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MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No.	2016	Press
397-398		Mis.
Dated	24-8-	1872

Not to be folded or roughly handled

*Proceedings of the Madras Government, Public Works Department,
24th August 1872.*

No. 397. Read the following Proceedings of the Government of India, Public Works Department (Account—General), dated Simla, 30th July 1872, Nos. 677-96 A.G.:—

Adjustment of refunds of Expenditure.

Read in full—

Note by Lieutenant-Colonel P. P. L. O'CONNELL, R. E., Officiating Accountant-General, Public Works Department, on the above subject.

THE question as to the best and most convenient method of adjusting and accounting for these refunds of expenditure has long engaged the attention of this Office, and for some short time past has been under special consideration.

2. In the rules and forms of account, and also in the Code Regulations of the department, no specific provision has been made, or procedure prescribed, for the systematic adjustment of such transactions. The procedure of crediting without distinction all such recoveries to revenue, which has hitherto been the ordinary practice, has for many reasons long been admitted to be defective. But in consequence of the difficulties that intervened in respect to making the necessary alterations in the standard initial and other accounts, so as to admit of the adjusting entries being passed through them in the ordinary course, without inconvenient and, what was believed to be unnecessary, expansion and elaboration, a satisfactory and final decision has never been arrived at, nor, as stated above, have any specific or definite rules been prescribed for the guidance of account and disbursing officers in dealing with such recoveries in the departmental accounts.

3. Under existing arrangements all petty fines and refunds realized whilst the works are in progress or subsequent to completion are generally permitted to go to reduce outlay, or to be passed to the credit of revenue, whichever course may be the most practicable, and as the merits of each case may warrant, under the authority of the Executive Engineer.

4. For petty refund transactions of this description, it is believed that the wants of the case will be fully and conveniently met if a limit is fixed up to which an Executive Engineer can adjust them on his authority, and in such a manner as the connecting circumstances of each particular case may determine. This limit, it is suggested, should be fixed at Rupees 50, up to and including which sum an Executive Engineer should be empowered to adjust all fines, refunds, and recoveries of expenditure on his own authority, and without reference to the special rules and procedure hereinafter prescribed.

5. For all refunds of expenditure exceeding the limit of Rupees 50 in each case, such as—

1st.—Cash refunds on account of fines; over-payment; deductions for bad work, etc.

2nd.—Returns to store of materials finally charged off against works.

3rd.—Transfer of materials under the same conditions from a finished work to one in progress;

and any other refunds of expenditure which may not come under either of these heads, I would propose that the following rules should be generally observed for their adjustment.

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6. In every case the full amount of the refund in the first instance should be credited on realization (*i. e.*, by a receipt of cash for a cash refund, and by increase to the stock balance in the case of return or transfer of materials) to a suspense head of account called "Refunds," or any other appropriate head. This procedure being carried out, there will be in the first stage of the process the whole of the refunds which it is considered expedient and desirable to adjust under special sanction standing to the credit of the suspense account referred to above. It will be understood from this that the value of stores transferred under the conditions explained above will, pending orders as to its adjustment, be debited to the head "Stock."

7. A simple statement in the accompanying specimen form showing the credits raised by the Executive Engineer during the month under this head will be submitted with the usual monthly accounts of that officer to the Controller, and on this statement the orders of the Controller will be passed in respect to the precise manner in which each recovery should be adjusted in the accounts of the Executive Engineer (*vide* illustrative entries in the specimen form). In every case in which "materials at site" of the value of Rupees 500 and upwards are returned to store in view of their being brought on the reserve stock of the division, the Superintending Engineer should certify that the stores are not been priced above their proper value; and further that from the nature and quality of the articles returned there is reason to believe that at some future date it will be possible to utilize them on other works in the division or circle. When "materials at site," the aggregate value of which amounts to Rupees 500 or upwards, are transferred from a finished work to one in progress, the same effect should exist, viz. that the stores so transferred have been valued at actual cost rates, if they are worth as much, or at their then present value if the stores should have depreciation in any way. The first provision will tend to prevent the accumulation of useless stores as a debit to the reserve stock of the division, whilst the second secures that the new work should be debited with the proper value of the stores issued to it.

8. The completed statement will then be returned to the Executive Engineer who in his next month's accounts will pass the adjustments through his books by writes back in the ordinary way, and in conformity with the orders of the Controller in each case. In the writes back, the suspense account, in which the refund has been temporarily placed pending authoritative orders as to its adjustment, will always be debited, the corresponding credits being adjusted to "Works" or "Revenue," as may have been ruled by the Controller.

9. In some cases where the amounts involved are small and no useful results would be obtained by disturbing the closed and adjusted accounts of the completed works, the refunds would naturally be passed to the credit of revenue; but when, as occasionally happens, the recovery is of such magnitude that the omission of it from the accounts of expenditure would tend considerably to increase the registered cost of the work, and thus practically mislead and create an injurious impression when the actual value of the work executed and the *cost* of that work comes to be ascertained and compared together, it should of course in such a case be credited to the work concerned, and not to revenue.

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10. The suspense account above referred to closing annually without any balance will be used temporarily as it were as a medium through which all refunds and recoveries of special importance can be systematically adjusted and accounted for, and its adoption will admit of the object in view being attained without disturbing in any appreciable degree the standard departmental rules and forms of accounts. Moreover, the evils connected with the existing system, in respect to raising fictitious entries in the revenue account will be effectually remedied.

11. Such refunds as may have to be credited to works, *i. e.*, to reduce previously recorded outlay, will affect the expenditure of the year in which they are realized in the following manner:—

I.—The refund to a certain work may be in excess of the expenditure on that work during the year in which the recovery is realized.

II.—The refund may have to be credited to a work on which there has been no expenditure whatever incurred during the year in which the refund is brought to account; or

III.—The refund to a certain work may be less than the expenditure incurred on that work during the year.

In each of these three cases there will be no difficulty or impediment whatsoever in recording the refund transaction in the accounts at the time it is realized, and in exhibiting the final results in the appropriation and outlay account of the year.

Resolved—
That the Comptroller General of Accounts, No. 50, dated 6th April 1872, approving of the procedure proposed in the foregoing Note for the adjustment of the refunds in question.

Observations—The Governor-General in Council is of opinion that the arrangements proposed in the Note of the Accountant-General, Public Works Department, for securing uniformity and proper control in the system of adjusting and accounting for refunds of expenditure from works, practically and conveniently meet the wants of the case, and sanctions their introduction from the commencement of the current official year. In order to avoid needlessly increasing the heads of account, for which it would appear there is no absolute necessity, the refunds pending the orders of the Controller as to their adjustment should be accounted for under a sub-head of the present Miscellaneous Advance Account.

Ordered—That a copy of the foregoing papers be forwarded to the Local Governments and Administrations, and to the Officers of the Railway Branch enumerated in the margin, for information and guidance.
Copy also forwarded to the Accountant-General, Public Works Department, for the issue of such subsidiary instructions.

Governments of Madras, Bombay, Bengal, North-Western Pro-	
vinces, and the Punjab.	
Chief Commissioners of Oudh, Central Provinces, British Burmah	
and Assam.	
Resident at Hyderabad.	
Agents to the Government General, Central India and Rajpootana.	
Agents to the Government of Punjab and Sind.	
Superintendent of Punjab Northern State Railway.	
Chief Engineer of Punjab Valley	" "
Engineer in Chief, Lower Valley	" "
Engineer in Chief, Upper Valley	" "
Engineer in Chief, Rajpootana	" "
Engineer in Chief, Agra	" "

*Proceedings of the Madras Government, Public Works Department,
21th August 1872.*

tions to the Account Officers of the department as may be considered necessary.
(Signed) P. P. O'CONNELL, Lieut.-Colonel, R. E.,
Offg. Dpy. Secy. to the Govt. of India.

*Statement of Refunds of Expenditure on Works brought to account in the
Division during the month of 1872.*

Work on which amount refunded was originally expended.	Nature of Refund.	Amount	Remarks by Execu- tive Engineer.	Orders of Controller as to adjustment.
Hospital at Muttra.	Materials at site re- turned to store.	Rs. 2,700	Expenditure incur- red on this work during current year.	Should go to reduce cost of work.
Central Prison at Allyghur.	Fine realized from contractor for bad work.	5,000	Account closed in 1870-71.	Ditto ditto ditto
Allyghur and Muttra Road.	Ditto ditto for bad kunkur.	1,000	Current year's supply	Ditto ditto ditto
Church at Allyghur.	Over payment to contractor.	78	Account closed in 1870-71.	May be treated as revenue
Cavalry Barracks at Muttra.	Materials returned to store.	101	Ditto ditto ditto ...	Ditto ditto ditto
Cutcherry at Meerut.	Ditto ditto ...	2,000	Expenditure incur- red on this work during current year.	Should go to reduce cost of work.
Church at Jhansi ...	Fine recovered from contractor for delay in carrying out contract.	61	Account closed in 1870-71.	May go to revenue.

(Signed) A. B.
Executive Engineer—Division.

(Signed) A. B.
Controller of Public Works Accounts

No. 394.

ORDER THEREON, 21th August 1872, No. 2,016.

ACCOUNT, No. 25.

Communicated to the Controller of
Public Works Accounts and to the
Superintending Engineers for informa-
tion and guidance.

(True Extract.)

Colonel, R. E.

Secretary to Government.

To the Officiating Controller of Public Works Accounts
To Superintending Engineers.

To the Special Executive Engineer, Wynaad.

Est. E. C. Munket.

Book 70-8-72

As Above.

C/43915.

Govt. of Madras.

PUBLIC WORKS, V

The Officiating Controller
of Public Works
& accounts

1911

1911

24th Aug 1916.

No. 777 G.O.S.

Adjustment of funds of
Expenditure. Ref. of the
Govt of India sanctioning
the introduction from the
commencement of the cur-
rent official year the
arrangement proposed
by the Accountant General
for securing uniformity
& proper control in the
system of adjusting &

Accounting for funds.
Expenditure from the
Comptroller of Public
Accounts & to the