M.R.O. 1—77,006—8-6-37.

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(2) Date of repair 3-1-02

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Public (Sericulture) DEPARTMENT.

G.O. No. 3426 Press ~~Mis.~~

496-97

Dated 28-10 1897.

Not to be folded or roughly handled

No. 496. Read the following Proceedings of the Government of India in the Public Works Department, (Account — Railway,) dated Simla, 13th September 1869, No. 257 A-R:—

Adjustment of Railway net Traffic Receipts in liquidation of Guaranteed Interest.

READ again—

Despatch from Secretary of State, No. 75, dated 31st October 1867, asking for Statements of the actual receipts during each half-year, by the Treasuries in India, of net revenue for each Guaranteed Railway Company.
Financial Department's Resolution, No. 1,291, dated 5th March 1868.
" " No. 683, dated 30th June 1869, (with enclosures).
Public Works Department " No. 182 A-R., dated 21st July 1868.
" " " 183 A-R., " "
Despatch to Secretary of State, No. 112, dated 1st August 1868.
Financial Department's No. 3,697, dated 24th December 1868, (and enclosures).

Read also the following papers:—

Office Memorandum from the Secretary to the Government of India, Public Works Department, to the Secretary to the Government of India, Financial Department, dated 6th February 1869, No. 30 A.-R.

THE undersigned is directed to acknowledge the receipt of Financial Department's docket, No. 3,697, dated 24th December 1868, forwarding a copy of a communication which the Comptroller-General of Accounts had addressed to that department with reference to certain remarks made in Public Works Department No. 182 A-R, dated 21st July 1868, on the subject of the procedure adopted by him, and by the Accountant-General, Madras, respectively, in regard to the transfers to "London" of the half-yearly revenue of Guaranteed Railways.

2. The Comptroller-General points out that the Accountant-General, Madras, transfers to "London" *annually* the balances of the Revenue Accounts of the several Railways in that Presidency without any reference to the Consulting Engineer; whereas the practice in Bengal is to obtain the audit of the Consulting Engineer before making the transfer, as prescribed by Financial Resolution No. 1,291, dated 5th March 1868.

3. With reference to the above, the undersigned is directed to state that the Resolution cited by the Comptroller-General was communicated to the Government of Madras in the usual course with Public Works Department Resolution No. 114, dated 3rd April 1868, and attention directed to it in paragraph 3 of Public Works Department letter, No. 183 A-R, dated 21st July 1868, a copy of which is herewith forwarded for the information of the Financial Department.

4. The undersigned is to add that the plan adopted by the Accountant-General, Madras, of adjusting the revenue balances of Guaranteed Railways *annually* is, of course, incorrect, the guarantee being of a half-yearly interest.

(Signed) C. H. DICKENS, Colonel, R. A.,
Secretary to the Government of India.

Memorandum from the Officiating Secretary to the Government of India, Public Works Department, to the Secretary to the Government of India, Financial Department, dated 13th May 1869, No. 103 A-R.

In continuation of Public Works Department Memorandum, No. 30 A-R., dated 6th February 1869, on the subject of the procedure hitherto followed by the Comptroller-General of Accounts, and by the Accountant-General, Madras, respectively, in arriving at the amounts to be transferred to London on account of the net revenue of Guaranteed Railways, the undersigned is directed to make the following observations.

2. With regard to the course to be adopted in future in calculating the net profits of Guaranteed Railways, the rules laid down in Financial Department's Resolution, No. 1,291, dated 5th March 1868, are sufficiently explicit. But it seems necessary that orders should be issued as to how the past accounts of net revenue are to be dealt with, and how the new system is to be grafted on to the old one.

3. The contracts with the several Railway Companies provide that the actual net *receipts realized* during any half-year, after deducting therefrom all sums that may have been expended in repairs, maintenance, &c., shall be applied towards the discharge of the guaranteed interest debt, except when such receipts are in excess of the guaranteed interest due for the period.

4. Now, it appears that the Accountant-General, Madras, although he incorrectly made *yearly* transfers of net revenue to London, yet transferred only the balance of the actual receipts in the Government Treasuries after deducting therefrom the withdrawals for working expenses. A similar practice was followed by the Accountant-General, Bombay.

5. On the other hand, the Comptroller-General and the Accountant-General, Punjab, based their calculations on the half-yearly Revenue Accounts of the Companies as audited by the Consulting Engineer. It will be remembered that before the new rules referred to above came into operation, the net profits, as shown in these Revenue Accounts, were merely the difference between the earnings of the half-year, whether realized or not, and the expenses and liabilities of the same period. From this it appears that the practice of the several Account Officers has been more or less incorrect, and that in the amounts carried to the credit of the Guaranteed Interest Accounts by the Comptroller-General, and the Accountant-General, Punjab, unrealized earnings to a large extent must have been frequently included.

6. Under these circumstances a revision of all the accounts of guaranteed interest from the date of opening the several lines to traffic, seems called for. It is believed in this department that the most correct and easy method of arriving at the net profits of the different Railway Companies for the period prior to the date on which the new rules were introduced, will be to deduct the audited expenses and liabilities of each half-year from the actual amount of earnings paid into the Government Treasuries during each period. This procedure appears to be as close an approximation to the wording of the contracts as can now be devised.

7. In regard to the mode of bringing into force the recent orders for the calculation of net profits, it is believed that no difficulty need be experienced if the following procedure be adopted:—Supposing that the new system is to be brought into operation for the half-year ending 31st December 1867, and that the aggregate net revenue of a Railway, as shown by the half-yearly accounts, had amounted to Rupees 3,00,00,000 from the opening of the line up to the 30th June 1867; that the amount actually transferred to London, in liquidation of the guaranteed interest debt for the same period, had amounted to Rupees 2,99,00,000; that the net revenue, as shown by the Companies' Revenue Account for the half-year ending 31st December 1867, amounted to Rupees 30,00,000, and that the outstanding earnings up to 31st December 1867, unpaid to Government on the 1st March 1868, amounted to Rupees 3,00,000, the net receipts to be credited to the Guaranteed Interest Account would be thus obtained—

	Rs.
Total net earnings up to 30th June 1867	3,00,00,000
Deduct—	
Amount placed to the credit of the Guaranteed Interest Account..	2,99,00,000
Net amount to be accounted for by the Company up to 30th June 1867	1,00,000
Net revenue for second half-year of 1867, as per Company's Account	30,00,000
Total...	31,00,000
Amount outstanding on 1st March 1868	3,00,000
Net receipts to be credited to the Guaranteed Interest Account for the half-year ending 31st December 1867	28,00,000

The Railway Officials would, of course, be required to explain the item "Net amount to be accounted for by the Company."

8. If the above suggestions are concurred in by the Financial Department, it is requested that the Comptroller-General of Accounts, and the several Provincial Accountants-General, may be called upon to prepare, in communication with the several Consulting Engineers, revised statements of the net profits of the several Railways for each half-year since their opening, in the accompanying form.

On receipt of a reply to this Memorandum, any necessary instruction on the points under reference will be issued in this department.

Half-year.	Traffic Receipts in Government Treasuries.	Audited Expenditure and Liabilities.	Balance to be transferred to London in liquidation of Guaranteed Interest.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
Ending 30th June 1865...			
,, 31st December ,, ...			
,, 30th June 1866...			
,, 31st December ,, ...			

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

From the Officiating Secretary to the Government of India, Financial Department, to the Comptroller-General of Accounts, dated 23rd August 1869, No. 2,843.

With reference to your letter, No. 515, dated 2nd July 1869, I am directed to forward copy of a communication from the Public Works Department No. 103 A.-R., dated 13th May last, and to

request that, in communication with the Consulting Engineer, you will be good enough to prepare revised statements of the net profits of the several Railways for each half-year since their opening, in the form prescribed by the Public Works Department.

The Governor-General in Council approves of your suggestion, that the Consulting Engineer of every Government or Administration dealing with Railways should furnish to the Civil Accountant-General an explanatory statement of differences between the Government and the Railway Revenue Accounts, with every Order issued by him for a half-yearly transfer of net profits of the Railway of which he has auditing charge.

Endorsed by Financial Department.

Copy forwarded to the Accountants-General, Madras, Bombay, North-Western Provinces, and Punjab, for information and guidance.

Copy of the above, and of the letter with enclosures to which it is a reply, forwarded to the Public Works Department for information with reference to that department No. 103 A.-R., dated 13th May 1869, and with a request that necessary instructions may be issued to the effect of the 2nd paragraph of the foregoing Order.

From the Comptroller-General of Accounts, to the Officiating Secretary to the Government of India, Financial Department, dated 2nd July 1869, No. 515.

I have the honour to acknowledge the receipt of your docket No. 994, dated 3rd ultimo, forwarding for report a memorandum to your address from the Secretary to the Government of India Public Works Department, of the 13th May, No. 103 A-R., relative to the transfer to London of the net revenue of Guaranteed Railways.

2. In paragraph 4 of the memorandum it is stated that the Accountants-General at Madras and Bombay have transferred to London the balance of actual receipts into Government Treasuries after deducting the withdrawals for working expenses. These transfers, however, cannot be correct, inasmuch as the difference between the credits and debits on the Revenue Account of any Railway in the Government books does not represent the net profits of that Railway to be transferred half-yearly to the London Account; such profits must be calculated from the accounts of the Railway Company concerned, verified by the Consulting Engineer, as directed in Financial Resolution No. 1,291, dated 5th March 1868, page 3, the amount being equivalent to the actual amount of earnings paid into Government Treasuries, less the audited expenses and liabilities of each half-year—*vide* paragraphs 6 and 7 of the memorandum under notice. The Madras and Bombay Accounts will have to be rectified on the above principle.

3. Adverting to paragraph 5, and to the remark that the transfers of net revenue in Bengal and Lahore were made with reference to the gross earnings, whether realized or not, I beg to refer you to my letter No. 842, dated 30th January last, forwarding an explanatory statement of differences in the Revenue Account of the Eastern Bengal Railway from the opening of the line to 31st December 1867, submitted to this Office by the Consulting Engineer. A similar statement for the East Indian Railway is herewith forwarded, together with copy of a letter to my address from the Consulting Engineer, No. 2,466, dated 29th December last, from which it will be seen that, with the exception of a small item of Rupees 4,243-7-6, all other differences have been satisfactorily accounted for. The Consulting Engineer has been requested to adjust the differences and to furnish further explanation regarding the small item alluded to. The instructions of the Public Works Department have thus been anticipated in respect to the Bengal Railways, and a reference made to the Accountant-General, Lahore, for information regarding the course followed by him in the adjustment of the net profits of the Railways in his Government. On receipt of a reply, a further report will be submitted to you on the point.

Proceedings of the Madras Government, Public Works Department,
23rd October 1869.

4. As observed above, the transfers to London will be made from the Railway books, and not from those of Government, and, for the reasons stated, there will always be differences between the two sets of books which, though unavoidable in consequence of the different principles on which they are kept, should be explained by the Consulting Engineers for the information of Government. I have accordingly to suggest that the Consulting Engineer of every Government or Administration dealing with Railways, should be directed to submit an explanatory statement with every order issued by him for a half-yearly transfer of net profits of the Railway of which he has the auditing charge.

5. I take this opportunity to observe, with reference to paragraph 2 of Colonel Strachey's Memorandum, that the Financial Order No. 1291 makes no allusion to the liabilities of each half-year. The principle of deducting them from the receipts is admitted in the memorandum of the Public Works Department under reference as regards past accounts, but it is presumed that it is intended that the rule should equally apply to present and future accounts, as without such deduction, no net profits could be ascertained.

6. The original enclosures of your letter are returned as requested.

From Lieutenant, F. FIREBRACE, R. E. for Officiating Consulting Engineer to the Government of Bengal, Railway Department, to the Controller General of India, dated 29th December 1868, No. 2,466.

With reference to your letter, No. 555, dated 22nd October last, and in continuation of my letter in reply (No. 2,163 of 9th November), I am directed to forward a statement explaining the difference (Rupees 43,59,679-7-10) between the amount transferred to the credit of the Guaranteed Interest Account of the East Indian Railway, and the net receipts of that Company as appearing in the Treasury books.

The main points of difference would, as explained in a previous letter, arise,—1st, from the non-realization of earnings credited in the Revenue Account to a given date; and 2nd, from the inclusion in the debit side of the Revenue Account, of expenditure subsequently paid. In the Adjustment Statement now forwarded, there are, however, in addition to the above, special features demanding notice.

It will be observed that, for purposes of adjustment, a deduction of Rupees 6,25,137-7-6 has been made from the lodgments to the Treasury. This sum was received by the Company for the conveyance of troops, &c., in the North-West before that portion of the line was opened for traffic, and has not been credited in either of the half-yearly Revenue Accounts. The adjustment of this earning is now under the consideration of Government. In like manner, a deduction of Rupees 84,084-3-9 has been made in respect of construction freight twice paid to the Treasury—*vide* Revenue Account, 30th June 1868.

On the other hand, the Company's account with London does not appear to have been credited with Rupees 21,54,359-9-0, as it should have been. This sum was retrenched from the Revenue Transfer bill for the half-year ending 30th June 1867, being the amount of traffic earnings unrealized on 1st September 1867, but credit should have been given in the following half-year (31st December 1867) and a Supplementary Transfer bill will accordingly be forwarded to you.

Taking these figures into consideration, an adjustment of the balances noted in your letter under reply is arrived at, with the exception of Rupees 4,243-7-6, and although every endeavour has been made to trace out this discrepancy, no satisfactory result has been attained. It is believed to arise in a difference between the Audit Office returns and the Chief Accountant's books in connection with the outstanding, but as the amount in question is comparatively small, it has been deemed advisable to forward the statement noting the discrepancy which will, as the process of examination continues, not be lost sight of.

EAST INDIAN RAILWAY.

Adjustment of Revenue Account with Transfers to London in liquidation of Guaranteed Interest, called for in Controller-General to Government of India, Public Works Department letter No. 555 of 22nd October 1868.

	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Traffic Receipts credited in Revenue Accounts to 31st December 1867, and lodged in Treasury to same date, as per Controller General's Statement	.....	11,10,52,395 3 6	By Drafts on General Treasury to 31st December 1867, as per Controller-General's Statement	.....	5,13,25,269 3 7
DEDUCT :—			,, Liabilities on 31st December 1867, debited in Revenue Account. Due to Government	9,00,000 0 0	
Traffic Receipts lodged in the Treasury, but not credited in Revenue Accounts	6,25,137 7 6		Construction	32,30,569 15 6	
Construction freight twice lodged in the Treasury	84,084 3 9	7,09,221 11 3	Sundries (Bills Payable)	8,37,765 8 3	49,68,335 7 9
		11,03,43,173 8 3	,, Reserves debited in Revenue Account, but not drawn from Treasury. Fire Insurance	32,727 4 3	
To lodgments in Treasury during January and February 1868, credited in Revenue Accounts to 31st December 1867	.....	35,38,139 14 8	Bad and doubtful debts	2,00,000 0 0	2,32,727 4 3
					5,65,26,331 15 7
			Deduct amounts drawn from Treasury on Revenue Account but not expended on working.		
			Advances and Suspense payments	2,717 8 8	
			Jubbulpoor line Revenue Account	1,92,842 5 3	
			Departmental advances	10,080 3 0	
				2,05,640 0 11	
			Deduct also Cash Balances and Securities on hand.		
			Government Promissory Notes	3,34,655 6 3	
			Cash Balances	11,637 10 6	
				5,51,933 1 8	
				Rs. A. P.	
			Less Fire Insurance Fund	3,51,219 15 6	
			Guards' Deposits	27,482 8 1	
			Fine Account	2,162 8 10	
				3,80,865 0 5	1,71,068 1 3
					5,63,55,263 14 4
			By outstandings retrenched from Net Revenue for half-year ending 30th June 1868, which should have been admitted under date 31st December 1867 ...	.....	21,54,359 9 0
			,, amount transferred to London as per Controller General's Statement	.....	5,53,67,446 8 1
			Difference unadjusted	.....	4,243 7 6
		11,38,81,313 6 11			11,38,81,313 6 11

CONSULTING ENGINEER'S OFFICE,
The 21st December 1868.

(Signed) W. B. FARR,
Government Examiner, Railway Accounts.

(Signed) F. FIREBRACE, Lieutenant, R. E.,
For Offg. Consg. Engr. to the Govt. of Bengal, Ry. Dept.

Proceedings of the Madras Government, Public Works Department, 23rd October 1869.

RESOLUTION.—The Governor-General in Council observes that a proper adjustment of the Guaranteed Interest Accounts of the several Guaranteed Companies in India has still to be made, and for this purpose, it is necessary that the net profits of these Companies from the commencement of operations should be correctly ascertained. The procedure to be followed in future in calculating such profits is laid down very clearly in Financial Department's Resolution No. 1,291, dated 5th March 1868; but from information before the Government of India, it would appear that, previous to the issue of that order, no uniform system had been adopted in arriving at the amounts periodically transferred to London to be placed to the credit of the Guaranteed Interest Accounts of the several Companies; that in some cases the method employed was clearly opposed to the terms of the contracts, and that the necessary adjustment was in no instance correctly made.

2. Under these circumstances, a revision of all the accounts of guaranteed interest from the date of opening the several lines to traffic is absolutely necessary, and should now be carried out by the several Consulting Engineers in communication with the Civil Accounts Department; and as it is expedient that the procedure followed in the preparation of the revised accounts should approximate as closely as possible to the conditions of the contracts, the Government of India desires that for the period prior to the date on which the new rules were introduced, the net profits of each half-year should be determined by deducting the audited expenditure and liabilities, as exhibited in the half-yearly Revenue Accounts approved and passed by Government, from the actual amount of traffic earnings paid into the Government Treasuries during the same period. These revised statements should be prepared and submitted to the Government of India, in the accompanying form, with as little delay as possible.

3. This opportunity should be taken to effect an adjustment of all differences between the Government and the Railway Revenue Accounts, and henceforward Consulting Engineers should be required, when advising the Civil Accounts Department, to furnish that ment of the actual net profits of the period for each Company, to furnish that an department, and the Accountant-General, Public Works Department, with an explanatory statement of any differences which may exist between the two sets of books at the time of passing each half-yearly account, so that all discrepancies which may exist between the Government and the Railway books may be at once inquired into and adjusted immediately on their becoming known.

4. It is to be clearly understood that this revision of the accounts in question is not intended to re-open the determination of the surplus earned (if any) in excess of the guaranteed interest, and that the Government of India does not desire to profit by any alteration of such surplus that may be found necessary to make previous accounts correct.

ORDER.—Ordered that this Resolution be communicated to the Local Governments and Administrations noted in the margin, for information and guidance, and also to the Financial Department for information.

Madras.
Bombay.
Bengal.
Punjab.
Oudh.

(Signed) J. W. ALEXANDER, C.E., *Asst. Secy. for Offg. Secy. to the Govt. of India.*

_____ RAILWAY.

Adjusted Account of Traffic Earnings from _____ *to* _____.

Half-years.	Traffic Receipts in Government Treasuries.	Audited Expenditure and Liabilities.	Balance to be transferred to London in liquidation of Guaranteed Interest.
	RS. A. P.	RS. A. P.	RS. A. P.
Ending 30th June 1856			
,, 31st December ,, ...			
,, 30th June 1857			
,, 31st December ,, ...			

No. 497. ORDER THEREON, 23rd October 1869, No. 3,426.

RAILWAY, No. 65.

COMMUNICATED to the Consulting Engineer for Railways for information and guidance with reference to G. O., No. 1,412, dated 6th May 1868.

2. Major Shaw Stewart will place himself in communication with the Accountant-General with a view to carrying out the necessary revision of all the guaranteed Interest Accounts of the Railway Companies from the date of the opening of the several lines to traffic, being guided in such revision by the principles indicated in paragraph 2 of the Resolution of the Government of India.

3. Major Shaw Stewart's attention will also be drawn to the instructions in paragraph 3, and he will be careful in future to furnish the Civil Accounts Department and the Accountant-General, Public Works Department, with the explanatory statement therein referred to.

(True Extract.)

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

To the Consulting Engineer for Railways.
,, Accountant-General.
,, Financial Department.

Exd. E. C. Shunker.

Public Works Department
No. 3426
Proceedings of the Madras Government
Under date the 23rd Oct 1869.
Read the following

From The Offg Secry to the Govt of India. No. H.E. No. 257 A. R. 7/13 Sept 1869

Communicated to the Consulting Engineer for Railways for information and guidance with reference to G.O. No. 1412 dated 6th May 1868.

2. Major Shaw Stewart will place himself in communication with the Accountant Genl with a view to carrying out the necessary revision of all the

guaranteed Interest
Accounts of the Railway
Companies from the
date of the opening
of the several lines to
traffic, being guided
in such revision by
the principles indicated
in para 2 of the re
solution of the Govt.
of India.

3. Major Shaw Stewart's
attention will also be
drawn to the instruction
in para 3, and he
will be careful in
future to furnish
the Civil Accounts
Department and the
Accountant General,
Public Works Departts.,
with the explanatory
Statement therein re-
= ferred to

To
The Controller
Railways.
Accountant Genl
Financial Dept

M. dispo to all
23/10/69
P.C. — do — do — 11/11/69

Cue 4227

Govt. of {1869} Madras.

PUBLIC WORKS.

To The Consulting Engr. for Railways

Dated

Rec.d

Encl. 1

G. O 23rd Octr 1869, No. 3426

Nos. 496-497

Railway net traffic receipts

Prov. of the Sub-g Divn during the adjustment of Railway net traffic receipts in liquidation of guaranteed interest - Orders to be observed by Offrs concerned with misltaneous Items -

c.4a Oct 1869 OR 2-3w