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MADRAS RECORD OFFICE

Government of Madras

Public Works DEPARTMENT

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No 305 Read the following endorsement of the Chief Engineer for Irrigation, dated Camp at Chinna Kistnapuram, 12th December 1874,
No 43 —

From R K WILLIAMS, Esq, Offg Examiner of Railway and Irrigation Accounts, to Lieutenant-Colonel J MULLINS, R E, Chief Engineer for Irrigation and Joint Secretary to Government, Public Works Department, dated Madras, 27th November 1874, No. 740-I.

I HAVE the honor to submit, herewith, a report by Mr Quinlan, Assistant Examiner, on the Accounts of the Madras Irrigation and Canal Company.

2 In his 1st, 2nd, 3rd, 4th and 5th paragraphs, Mr Quinlan states that the errors discovered during his inspection in November 1873, forced upon him the conviction, which subsequent investigations have since confirmed, that the management was defective, and that the confusion in the accounts, while in some measure owing to the general defectiveness of the system, was due chiefly to this cause, mentions the defects in the system up to 1869, explains what has been done since the introduction of the Government audit, and points out that the improvements which have been carried out since then have originated in this office, that this office has virtually been doing the supervising work of the accounts, and that owing to the way in which they have been misapprehended, there has been considerable difficulty in introducing improvements, suggests that the accounts should be transferred entirely to this office, or, if this is not feasible, recommends that Mr Crawford be continued in charge of them

3. Though it is not a pleasant duty to have to condemn so completely the Company's accounting, I am able, from my own observation, to support Mr. Quinlan's opinion as to the generally defective, inefficient, and unsatisfactory manner in which the accounts have been kept. I was not at all favorably impressed with the accounts of the Madras Irrigation and Canal Company when I first came to Madras, and it was to investigate certain points which had attracted attention, and to test the accuracy of some adjustments which were being made of past transactions, and which required more time than I could myself conveniently spare, that Mr Quinlan first proceeded to Kurnool. The state of things disclosed by the examinations which were then, and have been subsequently, made, as well as the errors and mistakes which have occurred in what may be termed the current transactions, are such as to warrant most fully the conclusion that there has been either a want of a proper knowledge of accounting, or a laxity of supervision and omission of instruction to the subordinate staff, which, to say the least, is most unsatisfactory. Some of the more prominent defects in the Company's system,

particularly that of omitting the record of the stores from the general books, have before come under the notice of Government. But beyond the defects in system, there has been, I regret to say, an absence of method and an ignorance of accounting displayed in the conduct of the accounts which I am of opinion ought not to have arisen with a properly organized, instructed, and supervised account establishment. Mr Quinlan explains at length the action taken since the introduction of the Government audit by Examiners, and it is perhaps not necessary that I should enter into that.

4. With the account business of the Company thus conducted an amount of detailed supervision as explained in Mr Quinlan's report, has to be exercised by this office which, while an expensive account establishment is maintained by the Company, ought not to devolve upon it. It is but right, however, that I should guard against it being supposed that any complaint is made as to the work which has fallen upon this office since Mr Crawford has been temporarily in charge of the accounts, for, recognizing that he would probably come to the work with but an imperfect knowledge of accounts, I expressed my willingness to render assistance in the more technical part. But being now assured from my own experience of them, and from the examinations made by Mr Quinlan, of the unsatisfactory manner in which the accounts of the Company have hitherto been kept, I deem it my duty to urge most strongly that such arrangements may be made as will ensure a more efficient conduct of them for the future.

5. It had been a subject of consideration with me for some time, whether, if the prospect arose of a change in the head of the Company's Account Department, it would not be desirable for me to propose the introduction on the Madras Irrigation and Canal Company of an arrangement like that in force on the Oude and Rohilkhund Railway, or some modification of it, which, while ensuring efficiency, would at the same time conduce to economy.

6. In the Order, however, No 2,063, dated 30th July last, Government have ruled that the salary to be given to future incumbents of the office of Chief Accountant is not to exceed Rupees 300 per mensem. While admitting that the cost of the work to be done should not exceed the sum named, I am of opinion that the accounts are of such a nature as to still require the immediate supervision of an able and experienced Accountant.

7. Entertaining then this view, and taking all the circumstances into account, it appears to me that the transfer of the accounts to this office as suggested by Mr Quinlan would prove in every respect the most satisfactory and economical arrangement. I am unaware how far, if the Company should be otherwise willing to accept it, the engagements with present officers might operate as a bar to its introduction, but if not at present practicable, I would still strongly recommend it for the consideration of Government as an arrangement which, as being best suited to the financial position and general circumstances of the Company, should be ultimately adopted. Should the proposal commend itself to Government, I shall be prepared to submit detailed particulars, and, though I cannot entirely support Mr Quinlan's view that a saving of very nearly the whole of the present cost of the account establishment would be effected, I am prepared to state that a reduction in the expenditure of at least two-thirds would be the result, it being assumed that the cost of the subordinate staff required, or some fixed sum, should be a charge to the Company.

8. The home payments, referred to in paragraph 6, should have been brought to account at the time. As this, however, was not done, it now remains to make the necessary adjustments. The statement which is being prepared will no doubt prove that the sums were duly recovered, and the balance of the salaries only taken to the debit of construction in India. This will be attended to as also the adjustment between Capital and Loan for stores received from England, referred to in paragraph 7.

9. Paragraph 8—The question of bringing the home expenditure on to the Indian Books, and of its apportionment between Capital and Revenue, was disposed of in G. O., No 1,423, dated 26th May 1873, and was again referred to in paragraph 7 of G. O., No 348, dated the 13th February 1874. The order of Government has not been carried out, the Manager apparently waiting the instructions of his Board.

10. Paragraph 9—If allowance be made for the items noted in the margin

Debits		RS	A	P
General Stores	..	38	1	4
Manufacture of stores on private account		1,854	9	10
Stores lost or damaged		2,135	8	2
		4,028	3	4
Less Credit				
Suspense Account		921	5	9
		3,106	13	7
* Construction Account as per Government Returns		150,03,314	6	5
Add items about to be adjusted in Government Returns		3,106	13	7
Total		150,06,421	4	0
Construction as per Company's Books		150,06,421	4	0
Difference in Total		Nil		

which have clearly been adjusted in the books, but not in the Government returns, the total amount at the debit of construction is the same in both accounts,* and the differences are limited to the sums allocated to the sub-heads. The adjustments made last year of the past store transactions should have effected a complete accord, but have done so only in total. No one at present in the office seems to know clearly how the figures in these adjustments were arrived at. If, as was probably the case, they were compiled chiefly from the original stores issue notes, numerous transfers and reallocations, the result of which was duly shown from time to time in the Government returns, would have escaped notice.

But the way in which the Company's accounts have been kept renders a detailed examination and comparison, as explained in the paragraph under notice, a matter of extreme difficulty, if not of impossibility, and it will perhaps be found desirable to in some measure arbitrarily adjust the allocation in the books to accord with the Government returns, the allocation in which, as it has been examined and accepted from time to time on the part of Government and corresponds with the progress reports, may, I think, be considered correct.

11. The arrangements referred to in paragraph 10 had my approval before being carried out, and do not call for remark.

12. Paragraphs 11, 12, 13, 14, 17 and 18—The slight examination which Mr Quinlan was able to make of the No 2 books appears to show that this account also has been kept in anything but a creditable manner. It is pointed out that, in stating that no money coming into, or leaving the, Company's possession on account of the operations conducted in this country under contract with the Secretary of State, has been brought into the No 2 Account, with the exception of a doubtful item obtained by shroffage, Mr Latham must have been under a misapprehension as to what the accounts did contain, as the "Suspense Account" includes an item of Rupees 500, a recovery in 1863, on account of stores sold, which clearly belongs to Capital. This sum, as well as the amount at the credit of "Shroffage," which is also undoubtedly a Capital item, should now be transferred to the credit of Capital, and the circumstances brought to notice in paragraphs 12, 14, 17 and 18 are, I am of opinion, such that Government may fairly

claim to have a statement prepared and submitted giving particulars of all the items constituting the debits and credits of all the accounts in the No 2 books, in view to its being determined what are, and what are not, the items in which, as affecting to the Capital or Revenue Accounts, Government is interested.

13 *Paragraph 15*—I do not know whether the facts of the amounts here referred to being contained in the No 2 Account may be considered as in any way placing them beyond notice, but if not, some explanation of the sums drawn by Mr. Badham and of the item of Rupees 640 seems to me desirable. A portion of the sum claimed by Mr. Badham as deputation allowance while acting as Manager during Mr. Henslowe's absences on privilege leave was drawn after it had been ruled by Government to be inadmissible, and judging from the circumstances so far as at present known, arrangements which will permit of an officer drawing, even from the Company's private funds, allowances in anticipation of the Board's approval, which Government have distinctly disallowed, would not appear to be altogether satisfactory. Possibly, however, the Board may have in some way, which has not yet come under notice, authorized the payments.

14. *Paragraph 16*—I understand that it was the custom to pay the Income-tax due by the Agent and Chief Accountant out of the No 2 Account, instead of making the deduction month by month on the pay sheets in ordinary course, and subsequently to recover the amounts from these officers. The item of Rupees 66-2-5 would appear to be an amount paid in this way on Mr. Badham's account, which he apparently has not reimbursed, and should now be recovered from him.

15. The amount at credit of Income-tax, Rupees 43 3-5, referred to in the latter part of paragraph 18 of the Report, if it consists of Income-tax correctly recovered from employes during the currency of the tax, should apparently be paid over to the State.

*Report of the Assistant Examiner on his recent Inspection of the Accounts of the Madras
Irrigation and Canal Company*

WHEN I first inspected the Accounts of this Company in November last year, the nature of the errors which came under my observation forced upon me the conviction that the management was defective. But I was unwilling to commit myself to an officially expressed opinion on the subject, until I felt confident I should be able to substantiate it by an appeal to the books both past and present. Accordingly, on the occasion of the two subsequent visits which I made to Kurnool, I specially directed my attention to a study of them, and after a careful and searching investigation, extending back to 1859, when they were first opened, I have no hesitation in giving it as my decided opinion that the dire confusion into which the accounts had fallen, and from which they have not yet been completely extricated, is due in some measure to a needlessly elaborate system at the beginning, but chiefly to inefficiency of management, an opinion which I feel sure you will be able to endorse from your own observations, and which I know Captain Moberly does fully. I shall endeavour to state generally, and as briefly as I can, the grounds upon which I have based these conclusions, to enter into details would necessitate my expanding this report beyond convenient limits.

2 Prior to the introduction of the present system of Government Audit, which was initiated by Captain Moberly in April 1869, the Company's principal books, which of course should be a complete record of their transactions, were, I find, restricted exclusively to Indian cash receipts and payments, consequently they did not at all exhibit the financial position of the undertaking.

nor did they record all that had taken place, even in this country, as will be seen further on. They were encumbered with 231 heads of account, including Capital, Loan, and No 2 Account, which must have been as perplexing to the Book-keeper as they were useless for purposes of classification. Inefficient Balance, Miscellaneous Advances, and Suspense Account, existed in each set of books, and formed convenient lay-byes for all items regarding which there was doubt as to allocation, or insufficiency of vouchers. The journals, at first profuse in details, afterwards became, though still retaining their pretentiousness of dimensions, so meagre in information as now to be worthless for purposes of reference. No vouchers were quoted in support of the entries, no particulars given as to how the items were made up. The subsidiary books, like the accounts rendered to Government, were worked independently of the principal, as though it were intended there should be no connection between them. Stores to the value of nearly four lakhs of rupees had been received from England, and issues made to works from stock, amounting approximately to about 12½ lakhs of rupees, of which they contain no record. Capital had been received from shareholders, the exact amount of which it would now, I apprehend, be a matter of some difficulty to determine, but of which Rupees 39,960 had been paid into the Government Treasury, which transactions they likewise ignored. Payments had been made in England amounting at that date to about 1,30,000 Rupees on account of family remittances of employes, premium on guarantee policy, etc., not one farthing of which has even to this day been adjusted, but on this point I will touch more fully in a separate paragraph.

3 Such was the state of the Irrigation Accounts when Captain Moberly took them in hand, and although he was connected with them only ten months before going home on furlough, in February 1870, still in that short time, and notwithstanding that he had the accounts of three other Guaranteed Companies to attend to *unaided*, he did a great deal towards drawing order out of chaos, and teaching the Company's Accounts Establishment what they did not appear to know before, viz., how to record their transactions intelligibly. He left them specimen forms of journals written up from the vouchers in his own hand, reduced the ledger heads from the number I have named to very nearly their present limit, opened the existing Construction and Revenue heads, and also accounts with the London Board for stores received from England and for home payments of employes, and introduced many minor, though not less important, improvements. But it was, of course, impossible for him, or for any Accountant, however able, in the space of a few months, with his time and attention largely taken up with other work, to find out all that was wrong, still less to set right the errors and mismanagement of years, pervading a whole system with a Capital outlay of nearly a million and a half sterling, distributed, as I have said, over 231 heads of account, and without regard to method or arrangement. Major Hankin and Lieutenant Walker, the officers who officiated during his absence, would appear to have confined their attention to current work, so that nothing further was done in the way of reform till Captain Moberly returned from furlough in February 1872. Finding, then, that many of the instructions and suggestions which he had given had either not been carried out at all, or, where carried out, egregiously misapprehended, and that the time now at his disposal, in consequence of the extended duties recently assigned to the Examiner, did not admit of his any longer doing for the Company what it was their duty to do for themselves, and for the performance of which a well-paid account establishment was maintained, it was, I believe, his intention to thoroughly overhaul the accounts, and submit a report on the result to Government, with a view to steps being taken to place them on a better footing. But he was called away to Calcutta before being able to accomplish his purpose, and since his departure the accounts of the Irrigation Company, except the mere mechanical part of them, have been conducted by this office. A comparison between the balance sheets of 31st March 1869 and those submitted for the same date in 1874, will tell in language far more forcible than I can express it what has been done for the Irrigation Accounts, and that entirely by this office as the Company's records will show. Practically, therefore, we are, and have been, doing the work for which an account establishment, costing about Rupees 18,000 a year, is maintained. Now, I do not think this is intended. It surely is not the duty of the Government Examiner to do, but to *caution* to be done, to bring what is irregular to notice, and to suggest improvements where such are called for. But in the case of this Company it is useless to make suggestions, for there is nobody who under-

stands how to apply or work them out. A very considerable portion of my time in Kurnool has been devoted to teaching the Accountants their duty, how to make a simple journal entry, and to work a cash-book in a proper and intelligible manner. But I fear it is to a certain extent time wasted, as I have no confidence in their capabilities. They have got into a bad groove, and it is not easy to shake off bad habits, even in accounting. They seem to me to think and reason through a distorted medium, and the consequence is the outturn of their judgment is all distorted and crooked. It would indeed be difficult to exaggerate the extent of the bungling that has fallen under my observation in these accounts. Simple as they are, or ought to be, it must be seen to be realized. The errors I have noticed are not the result of inadvertence, or what is technically termed clerical errors, but palpable violations of the most elementary principles of accounting, such as no Accountant worthy of the name could perpetrate. To my mind the reason of all this is very apparent. Accounting, like other sciences, is not not learned by intuition. Its principles have to be studied and under competent tuition, mere theoretical knowledge won't do in working a system of accounts. But if the instructor himself be inefficient, how are those looking to him for instruction to become efficient? Every man leaves his impress on his work, and verily indeed has the Irrigation Management on its accounts.

4 If, then, matters are to be put right and kept right, the Management, in my opinion, will have to be changed. Considering, however, the present financial position of the Company, and the smallness of its expenditure, which is now chiefly on establishment, I think the best plan would be to transfer the accounts entirely to this office. This arrangement would result in a saving to the Company, which, under existing circumstances, practically means Government, of the entire cost of the account establishment at Kurnool, amounting to about Rupees 18,000 per annum. A very trifling addition to the cost of this establishment would, I believe, suffice to enable us to conduct the accounts. Probably, the saving effected in the Examiner's expenses periodically to Kurnool would be sufficient, as the services of the Government Accountant working in the Company's office would, of course, be available here. This is not an original idea, for the Government audit has been in existence on the Oudh and Rohilkhund Railway some years now, and the success which has attended its working there led the Government of India a short time ago to propose its acceptance to all the Guaranteed Railways on financial grounds. But if the introduction of such a measure was considered a desideratum in the case of the Guaranteed Railways, all of which are working at a profit, it should be for greater reason worthy of serious consideration in the case of this Company with its balance on the wrong side of the books, and the chances of its righting itself very remote indeed.

5 If, however, this arrangement cannot be carried out, I would strongly recommend that the present Acting Chief Accountant, Mr Crawford, be, if possible, continued in charge of the accounts. If some suitable professional employment could be found for him in Kurnool, the accounts would not demand much of his personal attention, so far as current work is concerned. It would of course be unreasonable to impose upon him the task of investigating and adjusting old matters, what remains to be done in that way had better be left to this office. Compared with what has been done it is inconsiderable, though by no means so in itself. It, moreover, requires a thoroughly intimate knowledge of the books, and a practical Accountant of no second-rate ability to do it. What is wanted at the Irrigation Account Office is a head piece, somebody to direct. Considering that Mr Crawford came to the work with no professional knowledge of accounts, he has gained an insight into it which does him great credit, and with a little assistance from this office in the more technical part of the business, I have all confidence that system and method will be maintained.

6 The amount at this date unadjusted on account of the home payments referred to in paragraph 2 is Rupees 1,53,969-8-4. I should be sorry to affirm that the whole of this money has been recovered, probably it has, but to leave no doubt on the point, I have given instructions to the Government Accountant at the Company's office to prepare a ledger account for each employé on whose account payments have been made in England, showing on the Dr side the amount so paid, as reported by the Board of Directors to the Agency, and on the Cr. the

amounts recovered. It will probably take about a month to complete this, but when done it will show exactly how matters stand. As stated in paragraph 3, no accounts existed in the books for transactions with London for either stores or home payments till Captain Moberly took charge in 1869, and it now appears that the items unadjusted are those payments which were made in England prior to the opening of the "Home payments for India" account in September 1869. It would seem that only the actual amount of salaries paid in this country was up to that date brought to account. Thus in the cash-book I find that "Agency," now "General Management," has been debited only with the net salaries paid to Messrs Badham and Henslowe. In the Board's Financial letter, No 31 of the 19th of November 1866, a sum of Rupees 75 was advised of having been paid on account of Mr Crawford's Guaranteed Policy. The recovery was duly effected from that officer's salary in January 1867, and the net amount charged to "Engineering" on Journal, folio 238, included in the sum of Rupees 2,487-2 11. These, I think, may fairly be taken as representative cases of what has been done, and would account for the under-debits to "General Management" and "Executive Establishment." Entries will of course have to be made, crediting the Board under "Home payments for India" account, and debiting the above heads for the amount named, but the apportionment between the two accounts cannot be determined till the ledger I have referred to has been completed.

7 As regards the stores received from England, I find there is an under-adjustment of Rupees 1,270-13-4 in the Capital books, and a corresponding excess in the Loan *plus* a sum of Rupees 1-8-0, the result of an apparently erroneous entry in March 1871. The necessary transfers should be made in order to bring out correct results on the two accounts which are, and ought to be, perfectly distinct.

8 The enclosed statement (marked A) exhibits the whole of the Board's transactions in England from commencement up to 30th June last, and contains the necessary information for bringing the home expenditure on to the books here. It would, I think, be very desirable to have this done as soon as possible, in order to have a complete record in this country of the whole of the Company's transactions. The apportionment between Capital and Revenue might perhaps be most equitably effected half-year by half-year on the basis of the expenditure on either account.

9 I also enclose a comparative statement (marked B) showing the differences between the Company's Ledger balances and the accounts rendered to Government. I believe I have done all that is possible to be done in the way of adjusting these differences. On my return from Kurnool last November, I journalized the whole of the accounts rendered to Government, Capital and Loan, and had ledgers posted therefrom and balances struck at convenient dates with a view to see how far the entries were susceptible of check with the Company's books, but from the fact the accounts submitted to Government had, till very recently, been rendered wholly independent of the former, and from the confused and disorderly state in which the books had been kept for years, and the entire absence of reference to vouchers in the journals, I found it impossible to carry out the comparison even for one half-year. It would, I believe, be a far easier task, and one more likely to be attended with satisfactory results, to take up the whole of the Company's vouchers and re-book them *de novo*, submitting amended returns to Government as the work progressed, than to attempt now to discover the several items of difference. The fact that "General Management," say, stands at Rs 35,782-11-3 less in the Government than in the Company's accounts, does not at all indicate the extent of the discrepancy, this may be merely the net result of numerous errors on either side of the account. In illustration of the difficulty attending investigations of this kind in the books of the Irrigation Company, I may mention that it took me the best part of two days to find out how the recovery of Rupees 75, from Mr Crawford in January 1867, had been brought to account. If such be the labor in the case of one item in one account, some idea can be formed of that involved in wading through the several items making up the Company's entire transactions which, till a comparatively recent date, were distributed over so many heads of account, in three distinct sets of books, and worse than all without any connecting link with the vouchers. There is therefore, in my opinion, nothing for it but arbitrary adjustments if the differences are ever to be got rid of, and there does not appear to be much to choose between adjusting the accounts rendered to Government up to the Company's

*Proceedings of the Madras Government, Public Works Department,
18th January 1875.*

books, or the latter up to the former, but to avoid introducing fictitious entries into the progress report with which the Government figures agree, the latter alternative seems preferable

10 Before leaving Kurnool on the 19th instant, I opened a new cash-book from 1st September last, and, from the vouchers, wrote up the transactions of the month as they should be exhibited, and closed the Chief Accountant's cash-book, bringing the balance on to the General books through which his transactions will hereafter be worked. This will greatly simplify matters, and obviate much of the confusion to which the opening of the head "Advances to Chief Accountant" has given rise. I have also left written instructions regarding the working of the Treasury Advance Account, which it became necessary to introduce, owing to the Company having recently obtained letters of credit on District Treasuries. I also effected the necessary adjustments required to fit in the new system of apportioning general charges, sanctioned in G. O., No. 2,072, dated 30th July 1874, with the old, and did otherwise what was necessary to give things a fair start. Mr Crawford is vigorously at work clearing off arrears which, I think, he will be able to effect by the end of next month. Side by side he worked with me the whole time I was in Kurnool, and I have full confidence that he will turn to profitable account the hints and suggestions which I have been able to give him.

THE No 2 ACCOUNT

11 A day or two before I left Kurnool, Order of Government, No 2,783, of the 2nd instant, regarding this account, came to hand, and the books were accordingly placed at my disposal. Time, however, did not permit of my doing more than looking through them generally, but I saw sufficient of them to warrant the conclusion that they would be all the better for a thorough overhauling.

12 In his letter, published with the order just quoted, the Manager replies in the negative to the inquiry of the Chief Engineer for Irrigation as to whether "any transactions in which Government have an interest have ever been brought into that account." That this reply was given in good faith I should not for a moment doubt, but that it was given with an imperfect knowledge of what the account did contain is very apparent, for the first head I looked at in the ledger, viz., "Suspense Account," contained out of a total credit of Rupees 511-7-0 Rupees 500 on account of proceeds of sale of stores (scrap timber) at Madras in September 1869. This surely is a transaction in which Government have an interest, and which ought never to have been brought into the No 2 Account, yet there it has stood forming part of its cash balance for the past five years. Again, the account "Deposits, Contractors" would, I feel sure, if carefully investigated, show that a very large portion of the balance at its credit, Rupees 25,771-8-7, belongs fairly and legitimately to Capital. On Cash book folio 312 I found an entry to credit of this account (Deposit, Contractors') for Rupees 35-7-5, being amount of cash found surplus in the Hindry Division cash-chest, and I believe it contains several similar credits. Now, it could have been at best but a mere assumption that this money belonged to Contractors, it might have been unclaimed wages, and, therefore, creditable to the head of account to which they had been originally charged. The question, however, is simply this: if the whole of the balance, Rupees 25,771-8-7, be Contractors' deposits, who are the depositors? There are Deposit Ledgers which purport to contain the information, but they do not appear to have ever been balanced. I turned up several cases in which Contractors' accounts extending back to 1862, 1863 and 1864 were still open, although their contracts had been completed years ago. It is very improbable that persons having claims against the Company for a refund of money lodged with them as a security for the fulfilment of a contract, would not prefer their claims immediately their contracts were completed. But it appears that several of these deposits were made, not as a security for the due performance of work, but for the return of valuable tools lent by the Company to enable Contractors to carry out their works, and that in many instances the persons so accommodated decamped, taking with them the tools which probably they found to be of more value than their deposits. In all such cases the forfeited securities are clearly creditable to the account which had been charged with the cost of the tools. My

*Proceedings of the Madras Government, Public Works Department,
18th January 1875*

belief is that a searching examination of the account would reveal the fact that fully Rupees 20,000, if not more, of this balance belongs to the Capital Account. The investigation would necessarily be a laborious one, and would demand a considerable amount of time, as there are some five or six ledgers to be gone through, and the Divisional vouchers would in many instances, I apprehend, have to be referred to, as the No 2 books are quite in keeping with the others, even as regards paucity of information.

13 “*Shroffage*”—This was a profit accruing to the Company for accommodation afforded to merchants up-country in remitting money to Madras, and for which a small premium was charged. The account shows a credit of Rupees 1,101-3-2, and should apparently be transferred to Capital as a set off against the premium paid on Treasury bills debited to this account during construction.

14 I find no account in the No 2 books for "unclaimed wages" There surely must have been some items of this nature in an undertaking like this, with its operations extending over 15 years It is not at all unlikely that such receipts have been lumped up in the "Fines and Forfeiture" Account, which has a credit balance of Rupees 6,245-9-0 It would be very desirable to have this account also looked into, and after eliminating therefrom such items of unpaid wages as it may be found to contain, to transfer so much of them as are of more than one year's standing to the credit of the account originally charged, in accordance with Government of India Resolution, No 113 A—G R, of the 26th February 1873, recorded in Madras G O, No 833, dated 17th March 1873, which ruling has been made generally applicable to all Guaranteed Companies

15 The large sum at debit of "Miscellaneous Advances," Rupees 4,360-12-10, attracted my attention, and on looking into it I found that Rupees 3,465 of the amount represented payments to Mr Badham as follows —

			Rs	
4th April	1871		500	} Paid C A Badham, Esq., on account of deputation allowance in anticipation of Board's sanction
20th do	"		250	
2nd September	1872		750	} Paid do, being deputation allowance for January and February 1872
23rd May	1873	..	250	
4th June	"	..	500	} Paid do as an advance
January	1874	..	1,215	
			<u>3,465</u>	Paid do salary in advance for January and Feb 1874
		Total	3,465	

The amounts drawn as deputation allowance would appear to be what Mr Badham considered himself entitled to while acting at different times as Manager during the absence of Mr. Hen-
slow on privilege leave. But this allowance was declared inadmissible by Government in their
Order No 1,662, of the 20th June 1871, and it does not appear that the Board have ever autho-
rized its disbursement. There is also a somewhat peculiar entry to debit of the account for
Rupees 640, being "amount paid cash-keeper at different times on account of No 2 Suspense
Account." Nobody at present in the office seems to know anything about the payment, or who
the cash-keeper is, or was, but Mr Crawford will have the matter looked into without delay.

16 *License Tax Dr, Rupees 66-2-5* — This was also a payment on Mr Badham's account
The entry for it is as follows —

Paid Collector of License Tax, to be recovered from Mr Badham	66	2	5
---	----	---	---

17 There are two other accounts in these books which call for a few remarks, viz., "Interest Account No 2" Cr balance Rupees 6,548-2-2 and "Interest on Fixed Deposits" Cr Rupees 2,683-12-8. The former represents interest allowed by the Agra Bank on the floating balance of the No 2 Account generally, the latter interest accrued on investments made on fixed deposits out of the General balance. If, as I believe, the "Contractors' Deposit" and the "Fines and Forfeiture" Accounts, which together make up Rupees 32,017-1-7

3

Proceedings of the Madras Government, Public Works Department,
18th January 1875

out of the total asset Rupees 51,614-11-5 of the No 2 Account, contain items appertaining to Capital, a *pro rata* distribution of this interest is clearly due to the latter, inasmuch as the former accounts are component parts of the balance upon which the interest has accrued

18 It has all along been represented that the No 2 Account was restricted exclusively to the record of the Company's private, as distinguished from their guaranteed, transactions I have shown that this is not the case as regards "Suspense Account," the Chief Engineer and Manager admits in his letter recorded in G O, No 2,783, of the 2nd October last, that "Shroffage" is not of the nature of a private transaction, and there is a strong probability, amounting almost to a certainty, that the "Contractors' Deposit" and the "Fine and Forfeiture" Accounts contain items relating to Capital My conviction is that if the No 2 Account were thoroughly overhauled and cleared of all items not properly and legitimately belonging thereto, there would be very little left to cover the large payments made to "Miscellaneous Advances" A reference to the balance sheet will show that, indeed, nothing beyond the fines proper now standing in the "Fines and Forfeiture" Account, with its share of the interest accrued on the general balance, could legitimately be so appropriated, as, of course, the Contractors and Employes Deposit Accounts are each entitled to their share of interest, and there are no other sources of private income that could be applied to meet such payments, except two small items, one of Rupees 134-12-7 "Cash orders drawn and unclaimed," and "Income Tax" Rupees 43-3-5, which latter, however, if not due to the State, should strictly speaking be returned to the parties from whom it was recovered, or, if they are not forthcoming, treated as unpaid wages, and credited to the account originally charged

19 I enclose a copy of the No 2 Account Balance Sheet on 31st of March last, the date up to which the books were last balanced

MADRAS,
26th October 1874

(Signed) F. P QUINLAN,
Asst Exmr. Guaranteed Ry and Irrigation Accts.

Proceedings of the Madras Government, Public Works Department,
18th January 1875.

MADRAS IRRIGATION AND CANAL COMPANY

A. LOAN ACCOUNT

Summary of Receipts and disbursements of Cash by the Board of Directors from commencement up to 30th June 1874

Period	RECEIPTS		HOME EXPEN DITURE		PAYMENTS ON INDIAN ACCOUNT					Balance	
	Amount drawn on Debiture from Secretary of State	Gain by exchange on Remittances to India.	Total Receipts	Remuneration to Directors and Salaries and contingencies	Stores	Remittances and advances on account of employees	Remittances to Agent and Manager	Passage money and Stamps on Debitures	Total Expenditure		
From commencement up to 31st Decem-ber 1869	£ 243,000 0 0	£ 5,044 7 7	£ 248,044 7 7	£ 6,922 0 11	£ 1,791 17 11	£ 4,103 16 7	£ 233 044 7 7	£ 1,264 0 0	£ 5,337 16 4	£ 6,595 17 6	£ 240 7 1
For the quarter ending 31st March 1869	50,000 0 0	880 13 5	50,880 13 5	1,349 14 10	12 0 6	903 14 3	45,000 0 0	1,264 0 0	46,264 0 0		
Do 30th June "	55,000 0 0	930 14 10	55,930 14 10	1,295 13 11	257 7 9	1,623 12 6	45,880 13 5				
Do 30th Sept "	65,000 0 0	786 10 2	65,786 10 2	814 13 10	2,165 10 4	1,815 15 0	50,930 14 10				
Do 31st March 1870	45,000 0 0	634 18 5	45,634 18 5	1,033 11 4	2,180 7 10	1,734 0 0	60,738 10 2				
Do 30th June "	40,000 0 0	1,401 18 4	41,401 18 4	981 5 5	37 17 6	1,369 10 0	40,634 18 5				
Do 30th Sept "	25,000 0 0		25,000 0 0	1,164 15 11		1,490 0 0	41,401 18 4				
Do 31st Deco "	20,000 0 0		20,000 0 0	903 8 1		1,193 0 0					
Do 31st March 1871	12,000 0 0	106 7 8	12,106 7 8	778 5 6		1,374 0 0					
Do 30th June "				1,410 3 3	2 4 3	1,240 10 0	5,106 7 8				
Do 30th Sept "				958 15 6		850 8 2	4,000 0 0				
Do 31st Deco "				1,259 15 9		865 0 0					
Do 31st March 1872				1,013 17 4		665 0 0					
Do 30th June "		21 1 0	21 1 0	1,317 9 0		547 10 0	4,021 1 0				
Do 30th Sept "		64 10 4	64 10 4	2,515 3 10		1,310 0 0	2,064 10 4				
Do 31st Deco "		26 14 9	26 14 9	1,356 14 3		1,023 0 0	1,026 14 9				
Do 31st March 1873		33 5 2	33 5 2	816 0 2		892 10 0	1,033 5 2				
Do 30th June "				916 13 6		925 1 3					
Do 30th Sept "				794 4 4		1,907 10 0					
Do 31st Deco "				1,126 0 10		2,188 10 0					
Do 30th June 1874				1,633 19 5							
				2,353 13 6							
Deduct amount transferred to Indian ex-penditure in quarter ended 30th Sept 1869, on account of passage money			1,264 0 0		Less amount recovered from Mr Knorpp	28,505 10 3					
Do in quarter ended 30th Sept 1871, being value of stores			2 4 3		6,847 6 1	30 0 0					
Capital Account	600,000 0 0	9,882 1 81	609,883 1 81	31,450 1 2	6,847 6 1	28,475 10 3	534,883 1 81	1,631 5 0	603,296 4 21	6,595 17 6	
From commencement up to 30th June 1869	76,631 0 8		76,631 0 8	32,604 18 3	36,400 10 11	7,435 4 5			76,440 13 7	240 7 1	

(Signed) F. P. QUINLAN,
Asst Exmr. Guaranteed Railway and Irrigation Accts

MADRAS,
26th October 1874

Proceedings of the Madras Government,

Public Works Department, 18th January 1875

Dr Statement showing the differences between the Ledger Balances Loan and Guaranteed

Capital as compared with the accounts rendered to Government to 31st March 1874 Cr

Items	COMPANY'S LEDGER BALANCES			Balances per Accounts rendered to Government	COMPANY'S LEDGER BALANCES	
	Capital	Loan	Total		More	Less
Construction Heads						
Construction	RS A P	RS A P	RS A P	RS A P	RS A P	RS A P
Distribution	71,15,016 15 11	36,98,983 1 2	108,14,000 1 1	108,05,768 1 6	8,231 15 7	14,559 3 2
Buildings	6,833 5 0	2,01,673 11 5	2,08,507 0 5	2,08,066 3 8		3,076 6 2
Breach repairs of 7th August 1870	63,953 3 8	12,578 7 9	76,531 11 5	79,608 1 7		
Executive Establish-ment		54,084 1 7	54,084 1 7	54,084 1 7		
General Management	14,95,233 4 7	8,53,685 13 4	23,48,919 1 11	23,20,273 2 1	28,645 15 10	55,792 11 8
Do Plant	6,46,851 3 9	5,80,808 15 9	12,27,660 8 6	12,63,452 14 9	19,657 2 10	
Items disallowed by Government	1,39,010 12 10	6,869 14 0	1,45,880 10 10	1,26,223 8 0		
Her Majesty's Treasury	1,27,585 7 4	3,252 13 11	1,30,838 5 8	1,30,838 5 8		
Fert St. George for Capital deposited	39,960 0 0		39,960 0 0	39,960 0 0		
Total	96,34,444 5 1	54,11,936 14 11	150,46,381 4 0	150,43,274 6 5	56,535 2 3	53,429 4 8
Revenue Heads						
Conservancy Establish-ment						
Revenue General Ma-nagement		2,33,563 1 8	2,33,563 1 8	2,33,563 1 8		
Maintenance and Re-pairs		76,267 9 3	76,267 9 3	76,267 9 3		
Compensation and Re-mission		41,561 0 6	41,561 0 6	41,561 0 6		
Total		20,344 2 1	20,344 2 1	20,344 2 1		
Store Balances						
General Stores						38 1 4
Stores in transit		85,665 12 9	85,665 12 9	85,703 14 1		
Upper Section Stores		29 10 3	29 10 3	29 10 3		
Lower Section Stores		68,201 15 9	68,201 15 9	68,201 15 9		
Sommaswaram Stores		16,151 2 0	16,151 2 0	16,151 2 0		
Total		8,707 11 11	8,707 11 11	8,707 11 11		
Cash Balances						
Bank of Madras	634 15 7		634 15 7	634 15 7		
Agra Bank		65,453 3 1	65,453 3 1	65,453 3 1		
Advances to Upper Section		7,901 10 11	7,901 10 11	7,901 10 11		
Advances to Lower Section		14,757 7 7	14,757 7 7	14,757 7 7		
Advances to Chief Ac-countant		2,790 1 7	2,790 1 7	2,790 1 7		
Total	634 15 7	90,903 7 2	91,537 6 9	91,537 6 9		
Miscellaneous Suspense Account, etc						
Manufacture of Stores on private Account				1,854 9 10		1,854 9 10
Stores lost or damaged				2,135 8 2		2,135 8 2
Miscellaneous advances		1,035 2 8	1,035 2 8	1,035 2 8		
Payments in England		761 10 8	761 10 8	761 10 8		
C A Badham, Chief Accountant		102 0 0	102 0 0	102 0 0		
Total		1,898 12 11	1,898 12 11	5,883 14 11		3,990 2 0
Grand Total	96,35,079 4 8	60,05,230 5 2	156,40,309 9 10	156,41,230 15 7	56,535 2 3	57,456 8 0

Items	COMPANY'S LEDGER BALANCES			Balances per Accounts rendered to Government	COMPANY'S LEDGER BALANCES	
	Capital	Loan	Total		More	Less
Capital and Loan Withdrawals						
Government of Fort St George	92,29,849 10 8		92,29,849 10 8	92,29,849 10 8		
Capital calls paid in India	39,960 0 0		39,960 0 0	39,960 0 0		
Loan Account		53,48,820 14 4	53,48,820 14 4	53,48,820 14 4		
London Office Stores Account	3,62,734 10 0	69,745 6 0	4,32,480 0 0	4,32,480 0 0		
Home Payments for India	2,535 0 0	1,93,967 3 0	1,96,502 8 0	1,96,502 8 0		
Suspense Account				921 5 9		921 5 9
Interest Account		3,616 12 3	3,616 12 3	3,616 12 3		
Total	96,35,079 4 8	56,16,150 3 7	152,51,229 8 3	152,52,150 14 0		921 5 9
Revenue Heads						
Irrigation		1,27,417 3 5	1,27,417 3 5	1,27,417 3 5		
Special water rates		24,989 3 7	24,989 3 7	24,989 3 7		
Proceeds of Land		6,736 4 4	6,736 4 4	6,736 4 4		
Miscellaneous Revenue		8,399 2 1	8,399 2 1	8,399 2 1		
Total		1,62,541 13 5	1,62,541 13 5	1,62,541 18 5		
Government of Fort St George, Revenue Advance Account		17,314 3 1	17,314 3 1	17,314 3 1		
Do do Revenue Account		1,99,658 13 3	1,99,658 13 3	1,99,658 13 3		
Revenue Liabilities		9,565 3 10	9,565 3 10	9,565 3 10		
Total		2,26,538 4 2	2,26,538 4 2	2,26,538 4 2		
Grand Total	96,35,079 4 8	60,05,230 5 2	156,40,309 9 10	156,41,230 15 7		921 5 9

MADRAS,
26th October 1874

(Signed) F P. QUINLAN,
Asst Exmr. Guaranteed Railway and Irrigation Accounts

Proceedings of the Madras Government, Public Works Department,
18th January 1875.

No II ACCOUNT
MADRAS IRRIGATION AND CANAL COMPANY

Dr.				Cr			
Balance Sheet for the half-year ending 31st March 1874							
	RS	A	P		RS	A	P
2 Advances repayable	10	0	0	21 Cash orders drawn and un-	134	12	7
10 Agra Bank No 2 Ac-				62 Deposits, Contractors' No 2	25,771	8	7
count	46,858	15	6	Account	6,245	9	0
145 Inefficient Balance	188	11	0	73 Fines and Forfeitures	1,271	11	1
149 License Tax	66	2	5	94 Guaranteed Interest	43	3	5
154 Petty Cash No 2 Ac-	130	1	8	104 Income Tax	414	2	9
count	4,360	12	10	111 Interest on employes securities	6,548	2	2
211 Miscellaneous Advances				123 Interest Account No 2	2,683	12	8
				131 Interest on fixed Deposit Ac-	1	8	0
				count	6,887	11	0
				141 Interest on Deposit, Contractors'	1,101	3	2
				Securities, employes	511	7	0
				185 Shroffage			
				190 Suspense Account			
				200			
Total	51,614	11	5	Total	51,614	11	5

MADRAS,
26th October 1874

(Signed) F P QUINLAN,
Asst Exmr of Railway Accounts

SUBMITTED for the consideration of Government.

The proposal of the Government Examiner of Accounts to conduct the accounting of the Madras Irrigation and Canal Company entirely in his office, and thus to keep the accounts right from the first, instead of having to put them right afterwards, is one which may, it is thought, with advantage be remitted to the Chief Engineer and Manager with a view to its early consideration by the Board of Directors, who probably will not be unwilling to accept this arrangement, both on financial grounds and in connection with the difficulty which they would experience in reforming their own Account Department, so as to make it efficient.

2 The Government have already desired that the Company's Home expenditure should be brought into the Indian accounts, and this is necessary in order

that the financial state of the undertaking may be fully shown. As yet, though the necessary information is reported to be available, nothing has been done towards carrying out this arrangement, and this delay, like that in the adjustment of the old accounts, may be due to the Company's Account Department not knowing how to deal with the subject. The Board of Directors, so far as this office is aware, have expressed no opinion on the subject, and it is desirable that their views should be communicated as early as practicable.

3. The proposal to make the Company's ledger balances agree with the accounts submitted to Government by an arbitrary adjustment in the former, appears, under the circumstances stated, which show that the alternative would be the re-booking of the vouchers *de novo* to be the best course available.

4. The remarks on the state of, and the entries in, the No 2 Account show that a complete investigation of this is necessary, and now that attention has been drawn to the subject, it will be well for the Chief Engineer and Manager to issue such instructions as will secure the elucidation of the nature of all

Proceedings of the Madras Government, Public Works Department,
18th January 1875

transactions which are doubtful, and the removal from this account of all assets which belong to Capital. Paragraphs 15 and 16 of Mr Quinlan's report refer to matters on which, in the absence of Mr Badham's explanations, an opinion cannot be formed, but that gentleman is, it is understood, expected back shortly, and it should then be ascertained what authority was given for these transactions. It will be noticed that 1,500 Rupees were paid to Mr Badham as deputation allowance from this account, although Government had decided that he was not entitled to such an allowance.

(Signed) JOHN MULLINS, Lieut-Colonel, R E,
Chief Engineer for Irrigation.

No 306. ORDER THEREON, 18th January 1875, No 145

IRRIGATION, No 36

THE foregoing papers will be communicated to the Chief Engineer and Manager, Madras Irrigation and Canal

Company, with a request that he will ascertain from the Board of Directors whether they are willing that the Company's accounting should be undertaken by the Government Examiner of Accounts, it being probable that by this arrangement much expense and a great deal of useless work would be avoided, and that the difficulty of placing the Company's own Account Department on an efficient footing would then not have to be met and overcome.

2 The bringing of the Company's Home expenditure into the Indian books involves no difficulty, and as it is believed that the Directors can entertain no objection to its being done, as desired by Government, it is hoped that at an early date the Board's concurrence will be reported, and the necessary entries made.

3 The arrangement proposed by the Examiner for bringing the Company's ledger balances into agreement with the accounts rendered to Government is approved.

4 His Excellency the Governor in Council entertains no doubt that the Chief Engineer and Manager reported on the best information which was at the time available, as to the nature of the transactions exhibited in the No 2 Account, but now that this information has been shown to be erroneous, that officer will no doubt recognize the necessity of such a thorough examination as will render this account intelligible, and lead to the removal from it of all transactions which do not properly belong to it. Regarding certain of the entries which relate to sums paid to Mr. Badham explanations appear to be specially required, and will be awaited.

(True Extract)

(Signed) G. W. WALKER, Colonel, R.E.,
Secretary to Government.

To the Chief Engineer for Irrigation
" " and Manager of the Madras Irrigation and Canal Company.
" Examiner of the Madras Irrigation and Canal Company's Accounts

Exd S T Austin.
Spare Copies

115 - End

No 740 I

Examiner Railway & Irrigation Office
Madras, 27th Nov 1874.

From

The Examiner Railway & Irrigation
Accounts.

To

The Chief Engineer for Irrigation
& Joint Secretary to Government,
Fort Saint George

Sir,

I have the honor to submit
herewith a report by Mr. Dunlaw,
Assistant Examiner, on the accounts
of the Madras Irrigation and
Canal Company -

2

In his 1st, 2^d, 3^d, 4th & 5th
paragraphs, Mr. Dunlaw states
that the errors discovered during
his inspection in November 1873
forced upon him the conviction,

which subsequent investigations have since confirmed, that the management was defective, and that the confusion in the accounts while in some measure owing to the general defectiveness of the system, was due chiefly to this cause, mentions the defects in the system up to 1869, explains what has been done since the introduction of the Government Audit, and points out that the improvements which have been carried out since then have originated in this Office, that this Office has virtually been doing the supervising work of the accounts, and that owing to the way in which they have been misapprehended there has been

considerable difficulty in introducing improvements, suggests that the accounts should be transferred entirely to this Office or if this is not feasible recommends that Mr Crawford be continued in charge of them. -
3. Though it is not a pleasant duty to have to condemn so completely the Company's accounting, I am able from my own observation to support Mr Quinlan's opinion as to the generalized defective, inefficient and unsatisfactory manner in which the accounts have been kept. I was not at all favorably impressed with the accounts of the Madras Irrigation

and Canal Company when I first
came to Madras, and it was to
investigate certain points which
had attracted attention and to
test the accuracy of some adjust-
ments which were being made
of past transactions and which
required more time than I could
myself conveniently spare, that
Mr Quinlan first proceeded
to Kurnool. The state of things
disclosed by the examinations which
were then and have been subsequently
made as well as the errors and
mistakes which have occurred in
what may be termed the current
transactions are such as to warrant
most fully the conclusion that
there has been either a want of

3
a proper knowledge of accounting or
a laxity of supervision and omission
of instruction to the subordinate
staff which to say the least is
most undesirable. Some of
the more prominent defects in the
Company's system particularly
that of omitting the record of the
stores ^{from} the general books, have before
come under the notice of Govern-
ment. But beyond the defects
in system there has been, I regret
to say, an absence of method and
an ignorance of accounting displayed
in the conduct of the accounts
which I am of opinion ought not
to have arisen with a properly
organised, instructed and supervised
account establishment. Mr Quinlan

x
G.O. No 2143
dated the 7th
Sept 1870.

explains at length the action taken since the introduction of the Government audit by Examiners and it is perhaps not necessary that I should enter into that.

4 With the account heretofore of the Company thus conducted an amount of detailed supervision as explained in Mr. Dunlop's report has to be exercised by this Office which while an expensive account establishment is maintained by the Company ought not to devolve upon it.

It is but right, however, that I should guard against it being supposed that any complaint is made as to the work which has

fallen upon this Office since Mr. Crawford has been temporarily in charge of the accounts, for recognising that he would probably come to the work with but an imperfect knowledge of accounts I expressed my willingness to render assistance in the more technical part. But being now assured from my own experience of them and from the examinations made by Mr. Dunlop of the unsatisfactory manner in which the accounts of the Company have hitherto been kept, I deem it my duty to urge most strongly that such arrangements may be made as will ensure a more efficient

conduct of them for the future.

5. It had been a subject of consideration with me for some time whether, if the prospect arose of a change in the head of the Company's Account Department, it would not be desirable for me to propose the introduction on the Madras Irrigation and Canal Company of an arrangement like that in force on the Oude and Rohilkhand Railway or some modification of it, which, while ensuring efficiency would at the same time conduce to economy.

6. In their Order, however, No 2063 dated 30th July last, Government have ruled that the salary to be given to future

13
incumbents of the Office of Chief Accountant is not to exceed Rs 300 per mensem. While admitting that the cost of the work to be done should not exceed the sum named, I am of opinion that the accounts are of such a nature as to still require the immediate supervision of an able and experienced accountant.

7. Entertaining then this view, and taking all the circumstances into account, it appears to me that the transfer of the accounts to this Office as suggested by Mr. Dunlop would prove in every respect the most satisfactory and economical arrangement. I am nevertheless how far, if the Company should be otherwise willing to accept it,

the engagements with present Officers might operate as a bar to its introduction, but if not at present practicable, I would still strongly recommend it for the consideration of Government as an arrangement which, as being best suited to the financial position and general circumstances of the Company, should be ultimately adopted. Should the proposal commend itself to Government, I shall be prepared to submit detailed particulars, and though I cannot entirely support Mr Dunlop's view that a saving of very nearly the whole of the present cost of the account establishment would be effected, I am prepared to

16 6
state that a reduction in the expenditure of at least two-thirds would be the result, it being assumed that the cost of the subordinate staff required or some fixed sum, should be a charge to the Company.

8 The Home payments referred to in paragraph 6 should have been brought to account at the time. As this however, was not done, it now remains to make the necessary adjustments. The statement which is being prepared will no doubt prove that the sums were duly recovered and the balance of the salaries only taken to the debit of Construction in India. This will be attended

to as also the adjustment between Capital and Loan for stores received from England referred to in paragraph 7. —

9. Paragraph 8. — The question of bringing the Home expenditure on to the Indian Books and of its apportionment between Capital and Revenue was disposed of in G.O. No 1423, dated 26th May 1873, and was again referred to in paragraph 7 of G.O. No 348 dated the 13th February 1874. The Order of Government has not been carried out, the Manager apparently waiting the instructions of his Board. —

10. Paragraph 9. — If allowance be made for the items noted in

the margin which have clearly been adjusted in the Books. Debits Rs. 11 adjusted in the Books.

General stores	38:14	
Manufacture of stores		
on private account	1854:9:10	but not in
Stores lost or damaged	2135:8:2	
	<u>4028:3:4</u>	
Less Credit		
Suspense Account	921:5:9	
	<u>3106:13:7</u>	
Construction Account		the total
as per Govt Returns	15003314:6:5	
Add items about to be adjusted in Govt Returns	3106:13:7	amount at
	<u>15006421:4:0</u>	
Construction as per Companies Books	15006421:4:0	the debit
Difference Total	<u>Nil</u>	of Construc-

tion is the same in both accounts and the differences are limited to the sums allocated to the subheads. The adjustments made last year of the past store transactions should have effected a complete accord, but have done so only in total. No one at present in the Office seems to know clearly how the

figures in these adjustments were arrived at. If as was probably the case they were compiled chiefly from the original stores & issue notes, numerous transfers and reallocations the result of which was duly shown from time to time in the Government Returns would have escaped notice. But the way in which the Company's accounts have been kept renders a detailed examination and comparison, as explained in the paragraph under notice, a matter of extreme difficulty if not of impossibility, and it will perhaps be found desirable to in some measure arbitrarily adjust the allocation in the books to accord with the Government Returns, the

allocation in which as it has been examined and accepted from time to time on the part of Government and corresponds with the Progress Reports, may I think be considered correct.

11. The arrangements referred to in paragraph 10 had my approval before being carried out, and do not call for remark.

12. Paragraphs 11, 12, 13, 14, 17 and 18.

The slight examination which Mr. Dunbar was able to make of the No 2 books appears to show that this account also has been kept in anything but a creditable manner. It is pointed out that, in stating that no money coming into or leaving the Company's

possession on account of the operations conducted in this country under Contract with the Secretary of State, has been brought into the No 2 Account, with the exception of a doubtful item obtained by shroffage, Mr Latham must have been under a misapprehension as to what the accounts did contain as the "Suspense Account" includes an item of Rs 500, a recovery in 1869 on account of stores sold which clearly belongs to Capital. This sum, as well as the amount at the credit of "Shroffage" which is also undoubtedly a Capital item should now be transferred to the credit of Capital, and

the circumstances brought to notice in paragraphs 12, 14, 17 & 18, are, in my opinion, such that Government may fairly claim to have a statement prepared and submitted giving particulars of all the items constituting the debits and credits of all the accounts in the number 2 books, in view to its being determined what are and what are not the items in which, as affecting to the Capital or Revenue Accounts Government is interested.

13. Paragraph 15. - I do not know whether the facts of the amounts here referred to, being contained in the No 2 account may be considered as in any way placing them beyond

notice, but if not, some explanation of the sums drawn by Mr. Badham and of the item of Rs 650 seems to me desirable. A portion of the sum claimed by Mr. Badham as deputation allowance while acting as Manager during Mr. Henslowes' absence on privilege leave was drawn after it had been ruled by Government to be inadmissible, and judging from the circumstances so far as at present known, arrangements which will permit of an Officer drawing, even from the Company's private funds, allowances in anticipation of the Board's approval, which Government have distinctly disallowed, would not appear to be altogether

10
satisfactory. Possibly, however, the Board may have in some way which has not yet come under notice, authorised the payments.
14. Paragraph 16. - I understand that it was the custom to pay the Income Tax due by the Agent and Chief Accountant out of the No. 2 Account instead of making the deduction month by month on the pay sheets in ordinary course, and subsequently to recover the amounts from these Officers. The item of Rs 66:2:5 would appear to be an amount paid in this way on Mr. Badham's account which he apparently has not reimbursed, and should now

he recovered from him.

15 The amount at credit of
Income Tax Rs 43-3-5 referred to
in the latter part of paragraph
18 of the Report, if it consists
of Income Tax correctly recovered
from Employes during the currency
of the Tax, should apparently
be paid over to the State.

I have the honor to be,

Sir,

Your most obedient Servant

W. Williams
Offs Examiner Railway &
Irrigation Accounts,
Madras.

Encl

Quelch 5-

Submitted for the consideration of
Government.

The proposal of the Government Examiner of Accounts to conduct the accounting of the Madras Irrigation and Canal Company entirely in his Office, and thus to keep the accounts right from the first, instead of having to put them right afterwards, is one which may, it is thought, with advantage be remitted to the Chief Engineer and Manager with a view to its early consideration by the Board of Directors, who probably will not be unwilling to accept this arrangement, both on financial grounds and in connection with the difficulty which they would experience in reforming their own Account Department, so as to make it efficient.

G. O. No 1423.
26 May 1873.

2. The Government have already desired that the Company's Home expenditure should be brought into the Indian accounts

Prud'homme
Shanks

W. H. L. Englewood
for signature

J. H. Davis
 Dec 27. 1874
 Dec 30. 1874
 41. 11. 1874
 Submitting a Report

My dear Mr. Bowdler,
Mr. Gannier, on the
accounts of the Ladies
disruption, and on the 6th

accounts, and this is necessary in order that the financial state of the undertaking may be fully shown. As yet, though the necessary information is reported to be available, nothing has been done towards carrying out this arrangement, and this delay, like that in the adjustment of the old accounts, may be due to the Company's Account Department not knowing how to deal with the subject. The Board of Directors, so far as this office is aware, have expressed no opinion on the subject, and it is desirable that their views should be communicated as early as practicable.

3. The proposal to make the Company's ledger balances agree with the accounts submitted to Government by an arbitrary adjustment in the former, appears under the circumstances stated, which show that the alternative would be the re-booking of the vouchers deemed to be the best course available.

4. The remarks on the state of and the

the entries in the No. 2 Account show that a complete investigation of this is necessary, and now that attention has been drawn to the subject it would be well for the Chief Engineer and Manager to issue such instructions as will secure the elucidation of the nature of all transactions which are doubtful, and the removal from this account of all assets which belong to Capital. Paras 15 and 16 of Mr. Quinlan's report refer to matters on which, in the absence of Mr. Badham's explanations, an opinion cannot be formed, but that gentleman is, it is understood, expected back shortly, and it should then be ascertained what authority was given for these transactions. It will be noticed that 1500 Rupees were paid to Mr. Badham as deputation allowance from this account, although Government had decided that he was not entitled to such

such an allowance.

Camp at Chinnai.
Thiennapuram
12th December 1874

Colonel R. B.
Chief Engineer for Irrigation

To
The Secretary to Government
P. M. R.

26/12/74

Submitted with
remains the
enclosed report
to the Revenue
Officer in 1874
to the Revenue
Officer in 1875
to the Revenue
Officer in 1876

Submitted with
remains the
enclosed report
to the Revenue
Officer in 1874
to the Revenue
Officer in 1875
to the Revenue
Officer in 1876

Report of the Assistant Engineer
on his recent inspection of the
Accounts of the Madras Irrigation
and Canal Company.

When I first inspected the
accounts of this Company in November
last year, the nature of the errors which
came under my observation forced
upon me the conviction that the
Management was defective. But I
was unwilling to commit myself to
an officially expressed opinion on the
subject until I felt confident I
should be able to substantiate it by
an appeal to the books both past
and present. Accordingly on the
occasion of the two subsequent visits
which I made to Tirunelveli, I specially
directed

directed my attention to study of them, and after a careful and searching investigation extending back to 1859 when they were first opened, I have no hesitation in giving it as my decided opinion that the due confusion into which the accounts had fallen and from which they have not yet been completely extricated is due, in some measure, to a needlessly elaborate system at the beginning, but chiefly to inefficiency of Management - an opinion which I feel sure you will be able to endorse from your own observations and which I know Captain Moberly does fully. I shall endeavor to state generally and as briefly as I can the grounds upon which I have based these conclusions - to enter into details would necessitate my expanding this report beyond convenient limits.

Prior

23 15
Prior to the introduction of the present system of Government Audit which was initiated by Captain Moberly in April 1869, the Company's principal books, which of course should have a complete record of their transactions were, I find, restricted exclusively to Indians, such receipts and payments, consequently they did not at all exhibit the financial position of the Undertaking, nor did they record all that had taken place ^{even} in this country, as will be seen further on. They were enumerated with 231 heads of account including Capital, Loan, and Surplus, which must have been as perplexing to the book-keeper as they were useless for purposes of Classification. Insufficient Balances, Miscellaneous Advances and Suspense Account existed in each set

set of books, and formed convenient
layers for all items regarding which there
was doubt as to allocation, or insufficiency
of vouchers. The journals, at first, profuse
in details, afterwards became, though still
retaining their pretentiousness of descriptions,
so insignificant information as now to be
worthless for purposes of reference. Vouchers
were quoted in support of the entries, no
particulars given as to how the items were
made up. The subsidiary books, like
the accounts rendered to Government,
were worked independently of the prin-
cipal, as though it were intended there
should be no connection between them.
States to the value of nearly 14 lacs of
rupees had been received from England,
and issues made to works from stock,
amounting approximately to about 12 1/2
lacs of Rupees, of which they contain
no record. Capital had been received
from

from shareholders, the exact amount of
which it would now apprehend, be a
matter of some difficulty to determine,
but of which Rs. 39,960 had been paid
into the Government Treasury, which
transactions they likewise ignored.
Payments had been made in England
amounting at that date to about Rs. 30,000.
Expenses on account of family remittances
of employees, premiums on Guaranty
Policy &c, not one farthing of which
has even to this day been adjusted, but
on this point I will touch more
fully in a separate paragraph.
Such was the state of
the Emigration accounts when Captain
Moberly took them in hand, and
although he was connected with
them only ten months before going
home on furlough in February 70
still

still in that short time and without
standing that he had the accounts of
two other guaranteed Companies to
attend to unaided, he did a great
deal towards drawing order out of
Chaos, and teaching the Company's
Account Establishment what they did
not appear to know before, namely, how
to record their transactions intelligibly.
He left them specimen forms of journals,
written up from the vouchers in his own
hand; reduced the ledger heads from
the number I have named to very nearly
their present limit; opened the existing
Construction and Revenue heads, and
also accounts with the London Board
for Stores received from England and
for Home Payments of employees, and
introduced many minor, though
not

not less important improvements.
But it was, of course, impossible for
him, or for any Accountant, however
able, on the spare of a few months with
his time and attention largely taken up
with other work to find out all that was
wrong, still less to set right the errors
and mismanagement of years, per-
vading a whole system with a Capital
outlay of nearly a million and a half
Sterling; distributed, as I have said, over
230 heads of account without regard
to method or arrangement. Major
Stanbury and Lieut. Walker, the officers
who officiated during his absence, would
appear to have confined their attention
to current work, so that nothing further
was done in the way of reform till Captain
Moberly returned from furlough in
February

February 1842. Finding then that many
of the instructions and suggestions which
he had given had either not been carried
out at all, or where carried out, egregiously
misapprehended, and that the time now
at his disposal, in consequence of the
extended duties recently assigned to the
Commissary, did not admit of his any
longer doing for the Company what it
was their duty to do for themselves, and
for the performance of which a well paid
account establishment was maintained,
it was, I believe, his intention to thoroughly
examine the accounts and submit a
report on the result to Government with
a view to steps being taken to place them
on a better footing. But he was called
away to Calcutta before being able to
accomplish his purpose; and since
his departure the accounts of the
Brigation

26 16
Brigation Company, except the more
mechanical part of them, have been con-
ducted by this Office. A comparison
between the Balance Sheets of 31st March 1842
and those submitted for the same date
in 1841 will tell in language far more
forcible than I can express what has
been done for the Brigation accounts,
and that entirely by this Office & the
Company's records will show. Practically
therefore we are, and have been doing
the work for which an account
Establishment costing about £18,000
a year is maintained. Now, I do
not think this is intended. It surely
is not the duty of the Government
Commissary to do, but to cause to be done,
to bring what is irregular to notice,
and to suggest improvements where
such are called for. Not in the case
of

of this Company. It is useless to make sug-
gestions, for there is nobody who under-
stands how to apply or work them out.
A very considerable portion of my time
in Liverpool has been devoted to teaching
the accountants their duty, how to make
a simple journal entry and to work a
Cash-book in a proper and intelligible
manner. But I fear it is to a certain
extent time wasted, as I have no con-
fidence in their capabilities. They have
got into a bad groove, and it is not
easy to shake off bad habits even in
accounting. They seem to me to think
and reason through a distorted medium,
and the consequence is the outcome of
their judgment is all distorted and
crooked. It would indeed be difficult
to exaggerate the extent of the bungling
that has fallen under my observations.

in these accounts. Simple as they are or
ought to be, it must be seen to be realized.
The errors I have noticed are not the
result of inadvertence or what is tech-
nically termed clerical error, but palpable
violations of the most elementary prin-
ciples of accounting, such as an account-
ant worthy of the name could
perpetrate. So my mind the reason of
all this is very apparent. Accounting like
other sciences, is not learned by intuition.
Its principles have to be studied and
under competent tuition: mere theo-
retical knowledge won't do in working
a system of accounts. But if the instructor
himself be inefficient, how are those
looking to him for instruction to become
efficient? Every man leaves his employer
on his work and surely indeed has the
Barrington Management on its accounts.

Off

4. If these matters are to be put right and kept right the Management, in my opinion, will have to be changed. Considering, however, the present financial position of the Company and the smallness of its expenditure which is now chiefly on Establishment, I think the best plan would be to transfer the accounts entirely to this Office. This arrangement would result in a saving to the Company which, under existing circumstances, practically means Government of the entire cost of the account establishment at Kurnool amounting to about Rs. 18,000 per annum. A very trifling addition to the cost of this Establishment would, I believe suffice to enable us to conduct the accounts.

Probably the saving effected in the Government expenses periodically to

Kurnool

28 18
Kurnool would be sufficient, as the services of the Government Accountant working in the Company's Office would of course be available here. This is not an original idea, for the Government Audit has been in existence on the Oudh and Rohilkhand Railway some years now, and the success which has attended its working there, led the Government of India, a short time ago to propose its acceptance to all the Guaranteed Railway on financial grounds. But if the introduction of such a measure was considered a desideratum in the case of the Guaranteed Railways all of which are working at a profit, it should be for greater reason worthy of serious consideration in the case of this Company with its balance on the wrong side of the books, and

and the chances of its righting itself
very remote indeed.

5. If however this
arrangement cannot be carried out, it
would strongly recommend that the
present acting Chief Accountant, Mr
Conford, be if possible continued in charge
of the Accounts. If some suitable professional
employment could be found for him in
Kewenau, the accounts would not demand
much of his personal attention, so far
as current work is concerned. It
would of course be unreasonable to impose
upon him the task of investigating and
adjusting old matters, what remains to
be done in that way had better be left
to this Office. Compared with what has
been done it is inconsiderate, though ^{inconsiderable}
by no means even itself. It moreover
requires a thoroughly intimate knowledge
of

of the books, and a practical Accountant
of no second-rate ability to do it. What is
wanted at the Navigation Account Office
is a head office - somebody to direct.
Considering that Mr Conford came to the
work with no professional knowledge of
accounts, he has gained an insight into
it, which does him great credit,
and with a little assistance from this
Office in the more technical part of the
business, I have all confidence that
systems and methods will be maintained.
6. The amount at this
date unadjusted on account of the
Notice Payments referred to in para 2
is £153,969.8.14. It should be said to
affirm that the whole of this money
has been received - probably it has
but to leave available in the fund. I
have

have given instructions to the Government
Accountant at the Comptroller's Office to
prepare a Ledger account for each
employee on whose account payments have
been made in England, showing on the Debit
the amount so paid, as reported by the Board
of Directors to the Agency, and on the Credit
the amount recovered. It will probably take
about a month to complete this, but when
done it will show exactly how matters stand
as stated in para. 3 in accounts presented
in the books for transactions with London for
either India or Home Payments till Captain
Moberly took charge in 1864, and it now appears
that the items in dispute are those payments
which were made in England prior to the opening of
the Home Payments for India account in
September 1864. It would seem that only the
actual amount of salaries paid in this country, up to
that date brought to account. Thus in
the

the Cash Book I find that Agency in
General Management has been debited only
with the net salaries paid to Messrs. B. & H. in
and Henslowe. On the Board's Financial
letter to 35 of the 19 of November 1866 a sum
of Rs 40 was a demand of having been paid
on account of Mr. Crawford's Insurance
Policy. The recovery was duly effected
from that officer's salary in January
1867 and the net amount charged to
Engineering or Journal folio 208, included
in the sum of Rs 2487.2.0. There, I
think, may fairly be taken as represent-
ative cases of what has been done, and
would account for the under debts to
General Management and Executive
Establishment. Entries will of course
have to be made, crediting the Board
under Home Payments for India account
and debiting the above heads for the
amount

amount remained, but the apportionment between the two accounts cannot be determined till the ledgers I have referred to has been completed.

7. As regards the stores received from England, I find there is an under-adjutment of Rs. 22,400-18-4 in the Capital book and a corresponding excess in the Loan; plus a sum of Rs. 800, the result of an apparently erroneous entry in March 1871.

The necessary transfers should be made in order to bring out correct results on the two accounts which are, and ought to be perfectly distinct.

8. The enclosed statement (marked A) exhibits the whole of the Board's transactions in England from commencement up to 30 June last and contains the necessary information for

31 21
for bringing the same expenditure on to the books here. It would I think be very desirable to have this done as soon as possible in order to have a complete record in this country of the whole of the Company's transactions. The apportionment between Capital and Revenue might perhaps be most equitably effected half-year by half-year on the basis of the expenditure on either account.

9. I also enclose a comparative statement (marked B) showing the differences between the Company's Ledger Balances and the accounts rendered to Government. I believe I have done all that is possible to be done in the way of adjusting these differences. On my return from Toronto last November, I journalized the whole of the accounts rendered to Government.

Government, Capital and Loans, and had
Vedgers posted therefrom and balances struck
at convenient dates with a view to see how
for the entries were susceptible of check
with the Company's books, but from the fact
the accounts submitted to Government had
till very recently been rendered wholly in-
dependent of the former, and from the
confused and disorderly state in which the
books had been kept for years, and the
entire absence of references to vouchers in the
Journals, I found it impossible to carry
out the comparison even for one half year.
It would, I believe, be a far easier task, and
one more likely to be attended with satisfactory
results to take up the whole of the Company's
vouchers and re-book them de novo, submit-
ting amended returns to Government as
the work progressed, than to attempt now to
discover the several items of difference.

The

22
The fact that General Management Pay
stands at \$36,782.11.3 less in the Government
than in the Company's accounts does not
at all indicate the extent of the discrepancy,
this may be merely the net result of numerous
errors on either side of the account. An
illustration of the difficulty attending
investigations of this kind in the books
of the Oregon Company. I may mention
that it took me the best part of two days
to find out how the recovery of \$1,500 from
Mr Crawford in January of had been
brought to account. If such be the labor
in the case of one item in one account,
some idea can be formed of that involved
in wading through the several stores
making up the Company's entire transactions
which till a comparatively recent date were
distributed over so many heads of account.

in three distinct sets of books, and were then all, without any connecting link with the vouchers. There is therefore, in my opinion, nothing for it but arbitrary adjustments of the differences are ever to be got rid of, and there does not appear to be much to choose between adjusting the accounts rendered to Government up to the Company's books, or the latter up to the former; but to avoid introducing fictitious entries into the Progress Report, with which the Government figures agree, the latter alternative seems preferable.

10. Before leaving Toronto on the 19th instant, I opened a new Cash book from 1st September last and from the vouchers wrote up the transactions of the month as they should be exhibited and closed the Chief Accountant's Cash book, bringing the balance on to the General books through which his transactions will hereafter be worked.

This

23
This will greatly simplify matters, and obviate much of the confusion to which the opening of the head "Advance to Chief Accountant" has given rise. I have also left written instructions regarding the working of the Treasury Advance Account which it became necessary to introduce owing to the Company having recently obtained letters of credit on British Treasuries. I also effected the necessary adjustments required to fit in the new system of apportioning General Charges sanctioned in C.O. No. 2072 dated 20 July 1871 with the old, and did otherwise what was necessary to give things a fair start.

Mr Crawford is vigorously at work clearing off arrears which, I think, he will be able to effect by the end of next month. Side by side he worked with me the whole time I was in Toronto and I have full confidence that he will turn to profitable account.

Yours

hints and suggestions which I have been able to give him.

The No. 2 Account.

11. A day or two before I left
Punjab, Order of Government No. 2783 of
the 2^d instant, regarding this account came
to hand, and the books were accordingly
placed at my disposal. Time, however,
did not permit of my doing more than
looking through them generally, but I saw
sufficient of them to warrant the conclusion
that they would be all the better for a thorough
overhauling.

12. In his letter published with
the Order just quoted, the Manager replies in
the negative to the enquiry of the Chief Engineer
for Irrigation as to whether "any transactions
in which Government have an interest
have ever been brought into that account."

That

34 24
That this reply was given in good faith,
I should not for a moment doubt, but
that it was given with an imperfect know-
ledge of what the account did contain is
very apparent, for the first head I looked at
in the Ledger, namely, "Supreme Account"
contained out of a total credit of Rs. 50,700
Rs. 500 on account of proceeds of sale of
stones (cecrop timber) at Maras in September,
1864. This surely is a transaction in which
Government have an interest, and which
ought never to have been brought into the
No. 2 account, yet there it has stood forming
part of its cash balance for the past 5 years.
Again, the account "deposits Contractors"
would, I feel sure, if carefully investigated,
show that a very large portion of the
balance at its credit, Rs. 25,771. 8.7 belongs
fairly and legitimately to Capital.

On Cashbook folio 302 I found an entry to credit of this account (Keypoint Contractors) for Rs 35.75 being amount of Cash found surplus in the Hindry Division Cash Chest, and I believe it contains several similar credits. Now it could have been at best ^{but} a mere assumption that this money belonged to Contractors, it might have been unclaimed wages and therefore creditable to the head of account to which they had been originally charged. The question, however, is simply this: if the whole of the balance Rs 2574.8.7 of the Contractors deposits, who are the keepers? There are Deposit Ledgers which purport to contain the information, but they do not appear to have ever been balanced. I turned up several cases in which contractors accounts extending back to 1862/63, & 1864 were still open, although their Contracts had been completed years ago. It is very improbable that

that persons having claims against the Company for a refund of money lodged with them as a security for the fulfilment of a contract would not prefer their claims immediately their contracts were completed. But it appears that several of these deposits were made, not as a security for the due performance of work, but for the return of valuable tools lent by the Company to enable Contractors to carry out their work, and that in many instances the persons so accommodated deceased, taking with them the tools which probably they found to be of more value than their deposits. In all such cases the forfeited securities are clearly creditable to the account which had been charged with the cost of the tools. My belief is that a searching examination of the account would reveal the fact that fully Rs 20,000 if not more of

Certainly

of this balance belongs to the Capital Account.
The investigation would necessarily be a
laborious one and would demand a
considerable amount of time as there are
some five or six ledgers to be gone through,
and the Divisional vouchers, would in many
instances, I apprehend, have to be referred to
as the No. 2 books are quite in keeping with
the others even as regards paucity of in-
formation.

13. "Shroffage" This was a
profit accruing to the Company for accom-
modation afforded to Merchants up-country
in permitting money to Madras, and for which
a small premium was charged. The account
shows a credit of Rs. 1101. 3. 2 and should
apparently be transferred to Capital as a
set off against the premium paid on
Treasury bills debited to this account during
Construction

Construction

36 26
14. I find no account in the
No. 2 books for unclaimed wages. There
surely must have been some items of this
nature in an undertaking like this with its
operations extending over 15 years. It is not
at all unlikely that such receipts have been
lumped up in the "Lines & Superficio" account
which has a credit balance of Rs. 6245. 9. 0.
It would be very desirable to have this
account also looked into, and after elimi-
nating therefrom such items of unclaimed
wages as it may be found to contain, to
transfer as much of them as are more than
one year's standing, to the credit of the
account originally charged, in accordance
with Government of India Resolution No. 113
N. G. R. of the 26th February 1873, recorded in
Madras Government Order No. 833, dated 17th
March

March 1873, which ruling has been made generally applicable to all guaranteed Companies.

The large sum at debit of "Miscellaneous Advances" £4365.12.10 attracted my attention and on looking into it, I found that £3465 of the amount represented payments to Mr. Badham as follows:-

4 April 1871	£500	Paid C. A. Badham Esq. on account of deputation allowance in anticipation of Round's sanction
20 April "	250	
2 September 72	750	Paid ditto being deputation allowance for Jan & Feb 72
23 May 1873	250	Paid ditto as an advance.
24 June "	500	
January 74	1215	Paid ditto salary in advance for Jan & Feb 1874.
<u>Total. 3465</u>		

The amounts drawn as deputation allowance would appear to be what Mr. Badham considered himself entitled to while acting at different times as Manager during the absence of Mr. Henstowe on private leave. But this allowance was declared inadmissible

by

by Government in their Order No. 1662 of the 20 June 71 and it does not appear that the Board have ever authorized its disbursement.

There is also a somewhat peculiar entry to debit of the account for £620 being amount paid Cashkeeper at different times on account

of No 2 Suspense Account. Nobody at present in the Office seems to know anything about the payment, or who the Cashkeeper is or was, but Mr. Casfield will have the matter looked into without delay.

16. Licence Tax £. 66. 2. 5. This was also a payment on Mr. Badham's account. The entry for it is as follows:-

Paid Collector of Licence Tax to be recovered from Mr. Badham £. 66. 2. 5.

There are two other accounts in these books which call for a few remarks, namely Interest Account No 2 & balance £. 654. 8. 2. 2 and Interest on Fixed deposits

C. t

On \$2683.12.8. The former represents interest
allowed by the Asia Bank on the floating
balance of the No 2 account generally; the
latter, interest accrued on investments made
on fixed deposits out of the General balance.
If, as I believe, the 'Contractors Deposit' and
the 'Fines and Forfeiture' accounts which
together make up \$32,007.1.4 out of the
total asset \$51,644.11.5 of the No 2 account,
contain items appertaining to Capital a
pro rata distribution of this interest is clearly
due to the latter in as much as the former
accounts are component parts of the balance
upon which the interest has accrued.

It has all along been
represented that the No 2 Account was res-
tricted exclusively to the record of the
Company's private, as distinguished from
their guaranteed transactions. I have
shown

36 28
shown that this is not the case as regards
"Suspense Account"; the Chief Engineer and
Manager admits in his letter received in
S. O. No. 2783 of the 2nd October last that
"Shroffage" is not of the nature of a
private transaction; and there is a strong
probability, amounting almost to a
certainty, that the 'Contractors Deposit'
and the 'Fines and Forfeiture' accounts
contain items relating to Capital.
My conviction is that if the No 2 account
were thoroughly overhauled and cleared
of all items not properly and legitimately
belonging thereto, there would be very little
left to cover the large payments made to
"Miscellaneous Advances". A reference to
the Balance Sheet will show that indeed
nothing beyond the fines proper is now
standing in the "Fines & Forfeiture"
account

account with its share of the interest accrued
on the general balance could legitimately
be so appropriated as of course the Contractors'
and Employees' respective accounts are each
entitled to their share of interest; and there
are no other sources of private income that
could be applied to meet such payments
except two small items; one of Rs. 124.12.7
Cash Orders drawn and unclaimed and
Income Tax Rs. 43.35 which latter,
however, if not due to the State; should
strictly speaking be returned to the parties
from whom it was recovered, or, if they
are not forthcoming, treated as unpaid
bills and credited to the account originally
charged.

I enclose a copy of
the No. 2 Account Balance Sheet on
31st of March last, the date up to
which

which the books were last balanced.
J. P. Linton
Assistant Examiner of Railway
and Navigation Accounts

The Examiner of Guaranteed Railway
& Navigation Accounts
Madras.
(True Copy.)

Makes
26th October 74

W. Williams
Off. Examiner of Ry. & Navigation
Accounts
Madras

Off. Examiner Railway Accounts
Madras

2
46/826744

CE 1/35/24.

3-
No. II Account
Hawes Ingoton & Canal Company
Balance Sheet for the half-year ending 31st March 1874

Dr.

2 Advances Payable.
10 Ag's Bank No 2 Account.
145 Sufficient Balance
149 License Tax
154 Petty Cash No 2 Account
211 Miscellaneous Advances

No. II

10 . . . 21 Cash Orders drawn and uncashed.
4,688 15 6 62 Deposits Contractors No 2 Account
188 " . 73 Fines and forfeitures
66 2 5 94 Guaranteed interest
130 1 8 104 Income Tax
4,360 12 10 11 Interest on Employed Securities
123 Interest Account No 2
131 Interest on Fixed Deposit Accounts
141 Interest on Deposits Contractors
185 Securities Employed
190 Proffage
200 Sundry Account
Total No 51 614 11 5

No. II

134 12 1

25 771 8 1

6 245 9

1 271 11 1

43 3

414 2

6 548 2 1

2 683 12 1

1 8

6 387 1

1 101

5 11

Total No 51 614

Hawes.
26 October 1874

(True Copy)
K. M. M. M. M.
Off Examiner Bankruptcy
Hawes

(Signed) J. P. Dunham
Sgt. Examiner Bankruptcy
Hawes

P. H. Dept
Proceedings of the Madras Government

Read the following:-

From
The Chief Engineer } 145-
for Irrigation } (MR No 43 d/12 Dec 1874)

The foregoing papers will be communicated to the Chief Engineer and Manager, Madras Irrigation and Canal Company, with a request that he will ascertain from the Board of Directors whether they are willing that the Company's accounting should be undertaken by the Government Examiner of Accounts it being probable that by this arrangement much expense and a great deal of

M. J. 14

44/8267. No 6

42/188/208

of useless work would be avoided, and that the difficulty of placing the Company's own Account Department on an efficient footing would then not have to be met and overcome.

2 The bringing of the Company's Home expenditure into the Indian books involves no difficulty, and as it is believed that the Directors can entertain no objection to its being done, as desired by Government, it is hoped that at an early date the Boards' concurrence will be reported, and the necessary entries made.

3 The arrangement proposed by the Examiner for bringing the Company's ledger balances into agreement with the accounts rendered

entertains no doubt

rendered to Government is approved -
4 His Excellency the Governor in Council is convinced that the Chief Engineer and Manager reports on the best information which was at the time available, as to the nature of the transactions exhibited in the No. 2 Account, and that, now that this information has been shown to ^{that} Officer ^{will} ^{no} ^{doubt} be erroneous ^{with} ^{recog-} ^{nition} ^{of} ^{the} ^{importance} of such a thorough examination as will render this account intelligible, and lead to the removal from it of all transactions which do not properly belong to it. Regarding certain of the entries which relate to sums paid to

Mr

May 14/1962

[Signature]

To the Chief Eng^r for Irrⁿ ✓
 " " and Manager of Irrⁿ & C. Co. ✓
 " Examiner of the Modras " " ✓

7928
COLL. OF 1875. 2. 13. 1875.
PUBLIC WORKS.

Cont. of 118V5 2/19/15

PUBLIC WORKS.

The Chief of Dept.
Immigration

Page 10

Figure 1

5

o. o. B. Lang. 52. 148-

No: 915-206:

Madras Irrigation and
Canal Company

Passing orders on the
Reports submitted by the
Principal Asst^t Engineer
on the accounts of the
navigation of Canal Com-
pany -