

- (1) Number of pages _____
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MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 914 75-76.	Press Mis.
Dated 6-4-1872.	

Not to be folded or roughly handled

No. 75. Read the following endorsement of the Deputy Consulting Engineer for Railways, dated Madras, 15th March 1872, No. 131 :—
From the Acting Consulting Engineer for Railways, to the Agent and Manager of the Madras Railway Company, dated Madras, 15th March 1872, No. 690.

I HAVE the honour to request that you will favour me with a report of the circumstances under which it was possible for the Clerk Chatterton, lately convicted of defrauding the Company, to commit the fraud of which he was found guilty. It will be necessary to show the Government clearly how far the system of accounts and audit under which the fraud was committed is faulty, and in what respect it has been or will be modified to prevent the recurrence of similar irregularities.

From the Agent and Manager of the Madras Railway Company, to the Acting Consulting Engineer for Railways, dated Madras, 16th November 1871, No. 689.

UPON receipt of your letter No. 690, dated the 7th instant, I placed myself in communication with the Traffic Manager and the Chief Auditor, and I have now the honour to request your attention to the enclosed copies of those officers' replies.*

* Traffic Manager, No. C 67-412, 15th November.
Chief Auditor, No. 631, 16th November.

2. The Traffic Manager describes fully the system under which pay sheets are prepared and the examination which they undergo in his office. He remarks that, irrespective of the confidence which he had in the Clerk Chatterton, he relied upon the system which requires a separate and distinct department to pay the wages of his staff, and a second department to audit his pay sheets, and he states that he has always felt that without collusion between the departments concerned the Company was perfectly safe from fraud.

3. The Chief Auditor you will observe states that so far as the system of audit of the accounts under which the late fraud was committed is concerned, he has not been able to detect any fault, and the only additional precaution which he can suggest is to employ a higher class of agency in the Audit Office, and to take security from the clerks in that department.

4. With regard to this latter suggestion, I question whether any material good would result, and when the magnitude of our operations is considered, it appears to me that we have hitherto been singularly free from such irregularities.

5. I have never yet heard of any system of audit which could altogether prevent fraud. The utmost that can be expected of the most perfect system is to detect it, and even here carelessness or collusion on the part of the persons employed to conduct the audit may render the examination altogether futile.

6. In the case under consideration carelessness on the part of the Head Cashkeeper and of a clerk in the Audit Office was clearly established, although there was not sufficient evidence to prove collusion. The services of these two men have been dispensed with by the payment of one month's salary in lieu of notice.

From the Traffic Manager, to the Agent and Manager of the Madras Railway Company, dated Madras, 15th November 1871, No. C. 672.

Consulting Engineer's letter No. 690 of 7th instant.

In answering the inquiries of the Consulting Engineer it may be well to explain our system.

2. The station pay sheets are prepared by each Station Master, and by him forwarded to his divisional officer, who examines and certifies as to their correctness and then forwards them to my office.

*Proceedings of the Madras Government, Public Works Department,
6th April 1872.*

3. The pay sheets for Guards, Signallers, and Relieving Station Masters and Clerks are prepared by the divisional officer himself, who certifies and forwards them to my office.

4. It was Chatterton's duty on the receipt of these pay sheets to check them, make the necessary deductions from the pay of each man for security, claims, fines, etc., and to prepare an abstract of the whole of the pay sheets for submission to the Audit Office, where the totals of each station are compared with the sanctioned amount, and, if found within the sanction, are passed for payment.

5. For the convenience of servants residing up-country payments are made at their request in Madras on the issue of pay each month, and such payments are deducted from the pay due; but instead of making the deduction in the pay sheet itself, it has been found more convenient to furnish the Cashier with a statement of monies to be so paid and deducted.

6. In this statement Chatterton entered names of men not employed, and made the amounts payable to himself, but as such entries would have been valueless without corresponding entries on one or other of the pay sheets, Chatterton also entered these names in one of the pay sheets of the Madras Division, signed by the divisional officer, and so committed the fraud.

7. So great was the confidence reposed in Chatterton that I never hesitated to countersign the pay sheets if they bore his signature as well as that of the divisional officer, and when I say that we have no less than 151 pay sheets containing upwards of 1,000 names it will be readily understood that the scrutiny exercised by me must necessarily be confined to seeing that they are properly certified.

8. Irrespective, however, of my confidence in Chatterton, I relied upon the system which requires a separate and distinct department to pay our wages and another department to post audit on pay sheets, and I have always felt that without collusion between the departments concerned I was perfectly safe from fraud.

9. That there was collusion there can be no moral doubt, though unfortunately we have only been able to bring home the case against Chatterton.

10. The system of the preparation, payment, and check of pay sheets, if properly carried out, is probably as good a one as we could have, and the fraud in this instance cannot be attributed to any fault in the system, but to the manner in which the system was carried out, and of which you have already marked your sense in the case of the other departments concerned.

From the Chief Auditor, to the Agent and Manager of the Madras Railway Company, dated Madras, 16th November 1871, No. 634.

I beg to inform you in reply to the Acting Consulting Engineer's letter No. 690, dated 7th instant, that so far as the system of audit of the accounts under which the late fraud was committed is concerned, I have not been able to detect any fault.

2. There has been neglect of duty on the part of the clerk whose province it was to post audit the traffic pay sheets, but the only remedy for that state of things is to check it immediately it is discovered, and you have already marked your sense of the neglect in this instance by directing me to give the clerk in fault one month's pay with notice that his services are no longer required.

3. The only additional precaution which suggests itself is that it may be expedient to employ a higher class of agency in the Audit Office, and to take security from the clerks in that department.

4. In cases of this kind it is submitted that it would be more expedient that information on the system of our accounts and audit should be obtained by the Consulting Engineer from the Government Examiner, as the latter officer has a seat in my own office, and side by side we go over the work together. Every book and voucher is as accessible to him as to me, and he is thus in a position to afford personally much fuller and more exact information on such a subject as a system of accounts and audit than can be given in correspondence.

*Proceedings of the Madras Government, Public Works Department,
6th April 1872.*

SUBMITTED for the information of Government.

(Signed) C. J. SMITH, Captain, R. E.,
Deputy Consig. Engr. for Railways.

No. 76. ORDER THEREON, 6th April 1872, No. 914.

RAILWAY, No. 10.

ORDERED to be recorded.

(True Extract.)

Colonel, R.E.

Secretary to Government.

To the Acting Consulting Engineer for Railways.

Exd. E. C. Shunker.

Enclosed
Railway Dept^{ts}

No 690

Consulting Engineer's Office
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To

The Agent and Manager.

Madras Railway Company

Sir

I have the honour to request
that you will favour me with a re-
port of the circumstances under
which it was possible for the clerk
(Chatterton) lately convicted of de-
frauding the Company to commit the
fraud of which he was found guilty.
It will be necessary to shew the
Government clearly how far the
system of accounts and audit under
which

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was perfectly safe from fraud - 9V

3. The Chief Auditor you will observe states that so far as the system of audit of the accounts under which the late fraud was committed is concerned, he has not been able to detect any fault and the only additional precaution which he can suggest is to employ a higher class of agency in the audit office and to take security from the Clerks in that Department.

4. With regard to this latter suggestion I question whether any material good would result, and when the magnitude of our operations is considered it appears to me that we have hitherto been only free from such irregularities.

5. I have never yet heard of any system of audit which could altogether prevent fraud. The utmost that can be expected of the most perfect system is to detect it, and even here carelessness or collusion on the part of the person employed to conduct the audit, may render the examination altogether futile.

6. In the case under consideration carelessness on the part of the Head Cashkeeper in

No. 131

Submitted for the *information* of Government.

Smith Captain
R.E.

CONSULTING ENGR

Madras,

the
at
15th Decr. 1872.

84 Cong. Engr. for Railways.

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

131

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MADRAS RAILWAY.

From

The Agent and Manager.

The Consulting Engineer

for Railways.

Dated 16th December 1872

Recd. 17

P.N. 1360/72 No. 689.

*Submitting attached
to the sundry copies
of letter from the
Engineer (Chief Quarter)
on the subject of the
check and audit of
the Pay Office and
out of the Board
Council by the*

C/12/360

Govt. of 1872 Madras.

PUBLIC WORKS.

To The Acting General
Eng^r for Railways

Encl

Recd.

Encl 1/1

G. O. 12. 12. 1872

Nos. 75-76

Madras Railway. Cor.

Memorandum submitted
by the Engineer for
the subject of the
road recently con-
structed by Mr. H. H. H.