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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 477 Press / Mis.

53-55

Dated 28-10-1869.

53-55 to/11

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department, 28th October 1867.

Read the following papers :—

No. 53. Proceedings of Government, Public Works Department.

Referring for consideration the questions whether the Great Southern of India Railway Company may be exempted from payment of the usual premium on sums drawn from Provincial Treasuries, and whether arrangements can be made by Treasury Officers for receiving the Company's traffic receipts on the last two days of each month and on holidays. } (Dated 8th August 1867, No. 2400).

Referred to the Accountant General, for report on the suggestions alluded to in paragraph 5 of the Order of Government.

FORT SAINT GEORGE,
12*th August* 1867.

(Signed) R. S. ELLIS,
Acting Chief Secretary.

No. 54. From F. LUSHINGTON, Esq., Accountant General, Madras, to the Chief Secretary to Government, Fort Saint George ; dated Fort Saint George, 12th October 1867, No. 223.

Budget and Resource Department,

I have the honor to acknowledge the receipt of Government Order, No. 2400, Public Works Department, dated the 8th August last, referred for my opinion with your endorsement of the 12th idem.

2. The points upon which I am called upon to report are (1) whether the Great Southern of India Railway Company may be exempted from payment of the usual premium on sums drawn from Provincial Treasuries, and (2) whether arrangements can be made by Treasury Officers for receiving the Company's traffic receipts on the last two days of each month and on holidays.

3. The question of levying premium on bills granted to the Railway Company on Provincial Treasuries has before been brought under the consideration of the Madras Government and was disposed of in their Proceedings, No. 339, Financial Department, dated 15th June 1857, paragraph 11, it being then held that there were no grounds for exempting the Railway Company from payment of the premium on bills drawn on Local Treasuries, and that half a Rupee per cent. was a suitable charge for accommodation in their case.

4. This decision, I may also remark, is quite in accordance with the practice which obtains in Bengal, where a premium of 8 Annas and 1 per cent. is levied on all bills granted to the Railway Company on the Provincial Treasuries. It is, however, only right to mention that, so far as the interests of Government are concerned, the privilege of obtaining bills at par on the Negapatam Treasury might be conceded to the Great Southern of India Railway without loss to the State, as there is always a large surplus in the Tanjore Treasury, and the money required for Railway purposes consequently can be laid down at Negapatam at a less cost than at Madras.

5. With reference to the second point referred to me for report, I beg to observe the present arrangement, under which all the Tahaseel Treasuries are prohibited from receiving moneys after their monthly accounts are closed, was adopted by the Board of Revenue, in concurrence with this Office, under the Orders of Government, and I should regret to see it disturbed. The punctual despatch of my returns to the Central Office at Calcutta depends entirely upon the promptitude with which the District returns are recevied in this office, and it has been only by a very strict adherence to the existing rules in reference to the early closing of the Taluq and District accounts that I have hitherto been enabled to render my accounts by the dates prescribed by the Government of India. As regards the proposal that the collections should be received even on holidays, I am of opinion that this measure would cause great inconvenience to the Collector and his establishment, and, as similar arrangements have not been found requisite in the case of the Madras Railway Company, I do not see any reason for recommending the proposal.

No. 55. ORDER THEREON, 28th October 1867, No. 477.

Under the circumstances stated in the 4th paragraph of the foregoing letter from the Accountant General, the Governor in Council is pleased to direct that the privilege of obtaining bills at par on the Negapatam Treasury be conceded to the Great Southern of India Railway Company.

Proceedings of the Madras Government, Financial Department,
28th October 1867.

2. For the reasons adduced by Mr. Lushington in paragraph 5 of the foregoing letter, the Governor in Council is not prepared to authorize any change in the system pursued at present in respect of payments made by the Railway Company into the Taluq Treasuries.

(True Extract).

Chief Secretary.

To the Public Works Department.
,, Accountant General.

Proceedings of the Madras Government, Public Works Department,
8th August 1867.

No. 181. Read the following letter from the Consulting Engineer for Railways, to the Secretary to Government, Public Works Department, dated Madras, 1st August 1867, No. 216 :—

1. I have the honor to forward, for the information of Government, a letter dated 27th July, from the Agent and Traffic Manager, Great Southern of India Railway, reporting a defalcation to the amount of Rupees 26,061-4-0.

2. I learnt in conversation with the Government Examiner of Railway Accounts, Captain Moberly, who was at Negapatam when the discovery was made, that he was in possession of some particulars in relation to it, which had not been furnished by the Agent. I therefore requested him to draw out a memorandum, embodying all the information which he had it in his power to afford, which would throw any light on the transaction, and explain the probable cause which led to it. Captain Moberly's report, which I have received to-day, is attached. It contains a very full and clear account of all that has transpired.

3. I must confess I am much surprised that the Agent should think the Cash-keeper's statement, that he suspected the Peons, worth listening to. It seems almost incredible, either that the Agent should have believed it possible that the Cash Peons could have perpetrated a deliberate system of fraud, in connection with the cash that passed through the Cash-keeper's hands, without the connivance of the Cash-keeper, or that the Agent should have allowed them the power to perpetrate it. I have not the slightest doubt that the Peons merely carried out the instructions of their superior, under whose sole control they are placed.

4. The Agent states that he called upon the Cash-keeper to make good the discrepancy to the Company, and that this had already been done. If I understand rightly, the whole of the money that was missing must, therefore, have been made good. A reference to the Agent has been made on this point.

5. Captain Moberly has described in paragraphs 8 to 11 of his letter, the arrangements in force in the Madras Railway for the conveyance of cash between the Railway Office and the Bank. The Government will observe that the Cashier invariably proceeds in charge of it, and also that the traffic receipts are paid into the Bank daily.

6. Neither practice is followed on the Great Southern of India Railway. The cash has been left in the sole charge of Peons, and the traffic receipts instead of being regularly paid into the treasury, are drawn upon as the Agent requires money for expenditure, that is, the Agent keeps a sufficiently large balance to meet his expenditure, and instead of drawing cash from the treasury, sends the Tahsildar a cheque in exchange for a receipt. This system does not necessarily facilitate the appropriation of money, but it is an objectionable one, and contrary to the spirit if not the letter of the Railway Contract, which requires that all earnings or profits shall be paid at such times and in such manner as the Secretary of State in Council shall direct, without any deduction, under any pretence whatever.

7. I am of opinion that it is desirable that Government should issue a peremptory order for the Agent to pay in traffic receipts daily, on all days on which the treasury is open; and if arrangements can be made by the Treasury Officer for receiving such cash, during the last two days of the month, and during holidays, there would be no excuse for any evasion of the order.

8. The object of the Agent in retaining a large balance, is to avoid the necessity of paying the customary premium of one per cent. on sums drawn from the provincial treasuries. The remission of this premium is recommended by Captain Moberly, and was also recommended by his predecessor, Lieutenant Filgate; but whether or not it is allowed to Government, the regular payment of the traffic receipts should, in my opinion, be strictly enforced.

9. The defalcation now reported was found out by accident. A monthly abstract of receipts and payments on Capital and Revenue account of each Railway is furnished to this Office by the Accountant General, on receipt of the monthly accounts of the various treasuries concerned, and a copy of this abstract is sent to the Agent of the Railway. The abstract of the transactions for April was received in this Office on the 13th May, and despatched on the same day to the Agent of the Great Southern of India Railway. The document was not received by the Agent; but Captain Moberly having accidentally taken a copy with him, during his recent visit to Negapatam on the 18th ultimo, the Agent then discovered the discrepancy between the entries in his books, and the acknowledgment of the Treasury Officer.

10. It is to be regretted that the Agent allowed a period of more than two months to elapse after the document was due, without making inquiry about it. The monthly abstract has never been despatched from this Office later than the 19th of the month succeeding that to which it referred.

11. With reference to Captain Moberly's statement, (see paragraph 10 of his letter,) that the security furnished by the Cash-keeper of the Great Southern of India Railway, was neither in cash nor Government Promissory Notes, I beg leave to recommend that all securities should be required to be of this nature, and they should be lodged in the Madras or Oriental Bank or in the Government Treasury.

From the Agent of the Great Southern of India Railway, to the Consulting Engineer for Railways, dated Negapatam, 27th July 1867, No. 2,354.

1. On the 18th instant I telegraphed to ask you whether the Accountant General's statement of receipts and payments on account of the Great Southern of India Railway Company, for the month of April last, had been forwarded to me from your Office. The reason for my asking this question was the discovery that my books did not agree with the account kept in the Talook treasury at Negapatam of money received into the treasury on Revenue account. My books record a payment during that month of Rupees 47,961-9-8, but the Tahsildar acknowledges receipt of Rupees 21,900-5-8 only. The difference of Rupees 26,061-4-0 is made up of vouchers which have been pronounced forgeries by the Head Gumastah, whose signature they profess to bear.

2. In May the Tahsildar's accounts show the receipt of a larger sum* than I hold vouchers for; and in June the Tahsildar records a receipt of six annas less than my books show; this latter, the Tahsildar informs me, is a mistake, which he will rectify in the current month's accounts.

* By Rupees 1,454-6-2.

3. All payments to the treasury are prepared under my personal direction by the Cash-keeper, and sent over to the treasury in charge of his Cash Peons. The entries in his rough Cash-book agree with the vouchers produced, and these vouchers he declares were returned punctually by the Cash Peons after the money was paid to the treasury. The Cash-keeper suspects the fraud has been committed by his Cash Peons in collusion with other persons, but as I could hold the Cash-keeper alone responsible for the correctness of the payments recorded in his books, I called upon

Proceedings of the Madras Government, Public Works Department.
8th August 1867.

him to make good the discrepancy to the Company, and to take immediate steps to bring the case into a Court of Justice. The former he has already done, and the latter I understand he commences to-day.

4. The Cash-keeper was in the Company's service before I joined the staff, he was appointed in 1859. I have always considered him honest in the discharge of his duties, but as he acted very carelessly in not strictly examining into the validity of the treasury receipts returned to him, I have dismissed him from the service.

5. It would tend perhaps to throw some light on the matter if you could discover whether any record exists in the Madras Post Office of the despatch of your envelopes, which contained the Accountant General's statement for April. And also if the envelope, contained other, and if so, what papers. Similar information also is required with regard to the May statement.

6. At present we have nothing but suspicion to act upon in regard to the forgery, but during the hearing of the suit now instituted further information may come out.

From the Examiner of Railway Accounts, to the Consulting Engineer for Railways, dated Madras, 1st August 1867.

1. Letter No. 2,354, dated 27th July 1867, from the Agent and Traffic Manager Great Southern of India Railway forwarded by you, received.

2. The statement of the Agent comprises most of the information I was able to collect regarding the late robbery on that Railway.

3. There is one point, however, which I think throws great suspicion on the Cash-keeper, and which the Agent has omitted to mention, but which I heard from himself, viz., that on the first of the two days on which the two forged receipts are dated, I think the 10th April, a larger sum, viz., some 14,000 odd Rupees, was actually paid into the treasury, acknowledged by the Tahsildar, and two receipts granted for the same, then the amount of the first forged receipt, viz., Rupees 12,611 odd. The two receipts abovementioned for the 14,000 Rupees are not forthcoming. But it must be presumed, since the money is declared by the treasury people to have been paid in, that the larger sum of Rupees 14,000 odd was sent down to the treasury by the Cash-keeper to be paid in; it therefore is strange that the Cash-keeper should have accepted from the Cash Peons a receipt for a smaller sum, and entered it as correct in his Cash-book.

4. I would here advert to the sum stated by the Tahsildar to have been paid into the treasury, on the 10th April something over 14,000 Rupees.

5. The collections on Revenue account for the month of April last amounted to Rupees 53,691-13-1, giving an average of about 1,800 Rupees daily. Hence the sum of 14,000 Rupees would represent an accumulation of about eight days' traffic receipts.

6. The Agent, to avoid paying premium on sums drawn from the treasury, frequently pays in lump sums of his traffic receipts by drawing a cheque, but not cashing it.

7. This system should, I think, be put a stop to, as it undoubtedly affords a pretence for the non-payment of traffic receipts at regular intervals, and appears quite opposed to the spirit of paragraph 15 of the contract.

8. From what I gathered at Negapatam, corroborated by the commencement of paragraph 3 of the Agent's letter, the system pursued in sending money to the treasury seems to be, that the Agent arranges the various sums (in cash and by cheque as above explained) to be paid in, and that the money is then handed over by the Cash-keeper *to his Peons* to convey to the treasury, the Cash-keeper himself not apparently accompanying them.

9. The system pursued by the Madras, Railway, on the other hand, is that the Cashier, a gentleman drawing a salary of Rupees 400 per mensem, or his Assistant, invariably accompanies the cash daily in the vehicle in which it is conveyed, attended by two Shroffs inside, and by one Cash Peon and one Guard Peon outside.

10. On inquiry from the Agent of the Great Southern of India Railway, I learnt that the amount of security given by the Cash-keeper is Rupees 5,000, but this is not in cash or Govern-

ment Securities, but on land belonging to the Cash-keeper, the man's monthly pay being Rupees 75 a month.

11. The security given by Mr. Peele, the Cashier of the Madras Railway, and Mr. Bartoli, the Acting Cashier, respectively, is Rupees 10,000 each, the latter's security being in cash, and that of the former being the security of the Guarantee Society.

12. The Agent was anxious to afford the Cash-keeper every facility to obtain the money to replace the loss, and consequently he was permitted to go where he liked, the Police having been requested to keep an eye on him.

13. Mr. Trotman, the Police Officer at Negapatam, informed me that he pointed out to the Agent that the matter being a case of breach of trust, and not theft, the Police had no power to apprehend without warrant, and urged him to obtain a warrant, which might be done without its being publicly known, from the Magistrate, with instructions to serve it only in the event of the man's attempting to escape, so as not to hamper the man in obtaining the money if he could.

14. I also suggested this to the Agent, but he was unwilling to adopt this course, saying that if the fact of his having obtained a warrant against the Cash-keeper should leak out, there would be no chance of recovering the money.

15. The defalcation was discovered on Friday the 19th July, and the Cash-keeper having promised to make good the money by a certain day, which was two or three times postponed, nothing was done while I was at Negapatam, which place I left on Tuesday morning the 23rd July.

16. On Monday evening (the 22nd) Mr. Trotman, the Police Officer, told me that he had been informed that the Cash-keeper had no intention of paying the money, and that he should report the matter officially to the Magistrate, and leave it in his hands, as he considered things should not go on as they were. I heard casually afterwards, when on my way from Trichinopoly here, that the Cash-keeper had been arrested by order of the Magistrate, but I know not whether this is the fact.

17. The Agent himself informed me that the Cash-keeper's Vakeel had recommended him (the Cash-keeper) not to pay anything: but that the Cash-keeper had placed some jewels in his (the Agent's) hands. I do not know to what amount, but not nearly to the amount of the deficient sum.

18. Before concluding, I would beg to urge that the payment of traffic receipts daily into the treasury should be insisted on, the restriction as to the two last days of the month being non-payment days at the treasury being taken off in this case, and, whether the Government concede the privilege of not paying premium on cheques drawn from the treasury or not, that the actual sums required by the Agent for expenditure should be drawn as required from the treasury by cheque in the proper manner, a course by which I think any such wholesale robbery as has now occurred would be prevented.

No. 182. ORDER THEREON, 8th August 1867, No. 2,400.

RAILWAY, No. 8.

1. In this letter, the Consulting Engineer for Railways reports a defalcation to the amount of Rupees 26,061-4-0 in the Office of the Agent of the Great Southern of India Railway Company.

2. From the correspondence before them, the Government learn that the Agent handed over to the Company's Cash-keeper during the month of April last a total sum of Rupees 47,961-9-8, for payment into the treasury on "Revenue" account, but that the Tahsildar acknowledged the receipt of only Rupees 21,900-5-8, and that on the Cash-keeper producing vouchers in support of the full amount, the receipts for the difference between the two sums just mentioned were pronounced to be forgeries by the Head Treasury Gomastah, whose signature they profess to bear.

Proceedings of the Madras Government, Public Works Department,
8th August 1867.

3. Mr. Betts states that the Cash-keeper suspects the fraud to have been committed by his Cash Peons, in collusion with other parties, but that as he, Mr. Betts, could hold the Cash-keeper alone responsible, he had called upon him "to make good the discrepancy," and had since dispensed with his services. The Consulting Engineer is not satisfied that the Agent's demand has been fully complied with, and he has accordingly made a reference upon the subject, the result of which should be reported without delay.

4. On a full consideration of all the circumstances of the case, the Government are convinced that the chief, if not the only, agent in these fraudulent transactions was the Company's Cash-keeper, and they are not disposed to attach weight to the suspicion which has been cast upon the Cash Peons, who, as the Consulting Engineer rightly remarks, merely carried out the instructions of the Cash-keeper, under whose immediate orders they were placed. The arrangements in force on the Great Southern of India Railway, of entrusting cash for payment into the treasury to the sole charge of Peons, and of retaining large portions of the traffic receipts to meet current expenditure, are highly objectionable, as affording immense facilities for the commission of fraud. The Government direct that these practices be at once discontinued, and that the Agent be called upon to take immediate measures for the introduction of the arrangements which prevail on the Madras Railway. All payments into the treasury will henceforward be made by the Cashier in person, and the traffic receipts will be remitted daily, on all days on which the treasury is open.

5. The question of exempting the Company from the payment of the usual premium on sums drawn from provincial treasuries, and the Consulting Engineer's suggestion that arrangements be made by Treasury Officers for receiving the Company's traffic receipts on the last two days of each month and on holidays, will be considered in the Financial Department.

6. The Government notice with dissatisfaction the very great delay which the Agent allowed to occur before making inquiries regarding the despatch of the Accountant General's statement of receipts and payments on Capital and Revenue account for the month of April last, and, adverting to paragraph 5 of Mr. Betts' letter, they request the Consulting Engineer to furnish the Agent with a memorandum of the contents of the packet in which the statement in question was enclosed, and to take measures for ascertaining whether the despatch of that packet is recorded in the books of the Post Office at Madras.

7. Looking to the risk entailed by the acceptance of landed property as security, and to the unsatisfactory and complicated nature of the tenure on which such property is frequently held by the Natives of the country, the Government are not a little surprised to find that security of so unreliable a character from the late Cash-keeper should have been considered sufficient to indemnify the Company against losses. They desire it to be distinctly understood that, for the future, all securities from the Company's employés shall be either in cash or in Government Promissory Notes, to be lodged in the Bank of Madras, or in the local treasury. If in Promissory Notes, they should be blank endorsed, or be made payable to the Company's Agent.

8. In paragraph 3 of his letter, Mr. Betts reports that, in accordance with his instructions, the late Cash-keeper has instituted proceedings against the Cash

Proceedings of the Madras Government, Public Works Department.
8th August 1867.

Peons in the matter of the defalcation under notice. The Consulting Engineer is requested to call upon the Agent to report without delay the issue of the case for the information of Government.

(True Extract.)

Major, R. E.,
Under Secretary to Government.

To the Consulting Engineer for Railways.
,, Financial Department.

Budget and Resour

~~Book~~ Department.

Acct. Genl.'s Press...[1,000—[24,9,67.]

No. 223

Fort Saint George,

Accountant General's Office,

12 October 1867.

From The ACCOUNTANT GENERAL,
TO THE GOVERNMENT OF MADRAS.

To The Chief Secretary to Government,
Fort Saint George.

Sir,

I have the honor to acknowledge the receipt of Government Order No. 2100 Public Works Department dated the 8th. August last, referred for my opinion with your endorsement of the 12th. Idem.

2. The points upon which I am called upon to report are (1) Whether the Great Southern of India Railway Company may be exempted from payment of the usual premium on sums drawn from Provincial Treasuries, and (2) Whether arrangements can be made by Treasury Officers for receiving the Company's traffic receipts on the last two days of each months and on holidays.

3 The question of levying premium on bills granted to the Railway Company on Provincial Treasuries, has before been brought under the consideration of the Madras Government and was disposed of in their Proceedings No. 339 Financial Department dated 15th. June 1867 para 11, it being then held that there were no grounds for exempting the Railway Company from payment of the premium on bills

Revenue & Agl. Dept.

No. 677

Pro. Govt. Order Dated 20 Nov. 1867

Revenue & Agl. Dept.

No. 377

Fit 481

Referred to the Accountant General for information.

Fort St. George
12 Nov. 1867

W. Ellis
Chief Secy.

The Accountant General.

DA & AG. Office
Read 13 8 1867
Answd

Encl. to Govt. Order Dated 20 Nov. 1867
No. 2703

bills drawn on Local Treasuries and that half a rupee per cent was a suitable charge for accomodation in their case.

4 This decision I may also remark is quite in accordance with the practice which obtains in Bengal, where a premium of 8 annas and 1 per cent is levied on all Bills granted to the Railway Company on the Provincial Treasuries. It is however only right to mention that so far as the interests of Government are concerned the privilege of obtaining bills at par on the Negapatam Treasury might be conceded to the Great Southern of India Railway without loss to the State, as there is always a large surplus in the Tanjore Treasury and the money required for Railway purposes consequently can be laid down at Negapatam at a less cost than at Madras.

5 With reference to the second point referred to me for report, I beg to observe that the present arrangement, under which all the Tahaseel Treasuries are prohibited from receiving monies after their monthly accounts are closed, was adopted by the Board of Revenue, in concurrence with this Office, under the Orders of Government, and I should regret to see it disturbed. The punctual despatch of my returns to the Central Office at Calcutta depends entirely upon the promptitude with which the District returns are received in this Office, & it has been only by a very

very strict adherence to the existing rules in reference to the early closing of the Taluq and District accounts that I have hitherto been enabled to render my accounts by the dates prescribed by the Government of India. As regards the proposal that, the collections should be received even on holidays, I am of opinion that, this measure would cause great inconvenience to the Collector and his Establishment, and as similar arrangements have not been found requisite in the case of the Madras Railway Company, I do not see any reason for recommending the proposal.

I have the honor to be
Sir
Your most obedient servant

E. Arbuthnot
Accountant General

Copy forwarded
Camp P.C.

Financial Department.

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PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following ~~letter~~ papers

Proceedings of Govt, Pub. Works Dept — (Recd enter 8 August 1867 No 2,400)
From the Accountant General — (—"— 12 October 1867 No 2281

ORDER THEREON 28 October 1867 No 477.

Under the circumstances stated in the 4 para of the foregoing letter from the Accountant General, the Governor in Council is pleased to direct that the privilege of obtaining Bills at par on the Vizagapatam Treasury, be conceded to the Great Southern of India Railway Company.—

2. For the reasons adduced by Sir Lushington in para 5 of the foregoing letter, the Governor in Council is not prepared to authorize any change in the system pursued at present in respect of payments made

Rec'd 18th Dec.

From
The Accountant General
To
The Chief Secretary to Government
Fort St George

Dated 17th December 1867

No 2283

No 2 Pl.

Report on the subject of Capt Prendergast's letter (Public) No 2 from the Secretary to the Great Southern of India Railway Company on Receiving Money into the Treasuries, and also of Remitting Money into the Treasuries on the Last 2 days of the Month, and Holidays

made by the Railway
Company into the Labour
Treasuries

The Pub. Works Dept
a Accountant General

Fin. B 1867. Department.

No. 477

PROCEEDINGS OF GOVERNMENT.

Dated. 28th October 1867

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