

(1) Number of pages _____

(2) Date of repair _____

(3) Initials of the Referencer _____

MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 2400	Press ~~Mis.~~
187-92	
Dated 8. 8	1867.

Not to be folded or roughly handled

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

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

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

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

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

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

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

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

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

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8th August 1867.

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

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

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

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

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

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

* By Rupees 1,454 6 3

annas less than my books show; this latter, the Tahsildar informs me, is a mistake, which he will rectify in the current month's accounts.

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

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8th August 1867.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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8th August 1867.*

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8th August 1867*

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

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

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

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

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

15. The defalcation was discovered on Friday the 10th July, and the Cash-keeper having promised to make good the money by a certain day, which was two or three times postponed, nothing was done while I was at Negapatam, which place I left on Tuesday morning the 23rd July.

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

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

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

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

1. In this letter, the Consulting Engineer for Railways reports a defalcation to the amount of Rupees 28,061-4-0 in the Office of the Agent of the Great Southern of India Railway Company.

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

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

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

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

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

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

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

*in June one hundred and twenty a receipt
of six annas less than my books show
this*

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8th August 1867.

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

(True Extract.)

(Signed) J. H. M. SHAW STEWART, Major, R. E.,
Under Secretary to Government.

To the Consulting Engineer for Railways,
,, Financial Department

Ed. S. T. Augustin.

No. 2357

GREAT SOUTHERN OF INDIA RAILWAY.

AGENT'S OFFICE.

NEGAPATAM,

July 27th 1867

From

THE AGENT

Great Southern of India Railway,

To

The Consulting Engineer for Railways
Madras

SIR,

In the 10th inst. I telegraphed to ask you whether the Accountant General's Statement of receipts and payments on account of the G. S. I. R. Co. for the month of April last had been forwarded to me from your office. The reason for my asking this question was the discovery that my books did not agree with the account kept in the Treasury at Negapatam of money received into the Treasury on Revenue Account. My books record a payment during that month of Rupees 47961-9-8 but the Tahsildar acknowledges receipt of Rs 21900-5-0 only. The difference of Rs 26061-4-0 is made up of vouchers which have been pronounced forgeries by the Akad Sahib whose signature they purport to bear.

On May the Tahsildar's accounts show the receipt of a larger sum than I hold vouchers for, and in June the Tahsildar records a receipt of six annas less than my books show. This

1054-6-2

This latter the Sahildar informs me is a mistake which he will rectify in the current month's a/c's.

All payments to the Treasury are prepared under my personal direction by the Cashier, and sent to the Treasury in charge of the Cash Pions. The entries in his rough Cash Book agree with the vouchers produced - and these vouchers he declares were returned punctually by the Cash Pions after the money was paid to the Treasury. The Cashier suspects the fraud has been committed by his Cash Pions in collusion with other persons, but as he could hold the Cashier alone responsible for the correctness of the payments recorded in his books called upon him to make good the discrepancy to the Comptroller and to take immediate steps to bring the case into a Court of Justice. The former he has already done and the latter Chindar and the Comptroller to-day.

The Cashier for reasons the Comptroller is aware of joined the Staff - he was appointed in 1887. I have always considered him to be most in the discharge of his duties but as he acted very carelessly and not strictly conforming with the regulations of the Treasury I thought it right to him I have dismissed him from the service.

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

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

I have the honor to be
Sir,

Your most obedient servant,

William Strett.

Agent &c

From the Examiner Railway Accounts
To the Consulting Engineer for Railways

Madras 1st August 1867

Sir,
Letter No 2354 d/27 July 1867 from the Agent
and Traffic Managers Great Southern of India
Railway forwarded by you, received.

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

3. There is one point however which I
think throws great suspicion on the Cashkeeper
and which the Agent has omitted to mention,
but which I heard from himself namely that
on the first of the two days on which the two
faked receipts are dated, I think the 10 April,
a large sum viz: some 14000 odd Rupees was
actually paid into the Treasury; acknowledged
by the Tahsildar, and two receipts granted
for the same, then the amount of the first
faked Receipt viz. Rs. 12611 odd. The two
Receipts above mentioned for the 14000 Rs. are
not forthcoming.

But it must be pre-
sumed, since the money is declared by
the Treasury people to have been paid in,
that the large sum of Rs. 14000 odd was
sent down to the Treasury by the Cashkeeper
to be paid in; - it therefore is strange that
the Cashkeeper should have accepted from
the Tahsildar a receipt for a smaller sum,
and entered it as correct in his Cash Book.

4. I would here advert to the sum stated
by the Tahsildar to have been paid into the

1867

1000

Agent's statement of India
Railways

Letter No 2354
d/27 July 1867

Rs. 14000

On the sum received of the
Tahsildar's statement to the
Agent's statement of India
Railways, dated 10 April 1867,
the sum of Rs. 12611 odd is
stated to have been paid into
the Treasury, and the amount of the
first faked receipt is Rs. 12611 odd.
The two Receipts above mentioned
for the 14000 Rs. are not
forthcoming.

Treasury on the 10 April something over
14,000 Rupees.

5. The collections on Revenue Account
for the month of April last amounted to
Rs. 53,691-13-1 giving an average of about
1800 Rupees daily. Hence the sum of 14000
Rupees would represent an accumulation
of about 8 days' Traffic Receipts.

6. The Agent, to avoid paying premiums
on sums drawn from the Treasury, frequently
pays in lump sums of his Traffic Receipts
by drawing a cheque, but not cashing it.

7. This system, I think, is a
stop to, as it undoubtedly affords a
pretence for the non-payment of Traffic Receipts
at regular intervals, and appears quite
opposed to the spirit of para 15 of the
Contract.

8. From what I gathered at Hyderabad,
corroborated by the commencement of para 3
of the Agent's letter the system pursued
in sending money to the Treasury seems
to be that the Agent arranges the various
sums (in cash and by cheque, as above
explained) to be paid in - and that the
money is then handed over by the Cashkeeper
to his peons to convey to the Treasury, the
Cashkeeper himself not apparently ac-
companying them.

9. The system pursued by the Madras Rail-
way on the other hand is that the Cashier,
a gentleman drawing a salary of Rs. 200
per mensem, or his Assistant, invariably
accompanied the Cash daily in the vehicle

in which it is conveyed, attended by two
thoofs inside, and by one cash peon and
one guard peon outside.

10. On enquiring from the Agent F. S. S. R. I
learned that the amount of security given by the Cashkeeper
is Rs. 5000 - but this is not in cash or Government
securities, but on land belonging to
the Cashkeeper - the man's monthly pay
being Rs. 75 - a month.

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

12. The Agent ^{was} anxious to af-
ford the Cashkeeper every facility to obtain
the money to replace the loss, and under
-stand he was permitted to go where he
liked, the Police having been requested to
keep an eye on him.

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

14. I also suggested this to the Agent, but
he was unwilling to adopt this course, saying

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

16. On Monday 20th July -

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

18 Before concluding, I would like to urge
that the payment of Traffic Receipts
daily into the Treasury should be

I have the honor to be,
Sir,

Your most obedient servant
 Jas. M. McKim Captain
Examiner of Railway Accounts

171.

CONSULTING ENGINEER'S OFFICE,

Railway Department.

No. 216.

From

Lieut. Colonel J. C. Anderson R E
Consulting Engineer for Railways,

To

Colonel C. A. Orr R E.

Secretary to Government,
Public Works Department,
Fort Saint George.

SIR,

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

2. I learnt in conversation with
the Government Examiner of Railway Accounts,
Captain Moberly, who was at Nagapatnam
when the discovery was made, that he was in
possession

P. N. 2900/17

possession of some particulars in relation to it, which had not been furnished by the Agent. I therefore requested him to draw out a memorandum embodying all the information which he had at his power to afford, which would throw any light on the transaction, and explain the probable cause which led to it. Captain Leobry's report which I have received to day, is attached. It contains a very full and clear account of all that has transpired.

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

19
4. The Agent states that he called upon the Cashkeeper to make good the discrepancy to the Company, and that this had already been done. If I understand rightly, the whole of the money that was missing must therefore have been made good. A reference to the Agent has been made on this point.

Captain Leobry has described in paras 8 to 11 of his letter, the arrangements in force in the Madras Railway, for the conveyance of Cash between the Railway office and the Bank. The Government well observe that the Cashier invariably proceeds in charge of it, and also that the Traffic receipts are paid into the Bank daily.

6. Neither practice is followed on the Great Southern of India Railway, the cash has been left in the sole charge of Persons and the traffic receipts instead of being regularly paid into the Treasury, are drawn upon as the Agent requires money for expenditure, that is the Agent keeps a sufficiently large balance to meet his expenditure, and instead of drawing cash from the Treasury, sends the Cashier a Cheque, in exchange for a receipt. This

This system does not necessarily facilitate the appropriation of money, but it is an objectionable one, and contrary to the spirit if not the letter of the Railway Contract which requires, that all earnings or profits shall be paid at such times and in such manner as the Secretary of State in Council shall direct without any deduction under any pretence whatever.

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

8. The object of the Agent in retaining a large balance, is to avoid the necessity of paying the customary premium of one percent ~~on sums~~ drawn from the provincial Treasuries. The remission of this premium is recommended by Captain Moberly.

Moberly, and was also recommended by his predecessor Lieutenant Kilgate, but whether or not ^{it is} allowed to Government, the regular payment of the traffic receipts should in my opinion be strictly enforced.

9. The defalcation now reported was found out by accident. A monthly abstract of receipts and payments on Capital and Revenue account of each Railway is furnished to this office by the Accountant General, on receipt of the monthly accounts of the various Treasuries concerned, and a copy of this abstract is sent to the Agent of the Railway. The abstract of the transactions for April was received in this office on the 13th May, and despatched on the same day to the Agent of the Great Southern of India Railway.

Railway. The document was not received
by the Agent; but Captain Leoberly having
accidentally taken a copy with him, during
his recent visit to Negapatam on the 18th ultimo
The Agent then discovered the discrepancy
between the entries in his books, and the
acknowledgment of the Treasury officer.

10 It is to be regretted that the
Agent allowed a period of more than two months
to elapse after the document was done without
making enquiry about it.

The monthly abstract has never
been despatched from this office later than the
19th of the month succeeding that to which it
referred.

11 With reference to Captain
Leoberly's statement, (see para 10 of his letter)
that the security furnished by the Cashkeeper
of

23
of the Great Southern of India Railway, was
neither in Cash or Government Promissory
Notes, I beg leave to recommend that all
securities should be required to be of this
nature, and they should be lodged in the
Madras or Oriental Bank or in the Go-
vernment Treasury.

Madras
1st August
1867

I have the honor to be,
Sir,

Your most obedient servant,

W. A. Adams Lieut. Colonel
Consulting Eng^r for Railways

Public Works Dept.
No 2400

Proceedings of the Madras Government
Under date the 8th August 1867.

Read the following

from the Consulting Engineer
for Railways

(Here enters 1st August 1867
No 216)

In this letter, the
Consulting Engineer
for Railways reports a
defalcation to the
amount of Rs. 25,061.4
in the Office of the
Agent of the Great
Southern of India Rail
way Company.

From the corres =
pondence before them,
the Government learn
that the Agent hand =
ed over to the Com =
pany's Cash. Keeper
during the month of
April last a total
sum of Rs. 47,961.9.8,
for

JP
WHE

P. H. 1867 Report
of the Consulting Engineer
for Railways
RAILWAY DEPARTMENT.

From

The Consulting Engineer

for Railways,

To

The Secretary to Government,
Public Works Department,
Fort Saint George.

Dated 1st August 1867.
Received 3rd August 1867.

No. 216.
Encls: 2. ✓

Forwarding for the
information of Govt, a
letter from the Agent of the
G. S. & I. Ry. reporting a
defalcation to the amount
of Rs. 25,061.4.8.

1867

for payment into the
Treasury on "Revenue"
Account, ~~It appears~~ but
~~however~~ that the Tahaldon
acknowledged the receipt
of only Rs. 21,700. S. S. and
that on the Cash Keeper
producing vouchers in
support of the full amount,
the receipts for the difference
between the two sums
just mentioned were
pronounced to be forgeries
by the ^{Head} Treasury Officer,
Tah, whose signature
they profess to bear.

Mr. Belts states
that the Cash Keeper
suspects the fraud to
have been committed
by his Cashpeons, in
collusion with other
parties, but that as
he, Mr. Belts, could
hold the Cash Keeper

alone responsible, he
had called upon him
"to make good the dis-
crepancy", and had
since dispensed with
his services. The Con-
sulting Engineer is not
satisfied that the Agent's
demand has been
fully complied with,
and he has accordingly
made a reference
upon the subject, the
result of which should
be reported without delay.

On a full consi-
deration of all the cir-
cumstances of the case,
the Govt are convinced
that the Chief, if not
the only, Agent in these
fraudulent transactions
was the Company's
Cash Keeper, and they
are

are not disposed to
attach weight to the sus-
picion which has been
cast upon the Cash
peons, who, as the Con-
sulting Engineer rightly
remarks, merely carried
out the instructions of the
Cash keeper, under whose
immediate orders they
were placed. The arrange-
ments in force on the
Great Southern of India
Railway, of entrusting
Cash for payment into
the Treasury to the sole
charge of peons, and of
retaining large portions
of the traffic receipts
to meet current expen-
-ture, are highly objectionable,
as

29 as affording immense
facilities for the com-
mission of fraud -
The Government direct
that these practices be
at once discontinued;
and that the Agent be
called upon to take
immediate measures
for the introduction of the
arrangements which pre-
vail on the Andhra Rail-
way. All payments
~~will~~ ^{will} be made
into the Treasury ~~from~~
hereforward be made
by the Cashier in per-
son, and the traffic
receipts ^{will be} remitted daily,
on all days on which
the Treasury is open.

The question of ex-
empting the Company
from the payment of
the usual premium on
sums drawn from pro-
vincial treasuries, and
the Consulting Engineer's

suggestion that arrange-
ments be made by
Treasury Officers for
receiving the Company's
traffic receipts on the
last two days of each
month and on holidays,
will be considered in the
Financial Department.

The Govt. notice
with dissatisfaction the
very great delay which
the Agent allowed to occur
before making enquiries
regarding the despatch
of the Accountant Genl's
Statement of receipts and
payments on Capital
and Revenue Account
for the month of April
last, and, adverting to
para 5 of Mr Betts'
letter, they request the
Cons Engineer to furnish
the

and complicated

30
the Agent with a memo-
of the contents of the pack-
et in which the State-
ment in question was
enclosed, and to take
measures for ascertaining
whether the despatch
of that packet is re-
corded in the books
of the Post Office at
Madras.

Looking to the risk
entailed by the acceptance
of landed property as
security, and to the
unsatisfactory nature
of the tenure on which
such property is fre-
quently held by the
natives of the Country,
the Govt. are not a little
surprised to find that
security of so unreliable
a character from the
late

late Cashkeeper should
have been considered
sufficient to indemnify
the Company
against losses. They
desire it to be distinctly
understood that, for the
future, all securities from
the Company's employees
shall be either in cash
or in Government Pro-
cessionary notes, to be
lodged in one of the principal
Banks at Laredo, or
in the local Treasury.

In para 3 of his
letter, Mr Belts reports
that, in accordance
with his instructions,
the late Cashkeeper
has instituted proceed-
ings against the Cashiers
in the matter of the

33
defalcation under
notice. The Consult-
ing Engineer is requested
to call upon the Agent
to report the issue of the
case for the information
of Government.

M.

The Longhorns
Financial Dept

Recd 8/8/67

181A.131

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Pub. Works 1867 Departs

Pro. of Govt. for August

Oct 2/18

Pro. of the Madras Govt.

Of 8th August 1867

Passing orders on a letter
from the Consulting Engineer for
Railway relative to a Defalcation
to the amount of Rs. 26,661-0-4
in the office of the Agent of the
Great Southern of India
Railway

181-182