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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 587 Press
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Dated 9. 9 1868.

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Not to be folded or roughly handled

12-7-39

Proceedings of the Madras Government, Financial Department,
9th September 1863.

No. 38. Read the following letter from Colonel W. P. MACDONALD, Paymaster Presidency, a Director of the Government Savings' Bank; to J. D. SIM, Esq, Secretary to Government, Financial Department, dated Madras, 11th July 1863.

I. I have the honor to acknowledge receipt of the Order of Government, No. 438 of the 4th July 1863.

II. The Secretary of the Savings' Bank has stated, that I have tacitly declined attending at the Bank to examine the accounts, when invited to do so, at 12 o'clock, on the 15th of March last.

III. This is not the case; so far from having been tacit, I represented to the Highest Financial Officer of the Government, that the system of so, called Audit is a perfect farce.

IV. The Accountant General's reply I did not receive until *after the* period named for the Audit had passed my reason for not having attended.

V. Having represented to this High Functionary that the Order of Government was not in my judgment being carried out, I thought it was for him to investigate the case, instead of which he wrote me the letter which has been placed before Government.

VI. I understand from the order of Government that the monthly supervision is to extend not only over the *whole* of the accounts of the Bank, but over the work of each Clerk, and that the Directors are responsible to the Government that *all* the *accounts* and *books* are properly kept.

VII. The present system of Audit is a mere check of daily entries of receipts and withdrawals with the vouchers.

VIII. This I respectfully submit by no means comprehends what is expected of the Directors.

IX. I think a system should be clearly defined and recorded for the guidance of the Directors in their monthly examinations, and I hoped that my letter to Mr. Lushington would have induced inquiry and have effected this object, or that he would have expressed himself perfectly satisfied with the present system.

X. I with all deference beg to state, that I did not conceive it the duty of so humble an individual as myself, and a mere member of a Direction, to address the Government on the subject, but thought it was simply my duty to bring the circumstance prominently to the notice of the Accountant General.

XI. Subsequent to the receipt of the order of Government now under reply, I heard for the first time of the circulation of the Minute Book to all the Directors, *excepting myself;* I sent to the Secretary for it, and my astonishment was great at finding that, though the matter was carefully concealed from me, the object was to obtain the order of the Directors for the submission to Government of the Secretary's letter of complaint against me, No. 255, dated the 30th June 1863, the subject of these proceedings, and to which, had the Secretary not been checked by the Accountant General, he intended to have informed the Government that I found the duty onerous; but the Government will learn with, I presume, not less astonishment that though two other Directors have minuted against the present system of Audit, and thus three out of six (or one half of the Board of Direction) take my view of the subject, the Secretary has carefully concealed this fact so important to the fair judging of the case as concerns myself.

XII. I have shown that the Secretary's view of my act was a mistaken one; had this book been sent to me, as it unquestionably ought to have been, the Government in all probability would never have been troubled with the Secretary's letter, and which I respectfully submit it was very improper in him to have forwarded by Order (as if by order of all the Directors), when he perfectly well knew that the intention of so doing had been by himself concealed from me, and that no opportunity had been afforded me of explaining the simple facts of the case to my colleagues in office.

XIII. I now with due submission report to His Excellency the Governor in Council the course I intended to have adopted, not anticipating *the possibility* of any thing being done in the meanwhile to defeat my intention.

XIV. I have already explained the object I had in view in addressing Mr. Lushington. I thought his reply most uncalled for, and that there was nothing contained in my letter to justify it.

XV. I consider the present system of Audit utterly useless (I now find half the Board of the same opinion); but my object was to have justice done to Government, and the Audit conducted in a manner more satisfactory. I never said I considered "the attendance of Directors useless; I never expressed "a wish to be relieved from the Honorary appointment," and I did not fortunately follow the suggestions of communicating with Government; I say fortunately, because had I then done so, the Government would not have known that half the Board coincide in my opinion.

XVI. Mr. Lushington was on the eve of departure, I knew before my turn, for attending at the Bank, would again come round, another Accountant General would occupy his chair. I intended, when summoned to the Bank, to have waited on him, to have referred to my former correspondence, and to have asked him if he would go into the Secretary's room with me, hear my objection, and then say whether in his opinion the present Audit is what the Government intend; had he expressed himself perfectly satisfied, I should have simply solicited the Government to relieve me from a responsibility which in my judgment is attached to the appointment.

XVII. In conclusion I would observe that I had not the most distant idea of impeaching the integrity of the Secretary, this I distinctly stated in paragraph IV of my letter to Mr. Lushington; but I conceive an Audit to mean, the prevention of *the possibility* of fraud, and I most respectfully submit, and I think I am borne out in my opinion by half the Board, that the present Audit is no protection to the Government.

XVIII. I do not think my colleagues in office had the most remote idea that it was the Secretary's object to hide from me by keeping back the Minute Book, the intention to appeal to Government, and of this act on the part of the Secretary, I most respectfully complain to His Excellency the Governor in Council. No Board would be safe if a Secretary possesses such power as this.

XIX. I forward the original letter of the Accountant General with my note made at the time to show that it did not reach me until two days after the day fixed for Audit, the letter bears evident proof of the date having been altered.

XX. I have extracted Lieutenant Colonel Drury's minute from the Minute Book, concurred in by Captain Elliot. I annex it to this letter. Lieutenant Colonel Drury, Captain Elliot and myself, form exactly a moiety of the Direction.

MINUTE BY LIEUTENANT COLONEL DRURY, concurred in by CAPTAIN ELLIOT.

I think Colonel Macdonald's injudicious use of terms has led to his being misunderstood. I have attended in my capacity as Director when called upon, and have gone through the form of checking off the entries in the Cash Book with the files of vouchers and of comparing the totals with those in the abstract of cash transactions. But from the outset the Audit of the Directors is nugatory. They may satisfy themselves that the books are correctly kept so far as the documents before them are concerned, but they have no means of ascertaining whether the files of vouchers are complete in themselves, or in other words whether the vouchers correctly represent the whole of the transactions of the Bank.

The Secretary states that this must be taken for granted—supposing this to be the case and I confess to seeing no remedy but that of comparing the vouchers with the books of Individual Depositors which is obviously impracticable in a periodical examination of account, it is clear that the present Audit is inefficient to protect the State from fraud, that fraud the more easy of accomplishment, for inasmuch as it would be a simple appropriation of cash of which no account might be called for for months.

I believe that Government were under the impression in appointing the Board of Directors on the recommendation of the Commission, that the supervision of the Board would be a safe

Proceedings of the Madras Government, Financial Department,
9th September 1863.

guard against such defalcations, and I consider that any letter to Government on the subject of Colonel Macdonald's objection (if such it be) to act, should put Government in possession of the facts of the case.

(A true Extract from the Minute Book.)

(Signed) W. P. MACDONALD, Colonel,
Director Government Savings' Bank.

From J. L. LUSHINGTON, Esq., Acting Deputy Auditor and Accountant General; to Colonel W. P. MACDONALD, one of the Directors in the Government Savings' Bank, dated Fort Saint George, 15th April 1863, No. 7,618.

I have the honor to acknowledge receipt of your letter without number, dated 14th instant, enclosing letter* as per margin, from the Secretary Savings' Bank, giving you the usual intimation that the monthly abstract of cash transactions would be ready for examination on this day, the 15th.

* No. 1,094, dated 13th April 1863.

2. In reply, I have the honor to state, that, as Government appointed you a Director in the Bank, I do not feel myself competent to give you any instructions, at the same time, if, as I gather from the general term of your letter under reply, you consider the attendance of the Directors useless, and wish yourself to be relieved from the Honorary appointment, I would suggest that you communicate with Government direct on the matter.

3. The enclosure received with your letter is herewith returned.

No. 39. ORDER THEREON, 9th September 1863, No. 587.

It was not the intention of the Governor in Council that the Directors of the Government Savings' Bank should on the occasion of their monthly examinations of the Bank Books, &c., perform a complete audit of the accounts. It is sufficient if this be done once a year by a professional Auditor appointed for the purpose. All that is necessary for the Directors to do is, to see that the accounts are kept up to date and duly supported by vouchers, for which purpose a few entries here and there should be taken at random and compared with the vouchers. At the annual audit the whole of the accounts should be carefully gone through and examined item by item.

2. In the Proceedings of Government of the 20th October last, Mr. Norfor was requested to audit the Bank accounts at the close of the official year 1862-63. It is understood that he has not yet made his audit. He is requested to do so as soon as possible and to report the result for the information of Government.

3. The Governor in Council presumes that the omission of the Secretary to the Bank to send to Colonel Macdonald the Minute Book referred to in the 11th paragraph of that Officers' letter was an oversight. It should however be explained.

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

Exd. T. O'Connor.

From Colonel Macdonald
Paymaster Pusovney
a Director of the Governmen
Savings Bank

To
J D Sim Esqr
Secretary to Government
Financial Depart

Sir

I I have the honor to Acknowledg
receipt of the order of Government No 438 of the
4th July 1863.

II The Secretary of the Savings Bank has
stated that I have tacitly declined attending a
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IV The Accountant Generals reply I
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are responsible to the Government that all the Accounts and Books are properly kept.

VII The present system of Audit is a mere check of daily entries of Receipts and Withdrawals with the Vouchers.

VIII This I respectfully submit by no means comprehends what is expected of the Directors.

IX I think a system should be clearly defined and recorded for the guidance of the Directors in their monthly examinations and I hoped that my letter to Mr Lushington would have induced enquiry and have effected this object or that he would have expressed himself perfectly satisfied with the present system.

X With all deference beg to state that I did not conceive it the duty of so humble an individual as myself and a mere member of a Direction to address the Government on the subject but thought it was simply my duty to bring the circumstance prominently to the notice of the Accountant General.

XI Subsequent to the Receipt of the order of Government now under reply I heard for the first time of the Circulation of the minute Book to all the Directors excepting myself; I sent to the Secretary for it and my astonishment was great at finding that tho' the matter was carefully concealed from me the object was to obtain the order of the Directors for the submission to Government of the Secretary's letter of 30th June 1863 the Subject of these Proceedings

I get humility did not suggest the Receipt of this order!

and to which had the Secretary not been checked by the Accountant General he intended to have informed the Government that I found the duty onerous - but the Government will learn with I presume not less astonishment that tho' 2 other Directors have minuted against the present system of Audit and thus three out of Six (or one half of the Board of Direction) take my view of the subject the Secretary has carefully concealed this fact so important to the fair judging of the case as concerns myself.

XII I have shewn that the Secretary's view of my act was a mistaken one had this Book been sent to me as it unquestionably ought to have been the Government in all probability would never have been troubled with the Secretary's letter and which I respectfully submit it was very improper in him to have forwarded by Order (as if by order of all the Directors) when he perfectly well knew that the intention of so doing had been by himself concealed from me and that no opportunity had been afforded me of explaining the simple facts of the case to my colleagues in Office.

XIII I now with due submission repair to His Excellency the Governor in Council the course I intended to have adopted not anticipating the possibility of any thing being done in the meanwhile to defeat my intention.

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and that there was nothing contained in my letter to justify it

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XIX I forward the Original letter of the Accountant General with my note made at the time to shew that it did not reach me until 2 days after the day fixed for Audit the letter bears evident proof of the date having been altered

XX I have extracted Lieutenant Colonel Drury's minute from the minute Book concurred in by Captain Elliot. I annex it to this letter. Lieutenant Colonel Drury. Captain Elliot and myself form exactly a moiety of the Direction

I have the honor to be
Sir
Your most obedient Servant

Madras.
11th July 1863

Wm Macdonald Colonel
Pay Dept
Commissioner for Lunatic Asylums

Minute by Lieut. Col. Drury concurred in by Captain Elliot

I think Colonel Macdonald's injudicious use of terms has led to his being misunderstood. I have attended in my capacity as Director when called upon and have gone through the form of checking off the entries in the Cash Book with the files of Vouchers and of comparing the totals with those in the Abstract of Cash transactions But from the outset the Audit of the Directors is nugatory - They may satisfy themselves that the Books are correctly kept so far as the Documents before them are concerned, but they have no means of ascertaining whether the files of Vouchers are complete in themselves or in other words whether the Vouchers correctly represent the whole of the transactions of the Bank -

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commission, that the supervision of the Board would be a safe guard against such defalcations and I consider that any letter to Government on the subject of Colonel Macdonald's objection (if such it be) to act should put Government in possession of the facts of the case

A true extract from the general Book

W. Macdonald

Comptr. G.S.D.

Correspondence Depart

No. 7618

Fort Saint George
Dy. Aud.r & Acct.t Gen.l's Office,
15th April, 1863.

Despatched 17th

From

J. L. Lushington Esquire
Ag. Dy. Auditor and Account.t Gen.l

To

Colonel W. P. Macdonald,
one of the Directors in the
Government Savings' Bank.

Sir,

I have the honor to acknowledge receipt of your letter, without number, dated 14th Instant, enclosing letter as per margin, from the Secretary Savings' Bank, giving you the usual intimation that the monthly Abstract of cash transactions would be ready for examination on this day, the 15th.

+ No. 1094, dated 13th April, 1863.

2. In reply, I have the honor to state that, as Government appointed you a Director in the Bank, I do not feel myself competent to give you any instructions, at the same time, if, as I gather from the general terms of your letter under reply, you consider the attendance of the Directors useless, and wish yourself to be relieved from the honorary appointment, I would suggest that you communicate with Government direct on the matter.

The

3. The enclosure received with your letter, is herewith returned.

I have the honor to be,
Sir,
Your most obedient servant,
J. L. Donaldson
Aj. Dt. Aud. Actg. Genl.

Camp near Falls Church
2 days after the battle of
Bull Run

Copy of the Endorsement

Reports on the letter
from the Secretary
Savings Banks 109th
dated 13 April 1863

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following
letter from Colonel Macdonald
Director of the Government
Savings Bank.

(Here enter 11th July 1863.)

Order thereon 9th September 1863. No. 587

It was not the in-
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It is sufficient if this be done
once a year by a professional
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purpose - all that is necessary
for the Directors to do is to see
that

Financial 1863 September

From Colonel J. Macdonald
Paymaster Presidency
& Director of Govt.
Savings Bank

To A.D. Anderson Esqr
Secretary to Govt
Financial Department

Dated Madras 11th July 1863.

Received 15th July

Answered 15th July

Read the
following letter from
Colonel J. Macdonald
Paymaster Presidency
& Director of Govt.
Savings Bank
dated 11th July 1863.
relative to his
Bank having remained
on a Sunday the 14th
ordinary pay day of Savings
Bank.

Rec: 14 July 63 No 4380

38-39-

that the accounts are kept up to date and duly supported by vouchers for which purpose a few entries here and there should be taken at random and compared with the cor. vouchers (very much upon the principle on which at the periodical examinations of the Government Treasuries a few pags are selected here and there.) At the annual audit the whole of the accounts should be carefully gone through and examined item by item

omit.-

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3 The Governor in Council presumes that the omission of the Secretary to the Bank to send to Colonel Macdonald the Minute Book referred to in the 11th para of that officers letter was an oversight. It should however be explained

To
The Secretary to Govt. Savings Bank
" Colonel W. P. Macdonald
Mr. R. W. Norfor
} duplicate

Sept 1863. Department

No. 587

PROCEEDINGS of the MADRAS GOVERNMENT.

Dated 9th Sept 1863

30 Sept 63
Filed 15 Oct

Certain observations recorded in reference to Colonel Macdonald's refusal to examine in his return, the cash & transactions of the Bank

5329] Madras—Printed at the Government Press.