CONFIDENTIAL.

Revenue (1893) Department.

G.O., No. 3917 A
Confidential No. 614
DATED 23 October 93

[Despatch Abstract.]

Recording opinion of the Hon'ble the Advocate General in the matter of over payment by the Bank of Madras, Cocanada, in connexion with the Godavari treasury defalcations.

BACK PAPERS.

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

FURTHER PAPERS.

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

O/15—2,000—13-3-93.

(1893.)

REVENUE DEPARTMENT.

Current Number. ~~1~~ 7454.

Confidential № 49

From

The Hon. the ~~Advocate~~ General

The Hon. Mr. Garstin C.S.I.
The Hon. Sir H.E. Stokes K.C.S.I.

Dated 6/10/93
Received 9/10/93
Enclosures 2

No.

SUBJECT.

Giving opinion in the matter of the liability of the Bank of Madras for overpayments on certain orders issued by the Godavari Assistant Treasury.

Over

ABSTRACT.

For orders.

With reference to notes in G.O. 749, d. 22.8.93. As the Advocate Genl is of opinion that a suit against the Bank cannot stand it is thought that Govt will not ~~pursue the matter further~~.

The decision in Young v. Grote, upon wh. the A.G. relies, shows that voluntarily the Bank would be liable to the Customer if it paid a forged cheque: but where the Customer has by his carelessness caused such payments possible or even probable the liability of the Bank ceases - That carelessness of a gross kind has been attributed by Govt to the Customer i.e. that by Govt, cannot, of course, be denied - he has been dismissed for it - In these circumstances the A.G. holds that Govt would not recover from the Bank -

G.O. mis. 23/10/93 No 3917-2 Rec'd 17/10.

Chief Sec 20/10/93 Asst Sec 21 Oct. Sec 23/10.

12.1093 Copy to the Comm of C.R. Asst 31/

REVENUE DEPARTMENT.

1893.

Board of Revenue

(Land Revenue),

MADRAS.

CONFIDENTIAL.

Printed, June 17th.

Proceedings, 30*th May* 1893, *No.* 287.

Submitting to Government, with remarks, the final report on the defalcations in the Gódávari 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.

CONFIDENTIAL.

PROCEEDINGS OF THE BOARD OF REVENUE.

(LAND REVENUE.)

READ—the following letter from A. W. B. HIGGENS, Esq., Collector of Gódávari, to the Secretary to the Commissioners of Land Revenue, dated 16th January 1893, No. C-2:—

In continuation of my letter, dated 10th January 1893, No. 1, I have the honour to submit my final report regarding the defalcations in the Gódávari huzur treasury and the conduct of the various persons concerned therein. The period covered by the defalcations, so far as they have been discovered, is from 26th January 1884 to the end of August 1889. The officers in charge of the treasury were, from 1884 to the end of February 1885, Deputy Collector Mahomed Yusuf, who was dismissed, and, after him, to the end, Deputy Collector Koralla Subbarayudu—the charge being held for short periods by the Temporary Deputy Collector Tanekella Jagannadam and by the Assistant Collector D. W. G. Cowie. The English head accountant for the whole period was Kanuparti Yoganandam, and the Vernacular head accountant from 1st October 1884 to 25th April 1888 was Netrakanti Hanumanta Rao,* who thereafter became cash-keeper, his place as Vernacular head accountant being taken by D. Narayana Rao.

2. The defalcations which had up to that date been discovered, viz., those which occurred after N. Hanumanta Rao became cash-keeper, were reported on by Mr. Hamnett in his letter, dated 18th February 1892, No. C-36, embodied in Board's Proceedings, dated 19th March 1892, No. 139. That report was so full that I need say but little more on the matters therein dwelt upon. What there is to say will be reserved for the latter part of this report. Those transactions took place on dates subsequent to those with the discussion of which I am now principally concerned.

3. On receipt of Board's Proceedings, dated 19th March 1892, No. 139, the Government, in G.O., dated 6th May 1892, No. 2289, suspended Deputy Collector Koralla Subbarayudu, and directed the Accountant-General to depute an experienced subordinate to audit the accounts, and to ascertain what the extent of the embezzlements was, with whom the responsibility lay, how the frauds escaped detection and in what manner a recurrence of them could be avoided. Accordingly, Mr. E. S. Hensman, third-class superintendent of the Accountant-General's office, was deputed to this district and was engaged from 27th May to 1st August 1892 in making a careful examination of the huzur treasury accounts for the period indicated in para. 1. Any researches into the transactions of previous years were made impossible by the absence of accounts.

4. The results obtained by Mr. Hensman were embodied by him in a table which was submitted to the Accountant-General with his letter dated 22nd August 1892, and the Accountant-General submitted his comments on the report and his remarks on the points on which Government required information in his letter, dated 17th September 1892, No. C-17 (a copy of which was sent to me by the

* NOTE.—He was English clerk on Rs. 45 from 10th December 1877 to 1st October 1884, but actually worked in the treasury department throughout.

Board with Board's Proceedings, dated 21st October 1892, No. 6745, and is now returned as therein directed). Mr. Hensman arrived at the conclusion that a sum of Rs. 39,589-6-3 had been embezzled.

5. My investigations began after the receipt from Mr. Hensman of an advance copy of his tabular statement on 1st August 1892. I at first confined myself to a search for evidence which would shew what had become of the money fraudulently obtained from the Bank; and on finding that the evidence obtained all pointed to Netrakanti Hanumanta Rao as the person who had profited by the frauds, and after receiving the Accountant-General's report sent to me with Board's Proceedings, dated 21st October 1892, No. 6745, I proceeded to hold a formal inquiry into his conduct, first, under Regulation IX of 1822, and then, when proceedings under Regulation IX of 1822 were disapproved by the Board of Revenue (Board's Proceedings, dated 14th November 1892, No. 7399, Mis., and 30th November 1892, No. 7891, Mis.) by way of departmental inquiry. Certain selected cases, Nos. 7, 10, 12, 13, 14 and 15, in Mr. Hensman's table were also laid before the Joint Magistrate and have been disposed of by him as calendar cases Nos. 27, 28 and 29 of 1892, N. Hanumanta Rao being convicted in all cases under sections 418 and 420 of the Indian Penal Code, and sentenced to rigorous imprisonment and fine. Copies of the Joint Magistrate's judgments in those cases are enclosed. The Joint Magistrate also took up the inquiry into one of the cases reported on by Mr. Hamnett (numbered 34–35 in Mr. Hensman's table), and he would probably have committed the case to the Court of Sessions had not further proceedings been cut short by the death of N. Hanumanta Rao in the Rajahmundry jail on the 23rd December 1892.

6. My departmental inquiry covered an examination of all the persons, both those employed in the treasury office and those employed in the Bank and private individuals who were concerned in the 31 new cases investigated by Mr. Hensman.* I took up each case separately and recorded the statements made by each person in reference thereto. These statements and the connected vouchers and deposit registers are sent herewith for perusal. I enclose also a statement taken by me from Deputy Collector Koralla Subbarayudu on 15th August 1892, before he had seen the vouchers and registers, and statements taken from him on various dates from 2nd to 12th November 1892, when the vouchers and registers were shown to him by me, and a further written statement given to me by him on the 23rd November 1892 when he had perused Mr. Hensman's report.

7. The results of my inquiries and my conclusions thereon are embodied for ready reference in a tabular statement, which corresponds in arrangement with the first 31 items of Mr. Hensman's table. I have endeavoured in that statement to fix the responsibility of each of the principal persons concerned in the preparation and passing of vouchers and deposit registers and other connected accounts, and to indicate to what extent the procedure of the Bank of Madras can be considered to have facilitated the perpetration of the frauds. I now proceed to discuss these matters in greater detail.

8. The author of the frauds throughout was undoubtedly the Vernacular head accountant, Netrakanti Hanumanta Rao. This person was, apparently, looked upon by the whole treasury establishment, including the Deputy Collector, as the embodiment of all knowledge in matters connected with accounts, and as absolutely trustworthy. His procedure was as follows:—

When the treasury account was being prepared, he, like other accountants in charge of special branches of work, furnished the clerk who wrote the account with an alteration memorandum shewing, among other things, that a certain sum was transferred from the credit of land revenue to that of revenue personal deposits. Such memoranda were not signed and were not seen by the treasury officer, but were, nevertheless, accepted and acted upon. At the same time he caused his assistant, S. Purushottam, to enter a corresponding amount in the receipts register

* NOTE.—Of these cases ten, involving Rs. 9,897-8-0, had been discovered before Mr. Hensman's arrival, partly by the help of D. Narayana Rao, and this discovery was reported in para. 3 of my letter, dated 17th March 1892, No. C-43. In regard to these cases Deputy Collector Koralla Subbarayudu gave a preliminary explanation, dated 10th May 1892, which is enclosed.

of revenue personal deposits.* He then prepared in his own hand a receipt, or cheque as it may be called, on a printed form, authorising the payment of a sum, generally a small sum, to a fictitious person, who was, in most cases, made to appear as a renter of lankas whose deposit was to be refunded to him. The signature of this person was forged by N. Hanumanta Rao himself or by some accomplice who has not been discovered. The figures and words in the cheque were, in most cases, so written that it was easy to supplement them by figures and words of larger amount. The cheque was then placed before the Deputy Collector and was signed by him. It was then, in most cases, altered into a cheque for a larger amount by N. Hanumanta Rao, and was afterwards sent to the Bank and cashed by an agent employed for the purpose by N. Hanumanta Rao. In most cases actual cash (or currency notes) was obtained and was delivered by the agent to N. Hanumanta Rao; but in some cases the cash was obtained in advance from the cash-keeper, Mr. Tennant (who has retired and lives, I believe, now at Bangalore), out of sums received by him for stamps, and the cash-keeper sent the cheque to the Bank for adjustment as a portion of the remittances of the day. In two cases (case 22–23 and 30–31) a portion of the amount obtained was deposited in the Bank for the purchase of Government pro. notes.

9. On the return of the cheques by the Bank to the treasury office with the daily sheets, they seem to have at once found their way, without scrutiny by the Head accountant or the Deputy Collector, to N. Hanumanta Rao or to his young assistant, Sunku Purushottam. The register of repayments was then written up from the cheques by S. Purushottam, and it was, like the register of receipts, examined and passed by N. Hanumanta Rao and by the officer in charge of the treasury. The cheques and an abstract of the deposit registers which was embodied in the personal deposits abstract were then sent to the Accountant-General's office.

10. It is to be noted that in some cases, *i.e.*, cases 20, 21, 26 and 28, aggregating Rs. 2,136-12-0, the procedure was varied. The amounts transferred from land revenue were, under N. Hanumanta Rao's instructions, entered in the receipts registers of revenue (not revenue personal) deposits and were shown in the repayment registers and memoranda sent to the Accountant-General as adjusted by transfer. The amounts so entered were, nevertheless, drawn in cash on cheques, and doubtless found their way to N. Hanumanta Rao's hands. The cheques themselves were destroyed. The Accountant-General had no means of knowing whether the sums entered in the memoranda sent to him as "item in which the transferred amount is included" really included the sums supposed to be adjusted. No one except N. Hanumanta Rao, who himself entered the figures under this head, could give this information; and owing to the largeness of the sums and the variety of the items of which they would be composed, detection was practically impossible.

11. In regard to all the 31 cases, N. Hanumanta Rao's only defence was that the cheques or most of them were written by some one else, whom he could not name, in reference to applications made by the parties for payment, which are not forthcoming, and that the entries in the deposit registers and in the alteration memoranda were made in reference to communications received from the taluks, which do not exist, and that he did not receive the money. N. Hanumanta Rao would, whatever might have been the ultimate result of criminal proceedings against him, have been dismissed if he had not died.

12. It is hardly necessary to go in detail into the conduct of Deputy Collector Mahomed Yusuf. This official was dismissed in 1886, and probably Government will not think it necessary to take further steps against him in connection with the present cases. He is, I believe, residing at Hyderabad. I have not examined him. He is responsible for having signed the false cheques in cases 1, 2, 3, 4, 5 and 6,

* NOTE.—Nearly all the credits appear as having been made in the last few days of the month. I say that this was done 'at the same time,' but it is also possible that in some instances, *e.g.*, cases 22, 23 and 29, the receipts register was not written up until after the cheque had been actually passed and cashed.

aggregating Rs. 7,012-9-2, in all of which it is fairly certain that spaces were left, both in figures and words, in which other figures and words representing larger amounts could easily be, and actually were, interpolated by N. Hanumanta Rao. The receipt and repayment registers of revenue personal deposits of his time are not forthcoming. The balance register, which is forthcoming, bears no initial. It is quite possible that frauds similar to those now discovered were perpetrated by N. Hanumanta Rao during the incumbency of Deputy Collector Mahomed Yusuf, before the period covered by Mr. Hensman's researches, but, as already explained, their detection is now impossible. Mahomed Yusuf also initialled 'for Collector' the quarterly verification of the repayment registers connected with case 10.

13. The most important matter with which the present report has to deal is the conduct of the Treasury Deputy Collector Koralla Subbarayudu, who was in a greater or less degree concerned in all the cases from 7 to 31. It has been already stated that he placed the utmost confidence in N. Hanumanta Rao. As far as I could gather, he allowed N. Hanumanta Rao to do the bulk of the important work in the office, without control or supervision either by the Head accountant or by himself. Probably Koralla Subbarayudu was content if as little work as might be fell to his own share. The result was that, both as regards the signing of cheques for the repayment of deposits and the initialling of entries in registers of receipts and repayments of deposits, he was willing to accept whatever had been written or passed by N. Hanumanta Rao or prepared under his supervision. Thus it came to pass that he signed cheques in favour of fictitious persons in cases 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 22, 23 and 29, aggregating Rs. 10,670-10-0, and probably also signed similar cheques in cases 10, 20, 21, 26 and 28, aggregating Rs. 2,917-12-0, which cheques, though paid at the Bank to N. Hanumanta Rao's agents, are not now forthcoming; and as regards cases 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 22, 23 and 29, aggregating Rs. 10,488-10-0, in which there are interpolations in the cheques, he must either have signed the cheques as they now appear, or, what is far more likely, must have signed them when they contained blank spaces both in the figures and words. He himself inclines to take the latter view, but does not, I presume, thereby place his conduct in any more favorable light. He could not, in any single instance, have taken the trouble to ascertain by reference to correspondence or taluk returns whether the sums which he passed were in fact due to the persons who were supposed to claim them, or, seeing that the payments were all made at the huzur, whether those persons were really present to receive payment. He might possibly have examined the deposit registers when he passed the cheques; but in some cases, *e.g.*, cases 14 and 17, this was not possible, because there was no credit in the receipts register; and in other cases, it is not likely that he made any examination, because, supposing the cheques to have been originally prepared for small sums, an examination of the deposit registers must have shown him that persons who deposited money in hundreds and thousands would not draw it out in sums of from eight annas to one or two or three rupees. The natural persumption is that he made no such examination. His defence is that the sums which he passed were small, and that, in some instances, he must have signed the cheques in a hurry, previous to his departure on leave or tour. This is, however, no valid excuse for signing cheques which contained large blank spaces.

14. The Deputy Collector had a further opportunity of detecting the frauds when, on the day after payment, the cheques were returned by the Bank as paid vouchers with the daily sheet. He admits the receipt of the sheets, and he doubtless in all cases attested the pass-book in token of the accuracy of the total of the payments therein entered; but it does not appear that he ever personally checked the entries in the sheets with the vouchers or even took steps to see that any such check was made. The vouchers seem to have been generally distributed at once to the accountants whose duty it was to attend to their despatch to the Accountant-General—the particular vouchers now in question going to N. Hanumanta Rao, who had prepared them, or to his assistant. No doubt, the Deputy Collector could not find time every day to check the vouchers with the daily sheets; but if

he had been in the habit of doing so even so often as once a month, the fear of detection would have probably prevented the frauds. At the least he should have insisted upon a proper check by some clerk who had no concern with the transmission of the vouchers to the Bank or by the head accountant.

15. Next, as regards the checking of deposit registers, I very much doubt whether Deputy Collector Koralla Subbarayudu exercised any check at all over the entries. In examining and initialling the entries in the receipts registers there was evidently no inquiry made into the origin of the deposits. The most casual examination of the large sums, which therein appeared to the credit of private individuals, would have shown him that those credits were simply based on N. Hanumanta Rao's alteration memoranda, which he (the Deputy Collector) had never seen or authorized, and had had no further foundation. The form of register of receipts makes the treasury officer personally responsible for the accuracy of the daily entries. His initial is made opposite each item, not, as in the repayment register, after the initial of a clerk, but it is the only initial to cover the entry. No doubt the Deputy Collector's initials for the daily entries of a month were generally all made at one time after the initials of N. Hanumanta Rao had been affixed at the foot of the entries, but this was not as it should have been, and does not relieve the Deputy Collector of responsibility. He did not, as a rule, initial the notings of repayments in the receipts register. Had he insisted upon doing this, he would have been better able to trace the supposed deposits to their source.

16. In regard to the repayment registers, the Deputy Collector admits that his only method of check was to see that there was sufficient credit in the column in the same register headed "amount or balance of deposit" to satisfy the amount which was paid away. He did not compare the repayment and receipts registers together or check the entries of repayments by reference to the vouchers. I do not suppose that it is the duty of a Treasury Deputy Collector to check all entries of repayments in this way; but, as remarked in reference to the check of the Bank sheets, if he had been in the habit of making a thorough examination of even a few items in each month, it is very unlikely that the frauds would have continued. It is to be remembered that in the registers the full amount of the sums paid away (generally hundreds or thousands of rupees) appeared, and not small sums such as were originally entered, to avoid attention, in the cheques.

17. No doubt the Treasury Deputy Collector of this district has, as urged by Deputy Collector Koralla Subbarayudu, abundance of work; but it is not, I think, so much that he cannot take the ordinary precautions, which would occur to any man in his position, to see that he was not being deceived. There is nothing to show that Deputy Collector Koralla Subbarayudu displayed any extraordinary energy in the conduct of his duties.

18. I consider that he may justly be held responsible for the loss of all the money which was drawn on fraudulent cheques during his term of office, viz., those in cases Nos. 7 to 26 and 28 to 31, aggregating Rs. 25,167-11-11; for, in all these cases he either signed the cheque himself or initialled the receipts or repayments register. I do not suspect him of any guilty knowledge, up to this point, of what was going on in the office of which he held charge.

19. In regard to Deputy Collector Tanekella Jagannadam, there is little to say. He initialled 'for Collector' the certificate at the foot of the entries in the receipts and repayment registers of revenue personal deposits for June 1886, covering the entries in the previous three months, which includes cases 11, 12, 13, 14 and 15. He also initialled the entries in the repayment register relating to items 13, 14 and 15. In the former case there was no reason for him to suspect the genuineness of the entries, as they were initialled by Deputy Collector K. Subbarayudu; and, not being in charge of the treasury, it was probably not his obvious duty to go into details. In the latter case he was temporarily in charge of the treasury, and if he had gone into details he might have discovered the fraud involved. Deputy Collector Koralla Subbarayudu had, however, initialled the entries in the receipts register and had also signed the cheques. Probably, any

native officer, new to the work as he was, would have been content to accept these safe-guards as sufficient. I obtained his explanation when he came to Cocanada on leave on the 3rd November, and enclose it for persual.

20. Mr. D. W. G. Cowie, I.C.S., then Assistant Collector, is responsible for the following entries:—

(a) *Case 22—23.*—Initials (apparently) made opposite item 701, 28th February 1887, in the revenue personal receipts register and at the foot of the entries for the month; also initials made opposite the entries in the repayment register of the payments under the same item, viz., Rs. 1,872-4-0 on the 1st March 1887 and Rs. 1,633-8-0 on the same date. The cheques in these cases were signed by Deputy Collector Koralla Subbarayudu, and he also endorsed the payments by subsequently initialling at the foot of the entries in the repayment register for March 1887.

(b) *Case 24—25.*—Signature on the cheques amounting to Rs. 216-4-0 in case 24 and Rs. 524-4-0 in case 25, both paid on the 30th March 1887, and initials opposite the same items in the repayment register. In both these cases the cheques were properly filled up, without spaces for interpolations, and the receipt of the deposit, No. 762, dated 27th March 1887, against which the cheques were drawn, had been verified by Deputy Collector Koralla Subbarayudu.

(c) *Case 30—31.*—Signature on the cheques amounting to Rs. 1,976-12-0 in case 30 and Rs. 1,820-12-0 in case 31 both paid on the 3rd February 1888, and initials opposite the item of receipt No. 718, dated the 31st January 1888 in the revenue personal receipts register and at the foot of the entries for the month in the same register. In both these cases the entries in the register of repayments were subsequently passed by Deputy Collector Koralla Subbarayudu.

21. I have not communicated on this subject with Mr. Cowie. No doubt the Government will call upon him for his explanation. In regard to (*a*) and (*b*) it may be said at once that he had only then (February and March 1887) been a few months in the country and was for the first time in charge of a treasury. In regard to (*c*) there is not the same excuse.

22. In several instances the quarterly certificates in both the receipts and repayments registers were not initialled by any one, an omission which Deputy Collector Koralla Subbarayudu might easily have had put right. In case 7, however, the quarterly certificate regarding the repayment register was initialled by the then Collector, Mr. Foster, and in cases 26, 27, 28, the quarterly certificate regarding the revenue receipts register was initialled by Mr. Happell.

23. I come now to the concern of the Bank officials with the frauds. I have indicated in the appropriate column in the statement the cases in which it seems clear that the Bank might, with the exercise of such care as it would take in the case of private cheques, have prevented the frauds by the simple method of refusing to honour the cheques. They are cases 4, 5, 15, 22 and 23, involving Rs. 6,625-4-0. In cases 1, 2, 3, 7, 8, 11, 12, 13, 14, 16, 17 and 18, involving Rs. 9,433-7-2, the interpolations are only obvious on a very close scrutiny, such as it is not perhaps reasonable to expect the Bank to exercise in the case of cheques passed by a Government officer for payment of Government money. I have asked the Agent, Mr. Maclennan, whether he wished to make any statement in regard to the passing of the cheques, and I have shown him the majority of the cheques. My letter and his reply are enclosed for perusal. I do not consider it my province to discuss the liability of the Bank for wrong payments. Article XVI of the agreement of the Bank of Madras with Government, dated 10th March 1887 (covering the period from 1st October 1886) would seem to indicate that the Bank is liable for any wrongful payment made through mistake done by any of its officers. The statement made to me by the Bank manager, D. Bhaskara Ramaswami, on the 4th August, which is enclosed, would show that the Bank was, in his opinion, responsible that the entries in a cheque were correctly made before passing it for payment.

24. In G.O., dated 27th October 1892, No. 4714, Government desires to be informed whether there is anything to show that the Bank clerk who passed the

vouchers was in collusion with Hanumanta Rao. In regard to this matter I regret to say that I cannot give an absolutely certain opinion. The clerk who passed the cheques in all cases, except those in cases 30 and 31, was Sripati Buchi Ramappa, an old and apparently trusted servant of the Bank. This man not only initialled the cheques as a guarrantee on which the Agent might initial and pass them, but also interviewed the persons who brought them to the Bank, and generally initialled opposite the signatures of those persons, which were made in his presence on the cheques. The persons who brought the cheques were the following:—

Name.	Description.	Cases in which cheques were brought by each person.
1. Sukulal	Office attender	1, 8
2. Kappagantula Mrutyunjayudu.	Hanger-on of N. Hanumanta Rao's family, called vakil of the payee.	2, 3, 11
3. Pandrazu Adinarayadu ..	Office attender	6, 9
4. Sangalige Narasimhacharlu ..	School boy living with N. Hanumanta Rao	7, 10, 21, 22, 23
5. Maddi Appanna	Jeweller dealing with N. Hanumanta Rao.	12, 20
6. Kanduru Rangacharlu ..	Begging Brahmin	13, 14, 15
7. Rambala Narayanaswami ..	Golla in treasury department, Collector's office.	16, 17, 18, 19 24, 25, 26, 28, 29

In the remaining cases (4 and 5) it is presumed that the persons who cashed the cheques personated the supposed payees. (Case 27 is a genuine payment made at a taluk treasury.) A very careful inquiry would, no doubt, have revealed to S. Buchi Ramappa the fact that these seven persons were not really authorised by the supposed payees to cash the cheques for them, and the repeated appearance of the same persons to cash cheques for considerable amounts, which cheques were always in the handwriting of N. Hanumanta Rao, and which, if carefully examined, showed signs of interpolation, should, in my opinion, have raised suspicion in his mind. The description of the persons, too, was suspicious. He may not have been aware of the position of Nos. 2 and 5, but that of the rest was sufficiently obvious. Nos. 4 and 6 were not persons likely to be entrusted with the cashing of cheques of large amount. The others were office servants whom he knew; and, if he had thought of it, it was *primâ facie* unlikely that such persons should be so often employed to cash cheques for private parties. Still, no doubt owing to the practice of the Bank of accepting cheques presented by agents, without endorsement in favour of those agents by the persons in whose favour they were passed at the treasury, the cheques were practically payable to bearer, and, except for the interpolations, there was no reason why payment should not be made on them to the agents. In respect to his identification of the agents, S. Buchi Ramappa has, in his later statements, tried to show that his initials opposite their signatures mean little more than an intimation to the Bank Agent that the signature was made in his presence. In his first statement, however, dated 4th August 1892, (enclosed), he said distinctly "If I initial the signature of a bearer, it means that, as far as possible, I have taken means to identify him"; and the statement of the Bank manager and cash-keeper taken on the same day is practically to the same effect.

25. Case 22-23 is that which raises most suspicion in my mind in regard to the *bonâ fides* of S. Buchi Ramappa. The details are given in the tabular statement, to which I solicit reference. The false cheques in that case were brought to S. Buchi Ramappa by Sangalige Narasimhacharlu (No. 4) and were passed for payment and the total amount, Rs. 3,505-12-0, was supposed to have been paid to Sangalige Narasimhacharlu. Out of this amount, Rs. 3,000 were, on the same day and probably at the same time, deposited by Sangalige Narasimhacharlu to the "suspense account" of Lakkarazu Sarabhayya. Whether the shroffs did this, as they were bound by the rules of the Bank to do, under the authority of a slip sent to the shroff by a Bank clerk is not clear, for, no such slip is forthcoming. The next step was for a slip to be sent, at L. Sarabhayya's request, by S. Buchi Ramappa to the shroff, on the strength of which the credit was altered from one

in the name of L. Sarabhayya to one in the name of S. Buchi Ramappa himself; and S. Buchi Ramappa afterwards purchased Government promissory notes out of that money, which he, apparently, made over to L. Sarabhayya. There are only one or two links wanting in the chain of evidence to prove that S. Buchi Ramappa knew that the money with which he purchased Government promissory notes was obtained by L. Sarabhayya out of the false cheques presented by S. Narasimhacharlu. By this I mean that it is not certain that S. Narasimhacharlu and L. Sarabhayya were before S. Buchi Ramappa together, and that it is not certain also that L. Sarabhayya told S. Buchi Ramappa the origin of the money which he had deposited. Probably, also, S. Buchi Ramappa did not examine the shroff's chitta. It is, however, not a very extravagant supposition to conceive, as I do, that L. Sarabhayya, who was a relative of S. Buchi Ramappa, did give S. Buchi Ramappa some clue as to the way in which he became possessed of this large amount of money. It is very unlikely that the shroffs would have deposited the Rs. 3,000 to the credit of L. Sarabhayya without a slip from S. Buchi Ramappa or some other clerk. If that clerk were S. Buchi Ramappa, then he must have been cognizant of the whole transaction. The links in the chain of proof are, however, wanting, and the matter becomes only one of strong suspicion against S. Buchi Ramappa.

26. I must not omit to mention in connection with S. Buchi Ramappa that, in his statement given on the 15th December 1892 (see record in case 22–23), he has practically admitted the sale of a Government pro. note for Rs. 1,000 to N. Hanumanta Rao at some period after 13th May 1886; and that, whereas on that date S. Buchi Ramappa drew interest on Government pro. note No. 018408 of 16th January 1879, value Rs. 1,000, the next person who drew interest thereon was A. Sitharamayya, who, as shown in my note in the tabular statement in case 22–23, was probably a fictitious person in whose name N. Hanumanta Rao held Government pro. notes. The note in question is not known to be connected with any of the present cases, and is not at present forthcoming for examination; but the circumstance is an indication of dealings between S. Buchi Ramappa and N. Hanumanta Rao. I would strongly recommend that the Bank should be asked, even if it takes no further steps, to remove S. Buchi Ramappa from his present position, in which he supervises all Government money passing into or out of the Bank.

27. How far the Bank shroffs were cognizant of what was going on, it is impossible to say. There is no indication, except perhaps the absence of the slip in case 22–23, that they did any less than their duty. The scrutiny of vouchers was not their business. Their books record faithfully the names of the persons who actually received payment, just as the book kept by S. Buchi Ramappa records the names of the supposed payees. It was not, perhaps, their duty to report to their superiors that, in case 22–23, most of the money which was drawn by Sangalige Narasimhacharlu for Machirazu Venkatarazu and P. Venkataswami was at once deposited to the credit of Lakkarazu Sarabhayya, or that, in case 30–31, the bulk of the money drawn by Rambala Narainaswami for Alluri Ramarazu and Akkirazu was on the same day deposited by him to the credit of Netrakanti Varahanarisimulu; but it would have been well if they had brought these facts to notice. There is nothing to show that they or any other of the Bank officials made any profit out of the frauds.

28. In regard to the minor officials in the treasury who were in various ways connected with the preparation or passing of papers or accounts connected with the fraudulent transactions of N. Hanumanta Rao, I have recorded proceedings, copies of which I enclose for perusal:—

(*a*) English Head Accountant K. Yoganandam, now deputy tahsildar of Chódavaram, has been censured and warned.

(*b*) Ralli Chensal Rao, formerly Rs. 35 accountant and now acting naib tahsildar of Bhadráchalam, has been ordered to revert to a Rs. 35 Revenue Inspector's place.

(*c*) Sunku Purushottam, accountant on Rs. 20, has been reduced to Rs. 15 per mensem and sent to a taluk office.

(*d*) Clerks S. Ramajogeswara Rao, Pillarisetti Venkataratnam and N. Sembhulingam are found not to be deserving of censure.

(*e*) Attenders Tivari Sukulal and Pandirazu Adinarayadu are also found not to have had any guilty knowledge.

(*f*) Treasury Golla Rambala Narainaswamy, who cashed the cheques in no less than 11 cases (including cases 30 and 31), and who in cases 30 and 31 paid the bulk of the money which was drawn in favour of Alluri Ramarazu and Akkirazu to the credit of N. Hanumanta Rao's cousin, and took Rs. 700 of the remainder to N. Hanumanta Rao himself in currency notes, has been dismissed.

(*g*) Mr. Hamnett has spoken of the conduct of the Vernacular head accountant, D. Narayana Rao, in para. 67 of his report; and Mr. Hensman was able to make great use of him in his researches and has recorded a favorable opinion regarding him. I do not consider that he is a person in whom much trust should in future be imposed, and will see that he is put into a position where he has little to do with money or accounts.

29. It is a curious fact that the Government pro. notes which were obtained by N. Hanumanta Rao in his cousin's name in case 30–31 were subsequently, as appears by the entries in the pro. notes executed by Chilankuri Surayya to N. Hanumanta Rao, used in the transactions between those two persons, which were dwelt upon in Mr. Hamnett's report.

30. In regard to the agents not in Government employ who were used by N. Hanumanta Rao to cash cheques, *i.e.*, Nos. 2, 4, 5 and 6 of the list given in para. 24, no action is, I think, required. It could probably not be proved that they had any guilty knowledge of the source of the money which they drew on N. Hanumanta Rao's account. In any case they have given more or less satisfactory evidence of their concern with the cashing of the cheques; and it would be unfair to turn round upon them now. No criminal action is also possible against Lakkarazu Sarabhayya (case 22–23) and Netrakanti Varahanarisimulu (case 30–31). The former did not necessarily see the false cheques, and the latter is not proved to have had any concern with the drawing of the money from the Bank, and merely lent his name to N. Hanumanta Rao for the deposit of money in the Bank for the purchase of Government pro. notes which were afterwards used by N. Hanumanta Rao for his own purposes.

31. Before quitting this portion of my report, I think it right to remark that a certain amount of responsibility would appear to lie at the door of the Accountant-General's office for passing without objection vouchers like those in all the cases where there have been interpolations. This consideration should perhaps in some degree relieve the Bank of a portion of its responsibility in regard to the cases where the interpolations were obvious. The entries made on the vouchers should also have informed the Accountant-General's office that the unauthorised "revenue personal" deposits registers were being maintained, and that office ought to have demanded the submission of copies of those registers similar to the copies which are sent monthly of revenue deposit and other deposit registers, instead of being content with the personal deposits abstract which gives no details.

Remarks on Mr. Hamnett's report and connected matters.

32. Pending the result of the audit, magisterial inquiry into the cases Nos. 33, 34 and 35 of Mr. Hensman's list, which were taken up by Mr. Hamnett, was deferred (*vide* para. 4 of my letter, dated 17th March 1892, No. C-43). After the audit the first step taken in the criminal prosecution of N. Hanumanta Rao was, as already mentioned, to charge him with offences in connection with cases 7, 10, 12, 13, 14 and 15. This was done because those cases were of a comparatively simple nature. In these cases N. Hanumanta Rao was convicted. At the same time all the cases dealt with in Mr. Hamnett's report were again worked up with a view to their being placed before the Joint Magistrate. In doing this it was found that

the only cases which it was possible to prove clearly in a criminal court as against N. Hanumanta Rao were cases 34 and 35 of Mr. Hensman's list, in which the amount involved was Rs. 5,678-8-4 (*vide* para. 8 of Mr. Hamnett's report). No evidence was therefore tendered in case 33,* but the Joint Magistrate took up the inquiry in cases 34 and 35. The prosecution evidence including the evidence of the 2nd defendant, Hota Seshayya, to whom, in order to secure the conviction of N. Hanumanta Rao, it was found necessary to tender a pardon, but excluding the evidence of Ch. Surayya, whose presence was not obtained at the time of hearing, was then taken. The Joint Magistrate expressed his intention of committing the case to the Court of Sessions after examining Ch. Surayya; but when Ch. Surayya's presence was obtained and the inquiry could, therefore, in ordinary circumstances have been closed, it was certified that N. Hanumanta Rao, who was in jail, was too ill to attend the inquiry, and a few days afterwards he died. In the circumstances, the Joint Magistrate will, no doubt, discharge the 2nd defendant, Hota Seshayya. I will submit a separate communication enclosing his order and asking for instructions regarding the fees to be paid to the vakil who conducted the criminal prosecutions.

33. There is no reasonable doubt that, not only in cases 34 and 35, but also in cases 32 and 33 the credits which were allowed to Ch. Surayya were fraudulently allowed to him by the instrumentality of N. Hanumanta Rao, and that N. Hanumanta Rao was the person who really profited by the frauds.

34. How far the Deputy Collector Koralla Subbarayudu was aware of what was going on in connection with cases 32 to the end is doubtful. Mr. Hamnett has stated (para. 59) his belief that he had some guilty knowledge. A copy of the Deputy Collector's explanation in regard to case 32 was submitted to Government with my letter, dated 17th March 1892, No. C-43. The original is now submitted. The statements of Head Accountant K. Yoganandam and of two accountants concerned with the preparation of accounts connected with this case indicate that the real responsibility for all the fraudulent transfers rested (under the Deputy Collector) with Hanumanta Rao. In regard to the remaining cases (33, 34 and 35) the explanation of Deputy Collector K. Subbarayudu was submitted with Mr. Hamnett's report and is already before Government.

35. In regard to private dealings between Deputy Collector Koralla Subbarayudu and Ch. Surayya, Mr. Hamnett has spoken in paras. 60 and 61 of his report. The Deputy Collector's explanation on that matter, dated 1st March 1892, is enclosed. It will be seen that he admits a certain amount of such dealings. In following out the history of the Government pro. notes which were obtained by N. Hanumanta Rao in the name of his cousin in case 30—31, it appeared that two of those notes, valued at Rs. 1,000 each (which are now in deposit in the Treasury), were, after being used in the dealings between N. Hanumanta Rao and Ch. Surayya (see para. 29 above), eventually taken out of the Bank, where they were in deposit as security for Surayya's dues, and sold, as stated by Ch. Surayya, to Deputy Collector Koralla Subbarayadu for the benefit of the widow of a Tahsildar. This allegation is corroborated by an entry in Surayya's accounts. Deputy Collector Koralla Subbarayudu denies any knowledge of the notes, and a clerk in the treasury office, who is believed to have done private work for the Deputy Collector and who wrote the endorsements on the notes which appear as made by Ch. Surayya in favour of one Badam Annaparazu (a merchant of Cocanada, who, according to Ch. Surayya, actually paid the value of the notes to him for deposit in the Bank as security in place of the notes) cannot or will not recollect the circumstances under which the endorsements were made. Badam Annaparazu also, whom I have examined, does not recollect the circumstances under which the notes were transferred to him. He is, however, a casteman and friend of Deputy Collector Koralla Subbarayudu. The matter is not perhaps of great importance; but the entry in Ch. Surayya's accounts is probably correct, and shows that there were business relations between the Deputy Collector and himself, though not

* Case 32 was a case which, though included in Mr. Hamnett's report, was not taken on the Joint Magistrate's file.

perhaps of such a kind as to justify any suspicion on that account against the Deputy Collector.

36. There seems to be no evidence on which Ch. Surayya could be made criminally liable in respect of the fraudulent adjustments from which N. Hanumanta Rao directly and he indirectly benefited. There seems no reason, however, why Government should suffer because, by private transactions between Ch. Surayya and the officer who was responsible for the transfers (N. Hanumanta Rao), the sums which were owed to Government by Ch. Surayya appear in the accounts as having been wiped out. His property, which has been already attached, will be sold.

37. As reported in my letter, dated 10th January 1893, No. 1, the Joint Magistrate is taking steps to realize the fines imposed by him on N. Hanumanta Rao (Rs. 4,000) under the provisions of section 70 of the Indian Penal Code. It is doubtful, however, whether much will be recovered in this way. If the other property which may be found is insufficient to cover the amount of the fine, the deposit of Rs. 5,000, which is available, will, of course, be attached. The balance of that deposit, after meeting this demand upon it, may, I submit, be justly forfeited to Government. It was deposited for the faithful discharge of duties of N. Hanumanta Rao as cash-keeper; but, though his frauds were not, strictly speaking, committed in that capacity, yet Government cannot suffer itself to lose more than it has already done in connection with these transactions.

38. For the prevention of such frauds in future, I venture to suggest that, without relieving Treasury officers or Collectors of their responsibility, it should be the duty of some member of the Accountant-General's staff to pay unexpected visits at irregular intervals to huzur treasury offices and to make examinations of portions of the accounts, and report the result to the Accountant-General and Collector.

39. I have instructed the Treasury Deputy Collector that no alteration memoranda are to be accepted by the clerk who prepares the treasury account unless they are signed by the Treasury Deputy Collector, and also that the fullest possible check is to be exercised over the Bank sheets and deposit registers, both by himself and by the English head accountant.

40. In conclusion I wish to record my sense of the great assistance which has been rendered to me throughout this tedious investigation by my English head clerk, M.R.Ry. P. Venkatappiah. He has labored in this behalf in the most conscientious manner, to the serious detriment of his health, and deserves all the thanks I can give him. During part of the investigation, also, Deputy Tahsildar Tayi Suryaprakasa Rao Naidu and M.R.Ry. G. Pattabhi Ramayya rendered useful service.

READ—letter from the Collector of Gódávari, to the Secretary to the Commissioners of Land Revenue, dated 17th January 1893, No. C-6.

ABSTRACT.—Reporting, in reference to para. 32 of confidential report, dated 15th January 1893, No. C-2, the result of the regulation case 1 of 1892 on the Joint Magistrate's file, and submitting two applications from High Court Vakil M.R.Ry. D. Seshagiri Row Garu for fees on account of his work in the criminal cases against Hanumanta Rao.

READ—letter from the Collector of Gódávari, to the Secretary to the Commissioners of Land Revenue, dated 31st January 1893, No. 22.

ABSTRACT.—Submitting further documents relating to cases 34 and 35.

READ—letter from the Collector of Gódávari, to the Secretary to the Commissioners of Land Revenue, dated 15th March 1893, No. 76.

ABSTRACT.—Submitting copy of his office letter, dated 17th March 1892, No. C-43, regarding treasury defalcation cases.

READ—G.O., dated 27th March 1893, No. 245, Revenue.

ABSTRACT.—Furnishing a copy of the agreement entered into by the Bank of Madras with Government regarding the conduct and management of its Branch at Cocanada.

RESOLUTION—dated 30th May 1893, No. 287.

The letter of the Collector of Gódávari, dated 16th January 1893, No. 2, confidential, read above, contains his final report on the defalcations that occurred in the huzur treasury at Cocanada. The Board, in submitting this report to Government, will proceed to state its views and recommendations regarding the various points calling for notice.

2. It will be convenient, in the first instance, to recapitulate briefly the circumstances under which the inquiries into these frauds were set on foot. In his letter printed in Board's Proceedings, dated 19th March 1892, No. 139, dealt with in G.O., dated 6th May 1892, No. 2289, Mis., Mr. Hamnett, the Acting Collector, reported that three sums, aggregating Rs. 14,006–8–4, had been embezzled as follows:—

(*a*) A sum of Rs. 3,875–8–0 was transferred from huzur collections to deposits on the 23rd March 1888, and credited towards the kists due by an opium renter named C. Surayya Naidu.

(*b*) On the 8th and 30th June of the same year, two sums of Rs. 5,678–8–4 and Rs. 4,452–8–0 were similarly transferred from land revenue to deposits with the permission of the Accountant-General, and were also credited towards the abkári kists due by the same person. This renter had deposited only Rs. 174–8–0, but obtained credit for the undermentioned sums:—

i. Rs. 4,050–0–0 including the first item above mentioned.
ii. Rs. 5,678–8–4
iii. Rs. 4,452–8–0

Total Rs. 14,181–0–4
Deduct Rs. 174–8–0 being his *bonâ fide* deposit.

Balance Rs. 14,006–8–4

The Collector, being of opinion that a careful examination of the accounts would reveal further defalcations, requested that a special auditor might be sent to Cocanada for this purpose.

3. This was accordingly sanctioned.* The auditor—a superintendent of the Accountant-General's office—submitted a report, which, with the covering letter of the Accountant-General, was communicated to the Board with G.O., dated 27th October 1892, No. 4714. The audit brought to light further frauds involving a sum of Rs. 25,582–13–2 and extending over the period from the commencement of 1884 to February 1888. Subsequent inquiry having shown, however, that the exhibition in the deposit register of one of the 31 items in question, viz., No. 27, amounting to Rs. 415–2–0, though erroneous, was not fraudulent, the additional sum embezzled is reduced to Rs. 25,167–11–2. Adding to this the sum of Rs. 14,006–8–4, referred to in the foregoing paragraph, the aggregate amount of the defalcations discovered is Rs. 39,174–3–6.

* G.O., dated 6th May 1892, Mis. No. 2289.

4. These sums were first transferred from land revenue collections to deposits, the transfer being effected by means of alteration memoranda prepared by N. Hanumanta Rao, at first Vernacular head accountant, and afterwards huzur cash-keeper. These memoranda "were not signed and were not seen by the treasury officer, but were nevertheless accepted and acted upon" (para. 8 of the Collector's report). Hanumanta Rao's assistant, S. Purushottam, then prepared the treasury account, omitting the sums covered by the alteration memoranda from land revenue and entering them in the recognised register of revenue deposits,

or in another unauthorised register, designated the register of revenue personal deposits. Cases Nos. 20, 21, 26 and 28 in the list below are included in the former and the rest in the latter, register. In cases Nos. 14, 15 and 17 there were no credits on the basis of which repayments could be made. The subjoined statement shows the dates on which the credits were made in the other cases, and those on which the sums were repaid:—

Case No.	Amount credited.	Date of credit.	Amount repaid.	Date of repayment.	Remarks.
	Rs. A. P.		Rs. A. P.		
1	240 8 0	22-12-83	240 8 0	26-1-84	
2	2,481 1 2	29-2-84	2,956 1 2	7-6-84	
3	475 0 0	31-3-84			
4	2,945 0 0	31-12-84	2,637 8 0	31-1-85	
5	..	..	307 8 0	31-1-85	
6	871 0 0	*-2-85	871 0 0	26-2-85	* Shown in the vouchers as transferred on 28-8-83, but this was erroneous.
7	1,810 6 7	31-3-85	281 8 0	19-6-85	
8	..	..	1,346 4 0	20-7-85	
9	..	..	182 0 0	14-8-85	Properly refunded, 0-10-7.
10	781 0 0	30-9-85	781 0 0	1-10-85	
11	461 10 0	31-3-86	461 10 0	2-4-86	
12	2,611 8 0	30-5-86	541 8 0	2-6-86	
13	..	..	2,070 0 0	28-9-86	
16	481 8 0	30-11-86	481 8 0	11-12-86	
18	680 0 0	30-1-87	651 4 0	8-2-87	
19	..	..	28 12 0	30-3-87	
20	1,173 12 0	1-1-87	242 4 0	31-1-87	
21	..	..	931 8 0		
22	3,505 12 0	28-2-87	1,872 4 0	2-3-87	
23	..	..	1,633 8 0		
24	740 8 0	27-3-87	216 4 0	30-3-87	
25	..	..	524 4 0		
26	5,574 15 11	30-6-87	410 7 1	9-7-87	Properly refunded Rs. 415-2-0 and Rs. 4,196-13-11 properly adjusted to land revenue.
28	..	..	552 8 11		Properly adjusted to land revenue Rs. 30-10-0.
29	602 2 0	30-11-87	571 8 0	24-11-87	
30	3,798 2 6	31-1-88	1,976 12	3-2-88	No information furnished as regards the remainder 0-10-6.
31	..	..	1,820 12 0		

It is observed that in case No. 29 the date of repayment precedes by six days the date of credit as shown in the receipt register. In cases Nos. 10, 12, 16, 18, 22 to 26, 28, 30 and 31, the interval between transfer to deposits and repayment ranges from one to eleven days.

5. The several sums having been transferred to the deposit registers, Hanumanta Rao prepared, in his own hand, receipts or cheques on printed forms "authorising the payment of a sum, generally a small sum, to a fictitious person, who was, in most cases, made to appear as a renter of lankas whose deposit was to be refunded to him. The signature of this person was forged by N. Hanumanta Rao himself, or by some accomplice who has not been discovered. The figures and words in the cheque were, in most cases, so written that it was easy to supplement them by figures and words of larger amount. The cheque was then placed before the Deputy Collector, and was signed by him. It was then, in most cases, altered into a cheque for a larger amount by N. Hanumanta Rao, and was afterwards sent to the Bank and cashed by an agent employed for the purpose by N. Hanumanta Rao" (para. 8 of the Collector's report). The subjoined statement shows for what sums the cheques were, in the first instance, drawn in the several cases:—

Item.	Amount paid.	Amount originally entered.	Item.	Amount paid.	Amount originally entered.
	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
1 ..	240 8 0	0 8 0	15 ..	174 8 0	0 8 0
2 & 3 ..	2,956 1 2	1 1 2	16 ..	481 8 0	1 8 0
4 ..	2,637 8 0	0 8 0	17 ..	291 12 0	1 12 0
5 ..	307 8 0	1 8 0	18 ..	651 4 0	1 4 0
8 ..	1,346 4 0	1 4 0	22 ..	1,872 4 0	2 4 0
11 ..	461 10 0	1 10 0	23 ..	1,633 8 0	3 8 0
12 ..	541 8 0	1 8 0	29 ..	571 8 0	1 8 0
13 & 14 ..	2,181 8 0	1 8 0			

In five cases—Nos. 10, 20, 21, 26 and 28—the vouchers are missing. In five others—Nos. 19, 24, 25, 30 and 31—the full amount was entered at first. In the remaining cases—Nos. 6, 7 and 9—it is not quite clear whether the vouchers were originally prepared for small sums and altered subsequently.

6. The payees were fictitious persons in all but four cases. In the excepted cases, Nos. 20, 21, 30 and 31, the alleged payees deny having received payment. The Bank actually disbursed the amounts of the cheques to the following persons:

	CASES.
(*a*) Attender Suku Lal	1 & 8
(*b*) „ Adinarayadu	6 & 9
(*c*) Narasimham, a school-boy living with Hanumanta Rao	7, 10 & 21—23
(*d*) Attender R. Narayanasawmy .. .. .. 16–19, 24—26 & 28—31	
(*e*) M. Appanna, Hanumanta Rao's jeweller	12 and 20
(*f*) K. Rungacharlu, a Brahmin beggar and dependent of Hanumanta Rao	13—15
(*g*) K. Mrutyunjayudu, a hanger-on of Hanumanta Rao, but represented to be a vakil of the payees	2, 3 & 11
(*h*) Individuals personating alleged payees	4 & 5

The above individuals admit receipt of the money at the Bank and its payment by them, in some cases, to Hanumanta Rao, and in others to "the clerks who sent them."

7. It will next be stated how the persons concerned have been dealt with, and what further action the Board would recommend to be taken in regard to those implicated, and with a view to recovering from them the money lost to Government. Incidentally it will appear how the frauds escaped detection for several years. The Collector proposed to try Hanumanta Rao, the cash-keeper, under Regulation IX of 1822, but in its Proceedings, dated 14th November 1892, No. 7399, Mis., the Board pointed out that the latter could not be punished for the same offence both under this Regulation and the Penal Code, and directed Mr. Higgens to confine himself to the latter line of prosecution, which had already been commenced. Hanumanta Rao was accordingly prosecuted before the Joint Magistrate in connection with cases Nos. 7, 10, 12, 13, 14 and 15, and was convicted, the punishment being two years' rigorous imprisonment and Rs. 1,000 fine in case No. 7, the same in case No. 10, and four years' rigorous imprisonment and Rs. 2,000 fine in the other cases —in all eight years' rigorous imprisonment and Rs. 4,000 fine. Steps were taken to prosecute him also in connection with cases Nos. 34 and 35, but proceedings were terminated by his death in jail. The Collector states (para. 37 of his report) that arrangements have been made to realize the fine, but that, as not much property has been left, it will be necessary to attach Hanumanta Rao's deposit of Rs. 5,000 in the huzur treasury. He considers that the portion of the deposit which remains after meeting this demand may justly be forfeited to Government. The Board is of opinion that the deposit should be held over till the full amount of the fine has been realized, and that Hanumanta Rao's relatives, if so advised, should then be left to recover the balance by civil suit, to which Government could plead as a rejoinder the amounts lost to it by Hanumanta Rao's misconduct. It may here be noted that Mr. Higgens states at para. 36 of his report that the property of Surayya, the abkari renter, to whose credit Rs. 14,006–8–4 was transferred, has been attached and will be sold. The Collector should report the amount realized thereby.

8. It was mainly due to the inefficiency and gross negligence of the Treasury Deputy Collector, M.R.Ry. K. Subbarayudu Garu, that Hanumanta Rao was able to carry out so successfully, and over such an extended period, the frauds in question. Cases Nos. 1 to 6 of those enumerated in the statement in para. 4 *supra* occurred between January 1884 and February 1885, Mahomed Yusuf, who was dismissed, being then the Treasury Deputy Collector. Mahomed Yusuf was succeeded by M.R.Ry. K. Subbarayudu, who, except for short intervals, continued to have charge of the treasury during the rest of the period under consideration.

9. From what has been stated in para. 5 *supra* it will be seen that M.R.Ry. K. Subbarayudu contravened the instructions in Art. 9 (*c*) of the Civil Account

Code, in that he passed cheques containing blank spaces which allowed of interpolations being made. He has admitted his carelessness in this respect.* Again, the fact that he signed cheques drawn in favour of fictitious persons proves that he disregarded Art. 11 of the Civil Account Code, which required that he should satisfy, not only himself, but also the account department, that the claims were valid, and that the payees had actually received the sums charged. M.R.Ry. K. Subbarayudu has stated that he used ordinarily to see the payees,† but it is clear that he frequently failed to conform to the rule on the subject.

* "I see that in order that this might be done spaces must have been left in the places where figures and words now appear in which those extra figures and words were inserted. I did not carefully study vouchers to see whether small spaces were left which could be utilized for this purpose" (page 4 of enclosure xxxiii to the Collector's report).

† Ordinarily I used to see the payees—sometimes I may not have seen them. I used to see them either before they went into the account department or afterwards. Supposing that such receipts were mixed up in bundles of taluk receipts or other vouchers I might have missed seeing the payees—otherwise I should ordinarily see them. If I knew the man I might not trouble to send for him. Payees used always to sign such receipts in the account department and not in my presence (page 3 of enclosure xxxii to the Collector's report).

10. The revenue personal deposit registers, in which occur the majority of the fraudulent entries, were opened in 1881, when Mr. Ricketts (since retired) was Treasury officer. They are said to have been introduced on the authority of the Accountant-General's circular, dated 17th November 1881, No. I.A.C.G./172, copy of which has been communicated to the Board with the Accountant General's endorsement of the 27th March 1893. As pointed out by Mr. Rawlins,‡ this circular affords no justification whatever for the opening of the unrecognised registers, and M.R.Ry. K. Subbarayudu must be held blameworthy for their continued maintenance. They were kept in the form prescribed for revenue deposit registers, but, with regard to both the authorised and unauthorised registers, M.R.Ry. K. Subbarayudu neglected to comply with the rules relating to the writing up of deposit registers. Under Art. 246 of the Civil Account Code he was required to see that no item was credited as a deposit save under formal orders of a competent authority. The article in express terms makes the treasury officer personally responsible that the deposit registers do not become the receptacles of objectionable items. M.R.Ry. K. Subbarayudu's explanation on this point is virtually an admission of his persistent disregard of the rule,§ and it is plain from the whole history of the frauds that there is no defence to be offered. The same article prohibits the crediting of forbidden practice was systematically carried on with the approval of the treasury officer.‖ Here, too, M.R.Ry. K. Subbarayudu is without excuse for his laxity, his so-called explanation being no explanation at all.¶ Again, he omitted throughout to affix his initials in the appropriate column against the notings of repayments in the revenue personal deposits receipts registers,** while he only initialled at irregular intervals the individual entries of repayments in the revenue deposits receipts

‡ Para. 2 of Accountant-General's letter communicated to the Board with G.O., dated 27th October 1892, No. 4714.

§ The entries in the receipt registers are first examined by the Vernacular head accountant or English head accountant and the registers brought to me. I used to examine some of those items and put my initials. The repayment registers are likewise first examined by either the Vernacular head accountant or the Head accountant and the entries attested by them. I used to put my initials after satisfying myself that there was sufficient balance on perusing the appropriate column of the register. I was not in the habit of passing for payment deposit receipts of large amounts when I was in a hurry with press of work or otherwise. I used to verify these receipts by having the credits read out to me except when I was in a hurry with press of work or otherwise. It was on such occasions that receipts of trifling amounts used to be signed on the verification of the Vernacular head accountant or the Head accountant. A greater scrutiny of these registers and receipts is not always feasible owing to the variety and extent of the enormous work devolving upon the account department of this district. In this predicament, the Treasury officer cannot but trust his subordinates, especially the responsible ones, such as the Head accountant and the Vernacular head accountant. It is why that myself as well as my predecessor and the officers that acted for me from time to time when I was on leave and on inspection duty were not able to exercise a greater check in the scrutiny of the deposit receipts and repayment registers (para. 10 of enclosure xxxvi to Collector's report).

‖ Para. 8 of the auditor's report communicated to the Board with G.O., dated 27th October 1892, No. 4714.

¶ The practice of crediting advance collections to deposits was in existence for a long time and they used to be credited as—"for want of particulars." This deceptive manner of describing these items in the deposit registers gave no room to attract the attention of the Treasury officers (para. 9 of enclosure xxxvi to the Collector's report).

** Enclosures li to lii to the Collector's report.

registers.* Thus he disregarded Art. 250 of the Civil Account Code, which rendered it imperative for him to record, under his initials, in the receipt registers each repayment as the orders for it issued. His gross neglect of this essential precaution facilitated the commission of the frauds. It resulted in his passing cheques where—as in cases Nos. 14, 15 and 17—either no credits ever existed or the credits had been exhausted. At the same time it led to his signing, without suspicion, cheques for very trivial amounts in favour of individuals, who, according to the registers, had deposited large sums, and were not likely therefore to apply for petty refunds. Mr. Higgens has failed to bring out with sufficient clearness the serious consequences of this disobedience to the rules—*vide* para. 15 of his report—while M.R.Ry. K. Subbarayudu stands self-condemned by his remarks on this point,† which are an admission of his culpable laxity. In para. 14 of his letter Mr. Higgens draws attention to the circumstance that still one more opportunity remained for the detection of the frauds by the Treasury Deputy Collector. This was afforded when the cheques were returned by the Bank, on the day after payment, along with the daily sheet and pass-book. Art. 683 of the Civil Account Code required that the vouchers should then be examined, but practically no scrutiny was made, although the Treasury Deputy Collector, and he alone, had to initial the Bank pass-book containing the total of the previous day's transactions in token of its correctness. M.R.Ry. K. Subbarayudu has contended ‡ that it did not devolve upon him to compare the daily sheet with the vouchers, but, as the Collector observes, he ought to have insisted upon a proper check being made by one of his subordinates, and to have exercised some personal supervision in the matter from time to time, and the Board considers that, in view of the special personal responsibility thrown upon the Deputy Collector by the Code, his prolonged neglect of this duty can in no way be palliated. At para. 12 of his report, the auditor refers to an additional circumstance evidencing the neglect of the Treasury Deputy Collector to make any investigation regarding the deposits. In cases Nos. 20, 21, 26, 27 and 28 the latter signed certificates, which were forwarded to the Accountant-General, to the effect that the various sums involved had been paid by transfer to the credit of land revenue, though in fact no such adjustments had been made, and the amounts had actually been paid in cash by the Bank on vouchers bearing fictitious signatures. Thus in all matters relating to the deposits, M.R.Ry. K. Subbarayudu relied implicitly on his subordinates. Even the deposit registers themselves were sometimes written up in a disgraceful manner. The Board notes that, in the quarters ending 31st December 1886 and 31st March 1887, several of the entries in the registers are made in black, blue and red pencil, in some places erasures are unattested, and in one instance the amount of repayment (one anna) has been left blank. Four of the certificates as to the monthly totals during this period bear the initials of M.R.Ry. K. Subbarayudu.

11. It would appear from paras. 18 and 34—35 of Mr. Higgens' report that he does not believe the Deputy Collector to have had any guilty knowledge of the defalcations that were being committed. As to this the Board would draw the attention of Government to paras. 52 to 61 of Mr. Hamnett's letter embodied in Board's Proceedings, dated 19th March 1892, No. 139. Mr. Hamnett thought it probable that the Deputy Collector had some guilty knowledge of the very irregular

* Enclosures lviii to lx to the Collector's report.

† The deposit registers of revenue personal deposits were brought to me either by the clerk Purushottam or by the Vernacular head accountant. They were brought to me at intervals of 10 days, 15 days, 20 days or a month, generally not longer than a month. They were previously examined and initialled by the Vernacular head accountant or English head accountant. In the case of repayment registers, I used to see the balance shown in the same register and ascertain whether the receipts exceeded the balance or not. If it did not exceed the balance I used to initial. I did not compare the receipts register with the repayment register. My reason for not doing so was that the balance in the receipt register would be taken into the repayment register and they are both compared by the English or Vernacular head accountant (pages 5 and 6 of enclosure xxxii to the Collector's report).

‡ Supposing this voucher was cashed at the Bank, I should not have seen it again. It would come back in a bundle with the list of daily payments. The list for the 19th June bears my stamp. That means that the bundle of vouchers came with the list and I stamped it and sent it into the office, but I did not examine the list with the vouchers. I do not think it my duty to examine the list (of daily payments) with the vouchers (page 5 of enclosure xxxiii to the Collector's report).

transactions that were going on in the treasury, and took no trouble to bring them to light or remedy them. The Board is of opinion that M.R.Ry. K. Subbarayudu had ample ground in 1889 for suspecting Hanumanta Rao, and that he should have examined the latter's proceedings. There appears to be no adequate ground for disbelieving the statements of the Vernacular head accountant, D. Narayana Rao, and the English head accountant, Krishnamurti, regarding the wrong adjustment of Rs. 7,000 to the credit of the abkari renter, C. Surayya Naidu, and the making good of the deficiency by Hanumanta Rao with the connivance of the Treasury Deputy Collector. If the excess adjustment had been innocently made, there should have been some attempt to recover the Rs. 7,000 from the renter before Hanumanta Rao paid the amount, and the Collector should have been informed at once of the circumstances. The Board would add that, in its opinion, M.R.Ry. K. Subbarayudu's statement on the subject to Mr. Hamnett * conveys an unfavorable impression. Similarly, the Board regards as unsatisfactory the fact that there were pecuniary dealings between the Deputy Collector and the abkari renter, C. Surayya Naidu. These transactions, which have been admitted by M.R.Ry. K. Subbarayudu,† are most suspicious, as is also the circumstance, alluded to in para. 61 of Mr. Hamnett's letter, that the Deputy Collector's son took a vakalat from Hanumanta Rao, in 1892, in the suit between the latter and C. Surayya Naidu regarding a pro. note for Rs. 13,000. With respect to the previous record of M.R.Ry. K. Subbarayudu, the Board would refer Government to para. 65 of Mr. Hamnett's letter, wherein it is stated that he was deprived of his magisterial powers some years back on a confidential which he did his income tax work, the Deputy Collector was censured last year by Government on the Board's report.‡

12. M.R.Ry. K. Subbarayudu Garu was ordered by Government to retire under the 55 years' rule with effect from 22nd August 1892,§ but in the meantime was suspended in connection with these defalcations.‖ For his gross and persistent misconduct of treasury affairs, as revealed by the present investigation, the Board considers that he should be dismissed, the Government having a legitimate claim against him for a larger sum than he would ever draw by pension. The Board doubts whether it would serve any useful end to sue the Deputy Collector in respect of the sums embezzled during his control of the treasury, and does not

* Q.—Having heard the statement of D. Narayana Rao marked × read out to you, what do you say regarding the facts therein disclosed?
A.—I shall reply to it. If I am given a copy, I shall read it and give a written reply.
Q.—I want you to answer this simple question at once. Did D. Narayana Rao ever bring to your notice that Rs. 7,000 had been wrongly adjusted to C. Surayya Naidu and was Rs. 7,000 paid up by Hanumanta Rao in the form of Rs. 2,000 in cash and a pro. note for Rs. 5,000?
A.—I shall answer it in writing.
Q.—Do you refuse to give a verbal answer at once to the above question?
(*N.B.*—The Deputy Collector refuses to answer the question when repeated to him several times. The Huzur Sheristadar is then sent for, and the above read out to the Treasury Deputy Collector in his presence and the above question repeated.)
The Deputy Collector then answers:—
"D. Narayana Rao never brought to my notice that Rs. 7,000 had been wrongly adjusted to C. Surayya Naidu. Hanumanta Rao never with my knowledge repaid Rs 7,000 into the treasury. I shall give a full written answer."
Q.—Did you ever tell Narayana Rao in 1889 that you had heard that there was something wrong being done about adjustments?
A.—No, Sir.
Q.—Do you know about the suit brought by Hanumanta Rao against Surayya Naidu?
A.—Yes, Sir.
Q.—Did your son appear as Hanumanta Rao's counsel in that suit?
A.—Yes, Sir, but afterwards withdrew.
Q.—Are you and your son undivided members of a Hindu family?
A.—Yes, Sir.
Q.—Do you wish to say anything else to me about this inquiry I am now conducting?
A.—If I am given a copy of Narayana Rao's statement, I shall state further about it.
(Enclosure 23 to Mr. Hamnett's report printed in Board's Proceedings, dated 19th March 1892, No. 139.)

† I have the honour to acknowledge the receipt of your official memorandum, No. 639, dated 20th ultimo (February 1892) calling for a full report of my money transactions with Chelankuri Surayya Naidu, and in reply beg to state as follows:—
2. Since my arrival at this station, I remember having bought from C. Surayya Naidu three Government pro. notes to the value of Rs. 2,000; the two notes alluded to in his statement might probably be part of the same. I never bought from him a note of Rs. 5,000 as is said to have been stated by him, and the figure 5,000 therein might probably be a mistake for 500.
3. My men, I have been informed, took hand loans on two or three occasions for domestic expenses of 40 or 50 rupees each and repaid the same shortly afterwards.
4. My son holds a house and compound in Cocanada in which there is a number of palmyra trees which were sometimes leased to toddy-drawers under C. Surayya Naidu, through whom they paid the rents. The dates and particulars of collections I cannot say as we keep no accounts. The amount of rent agreed varied from about 50 to 100 per annum (enclosure xxxv to the Collector's report).

‡ G.O., dated 24th June 1892, No. 1423.

§ G.O., dated 24th March 1892, No. 1614.

‖ G.O., dated 6th May 1892, No. 2289, Mis.

recommend the adoption of this course. If Government, however, is prepared to consider the advisability of going into court, the Collector will be called upon to report whether M.R.Ry. K. Subbarayudu has any property on which it can recover.

13. In paras. 19 to 21 of his report, Mr. Higgens discusses the transactions in which Deputy Collector T. Jagannadam and Mr. Cowie, who were in charge of the treasury for short periods, are involved. The former initialled the entries relating to cases Nos. 13, 14 and 15 in the revenue personal deposits repayment register, but Deputy Collector K. Subbarayudu had signed the cheques. As regards case No. 14, there had never been any corresponding credit in the receipt register, while in respect to case No. 15 no balance remained, the credit against serial No. 101 having been already exhausted. But the proper time for scrutinising the receipts register was when the cheques issued upon the authority of the permanent Treasury officer. Mr. Cowie, when in charge of the treasury as Assistant Collector, initialled the entries relating to cases Nos. 22 and 23 in the revenue personal deposits receipts register, while Deputy Collector K. Subbarayudu passed the cheques. This occurred shortly after Mr. Cowie's arrival in India. In cases Nos. 24 and 25, Deputy Collector K. Subbarayudu having initialled the entry in the revenue personal deposits receipts register, Mr. Cowie merely passed properly drawn up cheques on the strength of the permanent officer's verification of the receipt of the deposit. As Mr. Higgens observes, cases Nos. 30 and 31 are on a different footing. Here Mr. Cowie both initialled in the receipts register and signed the cheques. But in these instances, too, the cheques were at the outset drawn for the full amount, and, with the view apparently of ascertaining that the claims were valid, Mr. Cowie required the English head accountant to attest the cheques before passing them.* The Collector obtained an explanation † from Deputy Collector T. Jagannadam, and left it to Government to call for one from Mr. Cowie. The Board has not thought it necessary to take any further action in the matter, being of opinion that neither of these officers is seriously to blame.

* Page 3 of enclosure xli to the Collector's report.

† Enclosure xxxvii to the Collector's report.

14. Mr. Higgens has stated briefly in his report (para. 28) the manner in which he has dealt with the subordinate officials who were in various ways connected with the fraudulent transactions. The Board need only comment on the following cases:—

(1) K. Yoganandam, the English head accountant during the whole period, was "censured and warned by the Collector." He is now deputy tahsildar of Chódavaram. This officer did not systematically initial entries in the deposit registers during the period of the defalcations, but Mr. Higgens notes‡ that he attested the monthly totals in the revenue deposits receipts and repayment registers, which included entries relating to cases Nos. 20, 21, 32 and 33. A more serious feature in his case is his attestation of the cheques in cases Nos. 30 and 31, referred to in the preceding paragraph. His explanation, that, when he initialled these vouchers as required by Mr. Cowie, he satisfied himself by reference to the item in the receipt register that there was credit, is misleading. The credit to deposit was made on the 31st January 1888, on the ground that particulars had not been furnished, but on the 3rd February, or three days afterwards, cheques were drawn in the name of Alluri Ramarazu and Alluri Akkirazu, who were represented to have been abkari renters. It is clear that the Head accountant did not ascertain whether the particulars of the Rs. 3,798-2-6 treated as a deposit only three days previously had been received, and so misled Mr. Cowie. He has also given a very unsatisfactory explanation with regard to his initialling of the alteration memorandum of the 16th June 1888 sent to the Accountant-General.§ This contains the item of Rs. 4,452-8-0 fraudulently transferred to revenue deposits with reference to alleged alteration memoranda received from taluk offices (*vide* para. 5 of Mr. Hamnett's letter embodied in Board's Proceedings, dated 19th March 1892, No. 139). The Board considers that this officer has been treated with undue

‡ Enclosure xli to his report.

§ Enclosure xxv to the Collector's report.

leniency, and that he is liable for the amount of the cheques in cases Nos. 30 and 31. As, however, it is impracticable for Government to recover Rs. 3,798-2-6 from a deputy tahsildar, the Board would punish him by reducing him to the post of first-class Revenue inspector, and debarring him from promotion for two years.

(2) S. Purushottam, the accountant who wrote up the revenue personal deposits registers under Hanumanta Rao's orders has been reduced by the Collector from his post on Rs. 20 to one on Rs. 15 in a taluk office. It is observed that in cases Nos. 14, 15 and 17 this subordinate entered repayments in the repayment register, though there were no corresponding credits in the receipts registers. With reference to case No. 14 he has alleged that he did not know that the amount involved should have been included in the receipts register. His explanations* are unsatisfactory and he has been guilty of gross carelessness. He should be punished by suspension for six months in addition to reduction to a Rs. 15 post.

* Enclosures xi (9) and xiii (7) to the Collector's report.

(3) The attenders who cashed cheques at the Bank for Hanumanta Rao should be transferred to other parts of the district.

15. The connection of the treasury department of the Collector's office with the frauds having now been discussed, it will next be explained how, in spite of the safeguards provided by the rules, the nature of the various transactions escaped the notice of the Collector, as well as of the Board of Revenue and Accountant-General. At their half-yearly inspections of treasuries Collectors are required to state whether each repayment of a deposit is entered in the receipt register at the time of payment and initialled by the treasury officer (*vide* question No. 32 on page 248 of the Civil Account Code). Again, the quarterly examination of the deposit registers prescribed by Art. 252 of the Civil Account Code is intended to ensure a searching examination of the deposit registers by the Collector. It is obvious that this object was not secured, but it should be observed that, subsequent to June 1886, no quarterly certificates find place in the revenue personal deposits registers. Hence the entire responsibility for the maintenance, from the latter date, of these unauthorised registers, apparently, rests with the treasury officer, there being nothing to indicate that they were brought to the notice of the Collector. In fact, throughout the period covered by the defalcations, only two quarterly certificates bear the attestation of the Collector himself, viz., that for June 1885, which has been initialled by Mr. W. S. Foster, since retired, and that for the quarter ending December 1885, which has been initialled by the Acting Collector, Mr. Thomson. In the former quarter the amount involved in case No. 7 (Rs. 281-8-0) was repaid and in the latter quarter that involved in case No. 10 (Rs. 781) was refunded. In the intermediate quarter, Deputy Collector Mahomed Yusuf, who was dismissed, signed on behalf of the Collector, while, for the quarter ending June 1886, Deputy Collector T. Jagannadam certified for the Collector. The fraudulent entries in the authorised revenue deposit registers are, as mentioned in para. 4 *supra*, confined to four cases—Nos. 20, 21, 26 and 28. The Board notes that cases Nos. 20 and 21 occur in the first quarter of 1887, when Mr. Happell was Collector, but his certificate was not obtained in conformity with Art. 252 of the Civil Account Code. Cases Nos. 26 and 28 appertain to the third quarter of 1887, when also Mr. Happell was Collector, but the quarterly certificate has been signed on his behalf by Deputy Collector T. Jagannadam. While these facts explain how the falsification of the deposit registers went on unknown to the Collector, the Board would draw attention to the impropriety of frequently delegating to a subordinate, as was the practice in the Gódávari district, the duty imposed by Art. 252 of the Civil Account Code. Except when unavoidably precluded from making the examination himself, the requisite certificate should always be affixed by the Collector. A further opportunity, however, for the discovery in the Collector's office of the frauds occurred when the jamabandi returns were received from the taluks. The reductions in collections escaped notice in the Board's office, either because the demand also was reduced to the same extent before the returns were submitted or because the amounts transferred to deposits were included under irrecoverable arrears. For the correctness of the jamabandi returns the Huzur Sheristadar is responsible (S.O. 218, para. 3,

old edn.) and no alterations in the taluk demands should have been made without the approval of the Collector after scrutiny by the Huzur Sheristadar. The Board requests that the Collector will report further on this subject, after taking, if necessary, the explanation of the Huzur Sheristadar concerned.

16. Ordinarily, failing other safeguards, the embezzlements ought to have been brought to light by the audit in the Accountant-General's office. It is unnecessary to recapitulate what the Accountant-General has stated in his letter, dated 18th May 1892, No. C-13, recorded in G.O., dated 8th June 1892, No. 577. In his letter to Government, dated 17th August 1892, No. C-17, forwarding the auditor's report, communicated to the Board with G.O., dated 27th October 1892, No. 4714, Mr. Rawlins remarks (para. 2) that his office was not aware of the existence of the revenue personal deposits register, and that the transactions recorded in it were not subject to audit. On the other hand, Mr. Higgens, at para. 31 of his report, observes that "a certain amount of responsibility would appear to lie at the door of the Accountant-General's office for passing, without objection, vouchers like those in all the cases where there have been interpolations." Similarily, M.R.Ry. K. Subbarayudu Garu has stated * that the vouchers in support of payments, headed "revenue personal deposits," were submitted to the Accountant-General from about 1885, and has argued that the acquiescence of the audit office left no ground for questioning the origin of these registers. The attention of the Accountant-General will be invited to the point, and he will be requested to favour the Board with his further remarks thereon.

* Para. 8 of enclosure xxxvi to the Collector's report.

17. The cheques having been cashed at the Branch Bank at Cocanada, the question arises as to whether the Bank of Madras can be held liable to Government for the amount embezzled, or any portion thereof. Mr. Higgens considers that the Bank might, with the exercise of such care as it would take in the case of private cheques, have prevented the frauds by refusing to honour the cheques in cases Nos. 4, 5, 15, 22 and 23, involving Rs. 6,625-4-0. The manipulation of the cheques in the last three of these cases appears to the Board to be plain, and should, it thinks, have attracted the immediate attention of the Bank officials whose duty it was to scrutinise the details. The auditor and the Joint Magistrate have specially commented on the very patent nature of the alteration in the voucher relating to case No. 15.† All the cheques, except those relating to cases Nos. 10, 20, 21, 26 and 28, which are missing, and those in cases Nos. 30 and 31, were passed by the Bank clerk S. Buchi Ramappa and the Bank Agent. In cases Nos. 30 and 31, where the cheques were originally drawn for the full amounts, they were passed by the clerk Buchi Ramappa and the Accountant. The local Agent has repudiated responsibility,‡ but the Board would suggest to Government the advisability of putting itself in communication with the Bank Directors and of consulting its law officers regarding the recovery of a portion of the sums embezzled. The chief point in favour of the Bank appears to be that the vouchers and statement of expenditure, together with the Bank pass-book giving the totals of the disbursements, were sent daily to the Treasury Deputy Collector, who had to initial the pass-book in token of its correctness. The terms, however, of Art. IX of the Bank's agreement with Government seem too wide to allow of this plea being successfully urged. This article is as follows:—

Para. 23.

† *Vide* remarks against case No. 15 in statement B appended to the auditor's report, communicated with G.O., dated 27th October 1892, No. 4714, and para. 13 of enclosure xxiv to the Collector's report.

‡ Enclosure xxxviii to the Collector's report.

"That the whole responsibility for any loss or damage, which may result from, or arise in respect of, or be occasioned by any theft, forgery, fraud, misrepresentation or concealment, or by any wrongful payment, exchange or satisfaction through mistake or by any error in calculation, or any accident or mistake whatsoever made, done or committed on, to or by the said Bank, or any of its officers or agents, shall as between the Secretary of State for India in Council and the said Bank, rest solely and entirely with, and shall be borne by the said Bank, who shall indemnify the said Secretary of State in Council against all losses, costs and charges therefrom arising."

18. The auditor has noted that in some cases the Bank neither obtained the quittance of the payee in whose favour the cheques were drawn, nor of the persons

to whom the amounts were paid. The Accountant-General has, however, pointed out * that it had been the practice of Branch Banks to accept as a sufficient quittance the signature placed on a voucher before its presentation at the treasury. This was always forthcoming, though forged; hence the Bank cannot be held liable on the ground that it failed to obtain legal quittance in certain cases.

* Para. 7 of his letter to Government, dated 17th September 1892, No. C-17, communicated to the Board with G.O., dated 27th October 1892, No. 4714.

19. The Board would further observe that the Bank Agent has supplied, in his letter dated 9th January 1893, a special reason why he should have exercised extra precautions in his transactions with the Collector's treasury, for he writes, "The frauds lie entirely at the door of the corrupt cutcherry officials and were rendered possible by the defective management of the cutcherry, and the unreasonable and ridiculous trust that those in power place in their native subordinates." He adds: "I have frequently spoken to the Collector and others of my unfavorable views regarding the Deputy Collector and other native officials in this district, as they appeared to be getting more wealthy than could legitimately be the case." Under these circumstances the Agent ought to have examined with extra care every cheque coming from an office the members of which were, in his opinion, corrupt.

20. In G.O., dated 27th October 1892, No. 4714, the Government inquired whether the Bank clerk who passed the vouchers was in collusion with Hanumanta Rao. The Collector thinks † that Buchi Ramappa was in collusion, but the evidence is not complete. The main circumstance against him, in the Board's opinion, is that he did not detect, or at least did not bring to notice, the interpolations in such of the vouchers as had been obviously tampered with. There is no adequate ground for prosecuting the clerk, but the Board would recommend that the Bank authorities be informed of the circumstances appearing against him, with a view to their considering the desirability of dispensing with his services.

† Paras. 24—26 of his report.

21. The history of these frauds shows that they were in the main rendered possible by the non-observance, rather than by the absence, of rules. The Accountant-General has issued orders for the discontinuance of the unauthorised registers of revenue personal deposits, and has instructed treasury officers that no alteration memoranda which have not been previously approved by them should be accepted and acted on in their offices. He suggests further ‡ that the preparation of the monthly D.C.B. statements submitted to the Board, and of the treasury accounts submitted to *his office, be not left as now in the hands of the same department of the Collector's office. He would have the D.C.B. statements prepared under the control of the Huzur Sheristadar or Head Quarter Deputy Collector* without any interference by the Treasury Deputy Collector. The Board disagrees with his proposal to place part of the treasury establishment under either of these officers. Apart from other reasons, the fact that they are itinerating officers is an objection which goes to the root of the matter. It is, however, very important that the treasury and vernacular branches of the Collector's office should serve as a check on each other, and the Board will, accordingly, request certain selected Collectors to state their views as to the best means of securing this object.

‡ Para. 3 of his letter to Government, dated 17th September 1892, No. C-17, communicated to the Board with G.O., dated 27th October 1892, No. 4714.

22. At para. 38 of his report Mr. Higgens suggests that the Accountant-General should be asked to depute some member of his staff to pay unexpected visits to huzur treasuries, and thoroughly examine portion of the accounts. The Board agrees with the tenor of the Collector's proposal, and regards it as inconsistent that the treasury work in the Land Revenue Department should not be subject to any scrutiny at the hands of an independent officer, while the much less important Special Fund, Local Fund and Municipal accounts are checked by travelling auditors. Very few Treasury Deputy Collectors are specially trained in accounts, and they not unfrequently pass from the charge of a treasury to that of a division and *vice versâ*. The Collector's half-yearly examinations, however

carefully made, cannot be exhaustive. What appears to be wanted is an officer like the Inspector of Branch Agencies, such as the Bank of Madras and other leading Banks employ, who knows by experience how to detect weak points and bring faults and omissions to notice.

23. The Board has elsewhere (para. 13 *supra*) expressed its opinion that a very young officer, temporarily in charge of the treasury, like Mr. Cowie, cannot be held responsible for not having detected the frauds committed by Hanumanta Rao. The Board desires, however, to take this opportunity of requesting Government to reconsider G.O. dated 6th April 1893, No. 275, Public, para. 6. In the Board's view Assistant Collectors cannot fail to gather useful information, which will serve them afterwards, by working for short periods with the Inspector of Local Fund Accounts or his Assistants, when these officers are auditing accounts in the various districts.

24. In conclusion the Board must express its regret that Mr. Higgens should have been so dilatory in conducting his investigation into these frauds. Mr. Higgens took charge from Mr. Hamnett, who had acted with energy and despatch, on the 23rd February 1892. Until the auditor completed his inquiry, in August, Mr. Higgens appears to have taken no steps. In Board's Proceedings, dated 26th September 1892, No. 2236, he was requested to expedite his report. In October 1892 he sent an intermediate reply, and was told by the Board to act with promptitude—*vide* Board's Proceedings, dated 7th November 1892, No. 7224, Mis. Subsequently he made the inadmissible proposal that Hanumanta Rao should be dealt with under Regulation IX of 1822, and, in marked contrast with his previous delay, pushed on an inquiry under this Regulation after engaging a highly-paid vakil—*vide* the Collector's letters, dated 6th November 1892, in Board's Proceedings, dated 14th November 1892, No. 7399, and 21st November 1892, in Board's Proceedings, dated 30th November 1892, No. 7891. His proposal was negatived, and he was directed to expedite the criminal proceedings against Hanumanta Rao, which had been set on foot by Mr. Hamnett. Finally, on the 17th January 1893 he submitted his report to the Board.

(A true Copy and Extract.)

(Signed) R. C. C. CARR,
Acting Secretary.

To the Secretary to Government, Revenue Department, with the Accountant-General's letter and its 6 enclosures received with G.O., No. 4714, dated 27th October 1892, returned, the 31 enclosures to Mr. Hamnett's report, the 70 enclosures to the Collector's final report (as per two lists), one of the enclosures to the Collector's letter, No. C-6, of 17th January 1893, and the Accountant-General's circular of 17th November 1881 in original to be returned.

" Collector of Gódávari.
" Accountant-General.

Ex. E Fernandez.

F 21 —5,000—4-3-1893.

Confidential

Govt. of {1893} Madras.

REVENUE.

To

The Hon. the Advocate General

Dated
Recd. } Encl.

~~His.~~ Pres. G.O., 22-8-1893, No. 749

SUBJECT.

~~To~~ Referring for opinion the question whether the liability of the Cocanada Branch Bank, to Govt. for the amount embezzled on certain payment orders, can ~~be~~ be legally enforced.

Confidential

REVENUE DEPARTMENT.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

Read Proceedings of the Board of Revenue (Land Revenue)

× Copy attached. No 287 dt 30th May 1893.

Order thereon: No 749 dt 22nd August 1893.

× × × × × ×

12. H.E. 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. H

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.

× × × × × × ×

(true extract)

Secretary to Govt.

To the Hon. the Advocate General
with Copy of B.P. No. 287
30-5-93
and enclosures.

Confidential.

In the matter of the liability of the Bank of Madras for overpayments on certain orders issued by the Godavari Nurser treasury ___

Opinion.

1. It is admitted that the figures and words in the payment orders were, in most cases, so written that it was easy to supplement them by words and figures of a larger amount, and that they were altered by Hanumantha Row after the payment orders had been signed by the Deputy Collector. The larger amounts were paid by the Bank, and the question is whether Government can be charged with the whole amounts so paid.

(a) Letter from Collector 16th January 1893 No. C. 2 § 8. and "Resolution" of Board of Revenue 30 May 1893 No. 207 § 5.

2. The facts are very similar to those in Young v Grote and others,(b) in which case the Court held that the loss must fall on the customer. Best, C.J. observed "Undoubtedly a banker who pays a forged cheque, is in general bound to pay the amount again to his customer, because in the first instance he pays without authority.(c) But though that rule be perfectly well established, yet if it be the fault of the customer that the banker pays more than he ought, he cannot be called upon to pay again. We decide here on the ground that the banker has been misled by want of proper caution on the part of his customer."(c)

(b) 5 Bing. 252.

(c) Scholey v Ramsbottom, 2 Camp. 485; Ingham v Primrose 28 L.T.(C.P.) 294.

(c) see also Evans Trustees v Bank of Ireland 5 H.L.C. 389: Ex parte Swan 7 Q.B.(N.S.) 400; S.C. 30 L.T.(C.P.) 113: Orr v Union Bank of Scotland, 1 Macq.

3. The bank was induced to part with money on account of Government upon the authority of its customer, and upon instruments in which the genuine part

fact was in the same hand with, and undistinguishable from, the fraudulent addition. Government, therefore, cannot recover from the Bank the amounts overpaid.(d)

(d) Swan v North British Australasian Co. 2 H & C. 175; Halifax Union v Wheelwright L.R. 10 Exc. 183.

4. It is urged that the alterations in some of the orders are so obvious that the Bank was bound to make enquiries before paying, and that the Agent of the Bank ought to have examined with extra care every order coming from the Collector's treasury, considering the opinion he entertained of the native officials therein employed, as expressed in his letter of the 9th January.

5. I do not think that any one in the ordinary course of business would have his suspicions aroused by the appearance of the payment orders which have been sent to me. I have examined them carefully knowing that they have been tampered with, and yet I cannot agree with the assertion that the alterations are obvious. "Cases 1. 4. 6. 9. 11. 30. 31" do not, I think, bear on their faces any signs of alteration. ~~In~~

In looking at "cases 2 & 3" with the information given to me of the alteration which has been made, I think "1" was originally written and that it was subsequently converted into "6", but the word "one" does not appear anywhere before the word "annas", and the word "six" does not appear to have been tampered with. The amounts in words and in figures agree, and there is no such addition and alteration in the former as might fairly arouse suspicion.

In "case 5" the "7" does seem to have been originally a "1", but there is no "one" in the written amount, and the words "seven" do not appear to have been substituted for anything.

In "case 8" the "6" seems to have been originally "1", but if the "one" was written at the time the order was signed, the carelessness of the Deputy Collector was most extraordinary, for that word is so remote from the words "6 annas four only" as to invite forgery. The amount in words would not attract attention, and the amount in figures, though ~~possibly~~ doubtful in appearance, corresponds to it.

In "cases 16. 17. 18 and 29" some of the words and figures seem to have been written with darker ink than that used for the rest of the documents, but I do not think that the difference is such as to arouse the suspicions of any one not on the look out for forgery.

In "cases 22 & 23" the amount in writing is somewhat suspicious in appearance, for many of the words are so cramped as to look as if they had been squeezed in. Moreover the words "Two" in No. 22 and "Three" in No. 23 begin with capitals. These cases differ from Nos. 19. 24 & 25 in which the full amounts were entered at the time the documents were written. But here again suspicion would be disarmed by the fact that the writing is that of the writer of genuine documents and a servant of Government.

6. I have referred above to all the payment orders which have been sent to me, and my opinion with regard

ard to them is that they do not bear such marks of alteration as would fairly rouse suspicion and put the Bank upon its guard. Considering the circumstances under which, and the positions of the persons by whom, they were written, signed and altered as set forth in the first paragraph of this Opinion, I do not think that any Court would hold the Bank liable to Government for the overpayments.

7. With regard to the letter of the 9th January 1893 written by the Bank's Agent, I must point out that if he "ought to have examined with extra care every cheque coming from an office the members of which were, in his opinion, corrupt, the head of that office, having been warned about his native subordinates, ought to have been particularly careful to watch those subordinates and not leave it in their power to mislead the Bank. Had the vouchers and statement of expenditure and the Bank pass-book giving the total of the disbursements been properly examined, detection would apparently have been inevitable.

8. I observe that in the statement made by Srepati Buchi Ramappa, Head Clerk, Bank of Madras, Cocanada,(e) he said "As regards Government work we are guided by certain instructions, and if we carry out those instructions our responsibility ceases." I have not been furnished with a copy of those instructions, and therefore cannot say whether his contention is

(e) Enclosure XXXIX to Report No. C² 16.1.93

is well founded or not, but apart from those instructions, and dealing with the case simply according to the law applicable thereto, I cannot advise Government to take any legal proceedings against the Bank of Madras.

9. Article IX of the Bank's agreement with Government quoted by the Board of Revenue (f) is very wide, but I cannot say without seeing the whole agreement whether the Bank has thereby abandoned the protection which the law affords in such cases as that now under consideration. I cannot assume in the absence of any evidence that it has done so.

(f) Resolution 30 May 1893 No. 267 page 20. § 17.

10. My answer to the question put to me is that under the circumstances above set forth, Government cannot (in my opinion) successfully maintain an action against the Bank of Madras for the recovery of the amounts overpaid upon the payment orders under consideration.

J. H. Spring Branson.
Advocate General

Madras
6th October
1893.

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