General, Public Works Department, in communication with the Accountant General in the Civil Department, on the same general principles as in dealing with the expenditure of the ordinary Public Works Department.

XII. A Deputy Consulting Engineer will be appointed under the Government of Bengal for the special purpose of inspecting the open line of Railway both in Bengal and the North Western Provinces. The reports of this Officer will go to both Governments, and no action requiring the sanction of Government in matters relating to the North Western Provinces section of the line will be taken without the assent of the Consulting Engineer of that Government as provided in Clauses II and V.

(Signed) R. STRACHEY, Colonel, R. E.,
Secy. to the Govt. of India.

Dated 24th July, 1864.

Note by G. W. KELLNER, Esq., *on the Audit of the Railway Accounts.*

The abolition of the Railway Cash Offices and concentration of payments in a Central Office—the pre-authorization of expenditure by the Government Consulting Engineer in concert with the Railway Authorities—and the audit of the expenditure by a Special Railway Auditor—having been finally arranged, it remains to determine what further financial control on the part of the Government is necessary.

2. The weekly meetings of the Government and Railway Officers, for the purpose of authorizing expenditure, were suggested by the Home Board of the East Indian Railway Company in September 186?, on which occasion the Board urged that the audit of their own Officers and of the Officers of the Government should be common and concurrent, so as to release the Directors from their responsibility to the Company, and the Company from its liabilities to the Government, in respect to the account periodically submitted to the shareholders. In a subsequent letter to the Secretary of State for India, dated 16th July 1863, the Board express a hope, in reference to the

proposal of the Government of India for the appointment of a Special Auditor of Railway Accounts, "that no arrangement will be made which can possibly interfere with the responsibility of the Railway Auditor."

3. The Secretary of State for India enjoined that the Government control should be complete and minute, without that vexatious and useless interference which destroys responsibility; that whilst the responsibility of the Railway Agent should not be impaired, the expenditure of the advances made to him by the Government "ought to be accounted for and audited by the Railway authorities, and then by the Officers of Government, as speedily as possible."

4. Mr. Taylor is of opinion that the Government control should not stop short at authorization, and that the authorization should be followed by "an intelligent review of actual results when the expenditure is finally approved and passed, such review serving to bring again under consideration what was defective in the authorization, and embracing, moreover, those cases for which no authorization could have been given." Mr. Taylor holds that that the final review, as well as the authorization, should rest with the Consulting Engineer

5. Mr. Beadon, in his Minute of 15th February 1864, observes that the only real check consists in a strict system of pre-authorization, such as now prevails, combined with independent audit by an Officer of the Company, and a general examination and control of the accounts by the Government through the Consulting Engineer.

6. Captain Taylor, the Consulting Engineer to the Government of Bengal, observes—"A final operation remains to give the Company's Officers an acquittance in full of the obligations of the contract. This is the monthly audit of the Agent's books, and I here I solicit that an independent element may be introduced." He proposes that there should be a Special Auditor for this work, and that "the granting or conditional withholding of this audit should be the crucial test of the integrity of the Company's financial operations."

7. Major Drummond, the Consulting Engineer to the Government of the North-West Provinces, is of opinion that the audit of the Railway Auditor and of the Government of Auditor should be common and concurrent; that the latter should be altogether independent of the Consulting Engineer; and that, moreover, there should be a "half-yearly audit of accounts by two Auditors independent alike of Government and of the Railway."

8. Colonel Strachey would leave the entire responsibility of preparing and checking the accounts on the Railway Authorities, but reserving to the Government full power of inspection and audit through "a separate Auditor, apart from the Consulting Engineer." He considers that the principle observed in every other branch of the Administration should be applied to the Railways, viz., that "which requires the submission of the expenditure sanctioned by any Executive Officer to an external authority for final audit and control." He would have the Government Auditor "to see that all cash brought to credit from all sources by the Railway Company, was fully accounted for in the Abstracts—to watch the posting of the Ledgers from the passed Abstracts, and to see that all the items were properly checked and kept in view, and necessary recoveries made and brought to credit to cover disallowed charges"—so that "the books in the Railway Office would, in the nature of things, be the correct and final accounts of the Railway Company, as passed by the Government."

9. The opinions just quoted apparently agree in one point, viz., as to the necessity for some sort of final review of Railway expenditure on the part of the Government. The pre-authorization by the Consulting Engineer, however important and useful, involves one, a check upon the estimates of expenditure; but a check, to be complete and effective must be applied to facts rather than to estimates, i. e., to the record and evidences of payment after the money has been disbursed.

10. The Government of India, in transferring the accounts to the Accountant General in the Department of Public Works, have practically decided the question as to who shall audit the Railway accounts, and the only point remaining to be determined is the precise form and scope of the audit, so that it shall be effective without involving that vexatious interference with details which would impair the responsibility of the Railway Auditor.

11. These conditions would, perhaps, be best fulfilled by making the audit of the Accountant General an *appropriation audit*, leaving the *detailed audit* with the Railway Auditor. This is, in effect, the plan on which the audit of the most important public accounts in England is conducted, and which may be described in a very few words.

12. The detailed audit of the accounts of the great Public Departments (viz., the War Office, Admiralty, and Post Office) is conducted by the Accountants General of those Departments respectively; the appropriation audit is conducted by an external and independent authority, viz, the Board of Audit.*

* It has been proposed to extend the appropriation audit to the miscellaneous Civil Services, which are at present subjected only to a detailed audit.

13. The detailed audit deals with questions as to the validity of acquittances and other evidences of payments, authority for payments, rates, computations, and such like, and is in fact designed to guard against any charge being debited to the public that is not vouched and drawn in accordance with Departmental Regulations, and supported by proper authorities. The delegation of this duty to a Departmental Officer thoroughly conversant with the rules, business details, and traditions of the Department, ensures an intelligent practical examination of the accounts, and further has the effect of throwing the entire responsibility for the expenditure upon the Department incurring it.

14. The examination by the Audit Board is designed with the view of ascertaining, in a more enlarged sense, whether the annual grants to the various Public Departments have been duly applied to the particular purposes, and to none other than those sanctioned by Parliament, and is mainly in the nature of an enquiry into the classification of the various services. The appropriation audit commences only when that of the Departmental Auditor has ceased—at whatever stage of the record it might be—and the Officers of the Audit Board thus enter upon their duties uncompromised and unbiassed, and free to point out whatever they may discover amiss in matters of appropriation.

15. The appropriation audit is conducted, concurrently with the record of the account, by Examiners deputed by the Audit Board. The primary record of every item of receipt and expenditure in the Departmental Books is checked by the Examiner with the voucher on which it is founded; he sees that the voucher bears upon its face evidence of examination and allowance by the Departmental Auditor; that it is in every respect sufficient to warrant its being carried to the account as a final payment; that it is endorsed with a full and sufficient discharge by the persons entitled to receive the amount. But he has nothing to do with the Departmental rules applicable to the charge, nor is it his business to interfere with the detailed audit in any way. In short, his function is to see that the transactions which have passed the Departmental ordeal are in proper form, and are carried to the proper heads of service.

16. After the first entry in the books has thus been checked, the transaction is traced through the Journal into the Ledger, and finally into the Balance Sheet.

17. If any error or irregularity be discovered, the Examiner notes the fact in his diary, and if it be the result of oversight, or contravening some well recognized rule or principle, it is pointed out to the Accountant General of the Department concerned, who causes the necessary corrections to be made. But if the Examiner have reason to suppose that the error is not due to inadvertence, or if it seem to involve any point upon which definite instructions have not been given, he reports the case to the Audit Board, who decide what further steps should be taken in the matter in accordance with the Act (IX and X Vic., Cap. 92, Section 5). The Board are informed periodically of the errors noticed by the Examiners, which appeared too unimportant for special report, and upon which no controversy had arisen.

18. The Examiners also prepare monthly, from the Departmental Journals, an epitome of the sums recorded to the debit and credit of the several votes, and an abstract of the net amount credited to Exchequer Receipts, as compared with the amount actually paid over to the Exchequer.

19. The system of audit above described seems quite applicable, in its main principles, to the accounts of Indian Railways, and it would be difficult perhaps to find a better mode for establishing a check which shall be effective, without that interference in details of which the Railway Authorities have so long complained. Of course, in carrying out this check, discretion, good temper, and courtesy on the part of the Officers of the Government, as well as of the Railway, will be indispensable, but with the exercise of these qualities, the arrangement may be made to work smoothly and usefully, as in the great Public Departments in England.

20. These suggestions are approved by the Consulting Engineers in Bengal and the North Western Provinces, by the Agent and Deputy Agent of the Railway Company, and by the Railway Chief Auditor. If adopted by the Government, the necessary instructions may at once issue for the prosecution of the audit on the basis here recommended. It is an essential part of the scheme that the audit be made on the Books of the Railway Agents. This will save the time and labour occupied in the preparation of the elaborate accounts heretofore rendered to the Treasury, and the check will be far more effective upon the original record than through copies of accounts prepared expressly for examination. It is desirable, however, that the Accountant General, Public Works Department, should be furnished with copies of the Monthly Abstracts of receipt and expenditure rendered by the Agents to the Home Boards of the several Railway Companies.

21. But, besides the audit, other functions belong to the Accountant General in the Civil Department who has heretofore dealt with the Railway Accounts viz., the provision of funds to Agents, and the record of the receipts and payments on account of Railways through Government Treasuries It will be for the Government to determine whether these functions should

now devolve upon the Accountant General, Public Works Department, in order to afford him that complete knowledge of Railway transactions which is necessary to his efficiency as Auditor.

22. Applications for funds from the Agents of the several Railway Companies are passed, first, by the Government Consulting Engineer, then by the Financial Department, whence authority is conveyed to the Bank of Bengal to make the required payments; intimation of such sanction being at the same time made to the Accountant General in the Civil Department. Applications for Railway post bills on provincial treasuries are passed on the authority of the Accountant General.

23. If such applications are to be dealt with by the Accountant General in the Public Works Department, it would still be necessary to consult the Civil Department as to the requisite funds being available in the Bank or treasuries, and the course of proceeding would be somewhat analogous to that at present followed by the Public Works Department, in communication with the Civil Accounts Department, in the authorization of advances for Public Works.

24. With regard to the accounts, as between the Government and the several Railway Companies, it need hardly be observed that the record on the Government Books is an essentially different thing from the record on the Books of the Railway Agents. The former exhibit the advances to the Railway Agents, (or, more correctly speaking, the re-payments in India of sums paid at the Bank of England by the Railway Companies to credit of the Secretary of State for India) the Customs duty on materials and stores imported, payments of guaranteed interest on capital, and the like. There are also entries to the Credit or of the account for Railway shares paid in India, post bills cancelled, duty remitted—and the balance of the account is transferred to "London" at the close of each year. The Revenue Accounts are kept distinct, being credited with the traffic earnings and debited with the working expenses, and the balances are likewise transferred to "London" at the close of each year. The record on the Government Books is, therefore, in the nature of a Banker's account. The record of the actual expenditure, or appropriation, appears only on the books of the Railway Agents.

25. Since the receipts and payments on account of Railways are made through the Bank of Bengal or provincial treasuries, it follows that the transactions must, in the first instance, be recorded on the Books of the Civil Department; if they are to be brought upon the books of the Accountant General, Public Works Department, they will necessarily be treated in the books of the Civil Department as a *remittance* to the Public Works Department (Railways), and the adjustment to London account will be made on the books of the latter Department. This is a question for the opinion of the English Commissioners of Accounts. It has to be considered, also, in connection with the Railway in the Punjab, Scinde, Madras, and Bombay, as well as the Railways in Bengal, to which this Memorandum more especially refers.

26. The Government expenditure on Railways, as, for example, charges on account of compensation for land, controlling and supervising Establishments, loss on exchange, are paid out of the general Budget allotment for Public Works, and constitute a distinct account in the Books of the Civil Department. These transactions will, it is presumed, be incorporated in the books of the Public Works Department.

27. The whole of the receipts and payments on account of Railways in Bengal, from their commencement in 1850 to the present time, have been carefully collated from the general books of the Government of India, and arranged in the tabular statements herewith submitted.

28. The important changes, mentioned in the 1st paragraph of this Memorandum, having taken effect in the beginning of this year, and the construction accounts of the Railway Agent having been placed on a new and improved footing from the 1st of March, it is proposed that the audit of the construction accounts should be transferred to the Accountant General, Department of Public Works, from 1st March, and of the Revenue Accounts (in which there has been no change) from the 1st January 1864. The Returns to the Financial Department and the Secretary of State for India, heretofore prepared by the Accountant General in the Civil Department, will be rendered by the Accountant General Public Works Department from such date as may be ordered.

29. The decision of Government on the several questions here submitted will necessarily determine the extent and cost of the Establishment that will be required by the Accountant General in the Department of Public Works, for dealing with the Railway Accounts. The Establishment at present allowed to the Accountant General in the Civil Department is as follows :—

One Assistant	...	...	...	...	Rs.	200 per month.
One "	...	...	...	...	"	50 "
One "	...	...	...	...	"	25 "
					Rs.	275 "

No. 1.

Abstract of entries in the General Books of the Government of India, relating to transactions with the East Indian Railway Company (Construction Account), from the commencement to the 30th April 1864.

EXPERIMENTAL, EXTENSION, AND MAIN LINE.

Dr.

Year.	To Advances to the Company's Agent in Cash and Bills.	To Payments by Government for Guaranteed Interest on Capital.	To Customs Duty on materials imported.	To London for balance of account transferred.	Total.	Shares paid in India.	By Refunds and Bills cancelled.	By Sale proceeds of the East Indian Railway Company's Steamers.	By London for balance of account transferred.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1850-51..	8,15,000 0 0	.....	.....	21,590 11 8	8,36,590 11 8	8,36,590 11 8	.....	.....	.....	8,36,590 11 8
1851-52..	15,65,000 0 0	9,190 7 11	.....	.....	15,74,190 7 11	2,34,725 7 0	.....	.....	13,39,465 0 11	15,74,190 7 11
1852-53..	20,52,141 15 7	13,147 7 11	8,807 5 6	.....	20,73,096 13 0	50,984 15 5	1,99,318 10 10	.....	18,22,796 2 9	20,73,096 13 0
1853-54..	31,67,148 6 5	12,443 5 0	59,422 7 6	.....	32,39,014 2 11	62,347 14 10	.....	.....	31,76,666 4 1	32,39,014 2 11
1854-55..	58,06,410 6 5	18,137 13 10	84,944 4 6	.....	59,09,492 8 9	9,21,741 2 10	.....	.....	49,87,751 5 11	59,09,492 8 9
1855-56..	1,08,39,940 13 9	55,960 1 4 A	3,79,629 9 6 B	.....	1,12,75,530 8 7	4,21,426 14 8	.....	.....	1,08,54,103 9 11	1,12,75,530 8 7
1856-57..	95,63,755 5 11	1,34,393 2 3 A	3,63,766 15 9	.....	1,00,61,915 7 11	3,15,998 7 1	.....	.....	97,45,917 0 10	1,00,61,915 7 11
1857-58..	1,00,08,785 12 11	56,890 11 7 A	2,76,069 2 11	.....	1,03,41,745 11 5	1,41,027 6 6	2,29,113 9 6	.....	99,71,605 11 5	1,03,41,745 11 5
1858-59..	2,21,20,198 15 3	.....	2,13,997 8 0	.....	2,23,33,196 7 2	68,436 10 1	58,001 12 6	.....	2,22,16,758 0 7	2,23,33,196 7 2
1859-60..	2,58,54,172 13 1	47,488 8 9 A 1,97,814 5 4	3,89,517 12 6	.....	2,64,88,993 7 8	26,127 4 7	1,97,506 5 1	2,83,904 0 1	2,59,81,455 13 4	2,64,88,993 7 8
1860-61..	2,33,58,008 14 3	94,454 3 11	3,84,426 5 3	.....	2,37,36,889 7 5	13,145 7 11	89,401 0 10	.....	2,36,34,342 14 8	2,37,36,889 7 5
1861-62..	2,15,88,971 6 3	93,273 4 6	5,44,323 0 3	.....	2,22,26,572 10 11	18,229 0 4	33,527 8 0	.....	2,21,74,816 2 7	2,22,26,572 10 11
1862-63..	1,46,09,142 8 0	94,419 14 0	2,96,422 5 1	.....	1,49,99,984 11 1	38,618 0 1	8,85,225 0 0	.....	1,40,76,141 11 0	1,49,99,984 11 1
1863-64..	77,34,050 8 0	1,13,584 3 2	1,16,985 1 7	.....	79,64,619 12 9	1,78,406 14 11	1,017 8 0	8,74,758 4 0	69,10,437 1 10	79,64,619 12 9
Total...	15,84,83,727 13 8	9,40,197 9 6	31,17,316 14 4	21,590 11 8	16,25,61,833 1 2	23,17,806 5 11	16,98,107 6 9	11,58,662 4 8	15,08,92,256 15 10	16,25,61,833 1 2

Cr.

A. These items were adjusted on the General Books directly to debit of "Account Current, London."
B. Inclusive of Rs. 4,377-5-6 on account of duty refunded, but not adjusted on the General Books.

No. 2.

Abstract of entries in the General Books of the Government of India, relating to transactions with the East Indian Railway Company (Construction Account), from the commencement to the 30th April 1864.

Dr. JUBBULPOOR LINE. Cr.

Year.	To Advances to the Company's Agent in Cash and Bills.	To Payments by Government for guaranteed interest on Capital.	To Customs duty on materials imported.	To London for balance of Account transferred.	Total.	By Shares paid in India.	By Refunds and Bills cancelled.	By London for balance of Account transferred.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1858-59	.....	.....	.....	36,410 0 2	36,410 0 2	36,410 0 2	.....	.....	36,410 0 2
1859-60	2,82,813 13 1	A. 1,111 5 8 B. 933 4 9	21,072 3 0	....	3,05,930 9 6	14,072 11 9	8,140 0 0	2,83,717 13 9	3,05,930 9 6
1860-61	2,77,618 13 0	2,840 2 2	43,568 14 9	.....	3,27,027 12 11	32,808 1 7	2,045 0 0	2,92,174 11 4	3,27,027 12 11
1861-62	74,825 0 0	4,541 9 9	43,813 14 0	....	1,22,880 7 9	.....	.....	1,22,880 7 9	1,22,880 7 9
1862-63	5,01,501 4 0	6,843 10 6	2,232 15 4	.....	5,10,077 13 10	....	.....	5,10,077 13 10	5,10,177 13 10
1863-64	42,01,775 0 0	7,509 14 2	.....	.....	42,99,284 14 2	327 4 0	30,525 0 0	42,68,432 9 10	42,99,284 14 2
Total.....	54,28,538 13 1	23,279 15 0	1,13,387 14 1	36,410 0 2	56,01,611 10 4	83,618 1 10	40,710 0 0	54,77,283 8 6	56,01,611 10 4

A. Debited on General Books, direct to "Account Current, London."
B. Of this sum Rs. 66-10-5 were adjusted to Debit of Main Line, but are here included under Jubbulpoor Line, to which account the amount appertains.

No. 3.

Abstract of entries in the General Books of the Government of India, relating to transactions with the Eastern Bengal Railway Company (Construction Account), from the commencement to the 30th April 1864.

Dr. EASTERN BENGAL LINE. Cr.

Year.	To Advances to the Company's Agent in Cash.	To Payments by Government for guaranteed interest on Capital.	To Customs duty on materials imported.	Total.	By Shares paid in India.	By London for balance of account transferred.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1858-59	1,60,000 0 0	.....	.....	1,60,000 0 0	28,743 13 9	1,31,256 4 3	1,60,000 0 0
1859-60	8,25,000 0 0	1,430 7 3	1,08,017 1 6	9,34,437 8 9	545 6 8	9,33,891 2 1	9,34,437 8 9
1860-61	17,40,000 0 0	1,963 6 8	A. 2,32,809 6 9	19,74,772 13 5	51,561 9 0	19,23,211 4 5	19,74,772 13 5
1861-62	24,00,000 0 0	3,850 3 7	99,786 3 0	25,03,636 6 7	20,195 4 3	24,83,441 2 4	25,03,636 6 7
1862-63	21,70,000 0 0	3,681 13 11	93,505 2 0	22,67,186 15 11	....	22,67,186 15 11	22,67,186 15 11
1863-64	9,50,000 0 0	3,687 4 5	8,126 5 0	9,56,813 9 5	....	9,56,813 9 5	9,56,813 9 5
Total... ..	82,65,000 0 0	14,583 3 10	5,37,234 2 3	88,16,837 6 1	1,00,961 15 10	87,15,875 6 3	88,16,837 6 1

A. Includes the sum of Rs. 4,753 9 9 on account of duty refunded, but not adjusted on the General Books.

No. 4.

Abstract of entries in the General Books of the Government of India, relating to transactions with the Calcutta and South-Eastern Railway Company (Construction Account), from the commencement to the 30th April 1864.

Dr. CALCUTTA AND SOUTH-EASTERN LINE. Cr.

Year.	To Advances to the Company's Agent in Cash.	To Payments by Government for guaranteed interest on Capital.	To Customs Duty on materials imported.	To London for balance of account transferred.	Total.	By Shares paid in India.	By London for balance of account transferred.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1858-59	13,000 0 0	.....	.....	18,933 9 9	31,933 9 9	31,933 9 9	.....	31,933 9 9
1859-60	3,10,000 0 0	1,298 11 3	44,613 9 9	.....	3,55,912 5 0	7,500 0 0	3,48,412 5 0	3,55,912 5 0
1860-61	7,50,000 0 0	2,740 10 1	55,913 0 0	.....	8,08,653 10 1	1,70,660 8 7	6,37,993 1 6	8,08,653 10 1
1861-62	8,50,000 0 0	10,021 15 0	29,776 13 0	.....	8,89,798 12 0	.....	8,89,798 12 0	8,89,798 12 0
1862-63	5,25,000 0 0	13,918 2 1	3,459 6 0	.....	5,42,407 8 1	3,974 1 3	5,38,433 6 10	5,42,407 8 1
1863-64	2,66,000 0 0	13,958 5 6	6,323 12 0	.....	2,86,282 1 6	.....	2,86,282 1 6	2,86,282 1 6
Total.....	27,14,000 0 0	41,967 11 11	1,40,086 8 9	18,933 9 9	29,14,987 14 5	2,14,068 3 7	27,00,919 10 10	29,14,987 14 5

No. 5.

Abstract of entries in the General Books of the Government of India, relating to transactions connected with the Revenue Account of the East Indian Railway Company from the commencement to the 30th April 1864.

Dr. REVENUE ACCOUNT, E. I. RAILWAY. Cr.

Year.	To Working Charges.	To Net Revenue transferred to London.	To Balance.	Total.	By Traffic Receipts.	By Balance.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1854-55	75,845 12 1	.....	1,09,942 13 5	1,85,788 9 6	1,85,788 9 6	.....	1,85,788 9 6
1855-56	3,26,017 0 2	3,40,937 13 8	1,37,717 13 6	8,04,672 11 4	8,04,672 11 4	.....	8,04,672 11 4
1856-57	4,23,636 14 3	6,22,473 8 8	75,002 4 3	11,21,112 11 2	11,21,112 11 2	.....	11,21,112 11 2
1857-58	6,04,502 8 4	4,38,712 0 7	3,97,040 13 9	14,40,255 5 8	14,40,255 5 8	.....	14,40,255 5 8
1858-59	8,54,130 7 4	13,74,095 15 11	.....	22,28,226 7 3	20,56,745 13 4	1,71,480 9 11	22,28,226 7 3
1859-60	5,29,145 8 2	.....	27,93,693 6 8	33,21,838 14 10	33,21,838 14 10	.....	33,21,838 14 10
1860-61	17,13,713 13 5	.....	24,51,005 7 10	41,64,719 5 3	41,64,719 5 3	.....	41,64,719 5 3
1861-62	17,46,931 14 8	7,76,400 6 2	18,76,445 10 10	44,17,777 15 8	44,17,777 15 8	.....	44,17,777 15 8
1862-63	35,30,771 13 11	7,40,180 13 1	30,54,858 4 7	73,25,810 15 7	73,25,810 15 7	.....	73,25,810 15 7
1863-64	54,35,692 12 4	89,73,841 3 5	.....	1,44,59,533 15 9	1,05,04,511 10 3	39,55,022 5 6	1,44,59,533 15 9
Total	1,53,08,388 8 8	1,32,66,641 13 6	1,08,94,706 9 10	3,94,69,737 0 0	3,53,43,234 0 7	41,26,502 15 5	3,94,69,737 0 0

No. 6.

Abstract of entries in the General Books of the Government of India, connected with the Revenue Account of the Calcutta and South Eastern Railway Company, from the commencement to the 30th April 1864.

Dr. REVENUE ACCOUNT, CALCUTTA AND S. E. RAILWAY. Cr.

Year.	To Working Charges.	To Balance.	Total.	By Traffic Receipts.	Total.	
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1861-62	.....	8,457 11 0	8,457 11 0	8,457 11 0	8,457 11 0	
1862-63	.....	28,910 7 10	28,910 7 10	28,910 7 10	28,910 7 10	
1863-64	.....	49,383 11 9	49,383 11 9	49,383 11 9	49,383 11 9	
Total.....	.....	86,751 14 7	86,751 14 7	86,751 14 7	86,751 14 7	

No. 7.

Abstract of entries in the General Books of the Government of India, connected with the Revenue Account of the Eastern Bengal Railway Company from the commencement to the 30th April 1864

Dr. REVENUE ACCOUNT, EASTERN BENGAL RAILWAY. Cr.

Year.	To Working Charges.	To *Net Revenue transferred to London.	To Balance.	Total.	By Traffic Receipts.	Total.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1862-63	.....	.....	2,68,604 9 9	2,68,604 9 9	2,68,604 9 9	2,68,604 9 9	
1863-64	5,87,723 1 10	2,15,974 0 11	2,04,302 1 10	10,08,004 4 7	10,08,004 4 7	10,08,004 4 7	
Total.....	5,87,723 1 10	2,15,974 0 11	4,72,906 11 7	12,76,608 14 4	12,76,608 14 4	12,76,608 14 4	

Proceedings of the Madras Government, Public Works Department, 17th October 1865.

No. 410. ORDER THEREON, 17th October 1865, No. 3,093.

RAILWAY, No. 35. Communicated to the Consulting Engineer, for Railways, with reference to his letter No. 398, dated 15th August 1865.

(True Extract.)

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

To the Consulting Engineer for Railways.
" Accountant General.

Rd. S. T. Augustin.

Draft Rules for Government Authorization and Audit of East Indian Railway Revenue and Expenditure.

I. All authorizations of expenditure shall be recorded at official meetings to be attended on behalf of the Government by the Consulting Engineer for Bengal, whose signature should attest all such sanctions. The Consulting Engineer for the North Western Provinces may under the orders of the Local Government, and under the rules referred to in clause V, attend any official meetings. Copies of all the proceedings at such meetings should be regularly submitted to the Governments of Bengal and the North Western Provinces.

II. All proposals connected with construction of works or rolling stock after general approval by the Agent, to be duly certified, shall be laid by the Head of the Constructive Department of the Province to which they refer, before the Consulting Engineer of that Province, who under the orders of his Government will finally dispose of the same. Sanctions thus given in the North Western Provinces will be sent to Calcutta for formal record of the authorization at an official meeting as laid down in clause I. Bengal sanctions will be thus dealt with in ordinary course.

III. Proposals relating to the establishments employed in the general management of the whole line will be dealt with solely under the orders of the Lieutenant Governor of Bengal, but copies of the proceedings at the official meeting authorizing any new arrangements or modifications of old ones should be sent to the Government, North Western Provinces, for infomation and to admit of any representations thought proper being made by that Government.

The following are the establishments that fall under this head :—

Agent's Office.	Traffic Manager.
Auditor's Office.	Locomotive Superintendent.
Stores Department.	Telegraph Superintendent.

IV. Proposals relating to the local establishments in either Province will in the first place be laid by the Agent before the Consulting Engineer of the Province concerned, and he will convey the decision of the Government on the subject to the Agent. If such decision be objected to by the Agent as not being in conformity with the general system that should be adopted on the whole line the matter will be considered by the two Consulting Engineers in personal communication, and if they concur (under he orders of their Governments) in any recommendation it will be final.

A continued difference of opinion that cannot be reconciled should be reported to the Government of India. The final and formal authorization will be given at an official meeting as in clause II.

V. The Consulting Engineers for Bengal and North Western Provinces will, as early as possible, reconsider in communication with one another and the Agent, all the local arrangements and establishments with a view to the adoption of an uniform system, so far as the local requirements will admit of it. The system under which the working and maintenance of the whole line is carried on, and the system under which Government sanction is given to proposals, should be assimilated in like manner on the general basis of the procedure laid down in clauses I to IV, and such subsidiary rules as may seem suitable should be drawn up on these matters, which after consulting the Agent, and on approval by the Lieutenant Governors of Bengal and North Western Provinces, should be adopted for future guidance. Future modifications of these rules should be made in a similar manner.

VI. The Agent on all occasions will preserve his right of appeal to the Government of India.

VII. The only sanction to expenditure of any sort required by the Government previous to the disbursements will be the authorization, and no Government pre-audit will be made.

VIII. A post-audit of the actual receipts and disbursements both for the Revenue and Capital Accounts will be made by the Consulting Engineer in Bengal, both for Bengal and the North Western Provinces, on the detailed accounts prepared by the Railway Auditor. As regards the expenditure this detailed post-audit will be carried on in such a manner as shall best provide for the speedy disposal of all charges, and as far as possible on the original documents as drawn out in the Railway Auditor's Office, and shall be based on a comparison of the total expenditure as certified by the Railway Auditor (which may as a rule be accepted by the Consulting Engineer without check of the arithmetical processes), with the authorizations. The Consulting Engineer to the Government of Bengal may pass all charges whether for Bengal or North Western Provinces in excess of the authorizations to the extent of 10 per cent. on his own authority, and, subject to the special orders of the Bengal Government, may pass any excess relating to charges for Bengal, or the general management. Excesses beyond 10 per cent., or doubtful matters relating to the North Western Provinces, should be referred to the Consulting Engineer of that Government. The Consulting Engineer in Bengal will have a Deputy specially placed under him for the performance of these duties.

IX. A general appropriation audit of the Railway Books will be carried on simultaneously with the above detailed audit, under the orders of the Accountant General in the Public Works Department, independently of the Consulting Engineer. This audit will be for the purpose of verifying the account operations, and generally checking the authorities for charges. The audits of the Deputy Consulting Engineer will be taken as final in all cases excepting where the authority seems insufficient. All questions arising on the appropriation audit will be referred back to the Consulting Engineer, and if needful to the Local Government. Any continued difference of opinion between the Accountant General, Public Works Department, and the Local Governments or the Railway Agent, will be referred to the Government of India. The final certificate of audit will be given by the Accountant General in the Public Works Department.

X. The Government accounts with the Railway Company to be kept by the Accountant General, Department Public Works, will show on the one side all cash advances to the Railway Company, sums payable as Customs duty, payment on account of guaranteed interest, and the like. On the other side the audited expenditure as finally certified by the Accountant General, and cash payments per contra, or on account of capital, &c., will appear. These accounts will show separately the Capital and Revenue Accounts. It will be left to the Accountant General to determine the form of these accounts in communication with the Railway Auditor, subject to final approval in the Financial Department. Half-yearly entries of the expenditure as passed on the final audit will probably suffice.

XI. The cash transactions of the Railway Agent will be checked by the Accountant General, Public Works Department, in communication with the Accountant General in the Civil Department, on the same general principles as in dealing with the expenditure of the ordinary Public Works Department.

XII. A Deputy Consulting Engineer will be appointed under the Government of Bengal for the special purpose of inspecting the open line of Railway both in Bengal and the North Western Provinces. The reports of this Officer will go to both Governments, and no action requiring the sanction of Government in matters relating to the North Western Provinces section of the line will be taken without the assent of the Consulting Engineer of that Government as provided in Clauses II and V.

(Signed) R. STRACHEY, *Colonel, R. E.,*
Secy. to the Govt. of India.

Dated 24th July, 1864.

Note by G. W. Kittoe, Esq., *on the Audit of the Railway Accounts.*

The abolition of the Railway Cash Offices and concentration of payments in a Central Office—the pre-authorization of expenditure by the Government Consulting Engineer in concert with the Railway Authorities—and the audit of the expenditure by a Special Railway Auditor—having been finally arranged, it remains to determine what further financial control on the part of the Government is necessary.

2. The weekly meetings of the Government and Railway Officers, for the purpose of authorizing expenditure, were suggested by the Home Board of the East Indian Railway Company in September 1862, on which occasion the Board urged that the audit of their own Officers and of the Officers of the Government should be common and concurrent, so as to release the Directors from their responsibility to the Company, and the Company from its liabilities to the Government, in respect to the account periodically submitted to the share-holders. In a subsequent letter to the Secretary of State for India, dated 16th July 1863, the Board express a hope in reference to the proposal of the Government of India for the appointment of a Special Auditor of Railway Accounts, "that no arrangement will be made which can possibly interfere with the responsibility of the Railway Auditor."

3. The Secretary of State for India enjoined that the Government control should be complete and minute, without that vexatious and useless interference which destroys responsibility; that, whilst the responsibility of the Railway Agent should not be impaired, the expenditure of the advances made to him by the Government "ought to be accounted for and audited by the Railway Authorities, and then by the Officers of Government, as speedily as possible."

4. Mr. Taylor is of opinion that the Government control should not stop short at authorization, and that the authorization should be followed by "an intelligent review of actual results when the expenditure is finally approved and passed, such review serving to bring again under consideration what was defective in the authorization, and embracing, moreover, those cases for which no authorization could have been given." Mr. Taylor holds that the final review, as well as the authorization, should rest with the Consulting Engineer.

5. Mr. Deacon, in his Minute of 15th February 1864, observes that the only real check consists in a strict system of pre-authorization, such as now prevails, combined with independent audit by an Officer of the Company, and a general examination and control of the accounts by the Government through the Consulting Engineer.

6. Captain Taylor, the Consulting Engineer to the Government of Bengal, observes—"A final operation remains to give the Company's Officers an acquittance in full of the obligations of the contract. This is the monthly audit of the Agent's books, and here I solicit that an independent element may be introduced." He proposes that there should be a Special Auditor for this work, and that "the granting or conditional withholding of this audit should be the crucial test of the integrity of the Company's financial operations."

7. Major Drummond, the Consulting Engineer to the Government of the North-West Provinces, is of opinion that the audit of the Railway Auditor and of the Government Auditor should be common and concurrent; that the latter should be altogether independent of the Consulting Engineer; and that, moreover, there should be a "half-yearly audit of accounts by two Auditors independent alike of Government and of the Railway."

8. Colonel Strachey would leave the entire responsibility of preparing and checking the accounts on the Railway Authorities, but reserving to the Government full power of inspection and audit through "a separate Auditor, apart from the Government Consulting Engineer." He considers that the principle observed in every other branch of the Administration should be applied to the Railways, viz., that "which requires the submission of the expenditure sanctioned by any Executive Officer to an external authority for final audit and control." He would have the Government Auditor "to see that all cash brought to credit from all sources by the Railway Company, was fully accounted for in the Abstracts—to watch the posting of the Ledgers from the passed Abstracts, and to see that all the items were properly checked and kept in view, and necessary recoveries made and brought to credit to cover disallowed charges"—so that "the books in the Railway Office would, in the nature of things, be the correct and final accounts of the Railway Company, as passed by the Government."

9. The opinions just quoted apparently agree in one point, viz., as to the necessity for some sort of final review of Railway expenditure on the part of the Government. The

pre-authorization by the Consulting Engineer, however important and useful, involves one, a check upon the estimates of expenditure; but a check, to be complete and effective must be applied to facts rather than to estimates, i. e., to the record and evidences of payment after the money has been disbursed.

10. The Government of India, in transferring the accounts to the Accountant General in the Department of Public Works, have practically decided the question as to who shall audit the Railway accounts, and the only point remaining to be determined is the precise form and scope of the audit, so that it shall be effective, without involving that vexatious interference with details which would impair the responsibility of the Railway Auditor.

11. These conditions would, perhaps, be best fulfilled by making the audit of the Accountant General an *appropriation audit*, leaving the *detailed audit* with the Railway Auditor. This is, in effect, the plan on which the audit of the most important public accounts in England is conducted, and which may be described in a very few words.

12. The detailed audit of the accounts of the great Public Departments (viz., the War Office, Admiralty, and Post Office) is conducted by the Accountants General of those Departments respectively; the appropriation audit is conducted by an external and independent authority, viz., the Board of Audit.*

13. The detailed audit deals with questions as to the validity of acquittances and other evidences of payments, authority for payments, rates, computations, and such like, and is in fact designed to guard against any charge being debited to the public that is not vouched and drawn in accordance with Departmental Regulations, and supported by proper authorities. The delegation of this duty to a Departmental Officer thoroughly conversant with the rules, business details, and traditions of the Department, ensures an intelligent practical examination of the accounts, and further has the effect of throwing the entire responsibility for the expenditure upon the Department incurring it.

14. The examination by the Audit Board is designed with the view of ascertaining, in a more enlarged sense, whether the annual grants to the various Public Departments have been duly applied to the particular purposes, and to none other than those sanctioned by Parliament, and is mainly in the nature of an enquiry into the classification of the various services. The appropriation audit commences only when that of the Departmental Auditor has ceased—at whatever stage of the record it might be—and the Officers of the Audit Board thus enter upon their duties uncompromised and unbiassed, and free to point out whatever they may discover amiss in matters of appropriation.

15. The appropriation audit is conducted, concurrently with the record of the account, by Examiners deputed by the Audit Board. The primary record of every item of receipt and expenditure in the Departmental Books is checked by the Examiner with the voucher on which it is founded; he sees that the voucher bears upon its face evidence of examination and allowance by the Departmental Auditor; that it is in every respect sufficient to warrant its being carried to the account as a final payment; that it is endorsed with a full and sufficient discharge by the persons entitled to receive the amount. But he has nothing to do with the Departmental rules applicable to the charge, nor is it his business to interfere with the detailed audit in any way. In short, his function is to see that the transactions which have passed the Departmental ordeal are in proper form, and are carried to the proper heads of service.

16. After the first entry in the books has thus been checked, the transaction is traced through the Journal into the Ledger, and finally into the Balance Sheet.

17. If any error or irregularity be discovered, the Examiner notes the fact in his diary, and if it be the result of oversight, or contravening some well recognized rule or principle, it is pointed out to the Accountant General of the Department concerned, who causes the necessary corrections to be made. But if the Examiner have reason to suppose that the error is not due to inadvertence, or if it seem to involve any point upon which definite instructions have not been given, he reports the case to the Audit Board, who decide what further steps should be taken in the matter in accordance with the Act (IX and X Vic., Cap. 92, Section 5). The Board are informed periodically of the errors noticed by the Examiners, which appeared too unimportant for special report, and upon which no controversy had arisen.

18. The Examiners also prepare monthly, from the Departmental Journals, an epitome of the sums recorded to the debit and credit of the several votes, and an abstract of the net amount credited to Exchequer Receipts, as compared with the amount actually paid over to the Exchequer.

19. The system of audit above described seems quite applicable, in its main principles, to the accounts of Indian Railways, and it would be difficult perhaps to find a better mode

* It has been proposed to extend the appropriation audit to the miscellaneous Civil Services, which are at present subjected only to a detailed audit.

In establishing a check which shall be effective, without that interference in details of which the Railway Authorities have so long complained. Of course, in carrying out this check, discretion, good temper and courtesy on the part of the Officers of the Government, as well as of the Railway, will be indispensable, but with the exercise of these qualities, the arrangement may be made to work as smoothly and usefully, as in the great Public Departments in England.

20. These suggestions are approved by the Consulting Engineers in Bengal and the North Western Provinces, by the Agent and Deputy Agent of the Railway Company, and by the Railway Chief Auditor. If adopted by the Government, the necessary instructions may at once issue for the promotion of the audit on the basis here recommended. It is an essential part of the scheme that the audit be made on the Books of the Railway Agents. This will save the time and labour occupied in the preparation of the elaborate accounts heretofore rendered to the Treasury, and the check will be far more effective upon the original record than through copies of accounts prepared expressly for examination. It is desirable, however, that the Accountant General Public Works Department, should be furnished with copies of the Monthly Abstracts of receipts and expenditure rendered by the Agents to the Home Boards of the several Railway Companies.

21. But, besides the audit, other functions belong to the Accountant General in the Civil Department who has heretofore dealt with the Railway Accounts, viz., the provision of funds to Agents, and the record of the receipts and payments on account of Railways through Government Treasuries. It will be for the Government to determine whether these functions should now devolve upon the Accountant General, Public Works Department, in order to afford him that complete knowledge of Railway transactions which is necessary to his efficiency as Auditor.

22. Applications for funds from the Agents of the several Railway Companies are passed, first, by the Government Consulting Engineer, then by the Financial Department, whence authority is conveyed to the Bank of Bengal to make the required payments; intimation of such sanction being at the same time made to the Accountant General in the Civil Department. Applications for Railway post bills on provincial treasuries are passed on the authority of the Accountant General.

23. If such applications are to be dealt with by the Accountant General in the Public Works Department, it would still be necessary to consult the Civil Department as to the requisite funds being available in the Bank or treasuries, and the course of proceeding would be somewhat analogous to that at present followed by the Public Works Department, in communication with the Civil Accounts Department, in the authorization of advances for Public Works.

24. With regard to the accounts as between the Government and the several Railway Companies, it need hardly be observed that the record on the Government Books is an essentially different thing from the record on the Books of the Railway Agents. The former exhibit the advances to the Railway Agents, (or, more correctly speaking, the re-payments in India of sums paid at the Bank of England by the Railway Companies to credit of the Secretary of State for India) the Customs duty on materials and stores imported, payments of guaranteed interest on capital, and the like. There are also entries to the Creditor of the account for Railway shares paid in India, post bills cancelled, duty remitted—and the balance of the account is transferred to "London" at the close of each year. The Revenue Accounts are kept distinct, being credited with the traffic earnings and debited with the working expenses, and the balances are likewise transferred to "London" at the close of each year. The record on the Government Books is, therefore, in the nature of a Banker's account. The record of the actual expenditure, or appropriation, appears only on the books of the Railway Agents.

25. Since the receipts and payments on account of Railways are made through the Bank of Bengal or provincial treasuries, it follows that the transactions must, in the first instance, be recorded on the Books of the Civil Department; if they are to be brought upon the books of the Accountant General, Public Works Department, they will necessarily be treated in the books of the Civil Department as a *remittance* to the Public Works Department (Railways), and the adjustment to London account will be made on the books of the latter Department. This is a question for the opinion of the English Commissioners of Accounts. It has to be considered, also, in connexion with the Railway in the Punjab, Scinde, Madras, and Bombay, as well as the Railways in Bengal, to which this Memorandum more especially refers.

26. The Government expenditure on Railways, as, for example, charges on account of compensation for land, controlling and supervising Establishments, loss on exchange, are paid out of the general Budget allotment for Public Works, and constitute a distinct account in the Books of the Civil Department. These transactions will, it is presumed, be incorporated in the books of the Public Works Department.

27. The whole of the receipts and payments on account of Railways in Bengal, from their commencement in 1850 to the present time, have been carefully collated from the general books of the Government of India, and arranged in the tabular statements herewith submitted.

28. The important changes, mentioned in the 1st para. of this Memorandum, having taken effect in the beginning of this year, and the construction accounts of the Railway Agent having been placed on a new and improved footing from the 1st of March, it is proposed that the audit of the construction accounts should be transferred to the Accountant General, Department of Public Works, from 1st March, and of the Revenue Accounts (in which there has been no change) from the 1st January 1864. The Returns to the Financial Department and the Secretary of State for India, heretofore prepared by the Accountant General in the Civil Department, will be rendered by the Accountant General, Public Works Department, from such date as may be ordered.

29. The decision of Government on the several questions here submitted will necessarily determine the extent and cost of the Establishment that will be required by the Accountant General in the Department of Public Works, for dealing with the Railway Accounts. The Establishment at present allowed to the Accountant General in the Civil Department is as follows :—

One	Assistant	..	...	...	...	Rs.	200 per month.
One	"	...	...	...	...	"	50 "
One	"	...	...	...	..	"	25 "
						Rs.	275 "

239. D

No.——

PROCEEDINGS OF THE GOVERNOR GENERAL OF INDIA IN COUNCIL.

PUBLIC WORKS DEPARTMENT,
SIMLA, *29th September*, 1864.

Railway.

Government Control and Audit of the Revenue and Disbursements of the East Indian Railway.

Read the following papers :—

From the Government of India, No. [illegible], dated 9th April 1864, to the Government of Bengal.
From the Government of Bengal, No. 1620 T, dated 13th July 1864.
" Agent, East Indian Railway, No. 5060 G, dated 15th July 1864.
" the Government of North Western Provinces, No. 132 N, dated 25th July 1864.
" the Government of Bengal, No. 891, dated 25th July 1864.
" the Government of North Western Provinces, No. 390, dated 28th July 1864.
" the Government of North Western Provinces, Public Works Department, dated 24th July 1864.
Note by Assistant Accountant General, Public Works Department, dated 25th July, as modified under the Rules received with Bengal Government letter No. 891, dated 25th July, authorizing orders of the Government of India.

RESOLUTION.—The revised Draft Rules for the Government authorization and audit of Revenue and Expenditure on the East Indian Railway, prepared by the Consulting Engineers to the Governments of Bengal and North Western Provinces in pursuance of the general instructions contained in Government of India letter No. [illegible], dated 9th April, to the address of the Government of Bengal, received in letter No. 891, dated 25th July, and the various discussions on the subject and the opinions of the Lieutenant Governors of Bengal and the North Western Provinces, have been under the consideration of the Governor General in Council, and with some modifications the proposed Rules have been approved.

2. The Rules as amended will provide an efficient system of Government Financial control for the entire line of the East Indian Railway. They will enable the Agent to introduce at once the single and uniform audit for the whole line which has been ordered by the Board of Directors; and if carried into effect in the spirit in which they are conceived, seem likely to work without friction and to the satisfaction of all concerned.

3. The main points provided for are as follows :—

1st.—All authorizations, will be recorded, and the detailed audit of all expenditure will be conducted, by one Government Consulting Engineer at the head quarters of the Company's Agency. This will at once admit of the closing of the Audit Offices of the Deputy Agent and of the Consulting Engineer, North Western Provinces, at Allahabad, and no delay should be permitted in carrying this measure into effect.

2nd.—Sanctions for construction expenditure, when approved by the Agent, will be given by the Consulting Engineer of the Local Government within whose territory the expenditure will be incurred, but the formal record will be made at an official meeting by the Consulting Engineer to the Government of Bengal. If the Agent should at any time desire a change in the system of authorizing construction expenditure, the question must be discussed between him and the Local Government before it can be allowed.

3rd.—General establishments, so far as they are consolidated, will be dealt with by the Government of Bengal. Any further amalgamation or general modification of system, &c., that the Agent may desire, should be discussed by him with the Consulting Engineers of both Governments, but so long, and so far, as local establishments exist they will be regulated by the Local Government, the same general course of proceeding being followed, as is provided for construction expenditure.

4. The details of the system both of authorization and audit will be left to the Consulting Engineers to arrange, in communication with the Agent.

5. The Governor General in Council considers that all the larger salaries should be fixed in the authorization, whether the working charges are further limited by a mileage rate or not. Rs. 100 per mensem may perhaps be adopted as a minimum for the specific sanctions of salaries; and below that a lump sum may be adopted for minor establishments or otherwise, as seems best to the Local Officers. Where a mileage sanction is given for working charges it will not the less be necessary for the Deputy Consulting Engineer to scrutinize exactly the actual outlay under all heads to satisfy himself that all proper economy has been ensured.

6. As some misapprehension seems to prevail as regards the probable effect of requiring the Head of each Department to submit first of all, for the approval of the Agent, a detailed organization of his establishments, the Governor General in Council desires to remark that it would seem to be a mistake to suppose that responsibility is weakened by a systematic arrangement of this sort. It appears, on the contrary, to be an essential part of every well conducted Administration. Without needless interference in details it is desirable that the Chief of the Administration should be satisfied with the propriety of every measure which emanates from the Executive Heads of Departments, in order that he may have the means of preventing extravagance, irregularity or inaction. Undoubtedly the necessity of reporting his proceedings to his superiors tends to secure an Officer's strict adherence to duty.

7. Regarding the adoption of a mileage rate for authorization and audit of working expenses, the Governor General in Council would also add that, although such rates may be sufficient and useful for general purposes, they are not adapted to the immediate administration of the affairs of a Railway. The standard is too vague for the purposes of audit and account, which, to avoid delay and complication, should proceed upon the transactions as they occur. The review of general results, and their comparison with those of other Railways by a mileage rate, for which such a standard is well adapted, should be kept quite distinct from the current settlement of the accounts.

8. The Government mode of dealing with the affairs of the Railway must be in conformity with that adopted by the Railway Agency. It will not be convenient, nor indeed practicable, for the Railway to pursue one system and the Government another, and if the Agent and Auditor prefer the trial of mileage rates as the basis of authorization and audit, the Government will not object to it.

9. A mileage rate allows, however, a somewhat wide latitude. It would be difficult, for example, to determine whether 40 or 50 per cent. of the earnings is a fair allowance of charge for working the line, and the percentage must of course vary under different circumstances. To assume the previous year's expenditure as the standard is an imperfect way of proceeding. Whereas, if each item of expenditure were judged upon its own merits, such a course would suggest and ensure economy. However, if the Agent prefers it, and undertakes to accept a fair moderate standard, the Governor General in Council would not object to the trial of the mileage rate system for the whole line for one year.

10. The detailed post audit will be simple, speedy and effective, and will be conducted under the orders of the Consulting Engineer for

Bengal, who will be specially aided by a Deputy Consulting Engineer who will be transferred from the North Western Provinces and nominated to this duty.

11. The professional post audit by the Deputy Consulting Engineer of the detailed expenditure, as brought forward by the Railway Auditor, seems, for the present at least, to be desirable. If further experience tends to show that the whole of this duty can be satisfactorily performed by the Officers of the Accountant General's Department, it can be transferred to that Department.

12. Meanwhile the Deputy Consulting Engineer in charge of the audit will, in addition to the duties connected with those operations, take special cognizance of that very important branch of the supervising Officer's duties, the examination of the statistical details, and analysis of the working expenses.

13. It should be explained that the post audit by the Deputy Consulting Engineer is merely to be a testing of the actual receipts and expenditure in connexion with the proper vouchers in the former case, and the authorizations in the latter. He has nothing to do with any intermediate process of pre-audit that the Railway Auditor may require for his own purposes.

14. An appropriation audit on the Railway Books will be conducted concurrently with the Departmental Audit by the Accountant General, Public Works Department, and the final certificate of audit will be given by that Officer, who will also keep the Government accounts with the Railway, and check the cash transactions of the Agent, in communication with the Accountant General in the Civil Department, in the usual manner.

15. A Deputy Consulting Engineer under the Government of Bengal will be appointed for the purpose of carrying out the inspection of the whole line from Calcutta to Delhi. Action as a rule will be taken on his reports after due reference to the Government concerned with the section of the line to which his proposals relate.

16. The Consulting Engineer to the North Western Provinces Government will be relieved of all duties of account and audit.

17. The ultimate advisability of removing the head-quarters of the Railway Agency to Allahabad is referred to in the correspondence. This matter, however, may be better discussed hereafter.

18. The new arrangements may be held to have begun on the 1st July.

19. The result of these new Rules will not be, as it appears to the Governor General in Council, to weaken the authority of the North

Western Provinces Government. The two Consulting Engineers will together discuss the system of management, and they will doubtless be able to agree with the Agent on a system that will be uniform for all parts of the line, and still ensure a proper weight to the representations of the Local Government Officers.

20. The assistance of the Accountant General, Public Works Department, should on all occasions be freely asked in any matters connected with Railway Accounts on which the Consulting Engineer may have doubts, or finds difficulties to arise. This Officer should also be referred to in case of differences on such points between the Railway Auditor and the Consulting Engineer. As the last resort only, a reference to the Government of India should be made.

ORDER.—Ordered, that a copy of this Resolution, and of the Rules for Authorization and Audit as approved by the Government of India and annexed hereto, be forwarded to the Governments of Bengal and North Western Provinces for information and guidance, together with a copy of the Note by the Assistant Accountant General, Public Works Department.

Also, copies to the Financial Department for information.

Also, copies to the Accountant General, Public Works Department, for guidance.

(Signed) R. STRACHEY, *Colonel, R. E.,*
Secy. to the Govt. of India.
Captain, R. E.,
Under Secy. to the Govt. of India.

5911

Railway.

Resolution.

To

From

Secy. to Govt. of India,
in the Public Works Dept.,

No. R.

Dated Simla, *29th September*, 1864.

Received

Government control and audit of the Revenue and Disbursements of the East Indian Railway.

GENERAL No. of letter replied to. _____

Date of Despatch _____

No. 351R

MEMO.

Public Works Department.

RAILWAY.

No. 3878

Fort William,

the 22nd Sept: 1865.

Rec'd 6 Oct.

To The Secretary to the Govt.
of India,
Pub. Department.

In compliance with his No. 2591 dated 6th Instant, the undersigned has the honor to forward a copy of Govt. Resolution No. 5978 / 4796 dated 20th September 1864, on the subject of Government control and audit of the Revenue and disbursements of Railways.

No. 3078 dated 15th Oct 65

I have &c.

(Sd) W. Campbell

Asst. Secy. to the Govt. of Bengal.

William Muir

Comm. Railways

Engineer for Railways

Letter No. 3698 dated 15th Oct 1865.

Forwarded with reference to this Office

Dated 19th Oct 1865.

Asst. Secy. to the Govt. of Bengal.

No. 3698

19th Oct 1865.