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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

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Dated 21. 8. 1800.

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Proceedings of the Madras Government, Financial Department,
21st August 1860.

No. 63. Read the following letter from F. LUSHINGTON, Esq., Acting Accountant General, to the Military Auditor General, dated 11th August 1860, No. 846.

I have the honor to reply to your letter No. 199, dated 17th ultimo, on the subject of amalgamating the Cash Chest of the Paymaster Presidency with the General Treasury.

2. I do not now think it necessary to enter upon any discussion as to whether Colonel Macdonald has or has not on previous occasions complained of the onerous nature of his duties in connexion with the custody of the Cash Chest, inasmuch as in his letter No. 359, dated 16th ultimo, he fully establishes the fact.

3. The second objection is that as the Treasury Cash payments cease at 3 P.M., and it is assumed that because payments sometimes take place from the Military pay office from 8 A.M. until 8 P.M., that therefore, it will be impossible for the Treasury to accomplish the work by 3 P.M., I do not myself see that this at all follows, and on the contrary, incline to the opinion that in a purely Pay Office like the Treasury, the disbursements will take place much more rapidly than can possibly be the case under the circumstances to which Colonel Macdonald refers.

4. That Officer gives Rupees 69-10-4 as the total amount which would be saved in his office by the abolition of the Cash Chest, as he considers that the services of the Cash-keeper and his Deputy will still be required to keep up his Cash Book. I am not at present prepared to argue the point whether or not the services of these two men will still be required, or whether additional assistance will have to be given to the Sub Treasurer in the event of the payments being transferred to the General Treasury—these points can be determined hereafter. I may remark, however, that Colonel Macdonald altogether errs in assuming that the saving in the pay of some of the Establishment is the only saving that will be effected, and therefore that to effect this small saving it has been proposed to abolish his Cash Chest. The annexures to this letter will show that at Home it was found that by amalgamating the Pay Offices, the business of the country could be carried on without increasing the balances in the hands of the General Paymaster, and that a saving in that form alone equal to £9,000 per annum would be effected; of the soundness of the principle of reducing to a minimum the number of Cash Chests I have not the slightest doubt.

5. To Colonel Macdondald's suggestion that the use of a stamp might induce forgery, I shall merely answer that it has not had that effect in the case of the Civil Pay Bills, and that I do not apprehend any thing of the kind. As regards the payments into the Office of the Presidency Paymaster, I see no difficulty; the Treasury will receive as well as pay any sums on the requisition of the Paymaster.

6. In conclusion, I beg to refer you to Appendix F. 2 to a letter from my predecessor to Government, No. 413, dated 16th February last, printed with Order of Government, Military Department, No. 1,062, dated 16th March 1860.

(True Copy.)

(Signed) THOMAS MURRAY,
Acting 2nd Assistant Accountant General.

Forwarded to the Chief Secretary to Government for information.

Extract from Treasury Minute of 19th August 1836, *regulating the Office of the Paymaster General.*

2. My Lords perceive with much satisfaction from these Reports, that the leading principles upon which it appeared to this Board that the proposed consolidation should take place, have met the general concurrence of the executive departments, and that the arrangements submitted by them for the consideration of my Lords are such as to enable their Lordships now to proceed in establishing the regulations by which, in their opinion, the transactions of the Pay Office should be governed in its relations not only to this Board and the Exchequer, but also to the great departments of the Navy, Army, and Ordnance, and the Community at large.

3. There can be no doubt that the business of the consolidated Offices should be carried on under one and the same roof; and as the building in which the existing Army Pay Office is established, is, from its proximity to the Treasury, to the Exechequer, the Admiralty, and Ordnance and War Offices, the most conveniently situated for the Public, and as by reason of the officials residence of the Paymaster of the Forces having been given up, there will be ample accommodation for the purpose, my Lords are of opinion, that as soon as the Sign Manual Warrant is issued consolidating the separate Offices into one, the buildings now occupied by the Navy Pay Office, the Ordnance Treasurer's Office, and the establishment of the Deputy Treasurer of Chelsea, should be given up, and the whole of the Books, Papers, and documents of those Offices removed to Whitehall.

Extract from Treasury Minute of 19*th November* 1836, *containing further Regulations for the Government of the Office of His Majesty's Paymaster General.*

31. The total number of persons who are now engaged, therefore, in the discharge of the duties which will hereafter be performed under the Superintendence of the PaymasterGeneral is:—

112 Officers and Clerks, and 30 inferior persons.

33. After the fullest and most mature consideration which my Lords have been able to give to the subject, they are of opinion that the whole of those duties may, for the future, be correctly and properly discharged by an establishment consisting of:—

93 Officers and Clerks and 19 Messengers, &c.

Extract from a paper prepared in 1843 *by Mr. C. E. Trevelyan for the Select Committee on the Miscellaneous Estimates, on the Office of Paymaster of Civil Services and the Exchequer.*

1. The Office of the Paymaster of Civil Services might with great advantage be consolidated with that of the Paymaster General. A pay Office is an elaborate piece of Official mechanism which, when it has once been properly organized is capable of throwing off almost any quantity of work. Pay Clerks cannot be engaged during the whole of every day in handing money over the counter. There are 66 Clerks belonging to the Paymaster General's Office and only 13 in the Paymaster of Civil Services. The Paymaster General makes every year several hundred thousand payments and the Paymaster of Civil Services only from 10,000 to 12,000. A great deal of work consisting principally of transfers and the correspondence connected with them, which is occasioned solely by the fact of their being two pay Offices instead of one, would be saved by their union. The two offices are in the immediate neighbourhood of each other, and a considerable number of persons connected with the Banking and Agency Houses who at present have to go the round of both Offices will be saved time and trouble if all the Payments are made at one place. It may be necessary at first to make an addition of two or three Clerks to Paymaster General's establishment, by a transfer of that number from the establishment, of the Paymaster of Civil Services, but the rest of this last mentioned establishment, including the highly paid Officers at the head of it, may be immediately reduced, and the rooms which they occupy in the Treasury may be made available for other branches of the public Service, for which they are much required. The Office of the Paymaster of Exchequer Bills has been already united with that of the Paymaster General; and when the Paymaster of Civil Services' Office shall be similarly consolidated, the proper division of labor will be fully established between the department which is charged with the custody and appropriation of the public money, and that which is charged with its payment in detail.

The plan adopted by the Paymaster General, on the other hand, is to have only a single account at the Bank of England, out of which all his payments are made for every description of service, and to trust to the Books of his own Office for recording the transactions of the different services in the distinct and exact manner required to render a just account of the appropriation of the sums imprested to him, by which means his balance at the Bank is maintained at the lowest point required to meet the payments actually falling due in each day.

The Paymaster General's banking account is divided under two heads, one for receipt and the other for payment; the receipt side is again subdivided into two heads, one of which is his Exchequer credit account, representing the credits which he daily receives from the Treasury under

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the several heads of service for carrying on the payments entrusted to him, and the other his cash account, representing the miscellaneous sums received by him on account of sale of old Stores, transfers, &c. The payment side is also subdivided into two heads, one of which is called his drawing account, for making ordinary cash payments, and the other his bill account, for paying the numerous Commissariat, Navy, and other bills. No payments whatever are made from the receipt side of his account (that is his "Exchequer Credit" and "Cash" accounts), which is used merely as a channel for replenishing the payment side. This arrangement conduces as much to the security as to the economy of the public money inasmuch as the amount from which disbursements can under any circumstances, be made, is always by means of it, kept at the lowest possible point.

I am persuaded that, of these two systems, the one adopted in the Paymaster General's Office is most consistent with the true principles for the conduct of business. Merchants, Manufacturers, and Railroad Companies, however large their concerns may be, do not have a separate account at their bankers for every head under which their expenditure is conducted; but as a general rule, they have a single banking account for every purpose, which they keep as low as possible, and depend upon a proper system of Book-keeping in their own Office for preserving the distinctness and regularity of their various transactions.

If the Office of Paymaster of Civil Services shall be consolidated with that of the Paymaster General, and the payments for the united services shall be made by the Paymaster General according to his present practice, it will not be necessary for the last mentioned Officer to increase his present average balance, and the entire balance now standing to the credit of the Paymaster of Civil Services (with the exception of certain deposits in his cash account, which may be considerably reduced) will be rendered unnecessary; in other words a sum equal to the average amount of those balances will be rendered available for paying off deficiency bills or any other part to the National Debt, whereby a saving of about 9,000£ a year will be effected, or this sum might be added to the general balance standing to the credit of the Government, whereby the necessity of borrowing from the Bank would be diminished to that extent.

Extract from Treasury Minute dated the 22nd December 1848, *for the Government of the Office of Her Majesty's Paymaster General.*

The Services to be paid by the Paymaster General will consist of all army services, voted on the Army and Militia Estimates, which are under the control of the Secretary at War and of the Commissioners of Chelsea Hospital; all Commissariat Services voted on the Commissariat Estimates, and which are under the control of this Board; all Naval services voted on the Navy Estimates, and Naval prize services which are under the control of the Lords of the Admiralty; all Ordnance Services voted on the Ordnance Estimates, and which are under the control of the Master General and Board of Ordnance; all the services formerly called "Army Extraordinaries." and which are now included under the denomination of "Commissariat Chest Services," all the Civil Services voted on the several Miscellaneous Estimates and the Services charged on the consolidated Fund, hitherto paid by the Paymaster of Civil Services also the payment of the principal and interest of Exchequer Bills, all of which are under the Control of this Board.

Numerous sums of money, and of considerable amount in the aggregate, are placed, from time to time, to the Paymaster General's Cash Account at the Bank of England in pursuance of orders issued by this Board, by the Secretary at War, the Commissioners of the Chelsea Hospital, the Board of Admiralty, and the Master General and Board of Ordnance. These sums consist in part of the produce of old Stores, rents, and other sources of income, which will be transferred periodically from the Paymaster General's account at the Bank to the credit of the Exchequer, as directed by their Lordships' Minute of the 2nd May 1848, and will become ways and means subject to appropriation by Parliament; but they will also include repayments of advances, recoveries and other receipts of a like nature, which, being merely adjustments of account, will not be payable to the Exchequer. To secure a perfect agreement between the books of the Paymaster General

and those of the Bank of England, in respect of these numerous receipts, and to guard against their being credited to wrong accounts, it will be necessary that the parties from whom money may be due, should in all cases obtain from the Paymaster General orders authorizing the Bank to receive such sums, previously to their being placed to his account.

No. 61. ORDER THEREON, 21st August 1860, No. 418.

To be recorded.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. S. T. Augustin.

Proof of work on 12 Military

Fin 1860 Depart t
Rs: of Government
From

The Acting Acc t General
No 846.

D. 10th
Rd. 15th & 23rd Augt 1860.

No 404.

Forwarding for information copy of this letter to the Milty Auditor General on the subject of amalgamating the Cash Check of the Paymaster Presidency with the General Treasury.

No 418 21 Augt 60.
To be recorded.

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