

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No.	316	Press
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*Proceedings of the Madras Government, Financial Department,
from 1st to 10th June 1859.*

No. 12. Extract from the Proceedings of the Government of India, in the Financial Department, dated 13th May 1859, No. 3870.

Read the undermentioned papers, relative to the investment of Assets of the Madras Military Fund:—

Despatch in the Public Department from the Honorable the Court of Directors, No. 46, dated 4th July 1832.

Letter from the Acting Accountant General to the Government of Fort Saint George, No. 1052, dated the 12th March 1855.

Letter to the Accountant General, Fort Saint George, No. 1037, dated 23rd March 1855.

Ditto to the Secretary to the Government of Fort Saint George, No. 1223, dated 2nd April, 1855.

Letter from the Chief Secretary to the Government of Fort Saint George, No. 78, dated 27th July 1855, with enclosure.

Letter from this Department, No. 3337, dated 17th August 1855.

Letter from the Chief Secretary to the Government of Fort Saint George, No. 543, dated the 7th November 1856, with enclosures.

OBSERVATIONS.—On the 12th of March 1855, the Accountant General to the Government of Madras reported, with reference to the Rules 102 and 103 of the Madras Military Fund, cited in the margin,* that the Directors of that Fund contemplated the investment in Paper of the 4 per cent Loan, of a sum of 15 lacs of Rupees out of the balance at credit of the Fund in the Madras Books. On the 2nd April, following, the Government of Fort Saint George was informed that such an arrangement was objection-

* *Article 102.—According to the original rules of the Fund, all donations to it are reserved for the purpose of forming a capital; all other income being available to meet current, and duly authorized demands.*

Article 103.—According to the original rules of the Fund, all money belonging to it in India, is to be vested in the Honorable Company's Securities. It is accordingly the particular duty of the Sub Committee of Finance and Audit, in communication with the Secretary, to make arrangements for so vesting the money of the Fund; a floating balance sufficient to meet all current demands, being always left in the Government Treasury at Madras.

able, leading as it might to speculation and possibly to loss to the Fund, and subjecting as it did the Government to the payment of a larger amount of donation than could fairly be claimed by the Fund; further, that with reference to the practice, now prevailing in like institutions in Bengal, it was desirable that the investment of the Assets of the Madras Military Fund in Government Promissory Notes, in the manner indicated in Article 103 of the Fund rules, should be put a stop to, and that the capital of the Fund should be invested in non-transferable Treasury Notes, bearing a fixed rate of 4 per cent interest per annum, and a donation equal to the difference between such rates of interest, and the fixed rate of 8 per cent, allowed under the original rules.

2. The Government of Fort Saint George submitted in reply, a report from the Accountant General at that Presidency on the subject, accompanied with a letter from the Secretary of the Madras Military Fund, communicating the sentiments of the Directorial Body on the remarks of the Supreme Government, in respect to the capital under its management.

3. From the report of the Accountant General at Madras, it appears that the 15 lacs above referred to, formed part of the balance in deposit under the head in the Madras Quick Stock Statements, of "Balance," due to the Military Fund at 5 per cent. This rate of interest on the deposit, was fixed under the instructions of the Honorable Court, conveyed in their Public Despatch to the Supreme Government, No. 46 of the 4th July, 1832, and 3 per cent additional, was allowed by the Government on the deposit, as a donation on account of the difference between the rate of 5 per cent and 8 per cent, allowed in aid of the several compassionate Civil and Military Funds in India.

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4. It further appears from the letter of the Secretary of the Military Fund, that the Directors of the institution, with every wish to meet the views of the Supreme Government, deprecated any such change as that proposed to them, *viz.*, the investment of the Fund's capital in non-transferable Treasury Notes; that they felt themselves incompetent to elect this mode of investment, the measure being one of such magnitude as to necessitate a reference to the whole body of subscribers; and that they considered that any alteration of the existing arrangements, would have the effect of awakening distrust in the subscribers, and should only be undertaken on the palpable recognition, concurrently of failure in such arrangements. The Directors observed also, that while they deferred to the opinion that the investment of the Fund's capital in Government Paper to be purchased at a discount, was inadvisable for the reasons represented, and that such investment should be prohibited, "they felt it to be their bounden duty, whilst acting on behalf of the interests of the Military Fund, to respectfully claim the continuance of an *entire freedom of action* as to all open Loans, or to investments in any Government Security at par, to carry out the 103rd rule of their standing regulations."

5. The Accountant General of Madras added in his report above referred to, that the Directors of the Madras Military Fund, had dropped the scheme of investing in 4 per cent Paper at a discount, and that in his opinion the "freedom of action" claimed by the Directors, should be allowed; and further, that the object of the Supreme Government would be very much met by the Trustees and Directors being informed that it would be at their option to invest surplus capital, hereafter, in non-transferable Treasury Notes, bearing 4 per cent interest, payable half yearly.

6. The Accountant General of Madras further stated that when referring to the Government of India, the application of the Madras Military Fund, in respect to the 15 lacs of Rupees under notice, the Civil Fund was allowed by him to make an investment of a portion of their capital, (but to a smaller extent) in 4 per cent Paper at a discount, and that very recently, the Trustees of the Medical Fund had called upon him to permit the investment of 5 lacs of their capital in the 5 per cent Public Works Loan, and that their application had been suspended, pending a reply to the reference, then made. The investment that had been effected as respects the Civil Fund, the Accountant General observed, was permitted, because such investment was *not* made especially for the purpose of increasing its capital, (though such was the immediate effect,) but with a view of investing in a permanent security; and moreover, that such augmentation was not to the detriment of the Honorable Court, inasmuch as the Court would, by the investment itself, be relieved from the payment of 4 per cent on the amount of cash invested, while the payment of interest on the augmented capital, would be but of comparatively trifling amount.

7. With respect to the conditions in which the 15 lacs of Rupees were held in deposit, it appeared that there were entries from year to year in the Quick Stock Statement of Madras, of several lacs of Rupees under the head of "Balance due to the Military Fund at 5 per cent," and it is presumed that the money in question was part of a balance in deposit, under the same head. It is also presumed, that the 5 per cent interest payable on the deposit, was fixed under the instructions contained in the Court's Despatch, No. 46 of 1832, and it is further believed (though it cannot be identified in the accounts,) that 3 per cent additional, is allowed by Government on the deposit, as a donation, on account of the difference between the rate of 5 per cent, fixed under the orders above referred to, and the rate of 8 per cent, originally allowed in aid of the several compassionate Civil and Military Funds in India.

8. After consideration of the above circumstances, the Madras Government was informed that the Honorable the President in Council was of opinion that the real object of Article 103 of the Madras Military Fund rules, would be just as effectually attained by the investment of the capital of the Fund in non-transferable Treasury Notes, as in the Notes of any of the advertised Loans; but if the mode of investment proposed by the Government, was objected to by the subscribers, His Honor in Council would not insist upon its adoption, provided it was understood, that the Directors should be allowed to invest their capital in the Government Loans, only when they are at par, and that it be laid down as a rule, that no withdrawal of the Funds of the institution from such Loans, shall be permitted for speculation or investment, under any circumstances whatever.

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9. It was added, "this Government cannot see what advantage is to be gained by the Fund from investing in an open Loan or in any Loan bearing higher rate of interest than that allowed on non-transferable Treasury Notes; the donation granted by Government will in any case be proportionately regulated; and while non-transferable Treasury Notes are payable on demand, and subject to no risk or loss from any fluctuations in the market, the investment of Paper at par in any of the open Loans, has neither the same advantage nor the same security attaching to it."

RESOLUTION.—The Governor General in Council observes, from what has been stated by the Accountant General to the Government of Madras, that there is a great probability not only that the Military Fund, but that the Civil Fund, Medical Fund and possibly some other funds at all the Presidencies, have, by investment of their Assets in Government Securities, purchased at a discount, been placed in receipt of a larger amount of donation from Government, than they are strictly entitled to, and that the amount of such over-payments cannot be ascertained without careful enquiry in the Offices of the Accountants at the several Presidencies, and in the Offices of the several funds. His Lordship in Council accordingly desires that such an enquiry be instituted.

2. His Lordship in Council further observes that in regard to the Civil Fund at Madras, this error, by which Government suffers a loss, has actually been committed; and that there is no certainty to what extent the error may have prevailed.

ORDER.—Ordered, that a copy of the foregoing Resolution be sent to the Government of Madras, for information and guidance.

Ordered, also, that a copy of the Resolution be forwarded to the Military Department, and to the Government of Bombay, respectively, for enquiry and report.

Ordered, further, that a copy of the Resolution be sent to the Accountant General to the Government of India, and the Accountants General at Madras and Bombay, for enquiry and report.

Ordered, lastly, that a copy of the Resolution be forwarded to the Managers of the Bengal Civil Fund, for enquiry and report.

(A true Extract.)

(Signed) C. HUGH LUSHINGTON,
Secretary to the Government of India.

ORDER THEREON, 4th June 1859, No. 316.

No. 13.

Communicated to the Trustees of the Civil Fund, and to the Directors of the Military and Medical Funds.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. A. P. W. Begbie.

Secretary to the Government of India.

Exd. W. C. Mitre.

Order thereon 4 June 1859. No 316

Communicated to the Secy. of the Civil Fund, and to the Secy. of the Military & Medical Fund for signature and report

the several funds. and deciding that such an inquiry be instituted. 12473

To the Secy of the Civil Fund } Dis. 9th
" " of the Mil. Fund }
" " of the Med. do }

Proc of Govt of India
Financial. 1859. Depart^t

Extract from the proceedings of the Govt of India. 1859.

No 316
10 May 1859.

Having that the Secy of India think just only that the Mil. Fund, but that the Civil Fund, Medical Fund and nearly some other funds at all the Medicines which by instrument of their were in Govt. character, purchased at a discount, been placed in receipt of a larger amount of money than from Govt. than they are actually entitled to and that the amount of such over payments cannot be ascertained without repeated enquiry in the offices of the Lieutenants at the several Presidencies, and in the offices of the Secy of the Govt.

No 10th June 1859

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Proceedings of the Madras Government

21st 4th June 1859.

8. After consideration of the above circumstances, the Madras Government was informed that the Hon'ble the President in Council was of opinion that the real object of Article 103 of the Madras Military Fund rules, would be as effectually attained by the investment of the capital of the Fund in negotiable Treasury Notes, as in the Notes of any of the advertised Loans; but the mode of investment proposed by the Government, was objected to by the members. His Honor in Council would not insist upon its adoption, provided it was understood, that the Directors should be allowed to invest their capital in the Government Loans, only when they are at par, and that it be laid down as a rule, that no withdrawal of the Funds of the institution from such Loans be permitted for speculation or investment, under any circumstances whatever.

9. It was added, "this Government cannot see what advantage is

to be derived from Treasury Notes payable on demand, and subject to the risk or loss from any fluctuations in the market, the investment of Paper in any of the open Loans, has neither the same advantage nor the same security attaching to it."

RESOLUTION.—The Governor General in Council observes, from what has been stated by the Accountant General to the Government of Madras, that