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TAMIL NADU ARCHIVES

GOVERNMENT OF TAMIL NADU

RAW DEPARTMENT

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3085
GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

14th May 1877; No. 25 I.

Irrigation.

Account.

Read the following papers:—

No. 48. Endorsement of the Chief Engineer for Irrigation, dated Fort St. George, 23rd April 1877, No. 198 W.

From Major P. LAMBERT, R.E., Examiner of Railway and Irrigation Accounts, to the Chief Engineer for Irrigation, dated Madras, 29th November 1876, No. 1,456 I.

With reference to paragraph 2 of G.O. No. 2,671, dated 4th October 1876, I have the honor to submit the following remarks on the subject of the Revenue Accounts of the Madras Irrigation and Canal Company.

2. In the Company's half-yearly Revenue Accounts, as hitherto prepared, have been shown on the one side the balance at commencement of half-year of loss on working expenses up to that date and the expenditure incurred during the half-year on working expenses including sums paid for compensation and remission, and on the other side the receipts credited to the Company in the Collectorate books during the half-year and the balance of loss on working expenses at the end of the half-year.

3. Up to the end of half-year ending 30th June 1876 the balance of loss on working expenses on that date represents the debt due by the Company to Government for advances of funds to meet working expenses over and above the assessments of revenue up to same date. The balance of loss on working expenses at end of current half-year will represent partly loss to Government from advances and partly loss to the Company themselves. The nature of the account will not, however, be altered by this.

4. In order to connect the Company's Accounts with the system of suspension of advances by Government, I would suggest that in the Revenue Account for current half-year on the expenditure side a note should be entered in red ink in the body of the account showing the total of expenditure on working expenses during the half-year divided into the proportions due to funds supplied by Government and by the Company respectively. The former would be represented by the balance in hand on 1st July, *plus* the advances from Government Treasuries during the quarter ending 30th September 1876, *plus* any credits for realizations of revenue during the half-year *minus* any repayment made to Government of balance in hand on 1st October.

The difference between the sum thus obtained and the total expenditure for the half-year would represent the expenditure incurred by the Company from their own funds. The total debt due by the Company to Government on account of working expenses would then be readily obtainable from the account. On the receipt side of the Revenue Account the same division of total loss on working expenses up to the end of the half-year might be made. The proportion of the loss to be borne by Government would be represented by the difference between the proportion of expenditure from Government funds and the Revenue credits during the half-year,

added to the balance of loss on working expenses at commencement of half-year, and the difference between this total and the total of loss on working expenses up to end of the half-year would represent the loss to be borne by the Company.

5. In succeeding half-yearly Revenue Accounts the opening balance of loss on working expenses would be shown in two items as "balance due to Government" and "balance from Company's funds." The proportion of working expenses during each half-year due to Government would be balanced by the credit receipts of each half-year, so that any further loss on working expenses would only increase the second of the two items of opening balance, the first item remaining the same until the improvement in earnings allowed of any profits on the transactions of the half-year.

No. 48-A. From the same Officer, dated Madras, 19th December 1876, No. 1,559 I.

With reference to your letter No. 61 I C C, dated 7th December 1876, I have the honor to submit the following remarks.

2. The continuous form of half-yearly Revenue Account of the Madras Irrigation and Canal Company appears to have been adopted in accordance with instructions contained in G.O., No. 954, dated 31st March 1871. It is true that the order refers to accounts in which a credit balance of revenue was anticipated with the object of forming a reserve fund for working expenses, but no subsequent order cancelling this arrangement seems to have been issued, and it has, therefore, been continued.

3. Half-yearly Revenue Accounts of the Company from half-year ending 30th June 1867 to half-year ending 30th December 1870 inclusive are published with G.O., No. 2,316, dated 11th September 1871. The net credit balance of Revenue on 31st December 1870 is shown to be Rupees 20,914-0-2. In a report, however, submitted by Officiating Examiner of Irrigation Accounts and published with G.O., No. 1,574, dated 16th June 1873, it is shown that on the 30th June 1872 the net loss on working expenses amounted to Rupees 29,286-2-7. On 31st December 1872 this loss had increased to Rupees 73,766-10-2, and has continued to increase until, on the 31st December 1875, it amounted to Rupees 4,05,557-6-2.

4. The Directors of the Madras Irrigation and Canal Company themselves do not appear to have raised any objection to this continuous form of half-yearly Revenue Account. The transactions of each half-year are distinctly shown in each half-yearly account. Under the recent orders of the Secretary of State, however, the loss to Government on working expenses should cease after the 30th September 1876, and there will, therefore, be no object in keeping up the continuous form of half-yearly Revenue Account after that date. As this date falls in the middle of current half-year, the Revenue Account for that period might be prepared in the same way as previous half-yearly accounts, with the additions noted in this office No. 1,456, dated 29th ultimo. The result will show the final loss to Government on working expenses.

5. A fresh and distinct half-yearly Revenue Account can be started commencing with half-year ending 30th June 1877, and subsequent half-yearly Revenue Accounts be prepared independently of each other. The loss on working expenses during each half-year as long as such continues will represent the loss to the Company.

6. With reference to paragraph 2 of your letter under reply, I have the honor to point out that, under Clauses 7 and 9 of the Contract with the Madras Irrigation and Canal Company, drawn up on the 2nd October 1866, it is laid down that all net profits, whether from navigation or irrigation, shall first be applied in discharge of the interest due by the Company on Loan Account. It does not seem probable that the question of disposal of net profits will come forward for some years, but should this question arise it will be necessary to obtain instructions as to the method in which the application of net profits to the discharge of interest on Loan Account is to be

carried out. The "Interest on Loan Account" is kept by the Secretary of State in Council under Clause 6 of the abovementioned Contract, and there is no account of this kind on the books of this office.

No. 48-B. From J. H. LATHAM, Esq., Chief Engineer and Manager of the Madras Irrigation and Canal Company, to the Chief Engineer for Irrigation, dated Camp at Velapanur, 25th January 1877, No. 10.

YOUR No. 6 I C C of 20th instant.

I have the honor to return the three original enclosures in your letter under reply. I have not the means here of referring to all the papers referred to in the correspondence; but I think I am correct in saying that the quarterly accounts hitherto printed have been a Governmental account, showing the cost to Government of the working expenses of the canal against the receipts by Government of water-rate, and land assessments collected from the ryots or from Municipalities by the Collector. This style of account terminated on the 30th September last, or rather it may be closed then, it seems to me, with advantage.

Since the commencement of operations in maintenance and repairs the Government have, up to 30th September last, supplied the money for working; and have brought to account the expenses actually incurred by the Company in working, and the receipts actually obtained from every source. These receipts were chiefly the water-rate which the supply of water for cultivation to the ryots by the Company at the Government request enabled the Government to collect; also the sum paid annually by the Municipality of Kurnool for town supply, payments for the use of the Company's land, and for filling koontas; and lastly miscellaneous receipts collected by the Company's staff and paid into the Revenue Account.

This arrangement was one of agreement and convenience. There is no arithmetical point at which it was to stop; no fixed sum beyond which the deficit was not to go. The Secretary of State might have stopped it earlier or later: as it is, he has issued instructions to stop this arrangement and to revert to those of the Contract from the 30th September last. It then becomes merely an arithmetical sum to determine what the nature of the account will be after the 30th September, and in consequence how the previous account will close.

The account with which the Company will have to do after the 30th September will not show the transactions between the Government and ryot in collecting water-rate, but only collections for land, koontas, town supply, &c. On the 30th September there will have been a certain unspent balance of money belonging to the Government, and advanced by them to meet current revenue expenses: this balance must be recovered and repaid to Government. I should recommend it to be repaid in cash, so as not to come into the accounts commenced on 1st October. The nature of the half-yearly Revenue Account is so clearly described in Clause 22 of the Contract of 3rd June 1863, that it seems only necessary to add that the subsequent Contract of

* Sections 8 and 10.

2nd October 1866* merely, in effect, obliterated the words "for water supplied for irrigation;" so that all receipts of the Company are to come into these accounts.

As to the practical connection of the half-yearly account with others, the best mode of working seems to me as follows:—

1.—*The Capital and Revenue Accounts.*—The greater part of the expenditure, under present circumstances, is incurred partly on Revenue and partly on Capital Account, and is divided between the two accounts, after expenditure in a proportion to such expense as is incurred by each separately. Thus for every 100 Rupees spent on works or stores on Capital Account 33½ Rupees are paid by Capital towards the expense of management and staff. Hitherto the whole expenditure on management and staff has been charged, first, to Revenue, and the proportion due by Capital has been recovered so soon as its amount was ascertained and

audited. It is of course liable to fluctuate very much according to the extent of Capital outlay in each half-year. Just now Revenue bears the chief weight of the staff. Should more works go on, and though the staff may on that account be increased, Revenue may be relieved. I see no objection to this plan continuing nor any difficulty which would be avoided by the theoretically more perfect plan of having a Suspense Account opened for general expenses until they can be adjusted. The present method is in literal harmony with Section 8 of the Contract of 1866.

II.—*The Reserve Fund*.—The result of a balance at the close of any half-year is, firstly, the establishment of a Reserve Fund (Section 9 of Contract of 1866). This, it is intended by the Contract, should be enough to cover deterioration of lock gates and valves, boats, machinery, and so forth, beyond that is remedied by the regular expenditure in repairs, and also to supply means of working the canal for the ensuing half-year. It forms in fact the fund from which, upon closing one half-year, current expenses are drawn until the close of the next half-year, and will consist of cash balances in the Bank and in the divisions. The account of the fund will show the issues to divisions and the repayments by transfer from the Revenue.

Referring to the Examiner's No. 1,559 I of 19th ultimo to you, paragraph 3, I am not sure that he has examined the half-yearly Revenue Accounts he mentions and considers them such as the Contract requires; but I presume he uses the term "half-yearly Revenue Accounts of the Company" in a general way as the usual name given to certain accounts to which he refers. Whatever name be used for these accounts, the last will be for the half-year 1st July to 31st December 1876, but will contain no receipts nor expenditure realized or incurred after the 30th September. On the other hand I suppose that the Contract accounts will begin with that for the half-year 1st July to 31st December 1876, but will include only receipts realized and expenditure incurred on and after the 1st October. I do not see how one mixed account can be substituted for the two; the receipts in the two accounts are so utterly distinct. But it may be possible to continue the continuous account, only that after the 30th September the expenditure will be confined to sums paid to the Company for water supplied, or repaid to the Company from collections made for land, town supply, &c.

I do not see that there is any financial difficulty in the way of changing the mode of account at the time selected by the Secretary of State, nor why he might not select any day in the year he thought best. If the time he selected require a double account for one half-year, it is easily prepared; but it does not seem clear that it does require this, for probably the old account may still have to be maintained in future.

I make these remarks with some diffidence in reply to your request. As to deficit, a deficit in a half-yearly account under the Contract would be met by the Reserve Fund as, for instance, if it arose from a renewal of the fleet of boats, or of a number of aqueducts. If there were not enough reserve to cover the deficit, all expenses of maintenance must cease until receipts produce a balance; for the Contract seems not to admit of any deficit being carried forward over a half-year, and there seems to me no source from which the funds of the Company could be drawn for repaying a deficit in the absence of a Reserve Fund.

SUBMITTED to Government.

The undersigned is of opinion that it would prevent complication and be on the whole the best course to close the Revenue Account of the Company as hitherto kept, i.e., in a continuous form, on the 30th September last, showing therein the balance of working expenses, remissions, &c., in excess of full demand as the debt of the Company to Government on account of Revenue Advances; and to open from the 1st October an account in accordance with Clauses 22 and 23 of the Contract of 1863 as modified by Clauses 7, 8, and 9 of the Supplementary Contract of 1866.

2. Under these clauses receipts are to be first applied to meet expenses of management, collection of monies, repairs and maintenance of works, and the balance or net receipts is to be applied to objects in the following order of preference:—

- (a). To form a Reserve Fund (if it is so agreed) to make good deterioration of machinery or to meet current expenses.
- (b). To discharge interest on loan of £600,000.
- (c). To meet current interest on guaranteed capital.
- (d). To pay interest at 5 per cent. on capital (if any) raised by the Company in addition to that guaranteed.
- (e). To repay to the Secretary of State interest on guaranteed capital previously paid by him.
- (f). To payment of further interest at 7 per cent. on the whole capital of the Company.
- (g). The balance, if any, to be paid half to the Company and half to the Secretary of State.

3. It is not contemplated by the earlier or later contract that working expenses in excess of receipts should be met by advances, and it is provided that the Revenue Account should be balanced every half-year and a clearance effected in the manner already described. Under these circumstances any attempt to carry forward from the Revenue Advance Account the balance debtor by the Company and to exhibit it as an opening balance of further Revenue Accounts after advances had ceased, and the provisions of the contract were fallen back on, would tend, it is thought, to confuse matters.

4. The Company admit that they are in debt to the Government for the amount of the Revenue Advances less the earnings, and this debt which amounted, it is estimated on the 30th September last, to Rupees 4,63,504-12-10, can be exhibited in any periodical financial statement of the Company's liabilities which is best fitted for its reception, other than the half-yearly Contract Revenue Account.

One point which will have to be settled with reference to this debt is the degree of preference which should be given to it, what in short should be its place within the series of claims (a) to (g) paragraph 2. So long of course as the Company allow the claim to stand preferred to (d), (f), and (g), it matters nothing to the Government where it ranks in relation to (b), (c), (e). Another question is whether the debt should carry with it simple interest until it is repaid. Neither is of much practical importance under the existing financial position of the Company, but it will probably be necessary to dispose of the last now, for account purposes. They do not affect the account which will commence from the date when advances by the Government ceased, and in order to facilitate the separation the unspent balance of advances remaining on the 30th September should, as recommended by the Chief Engineer and Manager, be repaid to Government in cash.

5. The Chief Engineer and Manager, in his letter of the 25th January, No. 10, expresses his opinion that the continuous or old form of Revenue Account should be carried up to the 31st December 1876, showing, however, no entries after the 30th September, and that the contract form should open on the 1st July, but show no transactions until the 1st October. It would seem, however, that if the accounts assume to cover a certain period and to be framed under certain rules they must contain all transactions referring to the period they cover which would under such rules be entered. The old form, if carried to the 31st December, should show miscellaneous receipts into treasury and working expenses to 31st December. The new form commencing on the 1st July should contain demands for water supplied and working expenses from that date. It would be better, as already stated, to close the one account on the 30th September and open the other on the 1st October 1876.

6. The above endorsement having been forwarded to the Examiner of Railway and Irrigation Accounts for perusal and remarks, Major Lambert has observed that he does not read Clause 9 of the Contract of 1866 to mean that net profits are to be applied

to form a Reserve Fund for repairs, but that such fund is to be taken as forming part of the working expenses of the half-year in which it is set apart. It would apparently be immaterial which arrangement were adopted, the results being the same, were it not that to ascertain what the net revenue is the half-yearly amount must be balanced and thereafter the amount to be appropriated to the Reserve Fund must be determined. For the present Government have decided that the whole net receipts, if any, may be carried to the credit of the Reserve Fund, but in the future it will be necessary—

1st.—To declare the amount of net revenue for any half-year.

2nd.—To appropriate such portion of this balance as may be agreed upon to the Reserve.

On the whole, therefore, the arrangements sketched out in the earlier part of this endorsement appear to be the more appropriate, and, as far as the undersigned can judge, they are in accordance with the requirements of the Contracts.

7. The difficulty arising from the necessity for an alteration in the form of Revenue Account may apparently be easily got over in this way.

1st.—Let the account for the half-year ended 30th June 1876 be the last of the old form of continuous account showing the total difference between working expenses and revenue receipts. This account shows a balance of Rupees 4,14,349-13-11 due to Government for advances made and not repaid—*Vide* Proceedings of Madras Government, No. 520, 16th February 1877.

2nd.—Let a separate Revenue Advance Account be opened showing the above balance as the opening entry, and let advances made from the 1st July to 30th September be recorded and totalled; also those sums drawn as Revenue Advances, so far without authority, after the 30th September. This account will show a certain total due by the Company to Government for such advances, and it will show also the authorized advances and those unauthorized. Regarding the latter, orders will probably at an early date be asked for upon the receipt of information from the Chief Engineer and Manager. Regarding the former, remarks have been made in paragraph 4 above.

3rd.—Let the Revenue Account for the half-year ended 31st December 1876 be made out exactly as required by the Contract of 1866, Clauses 8 and 9. Apparently the advances made by Government to the Company after the 30th June 1876 must appear as receipts, for Clause 8 of the Contract of 1866 says expressly that all receipts from or on account of "the said canal and works" on every and whatever account received (but not including the interest guaranteed as aforesaid) are to be carried to this account by way of credit. Such receipts as these advances were not contemplated by the contract no doubt, but they seem to be receipts within its terms. Payment of the advances received by the Company prior to the 30th September 1876 can be deferred it is believed, and will remain as a debt until some future time, but the repayment of advances received by the Company after the 30th September are, it is considered, repayable at once, and should be so repaid unless Government see fit to order otherwise. When repaid they will appear as part of the working expenses of the half-year in which the repayment may be made.

8. The Examiner's note refers to the balances of disallowed expenditure under Capital and Revenue. With the balance under Capital the questions now under consideration are not, it is thought, concerned, but the balance under Revenue amounting to Rupees 15,093-15-11 ought to be adjusted.

9. The latter part of Mr. Latham's letter No. 10 of the 25th January 1877 requires notice. He says that, if the reserve be insufficient to cover the deficit in the revenue of a half-year, all expenses of maintenance must cease until receipts produce

a balance; but the Contract of 1863, Clause 21, provides for the maintenance of the canal by the Secretary of State, and the recovery of the cost out of the monies payable to the Company, or, in other words, out of guaranteed interest in default of proper maintenance by the Company, and clearly, therefore, the Contract does provide for maintenance whether the revenue and reserve suffice or not to meet its cost.

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

No. 49. ORDER THEREON, 14th May 1877, No. 25 I.

The papers submitted by the Chief Engineer for Irrigation contain the discussion which has taken place as to the way in which the Revenue Accounts of the Madras Irrigation and Canal Company are to be dealt with now that advances by Government to meet current expenses and revenue deficits have been discontinued.

2. The half-yearly Revenue Accounts of the Company must, it is considered, be made out from and after the 30th June 1876 strictly in accordance with the requirements of the Contract of 1866, Clauses 8 and 9, and the account of each half-year must be balanced and closed as therein contemplated. All transactions of the half-year and such transactions only will have to be included therein; but on the remark made by the Chief Engineer for Irrigation in paragraph 7—3rd that advances received by the Company from Government should be shown as receipts, the opinion of the Examiner should be stated.

3. In any case the repayment of advances received by the Company prior to the 30th September will not be required until the manner of their adjustment and the arrangements as to interest shall have been settled between the Secretary of State and the Company, and this subject will be referred to the Secretary of State. Advances received by the Company after the 30th September are repayable at once, and may be paid in cash or out of first monies due from Government to the Company.

4. With regard to disallowed items of expenditure under Revenue, which it appears amount to Rupees 15,093-15-11, the Chief Engineer and Manager will be requested to explain what measures he proposes to take for adjusting these and all other outstandings.

5. On the subject of the ways and means for maintaining the canal in complete order and efficiency, it is only necessary to observe that the Company are under an obligation to find the means, and that, if they fail to do so, the Contract of 1863 gives the Secretary of State the power to repair and to recover the cost out of the guaranteed interest.

(True Extract.)

John Mullins

Lieut.-Col., R.E.,
Joint Secy. to Govt., P.W.D.,
Irrigation Branch.

To the Chief Engineer for Irrigation.
" Examiner of Irrigation Company's Accounts.
" Chief Engineer and Manager, Madras Irrigation and Canal Company.
" Accountant-General.
" Revenue Department.
" Financial "

Exd. T. D. Ryan.

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Revenue Department

N^o 2654

IRRIGATION
ACCOUNT.

Govt. of 1877 Madras.

PUBLIC WORKS.

To

THE CHIEF ENGINEER FOR IRRIGATION,

&c., &c., &c.

Dated May 14th.

Issued

Recd. 26 May 1877

Each.

G. O., 14th May 1877, No. 25 L

MAY.

Nos. 48-49.

N^o 3085

Comm. to the
Board of Revenue

1 June 1877.

clm

Madras Irrigation and Canal Company.—
Passing orders on Note by the Chief Engi-
neer for Irrigation submitting with remarks
papers relative to the treatment of the
advances on Revenue Accounts of the