

POLICY NOTE

DEMAND NO. 16

FINANCE DEPARTMENT

POLICY NOTE FOR THE YEAR 2007-2008

The Finance Department is vested with the responsibility of managing the public finances of the Government of Tamil Nadu. It has an important role in the preparation of the State Budget and presenting it to the Legislature every year. The Finance Department being the custodian of the State Exchequer has the overall responsibility of balancing receipts and payments and has to ensure that debt obligations are also met. The Finance Department makes a critical scrutiny of the proposals of the Departments and evaluates the proposals with reference to needs, cost effectiveness, budget provisions, financial

procedure etc., keeping in mind the importance of balancing receipts and expenditure and achieving the fiscal objectives of the Government.

2. The following seven Departments are under the administrative control of Finance Department.

- 1) Treasuries and Accounts Department.
- 2) Local Fund Audit Department.
- 3) Small Savings Department.
- 4) Government Data Centre.
- 5) Co-Operative Audit
- 6) Internal Audit and Statutory Boards Audit Department.
- 7) Directorate of Pension.

3. The functions of the above Departments are as follows.

TREASURIES AND ACCOUNTS DEPARTMENT 2007-08

4. The Treasuries and Accounts Department was formed on 1.4.1962. It has 9 Pay and Accounts offices, 30 District Treasuries, 203 sub-Treasuries, 3 Regional Joint Director of Treasuries and Accounts, one Pension Pay office at Chennai and one Assistant Superintendent of stamps with the Headquarters office of the Commissioner of Treasuries and Accounts at Chennai within its fold. Its main function is disbursement of salaries and pensions to all the Government servants and pensioners and disbursement of all funds sanctioned by the Government for implementing various schemes by the Government departments. It is also responsible for the receipt of Revenue due to Government and rendering detailed accounts there for to the Accountant General. The Treasuries and Accounts Department also looks after proper distribution of non-judicial stamps used in Registration. The Tami INadu Government

Employees Health Fund is being operated by the Treasuries and Accounts Department. Valuables and Articles deposited by Government Departments are kept under safe custody in the Treasuries.

5. This department has been identified as one of the mission mode departments for implementation of e-governance initiatives. **A sum of Rs. 15.00 crores** has been allocated over a period of three years commencing from 2004-2005 for special initiatives in e-Governance in Treasuries and Accounts Department. Purchase of computers required by the department are being procured. A state of the art Central Hub for the e-governance will be established in Chennai.

6. Certain initiatives such as implementation of Electronic Clearance System for payment of salary to Government employees and introduction of e-office in the Commissionerate have already been taken up. Electronic Clearance System for salary payments has been extended to all District

Treasuries. The office of the Commissioner of Treasuries and Accounts has been converted as a modular office. Automated Treasury Bill passing system has been introduced in Karur and Theni Districts as well as in the PAO (Sectt.) on pilot basis. **This system is being extended to cover 5 districts, namely Coimbatore, Madurai, Trichy, Perambalur & Ramanathapuram and also Pay & Accounts Office, East in Chennai, Pay and Accounts Office in Madurai & Pay and Accounts Office in New Delhi during the current year.** Mustering of pensioners through video-conferencing is under consideration.

7. A website has been created for the Treasury department which was inaugurated by the Honourable Finance Minister on 21st December, 2006.

8. In order to facilitate e-refunds to Commercial Taxes Assesseees through ECS under Value Added Tax, Government has

sanctioned a sum of Rs. 27.29 lakhs for the procurement of additional computers and peripherals, to the Treasury Department.

9. Out of the total 203 Sub-Treasuries in the State, 201 Sub-Treasuries have been converted as Banking Sub-Treasuries. The remaining 2 Non-Banking Sub-Treasuries also (one at Radhapuram in Tirunelveli District and other at Ottapidaram in Tuticorin District) will also be converted into Banking Sub-Treasuries on receipt of concurrence of RBI, on the consent furnished by the local banks in these places.

10. To avoid physical handling of cash and to avoid wear and tear of the Bills, Cheque system of payment which was introduced in all the District Treasuries has now been extended to 194 sub-treasuries in the state.

11. A software developed in-house and certified by NIC for covering the Group Insurance Scheme (GIS) of All India Service Officers of Tamil

Nadu cadre is on test-run in the office of the Special Commissioner and Commissioner of Treasuries and Accounts. Under the Scheme, subscription of GIS of All India Service Officers is being recovered from their salary every month and repaid with interest on their retirement. The recovery details are collected from various Treasuries every month. A data base has been created containing the personal details of the Officers including the details of the nominees. The monthly recoveries are also entered into the data base. Computerization of the data facilitates quicker settlement of the claims.

12. The Operations under the Scheme of Tamil Nadu Government employees Health Fund administered by this office has been fully computerized and claims as and when received are being settled, according to seniority of claim. Efforts are being made to receive claims on line.

13. Computerized inspection of treasuries has also been introduced with

e-inspection software developed in-house and certified by NIC. Reviews of District Treasuries, Salem, Dharmapuri, Cuddalore, Krishnagiri and Thoothukudi and Pay & Accounts Office (South) have been done with e-inspection software only.

14. A proposal to modernize the Pension Pay Office to make it senior citizen friendly is under active consideration.

LOCAL FUND AUDIT DEPARTMENT

15. The Local Fund Audit Department is entrusted with the task of statutory audit of urban and rural local bodies, Universities, Market Committees, Local Library Authorities and other miscellaneous institutions under the provisions of the respective Acts governing the institutions.

16. The following are the institutions under the audit control of Local Fund Audit Department as on date.

Sl. No.	Name of the Institutions	Total No.
1	Municipal Corporations	6
2	(a) Municipalities	102
	(b) Newly Upgraded Town Panchayats as III Grade Municipalities	50
3	Town Panchayats	561
4	District Panchayats	30
5	Panchayat Unions	385
6	Universities	19
7	Local Library Authorities	29
8	District Market Committees	25
9	National Social Welfare Schemes	29
10	Local Planning Authorities	21
11	Village Panchayats (Test Audit Only)	2524
12	Miscellaneous Institutions	09

**Concurrent Audit of Urban Local Bodies,
Panchayat Raj Institutions and Universities :**

17. The "Concurrent Audit System" is in vogue in all the 6 Corporations, 19 Municipalities and 14 Universities. The audit units are stationed in these institutions. The concurrent audit system was introduced in all the 385 Panchayat Unions from the year 2000-01. Audit Parties consisting of one Inspector and One Deputy Inspector / One Assistant Inspector for every three or four Panchayat Unions with headquarters at select 119 Panchayat Union Offices have been formed for this purpose.

18. The audit objections noticed during the Concurrent audit of these institutions are communicated to the institutions concerned then and there in the form of "Audit Slips" by the audit parties, and after verifying the replies received, the objections are admitted and the Audit Reports issued. The replies furnished to

these audit objections duly rectifying the defects are verified by the audit parties with reference to the concerned records and registers locally and the objections settled.

Test Audit of Village Panchayats :

19. The test audit of 20% of the total Village Panchayats is being done by this department. Accordingly, 2524 Village Panchayats are audited by this department. In addition , test audit of 2% of Village Panchayats based on the receipts, value of works and specific complaints forwarded by Director of Rural Development will be taken up by this department.

20. The audit of other institutions like Town Panchayats, District Panchayats, Market Committees, Local Library Authorities and miscellaneous Institutions are taken up annually at the local level on receipt of annual accounts.

Accrual Based Accounting System in Urban Local Bodies:

21. The existing Cash Basis system of Accounting in Urban Local Bodies has been replaced by implementing the Accrual Based system of Accounting in two phases from the accounting year 1999-2000 and 2000-01. This system was introduced in Town Panchayats with effect from 2002-2003.

22. The object and scope of this system is to maintain the account on Generally Accepted Accounting Principles with the preparation of Income & Expenditure Accounts to know the financial operation during a year and a Balance sheet to know the true financial status of Urban Local Bodies at a given period of time.

23. This system enables the Urban Local Bodies to identify their Assets available with due valuation methods and incorporated in accounts through Asset Register. Because of the improved

method of accounting in Urban Local Bodies, financial institutions have come forward to provide financial assistance for the capital projects thereby supplementing the funds available with them.

24. Tamil Nadu has earned the distinction as the first State in India for the successful implementation of accounting reforms in all Urban Local Bodies from 2000-01.

Certification of Annual Accounts of Local Bodies :

25. Certification of accounts of local bodies is a very important issue and internationally also it is accepted that accounts have no meaning without proper certification. Accordingly the annual accounts of urban local bodies are now certified by the Officers of the Local Fund Audit as per Govt. Orders in G.O.Ms.No. 93/Finance (FC- IV) Department Dated 28-3-2003, consequent to the implementation of the Accrual Based Accounting System in the Urban Local Bodies.

Objections Settlement Mechanism

26. Taking follow up action on the Audit Reports is one of the vital functions of this department. The irregularities which are serious in nature, noticed during the course of audit are immediately taken to the notice of the Executive Authorities concerned. The serious irregularities and losses pointed out in Audit Reports are reported to Government and the Heads of Administrative Departments concerned through monthly periodicals for necessary follow up action.

27. In the normal course the replies to the audit objections are verified and the objections dropped. Further, the settlement of audit objections is taken up by this department through joint sittings by the Regional and District officers arranged by the concerned administrative departments after getting replies to the audit objections and settlement made on the spot.

28. Further, in the case of Panchayat Unions, District High Level Committees have been formed headed by the respective District Collectors and the State High Level Committee is functioning under the Chairmanship of the Director of Rural Development. During 2006, 9 District High Level Committee meetings were held and 775 paras were admitted/dropped during the deliberations of the meeting. Similarly in the State High Level Committee meeting, 7 objections were dropped after deliberations. This enables the retired/ retiring panchayat union officers to get their pensionary benefits then and there.

29. As regards Town Panchayats High Level Committees have been constituted at District level with the Collector as Chairman and at State level with the Director of Town Panchayats as Chairman in G.O.Ms.No.1 Municipal Administration and Water Supply (TP2) Dept., dt.4.1.07. With the constitution of the High Level

Committees, the number of pending objections can be reduced to a greater extent.

30. Similarly proposal for constituting the High Level Committee in respect of Municipalities is under consideration of Government.

Issue of Utilisation Certificates for Grants:

31. Audit certificates are issued by this department for the utilisation of various grants released by the State/Central Government, the University Grants Commission and other Funding Agencies in respect of Universities and other Local Fund Institutions which come under the Audit purview of this department. The Utilisation Certificates are issued immediately on completion of schemes and projects taken up in universities.

Special Functions :-

32. Apart from the regular audit functions, this department is also entrusted with the following special functions.

- ❖ Authorisation of payment of pensionary benefits and disbursement of monthly pension to the retired Municipal, Panchayat Union and Town Panchayat Employees and their families.
- ❖ Sanction and disbursement of assistance under Municipal Pensioners Health Fund Scheme.
- ❖ Sanction and disbursement of assistance under Municipal Pensioners Family Security Fund Scheme.
- ❖ Sanction of Provident Fund interest on Treasury Deposit balance of local bodies.
- ❖ Functioning as Treasurer of Charitable Endowments.

Authorisation and disbursement of Pensionary benefits to Local Body Employees :

33. The certification, sanction and payment of retirement/death benefits to the employees of local

bodies is administered centrally by the Directorate of Local Fund Audit. At present 32122 pensioners as noted below are receiving monthly pension through four nationalised banks.

34. The requirement of funds for payment of monthly pension and retirement benefits to the local body employees during 2007-08 is estimated as Rs.164.28 crores. The retirement benefits are settled then and there promptly by this Department.

Name of the Local Body	Number of Pensioners	Demand for 2007-08 (Rs. in crores)
1. Municipalities	16492	86.36
2. Town Panchayats	5990	28.57
3. Panchayat Unions	9640	49.35
Total	32122	164.28

35. In accordance with the orders issued in G.O.Ms.No.579/Finance Department dt.15.9.2006 the pension /Family Pension of the Local body pensioners who retired / deceased between 1.6.60 and 31.5.88 numbering 2830 are getting revised,

and the arrears amounting to Rs.17.48 Cores are paid / under process for payment to them, as stated below:

Name of the Local Body	No. of pensioners	Amount (Rs. in Cores)
Municipalities	1100	10.00
Panchayat Union	1022	4.08
Town Panchayats	708	3.40
Total	2830	17.48

36. In respect of Municipal Corporations and Universities, audit certificates for retirement benefits are being issued by the respective residential audit units of this department based on which pension payments are made by the respective institutions from their Funds.

Administration of Municipal Pensioners Health and Family Security Fund Scheme:

37. The Health Fund Scheme and Family Security Fund scheme applicable to Govt. pensioners was extended to municipal

pensioners in Go.Ms.No. 1200/MAWS Department, Dated 25-5-99 with effect from 1-8-1999. These two schemes are administered by the Director of Local Fund Audit. The details of claims admitted and amount sanctioned during the year 2006-07 are as follows.

Health Fund Scheme		Family Security Fund Scheme	
No. of Claims	Amount (Rs. in Lakhs)	No. of Claims	Amount (Rs. in Lakhs)
58	8.68	188	42.98

Sanction of Interest on Provident Fund Balances and Deposits of Local Body Employees:

38. The Provident Fund Deposits of Local Body Employees and investments thereon were taken over by Government from 1967. The Director of Local Fund Audit is authorised to sanction interest on the balance of Provident Fund

Deposits of local bodies. A sum of Rs.8 crores was sanctioned by the Government during the year 2006 -07 and necessary authorization for payment is made on receipt of claims from the Local Bodies.

Treasurer of Charitable Endowments:

39. The Director of Local Fund Audit also functions as the Treasurer of Charitable Endowment with effect from 1.4.1952 . Government authorizes acceptance of the endowments and publishes the scheme of administration of the endowment in the Government Gazette.

40. The interest amount realised for the Endowment is released to the institutions concerned based on the requisition received from them. At present there are four Central Government Endowments worth Rs.6.83 lakhs and 782 State Government Endowments worth Rs.10.66 Crores respectively under the custody

and control of the Treasurer of Charitable Endowments. During the year 2006-07 out of the proceeds of endowments a sum of Rs.4.78 lakhs has been distributed to 161 beneficiaries towards award of scholarships, prizes, medals etc.,

Computerisation of Department Activities

41. The Government have sanctioned funds under Part-II Schemes for 2006-07 to the extent of Rs27.56 lakhs. for computerising the activities of this Department in a phased manner. The computerisation of the activities of the Department is being done.

Training to the Staff

42. Realising the need to give exposure to the staff to various need based concepts of audit inservice training was given to the staff in 2006. Now training is imparted by Accountant General to the staff of this department under "Technical Guidance and Support Programme ". In the next

phase training is proposed to be conducted through Anna Institute of Management.

Audit Fees:

43. This department is collecting 100% of audit cost as audit fee from the Universities and 50% of audit cost as audit fee from the Municipal Corporations and Municipalities. During the year 2006-07 a sum of Rs.3.77 Crores was collected as audit fees by this Department.

DIRECTORATE OF SMALL SAVINGS

44. Small Savings is an important and major source for financing the State Plan and infrastructure development. Since 1.4.2002 Government of India is sanctioning the equivalent of the monthly net Small Savings Collections as loan to the State Government. The rate of interest now charged by the Government of India for this loan is 9.5%.

Small Saving Schemes

45. A variety of Small Savings Schemes are in vogue to suit the requirement of different sections of the society which are detailed below .

I	Scheme having multiple returns	Kisan Vikas Patra
II	Scheme offering Tax Concession	National Savings Certificate-VIII Issue 15 Year Public Provident Fund
III	Scheme offering regular income	Post Office Monthly Income Scheme Senior Citizens Savings Scheme
IV	Scheme for regular savings	Post Office Recurring Deposit Scheme
V	Fixed Deposit Schemes	1 Year Post Office Time Deposit 2 Year Post Office Time Deposit 3 Year Post Office Time Deposit 5 Year Post Office Time Deposit
VI	Other Schemes:	Post Office Savings Account

46. The rate of interests on various schemes are subject to revision by Government of India. The rate of interest for the small savings scheme w.e.f. 1.3.2003 is as follows:

Sl No	Scheme	Rate of interest w.e.f. 1.3.2003
1	Post Office Monthly Income Scheme (POMIS)	8.00 %
2	1 YEAR Time Deposit (TD)	6.25 %
	2 YEAR Time Deposit (TD)	6.50 %
	3 YEAR Time Deposit (TD)	7.25 %
	5 YEAR Time Deposit (TD)	7.50 %
3	National Savings Certificate (NSC) – VIII Issue	8.00 %
4	Public Provident Fund (PPF)	8.00 %
5	Senior Citizens' Savings Schemes (SCSS)	9%
6	Post Office Savings Bank (POSB)	3.5 %
7	Post Office Recurring Deposit Scheme (PORD)	Rs.10/- per month for five years becomes Rs.728.90 (after 5 years)
8	Kisan Vikas Patra (KVP)	Doubles in Eight years & seven months

Small Savings collections during 2006-2007

47. The District Collectors of respective Districts and Commissioner, Chennai Corporation for Chennai City play a key role in promoting the Small Savings Schemes. The Small Savings Net Collection upto February 2007 is Rs.2449 Crores.

Agency System for Small Savings

48. The Small Savings are mobilized by Small Savings Agents appointed throughout the State. They play a vital role in Small Savings promotion and collections. Three kinds of Agencies operating under different savings schemes are shown below.

Sl. No.	Type of Agency	Schemes for which appointed	Total No. of agents as on February 2007
1.	Standardized Agency System (SAS)	Kisan Vikas Patra (KVP), Post Office Monthly Income Scheme (POMIS) National Savings Certificate (NSC) -VIII ISSUE, Post Office Time Deposit (POTD) Senior Citizens' Savings Scheme (SCSS)	14827

2.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit Scheme (PORD)	28535
3.	Authorised Agents (Public Provident Fund) Scheme (PPF)	Public Provident Fund (PPF)	1650
	Total		45012

Agents Incentive

49. Agents are offered following incentives for their savings mobilization effort.

Sl. No.	Type of Agents	Savings Products	Govt. of India Commission	Add. State Govt. Incentive	Total
1.	Standardised Agency System (SAS)	Kisan Vikas Patra (KVP), Post Office Monthly Income Scheme (POMIS) National Savings Certificate (NSC) - VIII ISSUE, Post Office Time Deposit 1,2,3,5 year (POTD)	1%	0.5 %	1.5 %

2.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit (PORD)	4%	2%	6%
3.	Authorised Agents (Public Provident Fund) Scheme (PPF)	Public Provident Fund (PPF)	1%	Nil	1%
4.	Senior Citizens' Savings Scheme (SCSS)	Senior Citizens' Savings Scheme (SCSS)	0.5%	Nil	0.5%

50. Action has been taken in all Districts for crediting incentive amount to the accounts of the agents in the Post Offices through Electronic Clearance System . Government has provided a sum of Rs.45 Crores for the payment of incentive to the agents during the year 2007-08.

Small Saving Promotion Schemes:

51. The Government is encouraging Small Savings in Tamil Nadu through sustained publicity campaign , payment of incentive for agents , local bodies and officials . To encourage Local Bodies to actively participate in Small Savings Collections , incentive in the form of grant is sanctioned by

Government every year based on the incremental net collection achieved over the previous year . Government has sanctioned a sum of Rs.40 Crores for Local Body Incentive Scheme during the year 2006-07 to the districts that performed well. These funds are utilized for improving infrastructure facilities, like improvement of school buildings , noon meal centres, health centres, etc.

GOVERNMENT DATA CENTRE

52. Government Data Centre presently handles the following items of work:-

- 1) Result compilation for students in education department
- 2) Work relating to teachers provident fund
- 3) Work relating to Police Training College

**RESULT COMPILATION FOR STUDENTS IN
EDUCATION DEPARTMENT:**

53. After getting the mark list from Directorate of Government Examinations for the following examinations, the result is prepared by Government Data Centre and the same is handed over to Directorate of Government Examinations. Certificate of marks is also prepared and printed in the Government Data Centre and the same is handed over to Directorate of Government Examinations.

- 1) X Std. Examination, Matriculation, Anglo-Indian/ Higher Secondary Examination
- 2) Special Supplementary Examination
- 3) Diploma in Teacher Education
- 4) Technical Education

54. The work undertaken last year can be seen as below:

Examination 2006	March (Regular)	Special Supplementary	Supplementary	Total
HSE	5,77,879	1,20,708	43,231	7,41,878
SSLC	8,14,820	1,18,608	86,265	10,19,693
Matric	1,02,358	10,631	5,766	1,18,755
Anglo Indian	4,783	304	466	5,563
Technical Examination	20,000	--	--	20,000
Diploma in Teachers Education	29,850			29,850
Grand Total	15,49,690	2,56,551	1,35,728	19,35,739

**WORK HANDLED UNDER TEACHERS
PROVIDENT FUND**

55. The Teachers Provident Fund debit/credit schedules for Panchayat Union School Teachers are obtained from various treasuries every month and Teachers Provident Fund account slips are generated by Government Data Centre and sent to Directorate of Elementary Education.

56. As per the instructions of the Government, Teachers Provident Fund account numbers are allotted to Panchayat Union School Teachers, Municipal School Teachers/Aided School Teachers.

WORK UNDERTAKEN FOR POLICE TRAINING COLLEGE

57. After collecting the men/women sub inspector/constable examination data from Police Training College, final examination results are prepared by the Government Data Centre and the same is handed over to the Police Training College. Work undertaken last year is as follows:

a.	Men / Women Constables July 2006	216
b.	Women Sub Inspector October 2006	74
c.	Men/Women Sub Inspector January 2007	<u>51</u>
	Total	<u>341</u>

CO-OPERATIVE AUDIT DEPARTMENT

58. As per the recommendations of the Santhanam Committee as well as the Administrative Reforms Commission, the Government separated audit wing from the Cooperative Department and formed a separate department called Department of Cooperative Audit w.e.f 17.6.1981 in order to have an independent and impartial cooperative audit. The main function of the Co-operative Audit Department is to conduct audit as per Section 80 of Tamil Nadu Cooperative Societies Act, 1983 of all Cooperative Societies in the State.

59. The list of Cooperative Societies under the purview of the Cooperative Audit Department are furnished below:

Sl. No.	Name of the Registrar	Total Number of Societies
i	Registrar of Co-operative Societies	10724
ii	Commissioner of Handlooms and Textiles	1477
iii	Commissioner of Industries and Commerce	335
iv	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	1725
v	Chief Executive Officer, Palmgur Development Board	
vi	Registrar of Co-operative Societies (Housing)	1028
vii	Director of Fisheries	1221
viii	Director of Animal Husbandry	721
ix	Commissioner of Sugar	18
x	Director of Agriculture (Oil Seeds)	337
xi	Director of Agro Engineering and Service Cooperative Societies	210
xii	Director of Sericulture	30
xiii	Director of Social Welfare	129
xiv	Director of Rural Development	50
	TOTAL	18005

SCOPE OF COOPERATIVE AUDIT**DEPARTMENT :**

60. The audit of the Cooperatives relates to checking of the accounts and to ensure that the Balance Sheet and Profit and Loss Account have been properly drawn up and that they represent a true and fair picture of the state of affairs of the societies. The audit safeguards the interests of the members of the societies and ensures that the assistance given by the Government is utilized for the purpose for which it is given and the benefit is derived by the members and the community as a whole.

There are two types of audit of co-operatives viz.

- Audit under Concurrent terms
- Audit under Fundamental Rule 127 terms

Audit Under Concurrent terms :

61. The audit under concurrent terms relates to conduct of audit of small societies whose final audit can be completed within a period of 45 days. Audit fees are levied according to the grade of the auditors conducting audit and on the basis of the actual time taken for audit of accounts of Co-operative societies concerned. A sum of Rs.1.57 crores has been collected as audit fees during the period from 1.4.2006 to 31.12.2006.

Audit Under Fundamental Rule 127 terms :

62. In respect of bigger societies having more transactions with multiple activities, auditors have been engaged under Fundamental Rule 127 terms according to which Auditors perform audit against the posts created and the cost of establishment is recovered from the societies. Taking into consideration of the present financial crisis of the Cooperative Institutions, the Government have reduced the levy of F.R cost from 100% to 60%

with effect from 23.11.2004. A sum of Rs.5.40 Crores has been collected as FR cost during the period from 1.4.2006 to 31.12.2006.

63. The Government have exempted the following Cooperatives from the payment of audit fees :

- (i) All societies of which all the members or a majority of them are Adi-draavidars or Fishermen.
- (ii) All Primary Co-operative Agricultural Banks with limited or unlimited liability working without profit other than the Rural Banks, erstwhile Agricultural Banks, Primary Cooperative Agricultural and Rural Development Banks and Credit Unions.
- (iii) All Training Institutes
- (iv) All District Cooperative Unions.

- (v) All Jaggery Manufacturing Co-operative Societies.
- (vi) All Fishermen Federations.
- (vii) All the Hand pounding of Paddy Workers Co-operative Societies.
- (viii) State and all the District Palmgur Co-operative Federations.
- (ix) All the Bhoodan and Gramdhan Co-operatives.
- (x) Weavers Co-operative Societies which have not completed six Cooperative years from the date of commencement of their business.
- (xi) Industrial Co-operative Societies under the control of the Director of Industries and Commerce and State Khadi and Village Industries Board, which have not completed five Co-operative years from the date of commencement of their business.

- (xii) All Primary Societies other than those mentioned in item (i) to (xi) above, which have not completed three Co-operative years from the date of commencement of their business.

The above exemption shall not apply to the Co-operative Sugar Mills and Co-operative Spinning Mills and Societies which have their accounts audited at their own cost.

AUDIT PROGRESS :

64. The progress made by the Department during the last five years is as follows:-

SI.No.	Year	No. of Audit Reports Completed
1	2002-2003	21654
2	2003-2004	21842
3	2004-2005	20018
4	2005-2006	18335
5	2006-2007 upto 31.12.2006	14144

SPECIAL REPORTS :

65. When serious defects are noticed during the audit, they are brought to the notice of the concerned authorities by submitting a Special Report with full facts of the case. Details of such Special Reports submitted by Co-operative Audit Department during the last five years on the irregularities, misappropriation of funds, violation of provisions under the Tamil Nadu Cooperative Societies Act, Rules and By laws, maladministration etc resulting in financial losses are given below:-

Sl. No.	Year	No. of Special Reports	Amount (Rs. in Lakhs)
1	2002-2003	1445	7450.56
2	2003-2004	1146	14518.22
3	2004-2005	839	23696.28
4	2005-2006	690	5295.34
5	2006-2007 upto 31.12.2006	510	3289.97

SKILL DEVELOPMENT TO IMPROVE THE QUALITY OF AUDIT

66. To improve the quality of audit and skills among the auditors, the department is conducting various types of training programmes, seminars through NABARD and RBI, and also conducting refresher classes every year in the offices of circle Assistant Director of Co-operative Audit. In addition to the above, the department has also revised the Audit Manual during the year 2006 containing all the basic principles, instructions and guidelines to guide the auditors while conducting the audit in various types of cooperative societies.

Training Programmes for Auditors:

67. At present, the auditors of this department are given the following training courses periodically by Natesan Institute of Cooperative Management, Chennai and the Institute of Cooperative Management, Madurai.

Short-Term Courses:

- 1) Programme on Financial Audit
- 2) Programme on Coop. Laws and Allied Laws
- 3) Programme on Management of NPA & Recovery strategies for Central Coop. Banks.
- 4) Programme on Management of NPA & Recovery strategies for Urban Coop. Banks.
- 5) Programme on I.T need for computerisation
- 6) Programme on M.S word, M.S Excel and Internet Applications
- 7) Programme on Computerisation, networking and communication
- 8) Programme on Computerised Accounting System
- 9) Programme on How to Audit the Computerised Accounting System

Refresher Classes for Auditors

68. Refresher classes are conducted once in a year for the auditors who are working in the district level offices at their respective districts for updating the knowledge of audit and to keep themselves abreast of the latest information regarding the maintenance of accounting and the circulars issued by the Functional Registrars, RBI, NABARD etc. from time to time.

INTERNAL AUDIT AND STATUTORY BOARDS AUDIT DEPARTMENT

69. The Department of “State Trading Schemes Audit ” was originally created in the year 1969. The department was further strengthened, reorganized and re-designated as Internal Audit and Statutory Boards Audit Department in the year 1992 with the view to create an independent Internal Audit Department on the basis of

suggestions of Comptroller and Auditor General of India and the Public Accounts Committee.

AUDIT PURVIEW:

70. The following institutions are under the audit purview of this department.

1.	Statutory Boards	10
2.	Puratchi Thalaivar M.G.R. Noon Meal Centres	81,336
3.	Agriculture Departments	889
4.	Government Departments such as Small savings, District Library, etc	90
5.	Other Institutions (Government aided Hostels, Homes, Industrial Technical Institute etc.,)	2,646
6.	Non Governmental Institutions receiving recurring grant of Rs.0.20lakhs and above per annum and non recurring grant of Rs.1.20 lakhs and above.	428
	Total	85,399

INTERNAL AUDIT OF GOVERNMENT DEPARTMENTS.

71. The Internal Audit wing in 19 Government Departments are supervised by the officers of this Department in the cadre of Assistant Directors/Inspectors. These Internal Audit wings in addition to their audit functions give suggestions for system improvement in regard to Finance and Accounts to the Departments and to the Government. The Internal Audit wings point out various measures and help the administration for effective financial management.

DETAILS OF TRANSACTIONS AUDITED:

72. The total value of transaction audited by this department in respect of Statutory Boards and Non Statutory Institutions comes to Rs.9008.83crores for the year 2005-06 of which a sum of Rs.2256.36 crores relate to Statutory

Boards and a sum of Rs.6752.47 crores relate to Non-Statutory Boards.

SARVA SIKSHA ABHIYAN AUDIT:

73. The audit of Sarva Siksha Abhiyan Audit was entrusted to this department with effect from 2002-03 and audit upto 2004-05 was completed and audit for 2005-06 is in progress.

AUDIT OF PAY FIXATION OF GOVERNMENT EMPLOYEES.

74. The Government have entrusted the audit of pay fixation of all Government employees in the revised scale of pay as on 1.1.96 vide Government Lr.No.85023/ Finance(P.C)/ 2001-02 dated 10.12.2001. So far, the audit of Revenue and Police Departments has been fully completed and the serious irregularities noticed in audit have been reported to respective Heads of Departments and Secretaries to Government.

SETTLEMENT OF AUDIT OBJECTIONS:

75. Settlement of audit objections is attended to by this department through Joint Sittings conducted monthly by District Officers arranged by the Administrative Departments. After verification of replies and records the objections are settled. This facilitates speedy settlement of audit objections and enables the retiring officers whose pensionary benefits are certified to by this department , to get their pensionary benefits without any delay.

76. During the year 11,892 objections were raised in the audit of accounts upto 2005-2006 and 9524 objections were settled (relating to objections included in the previous year Audit Reports) .

ISSUE OF AUDIT CERTIFICATES:

77. This department certifies the Annual accounts of 6 major Statutory Boards namely Tamil Nadu Khadi & Village Industries Board, Tamil Nadu

Housing Board, Tamil Nadu Slum Clearance Board, Chennai Metropolitan Development Authority, Tamil Nadu Labour Welfare Board and Tamil Nadu Wakf Board.

78. Moreover this Department certifies the proforma accounts of all the unit offices of Tamil Nadu Khadi&Village Industries Board and 889 Agricultural Extension Centres.

79. The Provident Fund Account Final balances of retiring former teachers of schools under Panchayat Unions and Municipalities are also certified by this department.

80. The grant eligibility in respect of 3 Aided Private Engineering colleges, 36 Aided Private Polytechnics and 428 Non Governmental institutions receiving Government Grant-in-aid is also certified by this department.

81. Pensionary claims of all employees of statutory Boards under the audit purview of this

department and Tamil Nadu Text Book corporation are certified by this department .

COMPUTERISATION OF DEPARTMENT:

82. The Government have sanctioned funds under Part-II Scheme during the year 2006-07 to the extent of Rs. 9.14 lakhs for computerizing the activities of this Department. The computerization of the activities of this Department is in progress.

TRAINING TO STAFF:

83. Realising the need of the staff to give exposure to them in various cost effective concepts of audit an inservice training was given to them in 2006. Moreover training by the of Accountant General is also being given to staff. After completion of training by Accountant General it is proposed to impart training through Anna Institute of Management.

DIRECTORATE OF PENSION

84. The pension of the retired Government servants including teachers who are eligible for pension are being paid as fixed from time to time as per the codel provisions through Treasuries, Pension Pay Office and Public Sector Banks. In addition to the service pensioners, family pensioners are also being paid. The number of pensioners is increasing every year. The pensioners are having various grievances particularly fixation of pension, non-receipt of pension, omission of service periods for working out the qualifying service and so on. These pensioners find extremely difficult in their old age to move from one office to another for getting particulars on various issues. Considering the plight of the old aged pensioners who are senior citizens, the Government considered the necessity for separate organization to look after the welfare of the pensioners. Accordingly, the Government have established the Directorate of Pension, which is

functioning with effect from 1.9.1994. This Directorate is headed by a Director who is in the rank of Joint Secretary to Government, Finance Department, one Joint Director in the rank of Deputy Secretary to Government, Finance Department, Deputy Directors and other supporting staff. Some of the functions attended by this Directorate are as follows:-

- i. Redressal of the grievances of the Pensioners
- ii. Pensioners Adalat Nodal Officer
- iii. Ensuring that the Heads of Departments and Heads of Offices send pension proposals promptly to the Accountant-General in time and to review the position periodically.
- iv. Liaisoning with the Accountant-General to see that pension and other retirement benefits of Government servants are settled on or before the date of

retirement so that the officers and staff get the benefits without any delay.

- v. Attending to the clarifications sought for by the pensioners.
- vi. Attending to Tamil Nadu Government Industrial Employees Provident Fund Scheme
- vii. Tamil Nadu Government Pensioners Health Fund Scheme, 1995.
- viii. Tamil Nadu Government Pensioners Family Security Fund Scheme 1997
- ix. Taking over the work on Special Provident Fund Scheme 1984 from the Treasuries and Accounts Department.
- x. Tamil Nadu Government Employees Special Provident Fund Cum Gratuity Scheme 2000, and,
- xi. Tamil Nadu Social Security Scheme 1974.

NUMBER OF PENSIONERS:

85. The total numbers of pensioners, family pensioners and other pensioners as on 31.12.2006 are detailed below:

Particulars	Pensioners	Family Pensioners	Total
Civil Pensioners	2,73,192	1,27,722	4,00,914
Teachers	63,759	28,446	92,205
Other pensioners	28,577	-	28,577
Total	3,65,528	1,56,168	5,21,696

REDRESSAL OF THE GRIEVANCES

86. The District Collectors conduct Pensioners Grievances Day Meeting once in four months in their Districts and an officer from the Directorate attends these meetings and assist in the expeditious disposal of such grievances in the Districts. Cases pending with the Office of the

Accountant-General are also followed up by this Directorate. All the petitions received in the Directorate of Pension either directly or through Chief Minister's Cell for the redressal of their grievances are sympathetically considered and disposed in consultation with the concerned Departments.

PENSION ADALAT

87. A Pension Adalat has been constituted by the Tamil Nadu Legal Service Authority, High Court Complex, Chennai-104 with effect from 22.02.2002. To take follow up action on the direction given by the Pension Adalat, Government have formed a committee consisting of the Director of Pension, representatives from Administrative Departments in Secretariat, Head of Departments and representative of the Accountant-General. The Director of Pension has been nominated as the Nodal Officer for the Adalat. The Adalat is held every month. To benefit more number of

pensioners this Adalat is being held twice a month from December 2003 onwards. As on 28.02.2007, 738 cases have been received, out of which 603 cases have been settled.

GUIDE TO PENSIONERS:

88. A Guide to Pensioners on Retirement Benefits has been prepared and this guide is available in the **Website** www.tn.gov.in/dop Downloadable Pension Forms are also available in the above Website for instant use. The **E-mail** address of this Directorate is **dop@tn.nic.in.**

TAMIL NADU GOVERNMENT PENSIONERS
HEALTH FUND SCHEME 1995.

89. The Tamil Nadu Government Pensioners Health Fund scheme is being implemented from 01.07.1995, to provide financial assistance to the Tamil Nadu Government Pensioners, Teacher Pensioners and All India Service Officers of Tamil Nadu cadre to undergo specialized

treatment/surgery in the accredited institutions. From the above fund, financial assistance to the maximum of Rs.50,000/- or 75% of the cost of treatment/surgery whichever is less, is sanctioned to the pensioners during their life time. An amount of Rs.10/- per month from their pension is also contributed to the fund. Upto 28.02.2007, 26,930 pensioners have been benefited under this Health Fund Scheme and a sum of Rs. 26.45 Crores have been reimbursed to the pensioners. The Government is contributing Rs.8 lakhs every year as grant to this fund.

TAMIL NADU GOVERNMENT PENSIONERS

FAMILY SECURITY FUND SCHEME 1997:

90. The Government have introduced Tamil Nadu Government Pensioners Family Security Fund Scheme with effect from 01.01.1997 for the benefit of family members of the deceased pensioners. The fund is operated from 01.01.1998.

In case of death of the pensioner after contributing to the fund for at least one year a sum of Rs.25,000/- will be paid to the spouse/nominee/legal heirs. The scheme is optional. Pensioners who have contributed to this Fund may withdraw from the above scheme, at a later date, and the amount till then subscribed by the pensioner will be refunded. At present an amount of Rs.70/- per month by the pensioners is contributed to the fund. Upto 28-2-2007 a total number of 64,434 families have been benefited under the scheme and a sum of Rs.161.81 crores have been disbursed to the members of the family of deceased pensioners.

**TAMIL NADU GOVERNMENT INDUSTRIAL
EMPLOYEES PROVIDENT FUND SCHEME**

1969:

91. The Scheme was introduced in the year 1969 for the welfare of the casual labourers earning wages in the Government Departments. Prior to

01.04.1989, 8.33% of the wages was contributed by the employees and equal share of contribution was paid by the employers to this scheme. After 01.04.1989, 10% of wages is being contributed by the employees and equal share is made by the Government as Government Contribution.

92. At present 453 units from the Government Departments such as Agriculture, Forest, Public Works Department, Animal Husbandry, Sericulture, Horticulture, Oil Seeds etc., are covered. A total number of 20,200 members have been enrolled in the scheme. The accounting procedures under the scheme have been computerised. A sum of Rs.43.88 crores have been deposited in the Government PD Account.

**TAMIL NADU GOVERNMENT EMPLOYEES
SPECIAL PROVIDENT FUND CUM GRATUITY
SCHEME 1984:**

93. This scheme was introduced with effect from 01.04.1984. A monthly subscription of Rs.20/- per month is being recovered for 148

months and the total subscription will be repaid along with interest accrued thereon at the time of retirement with Government contribution of Rs.5000/- which was subsequently enhanced to Rs.10,000 with effect from 15.09.2000.

TAMIL NADU GOVERNMENT EMPLOYEES
SPECIAL PROVIDENT FUND CUM GRATUITY
SCHEME 2000:

94. This Scheme was introduced with effect from 01.10.2000.

- a. All regular Government employees may opt to subscribe at Rs.50/- per month till one month prior to date of retirement which is refundable along with interest accrued thereon.
- b. This scheme is compulsory to the new recruits appointed on or after 01.10.2000 and the subscription will be Rs.70/-. The subscription is refundable with interest and Government contribution of Rs.10,000/- on the date of retirement.

TAMIL NADU SOCIAL SECURITY SCHEME**1974:**

95. The Government of Tamil Nadu introduced the Tamil Nadu Social Security Scheme 1974 with effect from 1975 to benefit all class of people in Tamil Nadu specially wage earners and self employed. Under this scheme, the public contributed monthly subscriptions of Rs.10/-, Rs.20/-, Rs.30/- and Rs.60/- per month under seven different plans. These subscribers will get a monthly pension of Rs.20/-, Rs.35/-, Rs.60/-, Rs.100/- respectively for a period of 30 years and also a lumpsum amount under each plan at the end of the pension period. It is a contract between Government and the subscriber to pay pension for 30 years from the date of completion of the plan period under the scheme. Though enrollment under this scheme having been closed in the year 1982, this scheme has its life till the year 2037. This Directorate is attending to the residuary work under the scheme. A sum of Rs.25.53 crores

involved and the amount have been invested with Tamil Nadu Power Finance Corporation and Tamil Nadu Transport Development Corporation.

96. Thus the Directorate of Pension is focussing on the grievances of Pensioners. Effective liaison has also been established with the concerned departments so that the specific grievances of the pensioner in the particular department are settled and thereby the pensioner is relieved to that extent.

K. ANBAZHAGAN,
MINISTER FOR FINANCE