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MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

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Civil Fund.

No. 227. Read the following letter from R. B. CHAPMAN, Esq., Secretary to the Government of India, Financial Department, to the Hon. D. F. CARMICHAEL, Officiating Chief Secretary to Government, Fort St. George, dated Simla, 28th October 1875, No. 4281 :—

Referring to your letter, No. 1534, dated 24th July 1875, I am directed by the Honorable the President in Council to forward, for the information of the Government of Madras, and for communication to the Trustees of the Madras Civil Fund, copy of a despatch, No. 387, dated this day, addressed by the Government of India to the Secretary of State, upon the subject of the financial condition of the Madras Civil Fund.

2. It will be seen from this document that, in the judgment of the Government of India, immediate and decided measures are necessary to redress, so far as is now thought expedient, the loss entailed upon the public revenues by the errors in the past management of the Madras Civil Fund.

3. The Government of India have cordially acknowledged that the management of the Madras Fund has been conducted with strictly honorable intentions on the part of the Trustees and of the members of the Madras Civil Service. The errors which have led to the excessive demands upon the public revenues, which it is now necessary to rectify, are to be attributed only to misunderstanding in times past, on the part as well of the Government and the Audit Officers as of the Madras Service, of the principles upon which an institution so complex as the Madras Civil Fund ought to be managed.

4. The Government of India confidently hope that the absolute necessity of the measures which have now been recommended to the Secretary of State will be recognized by the Government of Madras and the members of the Madras Civil Service. Although the Government of India freely admit the responsibility of the Government and of the Audit Officers for the absence of any check upon the erroneous and excessive demands made upon the public treasury from past misapprehension, yet the Government of Madras and the Trustees will, doubtless, in accordance with the principles which have ever characterized the management of the Madras Fund, agree with the Government of India in the opinion that the primary responsibility lay upon the Madras Service to adopt a system of management which should cause no greater claims upon the Government than were just and equitable; and that, now that it is ascertained that the actual principles of management, though observed in good faith at the time, have caused an accumulation of capital at the cost of the revenues of India altogether in excess of the objects for which the aid of the State has been conceded, it behoves the Service to co-operate frankly with the Government in effecting such a rectification of the relations between the Government and the Madras Civil Fund as is required in justice to the Imperial revenues.

5. In this view the Honorable the President in Council hopes that it will appear to the Government of Madras and the Madras Civil Service that the settlement proposed by the Government of India to the Secretary of State is as liberal to the members of the Madras Civil Service as was proper under the circumstances of the case.

6. In accordance with the resolution set forth in paragraph 49 of the despatch to the Secretary of State, the Accountant-General will be instructed to suspend, until further orders, all credits to the Madras Civil Fund, on account of the fixed donation or of donation interest or donation exchange, and to make no provision for such credits in the estimates of 1876-77. Meanwhile, the recoveries from the Madras Civil Fund on account of advances made from the Home Treasury of the Government of India should be made, immediately upon their advice and without any interval, at the rate fixed yearly by the Secretary of State for India in Council, with the concurrence of the Lords Commissioners of Her Majesty's Treasury, for the adjustment of financial transactions between the Imperial and Indian Governments.

Despatch from the Government of India, to the Most Honorable the MARQUIS OF SALISBURY, Her Majesty's Secretary of State for India, dated Simla, 28th October 1875, No. 387.

Pensions and Gratuities.

In continuation of our despatch, No. 365, dated 7th October 1875, we have the honor to forward, for the consideration of Her Majesty's Government, the papers entered in the annexed schedule relating to the financial condition of the Madras Civil Fund.

2. These documents contain two interesting histories of this the earliest of the Indian Civil Service Funds, one compiled by Mr. Westland, the Author of the Examination of the Madras Civil Fund, to which we shall hereinafter refer as the "Examination," and another presented by the Trustees of the Fund on the 18th February last to the Madras Civil Service. Annexed to the Trustees' Report are some valuable memoranda by Mr. H. E. Stokes, Secretary to the Fund, and a report thereon by the late Mr. Samuel Brown, Actuary to the Fund.

3. The facts elicited by the elaborate investigations to which the Madras Civil Fund has been thus subjected are of grave importance and demand the early attention of Her Majesty's Government. The task of dealing with them will be facilitated by the intelligent and highly honorable spirit in which the Trustees, supported almost unanimously by the Madras Civil Service, have approached the matter; happily, there are no substantial differences of opinion as to the facts; what there are can be, for the most part, readily explained, and are such as must be expected inevitably to occur when complex facts and problems are handled by different investigators. When once the principle is determined upon which the Government will deal with the questions now awaiting decision we anticipate no difficulty in its practical application.

4. Like the other Funds of the Covenanted Civil Services, the Madras Fund was originally a charitable and not a provident institution.

"The Fund was first established in 1787, and intended by its founders, in view of the frequent appeals which were made to the generosity of the Service on behalf of distressed members and their families, rather to systematize and regulate charity than to organize an Insurance Society."*

To this object the Court of Directors subscribed yearly at first Rupees 1,750 and from 8th July 1799 Rupees 12,950, and they afterwards granted privileges to the Fund in the form of high interest and favorable exchange.

* Trustees' Report to Madras Service, dated 18th February 1875, paragraph 3.

5. Between 1800 and 1814 one of the objects of the Fund was to provide annuities for retired members as well as pensions for the families of deceased members; but in 1814 separate provision was made for the annuities of retired members, and the Fund resumed, from the year 1814, the character, which it has ever since maintained, of a Mutual Insurance Fund for the benefit of the widows and fatherless children of the members of the Madras Civil Service. The Fund constituted in 1814 made no provision for the daughters of deceased members after the age of 19. In 1830, after prolonged and cautious discussions, a subsidiary Fund was created to supply this deficiency: this subsidiary Fund was amalgamated with the main Fund on the 1st May 1863.

6. The members of the Madras Service became very early uneasy under the restriction by which the pensions given from the Fund to the widow and children of a subscriber were reduced by the income which they possessed on the subscriber's death. In 1830 a "Widows' New Fund" was formed by additional subscriptions with the object of removing this obnoxious and impolitic limitation; but this Fund was wound up in 1842 upon the reiterated refusal of the Court of Directors to grant to it the privileges as to interest and exchange which the original Fund had then for some time enjoyed. The episode has an important bearing upon the history of the policy of the Government in regard to all three Funds; and the despatch, No. 4,* dated 19th March 1839, deserves for this reason particular attention.

7. The property restriction was not removed from the Rules of the Madras Fund until 1863, when the subsidiary Fund for daughters was amalgamated with the main Fund, and the whole was reconstituted on the basis of a Mutual Insurance Fund with no reference to the income of the beneficiaries; the scale of pensions was also, in some respects, enchanced.

8. The financial condition of the Fund, on its reconstitution, is fully set forth in the VIIIth Article of the Examination. Mr. Westland considers, and we see no reason to doubt the correctness of his conclusion, that, if the whole liabilities of the reconstituted Fund had been charged to the 8 Per Cent. Fund, there would still have been on the 1st May 1863 a surplus in the Fund of no less than Rupees 24,39,131,—sufficient to provide an increase of more than 60 per cent. to all incumbent and contingent pensions payable, or to be paid, from the Fund; and Mr. Stokes' calculations, although they may require some revision, show substantially the same result.

9. In this calculation and the other like calculations contained in the Examination it is assumed that the privileged rates of interest and exchange granted to the Madras Civil Fund are applicable to certain definite assets and consequently that the proper method of bringing the assets and liabilities of the privileged branch of the Fund into equilibrium would have been to adjust the liabilities to the assets and not the assets to the liabilities.

10. This conclusion follows logically from the premise. Your Lordship has, however, in your despatch, No. 354, dated 2nd July 1874, upon the condition of the Provident Branch of the Bombay Civil Fund, adopted the converse method of adjustment consistently advocated by the Actuary, the late Mr. Samuel Brown; and we apprehend that we may now consider it finally decided that the privileges granted to the several Civil Funds are to be measured, not by the assets, but by the liabilities, of the Funds as originally restricted, and that equilibrium is to be attained by adjusting, not the liabilities to the assets, but the assets to the liabilities.

11. Her Majesty's Government has full power to withdraw or modify the privileges which the Civil Funds enjoy, and it rests with it alone to interpret the concessions which have, from time to time, been made to these bodies. The decision that the privileges attach to the liabilities and not to the assets of the Funds seems to us to be just and reasonable in itself and in full accordance with the consistent policy of the Government in times past. Its adoption makes it needless for us to invite attention to many of the calculations made in the Examination, and in particular materially modifies the results to be deduced from the several valuations contained in this document.

* It is printed at page 4 of the Report by the Trustees, dated 18th February 1875.

12. In his Report upon the Bombay Civil Fund, dated April 1874, Mr. Samuel Brown advised the admission to privileges of one-half of the whole liabilities of this Fund. His calculations were, however, founded upon data gathered principally from the experience of the Madras Civil Fund, which Mr. Stokes, in his memorandum, dated 9th March 1874, has with remarkable industry and skill shown to be incomplete and inaccurate. In paragraph 87 of his Report to the Trustees, dated 22nd December 1874, Mr. Brown has provisionally, and with some reserve, accepted as likely Mr. Stokes' conclusion that the privileges may properly be conceded to 60 per cent. of the New Rule liabilities ; in other words, that it may be assumed that only two-fifths of the unrestricted benefits are in excess of the original scale to which alone the privileges belong.

In our despatch, No. 365, dated 7th October 1875, we have provisionally acquiesced this proportion in the case of the Bombay Fund, and we shall in the present despatch provisionally, and subject to your Lordship's approval, adopt the same proportion in respect to the Madras Fund.

13. This proportion does not affect the liabilities on account of those pensions which are still regulated by the old Rules, the whole of which are legitimately entitled to all the privileges conceded by the Government to the original Fund so long as such privileges are continued.

14. Like the Bombay Service, the Madras Service has appropriated hitherto the benefit of donation exchange upon its unprivileged Funds. We have earnestly contended in our despatch, No. 365, dated 7th October 1875, upon the Bombay Fund that the unprivileged Funds are not entitled to donation exchange, which rests upon precisely the same foundation as donation interest. The donation exchange and donation interest were granted for the same purpose and to the same Funds, and there seem to us no grounds whatever for allowing donation exchange to Funds not entitled to donation interest. Mr. Brown derives an argument in favor of the grant of donation exchange to the unprivileged portions of the other two Funds from the terms of the Secretary of State's despatch, No. 193, dated 25th November 1862. We have already said that we can allow no weight whatever to Mr. Brown's argument ; but it may be well, nevertheless, to remark that the reconstitution of the Madras Fund took place in 1863, after the date of this despatch, so that no reasoning based upon this despatch can, in any case, be used in support of donation exchange on the unprivileged liabilities of the Madras Fund, which date from the reconstitution of the Fund. Donation exchange on the unprivileged Funds was doubtless usurped by the Trustees under a misconception, and their usurpation was allowed to pass unchallenged by oversight. We earnestly hope that Her Majesty's Government will not hesitate now to disallow it with effect from such date as may be thought expedient. We shall in this despatch assume that our opinion upon this point is accepted.

15. According to Appendix G to the Examination, the value of the actual assets of the Madras Civil Fund bearing 8 per cent. on the 1st May 1863, when the new constitution was introduced, was Rupees 62,86,378 and the value of the actual liabilities Rupees 38,47,247, of which Rupees 15,78,458 represented the liabilities under the Old Rules in respect to the whole of which the Madras Service was entitled to the privileges conceded by the Government so long as such privileges should continue, and Rupees 22,68,789, the liabilities under the New Rules, in respect to only 60 per cent. of which the Service was entitled to privileges. The value of these latter liabilities in money accumulating at 4 per cent. interest was, upon the assumption that donation exchange applied to them, Rupees 45,45,383.

16. But, as we have decided, subject to your Lordship's concurrence, that the unprivileged Funds are not entitled to donation exchange, we must modify this value by the use of such a rate of exchange as may be reasonably estimated to be a permanent average market-rate. We do not think that we can estimate this rate at more than 1*s.* 9½*d.* the rupee. At this rate the multiplier to be used for the reduction of sterling money to rupees will be increased from 9·0641 to 11·2744 and the total value of the liabilities under the new rules raised from Rupees 45,45,383 to Rupees 56,27,449.

Proceedings of the Madras Government, Financial Department,
27*th November* **1875.**

17. Using these figures and 60 per cent. as the proportion of the liabilities under the New Rules to be admitted to privileges, the valuation of the assets and liabilities of the Fund on the 1st May 1863 is as follows :—

Valuation on 1*st May* 1863.

	8 per cent. Rs.		4 per cent. Rs.
Assets	62,86,378		*Nil.**
Liabilities	29,39,731		22,50,980
Surplus	33,46,647	Deficit	22,50,980
Deduct 4 per cent. deficit	22,50,980		
Net surplus	10,95,667		

18. Using the same factors for the proportion of the unrestricted benefits entitled to privileges and for the rate of exchange on the remittance of unprivileged Funds, the valuation on the 1st April 1868 given in Appendix H to the Examination becomes as follows :—

Valuation on 1*st April* 1868.

	8 per cent. Rs.	4 per cent. Rs.
Assets	79,78,952	*Nil.**
Liabilities	33,40,418	30,99,714
Surplus	46,38,534	30,99,714
Deduct 4 per cent. deficit	30,99,714	
Net surplus	15,38,820	

19. It may be convenient to know the state of the Madras Fund on the 1st April 1869, the date from which it is proposed that the readjustment of the accounts between the Government and the Bombay Fund shall take effect. We cannot, at this moment, obtain the materials for an exact valuation of the Madras Fund on the 1st April 1869, but the following estimate will be enough for our present purpose. It is constructed with the same factors as the valuations hereinbefore given for the valuations of the 1st May 1863 and 1st April 1868 :—

Valuation on 1*st April* 1869 (*by estimate*). (*See Enclosure No.* 6.)

	8 per cent. Rs.	4 per cent. Rs.
Assets	83,99,700	*Nil.*
Liabilities	34,20,500	32,69,500
Surplus	49,79,200	32,69,500
Deduct 4 per cent. deficit	32,69,500	
Net surplus	17,09,700	

20. If an Insurance Fund is found, upon a valuation, in equilibrium, any divergence from equilibrium discovered upon a later valuation must, as ably explained by Mr. Westland in his "Examination of the Bengal Fund," be due either to some intermediate change in the constitution of the Fund, or of the elements of the calculations, or to variations of the intermediate facts from the theoretical estimates thereof made upon the earlier valuation. Such variations of the facts from the estimates must inevitably occur however skilfully and carefully the estimates may made ; and, as explained by Mr. Westland, the constant accretion of new subscribers to all these Funds, and the constant decrease of the Old Rule liabilities in the Madras and Bombay Funds, must cause valuations of the assets and liabilities of these Funds made on different dates to bring out within certain moderate limits different results. Even, therefore, if an earlier valuation shows equilibrium, considerable divergence therefrom must be expected in a later valuation.

* We reserve for subsequent remark the additional contributions raised by the Madras Service ; the valuations in the text state the surplus and deficit as they would have stood had there been no such assets.

But if an earlier valuation shows the Fund to be out of equilibrium, and steps have not been intermediately taken to rectify this condition of things, the divergence from equilibrium must inevitably (the same conditions continuing) be found, upon a later valution, to be aggravated.

21. Other special reasons are given at paragraphs 249 to 252 and 282 to 286 of the Examination why the valuation made of the Madras Fund in 1868 should not show quite the same result as that made in 1863.

22. We do not think it necessary to remark, in greater detail, upon the causes of the variations in the results of the several valuations of the Madras Fund, which we have abstracted in this despatch; but we subjoin some detailed calculations for which we are indebted to Mr. Westland.* The chief part of the improvement manifested upon the successive valuations is due to the fact that large assets which, in all these valuations, are treated as entitled to no privileges of interest or exchange, have, in fact, continued, from year to year, to carry such privileges.

23. In short, these valuations show what the claims of Government would be if an adjustment such as is proposed to be made of the accounts between the Government and the Bombay Funds were made at each date. The earlier the date at which such an adjustment is made, the larger, obviously, must be the present claims of the Government upon the Fund, and the more the value of its present combined assets must be reduced and that of its 4 per cent. liabilities increased.

24. We do not doubt that the valuations which we have abstracted yield results sufficiently correct for our present purpose. They show, irrespectively of the four per cent. assets, a net surplus on each date as follows :—

	Rs.
On 1st May 1863	10,95,667
,, 1st April 1868	15,38,820
,, 1st ,, 1869 (estimate)	17,09,700

25. According to the method proposed by Mr. Brown in the 316th paragraph of his Report to your Lordship upon the Bombay Fund, dated April 1874, these surpluses should be divided between the 8 Per Cent. and 4 Per Cent. Funds, as follows :—

If the adjustment were made from	8 per cent.	4 per cent.	Total.
	Rs.	Rs.	Rs.
1st May 1863	6,21,093	4,74,574	10,95,667
,, April 1868	7,98,167	7,40,653	15,38,820
,, ,, 1869	8,74,043	8,35,457	17,09,700

*8 Per Cent. Fund.

	Rs.
Surplus, 1863	33,46,647
Interest on do. till 1868	15,37,896
Total ...	48,84,543
Deduct—	
Loss by bearing 40 per cent. of the distributed charges which were assumed in the valuation to have gone to the 4 Per Cent. Fund	1,03,000
Interest on same till 1868	13,500
Remainder ...	47,68,043
Difference arising from other causes	1,29,509
Surplus of 1868, as by valuation	46,38,534
Surplus of 1868	46,38,534
Interest for four years	3,71,082
	50,09,616
Deduct—	
Loss by bearing 40 per cent. of the distributed charges which should have gone to the other Fund	88,000
Interest on same	3,500
Remainder ...	49,18,116
Difference due to other causes	61,084
Surplus of 1869 as by estimated valuation ...	49,79,200

*4 Per Cent. Fund.

	Rs.
Deficit, 1863	22,50,980
Add—	
Interest till 1868	4,78,355
Total ...	27,29,335
Deduct—	
Gain by its not bearing its share of distributed charges	1,03,000
Interest on same	6,000
Net ...	26,20,335
Other causes, chiefly new liabilities for new members, brought on without corresponding new assets being reckoned in the valuation.†	4,79,679
†"Reckoned," that is, in the 8 per cent. valuation we have brought on both the new assets and the new liabilities of the new members, &c.; but in the 4 Per Cent. Fund we neglect the assets and have brought on the new liabilities only. Hence the comparative loss.	30,99,714
Deficit of 1868	30,99,714
Interest for one year	1,23,990
	32,23,704
Deduct—	
Gain by its not bearing 40 per cent. of the distributed charges	88,000
	1,750
	31,33,954
Difference due to other causes, see above ...	1,35,546
Deficit (1869) as by estimated valuation ...	32,69,500

26. The surplus in the Bombay Fund which Mr. Brown proposed to distribute upon this plan was only Rupees 7,64,675; and, as our recommendations in respect to this Fund would, if adopted, have the effect of converting this surplus into a deficit, it did not appear to us necessary, in our despatch, No. 365, dated 7th October 1875, to press very decidedly for a reconsideration of the principle of Mr. Brown's proposal. We contented ourselves, therefore, in this despatch with deprecating, in general terms, the adoption of Mr. Brown's proposed method of distribution and expressing a hope that effect would not in future be given to it.

27. In the present case, however, the surpluses are much larger and the consequence of the admission of this method of distribution would be so serious that we are constrained to insist more earnestly upon its rejection as wholly inconsistent with the principle which governs the definition of the main obligations of the Government to these Funds.

28. This principle we understand to be that the Government shall support with privileges assets enough to cover certain specific liabilities and no more. These liabilities are the calculated value of certain specific benefits which it is not open to the Services to increase without the definite consent of the Government, and it is not likely that the Government will give any such consent.

It seems to us to be a mere corollary from this principle, nothing more, in short, than its application to a detail, that no assets found in the privileged Funds in excess of the liabilities, are entitled to privileges; and that, from the date on which such excess is found to have existed the privileges thereon should absolutely cease and determine. If this be not done, if the privileges are continued to such surplus assets for a day after they are known to have existed, then there is, in effect, a departure from the essential principle of the settlement, and the Government is made to pay contributions which, *ex hypothesi*, are not required and will not be used for procuring the benefits which are within its sanction.

29. If, as, by our calculation, is found to be the case in the Bombay Fund, the deficit of the unprivileged Fund is found to be greater than the surplus in the privileged Fund, we should not think of proposing that the net deficit should be distributed between the privileged and unprivileged Funds,—the whole would be left in the unprivileged Funds. In like manner we must urge that it is perfectly clear that no privileges should be allowed to any net surplus.

30. Whatever, therefore, may be the decision of Her Majesty's Government upon the proposals which we have to make in this despatch, we earnestly hope that no surplus found upon any valuation which may be adopted as the basis of adjustment will be allowed to remain part of the privileged Funds, and that the whole of any surplus that may be admitted may, at least, carry no privileges from the moment that it is discovered to have existed.

31. We have shown that already, when, on the 1st May 1863, the Madras Civil Fund was reconstituted for the grant of benefits unrestricted by the property of the widows and fatherless children, the accumulation of assets in the 8 Per Cent. Fund was such that, if the method of adjustment which has been proposed for the Bombay Civil Fund were adopted with effect from that date, the assets which would from that date have ceased to carry privileges would alone have covered all the unprivileged liabilities with a surplus of no less than Rupees 10,95,667, enough to have added 19·47 per cent. (about one-fifth) to the New Rule benefits; that by 1st April 1868 this surplus had grown to Rupees 15,38,820, sufficient to add 19·86 per cent. to the New Rule benefits; and that a year later the surplus was Rupees 17,09,700, enough to add 20·92 per cent. to all the New Rule benefits.

32. The causes of this great accumulation are traced in the examination and in the papers laid before the Government by the Trustees of the Fund; we need not recapitulate them here. It is enough to say that the accumulation is not the result of any excessive rates of subscription levied from the Madras Service; for the rates paid by members of the Madras Service even now are lower than the rates paid by members of either of the other Services, and till 1863 they were very much less still: nor are the benefits from the Madras Fund inadequate; they fall but slightly short of the excessive benefits given from the Bombay Fund, and are much larger than those given from the Bengal Fund.

33. The accumulation is to be attributed entirely to the long postponement of the removal of the restrictions which attached to the benefits of the Fund and to habitual overcaution in other respects, on the part of the Trustees, in the early days of the Fund. In short, the explanation of the surplus is that, the privileged Funds not having been used up to their full capacity, a Fund has been formed over and above all that was required for meeting pension charges, which already in 1863 amounted to a large sum, accumulating at 8 per cent. compound interest, that is to say, doubling itself every nine years, at the expense of Government. The accumulation has been made, not by the contributions of the members of the Madras Service, but by the credit of donation interest and donation exchange to which, under the circumstances, the Fund had no claim.

34. To prevent misunderstanding, we interpose the remark that we know that the Trustees of the Madras Fund did not intentionally do this wrong to the State, and that we have full confidence that they will be honorably and intelligently ready to acquiesce in any redress which may seem to Her Majesty's Government to be proper.

35. We have hitherto reckoned the surpluses of the Madras Fund since 1863 without taking count of the new assets created by the Trustees, when in 1863 the objects of the Fund were extended. Owing to misunderstanding on the part of the Trustees and perhaps, it should be added, to the incompleteness of the advice given by their Actuary, they were not in 1863 aware of the true condition of the Fund. The Trustees, therefore, levied additional subscriptions to cover the additional benefits to be given from the reconstituted Fund; and, before admitting the retired members of the Service to participate in these additional benefits, they required them to pay a certain share, eventually settled at two-thirds, of their value.

36. It is to be remembered that retired members of the Madras Service contribute nothing, by way of subscription, to the Civil Fund, but only some not very heavy donations on marriage and on the births of their children, and that the members from whom this special contribution was exacted had paid, throughout their service, very low rates of subscription. We are not sure that ultimately, and judged by considerations of equity as respects the claims of the State, the proceedings of the Trustees in this matter produced such unfair results as Mr. Westland and Mr. Stokes seem to think.

37. As a mere question of finance, however, and apart from considerations of equity affecting the relations of the Government with the Funds, there can be no question but that it was wholly unnecessary for the Madras Service to create in 1863 additional assets of any kind.

38. The only effect of their creation was to increase the unused surpluses, as follows :—

	From	To
	Rs.	Rs.
On 1st May 1863	10,95,667	14,46,186
,, 1st April 1868	15,38,820	25,05,709
,, ,, ,, 1869	17,09,700	31,09,000

The first of these surpluses includes no part of the lump payments required from retired members; the second includes, with interest, Rupees 3,13,220; and the third, Rupees 5,06,476: by the end of 1870-71 these payments had amounted with interest to Rupees 7,81,054. Including this asset, the true surpluses are estimated to have been on the 1st May 1863 Rupees 20,28,000, on the 1st April 1868 Rupees 29,02,000, and on the 1st April 1869 Rupees 33,30,000,—enough to have provided an addition of about 40 per cent. to all the benefits now granted under the New Rules to all the then existing members of the Fund.

39. It is to be borne in mind that these results are calculated after giving full effect to all the principles for which we have contended in our despatch upon the Bombay Fund. If Her Majesty's Government should reject the recommendations which we have confidently made in that despatch in respect to children's benefits, or to donation exchange on unprivileged Funds, these considerable surpluses will be further very largely increased.

40. The conclusion is forced upon us that no adequate redress for the injury done to the revenues of the State by the mismanagement of the Madras Fund would be afforded by the

application to this Fund of the method of adjustment to which we have, not without some reluctance, assented in the case of the Bombay Fund. The fitness of this solution of the problems arising out of the circumstances of the Bombay Fund lies in the consideration that it will leave the *status quo* of the Fund substantially undisturbed. No addition will be required to the contributions now made by the members of the Bombay Service, and no increase will be admissible to the existing benefits from the Bombay Fund, which benefits are, at least, sufficient. By the solution which we have provisionally accepted, the Bombay Fund is left practically in equilibrium, though it may be necessary for the Service to surrender some part of the excessive additions which were made in 1863 to children's benefits.

41. Had the effect of the compromise proposed by Mr. Brown involved a considerable addition to the benefits from the Bombay Fund, or a considerable reduction of the contributions thereto, by the members of the Bombay Service, we could not have assented to it even with the modifications for which we have contended; for we can perceive no abstract justice in the compromise itself, which, even with our modifications, certainly leaves the Bombay Service in possession of benefits provided, in a large measure, at the expense of the State, far in excess of anything contemplated by the Government.

42. The application to the Madras Fund of any compromise founded upon the principle of that proposed for the adjustment of the accounts of the Government with the Bombay Fund would leave the Madras Fund with a surplus so considerable that, *even if all future subscriptions by the existing members of the Madras Service were foregone, there would still remain a large sum applicable to the increase of benefits.*

43. The contributions by the members of the Madras Service are already smaller than those of the members of the Bombay Service, which again are much smaller than those of the members of the Bengal Service: the benefits from the Madras Fund are nearly as great as those from the Bombay Fund and much greater than those from the Bengal Fund: the great surplus in the Madras Fund is the fruit, not of excessive contributions by the members of the Madras Service, but of excessive and unintended privileges appropriated from the Government revenues under misconceptions shared by the Trustees and the Audit Officers of the Government in days when the intricate problems arising out of the circumstances of such Funds were very imperfectly understood.

44. If, as in the case of the Bombay Fund, the *status quo* of the contributions of the members of the Madras Service and of benefits to their families from their Civil Fund is maintained, the existing members of the Madras Service will still enjoy much higher benefits for less than half the contributions of their fellow-servants in the Bengal Presidency. We cannot think that they have any title, upon grounds of prescription or equity, to more than this, or that such a result of the whole inquiry would be other than a very liberal settlement of their claims upon the consideration of the Government.

45. In like manner we do not think that the contributions recovered from the retired members of the Madras Service upon the extension to them of the unrestricted benefits introduced in 1863 were, as regards the Government, unreasonable in nature or amount. These gentlemen had paid very small subscriptions to the Fund,—only 2¼ per cent. of their salaries during the first sixteen years of their active service and thereafter nothing but a donation of £30 for each daughter born,—and the benefits secured for their families appear to us to have been cheaply purchased. At the same time we shall offer no objection to any concession which it may seem fit to Her Majesty's Government to make in favor of these gentlemen or their heirs, or, prospectively, to any still surviving pensionable members of the families of officers deceased before 1863. Some valuations of the liabilities (at different dates) of the Madras Fund on account of these families will be found in an appendix. *(Enclosure No.* 8)

46. Upon the whole case we are constrained to say that, in our judgment, no settlement of the accounts of the Madras Fund with the Government would be satisfactory which would leave any surplus of existing assets over existing liabilities, or, in other words, which would

admit of any reduction of the contributions by the members of the Madras Civil Service, or any enhancement of the benefits to their families, from the Fund.

47. The circumstances, therefore, seem to us to call for the exercise by the Government of the undoubted right which it has all along reserved to itself, of reconsidering the concessions made, from time to time, to the Madras Fund. Accordingly, we respectfully recommend the withdrawal of the privileges granted, from time to time, towards meeting the liabilities of the Madras Civil Fund, from such a date as will leave the whole Fund, at the present date, in equilibrium only. These privileges were given to enable the Madras Service, by certain contributions, to secure certain benefits for their families after their decease. Greatly extended benefits are now absolutely secure with smaller contributions than were intended, independently of any assistance from the Government. Such assistance may accordingly now be withheld without any injustice, or any departure from the original intentions of the Government or the Service, or from any subsequent pledges given by the Government to the Service. The Madras Service has, in fact, already received by anticipation the whole of the privileges which the Government can, by the most liberal interpretation of its proceedings, be held to have intended to spread over long years.

48. The equilibrium which we desire to produce might be attained by a retrospective adjustment of the accounts from the period when the privileges were appropriated to a larger capital than was required for the subsidized objects of the Fund; but, if the recommendation in the preceding paragraph meets with the approval of Her Majesty's Government, we shall avoid any greater reopening of the accounts and any greater retrospective readjustment* than is absolutely necessary, and the charges erroneously imposed upon the revenues in times past will be, to some extent, compensated by a corresponding reduction of the charges for donation interest and donation exchange to the Madras Fund in the future.

49. Meanwhile, if things are left as they are, the surplus assets of this Fund will, owing to the causes described in this despatch, grow at an accelerating rate, estimated presently at no less than four lakhs of Rupees a year. The future consequences of these great accretions to a surplus already unmanageable appear to us likely to be so embarrassing that we have determined, in anticipation of the approval of Her Majesty's Government, to suspend at once, pending the decision of the questions raised in this despatch, the grant to the Madras Fund of all further donations, donation interest, or donation exchange of any kind. Her Majesty's Government may, indeed, resolve to make concessions to the Madras Fund larger than we have recommended and exceeding in value the surplus of about 15 lakhs of Rupees, estimated to be now in the Fund, even after the withdrawal of all privileges of every kind. In such case it will be easy hereafter to restore the donations thus suspended; but it appears to us, in the meantime, imperatively necessary to prevent the inconvenient results that must otherwise ensue from any further accumulations.

50. If the recommendations contained in this despatch do not meet with approval, it will be necessary, amongst other things, to insist upon the reversal of the transfer made, under a misconception, in 1871-72 and 1872-73 from the 4 Per Cent. to the 8 Per Cent. Funds, as set forth in paragraphs 272 to 277 of the Examination. Mr. Brown's remarks in his Report to the Trustees, dated 22nd December 1874, have since made it evident that his recommendation did not bear the meaning attached to it by the Trustees and by Mr. Westland, and the Trustees are doubtless aware now of the error which they committed.

51. And if, contrary to our decided opinion, any solution of the questions discussed in the despatch is adopted which leaves a surplus of assets in the Madras Civil Fund, then we have to

* It would probably be necessary to go back to 1871 in order to produce the effect which we intend, that is to say, if the adjustment be not made to this extent retrospective the Madras Fund would be left with a surplus even though all privileges were entirely withdrawn. Some calculations by Mr. Westland on this point are annexed (*see Enclosure No.* 7). But any concessions made to the members who had retired in 1863, or to the families of members then already deceased, would postpone the date to which the retrospective adjustment of the account need be carried.

recommend—1st, that retrospective effect be given to the adjustment of accounts, on the principle adopted in the case of the Bombay Fund, at least to the 1st May 1863; and 2ndly, that the surplus be reduced, as much as possible, by the refund of some portion of the contributions taken from the retired members in 1863, and, perhaps, also, by the concession of some additional benefits to the families of members deceased before that date.

52. We are, indeed, of opinion that, as betweeen themselves and the Government, neither these families nor the retired members of 1863 have any equitable claim to a reconsideration of their present position. But the case is different as between them and the present members of the Madras Civil Service; for the additional contributions levied from the retired members, in fact, greatly exceeded in value those imposed by the members then in active service upon themselves and their successors. If, therefore (which we earnestly deprecate), Her Majesty's Government should think fit to leave any surplus funds to be distributed among the members of the Madras Civil Service, we think that equity would require the condition that a large part of the contributions levied from the retired members should be restored to them before such surplus was appropriated to any further advantages to their successors in the Service in general.

53. We observe that the surplus of Rupees 20,28,000 on the 1st of May 1863 will have grown at 4 per cent. interest by the 1st May 1876 to about Rupees 33,76,000, which is equal to about 30 to 35 per cent. on all the existing benefits under the New Rules of all present members of the Madras Fund.

54. We have communicated a copy of this despatch to the Government of Madras for the information of the Trustees of the Madras Civil Fund (*see Enclosure No.* 9), who will understand that the Government is not pledged to continue to hold their Funds permanently even at 4 per cent. interest.

Schedule of documents forwarded with this despatch.

(1.) Examination of the Madras Civil Fund, with postscript and appendices, dated May 1874.

(2.) Letter from the Chief Secretary to the Government of Madras, No. 779, dated 7th April 1875, with enclosures.

(3.) Note thereon by Mr. James Westland, Financial Department of the Government of India, dated May 1875.

(4.) Reply to the Chief Secretary to the Government of Madras, No. 1330, dated 16th June 1875.

(5.) Rejoinder by the Chief Secretary to the Government of Madras, No. 1534, dated 24th July 1875.

(6.) Estimated valuation of the assets and liabilities of the Madras Civil Fund on the 1st April 1869.

(7.) Effect of withdrawal of privileges from the Madras Civil Fund. Memorandum by Mr. Westland dated 15th October 1875.

(8.) Old Rule liabilities of the Madras Civil Fund. Memorandum by Mr. Westland dated 5th October 1875.

(9.) Letter to the Chief Secretary to the Government of Madras, No. 4281, dated 28th October 1875, forwarding copy of this despatch.

Copy of the above letter, together with copy of the despatch, No. 387, dated 28th October 1875, to which reference is herein made, forwarded to the Accountant-General, Madras, for information and guidance.

Proceedings of the Madras Government, Financial Department,
27th November 1875.

No. 228. ORDER THEREON, 27th November 1875, No. 2311.

Communicated to the Trustees of the Madras Civil Fund with reference to their Secretary's letter, dated the 17th July 1875, No. 329.

(True Extract.)

Chief Secretary.

To the Trustees of the Madras Civil Fund.

Exd. A. S. Rodgers.

Govt. of {1875} Madras

FINANCIAL.

To

THE TRUSTEES OF THE
MADRAS CIVIL FUND.

Dated November, 27th.

Issued

Recd. *Encl.*

G.O., 27th November 1875, No. 2311.

NOVEMBER.
Nos. 227-228.

Civil Fund.—Letter from the Government of India forwarding copy of their despatch to the Secretary of State on the subject of the financial condition of the Madras Civil Fund, communicated to the Trustees.

No. 4281.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF MADRAS.

SIMLA, THE 28TH OCTOBER 1875.

SIR,

Referring to your letter No. 1534, dated 24th July 1875, I am directed by the Hon'ble the President in Council to forward, for the information of the Government of Madras, and for communication to the Trustees of the Madras Civil Fund, copy of a despatch, No. 387, dated this day, addressed by the Government of India to the Secretary of State, upon the subject of the financial condition of the Madras Civil Fund.

2. It will be seen from this document that, in the judgment of the Government of India, immediate and decided measures are necessary to redress, so far as is now thought expedient, the loss entailed upon the public revenues by the errors in the past management of the Madras Civil Fund.

3. The Government of India have cordially acknowledged that the management of the Madras Fund has been conducted with strictly honorable intentions on the part of the Trustees, and of the members of the Madras Civil Service. The errors which have led to the excessive demands upon the public revenues, which it is now necessary to rectify, are to be attributed only to misunderstanding in times past, on the part as well of the Government and the Audit Officers as of the Madras Service, of the principles upon which an institution so complex as the Madras Civil Fund ought to be managed.

4. The Government of India confidently hope that the absolute necessity of the measures which have now been recommended to the Secretary of State will be recognised by the Government of Madras and the members of the Madras Civil Service. Although the Government of India freely admit the responsibility of the Government and of the Audit Officers for the absence of any check upon the erroneous and excessive demands made upon the public treasury from past misapprehension, yet the Government of Madras and the Trustees will, doubtless, in accordance with the principles which have ever characterised the management of the Madras Fund, agree with the Government of India in the opinion, that the primary responsibility lay upon the Madras Service to adopt a system of management which should cause no greater claims upon the Government than were just and equitable; and that now that it is ascertained that the actual principles of management, though observed in good faith at the time, have caused an accumulation of capital at the cost of the revenues of India altogether in excess of the objects for which the aid of the State has been conceded, it behoves the Service to co-operate frankly with the Government in effecting such a rectification of the relations between the Government and the Madras Civil Fund as is required in justice to the Imperial revenues.

5. In this view the Hon'ble the President in Council hopes that it will appear to the Government of Madras and the Madras Civil Service that the settlement proposed by the Government of India to the Secretary of State is as liberal to the members of the Madras Civil Service as was proper under the circumstances of the case.

6. In accordance with the resolution set forth in paragraph 49 of the despatch to the Secretary of State, the Accountant General will be instructed to suspend, until further orders, all credits to the Madras Civil Fund, on account of the fixed donation or of donation-interest or donation-exchange, and to make no provision for such credits in the estimates of 1876-77. Meanwhile, the recoveries from the Madras Civil Fund on account of advances made from the Home Treasury of the Government of India should be made, immediately upon their advice and without any interval, at the rate fixed yearly by the Secretary of State for India in Council, with the concurrence of the Lords Commissioners of Her Majesty's Treasury, for the adjustment of financial transactions between the Imperial and Indian Governments.

I have the honor to be,

SIR,

Your most obedient Servant,

R. B. CHAPMAN,
Secretary to the Govt. of India.

Copy of the above letter, together with co … the despatch, No. 387, dated 28th October 1875, to which reference is h… made, forwarded to the Accountant General, Madras, for information an… idance.

No. 387 OF 1875.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

PENSIONS AND GRATUITIES.

To

THE MOST HON'BLE THE MARQUIS OF SALISBURY,
Her Majesty's Secretary of State for India.

SIMLA, THE 28TH OCTOBER 1875.

MY LORD MARQUIS,

IN continuation of our despatch No. 365, dated 7th October 1875, we have the honor to forward, for the consideration of Her Majesty's Government, the papers entered in the annexed Schedule, relating to the financial condition of the Madras Civil Fund.

2. These documents contain two interesting histories of this the earliest of the Indian Civil Service Funds, one compiled by Mr. Westland, the author of the Examination of the Madras Civil Fund, to which we shall, hereinafter, refer as the "Examination," and another presented by the Trustees of the Fund, on the 18th February last, to the Madras Civil Service. Annexed to the Trustees' Report are some valuable Memoranda by Mr. H. E. Stokes, Secretary to the Fund, and a Report thereon by the late Mr. Samuel Brown, Actuary to the Fund.

3. The facts elicited by the elaborate investigations to which the Madras Civil Fund has been, thus, subjected, are of grave importance, and demand the early attention of Her Majesty's Government. The task of dealing with them will be facilitated by the intelligent and highly honourable spirit in which the Trustees, supported almost unanimously by the Madras Civil Service, have approached the matter; happily, there are no substantial differences of opinion as to the facts; what there are can be, for the most part, readily explained, and are such as must be expected, inevitably, to occur, when complex facts and problems are handled by different investigators. When once the principle is determined, upon which the Government will deal with the questions now awaiting decision, we anticipate no difficulty in its practical application.

4. Like the other Funds of the Covenanted Civil Services, the Madras Fund was originally a charitable, and not a provident, institution.

"The Fund was first established in 1787, and intended by its founders, in view of the frequent appeals which were made to the generosity of the Service on behalf of distressed members and their families, rather to systematise and regulate charity than to organise an Insurance Society."*

To this object the Court of Directors subscribed, yearly, at first, Rs. 1,750, and from 8th July 1799, Rs. 12,950; and they, afterwards, granted privileges to the Fund in the form of high interest and favourable exchange.

* Trustees' Report to Madras Service, dated 18th February 1875, paragraph 3.

5. Between 1800 and 1814, one of the objects of the Fund was to provide annuities for retired members, as well as pensions for the families of deceased members; but, in 1814, separate provision was made for the annuities of retired members, and the Fund resumed, from the year 1814, the character, which it has ever since maintained, of a Mutual Insurance Fund for the benefit of the widows and fatherless children of the members of the Madras Civil Service. The Fund constituted in 1814, made no provision for the daughters of deceased members after the age of 19. In 1830, after prolonged and cautious discussions, a subsidiary fund was created to supply this deficiency: this subsidiary Fund was amalgamated with the main Fund on the 1st May 1863.

6. The members of the Madras Service became, very early, uneasy under the restriction by which the pensions given from the Fund to the widow and children of a subscriber were reduced by the income which they possessed on the subscriber's death. In 1830, a "Widows' New Fund" was formed by additional subscriptions, with the object of removing this obnoxious and impolitic limitation; but this Fund was wound up in 1842, upon the reiterated refusal of the Court of Directors to grant to it the privileges as to interest and exchange, which the original Fund had, then, for some time, enjoyed. The episode has an important bearing upon the history of the policy of the Government in regard to all three Funds; and the despatch, No. 4,* dated 19th March 1839, deserves, for this reason, particular attention.

7. The property restriction was not removed from the Rules of the Madras Fund until 1863, when the subsidiary fund for daughters was amalgamated with the main Fund, and the whole was reconstituted on the basis of a Mutual Insurance Fund with no reference to the income of the beneficiaries; the scale of pensions was also, in some respects, enhanced.

8. The financial condition of the Fund, on its reconstitution, is fully set forth in the VIIIth Article of the Examination. Mr. Westland considers, and we see no reason to doubt the correctness of his conclusion, that, if the whole liabilities of the reconstituted Fund had been charged to the 8 per cent. Fund, there would, still, have been, on the 1st May 1863, a surplus in the Fund of no less than Rs. 24,39,131,—sufficient to provide an increase of more than 60 per cent. to all incumbent and contingent pensions payable, or to be paid, from the Fund; and Mr. Stokes' calculations, although they may require some revision, shew, substantially, the same result.

9. In this calculation, and the other like calculations contained in the Examination, it is assumed that the privileged rates of interest and exchange granted to the Madras Civil Fund, are applicable to certain definite assets, and, consequently, that the proper method of bringing the assets and liabilities of the privileged branch of the Fund into equilibrium, would have been to adjust the liabilities to the assets, and not the assets to the liabilities.

10. This conclusion follows logically from the premise. Your Lordship has, however, in your despatch No. 354, dated 2nd July 1874, upon the condition of the Provident Branch of the Bombay Civil Fund, adopted the converse method of adjustment consistently advocated by the Actuary, the late Mr. Samuel Brown; and we apprehend that we may now consider it finally decided that the privileges granted to the several Civil Funds are to be measured not by the assets, but by the liabilities, of the Funds as originally restricted, and that equilibrium is to be attained by adjusting not the liabilities to the assets, but the assets to the liabilities.

11. Her Majesty's Government has full power to withdraw or modify the privileges which the Civil Funds enjoy; and it rests with it alone to interpret the concessions which have, from time to time, been made to these bodies. The decision that the privileges attach to the liabilities, and not to the assets, of the Funds, seems to us to be just and reasonable in itself, and in full accordance with the consistent policy of the Government in times past. Its adoption makes it needless for us to invite attention to many of the calculations made in the Examination, and, in particular, materially modifies the results to be deduced from the several valuations contained in this document.

* It is printed at page 4 of the Report by the Trustees, dated 18th February 1875.

12. In his Report upon the Bombay Civil Fund, dated April 1874, Mr. Samuel Brown advised the admission to privileges, of one-half of the whole liabilities of this Fund. His calculations were, however, founded upon data gathered, principally, from the experience of the Madras Civil Fund, which Mr. Stokes, in his Memorandum, dated 9th March 1874, has, with remarkable industry and skill, shown to be incomplete and inaccurate. In paragraph 87 of his Report to the Trustees, dated 22nd December 1874, Mr. Brown has provisionally, and with some reserve, accepted as likely, Mr. Stokes' conclusion that the privileges may, properly, be conceded to 60 per cent. of the New Rule liabilities; in other words, that it may be assumed that only two-fifths of the unrestricted benefits are in excess of the original scale to which alone the privileges belong.

In our despatch No. 365, dated 7th October 1875, we have, provisionally, acquiesced in this proportion in the case of the Bombay Fund, and we shall, in the present despatch, provisionally, and subject to Your Lordship's approval, adopt the same proportion in respect to the Madras Fund.

13. This proportion does not affect the liabilities on account of those pensions which are still regulated by the old Rules, the whole of which are, legitimately, entitled to all the privileges conceded by the Government to the original Fund, so long as such privileges are continued.

14. Like the Bombay Service, the Madras Service has appropriated, hitherto, the benefit of donation-exchange upon its unprivileged funds. We have earnestly contended in our despatch No. 365, dated 7th October 1875, upon the Bombay Fund that the unprivileged funds are not entitled to donation-exchange, which rests upon precisely the same foundation as donation-interest. The donation-exchange and donation-interest were granted for the same purpose and to the same funds; and there seem to us no grounds whatever for allowing donation-exchange to funds not entitled to donation-interest. Mr. Brown derives an argument in favor of the grant of donation-exchange to the unprivileged portions of the other two Funds, from the terms of the Secretary of State's despatch No. 193, dated 25th November 1862. We have already said that we can allow no weight whatever to Mr. Brown's argument; but it may be well, nevertheless, to remark that the reconstitution of the Madras Fund took place in 1863, after the date of this despatch, so that no reasoning based upon this despatch can, in any case, be used in support of donation-exchange on the unprivileged liabilities of the Madras Fund, which date from the reconstitution of the Fund. Donation-exchange on the unprivileged funds was, doubtless, usurped by the Trustees under a misconception; and their usurpation was allowed to pass unchallenged by oversight. We earnestly hope that Her Majesty's Government will not hesitate now to disallow it with effect from such date as may be thought expedient. We shall, in this despatch, assume that our opinion upon this point is accepted.

15. According to Appendix G to the Examination, the value of the actual assets of the Madras Civil Fund bearing 8 per cent. on the 1st May 1863, when the new constitution was introduced, was Rs. 62,86,378, and the value of the actual liabilities, Rs. 38,47,247, of which Rs. 15,78,458 represented the liabilities under the Old Rules, in respect to the whole of which the Madras Service was entitled to the privileges conceded by the Government, so long as such privilges should continue, and Rs. 22,68,789, the liabilities under the New Rules, in respect to only 60 per cent. of which the service was entitled to privileges. The value of these latter liabilities, in money accumulating at 4 per cent. interest, was, upon the assumption that donation-exchange applied to them, Rs. 45,45,383.

16. But, as we have decided, subject to Your Lordship's concurrence, that the unprivileged funds are not entitled to donation-exchange, we must modify this value by the use of such a rate of exchange as may be reasonably estimated to be a permanent average market rate. We do not think that we can estimate this rate at more than 1*s.* 9½*d.* the rupee. At this rate, the multiplier to be used for the reduction of sterling money to rupees will be increased from 9·0641 to 11·2744, and the total value of the liabilities under the new rules raised from Rs. 45,45,383 to Rs. 56,27,449.

17. Using these figures and 60 per cent. as the proportion of the liabilities under the New Rules, to be admitted to privileges, the valuation of the assets and liabilities of the Fund, on the 1st May 1863, is as follows:—

Valuation on 1st May 1863.

	8 per cent. Rs.	4 per cent. Rs.
Assets	62,86,378	*Nil.**
Liabilities	29,39,731	22,50,980
Surplus	33,46,647	Deficit ... 22,50,980
Deduct 4 per cent. deficit ...	22,50,980	
Net surplus ...	Rs. 10,95,667	

18. Using the same factors for the proportion of the unrestricted benefits entitled to privileges and for the rate of exchange on the remittance of unprivileged funds, the valuation on the 1st April 1868 given in Appendix H to the Examination, becomes as follows:—

Valuation on 1st April 1868.

	8 per cent. Rs.	4 per cent. Rs.
Assets	79,78,952	*Nil**.
Liabilities	33,40,418	30,99,714
Surplus	46,38,534	
Deduct 4 per cent. deficit ...	30,99,714	30,99,714
Net surplus ...	Rs. 15,38,820	

19. It may be convenient to know the state of the Madras Fund on the 1st April 1869, the date from which it is proposed that the re-adjustment of the accounts between the Government and the Bombay Fund shall take effect. We cannot, at this moment, obtain the materials for an exact valuation of the Madras Fund on the 1st April 1869; but the following estimate will be enough for our present purpose. It is constructed with the same factors as the valuations hereinbefore given for the valuations of the 1st May 1863 and 1st April 1868:—

Valuation on 1st April 1869 (by estimate). *See Enclosure No. 6.*

	8 per cent. Rs.	4 per cent. Rs.
Assets	83,99,700	*Nil*
Liabilities	34,20,500	32,69,500
Surplus	49,79,200	
Deduct 4 per cent. deficit	32,69,500	32,69,500
Net surplus	... Rs. 17,09,700	

20. If an Insurance Fund is found, upon a valuation, in equilibrium, any divergence from equilibrium discovered upon a later valuation, must, as ably explained by Mr. Westland in his "Examination of the Bengal Fund," be due either to some intermediate change in the constitution of the Fund, or of the elements of the calculations, or to variations of the intermediate facts from the theoretical estimates thereof made upon the earlier valuation. Such variations of the facts from the estimates must, inevitably, occur, however skilfully and carefully the estimates may be made; and, as explained by Mr. Westland, the constant accretion of new subscribers to all these Funds, and the constant decrease of the Old Rule liabilities in the Madras and Bombay Funds, must cause valuations of the assets and liabilities of these Funds made on different dates, to bring out, within certain moderate limits, different results. Even, therefore, if an earlier valuation shows equilibrium, considerable divergence therefrom must be expected in a later valuation.

But if an earlier valuation shows the Fund to be out of equilibrium, and steps have not been intermediately taken to rectify this condition of things, the divergence from equilibrium must, inevitably (the same conditions continuing), be found, upon a later valuation, to be aggravated.

* We reserve for subsequent remark, the additional contributions raised by the Madras Service; the valuations in the text state the surplus and deficit as they would have stood had there been no such assets.

21. Other special reasons are given at paras. 249 to 252 and 282 to 286 of the Examination, why the valuation made of the Madras Fund in 1868 should not show quite the same result as that made in 1863.

22. We do not think it necessary to remark, in greater detail, upon the causes of the variations in the results of the several valuations of the Madras Fund, which we have abstracted in this despatch; but we subjoin some detailed calculations for which we are indebted to Mr. Westland.* The chief part of the improvement manifested upon the successive valuations, is due to the fact that large assets which, in all these valuations, are treated as entitled to no privileges of interest or exchange, have, in fact, continued, from year to year, to carry such privileges.

23. In short, these valuations show what the claims of Government would be, if an adjustment, such as is proposed to be made of the accounts between the Government and the Bombay Funds, were made at each date. The earlier the date at which such an adjustment is made, the larger, obviously, must be the present claims of the Government upon the Fund, and the more the value of its present combined assets must be reduced, and that of its 4 per cent. liabilities increased.

24. We do not doubt that the valuations which we have abstracted, yield results sufficiently correct for our present purpose. They show, irrespectively of the four per cent. assets, a net surplus on each date as follows:—

	Rs.
On 1st May 1863	10,95,667
„ 1st April 1868	15,38,820
„ 1st April 1869 (estimate)	17,09,700

25. According to the method proposed by Mr. Brown in the 316th para. of his Report to Your Lordship upon the Bombay Fund, dated April 1874, these surpluses should be divided between the 8 per cent. and 4 per cent. funds, as follows:—

If the adjustment were made from	8 per cent. Rs.	4 per cent. Rs.	Total. Rs.
1st May 1863	6,21,093	4,74,574	10,95,667
1st April 1868	7,98,167	7,40,653	15,38,820
1st April 1869	8,74,043	8,35,457	17,09,700

8 PER CENT. FUND.*	Rs.	4 PER CENT FUND.*	Rs.
Surplus 1863	33,46,647	Deficit 1863	22,50,980
Interest on ditto till 1868	15,37,896	ADD—	
TOTAL ...	48,84,543	Interest till 1868	4,78,355
DEDUCT—		TOTAL ...	27,29,335
Loss by bearing 40 per cent. of the distributed charges which were assumed in the valuation to have gone to the 4 per cent. fund	1,03,000	DEDUCT—	
Interest on same till 1868	13,500	Gain by its not bearing its share of distributed charges	1,03,000
REMAINDER ...	47,68,043	Interest on same	6,000
Difference arising from other causes ...	1,29,509	Net	26,20,335
Surplus of 1868, as by valuation ...	46,38,534	Other causes chiefly new liabilities for new members,—brought on without corresponding new assets being reckoned, in the valuation.†	4,79,679
Surplus of 1868	46,38,534	† "Reckoned"—that is, in the eight per cent. valuation, we have brought on both the new assets, and the new liabilities of the new members, &c.; but, in the four per cent. fund, we neglect the assets, and have brought on the new liabilities only. Hence the comparative loss.	30,99,714
Interest for 4 years	3,71,082	Deficit of 1868	30,99,714
	50,09,616	Interest for one year	1,23,990
DEDUCT—		DEDUCT—	32,23,704
Loss by bearing 40 per cent. of the distributed charges which should have gone to the other fund...	88,000	Gain by its not bearing 40 per cent. of the distributed charges	88,000
Interest on same...	3,500		1,750
REMAINDER ...	49,18,116		31,33,954
Difference due to other causes	61,084	Difference due to other causes, see above...	1,35,546
Surplus of 1869 as by estimated valuation	49,79,200	Deficit (11869) as by estimated valuation	32,69,500

26. The surplus in the Bombay Fund, which Mr. Brown proposed to distribute upon this plan was only Rs. 7,64,675; and, as our recommendations in respect to this Fund would, if adopted, have the effect of converting this surplus into a deficit, it did not appear to us necessary, in our despatch No. 365, dated 7th October 1875, to press, very decidedly, for a reconsideration of the principle of Mr. Brown's proposal. We contented ourselves, therefore, in this despatch, with deprecating, in general terms, the adoption of Mr. Brown's proposed method of distribution, and expressing a hope that effect would not, in future, be given to it.

27. In the present case, however, the surpluses are much larger, and the consequence of the admission of this method of distribution would be so serious, that we are constrained to insist more earnestly upon its rejection as wholly inconsistent with the principle which governs the definition of the main obligations of the Government to these Funds.

28. This principle we understand to be that the Government shall support with privileges, assets enough to cover certain specific liabilities, and no more. These liabilities are the calculated value of certain specific benefits which it is not open to the Services to increase, without the definite consent of the Government; and it is not likely that the Government will give any such consent.

It seems to us to be a mere corollary from this principle, nothing more, in short, than its application to a detail, that no assets found in the privileged funds in excess of the liabilities, are entitled to privileges; and that, from the date on which such excess is found to have existed, the privileges thereon, should absolutely cease and determine. If this be not done, if the privileges are continued to such surplus assets for a day after they are known to have existed, then, there is, in effect, a departure from the essential principle of the settlement, and the Government is made to pay contributions which, *ex hypothesi*, are not required and will not be used, for procuring the benefits which are within its sanction.

29. If, as, by our calculation, is found to be the case in the Bombay Fund, the deficit of the unprivileged fund is found to be greater than the surplus in the privileged fund, we should not think of proposing that the net deficit should be distributed between the privileged and unprivileged funds,—the whole would be left in the unprivileged funds. In like manner we must urge that it is perfectly clear that no privileges should be allowed to any net surplus.

30. Whatever, therefore, may be the decision of Her Majesty's Government upon the proposals which we have to make in this despatch, we earnestly hope that no surplus found upon any valuation which may be adopted as the basis of adjustment, will be allowed to remain part of the privileged funds, and that the whole of any surplus that may be admitted may, at least, carry no privileges, from the moment that it is discovered to have existed.

31. We have shown that, already, when, on the 1st May 1863, the Madras Civil Fund was reconstituted for the grant of benefits unrestricted by the property of the widows and fatherless children, the accumulation of assets in the 8 per cent. fund was such that, if the method of adjustment which has been proposed for the Bombay Civil Fund were adopted, with effect from that date, the assets which would, from that date, have ceased to carry privileges, would, alone, have covered all the unprivileged liabilities, with a surplus of no less than Rs. 10,95,667; enough to have added 19·47 per cent. (about one-fifth) to the New-Rule benefits; that, by 1st April 1868, this surplus had grown to Rs. 15,38,820 sufficient to add 19·86 per cent. to the New-Rule benefits; and that, a year later, the surplus was Rs. 17,09,700, enough to add 20·92 per cent. to all the New-Rule benefits.

32. The causes of this great accumulation are traced in the Examination, and in the papers laid before the Government by the Trustees of the Fund; we need not recapitulate them here. It is enough to say that the accumulation is not the result of any excessive rates of subscription levied from the Madras Service; for the rates paid by members of the Madras Service,

even now, are lower than the rates paid by members of either of the other Services, and, till 1863, they were very much less still: nor are the benefits from the Madras Fund inadequate; they fall but slightly short of the excessive benefits given from the Bombay Fund, and are much larger than those given from the Bengal Fund.

33. The accumulation is to be attributed entirely to the long postponement of the removal of the restrictions which attached to the benefits of the Fund, and to habitual over-caution in other respects, on the part of the Trustees, in the early days of the Fund. In short, the explanation of the surplus is that, the privileged funds not having been used up to their full capacity, a fund has been formed over and above all that was required for meeting pension charges, which, already in 1863, amounted to a large sum, accumulating at 8 per cent. compound interest, that is to say, doubling itself every nine years, at the expense of Government. The accumulation has been made, not by the contributions of the members of the Madras Service, but by the credit of donation-interest and donation-exchange to which, under the circumstances, the Fund had no claim.

34. To prevent misunderstanding, we interpose the remark, that we know that the Trustees of the Madras Fund did not, intentionally, do this wrong to the State, and that we have full confidence that they will be honorably and intelligently ready to acquiesce in any redress which may seem to Her Majesty's Government to be proper.

35. We have, hitherto, reckoned the surpluses of the Madras Fund, since 1863, without taking count of the new assets created by the Trustees, when, in 1863, the objects of the Fund were extended. Owing to misunderstanding on the part of the Trustees, and, perhaps, it should be added, to the incompleteness of the advice given by their Actuary, they were not, in 1863, aware of the true condition of the Fund. The Trustees, therefore, levied additional subscriptions, to cover the additional benefits to be given from the reconstituted Fund; and, before admitting the retired members of the Service to participate in these additional benefits, they required them to pay a certain share, eventually settled at two-thirds, of their value.

36. It is to be remembered that retired members of the Madras Service contribute nothing, by way of subscription, to the Civil Fund, but only some not very heavy donations on marriage, and on the births of their children, and that the members from whom this special contribution was exacted had paid, throughout their service, very low rates of subscription. We are not sure that ultimately, and judged by considerations of equity as respects the claims of the State, the proceedings of the Trustees in this matter produced such unfair results as Mr. Westland and Mr. Stokes seem to think.

37. As a mere question of finance, however, and apart from considerations of equity affecting the relations of the Government with the Funds, there can be no question but that it was wholly unnecessary for the Madras Service to create, in 1863, additional assets of any kind.

38. The only effect of their creation was to increase the unused surpluses, as follows:—

	From	To
	Rs.	Rs.
On 1st May 1863	10,95,667	14,46,186
„ 1st April 1868	15,38,820	25,05,709
„ 1st April 1869	17,09,700	31,09,000

The first of these surpluses includes no part of the lump payments required from retired members; the second includes, with interest, Rs. 3,13,220; and the third Rs. 5,06,476: by the end of 1870-71, these payments had amounted, with interest, to Rs. 7,81,054. Including this asset, the true surpluses are estimated to have been, on the 1st May 1863, Rs. 20,28,000; on the 1st April 1868, Rs. 29,02,000; and, on the 1st April 1869, Rs. 33,30,000;—enough to have provided an addition of about 40 per cent. to all the benefits now granted, under the New Rules, to all the then existing members of the Fund.

39. It is to be borne in mind that these results are calculated after giving full effect to all the principles for which we have contended in our despatch upon the Bombay Fund. If Her Majesty's Government should reject the recommendations which we have, confidently, made in that despatch, in respect to children's benefits, or to donation-exchange on unprivileged funds, these considerable surpluses will be, further, very largely increased.

40. The conclusion is forced upon us, that no adequate redress for the injury done to the revenues of the State by the mismanagement of the Madras Fund, would be afforded by the application to this Fund, of the method of adjustment to which we have, not without some reluctance, assented in the case of the Bombay Fund. The fitness of this solution of the problems arising out of the circumstances of the Bombay Fund lies in the consideration, that it will leave the *status quo* of the Fund, substantially, undisturbed. No addition will be required to the contributions now made by the members of the Bombay Service, and no increase will be admissible to the existing benefits from the Bombay Fund, which benefits are, at least, sufficient. By the solution which we have provisionally accepted, the Bombay Fund is left, practically, in equilibrium; though it may be necessary for the Service to surrender some part of the excessive additions which were made, in 1863, to children's benefits.

41. Had the effect of the compromise proposed by Mr. Brown involved a considerable addition to the benefits from the Bombay Fund, or a considerable reduction of the contributions thereto, by the members of the Bombay Service, we could not have assented to it, even with the modifications for which we have contended; for we can perceive no abstract justice in the compromise itself, which, even with our modifications, certainly leaves the Bombay Service in possession of benefits provided, in a large measure, at the expense of the State, far in excess of anything contemplated by the Government.

42. The application to the Madras Fund of any compromise founded upon the principle of that proposed for the adjustment of the accounts of the Government with the Bombay Fund, would leave the Madras Fund with a surplus so considerable that *even if all future subscriptions by the existing members of the Madras Service were foregone, there would still remain a large sum applicable to the increase of benefits.*

43. The contributions by the members of the Madras Service are, already, smaller than those of the members of the Bombay Service, which, again, are much smaller than those of the members of the Bengal Service: the benefits from the Madras Fund are nearly as great as those from the Bombay Fund, and much greater than those from the Bengal Fund: the great surplus in the Madras Fund is the fruit, not of excessive contributions by the members of the Madras Service, but of excessive and unintended privileges appropriated from the Government revenues under misconceptions shared by the Trustees and the Audit Officers of the Government, in days when the intricate problems arising out of the circumstances of such Funds were very imperfectly understood.

44. If, as in the case of the Bombay Fund, the *status quo* of the contributions of the members of the Madras Service and of benefits to their families from their Civil Fund is maintained, the existing members of the Madras Service will, still, enjoy much higher benefits for less than half the contributions of their fellow-servants in the Bengal Presidency. We cannot think that they have any title, upon grounds of prescription or equity, to more than this, or that such a result of the whole enquiry would be other than a very liberal settlement of their claims upon the consideration of the Government.

45. In like manner, we do not think that the contributions recovered from the retired members of the Madras Service, upon the extension to them of the unrestricted benefits introduced in 1863, were, as regards the Government, unreasonable in nature or amount. These gentlemen had paid very small subscriptions to the Fund,—only 2¼ per cent. of their salaries during the first sixteen years of their active service and, thereafter, nothing but a donation of £30 for each daughter born,—and the benefits secured for their families appear to us to have been cheaply purchased. At the same time, we shall

offer no objection to any concession which it may seem fit to Her Majesty's Government to make in favor of these gentlemen or their heirs, or, prospectively, to any still surviving pensionable members of the families of officers deceased before 1863. Some valuations of the liabilities (at different dates) of the Madras Fund on account of these families will be found in an appendix. *(Enclosure No. 8).*

46. Upon the whole case, we are constrained to say that, in our judgment, no settlement of the accounts of the Madras Fund with the Government would be satisfactory which would leave any surplus of existing assets over existing liabilities, or, in other words, which would admit of any reduction of the contributions by the members of the Madras Civil Service, or any enhancement of the benefits to their families, from the Fund.

47. The circumstances, therefore, seem to us to call for the exercise by the Government of the undoubted right which it has all along reserved to itself, of reconsidering the concessions made, from time to time, to the Madras Fund. Accordingly, we respectfully recommend the withdrawal of the privileges granted, from time to time, towards meeting the liabilities of the Madras Civil Fund, from such a date as will leave the whole Fund, at the present date, in equilibrium only. These privileges were given to enable the Madras Service, by certain contributions, to secure certain benefits for their families after their decease. Greatly extended benefits are now absolutely secure, with smaller contributions than were intended, independently of any assistance from the Government. Such assistance may, accordingly, now, be withheld, without any injustice, or any departure from the original intentions of the Government or the Service, or from any subsequent pledges given by the Government to the Service. The Madras Service has, in fact, already received, by anticipation, the whole of the privileges which the Government can, by the most liberal interpretation of its proceedings, be held to have intended to spread over long years.

48. The equilibrium which we desire to produce might be attained by a retrospective adjustment of the accounts, from the period when the privileges were appropriated to a larger capital than was required for the subsidised objects of the Fund; but, if the recommendation in the preceding paragraph meets with the approval of Her Majesty's Government, we shall avoid any greater re-opening of the accounts and any greater retrospective re-adjustment* than is absolutely necessary, and the charges erroneously imposed upon the revenues, in times past, will be, to some extent, compensated by a corresponding reduction of the charges for donation-interest and donation-exchange to the Madras Fund in the future.

49. Meanwhile, if things are left as they are, the surplus assets of this Fund will, owing to the causes described in this despatch, grow at an accelerating rate, estimated, presently, at no less than four lakhs of rupees a year. The future consequences of these great accretions to a surplus already unmanageable, appear to us likely to be so embarrassing, that we have determined, in anticipation of the approval of Her Majesty's Government, to suspend, at once, pending the decision of the questions raised in this despatch, the grant to the Madras Fund of all further donations, donation-interest, or donation-exchange of any kind. Her Majesty's Government may, indeed, resolve to make concessions to the Madras Fund larger than we have recommended, and exceeding, in value, the surplus of about 15 lakhs of rupees, estimated to be now in the Fund, even after the withdrawal of all privileges of every kind. In such case, it will be easy, hereafter, to restore the donations thus suspended; but it appears to us, in the meantime, imperatively necessary to prevent the inconvenient results that must, otherwise, ensue from any further accumulations.

50. If the recommendations contained in this despatch do not meet with approval, it will be necessary, amongst other things, to insist upon the reversal

* It would probably be necessary to go back to 1871 in order to produce the effect which we intend: that is to say, if the adjustment be not made, to this extent, retrospective, the Madras Fund would be left with a surplus, even though all privileges were entirely withdrawn. Some calculations by Mr. Westland on this point are annexed (*See Enclosure No. 7*). But any concessions made to the members who had retired in 1863, or to the families of members, then already deceased, would postpone the date to which the retrospective adjustment of the account need be carried.

of the transfer made, under a misconception, in 1871-72 and 1872-73, from the 4 per cent. to the 8 per cent. funds as set forth in paras. 272 to 277 of the Examination. Mr. Brown's remarks in his Report to the Trustees, dated 22nd December 1874, have, since, made it evident that his recommendation did not bear the meaning attached to it by the Trustees and by Mr. Westland; and the Trustees are doubtless aware, now, of the error which they committed.

51. And if, contrary to our decided opinion, any solution of the questions discussed in the despatch is adopted, which leaves a surplus of assets in the Madras Civil Fund, then we have to recommend—1*st*, that retrospective effect be given to the adjustment of accounts, on the principle adopted in the case of the Bombay Fund, at least to the 1st May 1863, and 2*ndly*, that the surplus be reduced, as much as possible, by the refund of some portion of the contributions taken from the retired members in 1863, and, perhaps, also, by the concession of some additional benefits to the families of members deceased before that date.

52. We are, indeed, of opinion that, as between themselves and the Government, neither these families, nor the retired members of 1863, have any equitable claim to a reconsideration of their present position. But the case is different as between them and the present members of the Madras Civil Service: for the additional contributions levied from the retired members, in fact, greatly exceeded in value those imposed by the members then in active service, upon themselves and their successors. If, therefore, (which we earnestly deprecate) Her Majesty's Government should think fit to leave any surplus funds to be distributed among the members of the Madras Civil Service, we think that equity would require the condition that a large part of the contributions levied from the retired members should be restored to them, before such surplus was appropriated to any further advantages to their successors in the Service in general.

53. We observe that the surplus of Rs. 20,28,000 on the 1st of May 1863 will have grown, at 4 per cent. interest, by the 1st May 1876, to about Rs. 33,76,000, which is equal to about 30 to 35 per cent. on all the existing benefits under the New Rules of all present members of the Madras Fund.

54. We have communicated a copy of this despatch to the Government of Madras for the information of the Trustees of the Madras Civil Fund (*See Enclosure No.* 9), who will understand that the Government is not pledged to continue to hold their funds, permanently, even at 4 per cent. interest.

We have the honor to be,

My Lord Marquis,

Your Lordship's most obedient, humble Servants,

H. W. NORMAN.

NAPIER OF MAGDALA.

A. HOBHOUSE.

W. MUIR.

A. J. ARBUTHNOT.

(True Copy) A. CLARKE.

Registrar Jud. Departt

Schedule of documents forwarded with this despatch.

(1). Examination of the Madras Civil Fund with postscript and appendices, dated May 1874.

(2). Letter from the Chief Secretary to the Government of Madras, No. 779, dated 7th April 1875, with enclosures.

(3). Note thereon by Mr. James Westland, Financial Department of the Government of India, dated May 1875.

(4). Reply to the Chief Secretary to the Government of Madras, No. 1330, dated 16th June 1875.

(5). Rejoinder by the Chief Secretary to Government of Madras, No. 1534, dated 24th July 1875.

(6). Estimated valuation of the assets and liabilities of the Madras Civil Fund on the 1st April 1869.

(7). Effect of withdrawal of privileges from the Madras Civil Fund. Memorandum by Mr. Westland, dated 15th October 1875.

(8). Old Rule liabilities of the Madras Civil Fund. Memorandum by Mr. Westland, dated 5th October 1875.

(9). Letter to the Chief Secretary to the Government of Madras, No. 4281, dated 28th October 1875, forwarding copy of this despatch.

Copy.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

PENSIONS AND GRATUITIES.

FROM

THE GOVERNMENT OF INDIA,

TO

THE SECY. OF STATE FOR INDIA.

No. 387.

Dated Simla, 28th October 1875.

Received

Forwarding, in continuation of despatch, No. 365 of 1875, certain papers relating to the financial condition of the Madras Civil Fund.

No. 4281.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF MADRAS.

SIMLA, THE 28TH OCTOBER 1875.

SIR,

Referring to your letter No. 1534, dated 24th July 1875, I am directed by the Hon'ble the President in Council to forward, for the information of the Government of Madras, and for communication to the Trustees of the Madras Civil Fund, copy of a despatch, No. 387, dated this day, addressed by the Government of India to the Secretary of State, upon the subject of the financial condition of the Madras Civil Fund.

2. It will be seen from this document that, in the judgment of the Government of India, immediate and decided measures are necessary to redress, so far as is now thought expedient, the loss entailed upon the public revenues by the errors in the past management of the Madras Civil Fund.

3. The Government of India have cordially acknowledged that the management of the Madras Fund has been conducted with strictly honorable intentions on the part of the Trustees, and of the members of the Madras Civil Service. The errors which have led to the excessive demands upon the public revenues, which it is now necessary to rectify, are to be attributed only to misunderstanding in times past, on the part as well of the Government and the Audit Officers as of the Madras Service, of the principles upon which an institution so complex as the Madras Civil Fund ought to be managed.

4. The Government of India confidently hope that the absolute necessity of the measures which have now been recommended to the Secretary of State will be recognised by the Government of Madras and the members of the Madras Civil Service. Although the Government of India freely admit the responsibility of the Government and of the Audit Officers for the absence of any check upon the erroneous and excessive demands made upon the public treasury from past misapprehension, yet the Government of Madras and the Trustees will, doubtless, in accordance with the principles which have ever characterised the management of the Madras Fund, agree with the Government of India in the opinion, that the primary responsibility lay upon the Madras Service to adopt a system of management which should cause no greater claims upon the Government than were just and equitable; and that now that it is ascertained that the actual principles of management, though observed in good faith at the time, have caused an accumulation of capital at the cost of the revenues of India altogether in excess of the objects for which the aid of the State has been conceded, it behoves the Service to co-operate frankly with the Government in effecting such a rectification of the relations between the Government and the Madras Civil Fund as is required in justice to the Imperial revenues.

5. In this view the Hon'ble the President in Council hopes that it will appear to the Government of Madras and the Madras Civil Service that the settlement proposed by the Government of India to the Secretary of State is as liberal to the members of the Madras Civil Service as was proper under the circumstances of the case.

6. In accordance with the resolution set forth in paragraph 49 of the despatch to the Secretary of State, the Accountant General will be instructed to suspend, until further orders, all credits to the Madras Civil Fund, on account of the fixed donation or of donation-interest or donation-exchange, and to make no provision for such credits in the estimates of 1876-77. Meanwhile, the recoveries from the Madras Civil Fund on account of advances made from the Home Treasury of the Government of India should be made, immediately upon their advice and without any interval, at the rate fixed yearly by the Secretary of State for India in Council, with the concurrence of the Lords Commissioners of Her Majesty's Treasury, for the adjustment of financial transactions between the Imperial and Indian Governments.

Fwil 75. 27th Nov

I have the honor to be,

SIR,

Your most obedient Servant,

Secretary to the Govt. of India.

Copy of the above letter [illegible]her with copy of the despatch, No. 387 dated 28th October 1875, to [illegible]rence is herein made, forwarded to the Accountant General, Madras, for [illegible]ormation and guidance.

17/11/75

Cirk

Order – 27th Nov 1875 – No 2311.

Comd to the Members of the Madras Civil Fund with reference to their Secretary's letter of the 17th July/75. No 324.

By Mr Members of the Madras Civil Fund

16/11/75

Desp. 30/11

Rec'd copy Proceedings of Civil

15th June/75, No 1359 &c.
24th Aug/75, No 1534 &c
2nd Nov/75, No 2139.

The amount (1830/-) paid to Madras Civil Fund.
Trans to Treasurer
Trans to Financial Dept
Read 28th Aug/75
Read 15th Nov/75
Acct (V) No 1285

No 2655

Referring to Financial Dept of the Madras Civil Fund.

Work order

Govt. of {187 } Madras.

14-11-18 ✓
19-9-19 ✓
2-9-20 ✓

27 Nov 187- No. 2311.

Nos. 227-28.

Civil Fund. Letter from the Govt of India forwarding copy of their despatch & the Secy of State on the subject of the financial condition of the Madras Civil Fund communicated & the Minister.