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MADRAS RECORD OFFICE

Government of Madras

Public Works DEPARTMENT

G.O. No.	2670	Press	<i>Original</i>
B.P. No.		Mis.	
Dated	4 - 10 -	1876	195

Not to be folded or roughly handled

Read the following papers :—

No. 53. Secretary of State's Despatch, No. 30, dated 28th July 1876.
No. 53-A. Do. do. No. 40, dated 28th July 1876, to the
Government of India.

No. 53-B. Endorsement of the Chief Engineer for Irrigation, dated Ootacamund,
14th August 1876, No. 199-W.

From Major P. LAMBERT, R.E., Examiner of Guaranteed Railway and Irrigation
Accounts, to Lieutenant-Colonel J. MULLINS, R.E., Chief Engineer for
Irrigation, dated Madras, 6th July 1876, No. 855-I.

WITH reference to paragraph 2 of Madras G.O., No. 1,540, dated 20th June
1876, I have the honor to submit the following remarks on the subject of Madras
Irrigation and Canal Company. The order of the Secretary of State is that after the
30th September 1876 no further disbursements on the part of the State are to be
made on account of working expenses of the Company, and that, in the event of the
earnings of the Company's works continuing insufficient to defray working expenses,
the Company are to make good the deficit from their own resources.

2. The effect of the carrying out of this order will be virtually to close the
operations of the Company and to stop the working of the canal. The estimated
revenue earnings of the Company for current year are only Rupees 75,000. The
expenditure for the first quarter of the year is estimated by the Chief Engineer and
Manager at Rupees 31,791, leaving Rupees 43,209, which is (less than the expendi-
ture estimated by Manager for current quarter) available from the estimated revenue
for expenditure during the rest of the year. These earnings, however, are not actually
paid into the hands of the Company, but are collected by Government Officers and
paid into the District Treasuries to the credit of Government. The revenue for the
whole year, as calculated by the District Officers for the area irrigated, is credited to
the Company in the half-yearly accounts ending 30th June of each year, and the
collection of the revenue is left to Government. The Company therefore have
absolutely no funds actually at their disposal for working expenses beyond the floating
balance in the Bank of Madras Rupees 20,629 of No. 2 Account. In this too is included
a sum of Rupees 10,549 due to employees securities which can hardly be considered
available for expenditure, thus reducing the actual available cash to Rupees 10,000.
The cost of establishment chargeable to Revenue for one month only is Rupees 9,088,
and therefore unless expenditure was reduced during current quarter so as to leave a
considerable balance of funds at the end of the quarter, the Company could not carry
on for more than a month on their own resources. The requisition for funds for
current quarter received from Chief Engineer and Manager amounted to Rupees
48,990, and was submitted to you with this office No. 735, dated 16th ultimo, for
orders before being passed; until these orders are received the probable balance at
the end of current quarter cannot be surmised. Assuming, then, that the Company
will not be able to carry on the working of the canal from their own resources, it will

be necessary for some action to be taken and some decision arrived at as to the future arrangements which are to be made.

3. Whether the canal be carried on or closed it must apparently pass into the hands of Government after the supply of Government funds to the Company ceases, and the Company's books will require to be balanced and closed and the accounts transferred altogether to the Examiner's office in Madras. There are several points connected with the accounts which have been brought to notice in reports from this office on which orders have been passed in Madras G.Os., No. 145, dated 18th January 1875, and No. 1,364, dated 13th May 1875, which have not yet been cleared owing to the views of the Board of Directors not having been yet received by Chief Engineer and Manager. Reference appears to have been made to the Board on the 8th May 1875. The delay in the required adjustments has been already brought to your notice in his office No. 827, dated 30th June 1876.

4. The balance at credit of No. 2 Account should not be allowed to be used for working expenses until the required adjustments have been made, as there are apparently some items included in this account which belong to Government and should be credited to Capital.

5. It is concluded that the balance of the letter of credit for current quarter, which may be unexpended at the end of quarter, will be at the disposal of the Chief Engineer and Manager for expenditure after the 30th September next. Some orders will be necessary as to the submission of accounts after the 30th September 1876. If the expenditure on working expenses is carried on for a time from the funds available from No. 2 Account, or if the Company are able to provide funds for the purpose from some source or other, it is a question whether audit of the accounts of such expenditure can be claimed by this office which deals only with the expenditure of funds supplied by Government. As long, however, as guaranteed interest is paid by Government on the undertaking, there is no doubt that supervision of the accounts of expenditure should be allowed. The Company are bound to keep the canal in working order under their guarantee, and to do so there must be expenditure in working expenses. Should, however, the works cease altogether, it is concluded that the payment of guaranteed interest would also cease.

SUBMITTED for the consideration of Government.

The Examiner appears to be premature in considering that the Madras Irrigation and Canal Company will have no funds after the 30th September next wherewith to carry on their operations on Revenue Account. It was known already that revenue receipts will not cover working expenses, and neither the Examiner's office nor the undersigned is concerned at present with the manner in which the Company may find ways and means.

2. Had the period at which Government advances in aid of working expenses are to cease been fixed so as to correspond with the end of a revenue half-year under the contracts, viz., either the 30th June or 31st December, matters would have been somewhat simplified. As it is, the

Dated 3rd June 1863, Clause 22.

" 2nd October 1876, Clause 8.

30th September next being the date specified, the Revenue Account for the half-year ended 30th June last will apparently be that from which a departure will have to be made, as there will be no subsequent account until the 31st December next.

3. The account for the half-year ended 30th June last will probably show no balance to the credit of the Company, the working expenses being in excess of the receipts; but should there be a balance owing to the revenue credited being in excess of the expenditure, in consequence of the greater part of the revenue of the year being brought to account in the first-half of the calendar year, the balance would not be at the disposal of the Company, but would be applicable in discharge of the interest on Loan Account under Clause 9 of the Contract of 1866.

4. The receipts of the half-year commencing 1st July 1876 will, if that departure be accepted, be available to meet in part the working expenses of the canal and the difference between those receipts, plus the advances made by Government and utilized before the 30th September, and the expenses will be the amount which the Company will have to provide* now that further advances are not to be made by Government. After the No. 2 Account has been adjusted there may be a small further sum at the disposal of the Company for expenditure.

5. The balance of the advances made by Government and remaining unexpended on the 30th September should be repaid into the treasury to the credit of Revenue Advances, in accordance with the arrangements, Madras Government, No. 1,773, of the 12th July 1876. ment made by the Chief Engineer and Manager in his letter as per margin.

6. The stoppage of further advances will apparently make no difference in the accounts to be kept and rendered to Government by the Company under the contracts, or in the system of audit in force. The Examiner, it is thought, is mistaken in supposing (paragraph 5) that the audit deals only with the expenditure of funds supplied by Government, for the audit of the Company's accounts would have been equally necessary had no advances been required, and a Government audit was in force prior to any advances being made.

7. It does not appear to be necessary to consider at the present time what measures are to be adopted in the event of the Company being unable to provide for the proper maintenance of the canal and works. The expenditure on that account will continue to be made known to Government. The expected requirements of the canal as regards repairs for the year 1876-77 were laid before Government before any stoppage of advances was decided upon, and there is nothing to prevent the state of the canal being ascertained at any time. Clause 21 of the Contract of 1863 lays down the measures to be adopted should the Company not maintain the canal properly; and it may be assumed until the contrary is shown that the Company will do what is necessary, it being better to diminish voluntarily the guaranteed interest distributable to the share-holders than to oblige the Secretary of State to carry out repairs and deduct their cost from that interest.

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

Proceedings of the Madras Government, Public Works Department,
4th October 1876. No. 2,670.

No. 54.

ORDER THEREON, 4th October 1876, No. 2,670.

IRRIGATION, No. 5.

RECORDED, with reference to G.O.,
No. 2,657, dated 3rd October 1876.

2. The audit of the Company's
Accounts by the Examiner will be conducted as heretofore.
(True Extract.)

Colonel,

Offg. Under Secy. to Govt., P.W.D.

To the Examiner of Irrigation Company's Accounts.
„ Chief Engineer for Irrigation.

EXAMINER RAILWAY ACCOUNTS' OFFICE,

Madras,

6th July 1876.

From

THE EXAMINER RAILWAY ACCOUNTS,

MADRAS,

To

The Chief Engineer for Irrigation,
and Joint Secretary to Government,
Public Works Department,

SIR,

Fort St George.

With reference to paragraph 2
of Madras Government Order 1540 dated
20th June 1876, I have the honour to
submit the following remarks on the
subject of Madras Irrigation and
Canal Company. The order of the
Secretary of State is that after the 30th
September 1876 no further disbursements
on the part of the State are to be made
on account of working expenses of

the

the company and that in the event of the earnings of the company's works continuing insufficient to defray working expenses the company are to make good the deficit from their own resources.

2. The effect of the carrying out of this order will be virtually to close the operations of the company and to stop the working of the canal. The estimated Revenue earnings of the company for current year are only Rs 75,000. The expenditure for the first quarter of the year is estimated by the Chief Engineer and Managers at Rs 31,791, leaving Rs 43,209, which is (less than the expenditure estimated by Managers for current quarter) available from

42 2
from the estimated Revenue for expenditure during the rest of the year. These earnings however are not actually paid into the hands of the company, but are collected by Government Officers and paid into the District Treasuries to the credit of Government. The Revenue for the whole year as calculated by the District Officers for the area irrigated is credited to the company in the half-yearly accounts ending 30th June of each year, and the collection of the Revenue is left to Government. The company therefore have absolutely no funds actually at their disposal for working expenses beyond the ^{floating} balance in the Bank of

the company assets and the company's
books will require to be balanced and
closed, and the accounts transferred all
together to the Examiners' Office in Madras.

There are several points connected with the
accounts which have been brought to
notice in Reports from this Office and
which orders have been passed in Madras
Government Orders No. 145 dated 18 January 1875
and No. 1365 dated 13 May 1875 which have
not yet been cleared owing to the views of
the Board of Directors not having been yet
secured by Chief Engineer and Manager.
Reference appears to have been made to the
Board on the 8th May 1875. The delay in the
required adjustments has been already
brought
forward

Net to Dr.
in 1875 only
Rs. 102 6-2
2821 500

brought to your notice in this
office No. 27 dated 30 June 1876.

The balance at credit of Rs. 2
account should not be allowed to be
used for working expenses until the
required adjustments have been made
as there are apparently some items in-
cluded in this account which belong
to Government and should be credited
to Capital.

It is concluded that the
balance of the letter of credit for current
quarter, which may be unexpended
at the end of the quarter will be at
the disposal of the Chief Engineer

and

and Managers for expenditure after the
30th September inst. Some orders will be
necessary as to the submission of accounts
after the 30th September 1876. If the expen-
diture on working expenses is carried on
for a time from the funds available from
No. 2 Account or if the Company are able to
provide funds for the purpose from some
source or other, it is a question whether
audit of the accounts of such expenditure
can be claimed by this Office which
deals only with the expenditure of funds
supplied by Government. As long, however,
as Guaranteed Interest is paid by Govern-
ment on the undertaking there is no
doubt

that supervision of the accounts
of expenditure should be allowed. The
Company are bound to keep the Canal
in working order under their guarantee
and to do so there must be expenditure
in working expenses. Should however the
works cease altogether it is concluded
that the payment of Guaranteed Interest
would also cease.

I have the honour to be
Sir

Your most Obedt. Servant.

P. Lambert Kaye Esq.

Engineer Gt. N. & S. Canal
Rangoon

Exd
P. Kaye

80.1 Aug 11 1863 No 2156

12 July 76 - 1773

20 June 76 - 1540

29 March 76 792

18 Jan 75 - 145

18 Dec 75 - 3649

8 May 76 - 1122

22 July 76 - 481

31 March 76 - 836

26 April 76 - 1039

23 May 76 - 1296

22 July 76 - 479

P.W.D.

ECCT76

11.7.76

Cii - 16.8.76 Note 23.8.76
P.H. Shurt 26 Aug

many payments made
necessary, consequently
the public administration
of the Government funds
is in a state of confusion
and the public is suffering
therefrom.

No. 1557

Received

Dated

18th

July 1876

To the Hon. Secy. of the
Railway Accounts,
Colonial Office,
London.

The Examiner

Railway Accounts,

London.

From

The Examiner

11.7.76

From Examiner, Ings Accounts, No 855 of 5 July 76

No 199-41

Submitted for the consideration
of Government.

Encls 1

The Examiner appears to be
premature in considering that
the M. J. & Co. Company will have
no funds after the 30th September
next wherewith to carry on their
operations on Revenue account.
It was known already that
Revenue receipts will not cover
working expenses, and neither
the Examiner's office nor the
undersigned is concerned at
present with the manner in
which the Company may find
ways and means.

2. Had the period at which
Government advances in aid
of working expenses are to
cease been fixed so as to corres-
pond with the end of a Revenue
half year under the Contracts
is either the 30th June or 31st

3rd June 1863
22.
2nd Oct 1866
8.

September should be repaid into the Treasury to the credit of Reserve Advances, in accordance with the arrangement made by the Chief Engineer and Engineer in his letter as per margin.

6 The stoppage of further advances will apparently make no difference in the accounts to be kept and rendered to Government by the Company under the contracts or in the system of audit in force.

The Examiner, it is thought, is mistaken in supposing (para 5) ^{that the audit} deals only with the expenditure of funds supplied by Government, for the audit of the Company's accounts would have been equally necessary had no advances been required, and all Government audit was in force prior to any advances being made.

7 It does not appear to be

720 58 d/12 June
printed in P.M.S.
No 1773 of the
12 July 1876.

8 necessary to consider at the present time what measures are to be adopted in the event of the Company being unable to provide for the proper maintenance of the canal and works. The expenditure on that account will continue to be made known to Government. The expected requirements of the canal as regards repairs for the year 1876-77 were laid before Government before any stoppage of advances was decided upon, and there is nothing to prevent the state of the canal being ascertained at any time. Clause 21 of the Contract of 1862 lays down the measures to be adopted, should the Company not maintain the Canal properly; and it may be assumed until the contrary is shown that the Company will do what is necessary, it being better to diminish voluntarily the guaranteed

interest distributable to the shareholders than to oblige the Secretary of State to carry out repairs and deduct their cost from that interest.

Voluntarily
Lt Colonel
Chief Engineer for Surg.
Ostacumund
14th August 1873

PUBLIC WORKS DEPARTMENT.

the Chief Engineer for
 W. & of 14 August 1876.

ORDERS.

Admiral Sir
H. Secretary to Govt. P.W.D.

1/ The crew taken by Col. Mullins
seems to me worst.

There will be great embarrassment
if no funds are procured by
the Company next month and
I think the Govt had better
take into consideration what
action is to be taken. —

& I propose that this question
be discussed at the next
Council. Mr. Matthews being
requested to attend. B28

interest distributable
holders than to oblige
of State to carry on
and deduct their own
interest.

P.W.D.
60578
7176
from
to Chief Eng: for Insp:
The Secretary to Govt.
P. W. D.

Voluntarily

Chief Eng
Astacumand
14th August 1876

Dated 12 Aug. 1876

N: 199-11.

M. S. & C. Co's Funds — Submit
for consideration, with remarks,
letter from the Secy Sec. Act, re-
-porting what will be the state of
the — after the 30 Sep 1876, for carrying
on their operations on Revenue Act.

Endorsement by the Chief Engineer for
Irrigation No. 2 of 14 August 1876.

FOR ORDERS.

Voluntarily Lt. Colonel
J. Secretary to Govt P.W.D.

W.M.

The view taken by Lt Mullins
seems to me correct.

There will be great embarrassment
if no funds are provided by
the Company next month and
which the Govt had better
take into consideration what
action is to be taken.

I would propose that this question
be discussed at the next
Council. Lt Mullins being
requested to attend. P.W.

23/0

FOR ORDERS.

1176

See shelf

No 2670 of 4 Oct/76.

Proposed disposal in connection with
the drafts now circulated upon Secretary
of States' despatch N^o 30-28th July 1876
do - do - do - 40-28 July/76 to the
Government of India.
Endorsement by the ^{Secy. N^o 498 of 14th August/76}
Ch. Insp. for Engrs.

+ on 21/10/76

Recorded with
reference to G.O. N^o 2657
dated 3rd October 1876.

2. The audit of the
Company's accounts
by the Examiners will
be conducted as here-
before.

by 20/9
CHM

Ex: J. C. aut^o ✓
C. J. D. ✓

Sept 20/76

7176
Govt. of 1876 Madras.

PUBLIC WORKS.

To
The Examiners of Irrigation
Companies & documents

Dated

Issued

Recd

Encl.

G. O. 11 October 1876, No. 717

Nos. 5

11-10-76
at 11-10-76

Madras Irrigation and Canal
Companies' Funds. Proclamation
of the Chief Secy for the submission
with remarks letter from the Ex-
amination of Canal Companies' Accounts, reporting what will be
the state of the — after the
30th Sept/76 for carrying on opera-
tions in Revenue Account.
Please to the same as per
to Mr

11-10-76