

CONFIDENTIAL.

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Judicial(1895) Department.

ORDINARY *Mis*

G.O., No. 2118

Confidential No 159

DATED 12-10-95

[Despatch Abstract.]

Defalcation of Stamps

Recording Rev. dept. pros. passing orders
on papers relating to the — in the taluk
treasury at Negapatam.

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
	1260		1895				

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

CURRENT No. 4706

7TH SEPTEMBER 1895, No. 620, REVENUE.

CONFIDENTIAL.

GOVERNMENT OF MADRAS.

REVENUE DEPARTMENT.

READ—the following Proceedings of the Board of Revenue (Separate Revenue), dated 14th May 1895, No. 202 :—

Read—the following letter from J. THOMSON, Esq., Acting Collector of Tanjore, to the Secretary to the Commissioner of Salt, Abkari and Separate Revenue, dated Tanjore, 13th November 1894, No. 127-Tour.

I have the honour to submit Mr. Todhunter's report, dated 29th August last, on the stamp frauds recently discovered in the Negapatam Taluk Treasury and my own observations with reference thereto.

The Head Assistant Collector's inquiry was hurried as he was presently to quit his charge and had much current work to carry on simultaneously, but was very minutely and carefully gone about considering the time at his disposal; when the record was received by me it appeared necessary to make further investigation on points connected with the conduct and responsibility of all the officers concerned, and that has opened side inquiries into property and into minor matters which the whole showed desirable. When the report was ready the shroff's arrest was reported and has occasioned further delay. I need not add that my own office affords little time for extra work of this sort.

2. It will facilitate comprehension if I set out by detailing the manner in which the frauds came to light. On 14th July 1894, on a necessity for finding stamps within the district arising in the Huzur Treasury, the Deputy Collector, on an inspection of the monthly stock accounts submitted from the taluks to the treasury, called on the Tahsildar of Negapatam to send up 1,000 one-rupee and 10 twenty-five rupees non-judicial stamps. The taluk returns had shown the balance on the 1st July as 5,133 one-rupee stamps and 38 twenty-five rupee stamps. The Tahsildar answered this requisition on the 16th by supplying the 10 twenty-five rupee stamps, but only 300 one-rupee stamps, intimating that there were only 415 one-rupee stamps in stock. On 20th July the Deputy Collector, apparently not having the information in mind, again called on the Tahsildar to despatch a thousand one-rupee stamps to the Tahsildar of Kumbakonam and to intimate having done so; the Tahsildar answered on the 23rd—received on 26th—that he had only 53 in stock which were required for his own taluk. Then, on 27th July, the Deputy Collector required the Tahsildar to report by return of post the number of one-rupee stamps sold up to date during the month, "the balance of the same on the 1st instant being 5,133 as shown in his stamp account for June 1894." This was not replied to and a reminder issued on the 2nd August, the Tahsildar being directed to examine and report. It is to be noted here that along with the call of the 27th July four other references issued from the Treasury Deputy Collector to the Tahsildar, all of which were received by the Tahsildar, but he has now no recollection of having received the one under consideration, or professes to have none. The reminder of the 2nd August was received or opened by the Tahsildar on 4th August in the afternoon by his own statement, and he began to make inquiries in the Taluk office at about 5 o'clock in the evening. He found the stock in hand corresponded with the entries in the daily chitta, and on appealing to the Head Shroff, Raja Chinnaasami Chetti, was informed by him that there had been a variation between the monthly and daily stamp accounts existing since before he became shroff (March 1886). This variation was observed so far as examination

The transactions* in cash and stamps of September 1891, covering the two dates of embezzlements in that month, will show the shroff's method. The state of things on 31st March 1889, and at the end of July 1894, appears below:—

* Enclosed.

Stamp accounts on 31st March 1889.

	As per daily chittas.		As per monthly accounts.		Deviation of monthly from daily amount and therefore misappropriated.	
	No.	Value.	No.	Value.	No.	Value.
Court-fee stamp papers	463	Rs. 39,115 0 0	537	Rs. 40,240 0 0	74	Rs. 1,125 0 0
Do. labels	17,844	13,930 0 0	20,862	16,323 12 0	3,018	2,393 12 0
Non-judicial stamp papers	6,556	19,206 14 0	7,298	20,509 14 0	742	1,303 0 0
Total	..	..	..	..	..	4,821 12 0

Stamp accounts on 31st July 1894.

Description of stamps.	As per daily chittas.		As per monthly accounts.		Deviation of monthly from daily account and therefore misappropriated.		Add defalcation on 1st August.	Total.
	No.	Value.	No.	Value.	No.	Value.		
Court-fee stamp papers.	341	Rs. 35,750 0 0	737	Rs. 43,250 0 0	396	Rs. 7,500 0 0	..	Rs. 7,500 0 0
Court-fee labels.	28,681	11,965 10 0	54,110	23,896 6 0	25,429	11,930 12 0	..	11,930 12 0
Non-judicial stamp papers.	6,772	16,008 14 0	16,258	25,729 14 0	9,486	9,721 0 0	92 8 0	9,813 8 0
Revenue adhesive stamps	10,240	640 0 0	12,208	763 0 0	1,968	123 0 0	5 0 0	128 0 0
Total	..	..	..	..	..	29,274 12 0	97 8 0	29,372 4 0

7. When misconduct was established, it naturally occurred that the Huzur office and the stamp vendors fell under suspicion. Amirtham Pillai is the clerk keeping the Huzur stamp account and was originally Negapatam Taluk Shroff and, later, Nagadi gumastah. But there is nothing in the Huzur conduct of stamp transactions with this Taluk to definitely fix suspicion, and the shroff's tactics distinctly negative the supposition of complicity. The Huzur failure lay in not checking indents at all, but in blind compliance with them, and, by failure to minimize the stock, in enabling the shroff to pursue his method of issuing and not accounting for issues. The Taluk indents were not framed, according to rule, with reference to sales; but it might reasonably have been expected that before compliance the stock last returned would have been considered. There could be no reason, for instance, for over 5,000 one-rupee stamps being in stock and more wanted. The Treasury Deputy Collector's memorandum, dated 27th July, which called for explanation, has disappeared, but I believe its disappearance was in the Taluk. As to failure to more promptly and sharply call the Taluk to account for non-compliance with the demand on it of the 14th the explanation is offered that the call of the 20th issued in ignorance by the clerk of the Tahsildar's reply of the 16th. The clerk's statement does not read very convincingly, but may be true. At any rate, except this delay and the non-control of stock, I find nothing to raise suspicion against the Huzur officials.

The Huzur has only the same excuse of want of suspicion and amount of work as the Taluk puts forward and just as little room for the excuse.

8. As regards the Taluk vendors, it is found that the entries in their books conform to the entries of issues to them in the Taluk daily chittas. The cases

mentioned by Mr. Todhunter in paragraph 10 of his letter may be regarded as explainable by these vendors having private transactions with the shroff which they thought it well to conceal to save possible trouble to themselves since he was in trouble. Their stamp accounts were, I understand, correct so far as available, and there was no reason to think they were keeping any back. The shroff was lending money and trading in gems as I understand; and as he was getting his stamp accounts written outside the office they may have had remnants of that work as well as of private transactions. The issues of stamps to vendors in excess of the chellans which are now forthcoming are due probably to more chellans than one being put in at a time. All chellans are not forthcoming in the Taluk. In respect of the first three-named vendors, I consider their licenses should be withdrawn on the ground of suspicious conduct and have called for their explanation.

The stamp papers found in the shroff's house after his flight were 26 of the aggregate value of Rs. 11-10-0, and all but two not endorsed. He used stamps no doubt for trade purposes; whether these were honestly or dishonestly obtained it is impossible to say. Rangasami Aiyangar, a private writer of the shroff, and occasionally acting as a vendor, has put in a claim for those stamps saying he had left them with him for custody. There is no reason to think they have been taken out of Government-keeping and not paid for.

9. The shroff, it has been stated, disappeared on the night of 4th August, and all trace of him had been lost, when on 22nd October, on an arrangement between the Kumbakonam Stationary Sub-Magistrate Vembu Pillai and the Kumbakonam Postmaster, a letter of his to his son's father-in-law in that town from Secunderabad was intercepted and seized on my warrant. It gave an address under a false name; the Police Superintendent sent a party and he was cleverly captured on the 26th, brought here and examined by me on the 30th idem.

He admits he was in sole charge of the stamp accounts, but only until a year before Tahsildar Jagannatha Chettiyar left the taluk, i.e., till some time in 1892 and thereafter had no concern with them—as appears below he controlled them all the same;—the monthly accounts agreed with the daily so long as he wrote them; he never handled the stamps by himself, and he kept his separate stock and had it replenished twice a week. He does not know how the stamps have disappeared; he wrote as he expended and got the signature of the Head Accountant to his accounts; and he went away in fear because the Head Accountant said that the deficit would come upon his head.

The man means to be a scoundrel to the end. From the police information to me he seems to have told the people in Secunderabad that he had lost stamps by white-ants, but he said to the Inspector that he had no ally in his frauds. From information that need not be set out now it would appear that he carried off something under Rs. 2,000 in value with him and that his eldest son and that son's father-in-law have concealed or appropriated the bulk of what he left behind, given as Rs. 4,000 or 8,000 in value. We have endeavoured to find or follow that up but so far ineffectually.

10. Turning to the other officers concerned inside the Taluk cutcherry and their individual responsibility for what has occurred, the difficulty is to know what to say for them. One—Tahsildar Mir Abbas Ali—protests that he did his duty of control and of check in a manner I am sure undertaken by no Tahsildar and that cannot be proved or disproved by reason of the stamp chittas of his time having been destroyed; another's—Head Accountant Saiyid Abd-ul Aziz Sahib's—claim to the same effect when he began to be interrogated disappeared under a manifest total defalcation of Rs. 4,255-12-0 in his time and the fact that Rs. 2,120 worth of indents and chellans going to make up the sum had come before his own eyes but yet failed to find a place in the cash chitta; the others to a man admit their folly and ill-luck in putting trust in a thief or following a mamul which they found established, and mostly urge that they did what they could of their duty and could not do more by reason of much or of other work.

11. The deputy shroffs and Nagadi gumastahs* of the time may be put on

- * (1) Dakshanamurthi Chetti.
- (2) N. Saminada Aiyar.
- (3) D. Sundaranatha Pillai.
- (4) M. Rajagopal Pillai.
- (5) N. Krishnasami Chetti.
- (6) G. Madava Rao.
- (7) Ponnalagan Chetti.
- (8) S. Krishna Rao.

one side. None of them had anything to do with the writing of the stamp accounts except the fourth as Nagadi gumastah who says he posted to the shroff's dictation and never compared, though he initialled to, about Rs. 4,000 of losses; the seventh, who has been too ill to be examined; and the last—as a Deputy Shroff for about a month—in which period two items of defalcation making Rs. 44½ occurred, and who supposes that he also wrote the items to the dictation of the shroff. These three and perhaps the first, a Deputy Shroff, whose professed ignorance and non-observation are extraordinary, are not men whose services are worth retaining if better can be had. The importation of other writers than the shroff himself seems to have been by Tahsildar Jagannatha Chettiyar in October 1892; the pity is that it was not more useful.

12. Two persons—Subbier, karnam of Aivanallur, and a certain Rangasami Aiyangar, who has just returned from pilgrimage,—are the only other persons who are understood to have assisted the shroff in writing the accounts. Subbier says he was required to write fair copies of the monthly accounts by the Sheristadar Abd-ul Aziz on the occasions he came to the Taluk and that the rough copy was in the shroff's handwriting. Rangasami Aiyangar, according to his own account, was a paid assistant of the shroff and prepared the monthly accounts and wrote to his dictation, but is ignorant of the misconduct. In the office copies of the monthly accounts the essential figures of the month's issues are in the shroff's handwriting so it is possible that he kept these men ignorant of the real state of things.

13. I show in one sheet the men filling the offices of Sheristadar (Head Accountant) and of Tahsildars and the amounts lost in their times.

As for the Sheristadars (Head Accountants):—

(1) C. Srinivasa Rao, now Deputy Tahsildar of Kumbakonam taluk, cannot probably be answerable for any heavy loss as he was in office for only a month after the payments of money into the Bank directly ceased (on 1st September 1886) and depredations would probably not have begun before then.

(2) K. Sethu Sastri, Head Accountant of Mayavaram taluk, is perhaps the one that by his carelessness started the shroff on his career. I believe nothing of his statement that lays claim to having fulfilled his office, and, indeed, he admits his own uselessness and seems to be the introducer of the note of the sums passed into and out of the Treasury which at the end of the day was made to serve for proper check of the cash book.

(3) Saiyid Abd-ul Aziz Sahib, now Head Accountant of Shiyali taluk, came before me to depose to an ideal accounting which the record, unfortunately for him, forthwith belied and had eventually to take refuge in the much work of sorts which he had to do. His service has cost Rs. 4,255-12-0 during sixteen months in 1889 and 1890, and probably the largest portion of the 4,097-8-0 of the period anterior to 1889. He is a stupid and I think on the whole honest Muhammadan unequal to knavery of this sort; and no one was more astonished than himself when confronted with proofs of his incompetence.

(4) M. Jayaraya Pillai (retired as a Revenue Inspector) has, he says, a bad memory, and by his own account, which need not be disbelieved, did not alter any malpractices during the two months he served. The extent of his misdoing is not ascertainable as it fell within 1888, but he and Abd-ul Aziz between them managed apparently to fritter away Rs. 568 odd between 19th September, the date of the Treasury Deputy Collector's inspection, and the end of the year.

(5) S. Kamakshi Aiyar (retired as Taluk Sheristadar of Negapatam) is dead. In his eleven months' service in 1890-91 Rs. 3,174-8-0 were lost.

(6) D. Venkatachella Aiyar, now Revenue Inspector of Pattukkottai taluk, is a fairly sensible but not very bright Revenue Inspector of good repute. He applied

no more effective check than the others and Rs. 2,188-12-0 disappeared in the seven months of his time in 1891.

(7) Sundram Aiyar, now Deputy Tahsildar of Kudavasal, took charge about two months after the Treasury Deputy Collector had made his examination of 1891 and “followed the procedure that was in vogue as to the checking of the accounts.” He pleads the impossibility of fully checking the monthly accounts with the cash and stamp chittas, forgetting that the initial fault was not there, and enlarges on the amount of work other than Head Accountant's which he had to do.

The man bears a high character for ability and good honest service and is the only one of the rank whose misfortune one can be fittingly sorry for. The loss in his time is Rs. 3,531-10-0.

(8) T. S. Dorasami Aiyar, at present a Clerk in the Head Assistant's office, conducted matters like the others; says he checked the actual balance and sometimes totals against values; had no time to check the monthly accounts, and suffered from jamabandi, collection time and fever with a general pressure of work.

The man is sickly with a reputation now at least for carelessness. Rupees 3,893-4-0 went in his seven months' tenure in 1892-93.

(9) Vaithi Aiyar is permanent Head Accountant since 21st April 1893; professes ignorance of and newness to the work though he has passed the Deputy Collectors' test; and ascribes non-detection of the fraud to the shroff having full charge, had no time to check the monthly accounts and signed believing them correct.

He is the type of a man that drifts into a Taluk Head Accountantship and remains there, and the shroff gauged his capacity by taking Rs. 7,972-4-0 in his fifteen months.

(10) Thiagaraja Aiyar, Taluk Head Gumastah, held *ad interim* charge for short periods—ten weeks in all—extending over four years and Rs. 354-8-0 of defalcation. He says he had no power to alter the system he found and had to attend to his own proper work during the time. He signed the monthly returns of three months and a half-yearly certificate and made no check of them as he had no time.

(11) Gopalakrishna Raja, who was a Head Gumastah, is dead. On 8th August 1889 Rs. 6 was lost while he was in charge.

14. As for the Tahsildars:—

(1) Mir Abbas Ali Sahib, Tahsildar of Nannilam, held office in 1886 and 1887 for over five months. It is not possible now to say if anything went amiss in his time, but it is hardly likely that the defalcation had not begun before the end of 1887, when on 19th September 1888 it is found to have reached Rs. 3,528-12-0.

(2) K. Jagannatha Chettiyar, Tahsildar of Kumbakonam, was Tahsildar of Negapatam for eight months in 1887 and for 1888, 1889, 1890, nine months of 1891, 1892, and four months of 1893, in which periods the losses are clearly Rs. 16,152-2-0 and probably the major portion of Rs. 4,097-8-0 is to be added. Rs. 6,808-4-0 of the first stated sum was taken while he was on circuit.

His recollection is that two stocks of stamps were maintained; there is no indication of this; and he probably misapprehended the fact that two boxes were in use. He checked the stamp balance once a month and did not see the daily account save in the absence of the Sheristadar; and he checked by the last entries simply. Having made his monthly examination he assumed the monthly accounts would be correctly representative of them. He expected the Sheristadar would have done his duty, and believes that in every Taluk things go on in the same way.

The man is as careful and methodical a Tahsildar as is in Government service and has no superior for an honest name; no one less deserved that a misfortune like this should come upon him towards the end of an honourable record.

(3) C. K. Srinivasa Aiyangar, Tahsildar of Tirutturaippundi, held charge for two and a half months in 1891; took no concern with stamps except to check the balances and on that and on the assumption that the Head Accountant had compared them, signed the monthly accounts. He knew the shroff was keeping the stamp accounts, but did not know that the rules as to dealing with stamps were being

violated and "could not be expected" with the heavy work there was to apply such checks as would have disclosed what was wrong.

The amount lost in his time is Rs. 895, of which Rs. 397-8-0 occurred when he was in camp. His Head Accountant was Venkatachella Aiyar, a novice who should not have been left to himself.

(4) Kolandaisami Pillai, Tahsildar of Mayavaram, held charge for over seven months in 1893 and 1894 and was in charge at the time of discovery. In these seven months Rs. 3,665-6-0 was lost—Rs. 2,119-8-0 while he was in camp; and Vaithi Aiyar was Head Accountant while the Rs. 3,665-6-0 disappeared.

He also by his own account took no oversight of the Head Accountant or his work; he knew the shroff was doing the account work and let him as the office was short-handed and the practice had descended; similarly the single stock had persisted and, moreover, was due to an order of the Treasury Deputy Collector (to be afterwards referred to). He was never called on to sign and never saw the monthly accounts, nor did he refuse to sign them. (It was so asserted by Vaithi Aiyar.)

His conduct comes further into question with regard to the discovery and the shroff's flight.

(5) P. Theenathayalu Nayudu, permanent Tahsildar of the Taluk and at present Acting Deputy Collector, held office for seven and a half months in 1893 and 1894, and Rs. 4,010 was lost with Vaithi Aiyar as Accountant, Rs. 1,515 of it while the Tahsildar was in camp.

His concern with the stamp business also was simply in making the periodical examination of stock; as to the single stock he considered the plan of a double one impracticable in view of the Treasury Deputy Collector's order; and the practice of leaving stamp accounts to the shroff was common to other Taluks. Admitting his general duty of control he claims that his out-door and his general office duty did not permit any detailed check of the Head Accountant's work and methods. He did not check the stamp accounts further than seeing if the balance on examination was correct.

He is a sensible man not at all wanting in the idea of responsibility, and I was not prepared to find he had left the Treasury Department so much to itself, not being burdened with magisterial work.

(6) Kamakshi Aiyar, Sheristadar, in charge (dead) Rs. 126;

(7) Venkatachella Aiyar, Sheristadar in charge, Rs. 137-8-0;

(8) S. Daniel Pillai, Deputy Tahsildar in charge, Rs. 162-8-0;

(9) S. Krishna Rao, Stationary Sub-Magistrate, Rs. 228-2-0;

are men whose separate responsibility for those sums as in charge of Tahsildar's work is known by the accounts.

(10) Sami Rao, dead;

(11) R. C. Narainsami Nayudu, Tahsildar, retired;

(12) I. Anantharama Aiyar, Deputy Tahsildar in charge;

were in charge prior to 1889 and the amounts in the case of each are unknown.

No. (8), Daniel Pillai, says he had enough to do during the seven days he held charge to prevent him looking after the treasury though he examined stock on taking charge; and No. (9), Krishna Rao, was in a similar predicament.

15. No Head Accountant and no Tahsildar can be said to be freer from blame than his fellow. It was the shroff's plan to keep the stamp work within himself and no one questioned his proceedings or his honest dealing. Among the Sheristadars or Head Accountants, perhaps Sundaram Aiyar was the only one whose intelligence might have led him to do so; but each blindly followed the custom of the office and, far from applying the direct check of cash book and chellans (which would not have helped them) much less the cross check of stamp chitta and cash book, contented himself with noting the number and amount of the voucher that came before him, summing the amounts at the end of the day, and finding if they agreed with the totals of the cash chitta entries and the shroff's declared drawings and disbursements. The allowing stamp vendors to approach the shroff direct instead of through the head of the department is what goes on in every office not under smart control; but to hand over the keys to the shroff and let him deal

with stamps at his will continually, and, of course, was a trust or a sloth that grown men could hardly be supposed capable of exhibiting.

As for the Tahsildars they are all capable men; still none of them gave attention or thought as to how the stamp work was being done: they checked the stock on taking charge and at the end of the month and there their work ended.

Monthly returns and half-yearly certificates became a matter of form; the Head Accountant signed them because he had to, and he evidently allowed the preparation of the former to lag so that there was no time to check; the Tahsildar was generally not troubled to sign, or was disinclined or even refused to do so. As for the half-yearly certificate, any sum might have been written on it so far as the signer was concerned.

The only legitimate excuse that can be put forward is excess of work. That might be pleaded with some reason before the institution of Stationary Magistrates, but even then only for occasional lapses from correctness: it made no difference, however, in Negapatam that both the Head Accountant and the Tahsildar ceased to be burdened with magisterial work. Whether the Tahsildar was on tour or at headquarters also made no difference.

16. But Tahsildar Kolandasami Pillai has more to answer for than the others, and, in the opinion of his comrades in misfortune, is equally culpable with the shroff, in that he let the latter escape on the night of the 4th, by prevention of which it is supposed much of the stolen property might have been recovered. The Tahsildar, even if it is assumed that he was not so quick-witted as he might have been on the head of the correspondence between himself and the Huzur, could not fail to perceive that there must be something very wrong when he began to inquire on the Saturday evening; and, knowing how entirely stamp matters were in the shroff's hands, was bound to suspect him. There is evidence that he did suspect him: yet he not only let him go home, but put up quietly with his absence through the Sunday and Monday and did nothing beyond mention the fact to Mr. Todhunter in the written communication which reached him at Vallam on the Monday evening. Accordingly there has been much rumour and some anonymous writing that the Tahsildar connived at the shroff's escape, being paid by him to that end. There is no proof that he has done so: suspicion rests entirely on his own failure to rise to the requirements of the moment. He is by no means wanting in intelligence, and, granting that the matter of the stamps was then incomprehensible, it was clearly his duty to have put the shroff under restraint.

17. The Treasury Deputy Collector, Mr. C. Vengu Pillai, inspected the Taluk Treasury on 19th September 1888 and 25th September 1891. On the former date the stamp balance then recorded varied by Rs. 3,528-12-0 from what it should have been on the monthly account submitted for August *minus* sales from 1st to 19th September—there were no receipts—but he "found correct." Even at that time he had to give directions as to the bulk and a current supply, and as to totalling the day's transactions, when there was more than one sale before striking the balance. On 25th September 1891 the variation amounted to Rs. 13,078-12-0. Question 28 of the memo of questions then used for examination runs:—"Is the store account of stamps kept regularly up to date and does it correspond with the monthly accounts sent to the Huzur?" and he answers "yes." He found the rule as to the bulk of the stamps being under double-lock still disregarded.

The record of the earlier examination was only recently discovered. I addressed Mr. Vengu Pillai through his Collector on the matter of his second examination. He affirms that his practice was to take at random the office copies of one or two months' accounts sent to the Huzur in the year of examination and compare the balance and other particulars in the Taluk chitta with those shown in the office copies, and he did so on this occasion, but cannot now say what monthly accounts were put into his hands. The mistake which he admits was in failing to take with him for examination the accounts actually received in the Huzur. All the office copies of the monthly accounts for 1891, as now found, correspond with the fair copies sent to the Huzur with the exception of the one of December. He may have been hoodwinked with false accounts or done his

checking in an improper way, but it can hardly have been that the Taluk Head Accountant had signed double office copies. The attachment of forged initials was, however, not a thing that the shroff was likely to boggle at; and it was most unfortunately not in the Deputy Collector's power to fulfil the requirements of the question.

18. A matter originating with this officer which some Tahsildars found on as their reason for not keeping the bulk of the stamps distinct from current requirements was his orders dated 2nd April 1891 and 26th October 1891 (enclosed) that two sets of accounts should not be maintained; what it was he objected to is not very clear: but it is obvious enough that the particulars of and issues from the main stock box could without difficulty appear in the daily chitta account No. 1 and that any separate chitta for the main stock was unnecessary. There was no objection to a memo of contents being kept inside that box as is done with respect to every receptacle in every Huzur Treasury: such memo is not the store account.

19. As regards the half-yearly inspection by the Divisional officer, I must refer the Board to para. 19 of Mr. Todhunter's letter and say that he probably did more than most Divisional officers do on such occasions. With respect to the monthly accounts it is possible that his clerk was deceived in the same way as the Treasury Deputy Collector may have been deceived: in any case the actual Huzur accounts are never with a Divisional officer at inspection; it was not likely that one's discrepant with the Taluk chitta would have been tendered for direct examination; and the examination of stamps and calculation of their values is not a matter of brief time.

20. I do not consider that full responsibility and answerableness for the loss that has arisen to Government should travel outside the circle of the Taluk staff within which it was bred. The trained and appointed inspecting officer had a large responsibility and two opportunities which were not utilized. If the Head Accountant had even on occasion discharged his office the fraud could not have had any continuance; with any proper arrangement of work and occasional inspection by the Taluk head the misconduct of his subordinates would have been apparent, and the Treasury Deputy Collector, if with his office monthly accounts in hand, could have discovered the wrong-doing six years ago. A Divisional officer cannot be supposed to apply detailed or minute checks for which he has neither time nor training; and, though it is not well to make excuses for shortcomings in this country, where leniency always tends to abuse, it is necessary that what is practically impossible should not be demanded nor the area of responsibility so stretched as to weaken the direct sense of it. There is a distinct tendency to this in accounts.

21. Passing to consideration of recovery of what has been lost and the penalties to be exacted or imposed, the magnitude of the first and the number to be involved in the second are appalling.

The property—jewelry and household goods—attached in the shroff's house or on his people has been sold under Regulation IX of 1822 and fetched Rs. 1,554-3-3. When arrested money and property worth in all about Rs. 860 was found with him. His security of Rs. 700 is available. Since his return there is a tendency to believe that he squandered a good deal of what he stole. His mode of living was unquestionably far beyond his pay. His children's playthings were of silver; he had eighty-one tweed coats for himself; the marriage of his two sons is said by his wife to have cost Rs. 6,000: and she also says that Balakrishna Chetti has possession of 7,000 or 8,000 rupees worth of the property left behind him on his flight. This man has been called on, with others, to deliver what he has of the shroff's, but he is keeping out of the way and recovery from him does not promise well.

The Sessions Court ought to have little difficulty in dealing with him at next sessions.

After him the Head Accountants are clearly liable. Their separate shares in the Rs. 4,097-8-0, prior to 1889, are not ascertainable and can now be approximately settled only on the basis of their periods of office if exaction is to be made. I have issued demands under section 4 of Act XII of 1850 to the persons who filled

the offices of Head Accountant and of Tahsildar considering the one and the other to come under the definition of a public accountant though neither gives security.

Most have replied—

- (1) Srinivasa Rao protests he is due nothing;
- (2) Sethu Sastri is willing to pay his share;
- (3) Abd-ul Aziz Sahib proposes a levy on the Treasury Deputy Collector, Tahsildar, and himself whereunder he would pay Rs. 300;
- (4) Jayaraya Pillai has not been called on to account. His pension is available and he is not a pauper;
- (5) Venkatachella Aiyar says he is too poor to pay what is demanded;
- (6) Sundram Aiyar is prepared to pay his share, but "Rs. 3,000 is too large a demand for him to meet;"
- (7) Duraisami Aiyar is also "too poor to pay" though he is willing to obey orders;
- (8) Vaithi Aiyar protests that he should not pay more than what he has drawn as salary in the fifteen months' time;
- (9) Thiagaraja Aiyar will obey orders, but is poor and not equitably responsible.

Property has been attached to the following amounts:—

Saiyid Abd-ul Aziz, Rs. 5,941-13-0; Venkatachella Aiyar, Rs. 350, his share of immovable property in North Arcot if the Collector of that district has acted on my requisition;

Sundram Aiyar, Rs. 3,672-10-0; Duraisami Aiyar, Rs. 718-12-0; Vaithi Aiyar has paid by his undivided brother Rs. 7,972-4-0 on the demand issued and has served me with a notice under section 424, Civil Procedure Code, that he is not liable under Act XII of 1850 and will sue for recovery. If he does so and does not wait for orders on the matter it will be necessary to dismiss him, as in any case is his due.

As for Tahsildars—

- (1) Mir Abbas Ali protests non-liability and demands information of particulars which he knows I cannot give.
- (2) Jagannatha Chetti answers that he will obey orders as to amount apportioned to him; "to be recovered from his salary, leaving him sufficient for his expenses."
- (3) Srinivasa Aiyangar will abide by orders, but considers that Tahsildars are not subject to the Act.
- (4) Kolandasami Pillai will pay any apportionment made to him of the sum in which he is concerned.
- (5) Theenathayalu Nayudu answers similarly, but claims that he should not be held answerable for sums embezzled in his absence and that he is only jointly responsible for the remainder.
- (6) Anantarama Aiyar will pay what sum reasonably falls to his share, but considers he is due nothing.
- (7) Daniel Pillai protests he is not liable to pay but will abide orders.
- (8) Krishna Rao considers that not he but the shroff is liable.

22. A large proportion of the money lost can be recovered in this way, but as the principles on which recovery should proceed and the particular individuals to be made subject to contribution must first be settled authoritatively and I need not waste time now in elaborating any proposal. In my view the Head Accountants ought to meet this deficit in the first instance and the Tahsildars if the Head Accountants cannot; but the practical result of this is unsatisfactory, e.g., Vaithi Aiyar's payment would absolve Tahsildar Kolandasami Pillai and Theenathayalu Nayudu and the former at least richly deserves to be made to pay every pie lost in his time as well as the Rs. 500 reward for the shroff's apprehension. Venkatachella Aiyar, Sundram Aiyar and Duraisami Aiyar would have to be stripped bare and Abd-ul Aziz, nearly, if not entirely, so and still would leave Tahsildar Jagannatha Chetti with more to pay than I think his life deserves. Knowing the men personally I can ask for mercy being shown to Jagannatha Chetti and to Sundram Aiyar because outside this particular matter they are good servants of Government and will be ruined, and perhaps to Saiyid Abd-ul Aziz,

because he will be nearly ruined and is a fool; but considerations of this sort are a breach of the natural law that each suffer what he has brought on himself. Further facts, such as absence in camp, temporary charge along with one's own proper work, extra or heavy work at the particular time, might well modify a hard and fast rule of simply being in office, and will, if allowed, cause considerable difficulty in arriving at an individual liability to refund. The men who have held the Tahsildar's charge might contrive to pay except Jagannatha Chetti. He says if it were a matter of a thousand rupees he might manage it but being what it is he is powerless.

23. The existing rules, if obeyed with such method and order in and for work as any business-minded Head Accountant would have seen to, would have obviated what has occurred. It seems ridiculous to lay down more directions when what already exist are suitable and can be so disregarded. The Head Assistant Collector, in paragraph 13 of his letter, has specified the items of neglect in detail. They are all infractions of rule or breaches of what ordinary common sense and honest discharge of duty would dictate. In a poorly officered or hard-worked catcherry the allocation of work is not an easy matter, but it is not a shroff's duty to keep the stamp accounts, and if he did that as well as made the disbursements, there was obvious reason for full check of his work.

It may now be deemed necessary to order—

(1) That a shroff shall not keep any accounts save those prescribed for his office of shroff.

(2) That stamp vendors' chellans shall be in printed form only and in duplicate and with the indents endorsed.

(3) That the Tahsildar should sign the monthly accounts always if in head-quarters, and at least once in two months, and certify the checks he has applied to them.

(4) That the Tahsildar only should sign the half-yearly certificates and state that he has done so after thorough check of the accounts on which they are based.

(5) That an inspecting officer, who is not the Treasury Deputy Collector, shall compare the stamp daily chitta balances for the last day of the previous month with the corresponding entries of the monthly account and record them in his inspection note with a statement of agreement or discrepancy, and further fully check transactions of the month with the cash chitta up to date of inspection; and shall report on both points to the Huzur Treasury along with the statement of balance found at date. The Huzur Treasury shall thereon check and record and report result to the inspecting officer.

(6) Taluk stamp indents on the Huzur shall be in duplicate and be regularly filed in both offices with certificates of supply and receipt as occurs between the Superintendent of Stamps and the Treasury Deputy Collector.

24. I may add that each Tahsildar was in August ordered to audit his stamp accounts carefully for five years past and that four Tahsildars have done so and reported them correct. The Deputy Collector has inspected six Taluks and one Sub-Treasury since then and found matters correct and has issued orders intended to secure proper Taluk framing and Huzur checking of stamp indents.

The structural alterations of the Taluk catcherry which Mr. Todhunter proposes for better control of the staff and of work require further consideration by myself and the Engineer. I need remark here only that the faults of the building form no explanation or excuse for the misconduct of its occupants.

25. I am under the necessity of detaining here all original records likely to be required for the trial of the shroff; hence the submission of copies where originals would be looked for. The whole record of inquiry which will not be necessary here is now submitted as per list.

Resolution—dated 14th May 1895, No. 202.

In continuation of its Proceedings, dated 19th August 1894, No. 3563 (Separate Revenue), the Board begs to submit, for the information and orders of

Government, the further report received from the Collector of Tanjore on the subject of the stamp defalcations in the Negapatam Taluk Treasury.

2. The history of the case and the circumstances under which the Head Shroff, Raja Chinnasami Chetti, was able to misappropriate a sum of Rs. 29,372-4-0 are fully set forth in the first part of the Collector's report. It is not possible to say when the system of fraud now brought to light was commenced, as the stamp accounts have, under the rules, been destroyed up to the end of 1888. Prior to the 1st September 1886, however, cash payments at Negapatam were invariably made into the Bank direct, so that there could have been no opportunity for fraud up to that date. Immediately afterwards, the shroff, who seems to have been forthwith entrusted with the entire control of the stamps in the treasury, began to tamper with the accounts; there is evidence that up to the 1st January 1889, after which detailed audit becomes possible, stamps to the value of Rs. 4,097-8-0 had been misappropriated. An examination of the defalcations amounted to Rs. 25,376-10-0, up to 31st July 1894 shows that the defalcations amounted to Rs. 25,376-10-0, making a total of Rs. 29,474-2-0. The Huzur Treasury accounts, however, show the deficit to be, as stated above, Rs. 29,372-4-0, the difference being probably due to the fact that, as stated by the Collector in paragraph 3 of his report, the stamp vendors occasionally paid money direct into the Bank on the last two days of the month when the Taluk Treasury was closed. The discrepancy is not, however, clearly explained in the Collector's report.

3. The rules for the custody and sale of stamps and for maintaining accounts relative thereto are contained in the Stamp Manual and in Chapter II of the Standing Orders of this Board. It is apparent from the inquiries instituted into the circumstances of this case that the defalcations now under report became possible not through any deficiencies in these rules, but through the total neglect of the taluk officials to comply with them. In the first place the bulk of the stamps should have been kept under the joint lock and key of the Tahsildar and Taluk Head Accountant, stamps sufficient for a week's supply only being left in charge of the Taluk Head Accountant under subsidiary rule 7 of G.O., dated 11th February 1888, No. 137. This rule was never brought into force, the whole of the stamps being kept under the key of the Taluk Head Accountant. The stamps were, however, kept in two boxes—a proceeding which seems to have caused some of the inspecting officers to believe that the rule was being complied with—vide paragraph 19 of Mr. Todhunter's report dated 29th August 1894 submitted with the Collector's letter. The Treasury Deputy Collector who inspected the Negapatam Treasury on the 19th September 1888 and again on 25th September 1891 noticed that the rule was not obeyed and directed the Taluk office to comply with it which, however, they did not do. The Treasury Deputy Collector also ordered in his memos dated 2nd April 1891 and 26th October 1891 that two sets of accounts should not be maintained and some of the Tahsildars appear to have understood this to mean that the division of the stamps into two portions need not be enforced. The result of this confusion was that the whole of the stamps were practically entrusted to the custody of the shroff.

4. The principal stamp accounts maintained in taluk offices are the following:—

(1) The daily or stock chitta.

(2) The daily cash chitta.

(3) The abstract of receipts and sales of stamps sent every month to the Treasury Deputy Collector.

(4) Indent for stamps required by the officer in charge of the Taluk Treasury.

In addition to these the officer in charge of the treasury has to submit a half-yearly certificate to the Treasury Deputy Collector (paragraph 30 of Standing Order No. 44) to the effect that he has personally examined and counted or had counted in his presence the stamps of all denominations in store and found the value of each to agree with the balances shown in the last preceding monthly abstract. In the present case it appears that all these accounts and statements except No. (2) were actually written by the Head Shroff or at his dictation. No. (2)—the general daily cash book of the treasury—should have been written up from the chellans

which accompany all remittances into the treasury and which should (after check by the Head Shroff) have been presented to the Taluk Head Accountant and by him transmitted to the clerk in charge of the cash book. The latter officer should have received the money and passed the chellan on to the Head Shroff whose duty was to comply with the purchaser's indent. So long as the money was paid and entered in the cash chitta before the issue of the stamps there was no possibility of fraud; but the procedure in the Negapatam Treasury was for the Head Shroff to receive the chellans together with the money, issue the stamps and then send the chellans to the clerk in charge of the cash chitta for entry. By sending only some of the chellans and keeping back the rest, the sales referred to in those kept back found no place in the cash book and the shroff was enabled to misappropriate the money received on their account. He then manipulated the other accounts so as to prevent the omissions in the cash book from being discovered. No. (1) account—the stock account of stamps—was maintained correctly so that the balances shown therein agreed with the stamps in store whenever the latter were counted. No. (3) account—the abstract of receipts and sales of stamps sent every month to the Treasury Deputy Collector—was drawn out so as to agree with the figures in the daily cash chitta (No. 2) and not with the entries in the stock account of stamps. In some cases, it appears that the totals of values of the stamps entered in No. (1) account were incorrectly entered at the end of the month so as to agree with the values shown in No. (3)—this no doubt was done whenever the shroff had reason to apprehend that any attempt, however perfunctory, would be made to check his accounts. In most cases, however, the shroff found no necessity to take even this precaution and the discrepancies between the monthly abstract and the daily store account continued to exist side by side for at least five and it is not known how many more years. As regards the indents for stamps [account No. (4)] these showed the stock in hand in accordance with the monthly accounts as being far in excess of the actuals, but in order to make out a case for a fresh supply the sales during the preceding three months (on the average of which the indent is based) were greatly exaggerated. No attempt was made in the Treasury Deputy Collector's office to check these figures, otherwise suspicion must have been aroused. The Collector's report does not, however, state who is responsible for this neglect and further inquiry and report must be made before these officers can be adequately dealt with.

5. From the facts stated in the last paragraph it will be apparent that the fraud could at any time have been discovered had the store account of stamps been checked with the monthly account sent to the Treasury Deputy Collector or with the cash chitta. For the neglect of this precaution the Taluk Head Accountants and Tahsildars are primarily responsible and in a less degree the officers whose duty it was to inspect the treasury from time to time. The Taluk officials admit almost without exception that they made no attempt to check the shroff's accounts and it is evident that the half-yearly certificates sent to the Treasury Deputy Collector's office were without exception false. As noted above, the Treasury Deputy Collector, Mr. Vengu Pillai, inspected the Negapatam Sub-Treasury on the 19th September 1888 and 25th September 1891. On the first of these dates the monthly account for August *minus* sales from 1st to 19th September (there being no receipts) showed a sum of Rs. 3,528-12-0 in excess of the value of the stamps actually in store, but he certified that the accounts were correct. On the second occasion the discrepancy amounted to Rs. 13,078-12-0, but it again passed undetected. Special attention had at this time been drawn to the necessity of checking the store account with the monthly cash account, as in the memo of principal points to be noted on inspection of Taluk cutcherries circulated to all Collectors with Board's Proceedings, dated 24th June 1891, No. 369, question 28 runs as follows:—

"Stamps.—Is the store account of stamps kept regularly up to date and does it correspond with the monthly accounts sent to the Huzur?" It seems not improbable however, as suggested in paragraph 17 of the Collector's letter, that Mr. Vengu Pillai was deceived by false office copies of the monthly accounts being placed before him. In order to exercise an effective check the original accounts should have been brought from the Huzur and this the Treasury Deputy

Collector failed to do. The fact that the Sub-treasury has only been examined twice by the Treasury Deputy Collector since 1886 also calls for notice. Under paragraph 4 of Standing Order No. 226 it is the duty of Collectors to depute their Treasury Deputies for the technical examination of Taluk Treasuries, arranging so that every treasury may be inspected at least once in two years. The provisions of this Standing Order require to be more carefully attended to in future.

6. The Revenue Divisional officers, who are required, in accordance with paragraph 1 of the above-quoted Standing Order, to inspect their Taluk Treasuries at least once a year, appear to have either been deceived in the same way by the Head Shroff or to have been insufficiently careful in conducting their examinations. It is true that, with the exception of 1888, the Negapatam Treasury has been examined every year since 1886 and, so far as inspection notes are available, it has been regularly reported that the store account of stamps agreed with the monthly accounts sent to the Huzur notwithstanding the fact that the discrepancies between them were so considerable.

7. The fraud was at length discovered by an accident. There was a temporary scarcity of one-rupee non-judicial stamps in the Huzur Treasury, and as the monthly accounts for June 1894 showed a balance of 5,133 in the Negapatam Treasury, the Treasury Deputy Collector directed the Tahsildar, on the 14th July 1894, to send up 1,000 one-rupee stamps as soon as possible. The Tahsildar replied on the 16th July stating that there were only 415 stamps of that denomination in stock, but the discrepancy between this statement and the monthly accounts was not even then noticed until the 27th July when the Tahsildar replied to a further requisition for 1,000 one-rupee non-judicial stamps by reporting that he had only 53 in stock. The Treasury Deputy Collector then sent him an order to examine his stock and to report the reasons for the deficiency. This order does not appear to have reached the Tahsildar, having been probably intercepted by the Head Shroff, but a reminder sent on the 2nd August was opened by the Tahsildar on the afternoon of the 4th. An examination of the stamps was forthwith set on foot and the discrepancy between the monthly accounts and the stock chitta became at once apparent. The inquiry continued until 9 P.M. and was then adjourned until next morning when the Head Shroff failed to appear. Suspicion, however, was not aroused until the afternoon of the 6th when the manner in which the frauds had been perpetrated came to light. In the meanwhile, the shroff had, of course, made good his escape and was only arrested with great difficulty on the 26th October 1894 after a reward of Rs. 500 had been offered for his capture. He was eventually tried and convicted by the Sessions Court in December 1894 and sentenced to nine years' rigorous imprisonment and a fine of Rs. 5,000, or, in default, one year's further rigorous imprisonment. The whole of his property, so far as ascertainable, has been already distrained and sold under the provisions of section 6 of Regulation IX of 1822 so that there is no prospect of the fine being paid. The total amount recovered under the regulation is Rs. 3,114-3-3* and the net loss to Government by these defalcations amounts, therefore, to Rs. 26,258-0-9.

	RS.	A.	P.
* Sale-proceeds of jewelry, &c ..	1,554	3	3
Money and property found on him when arrested ..	860	0	0
Security available ..	700	0	0
	3,114	3	3

8. The next question for discussion is how far the shroff's superior officers should be held responsible for this loss. The Board agrees with the Collector in considering that the Tahsildar and Taluk Head Accountant are "public accountants" within the meaning of Act XII of 1850, and, as such, liable to make good the whole of the deficiency; but it is not inclined to recommend the enforcement of the strict letter of the law. The following is a complete list of those officers who have held the posts above referred to since 1886, together with the amounts embezzled during their tenure of office and other particulars necessary for the full comprehension of the circumstances of the case.

Name of officer.	Dates from and to which office was held.	Amount of defalcation in his time.	Present office.	Pay of the appointment held at the time of defalcation.	Remarks.
<i>Taluk Sheristadars or Taluk Head Accountants.</i>					
1. C. Srinivasa Rao ..	1886 (5 months and 7 days).	Not known; probably nil.	Deputy Tahsildar of Kumbakonam.	Rs. 60	Held office only one month after the custom of paying money into the Bank ceased.
2. K. Sethu Sastri ..	1886 and 1887 (9 months and 12 days).	Not known ..	Taluk Head Accountant, Mayavaram.	60	
3. Saiyid Abd-ul Aziz Sahib.	1887, 1888, 1889 and 1890 (2 years 7 months and 20 days).	Rs. 4,255-12-0 and the greater part of Rs. 4,097-8-0 anterior to 1889.	Taluk Head Accountant, Shiyali.	60	
4. S. Kamakshi Aiyar ..	1890 and 1891 (9 months and 10 days).	Rs. 3,174-8-0 ..	Dead.		
5. M. Jayaraya Pillai ..	1888 (2 months).	Not known ..	Retired.		
6. D. Venkatachella Aiyar.	1891 (3 months and 22 days).	Rs. 2,188-12-0 ..	Revenue Inspector, Pattukottai.	60	
7. S. Sundram Aiyar ..	1891 and 1892 (10 months and 1 day).	Rs. 3,531-10-0 ..	Deputy Tahsildar of Kodavasal.	60	
8. S. Gopalakrishna Raja.	1887, 1888 and 1889 (10 days).	Rs. 6 ..	Dead.		
9. T. S. Duraisami Aiyar.	1892 and 1893 (6 months and 16 days).	Rs. 3,893-4-0 ..	Clerk, Head Assistant Collector's office.	50	
10. V. Vaithi Aiyar ..	1893 and 1894 (1 year 2 months and 21 days).	Rs. 7,972-4-0 ..	Taluk Head Accountant, Negapatam.	50	
11. A. Thiagaraja Aiyar.	1890, 1891, 1892 and 1894 (75 days).	Rs. 354-8-0 ..	Taluk Head Gumastah, Negapatam.	20	Only in charge of the Head Accountant's office at intervals.
<i>Tahsildars.</i>					
1. Mir Abbas Ali Sahib.	1886-87 (5 months and 19 days).	Not known ..	Tahsildar of Nannilam.	250	
2. K. Jagannatha Chettiar.	1886, 1887, 1888, 1889, 1890, 1891, 1892 and 1893 (5 years 3 months and 2 days).	Rs. 16,152-2-0 and probably the major portion of Rs. 4,097-8-0 anterior to 1889.	Tahsildar of Kumbakonam.	250	
3. P. Theenathayulu Nayudu.	1886, 1893 and 1894 (7 months and 15 days).	Rs. 4,010 ..	Acting Deputy Collector, Trinopoly.	250	
4. C. K. Srinivasa Aiyangar.	1891 (2½ months).	Rs. 895 ..	Tahsildar of Tirutturai-pundi.	250	
5. R. Kolundasami Pillai.	1893-94 (7 months and 8 days).	Rs. 3,665-6-0 ..	Tahsildar of Mayavaram.	250	
6. A. S. Daniel Pillai ..	1893 (7 days) ..	Rs. 162-8-0 ..	Deputy Tahsildar and Sub-Magistrate, Tanjore, and Acting Deputy Tahsildar and Sub-Magistrate at Negapatam.	120	Deputy Tahsildar in charge.
7. S. Krishna Rao ..	1893-94 (7 days).	Rs. 228-2-0 ..	Deputy Tahsildar and Sub-Magistrate, Negapatam Town.	120	Deputy Tahsildar in charge.

In addition to the above, M. Sami Rao, R. C. Narayanasami Nayudu and I. Anantarama Aiyar were in charge of the Tahsildar's office for a few days prior to 1889 and the amounts for which each is responsible are not known. C. Srinivasa Rao having been in charge for only one month after the system of paying money directly into the Bank ceased, is probably not responsible for any part of the loss

and may be exempted from liability to make it good. S. Kamakshi Aiyar, M. Jayaraya Pillai and S. Gopalakrishna Rajah are either dead or have retired and no steps need, in the Board's opinion, be taken in their cases also. As regards the remaining officers on the list, they are all equally culpable, but the amount involved is so large that the recovery of the whole of it is clearly impossible without subjecting some of them to a punishment which is out of all proportion to their offence. It is also to be observed that several of those whose liabilities are heaviest are officers of exceptional ability, hardworking and deserving public servants to whom no want of diligence can be imputed. The work in the Taluk office of Negapatam is admittedly so heavy that allowance should be made for the inability of Tahsildars and Head Accountants to perform all parts of it with equal care and, further, it would be inexpedient to deal with them so harshly as to cripple their means of livelihood and so afford them an excuse for resorting to malpractices in future in order to recoup themselves. In view of all these considerations, the majority of the Board is of opinion that it will be sufficient to fine each of them one month's pay of the appointment held by them at the time the defalcations for which they are responsible took place. The same punishment should be inflicted upon Mr. Vengu Pillai, the Treasury Deputy Collector, whose omission to discover what was going on in 1888 and 1891 has been productive of such serious consequences. His conduct is, in the opinion of the Board, more reprehensible than that of the Divisional officers, whose case has next to be considered, inasmuch as it is to his knowledge and professional experience in dealing with accounts that the Board and Government look to check malpractices of the sort now brought to light. The annual inspections by Divisional officers have been, unfortunately, generally understood to require only the verification of the stock in hand according to the store book and it has not been hitherto realized that the daily sales in the stamp chitta should be compared with the daily credits in the cash chitta. Nevertheless the Board is surprised that so able a

- * 1886. Messrs. Moberly and Twigg.
 1887. " Twigg, Morris and Manavedan Raja.
 1888. " Manavedan Raja, Morris and Foster.
 1889. " Foster, Khadir Nawaz Khan Sahib and R. H. Campbell.
 1890. " Campbell and Cobb.
 1891. " Campbell and Vaughan.
 1892. " Vaughan, Francis, Miller and Todhunter.
 1893-94. Mr. Todhunter.

body of young officers* as those who have held the office of Head Assistant Collector at Negapatam since 1886 should, one and all, have failed to perceive the importance of ascertaining whether the transactions recorded in the shroff's store account represented actual cash transactions in the treasury.

9. The last matter for consideration is what, if any, modifications of the rules are necessary in order to prevent a recurrence of similar defalcations.

Although, as already observed, the present trouble has arisen more from the total neglect of the existing rules than from any defects inherent in them, there are no doubt some points as to which clearer instructions might be given. The following rules are suggested in paragraph 23 of the Collector's report:—

(1) That a shroff shall not keep any account save those prescribed for his office as shroff.

(2) That stamp vendor's chellans shall be in printed forms only and in duplicate and with the indents endorsed.

(3) That the Tahsildar should sign the monthly accounts always if in headquarters, and at least once in two months, and certify the checks he has applied to them.

(4) That the Tahsildar only should sign the half-yearly certificates and state that he has done so after thorough check of the accounts on which they are based.

(5) That an inspecting officer, who is not the Treasury Deputy Collector, shall compare the stamp daily chitta balances for the last day of the previous month with the corresponding entries of the monthly account and record them in his inspection note with a statement of agreement or discrepancy; and further fully check transactions of the month with the cash chitta up to date of inspection; and shall report on both points to the Huzur Treasury along with the statement of balance found at

date. The Huzur Treasury shall thereon check and record and report result to the inspecting officer.

(6) Taluk stamp indents on the Huzur shall be in duplicate and be regularly filed in both offices with certificates of supply and receipt as occurs between the Superintendent of Stamps and the Treasury Deputy Collector.

The Board approves of the first of these rules which will be incorporated in the Standing Orders in the Land Revenue Department. The second rule is hardly necessary, inasmuch as under note 1 to Article 3 of the Civil Account Code all chellans should be in a printed form and in duplicate, one copy having to be returned to the tenderer signed as a receipt. There is no sufficient object in requiring the indents to be endorsed on the chellans and this would, moreover, require a special form of chellan. The Collector will be instructed to see that the rule contained in the Civil Account Code is strictly adhered to. For the third of the rules proposed by the Collector, the Board would suggest the following which will be substituted for the second paragraph of rule (1) in paragraph 11 of Standing Order No. 50 (New Edition):—

“The Tahsildar will sign the monthly account, form LXXV, whenever he is at head-quarters at the time of its submission, and append to it the following certificate:—‘I hereby certify that I have examined the ^{Sheristadar's} ~~Head Accountant's~~ stock and accounts, and have checked the daily accounts with the cash chitta and the monthly account, and have found them correct.’ If the Tahsildar is absent from head-quarters at the time that the monthly account is submitted, he will, immediately on his return to head-quarters, make the necessary examination and submit a certificate in the same form.”

If this rule is strictly enforced it will be unnecessary to make any alterations in Standing Order No. 44, paragraph (30), which deals with the half-yearly certificate referred to in the fourth of the Collector's proposed rules. The fifth rule is intended, apparently, to deal with the method of examination to be adopted by Collectors and Divisional officers. The defect of it is that it would, if enforced, throw a heavier burden on the Divisional officers than they can be fairly expected to bear, and if question 28 of the memo. circulated with Board's Proceedings, No. 369, dated 24th June 1891, is understood and intelligently answered there does not appear to be any necessity for anything more. The sixth rule meets with the approval of the Board and paragraph 25 of Standing Order No. 44 (New Edition) may be amended by the insertion of the following words after the first sentence:—

“The indent submitted by the officer in charge of the Branch depôt should be in duplicate, and one copy of it should be retained in the local depôt, a note being made in it of the supply of the stamps.”

10. The Acting Second Member of the Board does not join in the recommendations made in paragraph 8 above and has recorded a minute of dissent.

(True Copy and Extract.)

(Signed) N. S. BRODIE,
Acting Secretary.

(True Copy.)

(Signed) EDMUND MILLETT,
Assistant Secretary.

To the Secretary to Government, Revenue Department,
with copy of a minute of dissent recorded by the Acting Second Member
and with a file of enclosures as per list submitted.

Copy to the Collector of Tanjore.
“ “ Accountant-General.

Read—also the following Proceedings of the Board of Revenue (Separate Revenue), dated 15th May 1895, Mis. No. 2123:—

Read—the following letter from the Collector of Tanjore, dated 26th November 1894, No. 141/Tour:—

Referring to my letter No. 127/Tour, dated 13th instant, reporting on the Negapatam taluk stamp frauds, I have the honour to forward a petition submitted to me by the taluk head accountant, V. Vaithi Aiyar, and addressed to His Excellency the Governor in Council.

2. In common with others a demand issued to this man under Act XII of 1850 for the Rs. 7,972-4-0 embezzled in his time. His answer is enclosure No. 12 in file No. 3 accompanying my above-quoted letter; and my further proceedings will appear from the papers, copies of which accompany.

3. My intention in taking proceedings under the Act was to secure Government interests in view of the great probability that those who had caused loss to it would endeavour to protect themselves by concealing, transferring, or otherwise causing what belonged to them to disappear. I had no desire to realise but only to secure their property until final orders should issue.

4. This man's answer to my demand was not satisfactory; I learnt that he was busying himself towards contesting my reading of Act XII of 1850; and on these and on an opinion that he would not scruple to defeat me if he could in my endeavours to make his property answerable, I issued orders to the Deputy Collector of Mannargudi and he acted accordingly as the papers show. I was astonished to find the money had been paid and would have been quite satisfied if the family lands had been attached.

5. I have made a few notes on the petition, and need only add that some satisfactory explanation of his own misconduct of office is yet wanting.

Read—also endorsement on C. No. 57/Tour of 1895, dated 9th March 1895, from the Collector of Tanjore, submitting the memorial of M.R.Ry. V. Vaithi Aiyar, taluk head accountant, Negapatam.

Resolution—dated 15th May 1895, Mis. No. 2123.

Submitted to Government with reference to Board's Proceedings, No. 202, dated 14th May 1895. The memorialist was not called upon to borrow money in order to pay the amount due from him and must bear the consequences of doing so. The action taken by the Collector was justified by the necessity of securing Government interests and ought, in the Board's opinion, to be upheld. The tone of the memorials is also noteworthy.

(A true Copy and Extract.)

(Signed) EDMUND MILLETT,
Assistant Secretary.

To the Secretary to Government, Revenue Department,
with the memorials.

Copy to the Collector of Tanjore.

READ—also the following Proceedings of the Board of Revenue (Separate Revenue), dated 16th May 1895, Mis. No. 2126:—

Read—the following letter from the Collector of Tanjore, dated 9th April 1895, Ref. on C. No. 3403/Ver. of 1894:—

In continuation of my letter, dated 27th November 1894, No. 141/Tour, I have the honour to forward a petition submitted to me by the taluk head accountant, Syed Abdul Aziz Sahib, addressed to His Excellency the Governor in Council.

2. A demand issued to the memorialist in common with others under Act XII of 1850 for the Rs. 4,255-12-0 and part of a sum of Rs. 4,097-8-0 embezzled during his service at Negapatam as taluk sheristadar. His answer is enclosure No. 17 in file No. 3 accompanying my letter, dated 13th November 1894, No. 127/Tour, reporting on the Negapatam taluk stamp frauds. My further proceedings will appear from the papers, copies of which accompany.

3. My intention in taking proceedings under the Public Accountants Act 1894, No. 141/Tour, quoted in paragraph 1 *supra*.

4. It is unnecessary for me to make any remarks on the petition. I have in my report set forth what I conceive is petitioner's character. And I may add that at the commencement of the current jamabandi of Shiyali taluk he pleaded sick and applied for leave. He was found not sick on examination by the Zillah Surgeon. On the Sub-Collector's recommendation and report that he was utterly useless, he is now on leave on forfeiture of full pay.

Resolution—dated 16th May 1895, Mis. No. 2126.

Submitted to Government with reference to Board's Proceedings, dated 14th May 1895, No. 202. The remarks made in Board's Proceedings, dated the 15th idem, Mis. No. 2123, apply to this memorial also.

(A true Copy and Extract.)

(Signed)

EDMUND MILLETT,
Assistant Secretary.

To the Secretary to Government, Revenue Department
(with the memorial and the enclosures to General Register No. 4194, in original).

READ—also the following letter from F. C. HARRISON, Esq., Officiating Accountant-General to the Government of Madras, to the Secretary to Government, Revenue Department, dated Fort St. George, 21st June 1895, No. 36 C:—

With reference to Proceedings of the Board of Revenue (Separate Revenue), No. 202, dated the 14th of May 1895, submitting to Government, with remarks, report from the Collector of Tanjore on the defalcation of stamps in the taluk treasury at Negapatam, I have the honour to make the following observations.

2. There can be no question that the fraud was rendered possible by the rules as to the custody and sale of stamps and the maintenance of accounts connected therewith having been altogether disregarded.

3. The most noticeable points are the following:—

(1) the primary rule that the main store of stamps should be kept under double locks was not followed, the head shroff being allowed to have sole charge of the stock;

(2) the chellans, contrary to rule, were dealt with solely by the head shroff;

(3) no one for many years apparently attempted to check the stock account with the abstract of sales or the daily stamp chitta;

(4) the head-quarters treasury officials never checked the indents, made by the tahsil.

4. The procedure as regards the first point is clearly laid down in the Board's Standing Order No. 44, paragraph 27. Stock sufficient for a week's use only should be left in charge of the taluk sheristadar (now designated head accountant and treasurer), the remaining stamps being under the joint lock and key of the tahsildar and of the officer before mentioned. This excellent rule was not only disregarded, but an official in the position of head shroff was suffered to remain in sole charge of the stock.

5. In this connection, I would suggest an amendment of paragraph 27 of the Board's Standing Order No. 44, so as to require the key of the tahsildar during his absence from head-quarters being left with the stationary sub-magistrate, wherever such an officer exists, instead of with the taluk sheristadar (now head accountant and treasurer).

Where no such officer exists, the tahsildar might be told to give out a larger stock and to scrutinize on his return the transactions that have taken place in his absence. In particular he should see that the stock account tallies with the sale account and the credits into the treasury.

6. The remedy as regards the second point is dealt with in paragraph 4 of the Board's Proceedings, but it seems to me undesirable that chellans and indents from parties requiring stamps should go first into the hands of the shroff, whose duty it is to comply with the indents. The safer course would be for these to be first presented to the head accountant and treasurer who, after having them checked and satisfying himself that the required stamps are available, will pass them on with an order for receiving the amount and complying with the indent to the clerk in charge of the cash-book, who will thereupon receive the amount and, after doing so, pass on the indent to the head shroff, whose duty it will be to issue the stamps.

7. As regards the third point, I would observe that there should be no difficulty in a sub-treasury officer verifying each day the credits in his daily cash account on account of stamps with the amount of sales as shown in the abstract of daily sales or the daily stamp chitta.

He should also every month see that the total of the credits as shown by his cash-book and the daily chittas is correctly deducted from the stock account.

8. As already stated, it is clear that at the head-quarters treasury no attempt was made for years to check the indents submitted by the sub-treasury or to question the large stock that was apparently held there. From paragraph 4 of the Board's Proceedings it appears that a further report from the Collector on the point is awaited.

9. In conclusion, I would respectfully point out that, should Government finally decide to write off more than 4,000 rupees (stamps being $\frac{1}{4}$ Imperial) of this defalcation, a report should be made to the Government of India in accordance with the provisions of article 279 of the Civil Account Code.

READ—also Proceedings of the Board of Revenue (Separate Revenue), dated 1st July 1895, Mis. No. 2709.

ABSTRACT.—Approving the draft written statement proposed by the Collector of Tanjore to be filed in O.S. No. 14 of 1895, on the file of the Negapatam sub-court, and requesting Government to pass early orders on the Board's report on the defalcation of stamps in the Negapatam taluk treasury.

READ—also Proceedings of the Board of Revenue (Separate Revenue), dated 6th August 1895, Mis. No. 3285.

ABSTRACT.—Submitting to Government, with remarks, letter from the Collector of Tanjore reporting that O.S. No. 14 of 1895, on the file of the Negapatam sub-court, has been adjourned to the 17th September 1895, and that the Sub-Judge has made a note that no further adjournment will be granted.

ORDER—dated 7th September 1895, No. 620, Revenue.

Separate Revenue No. 113.

The papers read above relate to the embezzlement by Raja Chinna-sami Chetti, head shroff of the Negapatam taluk treasury, of various sums received by him on account of stamps issued from the treasury to stamp vendors, amounting in all to Rs. 29,372-4-0. These defalcations extend over a period of eight years, and were only brought to light in August 1894. The method in which the fraud was worked is clearly set forth in paragraphs 3-6 of Board's Proceedings, No. 202, dated 14th May 1895; and the Government fully agrees with the opinion therein expressed that the defalcations became possible, not through any deficiency in the rules, but through the total neglect of the taluk officials to comply with them.

2. It is satisfactory to note that the head shroff, who absconded, was arrested, tried and convicted by the Sessions Court of Tanjore and sentenced to nine years' rigorous imprisonment and a fine of Rs. 5,000, in default one year's further rigorous imprisonment. The conviction and sentence were confirmed on appeal to the High Court. There appears to be nothing to show that the man had any accomplices. The amount recovered by the confiscation of the shroff's security and by the sale of his property amounts to Rs. 3,114-3-3, leaving a net loss to Government of Rs. 26,258-0-9.

3. The main points on which the orders of Government are now required are—

- (1) as to how far the shroff's superior officers should be punished for their carelessness, or compelled to make good the amounts lost thereby;
- (2) as to the steps to be taken to prevent a recurrence of such frauds.

4. As regards the former, it is necessary to consider the case of—

- (1) The various divisional officers (Head Assistant Collectors) who held office from 1886 to 1894.
- (2) M.R.Ry. Vengu Pillai who held office as Treasury Deputy Collector during the bulk of that period and twice inspected the Negapatam taluk treasury during the continuance of the frauds without detecting them.
- (3) The tahsildars.
- (4) The head accountants or sheristadars.

5. It was the duty of the divisional officers to check the stamp registers, not only with the actual stock of stamps in hand, but also with the office copies of the monthly accounts sent to the Huzur—a precaution laid down in the Appendix to Board's Standing Order No. 226, question 28, and calculated at once to disclose the fraud committed. It has been suggested that the inspecting officers may have been deceived by false office copies; but Government observes that only one instance of such a false office copy has been discovered. Further it was their duty (though not laid down in the rules), as inspecting officers, to check the stamp accounts with the cash accounts, to see if all the sums which should have been credited for the stamps issued were duly brought to account. With the exception of Mr. Todhunter, who has already submitted a full explanation, all the officers named in paragraph 8 of the Board's Proceedings should be called on to explain how it happened, if the rules were duly observed on their inspection of the treasury, that the fraudulent proceedings of the shroff escaped their notice. The exact wording of the certificates given at each inspection should at the same time be reported; and it should be ascertained whether the stamp chittas and the office copies of the monthly accounts were duly initialled. The Board will report further whether any set of questions or other similar instructions were prescribed for the guidance of officers inspecting taluk treasuries prior to June 1891.

6. The Treasury Deputy Collector, in addition to his failure to detect the frauds on his inspections of the treasury, cannot be absolved from responsibility for the neglect of all check in the Huzur. The further report called for by the Board on the latter point should be submitted with the least possible delay, and final orders regarding M.R.Ry. Vengu Pillai will be deferred pending its receipt.

7. Coming to the case of the tahsildars and head accountants, it appears from the statement embodied in paragraph 8 of the Board's report that seven of the former and eleven of the latter held office during the period over which the defalcations extended. Of the head accountants (or sheristadars), Government agrees with the Board in considering that the four marginally noted may, for the reasons given in the abovementioned paragraph, be exempted from liability. The Board considers all the remaining officers as

1. C. Streenivasa Rao.
2. S. Kamakshi Aiyar.
3. M. Jayaraya Pillai.
4. S. Gopalakrishna Rajah.

equally culpable and proposes to fine each of them one month's pay. The Board's Second Member, who has recorded a minute of dissent, proposes to recover from each the amount embezzled during his tenure of office, subject to a maximum of six months' pay.

8. As far as justice goes, there is no reason why these officers should not be compelled to make good the entire amount lost, for as far back as accounts are available to fix responsibility. Government, however, is unwilling to inflict such extreme punishment as this would involve, and thus absolutely ruin men who were in other respects good officers, and who, as far as there is anything to show, neither shared in nor benefited by the frauds. It therefore becomes necessary to determine what less severe measures should be taken.

9. The difficulty of fairly apportioning the pecuniary responsibility for the loss is, of course, obvious; but the fairness of the course recommended by the Board appears to Government to be open to grave objection. For instance, two deputy tahsildars (Daniel Pillai and Krishna Rao) were each in charge of the tahsildar's office for seven days only and during their respective tenures of office Rs. 162-8-0 and Rs. 228-2-0 were embezzled. According to the Board's proposal, the same penalty would be exacted from these men as from Jagannatha Chettiar, who was tahsildar for over five years, in which time the defalcations amounted to Rs. 16,152. It is clear that some regard must be paid to the length of tenure of office. A deputy tahsildar, in charge of the taluk office for a week, in addition to his own duties, may be excused for omitting to overhaul the treasury system and detect a fraud which has been going on for seven years unchecked. These two men, though not altogether absolved from blame, will be exempted from punishment or pecuniary liability. Conversely, the penalty must be enhanced in the case of tahsildar Jagannatha Chettiar on account of the long period during which he held office, and during which the defalcations went on unchecked.

10. It is also to be observed that a head accountant or sheristadar, who is *ex-officio* stamp vendor, and immediately and constantly in charge of the treasury and account work, is personally responsible to a far greater extent than a tahsildar who is compelled to be on tour for half the month, and has numerous other duties to perform.

11. In view of the above considerations, Government directs that the amounts to be recovered shall be limited to six months' pay in the case of head accountants or sheristadars; and to four months' pay in the case of tahsildars, to be raised to six months in the case of Jagannatha Chettiar, and also of Kolundasami Pillai on account of his culpable negligence in permitting the shroff to escape. The exact amounts to be recovered from each officer concerned, subject to the above maximum, will be left to the Board to determine. This makes it necessary to fix the proportion of the sum lost during the time of a tahsildar and head accountant for which each is responsible. Considering the higher pay and position of a tahsildar on the one hand and the more immediate responsibility of a head accountant on the other hand, Government has come to the conclusion that it will be just to assign equal shares to each of these officers of the sum lost during the time of both. On payment of the amount due from Syed Abdul Aziz Sahib, determined as above indicated, his property may be released from attachment.

12. The case of head accountant V. Vaithi Aiyar, which is dealt with in Board's Proceedings, Mis. No. 2123, dated 15th May 1895, calls for special notice. His conduct in bringing a suit against the Collector for the recovery of the amount

collected from him (to say nothing of the insubordinate tone of his petition of appeal) is in the opinion of Government altogether incompatible with official discipline and necessitates his immediate dismissal. The suit will, of course, be defended. On its disposal final orders will be passed regarding the money recovered from him under the Collector's orders.

13. The Collector may be left to deal with the stamp vendors and the Nagadi gumastah mentioned in paragraphs 8 and 11 of his report.

14. It remains to consider the necessity for any modification of the rules to prevent similar defalcations in future. The Collector has suggested six new rules, which are discussed in paragraph 9 of the Board's Proceedings (No. 202 of 14th May 1895). Government agrees with the Board, except as regards the Collector's fifth suggestion. The course suggested would indisputably be an additional safeguard, and it does not appear to Government that it would throw much trouble on inspecting officers, even if the procedure were extended to ordinary cash transactions. The point is referred for reconsideration by the Board.

Further suggestions are contained in the Accountant-General's letter No. 36 C. of 21st June 1895, which is referred to the Board for remarks. It is observed that the Board's proposed emendation of Standing Order No. 50, paragraph 11, provides a sufficient safeguard against the third irregularity noticed by the Accountant-General. The suggestions regarding the procedure to be followed on the presentation of indents and chellan by stamp vendors should in particular be carefully considered.

15. The Board is requested to explain the great delay that has occurred in the submission of this report. The Board's Proceedings are dated 14th May, nearly six months after receipt of the Collector's report, and were not received by Government till 17th June.

(True Extract.)

L. H. H. H.

Secretary to Government.

To the Board of Revenue (Separate Revenue),
with eight enclosures returned.
(Land Revenue).
" Judicial Department, with one enclosure returned, ✓
" Financial Department.
" Accountant-General.

Exd. J. Henricus.

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