

CONFIDENTIAL

Revenue (1893) Department.

G.O., No. 3586

Confidential No. 612-

DATED 29 September '93

[Despatch Abstract.]

Sanctioning payment of a fee of Rs 350 to the
pleader who conducted certain prosecutions in connection
with the Jotwari Treasury defalcation case.

BACK PAPERS.

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

FURTHER PAPERS.

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

BOARD OF REVENUE (LAND REVENUE), 31ST AUGUST 1893, No. 502.

CONFIDENTIAL

PROCEEDINGS OF THE BOARD OF REVENUE
(LAND REVENUE).

READ—the following G.O., dated 22nd August 1893, No. 749, Revenue:—

Read—again the following papers:—

G.O., dated 6th May 1892, Mis. No. 2289, Revenue.
 " " 27th Oct. " " 4714 "

Read—also the following papers:—

Proceedings of the Board of Revenue (Land Revenue), dated 30th May 1893,
No. 287.

ABSTRACT.—Submitting to Government, with remarks, the final report on the defalcations in the Gódávári district treasury, calling for further information from the Collector and the Accountant-General in connection with certain points and submitting certain suggestions to Government regarding the necessity for unexpected inspection of district treasuries and the training of young civilians in matters of accounts.

Petition from M.R.Ry. K. SUBBARAYADU GARU, dated 3rd July 1893.

ABSTRACT.—Submitting further explanation in connection with the Cocanada treasury defalcation case.

Order—dated 22nd August 1893, No. 749, Revenue.

The Board in its Proceedings read above has dealt fully with the history of the defalcations in the Gódavari district which were first reported by Mr. Hamnett in his letter, dated 18th. February 1892, and which have formed the subject of investigation by an officer specially deputed from the Accountant-General's office. It only remains for Government to pass orders regarding the conduct of those connected with the frauds and the measures to be adopted in order to prevent a recurrence of them.

2. It is matter for surprise that this defalcation, which is one of the largest of recent occurrence, took place in the huzur treasury where safeguards against fraud ought to be more complete than at subordinate treasuries. The fraud was ingeniously contrived and cleverly carried out by the Vernacular Head Accountant, but it was only rendered possible by the absolute trust reposed in him by the Deputy Collector and all the treasury officials. Every detail of treasury procedure was left in his hands with the result that he was in a position to manipulate the accounts and to divert payments as he pleased. The checks, which have been devised to prevent fraud and which are clearly prescribed by the rules of the Account Code, were utterly neglected; and from the Collector downwards no official appears to have exercised any supervision over the treasury work. The frauds extended over several years and the loss to Government, so far as it is now possible to ascertain

it, amounts to some Rs. 40,000. It is possibly much more, but, owing to the destruction of accounts prior to 1883-84, the exact amount cannot now be ascertained.

3. Hanumanta Rao, the perpetrator of the frauds, was convicted of cheating and sentenced to imprisonment and fine of Rs. 4,000. He is, however, now dead and the only question, so far as he is concerned, is whether the security given by him as cashkeeper should be confiscated. The Government considers that it should be and approves of the Board's proposal in paragraph 7 of its Proceedings read above.

4. No small measure of responsibility for the loss incurred by Government attaches to the successive Collectors who have neglected the important duty of examining the deposit registers and whose certificates, recorded under article 252 of the Account Code, must be pronounced false: for it is clear that they did not, as their certificates declare they had done, "personally examine" the registers, or satisfy themselves that they had been kept "with the utmost care and regularity." Messrs. Foster and Happell are chiefly to blame for this state of affairs, but both have left the service and the Government therefore refrains from calling them to account.

5. The Deputy Collector in charge of the treasury, M.R.Ry. Korralla Subbarayudu, is however the officer chiefly in fault. It is clear from the papers before Government that he did not take the most ordinary precautions and that it was owing to his gross neglect that the continuance of the frauds for so long a time was rendered possible. The many irregularities that characterized his work as a Treasury Deputy Collector are enumerated in paragraphs 4 to 6, 9 and 10 of the Board's Proceedings read above; but the following are especially noticeable:—

(1) The entries of deposits in the received register, for the correctness of which the Treasury officer is personally responsible, were seldom supported by the authority for each deposit. The deposits were paid back almost immediately—often on the day of deposit—to parties who were very imperfectly described and who seldom corresponded to those who had paid in the deposits. There was a sameness even about the names of the fictitious payees, generally Venkataswami or Venkatarazu or Venkata Rao, which should have attracted the Treasury officer's attention.

(2) Repayments were noted under the Treasury officer's initials in only a few cases in the appropriate column of the received register. In all the other cases this important precaution was not attended to.

(3) When payment orders were issued against the supposed deposits, the fact of their issue was not noted by the Treasury officer in any book, nor was any account whatever consulted by him to see if there was credit for the amount of the payment order. To this omission of the Treasury officer the entire series of frauds is directly traceable. M.R.Ry. K. Subbarayudu first stated that the received register was consulted by him before he signed the payment orders, but, when the impropriety of refunding without any authority amounts that had been paid in as Lanka or Abkari revenue was pointed out to him, he shifted the ground and stated that he only looked at the amount entered in the repayment register. There would have been some excuse for this, but an examination of the dates of repayment in the original repayment register shows that even this was false. Those dates are entered not in the order in which payment orders were issued, but (in accordance with article 250 of the Account Code, note 1) in that in which payments were made by the Bank. This shows conclusively that the repayment registers were not written up or initialled till after payments had been made by the Bank.

(4) The deposit registers evidence another startling disclosure, viz., that, when a payment order was issued against a supposed deposit, there was often no entry at all of the deposit in the received deposit register, but the entry was made and initialled some time after, when the payment order had been both issued and paid. Thus in cases 22 and 23 the receipt and repayment registers were initialled by Mr. Cowie, but M.R.Ry. K. Subbarayudu had previously signed the payment orders, i.e., when M.R.Ry. K. Subbarayudu signed the payment orders there was as

yet no entry in any register to support the orders. The same thing happened, the procedure however being reversed, in cases 24 and 25. Here Mr. Cowie signed the payment orders which were paid on the 30th March 1887 (during M.R.Ry. K. Subbarayudu's absence on inspection duty) and also initialled the repayment register, but the deposit register which should have been initialled first, being the basis of the whole transaction, was initialled by M.R.Ry. K. Subbarayudu at least a fortnight afterwards, on his return to the station. In another case (No. 29) a payment order was paid on the 24th November 1887 and the deposit against which the payment order was supposed to have issued was dated 30th November 1887.

In short, an examination of the deposit registers which have been forwarded to Government points to but one conclusion, viz., that the Treasury officer never systematically examined any of those registers, but merely initialled the several entries in them, whether of deposit or of repayment, mechanically.

6. While so many opportunities for fraud were presented by the extraordinary carelessness of the Treasury officer, it necessarily follows that he should bear the responsibility for the actual occurrence of fraud. There does not appear to be any evidence tending to show that M.R.Ry. K. Subbarayudu actually participated in the frauds, but the facts stated in paragraph 11 of the Board's Proceedings read above raise a strong suspicion that, as far back as 1889, he must have known that fraud was being committed. Yet he took no steps to investigate the suspicious circumstances then brought under his notice nor did he make any report to the Collector regarding his suspicions. Had he done so, the frauds would have been discovered earlier and a much larger amount than is now possible might have been recovered.

The Government has considered the several explanations submitted by M.R.Ry. K. Subbarayudu, but in none of them can it find any palliating circumstances tending to exonerate him. His Excellency the Governor in Council therefore fully concurs with the Board in considering that no penalty short of dismissal with forfeiture of pension will meet his case and directs that he be dismissed accordingly and that effect be forthwith given to this order.

7. As regards Mr. Cowie, who was in charge of the treasury during two short periods, the facts referred to in paragraph 5 (4) above no doubt show ignorance of account procedure on his part, but, as he had then been but a short time in the country, the Government is not disposed to hold him responsible for any part of the loss. He ought not to have been placed by the Collector in a position involving so much responsibility, and in which he had almost necessarily to rely on subordinates of long experience.

8. M.R.Ry. T. Jagannatham Pantulu, who was also temporarily in charge of the treasury, entered repayments in cases 13, 14 and 15 in which, however, the deposits had been already admitted and payment orders issued by M.R.Ry. K. Subbarayudu. The Government does not consider that it was possible for M.R.Ry. T. Jagannatham Pantulu to have detected the frauds at such a late stage and therefore exonerates him from blame.

9. As regards the subordinate officials of the treasury, who conducted to the frauds by reason of their negligence or co-operation, the first is the Head Accountant K. Yoganandam Mudali. He appears to have been required by Mr. Cowie to satisfy himself that the payment orders in cases 30 and 31 were correct: he put his initials to both documents in token of their correctness, although a glance at the deposit register would have informed him that there was no balance in favour of the parties to whom payment orders were about to be granted. His explanation,—"when I signed I must have referred to item 718 to see if there was any balance under it,"—is therefore fallacious. Another and an equally serious charge against this individual is that he initialled the false extracts sent to the Accountant-General on 10th October 1888 and on 15th December 1888, which extracts professed to be copies of entries in the huzur deposit register relating to cases 33 and 34, whereas no entry in case 33 was ever made in the deposit register and that in case 34 was not made till after April 1889. These details are not adverted to in

the Register

Should a copy of
G.O.N. 3586 go to
Financial or not?.

C.A.
29 Sep 93.

Not necessary I think

Eads
2.10.93.

the Collector's Proceedings regarding Yoganandam, but the Government considers that his having attested extracts, the originals of which never existed, is a very serious offence which has not been adequately dealt with either by the Collector or by the Board. He will be dismissed from the service.

10. The Government approves of the Board's decision in regard to the clerk Sunku Purushottam, who is described to be a man of poor education and of defective intelligence and who is therefore sufficiently punished by degradation to a 15-rupee post.

11. As regards attender Rambala Narayanaswami Naidu, who cashed nine of the fraudulent payment orders and handed the proceeds to Hanumanta Rao, the Government thinks it was too much to expect an attender, who was sent to cash a payment order, to criticize it or to question the authority of the officer who sent him with it to the Bank. The Government accordingly directs his restoration to his appointment.

12. His Excellency the Governor in Council agrees with the Board in considering that the Bank is liable to Government for the amount embezzled on payment orders, which had been obviously tampered with so as to represent sums much larger than those of which the Treasury officer had authorized payment. The fact that the Agent of the Bank suspected the treasury officials of corruption ought to have rendered him particularly circumspect in regard to passing treasury orders for payment. The records connected with the frauds, which contain, *inter alia*, the depositions of the Bank clerks touching the laxity of the Bank's procedure, will be forwarded to the Advocate-General for opinion as to whether the Bank's liability cannot be legally enforced.

13. The very suspicious conduct of the Bank clerk, Buchi Ramappa, will, as proposed by the Board, be brought to the notice of the Directors of the Bank.

14. As regards the measures to be adopted in order to prevent a recurrence of the frauds, the Government entirely concurs with the Board in the observation that the defalcation was rendered possible by the non-observance of, rather than by the absence of, adequate checks. Still it appears to the Government that there will be additional security in the course proposed by the Accountant-General, which is to disconnect the Account department of the Collector's office altogether from the preparation of demand, collection and balance statements and to place this work directly under the Huzur Sheristadar. The Board's objection that the latter is an itinerating officer does not appear to Government to be a serious difficulty. The Huzur Sheristadar is expected to be absent from head-quarters only during jama-bandi, at which time the Head-quarters Deputy Collector can supervise the preparation of demand, collection and balance statements. On the whole the experiment is well worth trying and the Government is disposed to sanction it without awaiting the reports called for by the Board from selected Collectors.

15. The Board's proposal that the Accountant-General should be asked to depute some member of his staff to pay unexpected visits to huzur treasuries is opposed to G.O., dated 8th June 1882, No. 437, Financial, in which the Government considered that the Collector's half-yearly examination of treasuries (for which elaborate forms have been now provided) was a sufficient check and that it was not desirable to lessen the Collector's responsibility for the state of his treasury. The attention of all Collectors will again be drawn to the necessity of personally satisfying themselves as to the accuracy of the deposit registers before recording the certificate required under article 252 of the Civil Account Code.

16. As regards the special training proposed in paragraph 23 of the Board's Proceedings to be given to Assistant Collectors, the Government considers that a study of the Account Code, which is now prescribed for the Standard Examinations, should familiarize them sufficiently with the principles of treasury audit and that the existing orders on this subject do not require to be supplemented.

17. The Government observes that the form of order for the repayment of deposits which is used at the Gódávri treasury is incorrectly printed, the space

opposite the words *the Sum of Rupees* not being ruled and the words "annas" and "pies" not being printed as in form 31 prescribed in the current edition of the Account Code, or form 19 of the old edition. The use of the correct form would not have absolutely prevented the frauds, but it would have increased the difficulty of perpetrating them, as no careful officer would have signed vouchers for small sums without seeing that the space for rupees was scored through or had the word "nil" or the amount in rupees written in words in it. The Collector should be instructed to bring the correct form into use forthwith in accordance with article 696 of the Civil Account Code, volume I. As an additional safeguard against frauds, the Government considers that the words "claimant's signature," occurring in form 31, should be altered into "signature of the depositor," so that it may be made clear that the receipt voucher and the pay order should be in the name of the depositor and no other person and that the depositor alone is entitled to payment; the Bank will not in that case be able to pay to bearer as it has been doing. The Accountant-General will be requested to consult the Comptroller-General as to the expediency of giving effect to the above suggestion and as to whether he can devise any better plan.

18. The remarks of the Accountant-General, asked for in paragraph 16 of the Board's Proceedings read above, are awaited by Government.
(True Extract.)

(Signed) C. A. GALTON,
Secretary to Government.

To the Commissioners of Land Revenue.
" Accountant-General.

" Advocate-General (paragraph 12 with copy of the Board's Proceedings and enclosures).

To " Bank of Madras (paragraph 13).
M.R.Ry. K. Subbarayadu (paragraphs 5 and 6).

RESOLUTION—dated 31st August 1893, No. 502.

Communicated to the Collector of Gódávri for information and guidance.
2. The attention of all Collectors is invited to the instruction conveyed in paragraph 15 of the order.

3. The sanction of Government is requested to the payment of a fee of Rs. 350, or Rs. 25 a day, to the pleader M.R.Ry. D. Seshagiri Rao Garu, who conducted the prosecutions referred to in paragraph 7 of Board's Proceedings, dated 30th May 1893, No. 287. The Board considers this amount sufficient.

4. With reference to paragraph 10 of the Government Order, the Board begs to inquire whether it is intended that the punishment of suspension imposed by the Board on Accountant S. Purushottam, over and above his permanent degradation, [vide paragraph 14 (2) of Board's Proceedings, dated 30th May 1893, No. 287] is to be set aside.

(A true Copy and Extract.)

Ag. Secretary.

To the Collector of Gódávri.
" all other Collectors (paragraph 2 of this Proceedings with extracts of paragraph 22 of Board's Proceedings, dated 30th May 1893, No. 287, and paragraph 15 of the Government Order).
" the Secretary to Government, Revenue Department, with one letter (G.R. 248/93) and two enclosures in original (to be returned).

Exd. A. D. Xavier.

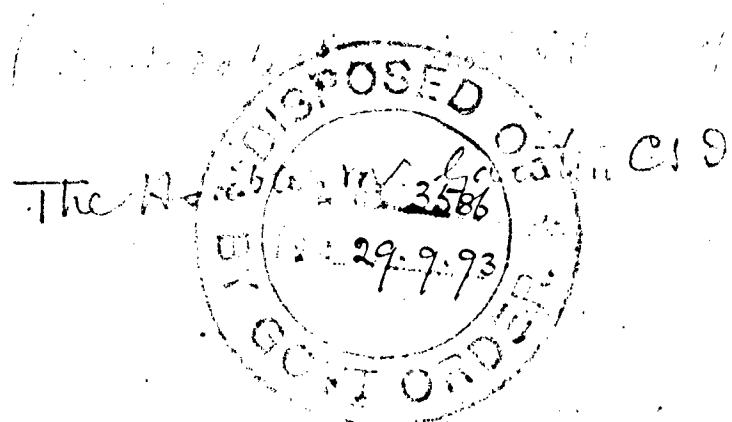
REVENUE DEPARTMENT.
1893.
Board of Revenue
(Land Revenue),
MADRAS.

CONFIDENTIAL No 148

Proceedings, 31st August 1893, No. 502.

Printed September, 15th.

Proceedings, 31st August 1893, No. 502.



Communicating to the Collector of Gódvári Government Order passing orders on papers relating to the Cocanada treasury defalcation case, drawing the attention of all Collectors to the instruction conveyed in paragraph 15 of the Government Order in the matter of recording certificates required under article 252 of the Civil Account Code, and soliciting the sanction of Government to the payment of a fee of Rs. 350 to the pleader who conducted the prosecutions in the defalcation case.

With an order

Order No. 3586 dt 29-9-93
28/9/93
Payment of a fee of Rs 350 to
Mr. R. S. Seshagiri Rao
Sanctioned.
With reference to para 4 of
the Resolution read above the Board
of Revenue will be informed that
it was not intended to set aside
the punishment of
the suspension imposed by the
Board on ^{Accountant} S. Purushottam.

29/9/93

To the Commr of L.A.
To the A.G.
29/9/93

Note: It will be seen from the notes
of Hon. members against para 12
of the Note for orders dt 6.22 aug.
93. No 749, that the Board's
proposals in the case of S. Purushottam
were approved in their entirety.

23.9.93

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