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(3) Initials of the Referencer \_\_\_\_\_

**MADRAS RECORD OFFICE.****Government of Madras.***Public works* **DEPARTMENT.**

|                          |                 |
|--------------------------|-----------------|
| G.O. No. <u>891</u>      | Press<br>Mis. - |
| <u>402-03</u>            |                 |
| Dated <u>20</u> <u>3</u> | <u>18/6</u>     |

**Not to be folded or roughly handled***21/12*

No. 402. Read the following Endorsement of the Consulting Engineer for Irrigation and Canal Company, dated Madras, 6th March 1866, No. 157 :—  
Read the following letter from the Agent and Manager Madras Irrigation and Canal Company, to the Consulting Engineer Madras Irrigation and Canal Company, dated Madras, 3rd March 1866, No. 603.

1. With reference to the Minutes of Consultation of the Government, No. 3,676 of the 4th December last, declining to sanction the sum of Rupees 1,24,872 as expenditure under Guaranteed Capital, on the ground that this sum appears to have been irregularly spent, and in excess of work performed in the Nagatore Division, I am directed to submit for the consideration of the Government that the circumstances of the case show this to be one of those contingencies to which works of the character and magnitude of those under execution by this Company are subject, and for which neither Directors nor Shareholders can be properly be held liable.

2. It has been the most anxious and constant endeavour of the Board to exercise the most vigilant watch upon all outlay, and they have from the first issued the most stringent instructions for the guidance of their Engineering staff, to secure this object.

3. The Government will observe that the fraud now under consideration was discovered by the Officers of the Company, and that one of the parties implicated (the only one to whom it could be brought home) was immediately prosecuted and punished according to law.

4. The most energetic measures have been adopted, under instructions from the Board, to trace out similar delinquencies, and to ascertain to what extent they had been perpetrated, not only in the Nagatore Division but throughout the whole field of the Company's operations.

5. That there should have been negligence on the part of any of the Executive Officers of the Company, by which such frauds should have occurred without being immediately detected, has occasioned the Board the greatest concern. This culpable want of care was at once visited by them, so far as they were able, with their severe displeasure and by prompt remedial action, and it is mainly owing to the proceedings adopted under instructions from the Board that the facts referred to by the Government were brought to light.

6. The Board cordially unite in the desire manifested by the Government that the works should be carried on under the most careful supervision and with the most rigid economy, and they have done all in their power to promote this result; but it must be evident that it is impossible in practice to guard effectually against dishonesty where so many of all grades, Native as well as European, have been unavoidably engaged, and it is also not an easy matter to detect and prevent systematic and organized fraud before the same has had time to operate over such an extended area as our works embrace.

7. The Board trust that the Government will be disposed to take a just view of the position in which the Directors are placed in respect to the control they are enabled to enforce in the progress of operations, and that in this case where the Board have done all they can, and have not spared either trouble or expense in

The

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20th March 1866.*

sifting to the bottom all circumstances connected with it, the Government will admit that the loss which would appear to have been incurred has arisen under circumstances which it would be hard to view in any other light than as one of those contingent risks which should enter into the general cost of operations.

8. I am also to remind the Government that detailed particulars of all expenditure have from time to time been submitted to them, and have been passed by them.

9. The Board trust that the Government will be pleased to re-consider their order together with all the circumstances of the case, and rescind that portion of it which disallows the expenditure of the sum in question.

1. Submitted for the consideration of Government, with reference to their Order, No. 3,676 of the 4th December 1865.

2. With regard to the remark contained in the last paragraph but one of the Agent's letter, it may be noticed that the accounts submitted to this Office are necessarily supposed to exhibit expenditure incurred for work actually done; that until the work included in a sanction, and the expenditure on which is separately included in the accounts, is nearly finished, it can rarely happen that the accounts aided by the inspections made by the Consulting Engineer would suffice to detect the non-existence of a part of the work represented as paid for, and that in the Nagatore Division, or 4th Section, owing to the outlay on the work of that and of the 5th Section having been exhibited together from the commencement, there was nothing to attract attention to the great discrepancy between the expenditure and the work actually executed. It must also be remembered that many changes are carried out in anticipation of sanction, and that these have not, in many instances, been reported until supplemental estimates were submitted; and the rates included in original estimates have generally been so largely exceeded, that the expenditure would have been but an unreliable guide as to the amount of work done, even had

*Vide paragraphs 14 and 15 of letter No. 56,  
3rd September 1863.  
Proceedings Madras Government, No. 3,117, 26th  
October 1863; also paragraph 16 of letter No.  
108, 8th November. Proceedings Madras Go-  
vernment 23rd November 1865, No. 3,553,  
last item under Main supply.*

the accounts not been sent in, as was the case until recently, greatly in arrears. Lastly, in all cases in which the expenditure on any sanction exceeds the total of that sanction, the excess is not passed until supplemental sanction has been given, but such excess is exhibited in a separate statement, and is invariably reported on in submitting the accounts to Government.

(Signed) J. MULLINS, Captain, R. E.,  
Consng. Engr. for I. & C. Company.

No. 403.

ORDER THEREON, 20th March 1866, No. 891.

CIVIL WORKS, No. 45.

The Government are well aware of the magnitude of the undertaking which the Madras Irrigation and Canal Company have in hand, and fully appreciate all the difficulties under which it is prose-

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20th March 1866.*

cutted, but the very discouraging reports which have at different times been laid before them of the manner in which the works were being executed, and the discrepancies which have been shown to exist between the plans and estimates as submitted to them for sanction and as afterwards carried out, have satisfied them that a laxity in the management of executive operations has been permitted to a very prejudicial extent. Believing this, the Government cannot admit that the very discreditable results which have been noticed in G. O. No. 3,676, dated 4th December 1865, are such as are ordinarily to be expected in the prosecution of works of the character of those under review, and His Excellency in Council is not disposed to modify the orders which were communicated in those Proceedings.

(True Extract.)

(Signed) CHARLES A. ORR, Colonel, R. E.,  
Secretary to Government.

To the Consulting Engineer for Irrigation and Canal Company.  
" Manager for do. do.

Exd. S. T. Augustin.

No. 603

Maras Migration, &c. Co.

Maras 3<sup>d</sup> March 1886.

From,

The Agent and Manager  
M. M. & Co.

To,

The Consulting Engineer  
M. & Canal Co.

Sir,

With reference to the Minutes of Consultation of the Government No. 8676 of the 4<sup>th</sup> December last declining to sanction the Sum of Rs. 1,24,892 as expenditure under Guaranteed Capital on the ground that this Sum appears to have been irregularly spent, and in excess of work performed in the Nagative Division, I am directed to submit for the consideration of the Government that the circumstances of the case show this to be one of those contingencies to which works of the character and magnitude of those under execution by this Company are subject, and for which neither Directors nor Shareholders can properly be held liable. —

It has been the most anxious and constant endeavour of the Board to exercise the most vigilant watch upon all outlay, and they have from the first issued the most stringent instructions for the guidance of their Engineering Staff, to secure this object. —

The

The Government will observe that the fraud now under consideration was discovered by the Officers of the Company, and that one of the parties implicated (the only one to whom it could be brought home) was immediately prosecuted and punished according to law.

The most energetic measures have been adopted under instructions from the Board to trace out similar delinquencies and to ascertain to what extent they had been perpetrated, not only in the Napaloe Division but throughout the whole field of the Company's operations.

That there should have been negligence on the part of any of the Executive Officers of the Company by which such frauds should have occurred without being immediately detected has occasioned the Board the greatest concern. This culpable want of care was pointed out by them so far as they were able with their severe displeasure and by prompt remedial action, and it is mainly owing to the proceedings adopted under instructions from the Board that the facts referred to by the Government were brought to light.

The

The Board cordially unite in the desire manifested by the Government that the works should be carried on under the most careful supervision and with the most rigid economy, and they have done all in their power to promote this result; but it must be evident that it is impossible in practice to guard effectually against dishonesty where so many of all grades, Native as well as European have been unavoidably engaged, and it is also not an easy matter to detect or prevent systematic and organized fraud before the same has had time to operate over such an extended area as our works embrace.

The Board trust that the Government will be disposed to take a just view of the position in which the Directors are placed in respect to the Controls they are enabled to exercise in the progress of operations, and that in this case where the Board have done all they can, and have not spared either trouble or expense in sifting to the bottom all circumstances connected with it, the Government will admit that the loss which would appear to have

90  
have been incurred has arisen  
under circumstances which it would  
be hard to view in any other light  
than as one of those contingent  
risks which should enter into  
the general cost of operations.

I am also to remind the  
Government that detailed particulars  
of all expenditure have from time  
to time been submitted to them, and  
have been passed by them.

The Board trust that the Govern-  
ment will be pleased to reconsider  
their Order together with all the  
circumstances of the case, and  
renew that portion of it which  
allows the expenditure of the  
sum in question.

I have the honor to be,  
Sir,

Yours most ob. servant

F. Martineau

Agent & Manager

AS

N<sup>o</sup> 157

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Endorsement to letter N<sup>o</sup> 603 of the 3<sup>rd</sup> March 1866 from the Agent and Manager Madras Irrigation and Canal Company.

2 Submitted for the consideration of Government, with reference to their order, N<sup>o</sup> 3676, of the 1<sup>st</sup> December 1865.

3 With regard to the remark contained in the last paragraph but one of the Agent's letter, it may be noticed that the accounts submitted to this office are necessarily supposed to exhibit expenditure incurred for work actually done; that until the work included in a sanction, and the expenditure on which is separately included in the accounts, is nearly finished, it can rarely happen that the accounts aided by the inspections made by the Consulting Engineer would suffice to detect the non-existence of a part of the work represented as paid for, and that in the Nagator (Division, or 1<sup>st</sup> Section, owing to the outlay on the work of that and of the 3<sup>rd</sup> Section having been exhibited together from the commencement, there was nothing to attract attention to the great discrepancy between the expenditure and the work actually executed.

At

to Agent & Manager of Irrigation & Canal Co. N<sup>o</sup> 603

1866 Reg

Done by Agent & Manager of Irrigation & Canal Co. N<sup>o</sup> 603

Done by Agent & Manager of Irrigation & Canal Co. N<sup>o</sup> 603

Done by Agent & Manager of Irrigation & Canal Co. N<sup>o</sup> 603

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Done by Agent & Manager of Irrigation & Canal Co. N<sup>o</sup> 603

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Fort Saint George.

Public Works Dept  
15<sup>th</sup>  
No 891  
Proceedings of the Madras Government  
Under date the 20<sup>th</sup> March 1866  
Read the following

From the Chief Engineer  
J. C. Comp

(Here enter 6<sup>th</sup> March 1866  
No 107)

The Government are well aware of the magnitude of the undertaking which the Madras Irrigation & Canal Company have in hand, and fully appreciate all the difficulties under which it is prosecuted, but the very discouraging reports which have at different times been laid before them of the manner in which the works were being executed, and the discrepancies which have been

AM

JP

WY

Copy in 2<sup>nd</sup> letter to Eng.  
of 24<sup>th</sup> April 1866 of 1866.

Copy in 2<sup>nd</sup> letter to Eng.  
of 24<sup>th</sup> April 1866 of 1866.

The (Honourable) Secy  
to the Secretary to Government

(Date to)  
24<sup>th</sup> April 1866

See over

Submits for consideration  
of the Govt. with reference to  
the order of 19<sup>th</sup> April 1866 of  
the 1<sup>st</sup> Dec 1865 declining to  
admit of 1866-1867, 1867-1868 as  
expenditure under guaranteed  
Capital in the Government  
the same appears to have been  
irregularly placed in the  
Department Division

No 891

12<sup>th</sup> March 1866. 23.16.7

213 891-20<sup>th</sup> March 1866

Copied as letter to England  
27.24: April 27<sup>th</sup> of 1866.

J W 1866 Dept.  
Pro: of Govt for Madras

No. 291  
Pro: of the Madras Govt.  
27<sup>th</sup> March

The Comg. Engin.  
formed that no reason can be  
seen for modifying Pro: of 3676  
of 1865, declining to sanction the  
sum of Rs 1,24,872 required  
for Works in the Nagavandee  
-tion of the Madras Irrigation  
and Canal Co.<sup>ys</sup> Canal  
as expenditure under Guarar-  
teed Capital.

No 402-403.