



FINANCE DEPARTMENT

DEMAND No.16

POLICY NOTE

2015-2016

O. PANNEERSELVAM
Minister for Finance and Public Works

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Government of Tamil Nadu
2015

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INTRODUCTION:

“Employ one who widens revenue sources

Promotes wealth and removes hurdles”

Following these precepts of the Divine Poet Thiruvalluvar, this Government, under the able leadership of the Hon’ble Chief Minister, mobilizes resources through all possible ways in an appropriate and efficient manner and such resources are prudently used by formulating and implementing various useful schemes for the welfare of the people of Tamil Nadu in an exemplary manner in the last four years.

2. Under the able leadership of the Hon'ble Chief Minister, this Government has consistently presented five annual budgets including the budget for the current financial year with many innovative schemes, and highlighting the achievements of this Government.

3. The main functions of Finance Department are:

- (i) Formulation of policies of the State Government in respect of overall financial management of the State and review of the related policies.
- (ii) Preparation of the Annual Financial Statement of the Government and presenting it to the Legislature every year.
- (iii) Managing the public finances of the Government of Tamil Nadu.

- (iv) Custodian of the State Exchequer.
- (v) Overall responsibility of balancing receipts and payments besides meeting debt obligations.
- (vi) Critical evaluation and scrutiny of expenditure proposals of various departments of the Government 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.

4. The Hon'ble Chief Minister has unveiled the second volume of the Tamil Nadu vision 2023 document on 21.02.2014 which contains the sector specific strategies and profiles of various identified critical infrastructure projects proposed for

implementation to achieve an overall investment of Rs.15 lakh crore in all the critical sectors of the State economy. The third volume of the Tamil Nadu Vision 2023 document – “Infrastructure Action Plan” which is the implementation road map for realizing the Tamil Nadu Vision 2023 has been approved by the Tamil Nadu Infrastructure Development Board.

5. Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC) has been incorporated on 15.07.2015 which will act as an Asset Management Company. The Tamil Nadu Infrastructure Fund Management Company Limited will establish and manage new Infrastructure Finance Vehicles (IFVs) including an Infrastructure Debt Fund (IDF), Alternative Investment Fund (AIF) Category-I and Infrastructure Investment Trust (InvIT) as per

Securities and Exchange Board of India guidelines. This would be a fourth generation financial institution in Tamil Nadu and will be set-up in partnership with Banks, Insurance Companies and reputed Private Financial Institutions. Funds would be raised from potential investors based both in India and abroad and such funds would be used to lend/invest in public projects, either under public-private partnership (PPP) mode or Engineering, Procurement and Construction (EPC) mode.

6. The Government has also approved the Madurai Thoothukudi Industrial Corridor Project. As part of the governance structure, action is being taken to set up Madurai Thoothukudi Industrial Corridor Project Development Fund and Madurai Thoothukudi

Industrial Corridor Project Implementation Revolving Fund.

7. Accordingly, the Government has issued orders to constitute the above funds under the control of Finance department. The management of these funds will also be entrusted to the Tamil Nadu Infrastructure Fund Management Company Limited (TNIFMC). All these efforts are initiated to mobilise additional resources to fill the huge resource gap and fund the large number of infrastructure projects to trigger higher economic growth.

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

TREASURIES AND ACCOUNTS DEPARTMENT

9. Treasuries and Accounts Department headed by the Director of Treasuries and Accounts is functioning under the administrative control of the Finance Department with Six Regional Joint Directors' Offices. There are seven Pay and Accounts Offices,

two Sub Pay and Accounts Offices, 32 District Treasuries, one Pension Pay Office, one Assistant Superintendent of Stamps Office and 229 Sub Treasuries providing treasury related services.

e-Governance Initiatives

(i) Web Payroll:

10. The Web Payroll is implemented in the offices of Treasury Department from 2013-2014 and has been extended now to other departments. The pay bills are processed through Web Payroll which would facilitate establishment of Centralized Employees' Database from which Management Information System reports like Number Statement, Payroll related reports etc., could be generated which will serve as an effective tool in the Human Resources Management System.

(ii) Integrated Financial and Human Resources Management System (IF&HRMS):

11. The Integrated Financial and Human Resources Management System (IF&HRMS) is being implemented for the effective and efficient financial management by integrating the Financial and Human Resources management. Based on the Detailed Project Report prepared by M/s.Accenture Services Private Limited, Chennai, tender was floated for system integrator and M/s.WIPRO was awarded the contract for executing this project at a cost of Rs.288.91 crore. The works on implementation of this project is now undertaken by M/s.WIPRO and are in progress.

12. On implementation of the Integrated Financial and Human Resources Management System (IF&HRMS), more than 22,000 drawing and

disbursing officers throughout the State will be able to submit the bills to the Treasury through online. This Integrated Financial and Human Resources Management System (IF&HRMS) will take care of the Common payment Gateway Services by which the Government can be benefited with the real time collection and accounting of revenue. The public will also enjoy the benefit of hassle free and instantaneous services. This system will pave the way for smooth maintenance of Service Register of the all Government Employees by which the employee's pay bill, promotion, transfer, leave management etc., are updated on real time basis. The Integrated Financial and Human Resources Management System (IF&HRMS) will have security features like Bio Metric authentications, Digital Signatures etc. After rolling out the scheme, the

Government will be able to know the real time fund position of the State and to take immediate decisions on robust management of Finance & Human Resources.

(iii) e-Pension:

13. This scheme has been implemented in Pension Pay Office, Chennai and in all the Districts with effect from 01.09.2013. Under this scheme, all the details of the pensioners are fed into the computer system and monthly pension and other monetary benefits to the pensioners are credited directly to the bank account of the pensioners through Electronic Clearing Service/Regional Electronic Clearing Service (RECS). All the pensioners can view their pension benefits being credited into their bank accounts through online.

(iv) Mustering of Pensioners:

14. Keeping the difficulties of the senior citizen, this department is taking initiatives to simplify the annual mustering process by incorporating the provisions of bio-Metric identification through finger print reader and taking photo by using Web-camera. During mustering, finger prints and photo of the pensioners are captured in the computer in all the Treasuries and Pension Pay Offices with the help of National Informatics Centre, Chennai.

15. Apart from this, the Integrated Finance and Human Resource Management System (IF&HRMS) will also help in creating hassle free and user-friendly environment for the pensioners to receive all the required services from the Government.

(v) Digitization of Pension Records:

16. The work of digitization of pension records is under process at Pension Pay Office, Chennai and in all Treasuries throughout the State through ELCOT. An amount of Rs.1.26 crore was sanctioned by the Government for this purpose. After digitization, it will be linked with the web enabled e-pension software. On completion, scanned records will be linked to the pensioners' data available in the e-pension application. It will provide secured and sustainable storage, easy and multiple accesses of pension records. The work of digitization of pension records is nearing completion.

(vi) Digital Life Certificate for Pensioners:

17. There are 7,14,041 pensioners in the State of Tamil Nadu and out of which, 6,31,074 are

receiving pension from Pension Pay Office at Chennai, District Treasuries and Sub Treasuries and the remaining 82,967 pensioners draw pension through the Public Sector Banks. At present the Pensioners, soon after their retirement from the service, are required to appear before the Pension Disbursing Authorities to submit all the necessary documents including their biometrics. During the annual mustering exercise conducted from April to June every year, they are required to be either personally present themselves before the Pension Disbursing Authority or to produce the Life Certificate issued by the prescribed authority.

18. It causes a lot of hardship and unnecessary inconvenience particularly for the aged and infirm pensioners who cannot always be in a

position to present themselves in front of the prescribed authority to secure their life certificates. Also in recent times, there has been an increasing trend of Government employees after their retirement, migrating to different locations within the country or even abroad. These pensioners face problems in producing the life certificates or being present themselves during the annual mustering exercise.

19. In order to streamline the process of getting life certificate and making it transparent and hassle free, a new initiative namely “Digital Life Certificate for Pensioners” will be implemented during the current financial year. It is a digital service for the pensioners. Digital Life Certificate can be registered by the pensioners through Common Service Centers, Banks, Treasuries

or even by downloading the application on any personal computer or mobile phones by using bio metric devices. Pension Disbursing Authorities can easily access the life certificates for scrutiny and pensioners can download their digital life certificate from the Digital Life Certificate Repository. Once this initiative is put in operation, human interface is reduced to the minimum level.

New Health Insurance Scheme-2012:

20. The New Health Insurance Scheme-2012 is being implemented from 01-07-2012 through United India Insurance Company Limited, a Public Sector Undertaking. This scheme aims to provide health care assistance to the employees of Government Departments, Local Bodies, Public Sector Undertakings, Statutory Boards and State

Government Universities, willing State Government Organizations/Institutions and their eligible family members with provision to avail assistance upto Rupees Four Lakh for a block period of four years.

21. Under this Scheme, 113 treatments and surgical procedures are covered on **cashless** basis through 649 networked hospitals located in Tamil Nadu, Puducherry, Bengaluru, Thiruvananthapuram and New Delhi. From the date of commencement of the scheme i.e. from 1.7.2012 to 31.08.2015, so far 1,49,844 beneficiaries availed medical assistance to the tune of Rs.591.33 crore.

Pensioners New Health Insurance Scheme-2014:

22. Pensioners New Health Insurance Scheme-2014 is one of the new initiative of this Government. It is implemented from 01.07.2014

through Public Sector undertaking namely, United India Insurance Company Limited to provide health care assistance to the Pensioners (including spouse)/Family Pensioners on a **cashless** basis, with provision to avail medical assistance upto Rupees Two Lakh for a block period of four years (2014-2018).

23. Under the scheme, 114 treatments are covered to avail medical assistance. (i.e. 60 treatments/surgeries and 54 medical care procedures). Now, 647 hospitals have been empanelled under the scheme. From the date of commencement of the scheme i.e. from 1.7.2014 to 31.08.2015, so far 53,790 pensioners availed cashless medical assistance for a sum of Rs.153.10 crore.

Contributory Pension Scheme (CPS):

24. Contributory Pension Scheme has been implemented for the employees who are appointed on or after 01.04.2003. This scheme is being implemented by recovering the contribution from each employee along with equal amount of contribution by the Government. The recovery is being made from the first month of joining of the employee in Government service. The interest will be paid from the month of recovery made and the entire amount is transferred to the Pension Fund.

25. Contributory Pension Scheme is now implemented by the Directorate of Treasuries and Accounts with the assistance of the Government Data Centre and National Informatics Centre. The Contributory Pension Scheme index number is being

allotted to employees and Contributory Pension Scheme account slips up to 2012-2013 were issued by the Accountant General, Chennai and for the year 2013-2014 was issued by Government Data Centre (GDC). Implementation of Contributory Pension Scheme and its progress are being monitored by the Directorate of Treasuries and Accounts.

Formation of New Sub-Treasuries:

26. During the last three years, 23 new Sub Treasuries have been formed thereby making the total number of Sub Treasuries to 229. The formation of 14 more Sub Treasuries in the newly formed Taluks are under process so as to access the public easily.

Construction of own buildings:

27. Out of the 32 District Treasuries of the Treasuries and Accounts Department, 29 are

functioning in Government Buildings and the remaining 3 District Treasuries viz., Chennai, Thoothukudi and Tiruppur are functioning in rented buildings. The construction of own building for District Treasury, Thoothukudi has been completed now and the works for construction of building for District Treasury, Tiruppur in the Master Plan Complex of the District Collectorate of Tiruppur is nearing completion. The District Treasury, Chennai will be accommodated in the proposed Integrated Finance Department Office Complex Building to come up at Nandanam, Chennai, thereby this Government will ensure that all District Treasuries are functioning only in the Government owned building.

28. As regards Sub-Treasuries, orders for construction of own buildings have been issued for 64

Sub Treasuries functioning in private rental buildings during the last three years and the construction process is in various stages. Of which, 15 buildings were completed and construction is in progress in respect of 42 buildings. Land transfer activities are in progress for 7 buildings.

29. This Government has also taken up for the construction of an integrated complex for the 10 offices functioning under the administrative control of Finance Department at a cost of Rs.21.60 crore. Now, the construction works are in the advanced stage and it is expected to be completed within this financial year.

LOCAL FUND AUDIT DEPARTMENT

30. The Local Fund Audit Department was established based on the orders issued in G.O.Ms.No.125, Finance Department, dated 10.02.1921 and entrusted with the task of statutory audit of Urban and Rural Local Bodies, Universities, Agricultural Market Committees, Local Library Authorities and some selected institutions in the State under the provisions of the respective Acts governing these institutions.

31. As per the recommendations of the Thirteenth Finance Commission and Second State Finance Commission and to ensure effective spending of the grant of Centre and State by the Local Authorities and other authorities and to promote public confidence on how the public fund is expended by

such authorities, Tamil Nadu Local Fund Audit Act, 2014 (TN Act No 24 of 2014) has been enacted in the Tamil Nadu Legislative Assembly.

32. The audit of the institutions mentioned in the schedule of the Act and the other institutions as per the provision of section 5 of the Act will hereafter be undertaken by the Director of Local Fund Audit as per the provisions of the Tamil Nadu Local Fund Audit Act and the rules being framed there under.

33. The Act provides statutory status to the audit done by the Director of Local Fund Audit and also enables placing the annual consolidated report of the accounts audited by the Director of Local Fund Audit in the Legislative Assembly along with the report of Comptroller and Auditor General of India.

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

Sl. No	Name of the Institutions	Total No.
(i)	Municipal Corporations	12
(ii)	Municipalities	126
(iii)	Town Panchayats	528
(iv)	District Panchayats	31
(v)	Panchayat Unions	385
(vi)	Universities	23
(vii)	Local Library Authorities	32
(viii)	District Agricultural Market Committees	21
(ix)	Tamil Nadu Agricultural Marketing Board	1
(x)	Agricultural Engineering Wings	2
(xi)	Koyambedu Market committee	1
(xii)	Local Planning Authorities	27

(xiii)	Village Panchayats (Test Audit Only)	2506
(xiv)	Miscellaneous Institutions	9

Audit of Local Body Institutions

35. Local Fund Audit team checks the accounts of the Local Body institutions and conduct proprietary audit on the income and expenditure of the auditee institutions, in order to ensure whether the transactions are as per Acts, Rules and Government Orders and that the accounts represent a true and fair view of the state of affairs of the Local Bodies. The Local Fund Audit ensure effective utility of the grants given by Government and other funding agencies and to safeguard the interest of the tax payers money is judiciously utilized for the purpose it is meant for.

Test Audit of Village Panchayats

36. The test audit of 20% of the total Village Panchayats is being done by this department as the regular audit is taken care of by internal audit system. Accordingly, 2506 Village Panchayats are audited by this department every year. In addition, test audit of 2% of Village Panchayats are taken up by the department based on the higher receipts, or value of works undertaken and in case of specific complaints forwarded by the Commissioner of Rural Development and Panchayat Raj.

Audit of World Bank Funded Institutions

37. The World Bank funded Institutions are also audited by this department. The audit of World Bank funded projects of Tamil Nadu Agricultural University,

Coimbatore has been entrusted to this department and the audit was completed up to 2013-2014.

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

38. The "Concurrent Audit System" is in vogue in 12 Corporations, 10 Municipalities and 14 Universities with the audit units of this department. The concurrent audit system was also introduced in all the 385 Panchayat Unions from the year 2000-2001. Audit Parties consisting of one Inspector, one Deputy Inspector/one Assistant Inspector for every three or four Panchayat Unions with headquarters at selected 116 Panchayat Union Offices have been formed for this purpose.

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

39. Immediate Post Audit is conducted in the following 12 Corporations and 10 Municipalities where the Concurrent Audit sections are functioning. Under this system, the payment vouchers are audited immediately after the payment is made and the defects noticed are communicated to administration. This system facilitates the rectification of defects by the administration then and there.

S.No.	CORPORATIONS	MUNICIPALITIES
(i)	Chennai	Avadi
(ii)	Salem	Kancheepuram
(iii)	Coimbatore	Cuddalore
(iv)	Trichy	Karur
(v)	Madurai	Kumbakonam
(vi)	Tirunelveli	Pudukottai
(vii)	Tuticorin	Palani
(viii)	Vellore	Pollachi

(ix)	Tiruppur	Udhagai
(x)	Erode	Nagercoil
(xi)	Thanjavur	-
(xii)	Dindugul	-

40. The audit objections noticed during the concurrent audit 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 settled 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

41. The audit of remaining Municipalities (116), Universities (9) and other Local Bodies like Town Panchayats, District Panchayats, Market Committees, Local Library Authorities, Local Planning Authorities and other Miscellaneous Institutions are taken up annually on receipt of annual accounts.

Implementation of Accrual Based Accounting System in Urban Local Bodies

42. The Cash Based 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 2000-2001. This system was introduced in Town Panchayats with effect from 2002-2003.

43. The objective and scope of this accounting system is to maintain the accounts on Generally Accepted Accounting Principles with the preparation of Income and Expenditure Account to know the financial operation during a year and Balance sheet to know the true financial status of Urban Local Bodies at a given period of time.

44. This system enables the Urban Local Bodies to identify their available Assets with due 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 the scope of getting finances to

projects/schemes of Urban Local Bodies has been widened.

Certification of Annual Accounts of Local Bodies and Universities

45. 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 G.O. (Ms).No.93, Finance (FC-IV) Department, dated 28-3-2003.

46. The audit certificate in respect of the World Bank funded Tamil Nadu Irrigated Agriculture Modernization and Water Bodies Restoration and Management (IAMWARM) project implemented by

Tamil Nadu Agricultural University, Coimbatore is also issued by this Department.

Procedure for Settlement of Audit Objections

47. 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, such as misappropriation and loss of public money 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.

48. The replies to the audit objections are verified and dropped in genuine cases. Further, the

settlement of audit objections are 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.

49. The entry discussion and exit discussion has also been followed in respect of institutions audited and this system facilitates rectification of defects pointed out in audit. The Government has issued detailed guidelines to be followed for entry and exit discussions for Urban Local Bodies in G.O. (Ms).No.83, Municipal Administration and Water Supply department, dated 01.06.2009.

Formation of District High Level Committees and State High Level Committee

50. In respect of Panchayat Unions, District High Level Committees headed by the respective District Collectors have been formed. The State High Level Committee is functioning under the Chairmanship of the Commissioner of Rural Development and Panchayat Raj. During the year 2014-2015, 74 District High Level Committee meetings were held and decisions taken in respect of 2254 audit objections by the District High Level Committees.

51. As regards to 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 (Town Panchayat-2) Department, dated 04.01.2007. During the year 2014-2015, 26 District High Level Committee meetings were held and decisions taken in respect of 3803 audit objections by the District High Level Committees.

52. In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District High Level Committees headed by Financial Advisor of the Directorate of Municipal Administration and State High Level Committee headed by Director of Municipal Administration have been constituted in G.O. (Ms).No.65, Municipal Administration and Water Supply Department, dated 22.5.2007. During the year 2014-2015, 20 District High Level Committee meetings were held and

decisions taken in respect of 458 audit objections by the District High Level Committees.

Convening of Joint Review Meetings of Administrative and Audit Departments

53. 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. Similarly, in respect of exit discussion and approval of audit report, not only the executive authorities of auditee institutions but also the higher officers of administration are participating in the process and thereby the defects pointed out in audit are corrected then and there.

Issue of Utilization Certificates for Grants

54. Audit certificates are issued by this department for the utilization of various grants released by the State / Central Government, University Grants Commission and other funding agencies in respect of Universities and other Local Body Institutions which comes under the audit purview of this department. The Utilization Certificates are issued immediately on completion of the schemes and projects by the Local Body institutions and Universities.

Special Functions

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

i) Authorization and disbursement of Pensionary benefits to Local Body Employees

56. The certification, sanction and payment of retirement/death benefits to the employees of local bodies viz: Municipalities, Town Panchayats and Panchayat Unions are done by the Director of Local Fund Audit. Out of 34,283 pensioners and family pensioners, 32,071 pensioners and family pensioners have produced life certificate as on 31.08.2015 and are receiving monthly pension through four nationalized banks. The funds for the payment of pension/family pension are released by the Heads of Department concerned from out of the State Finance Commission Devolution to the respective pension funds maintained by this Directorate.

ii) Redressal of Local Body Pensioner's grievances

57. An Information Desk is functioning at the Directorate of Local Fund Audit for redressal of local body pensioners' grievances. The pensioners and family pensioners are able to get information required by them regarding their pension proposals and related matters without any delay.

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

58. The Health Fund Scheme and Family Security Fund scheme applicable to Government Pensioners were extended to Municipal Pensioners with effect from 01-08-1999 in G.O.(Ms).No.120, Municipal Administration and Water Supply Department, dated 25-05-1999 with all the concessions applicable to Government pensioners.

These two schemes are administered by the Director of Local Fund Audit. The details of claims admitted and amount sanctioned during the financial year 2014-2015 and in this financial year up to the month of August 2015 are as follows:-

Health Fund Scheme		Family Security Fund Scheme	
No. of Claims	Amount (Rs. in Lakhs)	No. of Claims	Amount (Rs. in Lakhs)
623	163.60	656	267.54

iv) Administration of Panchayat Union Pensioner’s Health and Family Security Fund Schemes

59. The Health Fund Scheme and Family Security Fund scheme have also been extended to Panchayat Union Pensioners in G.O.(Ms).No.23, Rural Development and Panchayat Raj Department, dated 15-03-2013. The guidelines and modalities in

implementation of the scheme have been issued in G.O. (Ms).No.142, Rural Development and Panchayat Raj Department, dated 07-11-2014.

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

60. 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 authorized to sanction interest on the balance of Provident Fund Deposits of local bodies. A sum of Rs.12 crore was sanctioned by the Government during the year 2014-15 and the entire allotment has been utilized for sanction of interest claims to the Local Bodies and a sum of Rs.4 crore was also sanctioned by the Government on 18.02.2015 for sanction of interest claims to the Local Bodies.

vi) Administration of Charitable Endowments

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

62. The interest amount realized from the endowments is released to the institutions concerned based on the requisitions received from them. At present there are 4 Central Government Endowments worth Rs.14.18 lakh and 874 State Government Endowments worth of Rs.20.20 crore under the custody and control of the Director of Local Fund Audit as Treasurer of Charitable Endowments. Out of the interest proceeds of endowments, a sum of Rs.15.76

lakh has been distributed to 273 endowment institutions towards the award of scholarships, prizes, medals etc., during the financial year 2014-2015.

Contributory Pension Scheme

63. As per the Government instructions, a special team was constituted by the Director of Local Fund Audit for verification of recovery of subscriptions under “Contributory Pension Scheme” and its remittance to Government accounts by the local bodies. These details pertaining to the period of 11 years from 01.04.2003 to 31.03.2014 were collected within the time schedule fixed by Government and verified.

64. Accordingly, employees contribution of Rs.59,24,40,463/- of 9 Corporations except Chennai, 125 Municipalities including upgraded Corporations of

Dindigul and Thanjavur, 385 Panchayat Unions and 528 Town Panchayats along with employer contribution has been remitted to Government in the respective heads of account.

e-Governance Initiatives

65. A sum of Rs.30 lakhs has been sanctioned for creating “e-Pension” software for disbursement of pension and other pensionery benefits directly to the respective bank account of the Local body pensioners through Electronic Clearing Services/Regional Electronic Clearing Services and the works are in progress.

66. For the year 2015-2016, the Government has approved in principle for implementation of the scheme “Audit Information Management System”. This will enable the auditors of

this department to work under computerized environment which will ensure better audit. Further the process of computerization of long pending audit objections of all Municipal corporations and Municipalities and categorization of the long pending audit objections with the assistance of Government Data Centre is planned which will enable easy settlement of audit objections.

Updating of Audit Manuals

67. The updating of audit manuals for Panchayat Raj institutions, Universities and training manual of Local Fund Audit Department are in progress.

Administrative Reforms

68. A sum of Rs.10 lakhs has been sanctioned for imparting training on Accrual Based

Accounting System to the Middle level auditors in this department.

69. A new Regional Joint Director's office has been created in Salem and is functioning from 01.02.2015.

Status of Audit

70. By the end of 2012-2013, the audit of auditable institutions of Local Fund Audit Department such as, Corporations, Municipalities, Panchayat Unions, Town Panchayats, Universities and Local Library Authorities were completed only upto 2008-2009 and the remaining year audits were pending. After taking concerted efforts, the pending audit of Panchayat Unions, Village Panchayats, District Panchayats were fully completed upto the year 2013-2014 as on 31.07.2015 and the audit of Municipalities

for the year 2013-2014 would be completed on or before 30.09.2015. It is programmed to complete the audit of all the Corporations (except Chennai Corporation), Universities and Local Library Authorities for the year 2013-2014 before 31.10.2015. It is also programmed to complete the audit of the above institutions for the year 2014-2015 before 30.06.2016 and to take up the current audit of 2015-2016 from 01.07.2016 onwards.

Audit Fees

71. 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 and 2% of total expenditure as audit fees from Market Committees. During the financial year 2014-2015, a sum of

Rs.17.90 crore was remitted into Government account as audit fees by these institutions.

CO-OPERATIVE AUDIT DEPARTMENT

72. The department of Co-operative Audit was established by separating the audit wing from the Co-Operative Department and is functioning as a separate department with effect from 17.6.1981 as per the recommendations of the Santhanam Committee and also by the Administrative Reforms Commission. As per Section 80 of Tamil Nadu Co-operative Societies Act 1983, the main functions 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 the Multi State Co-operatives and Milk Co-operatives.

73. The Co-operative Societies under the control of the following departments are coming under the audit purview of the Co-operative Audit Department.

Sl. No.	Name of the Registrar	Total No. of Societies
(i)	Registrar of Co-operative Societies	8971
(ii)	Commissioner of Handlooms and Textiles	1397
(iii)	Commissioner of Industries and Commerce	315
(iv)	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	1145
(v)	Chief Executive Officer, Palm Products Development Board	
(vi)	Registrar of Co-operative Societies (Housing)	880
(vii)	Director of Fisheries	1347
(viii)	Director of Animal Husbandry and Veterinary Services	140
(ix)	Commissioner of Sugar	17

(x)	Director of Agriculture (Oil Seeds)	116
(xi)	Director of Agro Engineering and Service Co-operative Societies	120
(xii)	Director of Sericulture	25
(xiii)	Director of Social Welfare & Nutritious Meal Programme	124
(xiv)	Director of Rural Development and Panchayat Raj	47
	TOTAL	14644

Scope of Co-operative Audit Department:

74. The main objective of the Co-operative Audit Department is to check 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 view of the state of affairs of the societies. In addition to that, this department assist the members of the societies to ensure whether the functions of the societies are

carried out as per 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:

75. After the implementation of the Prof.Vaidhyathan Committee Report, i.e. from 2009, the Statutory Audit of all Central Co-operative Banks and as per the recommendation 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

76. The statutory audits of small Primary Co-operative Societies are conducted on concurrent basis. The audit of such societies has to be completed within a period of 45 days. Audit fee is levied for the period of audit from the respective societies. A sum of Rs.3.65 crore has been collected as audit fees during the year 2014-2015. The statutory audit of other bigger societies having more transactions is being conducted and the cost is levied on the respective societies under Fundamental Rule 127. A sum of Rs.9.77 crore has been collected for the audit undertaken under Fundamental Rule 127 during the year 2014-2015.

Status of Audit Progress

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

Sl. No.	Year	No. of Societies	Audit Completed	Pending Societies
(i)	2010-2011	17029	16354	675
(ii)	2011-2012	16742	15879	863
(iii)	2012-2013	16554	15383	1171
(iv)	2013-2014	15955	14465	1490

78. The reasons for the pendency of audit in the earlier years are due to the relevant records kept in court, enquiry officers and Commercial Crime Investigation Wing. Even in these societies, audit will be completed as and when the records are produced for audit.

Special Reports

79. When serious defects are noticed during the audit, they are brought to the notice of the

authorities concerned by submitting a Special Report with full facts of the case. During the year 2014-2015, 233 special reports were issued involving an amount of Rs.47.18 crore.

Audit Information Management System through e-governance

80. The Government has decided to implement the scheme “Audit Information Management System” for the year 2015-2016. This will enable the auditors of this department to work under computerized environment which will ensure better audit.

Administrative Reforms

81. In order to strengthen the administration of the department and improve the efficiency of the audit, 16 posts of Assistant Directors were upgraded

into that of Deputy Directors under Fundamental Rule 127 terms. Further, 6 vehicles were sanctioned to the Joint Directors of this department for their official use.

Capacity building to the auditors

82. To improve the quality of audit and skills among the auditors, the department is conducting various types of training programmes and also conducting refresher courses every year. The training curriculum consists of basic principles, instructions and guidelines are imparted to the auditors. This will enable them to conduct the audit in various types of co-operative societies in an effective manner. During the year 2014-2015, 8 such training programmes were conducted in which 318 auditors were trained. In addition to this, during February and March 2015, 100 concurrent auditors of Central Bank and Urban Bank

were trained by NABARD and Reserve Bank of India officials.

SMALL SAVINGS DEPARTMENT

83. Small Savings is an important tool in the hands of the individuals to invest their surplus funds in schemes which are highly secure and which also give a reasonable rate of return. These schemes are formulated by the Ministry of Finance, Government of India and implemented in Post Offices. Government of India is sanctioning 50% of the monthly net small Savings Collections as loan to the State Government at the interest rate of 9.5% per annum for development of infrastructure to the State.

Small Savings Schemes

84. A number of Small Savings Schemes are in vogue to suit the requirement of different sections of the society. The Government of India has revised the rate of interest for the small savings schemes w.e.f 01.04.2015 as indicated below. The Kisan Vikas Patra (KVP) is reintroduced by the Government of India w.e.f. 19.11.2014.

Sl. No.	Scheme	Rate of interest w.e.f. 01.04.2013 (%)	Rate of interest w.e.f. 01.04.2014 (%)	Rate of interest w.e.f. 01.04.2015 (%)
(i)	Post Office Savings Account (POSA)	4.0	4.0	4.0
(ii)	Time Deposit(TD)			
	1 year TD	8.2	8.4	8.4
	2 year TD	8.2	8.4	8.4
	3 year TD	8.3	8.4	8.4
	5 year TD	8.4	8.5	8.5

(iii)	Post Office Recurring Deposit (PORD 5 years)	8.3	8.4	8.4
(iv)	Senior Citizen Savings Scheme (SCSS) (5 years)	9.2	9.2	9.3
(v)	Post Office Monthly Income Scheme (POMIS)	8.4 (5 years)	8.4 (5 years)	8.4 (5 years)
(vi)	National Savings Certificate (NSC - VIII issue)	8.5 (5 Years)	8.5 (5 Years)	8.5 (5 years)
(vii)	10 Year National Savings Certificate (NSC - IX issue)	8.8	8.8	8.8
(viii)	Public Provident Fund (PPF) (15 years)	8.7 (maximum of Rs.1 lakh in a Financial year)	8.7 (maximum of Rs.1.5 lakhs in a Financial year)	8.7 (maximum of Rs.1.5 lakhs in a Financial year)

(ix)	Kisan Vikas Patra (KVP)		8.7 (Deposit doubles in 100 months) (w.e.f.19.11.2014)	8.7 (Deposit doubles in 100 months)
(x)	Sukanya Samriddhi Account Scheme		9.1	9.2

Selvamagal Scheme

85. Recently, the Government of India has launched Selvamagal Semippu Thittam, a savings scheme, meant for girl children with effect from 03.12.2014. The interest rate for the Selvamagal Semippu Thittam has been increased from 9.1 percent to 9.2 percent with effect from 01.04.2015. This scheme exclusively for girl children below 10 years, allows parents or guardians to deposit up to Rs.1.50 lakh per year. The interest rate for the Senior citizens

savings scheme too has been increased from 9.2 percent to 9.3 percent with effect from 01.04.2015.

Small Savings Collection

86. The Small Savings Collections made from the financial years 2005-2006 to 2014-2015 are furnished below:

(Rs. In Crores)

Sl.No.	Year	Target	Gross	Net
(i)	2005-06	5000	12455.75	5594.13
(ii)	2006-07	5700	10158.54	2637.25
(iii)	2007-08	--	7791.11	-965.98
(iv)	2008-09	--	8486.64	-1216.73
(v)	2009-10	--	12113.39	1539.39
(vi)	2010-11	--	13414.56	516.32
(vii)	2011-12	--	10607.50	-2100.74

(viii)	2012-13	--	9797.05	-1506.83
(ix)	2013-14	--	9624.19	-730.78
(x)	2014-15	--	10936.37	- 1084.12

87. The Directorate of Small Savings plays a vital role in encouraging the collection under Small Savings Schemes and to set right the grievances of small investors and agents all over Tamil Nadu. The role of District Collectors in the Districts and the Commissioner of Chennai Corporation are highly important in the deliverance of Small Savings Schemes to the public.

Agency System and commission of Government of India and incentive amount of State Government

88. Agents are appointed throughout the State for mobilization of savings. They play a vital role

in Small Savings promotion and collection. At present 28,771 number of agents are functioning in Tamil Nadu. The Government of India and the Government of Tamil Nadu pay as commission and incentive to agents respectively at the following rates w.e.f 01.12.2011 as indicated below:-

Sl. No.	Type of Agents	Small Savings Products	Total Number of Small Savings agents	Rate of commission w.e.f. 1.12.2011 as ordered by GOI	State Government incentive up to 31.3.2012
a.	Standardized Agency System (SAS)	Post Office Monthly Income Scheme (POMIS) National Savings Certificate (NSC) Post Office Time Deposit 1,2,3,5 Year (POTD)	7179	0.5 %	0.5 %
		Kisan Vikas Patra (KVP) (Reintroduced by the GOI w.e.f. 19.11.2014)		Enhanced from 0.5% to 1.0% (w.e.f. 15.07.2015)	

b.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit Scheme (PORD)	21170	4%	2%
c.	Authorized Agents Public Provident Fund Scheme (PPF)	Public Provident Fund (PPF)	422	Nil	Nil
d.	Senior Citizens' Savings Schemes (SCSS)	Senior Citizens' Savings Schemes (SCSS)		Nil	Nil
	TOTAL		28,771		

89. Among the above, it is noticeable that women alone are being appointed as small savings agents with priority in Post Office Recurring Deposit Scheme under Mahila Pradhan Kshetriya Bachat Yojana. The Government of Tamil Nadu has sanctioned incentive to agents up to 31.03.2012.

Publicity

90. The Small Savings Department is creating awareness among public about small savings through conducting of Dramas at Block level, Exhibitions at District level by screening of Short Films and campaigns throughout the year.

GOVERNMENT DATA CENTRE

91. 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 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:-

- (i) Processing of results for the examinations conducted by the Directorate of Government Examinations.
- (ii) Printing of top sheets for Secondary and Higher Secondary Public examinations
- (iii) Teachers' Provident Fund
- (iv) Contributory Pension Scheme

Examination Works:

92. All the data processing work relating to the results of the examinations conducted by the

Director of Government Examinations were entrusted to the Government Data Centre.

93. The Government Data Centre has been processing the results of the following examinations conducted by the Director of Government Examinations with utmost care and accuracy. The works undertaken by the Government Data Centre for the previous academic year are as follows:-

EXAMINATION	MARCH 2014	SPECIAL SUPPLE- MENTARY 2014	OCTOBER 2014	TOTAL
HSE	8,78,701	74,211	40,533	9,93,445
SSLC	10,94,710	83,877	46,439	12,25,026
ESLC	16,201	-	-	16,201
RURAL TALENT SEARCH EXAMINATION	56,732			56,732

DIPLOMA IN TEACHER TRAINING EXAMINATION	48,831			48,831
NATIONAL MEANS/MERIT SCHOLARSHIP EXAMINATION	1,49,070			1,49,070
TECHNICAL EXAMINATION	14,373			14,373
NATIONAL TALENT SEARCH EXAMINATION	1,41,950			1,41,950
GRAND TOTAL	24,00,568	1,58,088	86,972	26,45,628

Printing of Top Sheet for Answer Sheet

94. The work of printing of Top sheets for Secondary and Higher Secondary School Public examinations has been entrusted to the Government

Data Centre. In order to print and supply of 1.68 crore Top Sheets for the Secondary/Higher Secondary School Public examinations March/April 2015, a sum of Rs.79, 63,440/- was sanctioned by Government.

Teachers' Provident Fund

95. The work of computerization of the Teachers Provident Fund accounts in respect of Panchayat Union Schools / Municipal Schools / Government Aided Schools has been entrusted to Government Data Centre.

96. The Government has permitted the Commissioner, Government Data Centre to issue authenticated account slips for Teachers' Provident Fund in respect of Panchayat Union School teachers from the year 2007-08. The authenticated account slips for the year 2007-08 had been issued through

the Director of Elementary Education. The Chief Internal Audit Department has undertaken the audit of the Teachers Provident Fund Closing Balance Accounts as on 31.3.2014 for further issuance of authenticated account slips. So far, out of 390 Assistant Elementary Educational Offices, the audit has been completed in 233 Assistant Elementary Educational Offices.

Contributory Pension Scheme

97. The Government Data Centre has been maintaining data relating to Contributory Pension Scheme to the Panchayat Union Schools / Aided Institutions / Municipal Schools and Local Body employees. The work of Contributory Pension Scheme for Government Servants has also been transferred to Government Data Centre from the office

of the Accountant-General from the financial year 2013-2014. The Government Data Centre has assigned Contributory Pension Scheme index number to 4,03,413 employees so far as detailed below.

	Department	CPS Index Numbers allotted so far
(i)	Government Employees	2,93,604
(ii)	Aided Institutions / Panchayat Union / Municipal School Employees	87,759
(iii)	Local Body Employees	22,050
		4,03,413

98. The Contributory Pension Scheme account slips for Government Servants, Aided Institutions, Panchayat Union Schools and Municipal Schools were issued up to the year 2013-2014. The

account slips are now available in the public network through National Informatics Centre.

INTERNAL AUDIT AND STATUTORY BOARDS AUDIT DEPARTMENT

99. The Internal Audit and Statutory Boards Audit Department was created from the Local Fund Audit Department in the year 1969 and it has been entrusted with the Internal Audit functions of the Government Departments in addition to the audit of various Statutory Boards and other Non Statutory audit. The following Boards and Institutions are coming under the audit purview of the Internal Audit and Statutory Boards Audit Department.

Statutory Audit.

Sl.No	Name of the Institution	Year of Completion of Audit
(i)	Tamil Nadu Khadi & Village Industries Board.	2013-14
(ii)	Tamil Nadu Slum Clearance Board.	2013-14
(iii)	Tamil Nadu Housing Board	2013-14
(iv)	Chennai Metropolitan Development Authority	2013-14
(v)	Tamil Nadu Wakf Board	2012-13
(vi)	Tamil Nadu Labour Welfare Board	2013-14

100. The audit of the above institutions is conducted annually on concurrent basis. The audit reports of these institutions are issued within the stipulated time frame and paras of serious

irregularities are brought to the notice of the Government and Public Undertaking Committee.

Non Statutory Audit.

101. The departmental audit of the following Non-Statutory institutions is conducted by this Department.

Sl.No	Name of the Institution	No.of.Centre / Institutions
(i)	Puratchi Thalaivar MGR Noon Meal Scheme	94,605
(ii)	Agriculture Extension Centres	874
(iii)	Weights and Measures	302
(iv)	Institutions received Grants-in-Aid of Recurring grant of above Rs.0.20 lakhs and Non Recurring grant of above Rs.1.20 lakhs per annum.	724

102. In addition, the audit of Tamil Nadu Agricultural Labour Board, Folk Artist Welfare Board, Tamil Nadu Manual Labourers Welfare Board and other 16 Welfare Boards are also entrusted to this department.

Audit Certificate

103. This department is certifying the entitlement of grants to grants-in-aid institutions, besides certifying pension and Provident Fund closure proposals of employees of some of the auditable institutions.

Other Functions

104. At present, the Internal audit functions are supervised in fourteen (14) Government departments by this department personnel in the

cadre of Assistant Director / Inspectors as per the specific orders of the Government and the reports of such audit are submitted to Government.

105. In addition, the following Audit and other functions are undertaken by this Department.

- (i) Audit on the accounts of National Service Scheme in Deemed Universities, Tamil Nadu Government Health Fund Schemes, Family Security fund and Hon'ble Chief Minister's Public Relief Fund.
- (ii) Audit on the accounts of all departments of Secretariat, Private Aided Schools and Colleges.
- (iii) Special Audit in Non Governmental Organizations to find out the violation of

provision in the Foreign Contribution Regulation Act 2010.

- (iv) Verification and Certification of the Contributory Pension Scheme of the employees working in Government departments and the Provident fund accounts of the teachers.

Follow up action taken on Audit Reports

106. The Gist of audit paras which are serious in nature are consolidated every month and brought to the notice of the Head of the departments and the concerned Secretaries to Government for further corrective action.

Audit Fees

107. The audit fees on the basis of the salary of the auditors who have done the audit in Statutory Boards and 1.5% of the net receipts of the Wakf Board for the Wakf Board Audit are collected by this department and remitted into Government account.

O.PANNEERSELVAM
Minister for Finance and
Public Works Department