

Finance Department

Demand No. 16

Policy Note For The Year 2008-2009

Treasuries and Accounts Department
Local Fund Audit Department
Directorate of Small Savings
Government Data Centre
Co-operative Audit Department
Internal Audit and Statutory Boards Audit Department

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.

- (i) Treasuries and Accounts Department.
- (ii) Local Fund Audit Department.
- (iii) Small Savings Department.
- (iv) Government Data Centre.
- (v) Co-Operative Audit
- (vi) Internal Audit and Statutory Boards Audit Department.
- (vii) Directorate of Pension.

3. The functions of the Departments listed at Serial No. (i) to (vi) are detailed in the subsequent paragraphs. The function of the Directorate of Pension is included in the Policy Note on Demand No.50. Pension and other retirement benefits.

TREASURIES AND ACCOUNTS DEPARTMENT

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 Directors of Treasuries and Accounts, one Pension Pay Office at Chennai and one Assistant Superintendent of Stamps with the Headquarters office of the Director of Treasuries and Accounts at Chennai within its fold. Its main function is disbursement of salaries and pensions to all Government employees 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 therefor to the Accountant General. The Treasuries and Accounts Department also looks after proper distribution of non – Judicial stamps used in Registration. The Tamil Nadu 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. Automated Treasury Bill Passing System is a computer software developed by National Informatics Centre for the Treasuries and Accounts Department. It enables processing of bills through computers, simultaneously capturing data starting from bill submission stage at counter level as against payment stage in the earlier system. Unlike other States the thrust is on real 'online' where right from the bill presentation to compilation of accounts everything happens online. This system was introduced on pilot basis at District Treasuries of Karur and Theni and at Pay and Accounts Office Secretariat, Chennai. Now the connectivity for online submission of bills by DDOs and rendering of Accounts to Accountant General is under testing through TNSWAN.

6. The salary payment of all Government employees is made through Electronic Clearing System (ECS) in all the districts of the State. A facility to view the Electronic Clearing System status of bills of employees presented at Pay and Accounts Offices at Chennai is available at present in the Departmental website

<http://www.tn.gov.in/karuvoolam> . A central server is under installation at the Directorate of Treasuries and Accounts. Once this is installed and the TNSWAN connectivity is fully established, the facility of viewing status of bills presented at all the treasuries / Pay and Accounts Offices under Electronic Clearing System throughout the State will be made available.

7. New Health Insurance Scheme has been ordered to be introduced by the Government in G.O. Ms. No. 430 Finance (Salaries) Dept. dt.10.9.2007. The data collection of the employees working in Government Departments, Local Bodies, Public Sector Undertakings, Statutory Boards and Universities is arranged through the above departmental website.

8. The Treasuries and Accounts Department in Tamil Nadu is declared as a Mission Mode Department. Under the National e-governance Project (NeGP) a Project Report to computerize the entire department has been submitted to the Government of India for obtaining World Bank funding. The total project cost of Rs.85 crores will be shared in the ratio of 25:75 between the State Government of Tamil Nadu and the funding from World Bank.

LOCAL FUND AUDIT DEPARTMENT

9.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 institutions in the State under the provisions of the respective Acts governing the institutions.

10. 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	8
2	Municipalities	150
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	20
11	Village Panchayats (Test Audit Only)	2523
12	Miscellaneous Institutions	9

11. (i) Scope of Local Fund Audit Department

The audit of Local Body Institutions done by this Department relates to checking of accounts and conduct of proprietary audit on the income and expenditure of the auditee institutions to ensure that the transactions are as per Acts and Rules and Government orders and the accounts represent a true and fair view of the state of affairs of the Local Bodies. The audit safeguards the interests of the tax payers' money to Local Bodies, assistance given by Government and funding agencies to Local Bodies and further ensures that the assistance given by the Government and funding agencies is utilized for the purpose for which it is given and for the benefit of the community as a whole.

(ii) Test Audit of Village Panchayats

The test audit of 20% of the total Village Panchayats is being done by this department. Accordingly, 2523 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 is taken up by this department.

(iii) Audit of World Bank Funded Institutions

The World Bank Funded Institutions are also audited by this Department. The audit of World Bank Funded projects of Tamil Nadu Agriculture University, Coimbatore has been entrusted to this Department and the audit is in progress.

12. (i) Concurrent Audit of Urban Local Bodies, Panchayat Raj Institutions and Universities

The "Concurrent Audit System" is in vogue in 8 Municipal Corporations, 17 Municipalities and 14 Universities. Audit units are functioning 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.

(ii) Implementation of Immediate Post Audit System in all Municipal Corporations and selected Municipalities

Immediate Post Audit is conducted in 8 Municipal Corporations and 17 Municipalities where Concurrent Audit sections are functioning. Under this system, payment vouchers are sent to Audit immediately after payment is made and such vouchers are audited immediately and the defects noticed are communicated to administration. This system facilitates the rectification of defects by the administration then and there.

iii) 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 comprising unsettled audit slips are issued. After issue of Audit Reports the replies furnished to the audit objections duly rectifying the defects are verified by the audit parties with reference to the connected records and registers and the objections settled.

Annual Audit of Non Concurrent Audit Institutions

13. The audit of remaining 133 Municipalities and 5 Universities and other local bodies like Town Panchayats, District Panchayats, Market Committees, Local Library Authorities, Local Planning Authorities and Miscellaneous Institutions are taken up annually on receipt of annual accounts from the auditee institutions.

14. Implementation of Accrual Based Accounting System in Urban Local Bodies

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

ii) The object and scope of this accounting system is to maintain the accounts 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.

iii) This system enables the Urban Local Bodies to identify their Assets available with appropriate valuation methods and incorporated in accounts through Asset Register. Because of the improved method of accounting in Urban Local Bodies, financial institutions and various funding agencies have come forward to provide financial assistance to Urban Local Bodies for the capital projects and welfare schemes thereby strengthening the financial sources available to Urban Local Bodies.

iv) Tamil Nadu has earned the distinction as the first State in India for the successful implementation of accounting reforms in all Municipal Corporations and Municipalities in two phases from 1999-2000 & 2000-2001 and in all Town Panchayats from 2002-2003.

Certification of Annual Accounts of Local Bodies

15. Certification of accounts of local bodies is a very important issue and internationally 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 Department as per Govt. Orders in G.O.Ms .No.93 /Fin (FCIV) Dept.dt.28-3-2003, consequent on the implementation of the Accrual Based Accounting System in the Urban Local Bodies.

Standardization of Audit Formats

16. To improve the quality of audit and to ensure uniformity in communicating the audit objections the audit formats in respect of Urban Local Bodies and Panchayat Raj Institutions have been standardised and communicated to auditors during 2007.

17. Objections Settlement Procedure

i) 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 of the local

bodies 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 and special reports for necessary follow up action.

ii) 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 the regional and district level officers of this department through joint sittings arranged by the concerned administrative departments after getting replies to the audit objections and settlement made on the spot.

18. Formation of District High Level Committees and State High Level Committees

i) In respect 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 and Panchayat Raj. During 2007, 105 District High Level Committee meetings were held and decisions taken in respect of 5498 audit objections by the District High Level Committees.

ii) 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 was reduced considerably. During 2007, 7 District High Level Committee Meetings were held and decisions taken in respect of 444 objections.

iii) In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District level High Level Committees headed by Financial Adviser of the Commissionerate of Municipal Administration and State High Level Committee headed by Commissioner of Municipal Administration have been constituted in G.O.Ms.No.65 MAWS Dept dt.22.5.07. During 2007, 5 District High Level Committees were held and decisions taken in respect of 862 objections.

iv) The constitution of District High Level Committees and State High Level Committees for settlement of audit objections of Urban Local Bodies and Panchayat Raj Institutions in Tamil Nadu is the first of its kind in the Country.

Convening of Joint Review Meetings of Administration and audit

19. The joint Review Meetings of Administration and Audit officials at Districts / Regions and at State Level are conducted in respect of Urban Local Bodies and Panchayat Raj Institutions to sort out problems relating to Accounts and Audit at cutting edge level. This procedure came in for appreciation by Deputy Comptroller and Auditor General of India during May 2007 in a Conference held at Trivandrum.

Issue of Utilisation Certificates for Grant

20. 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 Body Institutions which come under the Audit purview of this department. The Utilisation Certificates are issued immediately on completion of schemes and projects.

Special Functions

21. 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.
- ❖ 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 balances of local bodies.
- ❖ Functioning as Treasurer of Charitable Endowments.

22. Authorisation and disbursement of Pensionary benefits to Local Body Employees

- i) The certification, sanction and payment of retirement/death benefits to the employees of local bodies is done by the Directorate of Local Fund Audit. As

on 31.01.2008, 31,799 pensioners are receiving monthly pension through four nationalised banks.

- ii) The forecast on the number of pensioners and requirement of funds for payment of monthly pension and retirement benefits to the local body pensioners during 2008-09 is estimated as Rs.217.49 crores as detailed below. The retirement benefits to Local Body pensioners are settled then and there promptly by this Department.

Name of the Local Body	Forecast on Total Number of Pensioners during 2008-09	Forecast on Expenditure from Pension Fund during 2008-2009 (Rs. in crores)
1. Municipalities	18750	125.79
2. Town Panchayats	6000	30.47
3. Panchayat Unions	10300	61.23
Total	35050	217.49

iii) Redressal of Local Bodies Pensioners' grievances

An Information Counter has been opened at the Directorate of Local Fund Audit for redressal of local body pensioners' grievances and the pensioners are able to get information required by them regarding their pension proposals and related matters without any delay.

Administration of Municipal Pensioners Health and Family Security Fund Scheme

23. The Health Fund Scheme and Family Security Fund scheme applicable to Government pensioners were extended to municipal pensioners in G.O.Ms.No.1200,MAWS Dept, Dated 25-05-1999 with all the concessions applicable to Government pensioners with effect from 01-08-1999. These two schemes are administered by the Director of Local Fund Audit. The details of claims admitted and amount sanctioned during the year 2007-08 are as follows:-

Health Fund Scheme		Family Security Fund Scheme	
No. of Claims	Amount (Rs. in Lakhs)	No. of Claims	Amount (Rs. in Lakhs)
71	8.30	118	28.79

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

24. 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 their Provident Fund Deposit . A sum of Rs.9 crores was sanctioned by the Government during the year 2007-08 and necessary authorizations for payment were made on receipt of interest claims from the Local Bodies.

25. Treasurer of Charitable Endowments

i) The Director of Local Fund Audit also functions as the Treasurer of Charitable Endowments with effect from 01.04.1952. Government authorizes acceptance of the endowments and publish the scheme of administration of the endowment.

ii) The interest amount realised from the Endowments is released to the institutions concerned based on the requisitions received from them. At present there are four Central Government Endowments worth Rs.6.83 lakhs and 782 State Government Endowments worth of Rs.11.22 Crores respectively under the custody and control of the Treasurer of Charitable Endowments. During the year 2007-08 out of the proceeds of endowments, a sum of Rs.3.49 lakhs has been distributed to 180 beneficiaries towards award of scholarships, prizes, medals etc.,

Computerisation of Department Activities

26. The Government have sanctioned funds under Part-II Schemes for 2007 - 08 to the extent of Rs.26.35 lakhs for computerising the activities of this Department in a phased manner. The second phase of computerisation of the activities of the Department is in progress.

Revision of Audit Manual

27. The Audit Manual for this Department was not revised since 1997. The Manual is now being revised incorporating latest amendments and additions.

Capacity Building of staff

28. To improve the quality of audit by enhancing the skill among the Auditors, this Department is now conducting various training programmes to the staff of this Department as detailed below:-

- i) Conducting in-service training to Auditors by the Senior Officers of this Department.
- ii) Training by Accountant General under "Technical Guidance programme".
- iii) Training by the Anna Institute of Management exclusively for the officers of this department, in various concepts of audit. The training was imparted to 105 Officers upto March 2008 and it is proposed to impart training for 250 Officers of this Department in April and May 2008.

Audit Fees

29. 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 2007-08 a sum of Rs.7.34 Crores was collected as audit fees by this Department.

DIRECTORATE OF SMALL SAVINGS

30. 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 charged for this loan is 9.5 % .

Small Saving Schemes

31. 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 Scheme	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

32. 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:

SI No	Scheme	Rate of interest w.e.f. 1.3.2003
1	Post Office Monthly Income Scheme (POMIS)	8.00 % + 5 % Bonus (w.e.f. 8.12.07)
2	Post Office Time Deposit (POTD) 1 YEAR	6.25 %
	Post Office Time Deposit (POTD) 2 YEAR	6.50 %
	Post Office Time Deposit (POTD) 3 YEAR	7.25 %
	Post Office Time Deposit (POTD) 5 YEAR	7.50 %
3	National Savings Certificate – VIII Issue (NSC –VIII Issue)	8.00 %
4	Public Provident Fund (PPF)	8.00 %
5	Senior Citizen 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

Income Tax rebate is available for 5 years Post Office Time Deposit, National Savings Certificate, Public Provident Fund and Senior Citizen Savings Scheme above.

33. The District Collectors of respective Districts and Commissioner, Chennai Corporation for Chennai City play a key role in promoting the Small Savings Schemes.

Agency System for Small Savings

34. 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 31.12.2007
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 Citizen's Savings Scheme (SCSS)	14498
2	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit Scheme (PORD)	28274
3	Authorized Agents (Public Provident Fund) Scheme (PPF)	Public Provident Fund (PPF)	1419
	Total		44191

Agents' Incentive

35. Agents are offered the following incentives for their savings mobilization effort.

Sl. No.	Type of Agents	Savings Products	Govt. of India Commission	Addl. 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 Scheme (PORD)	4%	2%	6%
3.	Authorised Agents Public Provident Fund Scheme (PPF)	Public Provident Fund (PPF)	1%	Nil	1%
4.	Senior Citizens' Savings Schemes (SCSS)	Senior Citizens' Savings Schemes (SCSS)	0.5%	Nil	0.5%

Government has allocated Rs.25 Crores for the payment of incentive to the agents in Revised Estimates 2007-08. In the Budget Estimates 2008-09 also, Government has allocated Rs.25 Crores towards the payment of incentive to the Agents.

Small Saving Promotion Schemes

36. The Government encourages Small Savings in Tamil Nadu through sustained publicity campaign, payment of incentive for agents, local bodies and prizes and awards to 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 net collection achieved. In the year 2007-08, a sum of Rs.5.40 Crores was sanctioned by the Government as incentive to the districts that performed well in 2005-06. For the year 2008-09, Government has allocated Rs.40.00 Crores towards Local Body Incentive Scheme. These funds are utilized for improving infrastructure facilities, like improvement of school building , noon meal centers, health centers , etc.,

GOVERNMENT DATA CENTRE

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

- (i) Compilation of results of the Examinations conducted by the Directorate of Government Examinations as detailed in the Table given under para 38 below.
- (ii) Teachers' Provident Fund of all teachers in all the Panchayat Union Schools in the State.
- (iii) Final Examination results of Constables/Sub-Inspectors - Conducted by Police Training College/ Tamil Nadu Uniformed Services Recruitment Board

RESULT COMPILATION FOR STUDENTS IN EDUCATION DEPARTMENT

38. 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.

1. X Standard Examination, Matriculation, Anglo – Indian / Higher secondary Examinations.

2. Special Supplementary Examination.
3. Diploma in Teacher Education.
4. Technical Education.

Certificates of marks is also prepared and printed in the Government Data Centre and the same is handed over to Directorate of Government Examinations.

The work undertaken last year can be seen as below:

TABLE

Examinations 2007	March (Regular)	Special Supple- mentary	October 2007	Total
HSE	6,12,268	1,10,548	31,175	7,53,991
SSLC	8,67,707	1,06,358	99,468	10,73,533
Matriculation	1,05,883	7,678	4,165	1,17,726
Anglo Indian	4,710	253	96	5,059
OSLC	1,368	225	77	1,670
Other Examinations conducted by DGE in between the calendar year				
ESLC	7,357			7,357
Rural Talent Search Examination	26,676			26,676
Diploma Teacher Training	54,191			54,191
National Talent Search Examination	46,015			46,015
Technical Examination	12,805	--	--	12,805
Grand Total	17,38,980	2,25,062	1,34,981	20,99,023

WORK HANDLED UNDER TEACHERS PROVIDENT FUND

39. The work of computerisation of Teachers Provident Fund accounts and generating account slips in respect of Panchayat Union School Teachers is being done by this centre. New Teachers Provident Fund account numbers are being assigned to Panchayat Union Schools/Municipal Schools/ Government Aided Schools as per Government instructions. The Accounts slips of the teachers working

in Panchayat Unions for the years 2004-05, 2005-06 and 2006-07 have been handed over to the Directorate of Elementary Education. The work relating to the issue of account slips for the year 2007-08 is now under progress.

CO-OPERATIVE AUDIT DEPARTMENT

40. 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 with effect from 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 functioning under the administrative control of 14 Functional Registrars except the Multi State Cooperatives and Milk Cooperatives.

41. 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	11003
ii	Commissioner of Handlooms and Textiles	1728
iii	Commissioner of Industries and Commerce	441
iv	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	} 1927
v	Chief Executive Officer, Palmgur Development Board	
vi	Registrar of Co-operative Societies (Housing)	1127
vii	Director of Fisheries	1264
viii	Director of Animal Husbandry	906
ix	Commissioner of Sugar	18
x	Director of Agriculture (Oil Seeds)	383
xi	Director of Agro Engineering and Service Cooperative Societies	203
xii	Director of Sericulture	39
xiii	Director of Social Welfare	154
xiv	Director of Rural Development	44

	TOTAL	19237*
--	--------------	---------------

(* Includes working societies, dormant societies and liquidated societies.)

SCOPE OF COOPERATIVE AUDIT DEPARTMENT:

42. 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

(1) Audit Under Concurrent terms :

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.1.58 crores has been collected as audit fees during the period from 1.4.2007 to 31.1.2008.

(2) Audit Under Fundamental Rule 127 terms:

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.6.20 Crores has been collected as FR cost during the period from 1.4.2007 to 31.1.2008.

(3) 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 Adidraavidars 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.

SPECIAL REPORTS:

43. 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.

SKILL DEVELOPMENT TO IMPROVE THE QUALITY OF AUDIT:

44. 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

45. 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
- 10) Programme on Right to Information Act 2005.

Refresher Classes for Auditors

46. 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

47. 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 creating an independent Internal Audit Department on the basis of suggestions of Comptroller and Auditor General of India and the Public Accounts Committee.

48. AUDIT PURVIEW:

(a). The following institutions are under the audit purview of this department.

1.	Statutory Boards	10
2.	Puratchi Thalaivar M.G.R Noon Meal Centres	82,889
3.	Agricultural Extension Centres	889
4.	Government Departments (Small Savings, District Library, C.M's Public Relief Fund etc.,.)	90
5.	Other Institutions (Government aided Hostels, Homes, Industrial Technical Institute etc.)	2,083
6.	Non Governmental Institutions receiving recurring grant of Rs, 0.20 lakh and above per annum and non recurring grant of Rs.1.20 lakhs and above.	590
7.	Sarva Siksha Abhiyan (Centrally sponsored scheme) Block Resources Centres and Urban centres (385+16)	401
TOTAL		86,952

(b) INTERNAL AUDIT OF GOVERNMENT DEPARTMENTS:

As per the instructions of the Government, the internal audit of 19 Government departments have to be 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 to help the administration for effective financial management.

SPECIAL AUDIT.

49. In addition to the regular audit, special audit of Government Departments are entrusted to this Department then and there under specific orders from the Government and the special audits were completed and reports submitted to Government. Based on the special audit reports, government have issued orders to take up the following audits regularly.

- (i) Audit of 01.01.96 Pay Fixation of Government employees in all departments.
- (ii) Personal Deposit Account of Director of Medical Education

SETTLEMENT OF AUDIT OBJECTIONS:

50. Settlement of audit objections is attended to by this department through Joint Sittings conducted periodically 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.

During the year 26,883 objections were raised in the audit and 21,531 objections including objections raised in the previous years also were settled.

51. ISSUE OF AUDIT CERTIFICATES.

- (i) While auditing the accounts of the institutions coming under the purview of this department, the retirement proposals of the employees of those institutions such as pension, closure of provident fund etc., are pre-audited and audit certificates issued then and there. In respect of retiring teachers of Panchayat Unions and Municipal Schools, who are coming under the control of Assistant Elementary Educational Officers, the Provident Fund closures are verified and certified by this department.
- (ii) In respect of grants released by the Government of Tamil Nadu to various institutions which are coming under the purview of this department's audit, the grant entitlement is being furnished in the respective audit reports. The grant claims proposals if any received, from the institutions are being certified and forwarded to Government separately.

COMPUTERISATION OF DEPARTMENT.

52. The Government have sanctioned funds under Part-II Scheme during the year 2007-08 to the extent of Rs. 9.45 lakhs for computerizing the activities of this

Department towards final phase. The computerization of the activities of this Department is in progress.

TRAINING TO STAFF

53. Realising the need to give exposure to the staff to various need based concepts of audit, inservice training through the Departmental Officers was given to them in 2007-08. Moreover training by the officers of Accountant General is also being given to the staff. It is also proposed to impart training through Anna Institute of Management, Chennai.

K. ANBAZHAGAN,
MINISTER FOR FINANCE