

INDEX

Sl. No	Subject	Page
1	Introduction	1-14
2	Treasuries and Accounts Department	15-25
3	Local Fund Audit Department	26-45
4	Co-operative Audit Department	46-53
5	Small Savings Department	54-62
6	Government Data Centre	63-70
7	Internal Audit and Statutory Boards Audit Department	71-77

POLICY NOTE

DEMAND NO.16

FINANCE DEPARTMENT

POLICY NOTE FOR THE YEAR

2019-2020

Introduction:

**“Who plenteous store of glorious wealth have gained,
By them the other two are easily obtained”**

(760)

Efficient public financial management comprises collecting taxes without leakages and applying such resources to the right purposes to drive the State on the path of development and promoting the welfare of the public, particularly the downtrodden. It is thus the priority of this Government to deploy resources efficiently in the interest of public welfare while ensuring economic progress and prosperity.

2. The Finance Department seeks to ensure that adequate funds are allocated for development and welfare schemes announced by the Government from time to time. Effective management of resources ensures better service delivery and improvement of infrastructure contributes to the overall development of the State. The main functions of Finance Department are:

- 1) Preparing the Annual Budget, i.e., the statement of the estimated Revenue and Expenditure of the State to be laid before the Legislature every year under Article 202 of the Constitution of India.
- 2) As custodian of the state exchequer, managing the public finances of the Government of Tamil Nadu
- 3) Formulation of policies of the State Government in respect of overall financial management of the State and review of the policies as and when the need arises.

- 4) Critical scrutiny and evaluation of expenditure proposals of various departments of the Government with reference to need, cost effectiveness, budget allocation, financial procedure etc., keeping in mind the importance of achieving the fiscal objectives of the Government.
- 5) Overall responsibility of balancing receipts and payments and ensuring that debt obligations are met.

3. The following seven departments are under the administrative control of Finance Department: -

- i. Treasuries and Accounts Department
- ii. Local Fund Audit Department
- iii. Co-operative Audit Department
- iv. Small Savings Department
- v. Government Data Centre

- vi. Internal Audit and Statutory Boards
Audit Department
- vii. Directorate of Pension

The functions of the departments listed at serial No. (i) to (vi) above have been detailed in this note. The functions of the Directorate of Pension are included in the Policy Note on Demand No.50. "Pension and Other Retirement Benefits".

In addition to these seven departments, Tamil Nadu Infrastructure Development Board (TNIDB) and the Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC) also function under the Finance Department.

Sustainable Development Goals (SDGs):

4. In 2015 September, the United National General Assembly adopted the Sustainable

Development Goals (SDGs) with effect from 01-01-2016 with 17 goals, 169 targets and 300 global indicators. Finance Department is providing financial support to all departments for implementing proactive measures to achieve targets envisaged under SDGs. Financing for SDGs is based on the priorities of the State across the goals, targets and indicators. This includes significant mobilization of resources from a variety of sources, including through enhanced international development cooperation, in order to implement programmes and policies. Department of Finance is working with domestic financial institutions for financial inclusiveness in economic growth, so as to encourage and expand access to banking, insurance and financial services for all.

Tamil Nadu Vision 2023 Document

5. The Vision Tamil Nadu 2023 document is a far-reaching initiative taken to further

develop infrastructure in the State and was launched by the late Hon'ble Chief Minister J Jayalalithaa on March 22, 2012 with the aim of galvanizing and catalyzing strategic investments in infrastructure to place Tamil Nadu on a higher growth trajectory and to secure the benefits of growth for all the people of the State. It seeks to meet the legitimate expectations of the people of the State for a higher quality of life, free from poverty and where its people enjoy all the basic services of a modern society and live in harmonious engagement with the environment.

6. Key facets of Vision 2023 include Tamil Nadu's enhanced economic dynamism, best in class human development indicators, well developed infrastructure that provides universal access to basic services, an investment climate that compares with the best in Asia and its evolution into India's foremost knowledge and innovation hub.

7. The Vision Tamil Nadu 2023 document envisages investments through the Government, the Private sector and Public-Private Partnerships upto Rs.15 lakh crore for infrastructure augmentation. Totally, 217 projects and programmes have been identified for implementation in the Vision 2023 Phase II document. Out of the 217 Projects, 27 projects relate to the Central Government in Railways, Ports and Airport sectors and the remaining 190 projects are to be implemented by the State Government and its agencies, including with private sector participation. Of the 190 State Projects, works on 121 projects have already commenced, Detailed Project Reports for 16 projects have been prepared and preparation of Detailed Projects Reports for 6 projects are in progress.

Tamil Nadu Infrastructure Development Board (TNIDB)

8. The Tamil Nadu Infrastructure Development Board (TNIDB) set up under the Tamil Nadu Infrastructure Development Act, 2012 has so far sanctioned about Rs.277 crore from the dedicated Project Preparation Fund (PPF) for preparation of Detailed Project Reports (DPRs) of major infrastructure projects such as Athikadavu-Avinashi scheme for Irrigation, Ground Water Recharge and Drinking Water Supply Scheme in Coimbatore, Tiruppur and Erode districts; execution of Sillahalla Pumped Storage Hydro Electric Project Stage-I (1000 MW) in Nilgiris District; to prepare Detailed Project Report for a length of 3319 Km of roads vested with the Highways Department, four laning of State Highways under TNRSP-II for Road connectivity; Chennai Metro Rail Expansion; Integration of Mass Rapid Transit System with CMRL in

Chennai Metropolitan Area; 400 MLD Desalination Plant at Perur; establishment of Common Effluent Treatment Plants (CETPs) in Textile Parks; Bus Rapid Transport System in Chennai City; Formation of Water Supply Grid between Chennai and Bengaluru exclusively for industrial needs, etc. The preparation of DPRs will enable the State to propose Projects for funding from Bilateral and Multilateral Funding Agencies.

9. The TNIDB have also sanctioned and released a sum of Rs.1.10 crore from the Tamil Nadu Infrastructure Development Fund (TNIDF) towards the Regional Connectivity Scheme-UDAN as 20% State share for operation of flights from Chennai to Salem and Salem to Chennai to Airports Authority of India for the period of March 2018 to November, 2018.

10. It has played a vibrant and lead role in obtaining JICA funding for Chennai Metropolitan Area Intelligent Transport Systems Installation Project and has also coordinated with various stakeholders for the preparation of DPR for the project for Development of Chennai-Kanyakumari Industrial Corridor, which has been included in the second phase of East Coast Economic Corridor (ECEC) proposed by the Department of Industrial Policy and Promotion (DIPP), Government of India and is being developed in partnership with the ADB. Some of the projects successfully facilitated by the Board are one 24 X 7 water supply project for Coimbatore City, Intelligent Transport System in Chennai Metropolitan Area (with financial assistance from JICA), Solid Waste Management Project (Package-I & II) in Chennai, seeking KfW funds for restructuring of Transport Corporation and procurement of BS-VI diesel and e-buses, etc.

Project Preparation Fund (PPF) and the Tamil Nadu Infrastructure Development Fund (TNIDF)

11. Under the Tamil Nadu Infrastructure Development (TNID) Act, 2012, two funds namely the Project Preparation Fund (PPF) and the Tamil Nadu Infrastructure Development Fund (TNIDF) have been established with the aim of facilitating both project preparation and project implementation.

The Project Preparation Fund (PPF) is utilized to provide financial support for conducting studies, hiring the services of experts and consultants, preparing feasibility studies, detailed project studies, capacity building, research and for such other purposes, prescribed in the rules.

The Tamil Nadu Infrastructure Development Fund (TNIDF) is utilized for providing financial support to

facilitate design, development, working, administration, management of projects and for such other purposes prescribed in the rules. Payment of subsidy on Capital grants, operational grants, annuity payments, equity investments and other forms of project financing can be made from the Tamil Nadu Infrastructure Development Fund (TNIDF).

Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC)

12. Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC), an Asset Management Company was established in July 2015 with Rs.16 crore as equity from TNIDB and with Indian Bank, City Union Bank, Karur Vysya Bank, United India Insurance Limited, National Housing Bank and Canara Bank as other equity participants. An Alternative Investment Fund (AIF) Category-I viz Tamil Nadu Infrastructure Fund (TNIF) has been

established with the approval of Securities and Exchange Board of India (SEBI) with a target of raising Rs.6,000 crore.

13. TNIDB committed to contribute Rs.300 crore to TNIF and released Rs.30 crore as the First Loss Catalytic Capital which is backstopped by TNIPP-2 of JICA. TNIF has got commitments from LIC for Rs.150 crore and Phoenix SA, for a total of investment of US\$ 600 million (about Rs.3,500 – 4,000 crore). Besides, TNIFMC has registered the Tamil Nadu Shelter Fund Tier II (TNSF) under SEBI Alternative Investment Fund Regulations as a Category-I Social Venture Fund with a targeted corpus of Rs.3,000 crore.

14. TNIFMC has signed Memorandum of Understanding (MoU) with TANGEDCO for the Renovation, Modernization and Uprating (RMU) of hydroelectric projects with funding upto

Rs.500 crore. Two projects viz Kodayar and Moyar hydroelectric will be taken up shortly. Besides funding from TNIF for setting up of 60 MLD Desalination Plant in Thoothukudi, Development of TN Commerce Hub, Development of Beach Tourism and Development of Working Women Hostels are under evaluation. TNIFMC will be extending project based financial assistance from the TNIF to departments which propose to develop new or upgrade existing infrastructure facilities.

TREASURIES AND ACCOUNTS DEPARTMENT

15. The Treasuries and Accounts Department headed by the Commissioner of Treasuries and Accounts is functioning under the administrative control of the Finance Department with 6 Regional Offices, 6 Pay and Accounts Offices, 3 Sub Pay and Accounts Offices, 32 District Treasuries, 1 Pension Pay office, 1 Assistant Superintendent of Stamps Office and 243 Sub Treasuries providing treasury related services.

New Health Insurance Scheme, 2016

16. The Government have extended the New Health Insurance Scheme beyond 30.06.2016 for a further period of four years with some additional features. The New Health Insurance Scheme 2016 is being implemented from 01-07-2016 through United India Insurance Company Limited,

a Central Public Sector Undertaking. This scheme aims to provide health care assistance to the employees of Government, Local Bodies, Public Sector Undertakings, Statutory boards and Universities constituted under Acts of Tamil Nadu Legislative Assembly, willing State Government Organizations / Institutions and their eligible family members. This Scheme provides medical assistance up to Rs.4 lakh to avail treatment and surgeries. An insurance premium of Rs.180/- is being recovered from the Government employees' monthly salary.

17. Under the new scheme, the maximum claim limit has been enhanced to Rs.7.50 lakh for the following diseases / treatments:

1. Surgery, Chemotherapy, Radiotherapy and Immunotherapy for all malignancies
2. Liver, kidney, heart, lungs and bone marrow transplantation

3. Complex Open Heart surgeries and implants
4. Accident and Trauma cases involving Multiple Fractures
5. Heart valve replacements, Aneurysms and Angioplasties
6. Management of burn Injuries

18. The upper limit of medical assistance for cataract surgery has been fixed at Rs.25,000/- per eye and for hysterectomy Rs.45,000/-.The coverage of medical assistance under this scheme has been extended to accident cases, where the patient avails approved treatment has undergone surgery in a non-network hospital. Under this Scheme, 113 treatments and surgical procedures are covered on cashless basis through 986 networked hospitals located in Tamil Nadu, Puducherry, Bengaluru, Thiruvananthapuram and New Delhi.

During the four year period from 01.07.2012 to 30.06.2016, 1,85,920 beneficiaries availed medical assistance costing Rs.738.06 crore. Further, under the New Health Insurance Scheme 2016, 1,40,694 beneficiaries have availed medical assistance costing Rs.542.91 crore till 10.05.2019.

Automated Treasury Bill Passing System (ATBPS)

19. Automated Treasury Bill Passing System (ATBPS) is in all PAOs, Treasuries and Sub-Treasuries in order to overcome the difficulties faced in the manual bill processing system, in compilation of accounts, tracking of bills, monitoring the bill processing system etc., This system will ensure provision of better services to the various stakeholders like the Drawing and Disbursing Officers, banks, Accountant General, etc., and help in effective monitoring. For the implementation of this

system, all Treasuries have been provided infrastructure facilities such as computers and other peripherals, Local Area Network (LAN) and TNSWAN connectivity and modular offices for improving working conditions of the staff.

Web Payroll

20. The Web Payroll application is being implemented in all the departments of Government of Tamil Nadu. About 23,648 Drawing and Disbursing Officers are using the Web Payroll application for the preparation of the salary bill of the employees. The Web Payroll software has been developed in such a way that Management Information System (MIS) reports like details of employees joined / retired/ retiring during a period, Grade Pay wise and Designation wise, can be generated from the centralized database which contains the particulars of all Government employees.

Further, this is also serving as an effective tool in the Human Resources Management System.

Integrated Financial and Human Resources Management System (IFHRMS)

21. The Hon'ble Chief Minister of Tamil Nadu has rolled out the Integrated Financial and Human Resources Management System (IFHRMS) on 10.01.2019. The Government is implementing the Integrated Financial and Human Resources Management System (IFHRMS) at a cost of Rs.288.91 crore over a period of five years. M/s Accenture Services Pvt Ltd, Chennai was appointed as consulting agency with the responsibility of offering consulting services and to identify the System Integrator to implement IFHRMS as a total solution project.

22. M/s Wipro Limited has been appointed as the System Integrator for this project. This system will integrate the Financial Services and

Human Resources Services of the State Government. Through the IFHRMS, 23,648 DDOs throughout the State will be able to submit the bills online to the Treasuries. This system also provides for e-receipts that will enable real time accounting of revenue collections. This will help in providing hassle free and instantaneous services to public. This will also pave way for smooth maintenance of Service Registers of more than nine lakh employees by real time updation of employees pay bill, promotion, transfer, leave management etc.

23. Now, the IFHRMS parallel run has been implemented across the State along with the existing applications.

Formation of New Treasuries / Construction of Own Buildings for Treasuries

24. During the last eight years viz., 2011 to 2019, 37 new Sub Treasuries have been formed and at present 243 Sub Treasuries are functioning in the State. Further, Government have sanctioned construction of own buildings for 78 Sub Treasuries during the last eight years. Of these, 58 Sub Treasuries buildings have been inaugurated and put to use. In respect of remaining 20 Sub-Treasuries, construction is in progress.

25. Moreover construction of a new building for Tirunelveli District Treasury and construction of 2 additional floors in the finance building Nandanam in "Amma Complex" for 6 offices relating to the Finance Department are also underway.

26. As per announcement made by the Hon'ble Deputy Chief Minister on the floor of assembly during the discussion on demand for grants 2018-2019 and in accordance with the Government policy of "One Taluk One Sub-Treasury" in all districts, committees have been constituted comprising of the District Collector, the Regional Joint Director of Treasuries and Accounts and the District Treasury Officer to examine the formation of new Sub Treasuries in the newly formed taluks, where no Sub Treasury is functioning. The reports of the committees are being collected.

Government e-Market Place

27. The Government of India launched online Government e-Marketplace (GeM) as one stop shop for common use of goods and services, which allows a completely paperless and cashless system of procurement, thereby minimizing human interface.

28. The Treasuries and Accounts Department is taking effective steps to assist Government Departments implement GeM by opening a State GeM Pooling Account exclusively for this purpose.

29. The Government e-Market place also offers other advantages such as minimizing prices while maximizing ease, efficiency and transparency.

PUBLIC FINANCIAL MANAGEMENT SYSTEM

30. The Public Financial Management System is an application administered by the Controller General of Accounts in the Department of Expenditure, Government of India. The Treasuries and Accounts Department is taking effective steps to implement PFMS in accordance with the instructions of the Government of India and the State Government.

This application provides an end to end solution for processing payments, tracking, monitoring, accounting, reconciliation and reporting. It provides the scheme managers a uniform platform for tracking releases and monitoring their last mile utilization.

31. Meetings are being conducted at regular intervals to review the progress of registration of State scheme managers and training programmes have also been conducted for the implementing agencies.

32. The Department has also created a website enabling the user departments to update their progress in the implementation of PFMS.

LOCAL FUND AUDIT DEPARTMENT

33. The Local Fund Audit Department was originally entrusted with the task of statutory audit of the accounts of Urban and Rural Local Bodies, Universities, Agricultural Market Committees, Local Library Authorities and other institutions in the State under the provisions of the respective Acts governing the institutions. As per the recommendations of the 2nd State Finance Commission, the Tamil Nadu Local Fund Audit Act, 2014 (TN Act No: 24 of 2014) was enacted with effect from 14.12.2014. Tamil Nadu Local Fund Audit Rules have come into effect from 24.08.2016.

34. Apart from the audit of the institutions mentioned in the schedule of the Act, the Director of Local Fund Audit undertakes statutory audit of other institutions with the prior sanction of the Government under section

5 of the Act. Section 20 of the Tamil Nadu Local Fund Audit Act, 2014, requires DLFA to submit annually a consolidated report of the accounts of local bodies audited by him to the Government, to be laid before the Legislative Assembly.

35. Necessary training has been given by the Principal Accountant General for preparation of audit reports to be placed in the Legislative Assembly. Tamil Nadu Local Fund Audit Rules 2016 provides for revision of audit report format as and when required.

36. At present the institutions are under the purview of Local Fund Audit Department:

Sl. No	Name of the Institutions	Total No.
1	Municipal Corporations	12
2	Municipalities	124
3	Town Panchayats	528
4	District Panchayats	31

Sl. No	Name of the Institutions	Total No.
5	Panchayat Unions	385
6	Universities	23
7	Local Library Authorities	32
8	District Agricultural Market Committees	23
9	Tamilnadu Agricultural Marketing Board	1
10	Agricultural engineering wings	3
11	Koyambedu Market committee	1
12	Local Planning Authorities	28
13	Village Panchayats (every year on rotation basis 22% out of 12,524 village panchayats)	2801
14	Miscellaneous Institutions	12
15	National Social Welfare Scheme	32
	Total	4036

Scope of Local Fund Audit Department:

37. The audit of Local Body Institutions done by this Department relates to checking of accounts and conduct of propriety audit on the

income and expenditure of the institutions to ensure that the transactions are as per the relevant Acts and Rules and Government orders and the accounts represent a true and fair view of the state of affairs of the Local Bodies. Audit safeguards the interests of the tax payers' money paid to Local Bodies, assistance given by the Government and funding agencies to Local Bodies and further ensures that the assistance given by the Government and funding agencies are utilized for the purpose for which they have been granted and for the benefit of the intended beneficiaries.

Test Audit of Village Panchayats

38. The Local Fund Audit Department is required to conduct test audit of 22 percent of all Village Panchayats every year. Accordingly, the audit of 2801 Village Panchayats is taken up every year out of 12,524 village panchayats.

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

39. The "Concurrent Audit System" is in vogue in 12 Corporations, 17 Municipalities and 14 Universities. The Government has introduced quarterly audit system in all the 385 Panchayat Unions from the year 2000-01. Audit Parties consisting of one Inspector and one Deputy Inspector or one Assistant Inspector for every three or four Panchayat Unions have been constituted and located at selected 116 Panchayat Union Offices.

40. Implementation of Immediate Post Audit System in all Corporations and selected Municipalities

a) Immediate Post Audit is conducted in the following 12 Corporations and 17 Municipalities where Concurrent Audit sections are functioning. Under this system, the payment vouchers are sent to audit upon making payments and such vouchers are audited

immediately and the defects noticed are communicated to the administration. This system facilitates the prompt rectification of defects by the administration.

Sl. No.	CORPORATIONS (Concurrent Audit)	MUNICIPALITIES (Concurrent Audit)
1.	CHENNAI	AVADI
2.	SALEM	KANCHEEPURAM
3.	COIMBATORE	CUDDALORE
4.	TRICHY	KARUR
5.	MADURAI	KUMBAKONAM
6.	TIRUNELVELI	PUDUKOTTAI
7.	TUTICORIN	PALANI
8.	VELLORE	POLLACHI
9.	TIRUPPUR	OOTY
10.	ERODE	NAGERCOIL
11.	THANJAVUR	MARAIMALAI NAGAR
12.	DINDUGUL	TAMBARAM

Sl. No.	CORPORATIONS (Concurrent Audit)	MUNICIPALITIES (Concurrent Audit)
13		PALLAVARAM
14		THIRUVANNAMALAI
15		KODAIKANAL
16		RAJAPALAYAM
17		KOVILPATTI

b) The audit objections noticed during the concurrent audit are communicated by the audit parties to the institutions concerned immediately in the form of "Audit Slips" and after verifying the replies received, the objections are admitted or modified. After consolidating the unsettled audit slips and other paragraphs relating to receipts and expenditure, the audit report is finalized and issued.

Annual Audit of Non Concurrent Audit Institutions

41. The audit of remaining Municipalities (107) and Universities (9) and other local bodies like Town Panchayats, District Panchayats, Market Committees, Local Library Authorities, Local Planning Authorities and miscellaneous institutions are undertaken every year on receipt of annual accounts from the auditee institutions.

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

i) Cash Based system of accounting in Urban Local Bodies was replaced by Accrual Based system of accounting in Municipal Corporations and Municipalities in two phases from the accounting year 1999-2000 and 2000-01. This system has been implemented in all Town Panchayats with effect from 2002-2003. The 7 digit web based accounting

system based on the National Municipal Accounting Manual has been adopted since 2016-17.

ii) The objective and scope of this accounting system is to follow the Generally Accepted Accounting Principles and maintain Income and Expenditure Accounts to correctly reflect the financial operations during a year and also maintain a Balance Sheet to give the true picture of the assets and liabilities of Urban Local Bodies at the end of a financial year.

iii) This system enables the Urban Local Bodies to value their assets following standard valuation methods and incorporating them in books of accounts through the Asset Register. Due to transparency in the new accounting system, various financial institutions have come forward to extend financial assistance to Urban Local Bodies for capital projects and welfare schemes.

43. Certification of Annual Accounts of Local Bodies and Universities

i) Certification of accounts of Local Bodies is an internationally, accepted requirement for obtaining financing from funding agencies. Accordingly, the annual accounts of Urban Local Bodies are certified by the officers of the Local Fund Audit Department as per G.O (Ms)No.93 /Fin (FCIV)Dept.dt.28.3.2003, subsequent to the implementation of the Accrual Based Accounting System in the Urban Local Bodies.

ii) Audit certificates are issued by this department for the utilization of various grants released by the State / Central Government, the University Grants Commission and other funding agencies in respect of Universities which come under its purview.

44. Procedure for Settlement of Audit Objections

i) Taking follow up action on the Audit Reports is one of the vital functions of this department. Irregularities of a serious nature noticed during the course of audit are immediately brought to the notice of the Executive Authorities of the local bodies concerned. Serious irregularities and losses pointed out in the Audit Reports are reported to the 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 are dropped if satisfactory explanation is rendered. Further, the settlement of audit objections is also taken up by the regional and district level officers of this department through

joint sittings arranged by the administrative departments concerned. On the spot settlement is made upon satisfactory explanation.

iii) Entry level and exit level discussions with the executive authorities have also been followed to facilitate rectification of defects pointed out in audit.

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

i) In respect of Panchayat Unions, District High Level Committees headed by the respective District Collectors and the State High Level Committee under the chairmanship of the Commissioner of Rural Development and Panchayat Raj have been formed. During the year 2018-2019, 89 District High Level Committee meetings were conducted and 1,225 audit objections were settled.

ii) As regards the 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) Department, dated.04.01.2007.

iii) In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District High Level Committees headed by the respective District collector and State High Level Committee headed by Director of Municipal Administration have been constituted as per G.O (Ms) No.65 Municipal Administration and Water Supply Department dt.22.5.07. During the year 2018-2019, 9 District High Level Committee meetings were conducted and 401 audit objections were settled.

Special Functions

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

a) Authorisation and disbursement of Pensionary benefits to Local Body Employees

The certification, sanction and payment of retirement / death benefits to the employees of local bodies viz: Municipalities, Town Panchayats and Panchayat Unions is done by the Director of Local Fund Audit. As on 31.03.2019, 30,669 pensioners are receiving monthly pension through four nationalized banks. The funds for the payment of pension / family pension are released by the Heads of Departments concerned from the State Finance Commission Devolution fund.

b) Redressal of Local Body Pensioner's Grievances

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

c) Administration of Municipal Pensioner's Health and Family Security Fund Schemes

The Health Fund Scheme and Family Security Fund scheme had been extended to municipal pensioners in G.O (Ms) No. 120, Municipal Administration and Water Supply dated 25.05.1999 with effect from 01.08.1999. These two welfare schemes are administered by the Director of Local Fund Audit. During

2018–2019, 277 claims were settled and Rs.101.58 lakh was sanctioned under the Pensioners' Health Fund Scheme and 128 claims were settled and Rs.54.95 lakh was sanctioned under Family Security Fund Scheme.

d) Administration of Panchayat Union Pensioner's Health and Family Security Fund Schemes

The Health Fund Scheme and Family Security Fund scheme extended to Panchayat Union pensioners in G.O (Ms) No. 23/RD & PR (E7) Department, dated. 15.03.2013 with effect from 01.04.2013 are administered by the Director of Local Fund Audit. During 2018-2019, 70 claims were settled and were sanctioned Rs.18.87 lakh under Pensioners' Health Fund Scheme and 226 claims were settled and were sanctioned Rs.79.10 lakh under Family Security Fund Scheme.

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

The Provident Fund Deposits of Local Body Employees and the investments there from were taken over by Government in 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.18 crore was sanctioned by the Government during the year 2018-19 and the entire allotment has been utilized for sanction of interest claims to the Local Bodies.

f) 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 publishes the scheme of administration of the endowment. The interest amount realised from the Endowments is released to the institutions

concerned upon filing of applications. At present, there are 4 Central Endowments worth Rs.17.75 lakh and 886 State Endowments worth Rs.29.56 crore under the custody and control of the Treasurer of Charitable Endowments. During the year 2018-19, out of the interest proceeds of endowments, a sum of Rs.38.76 lakh has been distributed to 242 Endowment institutions towards the award of scholarships, prizes, medals etc.,

CONTRIBUTORY PENSIONS SCHEME / AUDIT BY THE DEPARTMENT OF LOCAL FUND AUDIT

47. As per G.O. Ms. No.260 Finance (Pension Grievances Cell) Department dated.15.10.15, the Director of Local Fund Audit audits the accounts relating to the Contributory Pension Scheme (CPS) maintained by the Local Bodies so as to ensure the correctness of subscription of the employees and contribution of the Local Body. Contributory Pension Scheme accounts for all the 385 Panchayat Unions have

been audited for the period up to 2017-2018. In respect of other Local Bodies such as 11 Corporations, 124 Municipalities and 528 Town Panchayats, Local Fund Audit department has been verifying the correctness of the Contributory Pension Scheme accounts as and when data are uploaded by these local bodies.

Status of Audit

48. Audit for the year 2017-18 in respect of Panchayat Unions, District Panchayats, Corporations, Municipalities, Town Panchayats, Universities and other institutions have been completed. Audit for the year 2017-18 in respect of 22% of Village Panchayat is in progress. Audit of Panchayat Unions for the year 2018-19 is proposed to be completed by 30.09.2019 and the audit of the remaining institutions will be completed by 31.12.2019.

Audit Fees

49. This department has been charging full audit cost as audit fee from the universities and 50% of audit cost as audit fee from the Municipal Corporations and Municipalities and 2% of total expenditure as audit fees from Agricultural Market Committees. As against the demand of Rs.1,488.68 lakh for the year 2018-19, a sum of Rs.1,379.87 lakh was remitted as audit fees by the above mentioned institutions during financial year 2018-19.

Recovery of Excess Payment pointed out in Audit

50. A sum of Rs.3,987.17 lakh has been recovered during 2018-2019 on account of settlement of audit objections relating to Village Panchayats, Panchayat Unions, Town Panchayats Municipalities, and Corporations.

CO-OPERATIVE AUDIT DEPARTMENT

51. The Department of Co-operative Audit is functioning as a separate department with effect from 17.6.1981 as per the recommendations of the Santhanam Committee and the Administrative Reforms Commission. As per Section 80 of Tamil Nadu Co-operative Societies Act, 1983, the main function of the Co-operative Audit Department is to conduct audit of all Co-operative Societies functioning under the administrative control of 14 Functional Registrars, except Multi State Co-operatives and Milk Co-operatives.

52. The Co-operative Societies under the control of the following Functional Registrars are coming under the audit purview of the Co-operative Audit Department.

Sl. No.	List of Functional Registrars	Total No. of Societies
i	Registrar of Co-operative Societies	8558
ii	Director of Handlooms and Textiles	1344
iii	Commissioner of Industries and Commerce	311
iv	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	393
v	Chief Executive Officer, Palm Products Development Board	504
vi	Registrar of Co-operative Societies (Housing)	822
vii	Director of Fisheries	1330
viii	Commissioner of Animal Husbandry and Veterinary Services	110
ix	Commissioner of Sugar	17
x	Director of Agriculture (Oil Seeds)	65
xi	Director of Agro Engineering and Service Cooperative Societies	117
xii	Director of Sericulture	24
xiii	Director of Social Welfare & Nutritious Meal Programme	122
xiv	Director of Rural Development and Panchayat Raj	51
	TOTAL	13768

Scope of co-operative audit department:

53. The main objective of the Co-operative Audit is to audit the accounts of the societies and to ensure that the Balance Sheet and Profit and Loss Account have been drawn properly and that they represent a true and fair picture of the state of affairs of the societies. In addition, this department assists the members of the societies, by auditing whether the societies' functions are in accordance with the relevant Acts, Rules and procedures and also 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.

Concurrent Audit of Urban Banks and Central Co-operative Banks

54. After the implementation of the Prof.Vaidhyathan Committee Report in 2009, the statutory audit of all Central Co-operative

Banks and following the recommendations of Reserve Bank of India, the statutory audit of Urban Co-operative Banks with deposits above Rs.25 crore were entrusted to Chartered Accountants. The auditors of the Co-operative Audit Department are entrusted with the task of concurrent audit in these Banks.

Statutory Audit and Audit Fees

55. The statutory audit of small primary co-operative societies has to be completed within a period of 45 days. Audit fee is collected for the period of audit from the respective societies and remitted into the Government Account. A sum of Rs.2.57 crore has been collected as audit fees for the period from 01.04.2018 to 31.03.2019.

Under FR 127, the statutory audit of bigger societies having voluminous transactions is conducted by deploying full time personnel for

which more than 45 days are allowed, and as per G.O (Ms) No.340, Finance (Co-operative Audit) Department, Dated: 21.09.2012. 45 percent of the salary cost is recovered from the respective societies as cost of audit. A sum of Rs.12.91 crore has been recovered during 2018-2019.

Status of Audit Progress

56. Audit progress for the past five years are as follows:

Sl. No.	Year of Audit	Total Societies	Audit Completed and reports issued	Pending Societies
1	2013-2014	15955	15416	539
2	2014-2015	14644	14123	521
3	2015-2016	14017	13436	581
4	2016-2017	14007	13320	687
5	2017-2018	13768	12460	1308

57. Since the accounts of the societies are pertaining to the period from 1st April to 31st March (Financial year) audit is being taken after the completion of financial year. Audit of accounts for the year 2017-18, have been completed for 12,460 out of 13,768 societies during 2018-2019. The audit of the remaining societies will be completed before 30.09.2019. Pending enquiries under Section 81 of TNCS Act, 1983, investigation of the Commercial Crime Investigation Wing, court cases, non-production of books, and accounts not being written are some of the reasons for not completing the audit of certain societies upto the year 2017-2018. Efforts are being taken to complete the audit work early.

Special Reports

58. When serious defects are noticed during the audit, they are brought to the notice of the Functional Registrars concerned by

submitting a Special Report with full facts of the case. During the year 2018-2019, 619 Special reports were issued involving an amount of Rs.64.36 crore.

Appointment of New Junior Co-operative Auditors

59. This department has undertaken restructuring of its cadre strength. Action has been taken to fill up the 685 vacant entry level posts of Junior Co-operative Auditors by direct recruitment through the Tamil Nadu Public Service Commission.

Capacity Building to the Auditors

60. To improve the quality of audit skills among the auditors, the department is conducting various types of training programmes and also conducting 3 day refresher classes every year.

Audit Information Management System (AIMS)

61. Audit Information Management System (AIMS) is an Internet based application by which audit related information like audit plan submission and approval, audit chart preparation, audit progress, auditor diary submission and approval digital audit report submission, audit fees and Fundamental Rule cost collection details and special report details are compiled online. AIMS is pivotal e-governance initiative of the department.

SMALL SAVINGS DEPARTMENT

62. The primary objective of the small savings programme is to promote the habit of thrift and savings among citizens of the country and small saving schemes have been always an important source of household savings in India. The emphasis, is to bring the small depositors into the fold of the savings movement and ensuring that their investment in the schemes are highly secure and fetching reasonable rate of return. The State Commissionerate of Small Savings endeavors to plant and promote the seeds of thrift and benefits of small savings among the people of Tamil Nadu and is mainly concerned with the promotion of various small savings schemes implemented through the Department of Posts.

63. Till 2015-16, the net small savings collections mobilized within the State had been sanctioned as a long term loan either fully or

partially to the concerned State Government. However, based on the recommendations of the Fourteenth Finance Commission, that the State should not be compelled to avail loan from the National Small Savings Fund and also accepting the request of the Government of Tamil Nadu the State has been excluded from availing small savings loans from 2016-17 onwards.

Small Savings Schemes

64. A number of small savings schemes are in existence to suit the requirements of different segments of the society. The Government of India revises the rate of interest for the small savings schemes periodically on 1st of January, April, July and October every year.

65. This information is also provided in the department's website www.tnsmallsavings.org and periodically updated. The current rate of interest for the schemes as on 01.07.2019 is given below:

Sl. No.	Scheme	Rate of Interest (%) w.e.f 01.07.2019	Compounding frequency
1.	Post Office Savings Account (POSA)	4.0	Annually
2.	Time Deposit (TD)		
a	1 year TD	6.9	Quarterly
b	2 Year TD	6.9	Quarterly
c	3 year TD	6.9	Quarterly
d	5 year TD	7.7	Quarterly
3.	Post Office Recurring Deposit (PORD) (5 years)	7.2	Quarterly
4.	Senior Citizen Savings Scheme (SCSS) (5 years)	8.6	Quarterly and paid
5.	Post Office Monthly income Scheme (POMIS) (5 years)	7.6	Monthly and paid
6.	National Savings Certificate (NSC VIII Issue) (5 years)	7.9	Annually
7.	Public Provident Fund/ Ponmagan Podhu Vaipu Nidhi (15 years)	7.9	Annually

8.	Kisan Vikas Patra (KVP)	7.6 (will mature in 112 months)	Annually
9.	Sukanya Samriddhi Account (Selvamagal Savings Scheme)	8.4	Annually

Selvamagal Scheme:

66. Government of India has launched Selvamagal Semippu Thittam, a savings scheme meant for girl children with effect from 03.12.2014. This scheme is exclusively for girl children below 10 years and allows parent or guardian to deposit up to a maximum of Rs.1.5 lakh per year. The current interest rate for this scheme is 8.4 percent with effect from 01.07.2019.

Ponmagan Podhuvaippu Nidhi:

67. Considering the enthusiastic public response for “Selvamagal Semippu Thittam”, the

Department of Posts has renamed the Public Provident Fund scheme as 'Ponmagan Podhuvaippu Nidhi' which is aimed at benefiting male children, with effect from 04.09.2015. This account may be opened by the parent or guardian in the name of a child below 10 years and for the children above 10 years, the account can be opened by themselves. In a year, deposits upto a maximum of Rs.1.5 lakh can be made and an interest rate of 7.9% is offered with effect from 01.07.2019.

Senior Citizen Savings Scheme

68. The rate of interest given for the 5 year Senior Citizen Savings scheme is 8.6% with effect from 01.07.2019. Interest is payable quarterly and the account may be extended for another three years. Premature closure is also allowed after one year at a discount of 1.5% and after two years at 1% discount of the deposit amount.

Small Savings Collection:

69. The small savings collections recorded in Tamil Nadu during the financial years 2013-14 to 2018-19 are furnished below:

(Rs. in Crore)

Sl. No.	Financial Year	Target	Gross	Withdrawal	Net
i	2013-14	--	9,624.19	10,354.97	-730.78*
ii	2014-15	--	10,936.37	12,020.49	-1,084.12*
iii	2015-16	--	17,259.82	15,314.41	1,945.41
iv	2016-17	--	20,737.29	17,227.19	3,510.10
v	2017-18	--	25,257.16	17,301.21	7,955.95
vi	2018-19	--	31,923.58	19,511.08	12,412.50

(*withdrawals during the financial years 2013-14 and 2014-15 were higher than the collections.

Agency System and Awards Agency System:

70. Agents are appointed throughout the State for mobilization of savings. They play a vital role in small savings promotion and collection. Under the Mahila Pradhan Kshetriya Bachat Yojana (MPKBY), women alone are being appointed as Small Savings Agents with priority

to canvass Post Office Recurring Deposit (PORD) scheme.

At present 17,152 agents have been registered and are functioning in Tamil Nadu as on 31.03.2019 as shown below: -

Sl. No	Type of Agents	Total No. of Small Savings Agents
1.	Standardised Agency System (SAS)	3,530
2.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	13,622
Total		17,152

Awards:

71. Government of India pays commission to agents for the deposits mobilized through them under a few small savings schemes. The Government of Tamil Nadu, in order to motivate Small Savings Agents and to inculcate the habit of savings among the general public, gives Cash

Awards and Shields to the Mahila Pradhan Ksetriya Bachat Yojana (MPKBY) agents at the Block, District and State level and at the District and State level for Standardized Agency System (SAS) agents every year. In 2018-19 cash awards and shields worth Rs.9,68,000/- have been given to 709 agents.

World Thrift Day

72. The World Thrift Day is observed by the Small Savings Department on 30th October every year. The department plays a vital role in encouraging the twin habits of thrift and savings in small savings schemes and addresses the grievances of investors and agents through online (www.tnsmallsavings.org) all over Tamil Nadu. District Collectors in the districts and the Commissioner of Greater Chennai Corporation in Chennai city play a vital role in advocacy of small savings schemes during the World Thrift Day celebrations every year. Essay, oratorical,

dance and drama competitions on the theme of small savings are conducted for the students and awards given to the winners by the Department. Further, a State level function is also held in Chennai with the participation of officials and the general public.

Publicity

73. In order to create awareness among the public, Small Savings Department participates in the Government Exhibition by erecting Small Savings pavilion and distributing pamphlets in Trade Fair at Chennai and other districts. Also this department conducts dramas and plays to emphasize the importance of small savings at the Block level in the districts every year. In 2018-19, a sum of Rs.10.00 lakh has been incurred for conducting 250 street plays in various villages.

GOVERNMENT DATA CENTRE

74. With the objective of ensuring a more meaningful analysis of financial data and better budgeting through analysis of the accounts of the State using electronic data processing equipment, the Government established the Central Budget Data Processing Centre in 1971. The main intention of the Government was to utilize the electronic data processing facilities in due course to form the nucleus of the Management Information System for Government. Hence, a full-fledged Government Data Centre was established in 1972. For administrative convenience both the above Centres were merged and the Government Data Centre was established in 1975. This Centre now deals with the following functions:-

1. Contributory Pension Scheme
2. Contributory Pension Scheme for Employees of Local Bodies
3. GPF Scheme for the employees of Puratchi Thalaivar MGR Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS)
4. Direct Benefit Transfer (DBT) of funds to the bank accounts of the farmers supplying sugarcane to sugar mills

Contributory Pension Scheme

75. Government Data Centre has been maintaining Contributory Pension Scheme accounts of the Panchayat Union Schools / Aided Educational Institutions / Municipal Schools and Local Body employees as per G.O.Ms.No.201

Finance (Pension) Department, dated 21.05.2009. In G.O.Ms.No.463, Finance (Pension Grievances Cell) Department, dated 27.12.2013 one Contributory Pension Scheme of Government Employees maintained by the Accountant General was entrusted to the Government Data Centre with effect from 01.01.2014.

76. The details of Contributory Pension Scheme Index numbers assigned by the Government Data Centre are as follows:

Sl. No	Details of Employees	CPS Index Numbers allotted upto 31.03.2019
1.	Government Employees	4,13,991
2.	Aided Educational Institutions / Panchayat Union / Municipal Schools Employees	99,568
3.	Local Body Employees	28,718
	Total	5,42,277

77. The Contributory Pension Scheme account slips for Government employees, Employees of Aided Educational Institutions, Panchayat Union Schools and Municipal Schools have been issued upto the year 2017-18 for 4,47,573 subscribers.

Issue of Final Account Slip

78. The Treasuries and Accounts Department has recommended the issue of final account slip for 11,801 employees upto the period 31.03.2019 as per orders issued in G.O.Ms.No.59, Finance (Pension Grievances Cell) Department, dated 22.02.2016. After due verification, 10,959 employees' final account slips were handed over to the Treasuries and Accounts Department for authorization. In accordance with the same, a sum of Rs.484.92 crore has been released to the employees concerned.

Local Body Employees - Contributory Pension Scheme

79. The number of non-provincialised employees working in Local Bodies under the Contributory Pension Scheme is 28,718. Based on the online Data Entry of subscription, matching contributions by Local Bodies and audit by the Local Fund Audit Department, the account slips for non- provincialised employees have been released upto the year 2017-2018.

General Provident Fund Scheme for the Employees of Puratchi Thalaivar MGR Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS)

80. The Government, in G.O.Ms. No.108, Social Welfare and Nutritious Meal Programme Department, dated:19.04.2010 has entrusted the work of maintaining the General Provident Fund Account for the Puratchi Thalaivar MGR Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS)

Scheme employees, to the Government Data Centre. The number of subscribers enrolled in this Scheme is 2,02,494 as on 31.03.2019.

81. In G.O.Ms.No.53, Social Welfare and Nutritious Meal Programme Department, Dated 20.07.2015, guidelines were issued for this Scheme and accordingly the recovery under General Provident Fund is being made from the NMP and ICDS employees since August 2015. Based on the text files received from the Treasuries/PAOs Account slips for the employees have been processed and hosted in the website for the years 2015-16, 2016-17, and 2017-18. The Account Slips processing work for the year 2018-19 is in progress.

Final Settlement Work

82. In Government Letter No.5992 / SW-4-2 / 2017, dated: 12.04.2018, Final Settlement forms have been issued for NMP and ICDS employees and authorized the Commissioner,

Government Data Centre for Final Settlement. Upto 31.03.2019, a total of 1,340 Final Settlement applications have been received on behalf of retired/deceased employees of the NMP and ICDS Schemes. After due verification, 711 Final Authorization orders have been issued, upto 31.03.2019.

Budget Allotment for CPS for the year 2018-2019

83. The subscription amount towards Contributory Pension Scheme recovered from the Government employees, Aided Schools and Colleges, Panchayat Schools and Municipal Schools Teachers for the year 2018-2019 amounting to Rs.2,225.78 crore, the matching Government contribution and interest thereon have been transferred to the relevant Contributory Pension Scheme accounts maintained under Major head "8342" in the Public Account.

Direct Benefit Transfer of funds to the bank accounts of farmers supplying sugarcane to Sugar Mills :

84. As per G.O.Ms.No.191, Agriculture (S1) Department dated 24.07.2018, the database preparation for the payment of incentive for 2017-2018 under the Direct Benefit Transfer of funds to the bank accounts of farmers supplying sugarcane to Sugar Mills was done by Government Data Centre and an amount of Rs.15 lakh has been sanctioned. At present, the database preparation work for 2018-2019 crushing season is under progress.

INTERNAL AUDIT AND STATUTORY BOARDS AUDIT DEPARTMENT

Statutory Audit

85. The State Trading Schemes audit department constituted in the year 1969 was reorganized in GO.Ms.No.598, Finance (Local Fund) department, dated 03.08.1992 by realigning the functions of the existing Local Fund Audit department and State Trading Schemes audit department, providing greater scope for internal audit in Government departments by Chief Internal Auditor and Chief Auditor of Statutory Boards. The following Boards and Institutions are coming under the purview of the Internal Audit and Statutory Boards Audit Department.

Sl. No	Name of the Institution	Year of Completion of Audit
(I)	Tamil Nadu Khadi & Village Industries Board.	2016-17
(II)	Tamil Nadu Slum Clearance Board.	2016-17
(III)	Tamil Nadu Housing Board	2016-17
(IV)	Chennai Metropolitan Development Authority	2017-18
(V)	Tamil Nadu Labour Welfare Board (Statutory)	2017-18
(VI)	Tamil Nadu Wakf Board	2014-15

The audit of the above statutory institutions (except Sl.No.V & VI) are conducted annually on concurrent basis. The audit reports of these institutions are issued within the stipulated time frame and the paragraphs of serious irregularities are brought to the notice of the Government and Public Undertakings Committee of the Tamil Nadu Legislative Assembly.

Audit of Non Statutory Bodies

86. The audit of the following Non-Statutory institutions are conducted by this Department.

Sl. No	Name of the Institution	No. of. Centre / Institutions
(I)	Puratchi Thalaivar MGR Nutritious Noon Meal Scheme	96205
(II)	Agriculture Extension Centres	881
(III)	Weights and Measures Institutions	333
(IV)	Govt. Institutions receiving Grants-in-Aid	1096
(V)	Non-Govt. Institutions receiving Grants-in-Aid	733

In addition to the above mentioned statutory boards and non statutory bodies, the audit of the following institutions is also entrusted to this department:

1. Tamil Nadu Sports Development Authority
2. Tamil Nadu Text Book and Educational Services Corporation
3. Chief Minister's Uzhavar Pathukappu Thittam (Social Security Scheme)
4. Folk Artist Welfare Board
5. Tamil Nadu Manual Labourers Welfare Board
6. 15 Non-Formal labourers' Welfare Boards
7. SC / ST Post Matric Scholarship Scheme
8. Anna Institute of Management
9. District Child Protection Units
10. Miscellaneous institutions

Audit Certificate

87. This department is certifying the entitlement to grants of the aided institution concerned, besides certifying Pension and

Provident Fund closure proposals of employees of all the auditee Boards.

Other Functions.

88. At present, in 19 Government departments, the Internal Audit functions are being supervised by the officials of this department in the cadre of Assistant Director / Inspectors.

In addition, the audit of accounts of the following institutions / activities / funds are being undertaken by this Department:

1. National Service Scheme in Deemed Universities
2. Tamil Nadu Government Health Fund Schemes
3. Family Security Fund
4. Hon'ble Chief Minister's Public Relief Fund

5. Government Aided Polytechnics and Engineering colleges
6. Audit of pay fixation of Government employees in all departments. Audit in respect of Commercial Tax Department, Registration Department, Transport Department has been completed
7. Audit of the expenditure of Parliament and Legislative Assembly elections

Follow up action taken on Audit Reports

89. The gist of audit paragraphs which are serious in nature are being brought to the notice of Head of the departments and the Secretaries to Government concerned for corrective action.

Audit Fees

90. The demand for audit fees are raised on the basis of the actual cost of audit or

average cost. The audit fees are remitted by the institutions into Government account.

Audit Manual

91. The Internal Audit department Manual First Edition of Volume III A & B for the Department of Internal Audit was released in May 2019.

**O.PANNEERSELVAM
DEPUTY CHIEF MINISTER**