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MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. <i>836</i>	Press Mis.
<i>566-67</i>	
Dated <i>25</i> <i>3</i>	<i>18</i> <i>72</i> .

Not to be folded or roughly handled

*Proceedings of the Madras Government, Public Works Department,
25th March 1872.*

No. 566. —Read the following Circular from the Government of India, Public Works Department, (Account—Railway,) dated Fort William, 15th March 1872, No. 17 :—

Audit of Guaranteed Railway Accounts.

Read again :—

No. 669 A—R, dated 30th October 1871.

RESOLUTION,—By the Government of India, P. W. Dept.

Read again—

Public Works Department Resolution Nos. 942—9A, dated 24th March 1866, laying down rules for the conduct of the Government audit of Guaranteed Railway Accounts.

Government of India Despatch to Secretary of State, No. 71 R, dated 29th June 1869.

Secretary of State's Despatch to the Government of India, No. 81, dated 30th November 1869

Government of India Despatch to Secretary of State, No. 45 R, dated 7th April 1870 with enclosures.

Read also the following papers :—

Government of India Resolution Nos. 73—6 A—R, dated 11th February 1871.

“ of Bombay, No. 248, dated 4th March 1871.

“ of Punjab, No. 897 G, dated 3rd March 1871.

Chief Commissioner, Oudh, No. 616 R, dated 28th March 1871.

Government of Madras, No. 1,153, dated 24th April 1871.

Note by the Accountant General, Public Works Department, forwarding report on the Account and Audit Office of the East Indian Railway Company, dated 7th June 1871.

Bengal No. 1,437 G, dated 11th July 1871, with enclosures.

RESOLUTION.—The Governor General in Council observes that the papers above read show that the audit and control of the earnings of the Guaranteed Railways require to be made more systematic and thorough than it is at present. The annual amount involved in them is seven millions sterling, and the further sums which have to be watched on account of the working expenses and Capital expenditure of the guaranteed lines amount to about four and three millions, respectively. The whole forms an aggregate of more than 14 millions per annum, and involves a mass and variety of details requiring scrutiny, for the due performance of which a specially fitted establishment is, in the opinion of the Governor General in Council, clearly necessary.

2. When the Guaranteed Railways were started, the supervision of Government was confined as regards finances to the audit by Consulting Engineers of bills or accounts of expenditure rendered to them from time to time by the Railway Authorities. Referring to this system, Lieutenant-Colonel Chesney, in a Note (paras 4 and 5) written in 1866, states as follows :—

“ Seen by the light of the present day, the defects of such a system of audit are obvious: (1) it afforded no guarantee

Its defects.

that the original accounts on which

these audit statements were based were properly kept; or (2) that the statements furnished to the Consulting Engineer represented the transactions recorded in the books of the Railway Company; (3) no

Defects of former system of audit.

check was placed on the occurrence of

arrears, on the contrary, delay was virtually encouraged, the tendency being to

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postpone the submission of all accounts likely to be refused audit; and second, as the Consulting Engineer's audit was usually very rigid, and rejected a large part of the accounts presented, it followed that the capital expenditure of the Railway Company, as recorded in the Government books, failed altogether to represent the amount of actual expenditure incurred. To ascertain this it was necessary to add, first, the expenditure incurred, but of which the account had not been submitted by the Company's Agent; and second, the accounts presented to the Consulting Engineer, but to which audit had been refused.

"To understand the magnitude of the defects engendered by this procedure, it is sufficient to mention that at one time, while the actual outlay on the East Indian Railway had reached 20 millions sterling, the recorded capital outlay on the books of the Accountant General was only 16 millions, the difference of four millions lying in the "insufficient balance" of the Company's books, and its final adjustment being postponed *sine die*."

3. This unsatisfactory arrangement having been brought more and more to the notice of Government, led in 1866 to the introduction of the present system of appropriation audit. "Examiners" were appointed to help the Consulting Engineers in the audit portion of their duties by concurrent examination of the Railway Companies' accounts. This system provided for a more systematic and extended scrutiny over the outlay of the Companies than had before been exercised, since it went straight to the record of outlay as kept by the Account Establishment of the Agencies instead of depending on the submission of accounts. It is believed that a great improvement in the audit, and even in the accounts of some of the Companies, has been achieved since 1867. But the establishment employed was small, and could not undertake a complete audit; and has not been able to attempt any test of the correctness of the receipts and earnings of these undertakings. Indeed, at that stage of progress made in devising improvements in the audit, the earnings of the Companies had not attracted the attention of the Officers of the Government who investigated the subject.

4. The gross earnings of the Guaranteed Railways, taken year by year from the year 1864-65, when the question of these accounts first came to notice up to the present time, are as follow:—

Year.	£
1864-65	3,056,920
1865-66	4,083,202
1866-67	4,961,142
1867-68	5,156,457
1868-69	5,916,316
1869-70	6,006,740
1870-71	6,000,069
1871-72	7,000,000 (estimated).

It appears that the receipts since 1866 have doubled and are increasing, and it is evident that the vast sum now at stake, and which is in reality so much State revenue, calls for strict scrutiny and investigation by competent Government Officers.

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5. The variety as well as the mass of detail involved in these accounts connected with income of Guaranteed Railway Companies, demands a special establishment for the due performance of the duty of scrutiny.

6. It appears that the total sanctioned cost of the regular accounts establishment for auditing the transactions of the Guaranteed Railways is somewhat as follows:—

Madras	1,649
Bombay	2,330
Bengal	1,845
Punjab	590
Oudh	600
Total	7,014, or say Rs. 84,000 per annum.

It is impossible to give the exact figures, as the general and account establishment of the Consulting Engineers are not separately shown. Considering the vast amount of accounts to be checked, it is not surprising that a complete control has not been yet arrived at. As, however, it may be thought that a larger portion of the Consulting Engineer's establishments should be charged to this head, it may be well to mention here what the total sanctioned cost of those establishments amounts to. It is as follows:—

Bengal	7,679
Madras	5,602
Bombay	13,506
Punjab	4,723
Oudh	2,713
Total	35,523, or Rs. 4,26,276 per annum.

7. Even if the whole of this amount were expended in superintending the accounts and finances of the Railways, the cost would only be 0.306 per cent. on the amount of the accounts to be dealt with; but as it is, the proportion of the whole sum properly attributable as the cost of the Accounts Branch cannot be one-fourth of this. It is plain, therefore, that to deal with these accounts effectually, some increase of establishment is wanted in addition to that required for the new duty of checking in detail the accounts of Railway earnings.

8. But the Governor General in Council is, moreover, of opinion that the time has now arrived for carrying out generally in the audit and record of the accounts of the Guaranteed Railways the principle which has for some time been carried out in the Public Works Department of separating these duties entirely from those of executive control. On first establishing an improved audit of the accounts of these undertakings, it was not possible to make this separation, because the only knowledge of the working of the Railways possessed by Government Officers was that acquired by the Consulting Engineers, and it was better to entrust the audit to these Officers aided by skilled Accountants than to proceed at once to place the matter in the hands of trained Financial Officers, however skilful, who must be destitute of any knowledge of the details of the working of the Guaranteed Railways and of the policy of the Government in regard to them.

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9. Now, however, the Examiners and their establishment have worked for some years under the Consulting Engineers, and have become familiar with the main features of the accounts to be dealt with. The Accountant General of the Public Works Department and his Officers have, by frequent inspections, also rendered themselves acquainted with the general state of the accounts and audit, and with the improvements which are needed to bring both into an efficient state.

10. It may be added that in Captain Filgate, R. E., the Officer who has had the chief supervision of this branch of the work, the Accountant General in the Public Works Department has an Officer fully qualified and able to extend the operations of account and audit to the degree which is desirable, in order to ensure for the Government of India a proper control of the great interests involved in these heavy and complicated accounts.

11. It seems to the Governor General in Council therefore now proper that the control of the audit and accounts of the Guaranteed Railways should now be placed in the hands of Officers trained to accounts, who alone can do justice to the complicated matters involved in the audit, which the Government of India desires to see established.

12. In coming to this conclusion, the Governor General in Council desires to guard against any impression that a want of confidence in the zeal and industry of the Consulting Engineers is meant to be expressed. His Excellency in Council has no doubt that these Officers have, as a rule, done their best to protect the interests of the Government in a fair and proper manner. But their training may not have suited them to solve the intricacies of accounts, and their more immediate duties of executive control must, as in all other such cases, prevent their giving that undivided attention which is necessary for the proper conduct of matters of accounting so great and so complicated.

13. The Governor General in Council must still look to the Consulting Engineers to aid the Account and Audit Officers with their advice and assistance in many matters which require the attention of both; and also to act in such concert with, and dependence upon the aid of, the Account Officers as shall best secure to the Government and the Railway Companies the special advantages which may be hoped for from the division of labour now to be established.

14. It is evident that to carry out the intentions expressed in the foregoing paragraphs, it will be necessary both to increase numerically the establishment employed on the audit of the Guaranteed Railway accounts, and to add to it Officers fitted to undertake higher responsibilities, and, therefore, requiring higher emoluments than those at present employed. In several cases the Examiners already employed have shown the qualifications necessary to make it proper to promote them to the higher posts. In other cases fresh appointments must be made.

15. In the case of the Oudh and Rohilkhand Railway Company, a system has been adopted which the Governor General in Council would be glad to induce the other Companies also to join in. In this case the Railway Company accepts the Government audit, which is made, more fully, so as to meet the requirements of the Company, and the Company joins in bearing the expense. This system works admirably; and if it were generally adopted, the joint saving to the Government and the Railway Companies would probably be the entire expense of

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the establishments now required for the Government audit. This matter, however, will be separately represented to the Financial Department and Secretary of State. All that will be required as regards the Oudh and Rohilkhand Railway under the present Resolution, will be to give the Auditor the status in the Account Department proposed for the cases of the other Railways.

16. It is not possible at present to supply an exact scale of what the ultimate requirements of the new audit for the other Companies will be. The increase of the Subordinate Officers may be left to be settled hereafter. The number of Officers of the higher grades is, as a provisional and temporary measure, estimated as follows:—

	PRESENT SCALE.			PROPOSED SCALE.			INCREASE.	
	Grade.	Salary.		Grade.	Salary.	Total.	No.	Amount.
Madras ...	(1 Examiner ...	RS. 900	1,350	(1 Examiner.	RS. 950	950	1	RS. 500
	(1 Assistant ...	450		(2 Assistants	450	900		
						1,850		
Bombay ...	(1 Examiner ...	700	1,150	(1 Examiner.	950	950	1	700
	(1 Assistant ...	450		(2 Assistants	450	900		
						1,850		
Bengal ...	(1 Examiner ...	700	1,050	(1 Examiner.	950	950	1	800
	(1 Assistant ...	350		(2 Assistants	450	900		
						1,850		
Punjab ...	1 Examiner ...	450	450	(1 Examiner.	950		1	950
				(1 Assistant.	450	1,400		
Oudh ...			...		...			
Total per mensem.	7		4,000	11	...	6,950	4	2,950
Per annum.			48,000		...	83,400	...	35,400

17. As regards the grading of these Officers, His Excellency in Council, as advised in this department, is of opinion that, considering the responsibility and importance of these posts, none of the Officers selected as Examiners should be of lower grade than a Controller, 2nd class, 3rd grade, and that the highest grading to which these Officers should rise should be as under—

- 1 Controller, 2nd class, 1st grade.
- 2 Controllers, „ 2nd „
- 1 Controller, „ 3rd „

Of the Officers proposed of the rank of Deputy Controller, one should be allowed to rise to the rank of Controller, 2nd class, 4th grade, and the highest grading of the Assistant Controllers should be one 1st grade, two 2nd grade, and one 3rd grade. The proposed scale will allow of Officers appointed to the Department to have a reasonable prospect of rising without stagnation of promotion which

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frequently tends to unsatisfactory results. The total maximum cost of this establishment will be as follows:—

1	Controller, 2nd class, 1st grade	...	...	...	...	Rs. 1,100
2	Controllers, " 2nd "	...	...	...	...	1,900
1	Controller, " 3rd "	...	...	...	...	500
1	" " 4th "	...	...	...	...	650
2	Deputy Controllers	...	...	...	...	1,100
* 2	Assistant " 1st grade	...	...	...	...	900
2	" " 2nd grade	...	...	...	...	700
1	" " 3rd "	...	...	...	...	250

*One additional for Sindh

7,400

18. The Consulting Engineers will, of course, be required to transfer to the new Examiners the Accountants and Account Clerks now employed in their Offices, and with these work must be commenced. But an increase of subordinate Officers will, no doubt, be required immediately after.

19. This increase may possibly be, to some extent, met by a reduction of Deputy or Assistant Consulting Engineers; but such a reduction is not at once certainly feasible.

20. It appears to the Governor General in Council that, on the whole, the increase of expense is likely to be quite trifling, compared with the advantages to be derived from the changed organization proposed.

ORDER.—Ordered, that this Resolution be forwarded to the Financial Department for early consideration and orders, accompanied by the prescribed tabular statement in anticipation of the Secretary of State's approval so as to allow of the necessary reform in the system of audit being introduced with the least possible delay.

Statement showing the proposed changes in the establishment of Government Examiners of Railway Accounts, to accompany letter No. 669 A—R, of the 30th October 1871 from the Government of India, Public Works Department.

PRESENT SCALE.			PROPOSED SCALE.			Amount of salaries.	Increase.	Decrease.	Gratuity of proposition.	OFFICERS OF THE GOVERNMENT OF INDIA.	
No.	Designation.	Amount of salaries.	No.	Designation.	Amount of salaries.					Remarks in the Public Works Department.	Remarks in the Financial Department.
1	Examiner of Railway Accounts.	Rs. 900	1	Examiner of Railway Accounts.	Rs. 1,100	200	...	...	...		
1	Ditto ditto	700	1	Ditto ditto ditto	950	250	...	...	...		
1	Ditto ditto	700	1	Ditto ditto ditto	950	250	...	...	...		
1	Ditto ditto	450	1	Ditto ditto ditto	500	50	...	...	...		
1	Ditto ditto	450	1	Ditto ditto ditto	500	50	...	...	...		
1	Assistant Examiner of Railway Accounts.	450	1	Assistant Examiner of Railway Accounts.	650	200	...	...	...		
1	Ditto ditto	450	1	Ditto ditto ditto	550	100	...	...	...		
1	Ditto ditto	350	1	Ditto ditto ditto	550	200	...	...	...		
			2	Ditto ditto ditto at Rs. 450	900	900	...	...	...		
			2	Ditto ditto ditto at Rs. 450	900	900	...	...	...		
			1	Ditto ditto ditto at Rs. 350	700	700	...	...	...		
			1	Ditto ditto ditto	350	250	...	...	...		
7		4,900	13								
				Net increase...	7,400	3,400	...	...	...		
							...	...	...		

File P. W. D. Resolution No. 669 A—R, dated 30th October 1871.

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Read also:—

No. 3,012, dated 13th December 1871.

RESOLUTION,—By the Government of India, Financial Department.

Read—

A Resolution of the Public Works Department, No. 669 A—R, dated the 30th October 1861, requesting that the staff of

1	Controller, 2nd class, 1st grade	...	...	...	...	Rs. 1,100
2	Controllers, " 2nd "	...	...	...	...	1,900
1	Controller " 3rd "	...	...	...	...	500
1	" " 4th "	...	...	...	...	650
2	Deputy Controllers	...	...	...	...	1,100
2	Assistant " 1st "	...	...	...	...	900
2	" " 2nd "	...	...	...	...	700
1	" Controller 3rd "	...	...	...	...	250
						7,400
	Deduction cost of present staff of 7 Examiners and Assistant Examiners of Railway Accounts...	...	...	...	...	4,000
	Net increase	...	...	...	...	3,400

1861, requesting that the staff of officers noted in the margin, which is required for the audit of the Accounts of Guaranteed Railways in India, may be sanctioned, in anticipation of the Secretary of State's approval, so as to allow of the necessary reform in the system of audit being introduced with the least possible delay.

RESOLUTION.—Sanctioned in anticipation of the approval of the Secretary of State.

ORDER.—Ordered, that a copy of this Resolution be sent to the Public Works Department, with an intimation that the Secretary of State's confirmation will be applied for by this Department.

OBSERVATIONS.—The Governor General in Council observes that the modified system of Government audit and control contemplated should be brought into force from the 1st April next, and Consulting Engineers should arrange at once for the transfer of all duties of account and audit to the Examiners about to be appointed by Government. Whatever portions of their offices have been employed on such duties should be transferred at the same time. A report should be at once sent forward of the present strength of each Consulting Engineer's Office, showing what it is proposed to retain, and what to transfer to the Examiners.

2. The Consulting Engineers should intimate to the Railway Agencies that the Examiners appointed by Government will now be the representatives of the Government in matters of cash and store accounts and audit.

3. In regard to powers of audit, the Examiners will, under the new arrangements, stand in the same relation to Consulting Engineers that Controllers in the Public Works Department do to Chief Engineers, and should, therefore, exercise these powers in ordinary cases without reference to Consulting Engineers, but it is desirable that the Examiners should act in concert with the Consulting Engineers as far as possible on all occasions, and it is to be distinctly understood that Consulting Engineers are to be the responsible officers for all authorizations, and are only to be relieved from duties and responsibilities connected with the technicalities of account and audit of expenditure.

4. The Examiners should, whenever practicable, attend all official meetings between the Consulting Engineers and the Officers of the Railway Companies.

5. The compilation of the statistics will rest with the Examiners; but their review, including the chief part of the discussions of the Revenue Accounts, will

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be the duty of the Consulting Engineers, to whom the Examiners will be bound to give all the assistance in their power.

6. It should be understood that the Examiners may correspond direct with the Accountant General in this Department, just as Controllers of Public Works Accounts now do, and detailed instructions as to the professional part of the duties and the accounts and returns of the Examiners will be given by the Accountant General.

ORDER.—Ordered, that this Resolution be communicated to the Local Governments, and Officers named in the margin, for information and guidance.

Governments of Madras and Bombay.
Consulting Engineers to Government of India for Guaranteed Railways, Calcutta, Lahore and Lucknow.
Accountant General, Public Works Department.

Also to the Financial Department for information.

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

No. 567.

ORDER THEREON, 25th March 1872, No. 836.

RAILWAY, No. 92.

COMMUNICATED to the Consulting Engineer for Railways for information and guidance.

2. Major Prendergast will at once arrange for the complete transfer of all duties of account and audit as well as of the establishment employed in connection therewith to the Examiner of Railway Accounts, and submit a statement showing the distribution of establishment made under paragraph 1 of the Resolution of the Government of India of 15th March 1872.

(True Extract.)

(Signed) J. CARPENDALE, Colonel, R.E.,
Secretary to Government.

To the Acting Consulting Engineer for Railways.

Exd. S. T. Augustin.

*Communicated to
the Consulting Engineer for
Railways for information
and guidance.*

*Major Prendergast
will at once arrange
for the complete transfer
of all duties of account
and audit as well as of
the establishment employed
in connection therewith
to the Examiner of
Railway Accounts, and
submit a statement showing
the*

The distribution of establish-
ment made under Para 1
of the Resolution of the
Government of India of
15th March 1872.

15th March 1872

To
The Cong. Engr.
for Railways -

M. J. depe 25.5.72
P. C. 11/4/72

1/21/54

GOVT. OF INDIA
PUBLIC WORKS.

The Secretary
for Railways

25 January 1886

Attest

Guaranteed Railway Accounts

Circular from the Comptroller
General forwarding copy of
Resolution relative to the
~~the~~ transfer of the duties
of Account and Audit of
from the Comptroller's Dept
to that of the Examiner
of the Accounts, Comptroller
General's Office.