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M.R.O. 1—77,006—8-6-37.

(1) Number of pages 44

(2) Date of repair 16-3-43

(3) Initials of the Reference

MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 272. Press —Mis.—
555-56

Dated 29-1- 1867.

Not to be folded or roughly handled

61

No. 555. Read the following letter from the Consulting Engineer for Railways, to the Secretary to Government, Public Works Department, dated Madras, 10th January 1867, No. 8:—

1. I have the honor to forward a Memorandum on the Accounts of the Madras and Great Southern of India Railways, which was drawn up by the Accountant General, Public Works Department, before he left Madras.

MADRAS RAILWAY.

2. The attention of the Government Examiner has been called to the subject of paragraphs 1 to 4, and should there be no difficulty on the part of the Railway authorities to bring on their books the additional information in regard to details, which Major Chesney has described to be wanting to render the Cashier's accounts complete, he will require it in whatever form they may prepare to give it.

3. With reference to paragraph 5, I have to explain that accounts have been opened with the Bank of Madras on the 1st January 1867, and that the transactions with the Oriental Bank will be limited henceforward to

Sick and allowance or Fine Fund.
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Employés guarantee do.

Paragraphs 6, 7, and 8 call for no remark.

4. An amended form of Account Current was prepared and approved of by the Accountant General, and will be brought into operation during the current month. The Railway authorities hope this form will be final. It is considered unnecessary to attach a copy, as it differs but slightly from that attached to the Revised Audit Rules. Lieutenant Filgate will, in future, require the information on the subjects numbered 1, 2, 3, at close of paragraph 9, to be punctually afforded.

5. The period proposed in paragraph 10, for the submission of the Monthly Account Current, is very ample; and from the methodical manner in which the Madras Railway Accounts have always been kept, it may be confidently expected that it will be punctually rendered.

6. With reference to paragraphs 11 and 12, I may remark that the Government Examiner has, on several occasions, found it necessary to object to the appropriations of the Chief Engineer's Department, and some correspondence on the subject has been carried on in consequence. The items objected to were unimportant in themselves; but as a question of principle was involved, I am glad to observe that the action of the Government Examiner has been strengthened by the expression of Major Chesney's opinion, in support of the course he has followed.

7. As regards the alterations for the simplification of the Store Accounts, suggested by Major Chesney in paragraphs 13 and 14, I gather that the Railway authorities are rather sensitive about suggestions of this kind; as they imply, to a certain extent, a want of thorough knowledge of their own business. However, I shall endeavor, in communication with them, to obtain the result recommended by Major Chesney.

GREAT SOUTHERN OF INDIA RAILWAY.

8. Lieutenant Filgate is about to proceed to Negapatam, and will arrange with the Agent of the Great Southern of India Railway for the introduction of the improvements pointed out in paragraphs 15 and 16.

9. I am in communication with the local Accountant General and the Agent on the subject of credit of interest of net traffic receipts monthly. Before this can be done, the proportion of charges to be borne by Revenue, must be accurately determined; and up to this time, satisfactory information on this point has not been obtained from the Agent.

10. It will be arranged that the Talook Treasury Officers are to receive the traffic earnings forwarded from the Railway Office, and credit them on the Railway Revenue Account, without waiting for authority from my Office.

11. The alterations suggested by the Accountant General, in the mode of keeping the Engineering Account, are very considerable, and I would anticipate much difficulty in having them carried out fully. I think that the principal improvement which is required, viz., the entry in Form D. (Progress Report) of the whole expenditure, from whatever source, for each month, may be carried out; but the exhibition of the expenditure on the different sub-heads of each work, will, I think, be found impracticable.

12. In regard to the third suggestion, paragraph 20, that the Engineer Department should be allowed to purchase petty stores, without their being carried through the General Stores, I would observe that it was originally arranged, that the Chief Engineer should himself purchase all stores to be obtained in the local market, which were required on the Errodo Extension. The Board's letter sanctioning this arrangement, under authority of the Secretary of State and the Order of Government upon it, have never been officially rescinded; but it was recently ascertained by Lieutenant Filgate, that instead of this course being adhered to, the Chief Engineer cannot purchase *any* stores, unless through the General Stores.

G. O. Financial Railway Department, No. 2, dated 4th January 1864.

13. Even articles obtained in the Trichinopoly bazaar are bought up by the General Storekeeper, and transferred to the Chief Engineer on Indent, instead of being purchased by the Chief Engineer himself.

14. Paragraphs 21, 22, and 23 will receive attention.

15. With reference to the suggestion that salaries may, with advantage, be paid without pre-audit of the Consulting Engineer, I would recommend that it be adopted, as the Government Examiner audits the pay lists, and could order the recovery of any unauthorized payment. It is only very rarely that such a thing could happen.

16. After mature consideration, I would beg to recommend, for the approval of Government, the following distribution of the Consulting Engineer and Examiner's Office Establishment, for the thorough performance of the Government audit:—

The scale allowed at present is—	Rs.
Uncovenanted Assistant, Mr. Hamnet	350
1 Accountant	100
3 Clerks at 60, 50, and 40	150
1 Clerk and Record-keeper	70
Draughtsman	35
Moochee 10½, 6 Peons, 1 Sweeper	57½
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Lieutenant Filgate's Office.

1 Accountant	250

17. The Accountant on 100 Rupees has up to this time been employed under Lieutenant Filgate, and the one lately sanctioned on a salary of Rupees 250 has not yet been entertained. I would propose, with the full assent of Lieutenant Filgate, to attach Mr. Hamnett to him during alternate days of the week, and to give him an additional salary, for the heavy, extra, and laborious work that would fall upon him, of 100 Rupees, and to still retain the Accountant on 100 Rupees under Lieutenant Filgate's orders, one Peon on 7 Rupees is also required. There would thus be a saving to Government on the scale now authorized of Rupees 143.

18. Mr. Hamnett's services and abilities are already so well known to Government, that I think it unnecessary to enlarge upon them again. His experience on all the Railway Accounts from the commencement of operation in 1853, is so valuable, that I cannot urge the Government too strongly to give their approval of the arrangement above proposed, as the only means of retaining his services longer, now that he can retire on a pension. Lieutenant Filgate is confident that the work would be more rapidly and efficiently conducted with Mr. Hamnett's aid, than if he had to trust to a new and untried Accountant.

NOTE ON THE AUDIT OF THE RAILWAY ACCOUNTS, MADRAS PRESIDENCY.

The following notes have been made of the different points noticed in connection with the audit of Railways in Madras, which appear to call for remark.

MADRAS RAILWAY.

1. *Cash Accounts.*—The Agency cash-book records all receipts and payments made on behalf of the Company, all money being at once paid to the bank on receipt. The entries in this book are based on advices received by the Chief Accountant of the payments actually made to and by the Cashier. The Cashier keeps a similar cash-book himself of his transactions, which necessarily corresponds exactly with the Agency cash-book. In either case, as all money received is at once paid away, the book always closes without a balance.

2. The Cashier also keeps a petty cash-book, for petty disbursements made. The amounts advanced to him for this purpose, generally about a thousand Rupees at a time, are written off the main cash-books.

3. Payments to Cashier for sanctioned charges are, as above described, written off when paid. Thus, *e. g.*, if the salary bill of a department be pre-audited for Rupees 10,000, a cheque for that amount is drawn and issued to the Cashier, and the amount is written off to the head of Service Concerned, as a final payment. This mode of dealing with the item is convenient, but a record seems wanting of the course of the payments actually made from this 10,000. The distribution of this sum probably occupies several days, and no doubt the Cashier does somewhere keep such a record for his own satisfaction; but it seems proper that the record should be placed on a methodical basis, as a public record open to the scrutiny of the Auditor. This object will be attained by the Cashier either keeping a general cash-book of all cheques paid to him for disbursement, showing per contra the actual payments made, or a separate cash account in respect of each class of payments the total of the balances of such cash accounts would correspond with the actual balance of cash in the Cashier's chest.

4. Another link, which I think requires to be supplied in the audit, consists in a comparison of the payments made *to* the Cashier for sanctioned charges of the kind referred to above, with the detailed payments made *by* him. These payments are made at different dates to a great number of different people, whose acknowledgments of the receipt of their pay are sent up to the Chief Auditor and collected in his Office. It is assumed that the demand of the receiving department to be paid its sanctioned charges affords a sufficient check, that the payments will be duly made by the Cashier, and no doubt, as a rule, this will be the case; but, in order that the audit should be complete, it appears proper that these acquittances should be duly agreed with the payment finally charged in the books, and any differences or short-payments noted. It appears that this operation is actually performed by some one in the Chief Auditor's Office, but it seems desirable that the result should be methodically noted on the record, and occasionally attested by the Chief Auditor and Examiner.

5. It is arranged that the account now kept with the Oriental Bank shall be closed, except the fine and funds deposits, which do not belong to the Capital and Revenue accounts of the Company. London stores have, heretofore, been brought to debit half-yearly, the entries being based on the actual receipts and not on the invoices. It is now proposed to credit London with the invoices, on receipt of advice, the debit being made to a suspense head termed *Stores in Transit*, which will be cleared as the stores are received. Further, it is intended to make these entries monthly, instead of half-yearly, which will no doubt be an improvement.

6. The following was noted as the state of the books on the 6th December 1866:—

Cash-book, North-West Line, written up to 30th November (but subsequent payments already entered in requisition book).

Cash-book, South-West Line, written up to 3rd December.

Cashier's cash-book, both Lines, do.

Journal, South-West Line, written up for October, but wanting the Construction Account entries to complete.

Do. North-West Line, as above.

Ledger, South-West Line, posted for September,

Do. North-West Line, do.

7. The adjustment of stores issued to works was effected to 31st December 1865, but the adjustment of stores issued for Revenue had been separately made for subsequent dates by monthly credits to a suspense head "General Store-keeper," which account it has been usual to clear half-yearly by a credit to "Government of India Revenue Account." This arrangement it is now intended to supersede by the monthly adjustment of Store accounts, used both for Revenue and Construction purposes, referred to above.

8. I should note that no credit had been afforded to London for stores *received* since 30th June 1866. But it is understood to be intended that this part of the accounts shall be henceforward brought under the system of punctual monthly adjustments like all the rest.

9. The form of Monthly Account Current to be rendered to the Consulting Engineer was the subject of discussion. It was explained by the Accountant

General, that the form circulated by the Government of India was intended to be rather the *type* of the account required than the exact pattern to be followed, and that, provided the essential requirements of the case were observed, it was not desired that any changes should be made in the system of account in force, merely for the sake of uniformity. A form of Account Current is being prepared in this view by the Officers of the Company, in communication with the Examiner, and the matter can be finally settled before the Accountant General leaves Madras. The only points which it occurs to me to notice as bearing on this subject are:—

1*st*.—It will be necessary to show in the account all credits to London, in order that they may be agreed with the corresponding entries in the Government Civil accounts.

2*nd*.—A monthly balance will be required from the Engineering Department in place of the half-yearly one, showing the outstandings of the different districts, and to be agreed with the balance held against that department in the principal books.

3*rd*.—The Cashier's clearances for his expenditure on Revenue Advance Account, which clearances are effected through the Chief Engineer's audits, are now somewhat in arrears of the course of his expenditure, the result being that the balance held at his debit in the principal books of the Company is usually considerably more than the actual cash in his hands. It will obviously be desirable so to arrange that this balance may be kept down to the lowest possible point.

10. It has been arranged by the Consulting Engineer, in communication with the Officers of the Railway Company, that the Monthly Account Current shall be held to be due on the 7th of the third month after that to which it relates. Thus the account for April will be due by 7th July. It may be hoped that by this time the accounts of the month will have been completely written up, and all adjustments made, but should there be arrears in any branch, they will be noted in the return provided for the purpose.

11. It is satisfactory to find that the Engineering Accounts are now subjected to the audit of the Chief Auditor and Examiner, and that the ground of the objection made by the Government of India, on Mr. Kellner's report, that the large expenditure passing through these accounts was not subject to a scrutiny from outside, has now been removed. I should be loath to suggest any alterations, at present, in the mode of dealing with accounts so well kept as these are, so long as the North-West Extension continues under construction; but when the Madras Railway shall be completed, I should hope it may be found practicable to reduce work by abolishing the complete separation, which now obtains, between the Engineering and other accounts, and bringing the former directly into the principal books of the Company.

12. The question was raised whether it was open to the Audit Department to challenge the propriety of the incidence of charges appearing in the Engineering accounts, that is, the distribution of charges made by the Engineering Department upon works or heads of service. I apprehend that it is a plain function of an Auditor to deal with such matters, when they occur. It seems clearly to be as much a part of his duty to see that charges are carried to their proper heads as to see that proper vouchers are forthcoming, and this view is, I believe, always held by

those employing auditors for the accounts of Government, or independent Joint Stock Companies. It may be argued that in Engineering accounts the Engineering Department will be the better judge of the propriety of distribution of charge; but by submitting accounts to the scrutiny of an Auditor, it seems to be implied that his judgment is intended to be deferred to, and though of course an appeal lies from the Auditor's decision to higher authority—the Consulting Engineer on the one hand, and the Agent on the other—I conceive that their decisions must be deemed to hold good until reversed. However, it may be hoped that such cases will seldom arise.

13. The Store accounts are, I think, capable of reduction and simplification; the Chief Auditor and Chief Accountant as well as the Government Examiner are, I believe, of the same opinion. Besides the ward books of receipts and issues, which call for no remark, there are:—

1. Ward Ledger, which show quantity but not price.
2. Priced book of receipts.
3. Priced book of issues.
4. Journal of receipts.
5. Journal of issues.
6. Ledger.

I suggest, for consideration, that 1, 2, and 3 might be combined into one by a little attention of form.

14. It is also suggested as deserving of consideration, that Stationery might be removed from the priced Store accounts altogether, and charged at once when purchased to Revenue and Construction, in proportions to be fixed by the Agency in communication with the Consulting Engineer. The bulk of this part of the Store accounts seems to be out of proportion to the value of this part of the stores, and it seems quite possible to maintain a vigilant check on the consumption of paper, without keeping it on the books at a money value.

(Signed) G. CHESNEY, Major, R. E.,
Accountant General, P. W. D.

NOTE ON THE DUTIES OF THE GOVERNMENT EXAMINER.

The Government audit is proceeding in so highly satisfactory a manner, that I will merely remark that it seems desirable to bear in mind that the principle to be kept in view is that the Government Examiner should direct himself to seeing that the Auditors of the Railway Companies conduct the audit in a complete way, rather than to auditing the accounts himself. Unless this be borne in mind, it is to be feared that there may be a tendency exhibited to throw an undue share of the work on Government, leading to additional expense for establishment to perform it.

Under this view, I think the Examiner should require evidence to be recorded on the books of the Engineering Department of the Great Southern of India Railway, that they have undergone audit by the Agent's Department (pending the appointment of an Auditor) before proceeding to audit them himself.

It will be well, no doubt, to avoid defacing the books audited as much as possible.

(Signed) G. CHESNEY, Major, R. E.,
Accountant General, P. W. D.

GREAT SOUTHERN INDIA RAILWAY.

15. *Cash book.*—The defect noticed in the previous report on the accounts of this Railway by Messrs. *Kellner* and *Trotter*, the want of a cash-book containing all the transactions of the Agency, still exists; but the new system of drawing funds, to come into operation on 1st January 1867, renders the introduction of a cash-book quite necessary, and it is clearly understood, I believe, by all concerned, that this record will now be introduced. The only point which it seems necessary here to notice is that, since the different Officers of the Company (Chief Engineer, Locomotive Superintendent, &c.,) may now be employed by the Agent to draw cheques on the Government Treasuries, it will be necessary for such Officers to furnish periodical cash accounts, showing their drawings, and that it will be proper to bring those drawings through the Agency cash-book, *first* as a receipt *by* the Agent, and then as a payment *from* him to the party drawing the cheque.

16. It will be proper that in the monthly account to be rendered by the Agent to the Consulting Engineer, the balance at debit of the Chief Engineer should not be shown in the lump, but should be detailed to give the balance held by the Chief Engineer against each of his District Engineers, and the portion retained by him at his own debit.

17. *Traffic receipts paid in.*—The Talook Treasury Officers at present require an order from the Consulting Engineer to receive the traffic earnings paid in, before they will afford credit to the Railway Revenue Account. This procedure appears quite needless, and no doubt the matter has only to be represented to the Civil Account Department for the restriction to be removed. Now that the Railway Companies are to receive interest on their traffic receipts, it becomes necessary that no delay should occur in affording credit in the Government books for the payments made on this account. The amount outstanding on this account on the 11th December was 26,074 Rupees, in October it was as much as 43,000 Rupees.

18. *Engineering Accounts.*—All the expenditure on the construction of the new line is passed through the Engineering Accounts. The Chief Engineer is charged with all the advances on this account, and credited with the amounts of forms A. and D. for cash expenditure on establishment and sanctioned works. The Chief Engineer in *his* books debits himself with all his receipts, and charges his District Engineers with all the advances made to them. Their accounts are credited monthly with the whole of their cash expenditure, which is debited to a head *Construction*, which in turn is credited by the amount of form D. Form D does not, however, include the whole of the expenditure of the month. At the time of my visit a considerable sum was lying at debit of the head Construction, being the amount of certain muster rolls, which had been omitted from form D, pending settlement of a proposal made that they should be included in form A. (Schedule of Establishment). Further, it appears to be usual to commence the preparation of form D before the whole cash sheets of the disbursing Officers are received, and that thus about a week's expenditure usually remains at debit of Construction Account.

Thus there is no record in the Agent's books of the actual expenditure incurred.

19. Form D is very elaborate, the different description of labor being entered in detail, but since the value of the materials expended is not added, nor the expenditure compared with the sanction, its utility is not apparent. The Works Ledger, which is posted from form D, is also very diffuse, the entries of that form being made in detail instead of being abstracted; the expenditure on each part of the work is nowhere shown, while the value of materials is entirely omitted.

20. Store transactions are omitted from the Journal and Ledger; on the other hand, the separate Store Accounts are exceedingly elaborate, the most trifling purchase being first debited to General Stores and then credited thereto, as if issued by the General Store-keeper, and charged to Construction, so also any expenditure incurred in the Chief Engineer's Workshop for any but Construction purposes, is carried through the General Store Account.

21. These accounts are, therefore, still open to the strictures made by Mr. Trotter nearly a year ago, that while very elaborate in some parts, they stop short at the point of completeness. The cost of a work can nowhere be told. I think, therefore, that the improvement of these accounts in the matters pointed out may be usefully undertaken, and would recommend the following modifications :—

1*st*.—The details at present shown in the Ledger to be excluded, and the main entries therein to be confined to one for each work; the incidence of this item on the different sub-heads of the work being however detailed, and the value of stores expended being of course included.

2*nd*.—Form D to be greatly abridged, but to compare total expenditure on each work with the sanction. Further, to show the whole expenditure for the month.

3*rd*.—Small purchases made by the Engineering Department for Construction to be charged direct thereto, instead of being carried through General Stores.

4*th*.—Stationery to be kept on Store Accounts at money value.

22. As this Railroad is now nearly approaching completion, any radical change of system is to be deprecated, but, hereafter, it would, I conceive, be very desirable to relieve the Executive departments of the heavy accounting now placed on them; to confine their labors to simple returns of cash and stores expenditure, and to place the duty of compiling and working up these returns and effecting all transfer entries on the Central Office. At present a great deal of the work is done twice over, and I believe that by a re-distribution of arrangement, it should be found practicable to provide for the appointment of an Auditor without any increase of expense.

23. It seems hardly necessary to remark that it would be quite practicable to maintain the responsibility of Heads of Departments for the expenditure incurred by them, and to give them full information regarding that expenditure, without raising money debits against them for the monies and stores supplied to their subordinates.

24. It is understood that, with the concurrence of the Consulting Engineer, an interval of six weeks will be allowed after the end of each month for the compilation and rendering of the account of the receipts and disbursements of the month.

25. It seems worth consideration whether the payment of salaries need be delayed pending pre-audit.

(Signed) G. CHESNEY, Major, R. E.,
Accountant General, P.W.D.

No. 556. ORDER THEREON, 29th January 1867, No. 272.

RAILWAY, No. 41.

1. The Government have read with satisfaction the Note by the Accountant General, Public Works Department, upon the audit of the Railway Accounts of this Presidency.

2. The mode in which the Consulting Engineer proposes to deal with the points therein referred to, which bear upon the accounts of the Madras Railway, is approved of.

Paragraphs 18 to 23, inclusive.

3. In his remarks upon the Engineering Accounts of the Great Southern of India Railway, Major Chesney has, in the opinion of the Government, noticed several important points, and suggested some very desirable modifications in the books and forms of account as at present prepared, and the Consulting Engineer is requested to take measures for carrying those suggestions into effect as far as may be practicable.

4. Upon the recommendation of the Consulting Engineer, the Government sanction the payment of salaries in anticipation of audit.

5. The Government regret that they cannot accord their approval to the arrangement proposed in paragraph 16 of Colonel Anderson's letter, for the distribution of the Office Establishment between the Consulting Engineer and the Examiner of Railway Accounts. Considering the arduous and responsible nature of the duties which devolve upon the latter Officer, it is of the highest importance that the continuous and undivided services of an able and trustworthy Accountant should be secured to him, and it was with a view to insure this that the large salary of Rupees 250 per mensem was lately* sanctioned. The proposal now brought forward by Colonel Anderson, according to which Mr. Hamnett would give his attention on alternate days to the current duties of the Consulting Engineer's Office and to the audit of Railway Accounts, is, in the opinion of the Government, inexpedient and unsuitable.

* G. O. No. 3,550, dated 7th November 1866.

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

To the Consulting Engineer for Railways.

Exd. S. T. Augustin.

Railway Department. CONSULTING ENGINEER'S OFFICE,

No. 8

From Lieutenant Colonel J. C. Anderson R.E.
Consulting Engineer for Railways,

To Colonel C. A. Orr R.E.
Secretary to Government,
Public Works Department,
Fort Saint George.

SIR,

I have the honor to forward a memorandum on the Accounts of the Madras and Great Southern of India Railways, which was drawn up by the Accountant General, Public Works Department before he left Madras.

Madras Railway.

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Great Southern of India Railway.

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9 Jul Ry
Sept, Nos 2,
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more

more rapidly and efficiently conducted with the Accountant's aid, than if he had to trust to a new and untried Accountant.

I have the honor to be,
Sir,
Your most obed[t] Servant

Madras
1st Jan[y] 1867

J. Chadwick 2nd Lieut R.E.
Consulting Engineer for Railways

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The

11

RAILWAY DEPARTMENT.

From

The Consulting Engineer
for Railways,

To

The Secretary to Government,
Public Works Department,
Fort Saint George.

Dated 1st January 1867.
Received

Sir,

With reference to the Memorandum dated the 2nd ult. from the Accountant to the Madras Railway Co. Ltd., which was drawn up at the request of the Board by the Accountant General, I have the honor to forward a copy of the Memorandum which I have given to the Railway Co. Ltd. on the subject.

I have the honor to be,
Sir,
Your most obed[t] Servant

J. Chadwick 2nd Lieut R.E.
Consulting Engineer for Railways

Madras
1st January 1867

No. 555

Ry. Dept. 2nd Jan[y] 1867. R. 172

2. The Cashier also keeps a petty Cash book, for petty disbursements made. The amounts advanced to him for this purpose, Generally about a Thousand Rupees at a time, are written off the main Cash books.

3. Payments to Cashier for Sanctioned Charges are as above described, written off when paid. Thus.— e.g. if the Salary bill of a department, prepared for Rupees 10,000, a Cheque for that amount is drawn and issued to the Cashier, and the amount is written off to the head of Service concerned as a final payment. This mode of dealing with the item is convenient, but a record seems wanting of the coins of the payments actually made from this 10,000. The distribution of this Sum probably occupies several days, and no doubt the Cashier does somewhere keep such a record for his own Satisfaction, but it seems proper that the record should be placed on a methodical basis, as a public record open to the scrutiny of the auditor. This object will be attained by the Cashier either keeping a General Cash book of all Cheques paid to him for disbursement, shewing per contra the actual payments made, or a separate cash account in respect of each class of payments; the total of the balances of such

cash

cash accounts would correspond with the actual balance of cash in the Cashiers Chest.

4. Another link which I think requires to be supplied in the audit Consists in a Comparison of the payments made to the Cashier for Sanctioned Charges of the kind referred to above with the detailed payments made by him. These payments are made at different dates to a great number of different people, whose acknowledgments of the receipts of their pay are Sent up to the Chief Auditor and collected in his Office. It is assumed that the demand of the receiving department to be paid its Sanctioned Charges affords a Sufficient check that the payments will be duly made by the Cashier, and no doubt, as a rule, this will be the case; but in Order that the audit Should be Complete it appears proper that these acquittances Should be duly agreed with the payment finally charged in the books, and any differences or short-payments noted. It appears that this operation is actually performed by Some One in the Chief Auditor's office, but it Seems desirable that the result should

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be methodically noted on the record, and occasionally attested by the Chief Auditor and Examiner..

5. It is arranged that the account now kept with the Oriental Bank shall be closed, except the Line and funds deposits which do not belong to the Capital and Revenue accounts of the Company. — London Stores have heretofore been brought to debit half yearly, the entries being based on the actual receipts and not on the invoices. It is now proposed to credit London with the invoices, on receipt of advice, the debit being made to a Suspence head termed Stores in Transit, which will be cleared as the Stores are received. Further it is intended to make these entries monthly instead of half yearly, which will no doubt be an improvement.

6. The following was noted as the state of the books on the 6th December 1866. —

Cash book North West Line written up to 30 November. (but subsequent payments already entered in requisition book.)

Cash book South West Line written up to 3 December.

Cashier Cash book. both lines. —— do ——

Journal

Journal — South West Line — written up for October but wanting the Construction Account entries to Complete. ——

— Do — North West Line — as above. ——

Ledger — South West Line — posted for September.

— Do — North West Line —— Do ——

7 The adjustment of Stores issued to works was effected to 31 December 1865, but the adjustment of Stores issued for Revenue had been separately made for subsequent dates by monthly credits to a Suspense head "General Storekeeper," which account it has been usual to clear half yearly by a credit to "Government of India Revenue Account." This arrangement it is now intended to supersede by the monthly adjustment of Store accounts used both for Revenue and Construction purposes referred to above.

8 I should note that no credit had been afforded to London for Stores received since 30 June 1866. But it is understood to be intended that this part of the accounts shall be henceforward brought under the system of punctual monthly adjustments like all the rest —

9 The form of monthly account current to

be rendered to the Consulting Engineer was the subject of discussion. It was explained by the Accountant General that the form circulated by the Government of India was intended to be rather the type of the account required than the exact pattern to be followed, and that provided the essential requirements of the Code were observed, it was not desired that any changes should be made in the System of account in force, merely for the sake of uniformity. A form of account Current is being prepared in this view by Officers of the Company in Communication with the Examiner, and the matter can be finally settled before the Accountant General leaves Madras. The only points which it occurs to me to notice as bearing on this subject are:

1st It will be necessary to show in the account all credits to London, in order that they may be agreed with the corresponding entries in the Government Civil accounts.

2? A monthly balance will be required from the Engineering Department in place of the half yearly One, showing the Outstandings of the different districts; and to be agreed with the balances held against that Department in the principal books.

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3rd The Cashier's clearances for his Expenditure on Revenue Advance Account, which clearances are effected through the Chief Engineer's Audits, are now somewhat in arrears of the course of his Expenditure, the result being that the balance held at his debit in the principal books of the Company is usually considerably more than the actual cash in his hands. It will obviously be desirable so to arrange that this balance may be kept down to the lowest possible point.

4th It has been arranged by the Consulting Engineer in communication with the Officers of the Railway Company that the monthly Account Current shall be held to be due on the 7th of the third month after that to which it relates. Thus the account for April will be due by 7th July. It may be hoped that by this time the accounts of the month will have been completely written up, and all adjustments made, but should there be arrears in any branch, they will be noted in the return provided for

for the purpose.

11. It is satisfactory to find that the Engineering Accounts are now subjected to the audit of the Chief Auditor and Examiner, and that the ground of the objection made by the Government of India on Mr Kelner's report, that the large expenditure passing through these accounts was not subject to a Scrutiny from outside, has now been removed. I should be loath to suggest any alterations at present in the mode of dealing with accounts so well kept as these are, so long as the North West Extension continues under Construction; but when the Madras Railway shall be completed, I should hope it may be found practicable to reduce work by abolishing the complete separation which now obtains between the engineering and other accounts, and bringing the former directly into the principal books of the Company.

12. The question was raised whether it was open to the audit Department to challenge the propriety of the incidence of charges appearing in the Engineering accounts, that is, the distribution of charges made by the Engineering Department upon works or heads of Service. I apprehend that it is a plain function of an auditor to deal with such matters, when they occur. It seems clearly to be as much a part of his duty to see that charges are carried to their proper heads as to see that proper vouchers are forthcoming, and this view is I believe always held by those employing auditors for the accounts of Government or independent joint Stock Companies. It may be argued that in Engineering accounts the Engineering Department will be the better judge of the propriety of distribution of charge; but by submitting accounts to the scrutiny of an auditor it seems to be implied that his judgment is intended to be defered to, and though of course an appeal lies from the Auditors decision to higher authority; the Consulting Engineer on the one hand and the Agent on the other; I conceive that their decisions must be deemed to hold good until reversed. However it may be hoped that such cases will seldom arise.

13. The store accounts are I think capable of reduction and Simplification; the Chief Auditor and Chief Accountant as well as the Government Examiner are I believe of the same opinion. Besides the usual books of receipts and issues, which

call

call for no remark, these are. —— 7 W 9/1/05

1. Wood Ledger which shews quantity but not price.
2. Priced book of receipts. —
3. Priced book of issues —
4. Journal of receipts —
5. Journal of issues —
6. Ledger — ——

I Suggest for Consideration that 1. 2 and 3 might be combined into one by a little alteration of form.

14- It is also Suggested as deserving of Consideration that Stationery might be removed from the priced Store accounts altogether, and charged at Once when purchased to Revenue and Construction in proportions to be fixed by the Agency in Communication with the Consulting Engineer. The bulk of this part of the store accounts seems to be out of proportion to the value of this part of the Stores, and it seems quite possible to maintain a vigilant check on the Consumption of paper without keeping it on the books at a money value —

/Signed/ J. Chesney Major R.E.
Accountant General P.W. Deptt.

Note on the duties of the Government Examiner.

The Government Audit is proceeding in so highly satisfactory a manner, that I will merely remark that it seems desirable to bear in mind that the principle to be kept in view is that the Government Examiner should direct himself to seeing that the Auditors of the Railway Companies conduct the audit in a complete way, rather than to auditing the accounts himself. Under this be borne in mind it is to be feared that there may be a tendency exhibited to throw an undue share of the work on Government, leading to additional expense for establishment to perform it —

Under this view I think the Examiner should require evidence to be recorded on the books of the Engineering Department of the Great Southern of India Railway that they have undergone audit by the Agents Department (pending the appointment

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of an Auditor) before proceeding to audit them him-
self. It will be well no doubt to avoid defacing
the books audited as much as possible —

(Signed) G. Chesney Major R.E.
Accountant General & M. Corps.

Great Southern of India Railway.

15. Cash book. The defect noticed in the previous report on the accounts of this Railway by Messrs Trotter and Kellner, the want of a Cash book Containing all the transactions of the Agency still exists; but the new System of drawing funds, to come into operation on 1st January 1867, renders the introduction of a Cash book quite necessary, and it is clearly understood I believe by all concerned that this record will now be introduced. The only point which it seems necessary here to notice is that since the different officers of the Company (Chief Engineer Locomotive Superintendent &c.) may now be employed by the Agent to draw cheques on the Government Treasuries it will be necessary for such officers to furnish periodical Cash accounts shewing their drawings, and that it will be proper to bring those drawings into the Agency Cash book, first as a receipt by the

Agent

Agent, and then as a payment from him to the party drawing the Cheque -

16- It will be proper that in the monthly account to be rendered by the Agent to the Consulting Engineer the balance at debit of the Chief Engineer should not be shown in the lump, but should be detailed to give the balance held by the Chief Engineer against each of his district Engineers, and the portion retained by him at his own debit -

17- Traffic Receipts paid in - The Talao & Treasury Officers at present an Order from the Consulting Engineer to receive the traffic Earnings paid in, before they will afford credit to the Railway Revenue Account. This procedure appears quite needless, and no doubt the matter has only to be represented to the Civil Account Department for the restriction to be removed. Now that the Railway Companies are to receive interest on their traffic receipts, it becomes necessary that no delay should occur in affording credit in the Government books for the payments made on this account. The amount outstanding on this account on the 11 December was 26,074 Rupees, in October it

it was as much as 43,000 Rupees. —

18- Engineering Accounts - All the expenditure on the Construction of the new line is passed thro' the Engineering Accounts. The Chief Engineer is charged with all the advances on this account and credited with the amounts of forms A and D for Cash Expenditure on Establishment and Sanctioned works. The Chief Engineer in his books, debit himself with all his receipts, and charges his district Engineers with all the advances made to them. Their accounts are credited monthly with the whole of their cash Expenditure, which is debited to a head Construction, which in turn is credited by the amount of forms D. Forms D does not however include the whole of the Expenditure of the month. At the time of my visit a considerable Sum was lying at debit of the head Construction, being the amount of certain muster rolls, which had been omitted from form D, pending settlement of a proposal made that they should be included in Form A (Schedule of Establishment) - Further it appears to be usual to commence the preparation of form D before the whole cash

cash sheets of the disbursing Officers are received, and that thus about a week's expenditure usually remains at debit of Construction account -

Thus there is no record in the Agents books of the actual Expenditure incurred -

19. Form D is very elaborate, the different description of Labor being entered in detail, but since the value of the materials expended is not added, nor the expenditure Compared with the Sanction, its utility is not apparent .. The Works Ledger, which is posted from Form D, is also very diffuse, the entries of that form being made in detail instead of being abstracted, the Expenditure on Each part of the work is nowhere shewn, while the value of materials is Entirely omitted -

20. Store transactions are omitted from the Journal and Ledger; on the other hand the Separate Store accounts are exceedingly elaborate, the most trifling purchase being first debited to General Stores and then credited thereto, as if Issued by the General Storekeeper, and charged to Construction, so also any Expenditure incurred in the Chief Engineers workshops for any but Construction purposes is carried through the General Store Account -

21. These accounts are therefore still open to the strictures made by Mr Trotter nearly a year ago, that while very elaborate in some parts, they stop short at the point of Completeness - The cost of a work can nowhere be told - I think therefore that the improvement of these accounts in the matters pointed out may be usefully undertaken, and would recommend the following modifications -

1st The details at present shown in the Ledger to be excluded, and the main entries therein to be confined to One for Each work, the incidence of this item on the different Sub-heads of the work being however detailed, and the value of Stores expended being of course included -

2nd Form D to be greatly abridged but to Compare total expenditure on Each work with the Sanction, further to shew the whole Expenditure for the month -

3rd Small purchases made by the Engineering Department for Construction to be charged direct thereto, instead of being carried through General Stores -

4" Stationery to be kept on Store Accounts at money values —

22. As this railroad is now nearly approaching Completion, any radical change of System is — — to be deprecated, but hereafter it would I Con. -ceive be very desirable to relieve the Executive departments of the heavy accounting now placed on them: to confine their labors to simple returns of cash and Stores Ex. -penditure, and to place the duty of compiling and working up these returns and effecting all transfer entries on the central office. At present a great deal of the work is done twice over, and I believe that by a redistribution of arrangement it should be found practicable to provide for the appointment of an Auditor without any increase of Expenditure.

23. It seems hardly necessary to remark that it would be quite practicable to maintain the responsibility of heads of departments for the Expenditure incurred by them, and to give them full information regarding that expenditure; without raising money debits against them for the moneys and Stores supplied to their subordinates —

24. It is understood that with the concurren of the Consulting Engineer an interval of Six week will be allowed after the end of Each month for t compilation and rendering of the account of the Rece and Disbursements of the month —

25. It seems worth consideration whether the payment of Salaries need be delayed pending preparation

/Signed/ G. Clerke Major R.E
Accountant General
Public Works Dep

Rec'd. 29th Jany. 1867

P. W. 97/67.

Railway Public Works Dept.

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2/8 No. 272

Proceedings of the Madras Government

Under date the 29th January 1867

Read the following

From the Consulting Engineer

for Railways

(Here enter 10th January 1867 No 58)

N. 91

W.M.

The Government have read with satisfaction the note by the Accountant General Public Works Department upon the audit of the Railway Accounts of this Presidency.

2. The mode in which the Consulting Engineer proposes to deal with the points therein referred to, which bear upon the accounts of the Madras Railway

Railway is approved of.—

3. In his remarks upon the Engineering Accounts of the Great Southern of India Railway, Major Chesney has, in the opinion of the Government, noticed several important points, and suggested some very desirable modifications in the books and forms of account as at present prepared, and the Consulting Engineer is requested to take measures for carrying those suggestions into effect as far as may be practicable. Paras 18 to 23 inclusive

4. Upon

4. Upon the recommendation of the Consulting Engineer, the Government sanction the payment of salaries in anticipation of audit.

5. The Government regret that they cannot accord their approval to the arrangement proposed in para 16 of Colonel Anderson's letter, for the distribution of the Office Establishment between the Consulting Engineer and the Examiner of Railway Accounts.
Considering the arduous and responsible nature of the duties which devolve upon the latter Officer,

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it is of the highest importance that the continuous and undivided services of an able and trustworthy Accountant should be secured to him, and it was with a view to insure this that the large salary of Rs: 250 per mensem was* lately sanctioned. The proposal now brought forward by Colonel Anderson, according to which Mr. Hammett would give his attention on alternate days to the current duties of the

* G. G. No: 3550 dd 7th Nov: 1866.

the Consulting Engineers Office and to the audit of Railway Accounts, is in the opinion of the Government inexpedient and unsuitable.

W.

Vol E pr Rep 13

Dep. 30 Jan 67

Pub: Works 1867 Department

Pro: of Govt: for January

(15)

No 272

Pro: of the Madras Govt:

Dt 29th January 1867

Passing orders on a letter from the Consulting Engr, forwarding the "Abstr" by the Accountant General, Public Works Department, upon the audit of Railway Accounts of the Madras Presidency.

No 555-556

Rec. 14 Jan 1867 · Ans. 14