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MADRAS RECORD OFFICE

Government of Madras

Revenue DEPARTMENT

G.O. No. <u>13</u>	Press
~~B.P. No.~~	Mis.
Dated <u>4. 1. 1872</u> 195	

Not to be folded or roughly handled

*Proceedings of the Madras Government, Financial Department,
13th December 1871.*

No. 68. Read the following Proceedings of the Government of India in the Financial Department, dated Fort William, 27th November 1871, No. 4911 (Accounts):—

Read again—

Financial Resolution, No. 3224, dated 31st August 1871, issued in furtherance of a resolution by the Select Committee of the House of Commons on Indian Finance, in respect of various special enterprises therein enumerated, for, 1stly, a statement of the enterprises for the past two years at least; and 2ndly, a capital and loss account for a suitable series of years.

Read—

Copy of a Memorandum, No. 14, dated 13th October 1871, from the Marine Department, to the Secretary to the Government of India, Public Works Department, stating, in reply to an enquiry as to the kind of Public Works expenditure which should be included in the returns for harbours, that it is believed in the Marine Department that "information is required on the actual Public Works Department expenditure during the past two years on such works as those at Kurrachee, at Carwar, at Madras (in constructing the piers, &c.), and at Bombay in reclamations, the construction of quays, &c., on all of which works it is supposed a rate or toll is levied on persons using them."

RESOLUTION.—The Governor-General in Council confirms the views held in the

Memorandum on the principles defined in the Financial Resolution, No. 4064, dated 3rd October 1871, for reproductive public works; and that the revenue account should show Public Works expenditure for repairs, interest, &c., on the principles defined for such accounts in the same Resolution.

2. The partial accounts thus prepared in the Public Works Department should be incorporated in a complete account by the Civil Accountant-General, who will be careful to ascertain that the charges returned by the Public Works Department are not already included in the civil portion of the accounts. This caution will be necessary more particularly for any special enterprises which, during a portion of the period embraced in the capital and profit and loss accounts, may be on the footing of a local fund. The account will be made up irrespectively of the consideration whether the enterprise appertains to general revenue or to a local fund, but as the figures will be given for each year, it should be indicated on the account for which years the enterprise was imperial and local respectively, and as to annual losses under the head of *Losses* or *Fort runs*, the amount of such losses, and the debt which may have been excused or written off by the Government, should be shown, together with the annual amount of debt.

Ordered that a copy of this Resolution, and of the one dated 3rd October 1871, No. 4064, and its enclosure, be sent to the Marine Department, the Governments of Madras, Bombay, Bengal, and the Chief Commissioner of British Burmah, the Comptroller-General, the several Accountants-General, and Deputy Accountants-

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General in independent charge; also that a copy of this Resolution be sent Public Works Department.

(Signed) R. B. CHAPMAN,
Sery. to the Govt. of India

The Government of India, Financial Department, dated 3rd October 1871, No. 154-AI, and a memorandum from the Secretary to the Government of India, Public Works Department, to the Secretary to the Government of India, Financial Department, dated August 1871, No. 161-AI.

With reference to this Office No. 154-AI, dated the 11th instant, forwarding a copy of an order requesting that no action should be taken on Public Works Department Circular, No. 1871, until further orders, the undersigned is directed to forward, herewith, a proof of the account and the explanatory note referred to in paragraph 5 of the above circular, duly modified with reference to the objection raised in the Financial Department to the transfer of any of the land revenue to the accounts of the Irrigation Branch of the Public Works Department, together with a draft circular which it is proposed to issue on the subject, and to consider whether they may not, in their present form, be issued for immediate adoption.

2. There can be no doubt of the necessity of placing the capital and revenue accounts of irrigation works on a proper footing at an early date, and this Department is, therefore, unable to defer all action in the matter of these accounts until the question of the exhibition of a set of the land revenue in the Public Works Accounts is finally settled. It will be observed that the modified forms and rules now sent forward do not in any way touch upon the particulars to which objection has been made hereunder.

3. An early reply to this reference is requested.

DRAFT CIRCULAR.

As it is very desirable that early measures should be taken to place the capital and accounts of irrigation works on a proper footing, I am directed to forward, herewith, a set (accompanied by an explanatory note) showing the detail in which the annual accounts of irrigation works will be required in future, and to request that no time may be lost in making such arrangements as may be necessary to meet the requirements of the Government of India.

The Accountant-General, Public Works Department, will issue supplementary instructions explaining the precise modifications to be made in the books and accounts kept in the Offices under these orders.

Read also letter from the Comptroller-General, to the Secretary to the Government of India, Financial Department, dated 13th September 1871, No. 651.

The following remarks on the papers forwarded to me on the 25th ultimo, respecting the capital and revenue accounts of irrigation works, require notice in these papers appear to be the following, viz., (1) the requirements of the accounts to the ordinary finance accounts of the Government, (2) the commencement of the accounts, (3) their preparation, and (4) their form.

2. On the first point, I would observe the proposed accounts should be supplementary to the finance accounts, and should be checked with them, all differences being thoroughly explained. They should, however, be quite distinct from the finance accounts, entries in the one not being permitted in the other.

3. Regarding the commencement of the accounts, it is stated in the note prepared by the Public Works Department, paragraphs 5 to 8, that the cost of some works is known

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others the information is not obtainable. With regard to the former, it is proposed to take the recorded cost, less any sums that may have been erroneously charged, and that may have been spent on works that have since been abandoned or replaced by others. Erroneous charges should of course be omitted, but I do not consider that the other items should be excluded. I would include them as well as the expense of all experiments, extensions, and improvements, the cost of preliminary surveys, the interest of money during the construction, and the charge for establishing the works. As regards the works of which the cost is not known, it is proposed to open the account arbitrarily, but this is not satisfactory, and it should be explained how it is intended to fix the arbitrary cost. I would also observe that very full enquiry and report should be made before it is allowed that the cost of modern work cannot be found.

4. The preparation of the accounts. The definition in paragraphs 12 to 15 of the note is not sufficiently explicit, as, for instance, ordinary capital and extraordinary capital. Apparently the whole capital account represents extraordinary expenditure, and the only divisions to which it is liable are the generic headings describing the class of expenditure comprised in it. It is immaterial whether the money spent on capital expenditure is obtained from loans or from surplus revenue. It is understood that the accounts will be continuous, the closing balances of one year being carried forward as the opening balances of the next.

5. The forms proposed for the accounts are numerous and complicated, and it is worth while to consider whether they are susceptible of simplification, so as to make them more readily intelligible to the public. As now prepared they are in three divisions, named, respectively, appropriation account, capital account, and revenue account, the first division consisting of nine parts, the second of three parts, and the last of two parts, or a total of fourteen accounts. All these accounts recite the same facts, with this difference, that each succeeding account is in greater detail than its predecessor. A more simple method of working out the accounts is hereunder proposed.

The forms of review are herewith returned.

RESOLUTION.—With the following reservations, the Governor-General in Council approves of the draft circular and of the forms of account, viz.:—

1st.—It is presumed that the entries in the forms are merely specimens, and that in following the forms, the accounts will record distinctly the income and expenditure of each work which may have been separately sanctioned, several such works not being grouped or classed in one aggregate. The Comptroller-General, a copy of whose letter will be forwarded to the Public Works Department, takes exception to the number and the complex character of the forms; but the Public Works Department will judge as to the degree of detail necessary for administrative check and control beyond that which might suffice for exhibiting the financial outturn of each separate work.

2nd.—The proposed accounts will be outside the finance and revenue accounts, and quite distinct from the latter, so that entries from the one to the other will not be permitted, and writes-off in the capital and revenue accounts of irrigation works will not affect the finance account. This being understood, the new accounts will be supplementary to the finance accounts and should be checked by them. All differences being thoroughly explained.

3rd.—In starting the account it is proposed, with respect to works of which the cost is not known, to take the recorded cost less any sums which may have been erroneously charged, or which may have been spent on works that have since been abandoned or replaced by others. Erroneous charges should of course be omitted. But the cost of works which may have been abandoned or replaced by others should be shown, the cost of mistakes being an integral part of the charges of construction, though such cost may be shown as a distinct item.

4th.—With respect to works of which the cost is not known, it is desired to open the account arbitrarily, but it should be explained how it is intended to fix the arbitrary cost. Very full enquiry and report should be made before it is allowed that the cost of any modern work cannot be ascertained.

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5th.—The charges of construction should include the cost of preliminary surveys and of establishments while the works were in progress, and also the interest of money during the construction of the work, that is to say, simple interest on the outlay, for the period that each work in progress, should on its completion be added to the cost of the work.

The new account should be continuous, the closing balance of one year for each work forward as the opening balance of the next.

Inclusion of any work in the account will be determined by its character without reference to the money spent on the work was borrowed or was obtained from surplus revenue.

8th.—The Public Works accounts within the finance and revenue accounts will show as charge against the revenue of the year all ordinary Public Works charges which in the special accounts outside the finance and revenue accounts may be charged to capital. The forms appended to the note imply this, but it should be distinctly affirmed.

In consequence of the decision to omit land revenue for the present from the special accounts, not one of the canals may fall into the category of canals which pay considerably more than the interest on the capital borrowed, and in that case the form may require alteration.

The entry in form of interest account at foot of page 18 of the forms, viz., "Proportion of revenue due to loan expenditure, vide columns of Revenue Account, No. , Ganges Canal and Eastern Jumna Canal," is not intelligible.

vide paragraph 29, Section 2, Public Works Department office note.

Ordered that a copy of this Resolution, and of the letter from the Comptroller-General, be sent to the Public Works Department, with the original papers received from that Department, and that a copy be sent to the Comptroller-General.

No. 69. ORDER THEREON, 13th December 1871, No. 111

Communicated to the Revenue and Public Works Departments, to the Accountant-General, and Master Attendant, Madras.

(True Extract.)

[Signature]
Chief Secretary

Revenue Department.
Public Works Department.
Accountant-General.
Master Attendant, Madras.

To the Board of Dec. Dec 8 Jan 72

Perk 118711 2000

FINANCIAL.

To THE REVENUE DEPARTMENT.

Ac. Ac. Ac.

And December, 1871.

Recd. 21st Dec

Ind.

G. O. 13th December 1871 No. 717.

DECEMBER.
Nos. 68-69.

Communicating Resolution of the Government
India relative to the preparation of revenue and
local accounts of enterprises in the Public
Works Department.

#113.

11/13/72
R & S