M.R.O. 1—77,006—8-6-37.

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(2) Date of repair_____

(3) Initials of the Referencer_____

MADRAS RECORD OFFICE.

Government of Madras.

Public Works DEPARTMENT.

G.O. No. 347 (9) Press / Mis.

Dated 19-2- 1877.

Not to be folded or roughly handled

No. 440. Read the following endorsement of the Chief Engineer for Irrigation, dated 31st January 1877, No. 109-W:—

From Major P. LAMBERT, R.E., Examiner, Railway and Irrigation Accounts, to Lieutenant-Colonel J. MULLINS, R.E., Chief Engineer for Irrigation, dated Madras, 20th November 1876, No. 1,418-I.

I HAVE the honor to report that the Government Accountant at Kurnool has brought to my notice that the working expenses of the Madras Irrigation and Canal Company are now being defrayed from funds obtained by cheques drawn on loan account.

2. It has been customary for the Chief Engineer and Manager to draw from loan account when short of Revenue Funds, and to make a recoupment afterwards, but this practice does not seem to be any longer allowable under the recent orders of the Secretary of State forbidding further advances for working expenses. As the earnings of the Company are not likely to be sufficient to defray the cost of working expenses during each year, the recoupment to Capital of funds borrowed for Revenue expenditure does not seem to be feasible, and the Company will, in that case, be receiving advances indirectly through Capital.

3. Under the altered relations of the Company with Government it does not seem to be advisable that Capital Funds should be now expended on working expenses without the express sanction of Government, and I have the honor to request that early instructions on this subject may be issued.

From J. H. LATHAM, Esq., Chief Engineer and Manager, Madras Irrigation and Canal Company, to Lieutenant-Colonel J. MULLINS, R.E., Chief Engineer for Irrigation, dated Kurnool, 18th December 1876, No. 127.

IN reply to your No. 60-I.C.C., of 29th ultimo, I have the honor to explain that hitherto it has been usual to draw the money necessary for current expenses, whether Capital or Revenue, from the balance available for Revenue expenditure, or failing this from the balance of Capital (loan or original Capital). The true charges were corrected, after completion of the necessary calculations, by repayment between the several accounts. This was in general accordance with G.O., No. 2,072, dated 30th July 1874.

2. This practice still continues. It is proposed to complete all the adjustments in each half-yearly account ending the 31st December and 30th June. It is observable that there is no chance of Revenue failing to repay all adjustments due to loan for the half-years ending 31st December yearly, but that the Company might on the present system if it spent the full sum sanctioned by Government for maintenance, possibly spend more than the Revenue would repay in the other half-year. This liability will continue until the "Reserve Fund"* set aside at the end of each half-year should be ample for the repairs and maintenance of the half-year then commencing.

* Clause 23 of Contract, 3rd of June 1863.

It would be inconvenient to attempt to draw money for the supply of divisional indents for money severally for Capital expenditure and for maintenance; since

the chief expense is that of staff and management, and that is divided and charged between Capital and Revenue some month or two after the close of each current month in proportion depending on the expenditure in cash and stores upon the new works.

Meantime, I have the honor to ask the sanction of Government, till further notice, to carrying all the unspent Revenue of this and subsequent half-years to the "Reserve Fund" above referred to.

The Government advised by their officers will have plenty of time for making any further arrangements for precaution or for disposal of surplus revenue, which the fluctuations of Revenue may from time to time require.

The most correct formal way would be for Revenue and Capital both to contribute equally, say three-quarter lakh, to a "General Fund" on the 1st January next, and to renew yearly whatever on clearing the accounts should be found credited to either account. Monthly, or even half-yearly, clearances would not suit the peculiar character of the Company's revenue, which comes in nearly all in one annual lump.

In the above letter the Chief Engineer and Manager explains that funds for working expenses of the Company are taken indiscriminately from the balance available either of Capital, Loan, or Revenue Funds, the adjustment between the several accounts being made when the monthly accounts are completed. There is no objection to this procedure as long as the funds for expenditure are provided by letters of credit on Government Treasuries irrespective of Revenue earnings. Since the 30th September 1876, these credits have ceased and the funds for working expenses have now to be provided from the monthly and half-yearly credits allowed to the Company for supply of irrigation and from the Company's own resources. The case is, therefore, under altered conditions, and it is possible that the funds intended to be employed only on Capital works may be expended on Revenue without recoupment being made.

2. The Chief Engineer and Manager remarks in his letter that "it is observable that there is no chance of Revenue failing to repay all adjustments due to loan for the half-years ending 31st December yearly, but that the Company might on the present system, if it spent the full sum sanctioned by Government for maintenance, possibly spend more than the Revenue would repay in the other half-year." It is not clear on what grounds the confidence reposed by Mr. Latham in the increase of the Revenue earnings of the canal is based. For each of the three years 1873-74 to 1875-76 inclusive the working expenses for the half-year ending 31st December have been considerably in excess of the earnings of the whole year.

Season.	Working Expenses, Half-year ending 31st December.	Earnings of whole Season.	Difference.
	Rs.	Rs.	Rs.
1873-74	67,570	65,350	2,220
1874-75	80,466	52,823	27,643
1875-76	84,733	59,626	25,107

Proceedings of the Madras Government, Public Works Department,
19*th February* 1877. *No.* 547.

There can be no objection, however, to advances being made to Revenue from Capital or Loan Funds to meet the charges for establishment, which under the arrangement sanctioned in G.O., No. 2,072, of the 30th July 1874, are all in the first instance debited to Revenue, the adjustment of the debit due to Capital being subsequently made on the construction outlay becoming known. These advances should, however, be limited to the probable amount of the charge which is readily ascertainable, it being one-third of the construction outlay.

2. It will be necessary to reserve from surplus revenue of one-half year sufficient funds to meet when added to the expected income of the following half-year, the maintenance charges of the latter period. This is provided for in Clause 23 of the contract.

All unspent revenue at the close of a half-year may, as proposed by Mr. Latham, be until further orders carried to the credit of the Reserve Fund, but this fund should not be at the Chief Engineer and Manager's disposal, but appropriations should be made therefrom with the sanction of Government to meet working expenses on the acceptance by Government of an estimate by that officer of the

(1.) Working expenses of any half-year.
(2.) Estimated income of any do.
(3.) Difference to be provided for from the Reserve.

The requisite transfer would then be made from the Reserve to the credit of the Revenue Funds at the disposal of the Company's officers.

3. The undersigned does not recommend that any change should be made at the present time in the details of the adjustment between Capital and Revenue on account of establishment charges. The Examiner, in paragraph 3 of his note, points out a small difference between the practice of the Madras Irrigation and Canal Company and that of the Railways, but the inclusion of stores on both sides, or their exclusion from both sides, can make very little difference, and apparently in the instructions of the Government of India with respect to Railways it was "Expenditure in England on account of Stores" which was to be excluded from the calculation of the incidence of the cost of establishments employed in India. In the case of the railways such exclusion was material, but the Irrigation Company's expenditure on English stores since 1874 has been nominal and practically therefore the establishment charges are now distributed in proportion to the expenditure which that establishment supervises.

Proceedings, Madras Government, dated 14th March 1872, No. 732.

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

No. 441. ORDER THEREON, 19th February 1877, No. 547.

IRRIGATION, No. 42.
Account.

HIS GRACE the Governor in Council is of opinion that advances of Capital funds to meet Revenue expenditure must be strictly limited as indicated in the first paragraph of the endorsement by the Chief Engineer for Irrigation.

It is not known in this office what proportion of the total earnings from irrigation is due to monthly irrigation, and possibly the greater part of these earnings as well as those for crop irrigation would be credited to the Company during the last half of the year, but some part of the monthly irrigation revenue as well as that from miscellaneous receipts must be due to the earlier months of the year, so that the actual excess of working expenses over receipts would be more than is shown above for the last half of the year. The excess on first half of the year would of course be considerably more than on last half, as the earnings would depend entirely on monthly irrigation and miscellaneous receipts.

3. With reference to the remarks made in paragraph 3 of Chief Engineer and Manager's letter, the method of apportioning the cost of establishment to Capital in proportion depending on the expenditure in cash and stores upon the new works does not seem to be correct nor in accordance with the sanction contained in G.O., No. 2,072, dated 30th July 1874. The method of apportioning charges of establishment between Capital and Revenue is sanctioned on the same system as was made applicable to Guaranteed Railways in 1872. In this system the percentage of cost of establishment is calculated on the total *cash* outlay in India on Capital or Revenue Works, and the cost of stores expended on the works is excluded under the orders conveyed in paragraph 5 of Government of India Resolution, published in Madras G.O., No. 732, dated 14th March 1872. In the Budget Estimate, however, of the Madras Irrigation and Canal Company for 1876-77 the cost of establishment chargeable to Capital is entered at one-third of the intended outlay on works chargeable to capital, which must include cost of stores too. The debit to Capital on account of cost of establishment, therefore, seems to have been sanctioned in excess and the charges have been made in accordance with the sanction.

4. With reference to the proposal made in 4th paragraph of Chief Engineer and Manager's letter, Clause 23 of Contract, dated 3rd June 1863, provides for the formation of a Reserve Fund after the Revenue Account has been debited with such payments as mentioned in Clause 22, which represent payments for the necessary working expenses of the canal, and until the Revenue earnings are capable of supplying funds for actual working expenses, the formation of a Reserve Fund does not seem to be practicable.

MADRAS, 23*rd January* 1877.

(Signed) P. LAMBERT, Major, R.E.,
Examiner, Guar. Railway & Irrign. Accts.

From Major P. LAMBERT, R.E., Examiner of Railway and Irrigation Accounts, to Lieutenant-Colonel J. MULLINS, R.E., Chief Engineer for Irrigation, dated 23rd January 1877, No. 89-I.

WITH reference to Chief Engineer's No. 2-I.C.C., dated 9th January 1877, has the honor to return letter No. 127, dated 18th December 1876, from Chief Engineer and Manager, Madras Irrigation and Canal Company, with a note on it by the Examiner.

SUBMITTED to Government.

The application of Capital or Loan Funds to meet Revenue charges is, it is thought, inadmissible.

Proceedings of the Madras Government, Public Works Department,
19th February 1877. *No.* 547.

2. When surplus revenue may become available the balance will until further orders be carried to the credit of a Reserve Fund with reference to Clause 23 of the Contract of 1863, and thereafter withdrawals from this Reserve to meet Revenue expenditure will be made after the approval of an estimate of receipts and expenditure of the half-year for which an assignment may be required.

3. There appears to be no sufficient reason for making a change in the mode of adjusting establishment charges, but the Examiner should, if an alteration of detail be considered of importance, show what difference in the charges already made to Capital and Revenue respectively under G.O., No. 2,072, of the 30th July 1874, would result.

(True Extract.)

Lieut.-Colonel, R.E.,
Secretary to Government.

To the Chief Engineer for Irrigation.
„ Chief Engineer and Manager of the Madras Irrigation and Canal Company.
„ Examiner, Irrigation Company's Accounts.
„ Revenue Department.

Exd. T. D. Ryan.
Spare Copies

4 881

No 1418/9

Examiner Railway Accounts Office
Madras, 20th November 1876.

From
The Examiner Railway Accounts,
Madras.

To
The Chief Engineer for Irrigation,
Fort St George.

Sir,

I have the honor to report that the Government Accountant at Kurnool has brought to my notice that the working expenses of the Madras Irrigation and Canal Company are now being defrayed from funds obtained by Cheques drawn on Loan account.

2 It has been customary for the Chief Engineer and Manager to draw from Loan account to check short of Revenue Funds and to make a recoupment afterwards, but this practice does

does not seem to be any longer allowable under the recent orders of the Secretary of State forbidding further advances for working expenses. As the earnings of the Company are not likely to be sufficient to defray the cost of working expenses during each year, the prepayment to Capital of funds borrowed for Revenue expenditure does not seem to be feasible, and the Company will, in that case, be receiving advances indirectly through Capital.

3. Under the altered relations of the Company with Government it does not seem to be advisable that Capital Funds should be now expended on working expenses without the express sanction of Government and I have the honor to request that early instructions on this subject may be issued.

I have the honor to be,
Sir,
Your most obedient servt
P. Lambert Lt Major R.E.
Examiner Railways & Irrigation
Madras.

Encl

CHIEF ENGINEER
21 NOV
1876
FOR IRRIGATION

R.O.S.I.C.C

P.W.D.
16FEB77
No. 1650

From
The Government Secretary
to the Chief Engineer for Irrigation
Fort St George

Date 20th November
Rec.d

No 4183

Reports that the work-
ings of the Dr &
Cr accounting depart-
from Contractor &
requires early instruc-
on the subject.

No. Eng. Dairy
Madras Irrigation and Canal Company.
No 727 Chief Engineer & managers office,
Kurnool 18th December 1876.

To

The Chief Engineer for Irrigation,
Fort St George,
Madras.

Sir,

In reply to your No 60 I.C.C. of 29th ultimo, I have the honour to explain that hitherto it has been usual to draw the money necessary for current expenses whether Capital or revenue, from the balance available for revenue expenditure, or failing this from the balance of Capital (loan or original capital). The true charges were corrected, after completion of the necessary calculations by repayment between the several accounts. This was in general accordance with G. O. No 2072 of 30th July 1874.

This practice still continues. It is proposed to complete all the adjustments in each half yearly account ending the 31st December and 30th June. It is observable that there is no chance of revenue failing to repay all adjustments due to loan for the half years ending 31st December yearly - but that the Company ought on the present system if it spent the full sum sanctioned by

Government

Government for maintenance possibly to spend more than the revenue would repay in the other half year. This liability would continue until the "reserve fund" to meet the excess of each half year should be empty for the repairs and maintenance of the half year then commencing.

*clause 21 of Contract of 3rd June 1863.

It would be inconvenient to attempt to draw money for the supply of Divisional requirements for money, liberally for capital expenditure and for maintenance; since the chief expenses are that of Staff and management, apart that is divided and charged between Capital and revenue some month or two after the close of each current month in proportion depending on the expenditure in cash and stores upon the new works.

Meantime I have the honour to ask the sanction of Government till further notice, to carrying all the unspent revenue of this and subsequent half years to the "reserve fund" above referred to.

The Government advised by their officers, will have plenty of time for making any further arrangements for precaution, or for disposal of surplus revenue, which the fluctuations of

(revenue

requirements from time to time
required ...

CHIEF ENGINEER
21 DEC
1876
FOR IRRIGATION

P.W.D.
16-377
1650
2

This money could be finally settled
would be for Revenue and Expenditure
both to enter into the Annually, reference
to a General Index, on the 1st January
next, and to close yearly accounts
on closing the accounts which would
formed credited to either account
Monthly, or even half yearly, Clearances
would not suit the peculiarities
character of the Company's revenue
which comes in recently all in one
annual lump.

I have the honour to be
Sir,
Your most Obedt. Servant
John Hattham
Chief Engineer & Manager.

No Work No

Note on letter No. 127 dated
18 December 1876 from Chief Engineer
and Manager, Madras Irrigation and
Canal Company to Chief Engineer
for Irrigation, Fort Saint George.

In the above letter the
Chief Engineer and Manager explains
that funds for working expenses of the
Company are taken indiscriminately from
the balances available either of Capital,
Loans or Revenue Funds, the adjustment
between the several accounts being made
when the monthly accounts are completed.
There is no objection to this procedure, as
long as the Funds for expenditure are
provided by letters of credit on Government
Treasuries irrespective of Revenue Earnings.
Since the 30th September 1876 these credits
have ceased and the funds for working
expenses

expenses have now to be provided from the monthly and half yearly credits allowed to the Company for supply of Irrigation, and from the Company's own resources. The case is, therefore, under altered conditions and it is possible that the Funds intended to be employed only on Capital Works may be expended on Revenue without recoupment being made.

2. The Chief Engineer and Manager remarks in his letter that: "It is observable that there is no chance of Revenue failing to repay all adjustments due to loan for the half-years ending 31st December yearly, but that the Company might on the present system, if it spent the full sums sanctioned by Government for Maintenance, possibly spend more than the Revenue would repay in the other half-year." It is not clear on what grounds the confidence reposed by Mr. Latham in the increase of the Revenue earnings of the Canal is based. For each of the three years 1873-74 to 1875-76 inclusive the working expenses for the half-year ending 31st December have been considerably in excess of the earnings of the whole year.

Season	Working expenses half-year ending 31st December	Earnings of whole season.	Difference.
1873-74	67.570	65.350	2220
1874-75	80.466	52.823	27.643
1875-76	84733	59.626	25.107

It is not known in this office what proportion of the total earnings from Irrigation is due to monthly irrigation, and possibly the greater part of these earnings as well as those for crop irrigation would be credited to the Company during the last half of the year but some part of the monthly irrigation Revenue as well as that from Miscellaneous Receipts must be due to the earlier months of the year so that the actual excess

excess of Working expenses over receipts would be more than is shewn above for the last half of the year. The excess on first half of the year would of course be considerably more than on last half, as the earnings would depend entirely on monthly Irrigation and Miscellaneous Receipts.

3. With references to the remarks made in Para 3 of Chief Engineer and Manager's letter the method of apportioning the cost of Establishment to Capital in proportion depending on the expenditure in Cash, and Stores upon the new Works does not seem to be correct nor in accordance with the sanction contained in G. O. No. 2072 dated 30th July 1874. The method of apportioning charges of Establishment between Capital and Revenue is sanctioned on the same system

as

as was made applicable to Guaranteed Railways in 1872. In this system the percentage of cost of Establishment is calculated on the total cash outlay in India on Capital or Revenue Works, and the cost of stores expended on the works is excluded under the orders conveyed in para 5 of Government of India Resolution published in Madras G. O. No. 732 dated 14th March 1872. In the Budget Estimate, however, of the Madras Irrigation and Canal Company for 1876-77 the cost of Establishment chargeable to Capital is entered at one-third of the intended outlay on works chargeable to Capital which must include cost of stores too. The debit to Capital on account of Cost of Establishment, therefore, seems to have been sanctioned in excess and the charges have been made in accordance

with

with the sanction.

4. With reference to the proposal made in 4th Para of Chief Engineer and Managers letter, Clause 23 of Contract dated 3d June 1863 provides for the formation of a Reserve Fund after the Revenue Account has been debited with such payments, as mentioned in Clause 22, which represent payments for the necessary working expenses of the Canal and until the Revenue Earnings are capable of supplying funds for actual working expenses, the formation of a Reserve Fund does not seem to be practicable.

Madras,
23d January '77

P. Lambert. Major R.E.
Examiner Ppky. & Irrig. Affairs,
Madras.

C.E.D.

From

The Examiner,

Railway Accounts,

Madras,

P.W.D.

To The Chief Engineer

No. 1620 Irrigation,

Fort St. George.

CHIEF ENGINEER * NO. * 24 JAN * FOR IRRIGATION

Dated 23d January 1877

Recd.

No. 893.

With reference to Chief Engineer's No. 2 I. C.C. dated 9th January 1877. has the honor to return letter No. 127 dated 18th December 1876 from Chief Engineer and Manager Madras Irrigation and Canal Company with a note on it by the Examiner.

D. Lambert Major R.E.

4440-41

Examiner, Railway Accounts, Madras.

Ex Ref

4440-41

10

No. 109-W.

Submitted to Government.

The application of Capital or Loan funds to meet Revenue charges is, it is thought, inadmissible.

There can be no objection however to advances being made to Revenue from Capital or Loan Funds to meet the charges for Establishment which under the arrangement sanctioned in G.O. No. 2072 of the 30th July 1874 are all in the first instance debited to Revenue, the adjustment of the debit due to Capital being subsequently made on the Construction outlay becoming known. These advances should however be limited to the probable amount of the charge which is readily ascertainable, it being one third of the Construction outlay.

2. It.

2. It will be necessary to reserve from surplus revenue of one half year, sufficient funds to meet when added to the expected income of the following half years, the maintenance charges of the latter period. This is provided for in clause 23 of the Contract.

All unspent revenue at the close of a half year may, as proposed by Mr Latham, lie until further orders carried to the credit of the Reserve fund, but this fund should not be at the Chief Engineer and Managers' disposal, but appropriations should be made therefrom with the sanction of Government to meet working expenses on the acceptance by Government of an estimate by that officer of the

(1) Working expenses of any half year.
(2.) Estimated income of — do —
(3) difference to be provided for from the reserve.

The requisite transfer would then be made from the Reserve to the credit of the Revenue Funds at the disposal of the Company's officers.

3. The undersigned does not recommend that any change should be made at the present time in the details of the adjustment between Capital & Revenue on account of Establishment charges. The Examiner in Para 3 of his note points out a small difference between the practice of the Madras Irrigation & Canal Company and that of the Railways, but the inclusion of stores on both sides or their exclusion from both sides can make very little difference and apparently in the instructions of the Government of India with respect to Railways it was "Expenditure in England on account of stores" which was to be excluded from the calculation of the incidence

P. W. G. 14th March 1872 No. 732.

incidence of the cost of Establishments employed in Indeed. In the case of the Railways such exclusion was material, but the Irrigation Company's expenditure on English stores since 1874 has been nominal and practically therefore the Establishment charges are now distributed in proportion to the expenditure which that Establishment supervises.

Forbesganj
31st January 1877

I have the honor to be
Sir
Your most obedient servant
John Lindsay Lt Col. R. E.
Chief Engineer for Irrigation

To
The Secretary to Govt.
Public Works Dept

14 Nov: 1876 No 3045
20 Oct^r " " 2909
3 " " " 2658 & 2657
18 Dec^r 1875 " 2549.
8 May " " 1337.
30 July 1874 " 2072
14 March 1872 " 732

1877.

From The Chief Engineer for Irrigation
P.W.D.
165377
1680

Dated 31st January 1877
Deceived 16th February 1877.

Encls. 4

No. 109-W.

Working expenses of the M.I.&C.C.
Submits papers relative to the objection-
able procedure adopted of defraying
the — from Loan Fund Account
with remarks, and suggests the
formation of a reserve fund.

Ans: 17.2.77

No 1160

13 Irrn
Accts

No 547 Public Works Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

UNDER date the 19 Feb/77

Read the following:—

From the Ch Engr for Irrign (M.E. No 109 dd 31 Jan/77

His Grace the Governor in
Council is of opinion that ad-
-vances of Capital funds to
meet Revenue expenditure
must be strictly limited as
indicated in the first para of
the endorsement by the Chief
Engineer for Irrigation.
2. When surplus revenue
may become available the
balance will until further
orders be carried to the credit
of a Reserve fund with reference
to Clause 23 of the Contract of
1863 and thereafter with-drawn
from

from this Reserve to meet Revenue expenditure will be made after the approval of an estimate of receipts and expenditure of the half year for which an assignment may be required.

3. There appears to be no sufficient reason for making a change in the mode of adjusting Establishment charges but the Examiner should, if an alteration of detail be considered of importance, show what difference in the charges already made to Capital and Revenue respectively under G.O. No. 207 of the 30th July 1874, would result.

Ly. 16/2

C.E. for sig.
C.E. & Manager. M.S.C.Co.
Ex. Sr. Co's Accts.
Revenue Deptt.

Despd - 10-3-77

Govt. of {1877} Madras.

PUBLIC WORKS.

To the Chief Engr for Irrig.

Dated

Issued

Recd. Encl.

G. O. 19 Feb. 1877, No. 547

Nos. 440-41

Jr. I & Co. Passing orders on Note by the Chief Engineer for Irrigation submitting papers relative to the objectionable procedure adopted in defraying the working expenses of the — Irrn. Loans Fund Accounts and suggesting the formation of a Reserve Fund.

Cir. 19.2.77