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(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 777-78. Press ~~Mis.~~

3-5

Dated 4-11- 1862.

3-5 17/18

Not to be folded or roughly handled

No. 3. Read the following letter from R. S. ELLIS and H. A. MANGLES, Esqrs., Commissioners; to the Honorable T. PYCROFT, Chief Secretary to Government, Fort Saint George, dated 20th October 1862, No. 213.

Correspondence Department.

In accordance with the instructions conveyed in Proceedings of Government, Financial Department, No. 718, dated 11th instant.

2. We have the honor to submit the accompanying Report which has been prepared by Mr. Norfor after a careful examination into both the past and present system of management in the Government Savings' Bank.

3. We do not consider it necessary to frame a separate report, because the suggestions made in Mr. Norfor's Report, from paras. 9 to 20 both inclusive, have been fully discussed by us with Mr. Norfor prior to their being embodied in his report, and as we have agreed entirely with Mr. Norfor in the prior part of the report, we have thought that any separate communication would unnecessarily occupy the time of the Government.

4. The only point upon which we would solicit the attention of Government is as to whether it would not be advisable to appoint an adequately paid Secretary to the Government Savings' Bank, instead of, as at present, having a permanent Actuary on a comparatively small salary and a Secretary whose time is occupied with other duties and who as belonging to the Account Department is liable to be frequently changed.

5. We may remind Government that within less than one year there have been three different Secretaries in charge of the Government Savings' Bank.

REPORT UPON THE GOVERNMENT SAVINGS' BANK.

The system of accounts in the time of the late Mr. Clark, was that of single entry, there were three Cash books viz:—

1. Office Cash,
2. Transfer Cash,
3. Regimental Cash,

and three Ledgers into which these books were posted, viz:—

1. Presidency Ledger,
2. Transfer do.
3. Regimental do.

and these contained respectively, 1, the accounts of Presidency deposits; 2, the accounts of Mofussil deposits; 3, the accounts of Regimental Savings' Bank. There was also a Bill Book, not correctly used, and numerous subsidiary books, to be noticed hereafter. In Mr. Clark's time was discontinued a very useful book, a Journal, having at the end of it a Ledger, in which Journal were summarised monthly the Bank's transactions of each month upon the double entry system, by these the Secretary was enabled to determine at any time, the correct keeping of the Bank accounts; The progress of deposits and investments in the Bank was clearly ascertainable, and a clear view obtained from month to month, and from year to year, of the Bank's business. This book used to be signed by the Secretary and Actuary, and could be kept only by an Accountant.

2. The check exercised over the late Actuary up to the time of his suspension was purely nominal. He signed for the deposits in the Pass Books, and up to the time of the abolition of the Treasury could draw funds on his own responsibility, on a simple Memo. He did not submit to the Secretary the Cash transactions of the Bank, and appears to have been quite uncontrolled in all his actions. After his suspension he ceased to sign for deposits in Pass Books, but was still allowed to do so for withdrawals.

3. The present practice is an improvement on the old one, but does not go far enough. The Secretary signs the Pass Books draws Cheques, and supervises the receipts and disbursements of cash; but he performs this latter duty, not upon an inspection of the Cash Book, but upon a Memorandum book kept by the Actuary of the day's transactions in their totals; with this are two other Memo: books of Receipts and Payments also initialed by the Secretary, but all of which are far too much taken upon trust. The same books are kept as in Mr. Clark's time, and I see no improvement upon the style of keeping them.

4. The Presidency Cash Book is very badly kept and exhibits but obscurely the transactions that pass through it. Many of the payments are made by cheques on the Bank of Madras and these cheques should all appear on the debit side of the Cash Book with numbers, and all particulars. There is, however, no entry of cheques at all, the payments appear to the credit of cash, as if made without the intervention of cheques, and these cheques appear, still not as cheques, but in one lump sum, at the end of the day's work, as cash received from the Bank of Madras. The Cash Book also is totally silent as to the drafts that pass through it received from the Mofussil. These are entered in a sort of Bill Book, and should appear in the Cash Book as Bills receivable, and an account should be opened in the Ledger in which their receipt and realization could be exhibited. At present a Bill might be readily made away with.

5. The books also exhibit no account with the Bank of Madras, which is a very grave omission. They do not in their present form offer any facilities for determining the business doing by the Bank, and any information sought for must be obtained by a laborious investigation. A monthly summary of transactions is sent to the Accountant General in a prescribed form; but this is the only piece of satisfactory accounting that I can trace in the Bank.

6. The Establishment is as near disorder as can well be, generally. There is no special work for the Clerks, and in the posting of the Ledger, any body seems at liberty to do it. The Cash Book is not kept by the Cashier, but by the Accountant, and entries on Bank days seem mostly to be made by means of *vivâ voce* inquiries made of the Cashier—a system that cannot but be fertile in errors.

7. The Books are kept in loose sections, which are loosely stitched together, and bound at the end of the year; this is a very objectionable practice and will admit of any interpolations that a dishonest man may wish to make.

8. The Ledgers have no folios, and the accounts are indexed by their numbers; as these are in regular series throughout the Books, it becomes necessary to open heads for numbers, many of which have no transactions under them during the year, the expedient is altogether a clumsy one, and much space is lost thereby.

9. The Books that appear to be necessary for making the Bank accounts reliable are the following:—

186——	
Cash Book.	Cash Book for Presidency deposits and withdrawls.
Presidency.	
Register.	Register of transactions in Mofussil Treasuries.
Mofussil Accounts.	
Register.	Register of transactions Regimental Savings' Banks.
Regimental Savings' Bank.	
Ledger.	with a separate Ledger for each, and lettered distinctly as per margin.
Presidency.	There should also be a Bill Book ruled in the usual form, a Journal
Ledger.	to be made up monthly, and a Letter Book; all to be bound, and
Mofussil.	ruled where requisite, and to be paged with printed figures.
Ledger.	
Regimental Savings' Bank.	
Bill Book.	
Journal.	
Letter Book.	

10. The Actuary should be at liberty to keep any subsidiary Books he pleases, for facilitating his work in reckoning Interest, or otherwise, but no other Books than those mentioned above should be authoritative.

11. The Secretary should cease to pass the Cash upon any Memo. Book whatever, and should check the Cash Book itself, daily, affixing his signature thereto.

Proceedings of the Madras Government, Financial Department,
4th November 1862.

12. For better securing Government against fraud, the following simple means are recommended. That persons applying to deposit, whether old or new depositors, should sign or mark a printed form as per margin to be furnished to them by the Actuary—this form after being filled in, as indicated, by the Applicant, Cashier, and Accountant, to be certified by the Actuary, and forwarded to the Secretary for his initials and signature to Pass Book, he to retain the form for comparison with the Cash Book after it is closed, each form to have a running number, and the date of the transactions, the numbers to be entered in a column in the Cash Book, and a new series begun each month.

Deposit Memorandum No. 1 .....4th June 1890.
Name of Depositor.....A. B.
Amount deposited..... Rupees.
Received and entered .....C. D., Cashier.
Entered in Pass Book.....E. F., Accountant.
Correct.....G. H Actuary.

13. For withdrawals a form as per margin to be filled in, and these forms, numbered as the others, to be produced to the Secretary with the Cash Book after Bank hours, and by him to be compared therewith. The slips, both debit and credit, to be filed in the Secretary's Office, and there retained. The Bank will then possess vouchers for its receipts and payments of Cash, at present it possesses none, the Pass Books only are relied on, and these are infinitely scattered.

Withdrawal Memorandum No 1.....4th May 1890.
Name of Depositor.....A. B.
Amount to be withdrawn.....Rupees 50 0 0
Amount at Credit {Presidency / Mofussil.} No. 42...100 0 0
Entered in Pass Book.....C. D...Accountant.
Correct.....Actuary.
Pay.....E. F. Secretary.
Payment made by {Cheque / Cash} G. H., Cashier.

14. The present mode of checking the Cash Book is one that is more like a check on the Secretary, than on the Actuary and the Establishment. It involves the Secretary in the acknowledgment of transactions very imperfectly vouched for. The proposed system of checks would implicate in any fraud the Actuary, Cashier and Accountant, and it will give the Secretary real means of checking the entries in the Cash Book.

15. The Office work should be reduced at once to system. The Actuary should keep the monthly Journal; the Cashier should write the Cash Book. The Accountant should post the Ledgers, and his Deputy should be competent to take his place in case of sickness; they should together on Bank days write up the Pass Books. He would also have to assist the Actuary in the Audit of the Regimental Savings' Bank accounts. By G. O., on this point the Secretary is required to do the work. It does not appear why this Audit is left with the Savings' Bank; when the Military Branch was withdrawn the audit of it should have become a Military one. Its continuance with the Bank involves much additional labor. An annual audit of the accounts of the Bank itself, seems to be desirable and would tend to make the whole Establishment careful in their work.

16. A closer scrutiny in the current work is desirable, and the number of Directors could with much advantage be increased; were the Officers as per margin appointed, two Directors could attend at the Bank monthly in rotation to examine and certify the Abstract Statement of the Bank's transactions. This examination should take place at the Bank itself, and not by having papers circulated, so that reference would be easy to accounts. The Secretary should not be a Director as at present, but simply perform the duties of Secretary to the Directors of the Savings' Bank.

Accountant General.
Deputy Secretary to Government.
Civil Paymaster.
Military Accountant.
Sub-Secretary Board of Revenue or Presidency Paymaster.
Brigade Major.

17. It seems desirable that the custody of the Government Notes in which investments have been made for depositors should not be as now with the Savings' Bank, but that these should be transferred to the Accountant General for safe custody.

18. In regard to Mofussil depositors, the practice in Bombay would appear to be, that, where a Mofussil depositor changes his District, the Collector or Paymaster certifies on his Pass Book the balance in his favor—this is a good rule and might be adopted with advantage in the Madras Savings' Bank.

19. Respecting a transfer of the Savings' Bank to the Bank of Madras, I cannot recommend it, there is much detail in the work that the Bank of Madras would not undertake without a considerable amount of remuneration, and a less sum would enable Government to give the Bank a paid Secretary, if found necessary, and to place its working on a most efficient basis. The Bank also is maintained chiefly to encourage economy among the Soldiery, and to give a safe place of deposit for the Savings of the poorer classes. Such parties would find the Bank of Madras an inconvenient place for them, and many might be deterred from depositing from unwillingness to mingle in the bustle of such an Establishment.

PRESENT ESTABLISHMENT.

	RS.	A.	P.
Actuary - -	230	0	0
Accountant - -	105	0	0
Deputy do. -	50	0	0
Writer - -	30	0	0
Assistant Accountant -	25	0	0
3 Writers at 20 Rupees.	60	0	0
Writer - -	15	0	0
Shroff - -	17	8	0
Mootchee - -	10	8	0
2 Gollahs at 8 Rupees -	16	0	0
2 Peons at 7 do. -	14	0	0
Rupees..	573	0	0

20. The Establishment of the Bank appears to include too many inadequately paid and insufficiently qualified hands, and the work would be better done and more under the command of the Actuary if fewer and better paid Clerks were employed. The pay of the Actuary seems hardly commensurate with the work and responsibility attached to his office, a division of the present outlay in the following manner would probably secure the efficiency that is urgently needed without any increase of the total expenditure. The present scale of pay is given in the margin.

Proposed Establishment.

Actuary ...	...Rupees	250
Accountant ...	... ,,	105
Cashier ...	... ,,	50
Deputy Accountant	... ,,	40
Do. do.	... ,,	30
2 Writers at 30 Rupees	... ,,	60
Mootchee ...	... ,,	9
Gollah ...	... ,,	8
3 Peons at 7 Rupees	... ,,	21
Rupees...		573

It may be desirable still further to increase the Actuary's pay by bringing it up to Rupees 300; but it will be better to delay this increase until Mr. Forbes has proved his efficiency by showing a well ordered Establishment and well kept accounts.

21. A very limited time has unavoidably been allowed for the examination of the Bank accounts, but I have no hesitation in giving the recommendations noted above, the present Actuary seems a zealous man, and I am sure he will find these changes work well. If Government should wish for a more elaborate report, I shall be glad to prepare one, giving extra time to the work but I consider that it would but increase the detail without affecting the practical results aimed at in this paper.

MADRAS, 18*th October* 1862. (Signed) R. W. NORFOR.

No. 4. ORDER THEREON, 4th November 1862, No. 777.

In this letter Messrs. Ellis and Mangles forward a report, drawn up by Mr. Norfor, 1st, upon the system of account and check observed in the Government Savings' Bank, during the time that the late Mr. Clark was Actuary; 2ndly, on the checks subsequently introduced by the Bank Directors for the prevention of future fraud; and 3rdly, upon such further alterations as may be necessary.

2. Messrs. Ellis and Mangles concur in the report as drawn up by Mr. Norfor, and have fully discussed and approved the recommendations therein contained.

3. It will be sufficient, as regards the system which prevailed when the late Mr. Clark was Actuary, for the Government to remark, that the check exercised over him by the Directors and the Secretary, was, as described by Mr. Norfor, purely nominal.

4. He signed for the deposits in the Pass Books, and up to the time of the abolition of the General Treasury could draw funds on his own responsibility, on a simple Memorandum. He did not submit to the Secretary the cash transactions of the Bank, and was in reality uncontrolled in his actions. This most irregular system afforded the temptation to, and facility for the perpetration of fraud, of which the late Actuary availed himself.

5. The system subsequently introduced by the Savings Bank Directors, is an improvement on that above described, but is in many respects incomplete, and the books are still kept in a loose and irregular manner. Special work has not hitherto been assigned to individual Clerks, and these are described as generally insufficiently paid, and unnecessarily numerous.

6. The control exercised by the Directors over the working of the Bank is still almost nominal, and owing to a deficient system of account the audit of the Bank's transactions is difficult, incomplete, and unnecessarily laborious.

7. In paras. 9, 10, 11, 12, 13, 14, 15 of the report Mr. Norfor has laid down the books of account which should in future be kept, and has clearly shown the nature and object of these accounts.

8. The Government approve of the system proposed, and direct that it be at once introduced into the Government Savings' Bank.

9. The Government also resolve to increase the number of the Bank Directors.
The direction will in future consist of—

1. The Accountant General.
2. The Deputy Secretary to Government (Public Department).
3. The Civil Paymaster.
4. The Presidency Paymaster.
5. The Military Accountant.
6. The Brigade Major, Fort Saint George.

10. The Government expect that the Directors will exercise a close scrutiny into the current work of the Bank, and the efficiency of the Bank employés.

11. Two of the Directors will attend at the Bank once a month, in rotation, to examine and certify the Abstract Statement of the Bank's transactions. This examination being made at the Bank itself and not from papers and Books sent in circulation, reference to the Bank accounts and records will be easy.

12. It will not be necessary that the Secretary to the Bank should be, as at present, a Director, but he should discharge the duties of Secretary to the Directors of the Savings' Bank in addition to his other duties in connection with the Bank.

13. The recommendations contained in paras. 17 and 18 of Mr. Norfor's report, which relate to the custody of the Government Notes and to Mofussil depositors, are approved.

14. At present the audit of the Regimental Savings' Banks, forms a part of the work performed by the Savings' Bank. Its continuance with the Bank involves much additional labor, and it is recommended in the report that this duty be transferred to the Military Account Department to which it more properly belongs. The question of this transfer will be referred to the Military Department for early report.

15. An annual audit of the Government Savings' Bank will take place at the close of each official year.

16. As noticed above, Mr. Norfor points out that the Bank Establishment includes a number of inadequately paid and imperfectly qualified Clerks.

17. The Government approve of the revision of the Establishment as proposed by Mr. Norfor in para. 20 of his report, by which the efficiency of the Bank Establishment will be secured without any increase of expenditure.

18. The Directors will satisfy themselves that the persons appointed to the revised Establishment are qualified for the performance of the duties assigned to them.

19. Messrs. Ellis and Mangles in their report call the attention of the Government to the necessity of appointing an adequately paid Secretary to the Government Savings' Bank instead of as at present having a permanent Actuary on a comparatively small salary, and a Secretary whose time is occupied with other duties and who as belonging to the Account Department is liable to be frequently changed.

20. It is pointed out that within less than one year there have been three different Secretaries in charge of the Government Savings' Bank.

21. The Government concur in the suggestion made on this subject by Messrs. Ellis and Mangles, and resolve to recommend for the sanction of the Government of India the appointment of a Secretary to the Government Savings' Bank on a salary of 400 Rupees per mensem, in lieu of the present Actuary on a salary of 250 per mensem—a change necessitating an annual increase of expenditure of Rupees 1,800.

22. Sufficient reason has been afforded in Mr. Norfor's report, and by the malversations practised by the late Actuary Mr. Clark, to render the appointment of a well-paid and efficient permanent Secretary necessary.

23. An honorarium fee of Rupees 200 will be disbursed to Mr. Norfor, who will be requested to ascertain that the system of account recommended by him and ordered to be observed in the Government Savings' Bank is properly introduced ; to Mr. Norfor also will be entrusted the audit of the Bank accounts at the close of the present official year 1862-63.

(Signed) A. J. ARBUTHNOT,
Chief Secretary.

No. 5. To the Secretary to the Government of India, Financial Department, dated Fort Saint George, 4th November 1862, No. 778.

Proceedings, 6th June 1862, No. 433.
" 26th Aug. " " 624.
" 28th " " " 634.
" 29th " " " 639.
" 6th Sept. " " 650.
" 11th Oct. " " 718.
" 15th " " " 729
" 20th " " " 767.
" 4th Novr. " " 777.

I am directed by the Governor in Council to forward for submission to the Government of India, copies of the papers noted in the margin, relating to the defalcations in the Government Savings' Bank at Madras, which occurred during the time that the late Mr. T. Clark held the appointment of Actuary.

2. On the discovery of these defalcations after the death of the late Actuary, they were immediately brought to the notice of Government by the present Secretary to the Savings' Bank, and Mr. R. S. Ellis, Acting Deputy Secretary to Government, was appointed as a Commissioner to inquire into and report on the following points in connection with this matter.

1st. The total amount of money misappropriated by the late Actuary for which the Government is liable.

2nd. To what extent the subordinate officials employed in the Government Savings' Bank were cognizant of these frauds.

3rd. The system which prevailed during the time the late Mr. Clark was Actuary, and which would seem to have facilitated the commission of these frauds, and what checks had been subsequently introduced by the Directors of the Bank for the prevention of fraud.

3. A copy of the report submitted by Mr. Ellis is now forwarded, and I am desired to solicit a reference to it for a full account of the manner in which the frauds were carried out. It indicates that the system of account and check in the Savings' Bank at the time Mr. Clark was Actuary was extremely imperfect, and that the supervision exercised over the Actuary by the then Secretary and Directors was most inadequate.

4. It will be seen that the frauds, which up to the present date have been ascertained and of which the commission can be clearly traced to the late Actuary, are six; and that the total amount of money misappropriated by him is Rupees 9,926, of which sum the Government are liable for Rupees 7,758-6-3, exclusive of interest. It is however not possible to certify that this sum actually represents the total deficiency caused by the frauds practised by Mr. Clark.

5. The perpetration of the frauds in question, it should be observed, was facilitated by there being an indifferently paid Actuary, who had really the whole management of the Bank, and an unpaid Secretary whose time was fully occupied with his other duties, and who, as belonging to the Account Department, was liable to be frequently changed. It is pointed out that within less than one year there have been three different Secretaries in charge of the Government Savings' Bank.

6. The scheme recommended by Messrs. Ellis and Mangles in their report is to have a Secretary at such a rate of remuneration as would secure the services of an intelligent and trustworthy person, and place him under adequate supervision. The Government concur in this suggestion, and accordingly recommend for the sanction of the Government of India the appointment of a Secretary to the Savings' Bank on a salary of 400 Rupees per mensem, in lieu of the present Actuary on a salary of 250 Rupees per mensem—a change necessitating an annual increase of expenditure of Rupees 1,800.

7. A tabular application for the increased cost is herewith submitted, which includes the revision of the Establishment as proposed by Mr. Norfor and sanctioned by this Government.

(Signed) A. J. ARBUTHNOT,
Chief Secretary.

FINANCIAL

No.	Extract from. Financial Dept. Govt. of India. Date	Office to which the proposition refers.	Nature of Charge.						Pro					
			Present revised Scale.			Proposed Scale.			Permanent.					
									Increase per month.			Decrease per month.		
				RS.	A.	P.		RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
			Actuary...	250	0	0	Secretary...	400	0	0						
			Accountant...	105	0	0	Accountant...	105	0	0						
			Cashier...	50	0	0	Cashier...	50	0	0						
			Deputy Accountant..	40	0	0	Deputy Accountant..	40	0	0						
			Deputy Accountant..	30	0	0	Deputy Accountant..	30	0	0						
			2 Writers at 30 Rupees...	60	0	0	2 Writers at 30 Rupees...	60	0	0						
			Mootchee...	9	0	0	Mootchee...	9	0	0						
			Gollah...	8	0	0	Gollah...	8	0	0						
			3 Peons at 7 Rupees.	21	0	0	3 Peons at 7 Rupees.	21	0	0						
			Total Rs...	573	0	0	Total Rs...	723	0	0	150	0	0			

Government Savings' Bank.

FORT SAINT GEORGE,
The 4th November 1862.

Exd. T. O'Connor.

9x

DEPARTMENT.

position.						Casual or Extraordinary.	Grounds of Proposition.	Local Government's recommendation.	Orders of the Government of India.	
Temporary.									Financial Department.	
Increase per month.			Decrease per month.						Remarks.	Orders.
Period.	RS.	A. P.	Period.	RS.	A. P.					
							Vide letter to Government of India of this day's date No. 778.	Favorable.		

Forwarded for sanction to the Financial Department of the Government of India.

(Signed) A. J. ARBUTHNOT,
Chief Secretary to the Government of Fort Saint George.

Corr: Depart[t] № 243

Fort Saint George
20th October 1862.

To
The Honorable T. Lycroft
Chief Secretary

Sir

In accordance with the instruc-
1 tions conveyed in Proceedings of Government
Financial Depart[t] № 713 dated 11th Instant
2 We have the honor to submit the accom-
2 panying report which has been prepared
by Mr. Norfor after a careful examination
into both the past and present system of
management in the Government Savings Bank

3 We do not consider it necessary to frame
a separate report because the suggestions made
in Mr. Norfor's report from Para 9 to 20
both inclusive have been fully discussed
by us with Mr. Norfor prior to their being
embodied in his report and as we have
agreed entirely with Mr. Norfor in the prior
part of the report we have thought that any
separate communication would unnecessarily
occupy the time of the Government.

4 The only point upon which we would
solicit the attention of Government is as to
whether it would not be advisable to a

a point

appoint an adequately paid Secretary to the Government Savings Bank instead of as at present having a permanent actuary on a comparatively small salary and a Secretary whose time is occupied with other duties and who as belonging to the Account department is liable to be frequently changed.

5 We may remind Government that within less than one year there have been three different Secretaries in charge of the Government Savings Bank.

We have the honor to be
Sir
Your most obedient servants.

R. Ellis
Dunraven

Financial Department

1877 19

Proceedings of the Madras Govt.

Read letter from Messrs Ellis and Mangles dated 20th October 1862.

Order thereon. — No. 774 dated 4th November 1862.

In this letter Messrs Ellis and Mangles forward a report, drawn up by Mr. Harper 1st upon the system of account & check observed in the Govt Savings Bank, during the time that the late Mr. Clark was Actuary; 2ndly on the checks subsequently introduced

Rec'd 11th Oct 1862 No 418

Fin. Dept. to Govt 2 Sets

Fin. Dept Proc 4 Nov 1862

Letter from Messrs Ellis and Mangles dated 20th Oct 1862

Report

Order thereon dated 4th Nov 1862

No 774

Submitting a Report from the Auditor and Accountant General on the system of account & check observed in the Govt Savings Bank during the time that the late Mr. Clark was Actuary; & the objections to the checks subsequently introduced

C 22 Dec
1 24 "

3-5

Horton

R 200

by the Bank directions
for the prevention of
future fraud, and 3rdly upon
such further alterations as
may be necessary. -

2 Messrs Ellis and Mangles
concur in the report
as drawn up by Mr.
Harper, and have fully
discussed and approved
the recommendations
therein contained.

3 It will be sufficient,
as regards the system
which prevailed when
the late Mr. Clark was
Actuary, for the Govr
to remark, that the
over him
check exercised by
the Directors and the

Secretary, was, as described
by Mr. Harper, purely nom-
-inal.

4 He signed for the deposits
in the pass Books, and
up to the time of the
abolition of the General Treasury
could draw
Funds on his own
responsibility, on a
simple memorandum.
He did not submit to
the Secretary the cash
transactions of the
Bank, and was in
reality uncontrolled
in his actions. This
most irregular system
afforded the greatest
to
temptation for, & facility
for the perpetration
of fraud, of which

the late Actuary availed himself.

5/ The system subsequently introduced by the Savings Bank directors is an improvement on that above described, but in many respects incomplete, and the books are still kept in a loose and irregular manner. Special work has hitherto been assigned to individual clerks, and these are described as ill generally insufficiently paid, and unnecessarily numerous. -

6 The control exercised by the ~~Board~~ directors over the working of the Bank is still almost nominal, and owing to a deficient system of account the audit of the Bank's transactions is a most difficult and incomplete and unnecessarily laborious.

7 In paras. 9. 10. 11. 12. 13. 14. 15 of the report Mr. Horsley has laid down the Books of account which should in future be kept. and has clearly shewn the legal nature and object of these accounts. -

8 The Government approves of the system proposed, and directs that it be at once introduced into the Govt Savings Bank

9/ The Government also resolve to increase the number of the Bank directors —
The direction will in future consists of
1. The Accountant General
2. The deputy Secretary to Govt (Public deptt)
3. The Civil Paymaster —
4. The Presidency Paymaster —
5. The Military Accountt. —
6. The Brigade Major Fort St George. —

10 Thirdly The Government expect that the directors will exercise a close scrutiny into the current work of the Bank, and the

efficiency of the Bank employées.

11 Two of the directors will attend at the Bank once a month, in rotation, to examine and certify the Abstract Statement of the Bank's transactions This examination being made at the Bank strictly and not from papers and Books sent in circulation, or reference to the Bank accounts and records will be easy.

12 It will not be necessary that the Secretary to the Bank should

he, as at present, a
Director but he should
discharge ~~perform~~ the duties
of Secretary to the
Directors of the Savings
Banks, in addition
to his other duties
in connection with
the Bank. —

13 The recommendations
contained in Paras
17. and 18. of Mr.
Inspr's report, which
relate to the custody
of the Govt. Inter and
Imperial depositors
are approved.

14 At present the Audit
of the Regimental
Savings Banks, forms

a part of the work performed
by the Savings Bank. —
Its continuance with
the Bank involves much
additional labor, and
it is recommended in the report that
this duty ~~should~~ may properly be
transferred to the
Military Account
department to which
it more properly belongs
The question of this
Transfer will be referred
to the Military dep-
-artment for early
Report. —

15 An annual Audit of
the Govt Savings Banks
will take place at the
close of each official year.

16 As noted above Mr. Kerfoot points out that the Bank Establishment includes a number of inadequately paid and unspecially qualified clerks.—

17 The Govt. approve of the revision of the Establishment as proposed by Mr. Kerfoot in para 20 of his report by which the strength of the Establishment Bank establishment will be increased without any increase of expenditure.

18 The directors will satisfy themselves that the persons selected appointed to the revised Establishment are qualified for the performance of the duties assigned to them.—

19 Messrs Ellis and Manfield in their report call the attention of the Govt ~~as to the necessity of appointing~~ to the necessity of appointing an adequately paid Secretary to the Post Savings Bank instead of as at present having a permanent Actuary on a com-

-paratively small salary
and a secretary whose
time is occupied
with other duties and
who as belonging to
the Account department
is liable to be frequently
changed.

20 It is pointed out that
within less than one
year there have been
three different Secretaries
in charge of the Govt
Savings Bank.

21 The Government
concurs in the sug-
-gestion made on this
subject by Messrs
Ellis and Maugles
and resolve to recom
-mend for the sanction

of the Govt of India the
appointment of a Secretary
to the Govt Savings Bank
on a salary of 400 Rs
per mensem. in lieu
of the present Actuary
on a
whose salary is of
250 per mensem -
a change involving
an annual increase
of expenditure of
Rs. 1800 —

22 Sufficient reason has
been afforded in Mr.
Ingles report, and
by the transactions
malversations practised
by the late Actuary
Mr. Clark to render
the appointment

of a well paid, and
efficient permanent
Secretary may pay.

23 An honorarium
fee of Rs 200. will
be disbursed to
Mr. Norfor who will
be requested from
time to time
ascertain that the
system of account
recommended by
him and ordered
to be observed
in the Govt Savings
Banks is duly
properly introduced,

To Mr. Norfor also

will be entrusted the
Annual audit of
the Bank accounts
at the close of the
present official year 1862/63.

R.W.

To the Accountant General
" Civil Paymaster.
" Dy Sacy to Govt Public Dept
" Presidency Paymaster
" Military Accountant
" Brigade Major Fort St George
" Controller of Military Finance
" R. W. Norfor Esq
" Secretary Govt Savings Bank

} dept 6

dept 6th

Dept. A

Ext

To

The Secretary to the Government
of India.

Financial Department.

Financial Department:

No. 778

Sir,

I am directed by the Governor in Council to forward for submission to the Government of India copies of the papers noted in the margin, relating to the defalcations in the Government Savings' Bank which occurred during the time that the late Mr J Clark held the appointment of Actuary at Madras.

2. On the discovery of these defalcations after the death of the late Actuary, they were immediately brought to the notice of Government by the present Secretary to the Savings' Bank, and Mr R S Ellis, Jg. Deputy Secretary to Government,

was

Rs: 6	June,	1862	Rs 603.
" 26	Aug.	"	" 624
" 28	"	"	" 634
" 29	"	"	" 639.
" 6th	September	"	" 650.
" 11	October	"	" 718.
" 15	"	"	" 729
" 29th	"	"	" 767
" 4th	Nov.	"	" 777

3 A 5

Ext 1862 despatch
No 777

Rs: 6 June 1862 Ext. 237 of 63
" 26 Aug. " 290 " 63
" 29 " " 406 " 63 - 405 of 64

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453 of 63
725

Approving of the system proposed by Mr R.H. Morgan for keeping in future the Accounts of the Govt Savings Bank & directing it to be immediately introduced into the Office of Accountant the number of the Bank Directors & enjoining on them a close scrutiny into the current work of the Bank

Bank

Board and the officiating Dy Accountant General to the Govt of India that Govt of Madras at a Salary to the Govt Savings Bank on a salary of Rs 250 per mensem in lieu of the present salary of Rs 400 per mensem on a salary of 250 per mensem

C29 P. Ct
A14 "

was appointed as a Commissioner to enquire into and report on the following points in connection with this matter.

1st The total amount of money misappropriated by the late Actuary for which the Government is liable.

2nd To what extent the subordinate Officials employed in the Government Savings' Bank were cognizant of these frauds

3rd The system which prevailed during the time the late Mr Clark was Actuary, and which would seem to have facilitated the commission of these frands, and what checks had been subsequently introduced by the Directors of the Bank for the prevention of fraud.

3. A copy of the report submitted by Mr Ellis is now forwarded, and I am desired to

to solicit a reference to it for a full account of the manner in which the frauds were carried out. It indicates that the system of account and check in the Savings' Bank at the time Mr Clark was Actuary was extremely imperfect, and that the supervision exercised over the Actuary by the then Secretary and Directors was most inadequate.

4 It will be seen that the frauds which up to the present date have been ascertained and of which the commission can be ~~clearly~~ traced to the late Actuary, are six; and that the total amount of money misappropriated by him is Rupees 9926, of which sum the Government are liable for Rupees 7,758-6-3, exclusive of interest. It is however not possible to certify that this sum actually represents

the

the total deficiency caused by the frauds practised by Mr Clark.

5. The perpetration of the frauds in question, it should be observed, was facilitated by their being an indifferently paid Actuary, who had really the whole management of the Bank, and an unpaid Secretary whose time 1074 A was fully occupied with his other duties, and who as belonging to the Account Department 1074 S A was liable to be frequently changed. It is pointed out that within less than one year there have been three different Secretaries in charge of the Government Savings' Bank.

6. The scheme recommended by Messrs Ellis and Mangles in their report is to have a Secretary at such a rate of remuneration as would secure the services of an intelligent and trustworthy person, and place him under adequate supervision. The Government concur in this suggestion, and accordingly recommend for the sanction of the Govt of India the appointment of a Secretary to the Savings' Bank on a Salary of 400 Rupees per mensem, in lieu of the present Actuary on a Salary of 250 Rupees per mensem - a change necessitating an annual increase of Expenditure of Rupees 1,800.

7. A tabular application for the increased cost is herewith submitted, which includes the revision of the Establishment as proposed by Mr Norton and sanctioned by this Government.

Fort St George,
4th November 1862.

Financial Dept.

No. 778.

To
The Secy. to the Govt.
of India

Dated 4th November 18

Fwd. Lr. to Govt. 25th April 1863.

M.R.O. 1—77,006—8-6-37.

(1) Number of pages 14

(2) Date of repair 27.6.39

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No.	779.	Press / Mis.
6-7.		
Dated	5—11—	1862.

6-7 8/9

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