



FINANCE DEPARTMENT

DEMAND No.16

POLICY NOTE

2016-2017

O. PANNEERSELVAM
MINISTER FOR FINANCE, PERSONNEL AND
ADMINISTRATIVE REFORMS DEPARTMENT

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Government of Tamil Nadu
2016

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Introduction:

Wealth, the unfailing light, enters desired lands
And darkness of malice it dispels. - 753

The Finance Department is vested with the responsibility of managing the public finances of the Government of Tamil Nadu prudently. It has an important role in the preparation of the Annual Financial Statement of the Government and presenting it to the Legislature every year. The Finance Department being the custodian of the State exchequer has the overall responsibility of balancing receipts and payments and ensure that debt obligations are maintained within the limits. The Finance Department

makes critical scrutiny of the proposals of the Departments and evaluate with reference to needs, cost effectiveness, financial procedure, etc. and make necessary budget provisions keeping in mind the public interest and the fiscal position of the Government.

Vision and Mission of Tamil Nadu Infrastructure Development Board

2. Launching of the vision Tamil Nadu 2023 document is the most far-reaching initiative taken by the Government of Tamil Nadu to strengthen the status of infrastructure in the State. The strategic vision for Tamil Nadu, enunciated by the **Honourable Chief Minister Selvi.J.Jayalalithaa** in the Vision Tamil Nadu 2023, is to become India's most prosperous and progressive State, free from poverty and where its people enjoy all the basic services of a modern society and live in harmonious engagement with the environment and with the rest of the world. In this context, the Government of Tamil Nadu has effective steps to provide the universal access to quality infrastructure by the year 2023.

3. The Tamil Nadu Infrastructure Development Board (TNIDB) set up under the Tamil Nadu Infrastructure Development Act, 2012 is the nodal agency for infrastructure development in the State. The Board, under the leadership of Honourable Chief Minister, plans, regulates and facilitates infrastructure development as envisioned under Vision Tamil Nadu 2023. The Board coordinates infrastructure development activities in the State and facilitates projects undertaken by Government institutions through the public sector mode as well as projects undertaken through Public-Private Partnership (PPP) mode. The Tamil Nadu Infrastructure Development (TNID) Act, 2012 along with the Tamil Nadu Infrastructure Development Rules, 2012 (TNID Rules) and Tamil Nadu Infrastructure Development Board Regulations, 2013 (TNIDB Regulations) provide Tamil Nadu Infrastructure Development Board (TNIDB) with the necessary administrative authority and lays down a clear framework of processes and procedures to ensure speedy project development.

4. The Hon'ble Chief Minister released the first phase of the "Tamil Nadu Vision 2023" on 22.3.2012 envisaging an investment of Rs.15 Lakhs crore for the infrastructure development of the State. This was followed by the release of the second phase of the Tamil Nadu Vision 2023 document on 21.2.2014 which spelt out sector specific approaches and profiles of 217 infrastructure projects in six major sectors. The preparatory work for the projects under the Vision document are supported through the Project Preparation Fund. The implementation of 88 projects has already started and 16 other projects have reached bidding stage. Detailed Project Reports and Detailed Feasibility Studies have been prepared for 24 projects which are ready for launch. The remaining projects are at various stages of preparation.

5. The Tamil Nadu Infrastructure Development Board is also preparing a Detailed Project Report for the Intelligent Transport System for Chennai city. The Madurai-Thoothukudi Industrial Corridor Project is also

being coordinated by the Tamil Nadu Infrastructure Development Board. Madurai-Thoothukudi Industrial Corridor Development Corporation Limited has already been incorporated and land acquisition is in progress. The Asian Development Bank has evinced interest in supporting the Madurai Thoothukudi Industrial Corridor Project as part of the East Coast Economic Corridor Plan.

6. In a landmark initiative, for the first time in the Country, the State is establishing new Infrastructure Finance Vehicles (IFVs) including an Infrastructure Debt Fund (IDF), Alternative Investment Fund (AIF) Category-I and Infrastructure Investment Trust (InvIT) through the Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC). The Tamil Nadu Infrastructure Fund has already been granted registration by the Securities and Exchange Board of India (SEBI) and is now in the process of mobilizing the first financial close of Rs.3,000 Crores. The Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC), will act as the Asset

Management Company. This would be a fourth generation financial institution in Tamil Nadu and is being set-up with the financial assistance of 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 or invest in public projects, either under public-private partnership (PPP) mode or Engineering, Procurement and Construction (EPC) mode.

7. Besides, Tamil Nadu Infrastructure Development Board (TNIDB) and Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC), the following seven departments are also 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

8. 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, Six Pay and Accounts Offices, three Sub-Pay and Accounts Offices, 32 District Treasuries, one Pension Pay Office, one Assistant Superintendent of Stamps Office and 243 Sub Treasuries providing treasury related services.

e-Governance Initiatives

(i) Automated Treasury Bill Passing System (ATBPS)

9. Automated Treasury Bill Passing System (ATBPS) is being implemented in all Pay and Accounts Offices, District Treasuries, Sub Treasuries in order to overcome the difficulties faced in the compilation of accounts, tracking of bills, monitoring the bill processing system etc., in the manual bill processing system. All the Treasuries have been strengthened with infrastructure facilities like providing of computers, other peripherals, Local Area Network (LAN), Tamil Nadu State Wide Area Network (TNSWAN) connectivity and establishment of modular office for improving the working condition of the Staff for the effective implementation of this system. This system will facilitate the accuracy in Government accounting system and providing better services to the various stakeholders like Drawing and Disbursing Officers, Banks, Accountant General and help in effective monitoring.

(ii) Web Payroll

10. The Web Payroll has been introduced in Treasury Department since 2013-2014 and has been extended to the other departments subsequently. The web payroll software is developed in such a way that the Management Information System (MIS) reports like Number Statement are generated for budgeting process. Further, pay and other related reports could be generated from the centralized database which contains the particulars of the Government employees, which will serve as an effective tool in the better Human Resources Management System.

(iii) e-Pension

11. This scheme has been implemented in all the Districts and in Pension Pay Office, Chennai. Under this Scheme, monthly pension and other monetary benefits to the pensioners are credited directly to the bank account of the pensioners by Electronic Clearing Service / Regional Electronic Clearing Service (ECS / RECS). All the pensioners can view their

pension benefits credited into their bank accounts through online.

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

12. The Government is in the process of implementing Integrated Financial and Human Resources Management System (IF&HRMS) for the efficient functioning of Government by integrating both Financial and Human Resources management. The present Automated Treasury Bill Passing System (ATBPS), Web Payroll and e-Pension will be eventually absorbed into Integrated Financial and Human Resources Management System (IF&HRMS). The Government have accorded approval for Rs.288.91 crore as project cost towards implementation of the Integrated Financial and Human Resources Management System (IF&HRMS). M/s.Wipro Limited has been selected as the System Integrator for this project. At present, the deployment of infrastructural facilities to the project locations and creation of softwares are in progress. Integrated

Financial and Human Resources Management System (IF&HRMS) to be implemented by February 2017.

13. Implementation of the Integrated Financial and Human Resources Management System (IF&HRMS) will enable more than 22,000 drawing and disbursing officers throughout the State to submit the bills to the Treasury through online. This scheme will take care of online Government remittances by which the Government can be benefitted with the real time collection and accounting of receipts. This system will pave the way for smooth maintenance of Service Register of the 9 lakh 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 Digital Signatures, Bio Metric authentications, etc. After rolling out the scheme, the Government will be able to know the real time fund position of the State which will ensure robust management of Finance & Human Resources.

New Health Insurance Scheme, 2012 and 2016

14. The New Health Insurance Scheme, 2012 is implemented from 01.07.2012 through United India Insurance Company Limited, a Public Sector Undertaking and ended on 30.06.2016. 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 of four years. Under this Scheme, 113 treatments and surgical procedures are covered on **Cashless** basis through 654 network hospitals located in Tamil Nadu, Puducherry, Bengaluru, Thiruvananthapuram and New Delhi. From the date of commencement of the Scheme i.e from 01.07.2012 to 30.06.2016, 1,85,781 beneficiaries have availed medical assistance to the tune of Rs.731.27 crore.

15. The Government have issued orders extending the Scheme for four years beyond 30.06.2016. In the new scheme also, the existing limit of Rupees Four Lakh are allowed for treatment on cashless basis. However, the assistance is enhanced upto Rupees Seven Lakh and Fifty Thousand for certain specific ailments like Cancer therapies, liver and other transplantations, open heart surgeries, heart valve replacements etc. as specified in the order. The upper limit of medical assistance for cataract surgery shall be Rs.25,000/- per eye. In respect of Hysterectomy (uterus removal surgery) the upper limit of medical assistance shall be Rs.45,000/-. The coverage of medical assistance under the scheme is now extended to accident cases on emergency basis in a non-network hospitals also, where the patient got treatment for approved procedure or undergone surgery. A sum of Rs.180/- per month is being recovered from the salary of employees concerned from the month of July 2016 as contribution for premium.

Pensioners' New Health Insurance Scheme – 2014

16. The New Health Insurance Scheme for Pensioners has been implemented from 01.07.2014 through United India Insurance Company Limited to provide medical treatment to the Pensioners and Family Pensioners with provision to avail medical assistance upto Rupees Two Lakh for a block period of four years (2014-2018). A monthly subscription of Rs.150/- is being recovered from the Pensioners / Family Pensioners. Under the Scheme, 114 treatments are covered to avail medical assistance i.e. 60 treatments and surgeries and 54 medical care procedures. As on date, 655 hospitals have been empanelled to provide medical assistance under the Scheme. From the date of commencement of the Scheme i.e from 1.7.2014 to 31.07.2016, so far 99,317 number of beneficiaries have availed medical assistance on **cashless basis** for a sum of Rs.283.55 crore.

Contributory Pension Scheme (CPS)

17. The Contributory Pension Scheme (CPS) is implemented to Tamil Nadu Government Employees who are appointed on or after 01.04.2003. The amount deducted towards employee contribution is at 10% of the Basic Pay, Grade Pay and Dearness allowance. The matching Government contribution is also credited to the employee's CPS account. Contributory Pension Scheme Interest is counted from the month of recovery made from the employee and credited into their CPS account.

New Pension Scheme (NPS) for All India Service Officers

18. As per the orders issued in G.O.Ms.No.1155, Public (Special B) Department, dated 08.12.2011, New Pension Scheme (NPS) has been implemented for the All India Service Officers (AIS) who are appointed on or after 01.01.2004. The amount is being deducted towards mandatory contribution of 10% of the Basic Pay + Grade Pay + Dearness Pay + Dearness

allowance of the officials along with crediting equal amount of matching contribution by the Government into their New Pension Scheme account.

19. At present, Contributory Pension Scheme and New Pension Scheme are now maintained by the Government Data Centre and Directorate of Treasuries and Accounts in co-ordination with National Informatics Centre. The Contributory Pension Scheme and New Pension Scheme index numbers are being allotted by Government Data Centre, for the Government Servants and All India Service Officers respectively. The Account Slips for the All India Service officers for the year 2015-2016 has been hosted in the website. The Account Slip for the other Government Servants is under process and this will be hosted in the website soon. The implementation of Contributory Pension Scheme and New Pension Scheme and overall progress including missing credits are being monitored by the Directorate of Treasuries and Accounts daily. Periodical review meetings are convened with the

drawing and disbursing officers concerned at District level by the District Treasury Officers / Pay and Accounts Officers and at State level by the Director of Treasuries and Accounts.

Contributory Pension Scheme - Local Bodies

20. The Director of Treasuries and Accounts designated as State Nodal Officer for implementing the Contributory Pension Scheme for Local Bodies and act as facilitator to the above Local Bodies for taking necessary steps in association with the Government Data Centre and Local Fund Audit Department. The progress of the Local Bodies' Contributory Pension Scheme work is being reviewed by the Director of Treasuries and Accounts with the Local Body Department Officials concerned periodically to speed up the updation of Local Bodies Contributory Pension Scheme work.

Contributory Pension Scheme - Final Settlement

21. Based on the announcement made by the

Hon'ble Chief Minister of Tamil Nadu under Rule 110 of Tamil Nadu Legislative Assembly Rules on the floor of the Legislative Assembly, on 19.02.2016, necessary orders were issued in G.O.Ms.No.59, Finance (PGC) Department, dated 22.02.2016, for the final settlement of Contributory Pension Scheme of the employees retired, resigned, died or terminated from service. Accordingly, 1366 applications have been received at the Directorate of Treasuries and Accounts as on date. Out of this, final account slips for 537 employees have been issued by the Government Data Centre, Chennai. On the basis of which CPS final authorization amounting for Rs.18,86,65,946/- has been issued.

Formation of New Sub Treasuries

22. During the last five years viz., 2011 to 2016, in accordance with the Government policy of "One Taluk-One Sub Treasury", 37 new Sub Treasuries have been formed and total number of Sub Treasuries functioning at present in the State comes to 243.

Construction of Own Buildings

23. All District Treasuries are functioning in Government buildings except District Treasury, Chennai for which provision has been made to accommodate the office in the Integrated Office Complex Building coming up at Nandanam, Chennai thereby ensuring that all District Treasuries will soon function in Government owned buildings only.

24. As regards Sub Treasuries, orders for construction of own buildings were issued for 67 Sub Treasuries functioning in private rental buildings during the last five years. Out of which, 34 Sub Treasuries have been fully constructed and inaugurated and in respect of 30 Sub Treasuries, construction is in progress at various stages. Land transfer activities are in progress for the remaining 3 Sub Treasuries.

25. This Government has also taken up for the construction of an integrated office complex for the 10 offices functioning under the administrative control of Finance department at a revised cost of

Rs.36.33 crore. Now, the construction works are in the final stage of completion.

LOCAL FUND AUDIT DEPARTMENT

26. 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.

27. 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 by monitoring 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. 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 thereunder. 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.

28. Based on the instructions of the Principal Accountant General, Chennai, necessary training to audit staff regarding the placing of Audit report in the Legislative Assembly and the revision of the audit report format is underway for proper implementation of the Act.

29. 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	124
(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)	Tamilnadu 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)	2515
(xiv)	Miscellaneous Institutions	10

Audit of Local Body Institutions

30. 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 transaction 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 for the purpose it is meant for and to safeguard the interest of the tax payers money.

Test Audit of Village Panchayats

31. In respect of Village Panchayats, as the regular audit is taken care of by Rural Development and Panchayat Raj Department, the test audit of 20% of the total Village Panchayats is being done by this department. Accordingly, 2515 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.

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

32. The "Concurrent Audit System" is in vogue in 12 Corporations, 17 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 / Assistant Inspector for 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

33. Immediate Post Audit is conducted in 12 Corporations and 17 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.

34. 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 based on which objections are settled.

Annual Audit of Non Concurrent Audit Institutions

35. The audit of remaining Municipalities (107), 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 on receipt basis

36.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.

37.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.

38. 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 loan assistance to Urban Local Bodies for the capital projects and welfare schemes thereby the scope of mobilizing finances to projects / schemes of Urban Local Bodies has been widened.

Certification of Annual Accounts of Local Bodies and Universities

39. 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 audited and certified by the Officers of the Local Fund Audit Department.

40. The audit certificates are issued by this department for the utilisation of various grants released by the State / Central Government, the University Grants Commission and other Funding Agencies in respect of Universities and other Local Body Institutions which comes under the audit purview of this department.

Procedure for Settlement of Audit Objections

41. 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.

42. The replies to the audit objections are verified and the objections 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. 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.

Formation of District High Level Committees and State High Level Committee

43. 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 2015-2016, 84 District High Level Committee meetings were held and

decisions taken in respect of 2445 audit objections as settled in the District High Level Committees.

44. 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. During the year 2015-2016, 8 District High Level Committee meetings were held and decisions taken in respect of 407 audit objections as settled in the District High level committees.

45. In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District High Level Committees headed by respective District Collectors and State High Level Committee headed by Director of Municipal Administration have been constituted. During the year 2015-2016, 31 District High Level Committee meetings were held and decisions taken in respect of 29336 audit objections as settled in the District High Level Committees.

Special Functions

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

(i) Authorisation and disbursement of Pensionary benefits to Local Body Employees

47. 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. As on 31.07.2016, a total number of 32,275 pensioners 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 Pensioners' grievances

48. 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

49. As per the G.O.Ms.No.120, Municipal Administration and Water Supply Department, dated 25.05.1999, the Health Fund Scheme and Family Security Fund Scheme is being implemented to Municipal Pensioners with effect from 01.08.1999. These two schemes are administered by the Director of Local Fund Audit. A sum of Rs.176.83 lakhs for 585 claims and Rs.62.46 lakhs for 159 claims have been sanctioned to the Municipal Pensioners under Health Fund Scheme and Family Security Fund Scheme respectively during the financial year

2015-2016 and in this financial year up to the month of July 2016.

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

50. As per the G.O.Ms.No.23, Rural Development and Panchayat Raj Department, dated 15.03.2013, the Health Fund Scheme and Family Security Fund Scheme is being implemented to Panchayat Union Pensioners with effect from 01.04.2013. These two schemes are administered by the Director of Local Fund Audit. A sum of Rs.27.83 lakhs for 130 claims and Rs.18.90 lakhs for 54 claims have been sanctioned to the Panchayat Union Pensioners under Health Fund Scheme and Family Security Fund Scheme respectively during the financial year 2015-2016 and in this financial year up to the month of July 2016.

(v) Contributory Pension Scheme to the employees of Local bodies

51.As per the G.O.Ms.No.260, Finance (PGC) Department, dated 15.10.2015, the Director of Local

Fund Audit shall continue the audit of accounts relating to the Contributory Pension Scheme maintained by the local bodies so as to ensure the correctness.

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

52. The Provident Fund Deposits of Local Body Employees and investments thereon were taken over by Government from 1967. The Director of Local Fund Audit is authorised to sanction interest on the balance of Provident Fund Deposits of local bodies. A sum of Rs.18 crore was sanctioned by the Government during the year 2015-2016 and the entire allotment has been utilized for sanction of interest claims to the Local Bodies.

(vii) Administration of Charitable Endowments

53. 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. The interest amount realised 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.15.20 lakh and 875 State Government Endowments worth of Rs.25.12 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.24.25 lakhs has been distributed to 427 endowment institutions towards the award of scholarships, prizes, medals etc., during the financial year 2015-2016.

e- Governance initiatives:-

54. A sum of Rs.24.80 lakhs has been sanctioned for creating e-pension software to facilitate easy and transparent system of pension payment to 32,275 local body pensioners and the works are in nearing completion.

55. The Audit Information Management System (AIMS) will facilitate for managing the complete audit life cycle including audit planning, scheduling and generation of audit report which will be implemented soon at a cost of Rs.2 crore in two phases during the financial year 2015-2016 and 2016-2017. For the first phase activities, a sum of Rs.1 crore has been sanctioned in G.O.Ms.No.291, Finance (CA) Department, dated 03.11.2015 for both Co-operative audit and Local Fund Audit Departments and the works are in progress. The Directorate of Co-operative Audit is the Nodal department for implementing the scheme.

Status of Audit in Local Bodies

56. The audit upto the year of 2013-2014 in respect of Panchayat Unions, Village Panchayats (22%), District Panchayats, Corporations, Municipalities and Town Panchayats where Accounts were received have been completed. Audit for the year 2014-2015 in respect of Panchayat Unions, Village Panchayats (22%), District Panchayats have been completed. Audit in respect of Municipalities, Town Panchayats

and Corporations for the year 2014-2015 are in progress and will be completed by 31.10.2016. Action is being taken to complete the audit for the year 2015-2016 by December 2016.

Status of Audit in other Institutions

57. The audit upto the year of 2013-2014 in respect of 20 universities except Anna University, Thiruvalluvar University and Dr.Ambedkar Law University and other miscellaneous institutions such as Market Committees, Local Library Authorities etc., have been completed. Audit for the year 2014-2015 in respect of 12 Universities have been completed. The audit for the remaining 11 Universities and other miscellaneous institutions are in progress and will be completed by 31.10.2016. Action is being taken to complete the audit for the year 2015-2016 by December 2016.

Audit Fees

58. 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 2015-2016, and in this financial year upto the month of July 2016, a sum of Rs.1119.86 lakhs was remitted into Government account as audit fees by these institutions.

Recovery of excess payment

59. A sum of Rs.14.31 crore have been recovered on account of settlement of audit objections relating to Municipalities, Panchayat Unions, Town Panchayats and Village Panchayats during the Financial year 2015-2016 and in this Financial year up to the month of July 2016.

Special Audit

60. The special audit on post matric scholarship and Tuition fee waiver to First Generation Graduate students studying in the Self Financing Educational Institutions were entrusted to the Local Fund Audit Department in order to find out the irregularities if any

in the claims and the report is submitted to the Government.

CO-OPERATIVE AUDIT DEPARTMENT

61. As per the recommendations of the Santhanam Committee and also by the Administrative Reforms Commission, 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 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.

62. 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	8649
(ii)	Commissioner of Handlooms and Textiles	1401
(iii)	Commissioner of Industries and Commerce	306
(iv)	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	932
(v)	Chief Executive Officer, Palm Products Development Board	
(vi)	Registrar of Co-operative Societies (Housing)	854
(vii)	Director of Fisheries	1284
(viii)	Director of Animal Husbandry and Veterinary Services	119
(ix)	Commissioner of Sugar	17
(x)	Director of Agriculture (Oil Seeds)	82
(xi)	Director of Agro Engineering and Service Co-operative Societies	122
(xii)	Director of Sericulture	25
(xiii)	Director of Social Welfare & Nutritious Meal Programme	171
(xiv)	Director of Rural Development and Panchayat Raj	55
	TOTAL	14017

Scope of Co-operative Audit Department

63. 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 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

64. After the implementation of the Prof.Vaidhyanathan 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

65. 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.3.53 crore has been collected as audit fees during the year 2015-2016. The statutory audit of other bigger societies having more transactions is being conducted on regular basis and the cost is levied under Fundamental Rule 127 on the respective societies. A sum of Rs.10.11 crore has been collected as cost of manpower spent for the audit during the year 2015-2016.

Status of Audit

66. Audit pending for the past years are as follows :

Sl.No.	Year	Pending Societies
(i)	2010-2011	489
(ii)	2011-2012	632
(iii)	2012-2013	784
(iv)	2013-2014	946
(v)	2014-2015	1209

67. 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. Audit in these societies, will be completed as and when the records are produced for audit.

68. For the year 2015-2016, audit of 3925 societies have been completed as against 14017 institutions for the period upto 31.07.2016. The audit of 10092 pending Societies will be completed in due course probably before December 2016.

Special Reports

69. 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 2015-2016, 353 special reports were issued involving an amount of Rs.36.27 crore and 125 special reports were issued involving an amount of Rs.4.86 crore for the period from 01.04.2016 to 31.07.2016.

Audit Information Management System through – e-governance

70. The “Audit Information Management System” through e-governance initiative both for Co-operative Audit Department and Local fund Audit Department will be implemented at a cost of Rs.2 crore in two phases during the financial year 2015-2016 and 2016-2017. For the first phase activities, in G.O.Ms.No.291, Finance (CA) Department, dated 03.11.2015, the Government have sanctioned a sum of Rupees One crore during the year 2015-2016 and the works are in progress. This initiative will enable the auditors to work under computerized

environment which will ensure better audit. In order to implement the above scheme, “System Requirements Study” for development of necessary software has been entrusted to the agent of Electronics Corporation of Tamilnadu (ELCOT) and the same is on final stage.

Creation of two new Regional Joint Director of Cooperative Audit Offices

71. In order to ease the functions of the Co-operative Audit Department, orders have been issued in G.O.Ms.No.42, Finance (Co-operative Audit) Department, dated 10.02.2016 for the formation of two new Regional Joint Director of Co-operative Audit Offices with headquarters at Salem and Villupuram along with creation of two new posts of Joint Director of Co-operative Audit. Both the offices are functioning with effect from 01.03.2016.

Capacity building to the auditors

72. To improve the audit skill and quality of audit among the auditors, the department is conducting various

types of training programmes including refresher courses every year.

SMALL SAVINGS DEPARTMENT

73. 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. The Government of India is sanctioning 50% of the monthly net Small Savings Collections as loan to the State Government at the interest rate of 8.8% per annum with effect from 01.04.2016 for development of infrastructure to the State.

Small Savings Schemes

74. 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 with effect from 01.04.2016 as indicated below.

Sl. No.	Scheme	Rate of interest w.e.f. 01.04.2014 (%)	Rate of interest w.e.f. 01.04.2015 (%)	Rate of interest w.e.f. 01.04.2016 (%)
(i)	Post Office Savings Account (POSA)	4.0	4.0	4.0
(ii)	Time Deposit (TD)			
	1 year TD	8.4	8.4	7.1
	2 year TD	8.4	8.4	7.2
	3 year TD	8.4	8.4	7.4
	5 year TD	8.5	8.5	7.9
(iii)	Post Office Recurring Deposit (PORD 5 years)	8.4	8.4	7.4
(iv)	Senior Citizen Savings Scheme (SCSS 5 years)	9.2	9.3	8.6

Sl. No.	Scheme	Rate of interest w.e.f. 01.04.2014 (%)	Rate of interest w.e.f. 01.04.2015 (%)	Rate of interest w.e.f. 01.04.2016 (%)
(v)	Post Office Monthly Income Scheme (POMIS)	8.4 (5 years)	8.4 (5 years)	7.8 (5 years)
(vi)	National Savings Certificate (NS VIII Issue)	8.5 (5 years)	8.5 (5 years)	8.1 (5 years)
(vii)	10 Year National Savings Certificate (NSC IX Issue)	8.8	8.8	Discontinued with effect from 20.12.2015.
(viii)	Public Provident Fund/ Ponmagan Podhu Vaippu Nidhi (PPF 15 years)	8.7 (maximum of Rs.1.5 lakh in a Financial year)	8.7 (maximum of Rs.1.5 lakh in a Financial year)	8.1 (maximum of Rs.1.5 lakh in a Financial year)

Sl. No.	Scheme	Rate of interest w.e.f. 01.04.2014 (%)	Rate of interest w.e.f. 01.04.2015 (%)	Rate of interest w.e.f. 01.04.2016 (%)
(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)	7.8 (will mature in 110 months)
(x)	Sukanya Samriddhi Account Scheme (Selvamagal Savings Scheme)	9.1	9.2	8.6

Selvamagal Scheme

75. 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 Selvamagal Semippu Thittam is 8.6 percent with effect from 01.04.2016. This scheme exclusively for girl children below 10 years, allows

parents or guardians to deposit upto Rs.1.5 lakh per year.

Ponmagan Podhuvaippu Nidhi

76. Following good patronage for ‘Selvamagal Semippu Thittam’, a savings scheme meant for girl children, the Department of Posts has re launched 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 to deposit upto Rs.1.5 lakh in each year by the parents or guardian in the name of a child below 10 years and above 10 years by themselves. The interest rate is 8.1 percent with effect from 01.04.2016 for the above scheme.

Small Savings Collection

77. The Small Savings Collections made from the financial years 2005–2006 to 2015–2016 are furnished below:

(Rs. in Crores)

Sl. No.	Year	Target	Gross	Net
(i)	2005-2006	5000	12455.75	5594.13
(ii)	2006-2007	5700	10158.54	2637.25
(iii)	2007-2008	--	7791.11	-965.98
(iv)	2008-2009	--	8486.64	-1216.73
(v)	2009-2010	--	12113.39	1539.39
(vi)	2010-2011	--	13414.56	516.32
(vii)	2011-2012	--	10607.50	-2100.74
(viii)	2012-2013	--	9797.05	-1506.83
(ix)	2013-2014	--	9624.19	- 730.78
(x)	2014-2015	--	10936.37	- 1084.12
(xi)	2015-2016	--	17259.82	1945.41

78. The Small Savings Collection has increased considerably during the financial year 2015-2016. The

Directorate of Small Savings plays a vital role in encouraging the collection under Small Savings Schemes and to set right the grievances of 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

79. Agents are appointed throughout the State for mobilization of Savings. They play a vital role in Small Savings promotion and collection. At present, 27,075 number of agents are functioning in Tamil Nadu. The Government of India and the Government of Tamil Nadu pay commission and incentive to agents respectively at the following rates with effect from 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. 01.12.2011 as ordered by GOI	State Government incentive upto 31.03.2012
a.	Standardised Agency System (SAS)	Post Office Monthly Income Scheme (POMIS) National Savings Certificate (NSC) Post Office Time Deposit 1,2,3,5 Year (POTD)	6266	0.5%	0.5%
		Kisan Vikas Patra (KVP) (Re-introduced by the GOI w.e.f. 19.11.2014)		Enhanced from 0.5% to 1% w.e.f. 15.07.2015	

Sl. No.	Type of Agents	Small Savings Products	Total Number of Small Savings Agents	Rate of Commission w.e.f. 01.12.2011 as ordered by GOI	State Government incentive upto 31.03.2012
b.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit Scheme (PORD)	20603	4%	2%
c.	Authorised Agents Public Provident Fund Scheme/ Ponmagan Podhuvaippu Nidhi (PPF)	Public Provident Fund (PPF)	206	Nil	Nil
d.	Senior Citizens' Savings Scheme (SCSS)	Senior Citizens' Savings Scheme (SCSS)		Nil	Nil
TOTAL			27,075		

80. 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:

81. The Small Savings Department is creating awareness among the public about Small Savings through conducting of Dramas at Block level in the Districts and participate in the Government Exhibition in District Headquarters by erecting Small Savings pavilion and pamphlets are distributed in Trade Fair at Chennai.

Awards:

82. In order to motivate Small Savings Agents and to increase Small Savings collection for every year, the award for “Best Agents” at Block level, District level and State Level is implemented for Mahila Pradhan

Kshetriya Bachat Yojana agents and award at District level and State level for Standardised Agency System and Pay Roll Savings Group Leaders.

GOVERNMENT DATA CENTRE

83. 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 Centers 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 Sheet for Answer Sheets for Secondary and Higher Secondary Public examinations
- (iii) Contributory Pension Scheme
- (iv) GPF scheme for the employees of Puratchi Thalaivar MGR Nutritious Meal and Integrated Child Development Services

Examination Works

84. All the data processing work relating to the results of the examinations conducted by the Directorate of Government Examinations were entrusted to the Government Data Centre.

85. 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 2015	SPECIAL SUPPLE- MENTARY JUNE 2015	OCTOBER 2015	TOTAL
HIGHER SECONDARY	843044	68941	33694	945679
SSLC	1073011	64427	36527	1173965
ESLC	16531			16531
DIPLOMA IN TEACHER TRAINING EXAMINATION	38095			38095
TECHNICAL EXAMINATION	13420			13420
GRAND TOTAL	1984101	133368	70221	2187690

Printing of Top Sheet for Answer Sheets

86. 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 1.413 crore Top Sheets for the Secondary / Higher Secondary School Public examinations March/April 2016, a sum of Rs.84,65,040/- was sanctioned by Government.

Compilation and Maintenance of Contributory Pension Scheme

87. 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 4,44,639 employees so far as detailed below:

Sl. No.	Department	CPS Index Numbers allotted so far
(i)	Government Employees	3,26,151
(ii)	Aided Institution/ Panchayat Union / Municipal School Employees	91,513
(iii)	Local Body Employees	26,833
(iv)	All India Service Officers	142
	Total	4,44,639

88. The Contributory Pension Scheme account slips for Government Servants, Aided Institutions, Panchayat Union Schools and Municipal Schools and All India Service Officers were issued upto the year 2014-2015 for 3,49,687 subscribers and the issue of

account slip for the remaining subscribers are in progress.

89. The Account Slips for the All India Service officers for the year 2015-2016 has been hosted in the website. The Account Slip for the other Government Servants is under process and this will be hosted in the website soon.

GPF Scheme for the Employees of Puratchi Thalaivar MGR Nutritious Meal and Integrated Child Development Services

90. The work on maintaining the General Provident Fund Account for the Puratchi Thalaivar M.G.R Nutritious Meal programme and Integrated Child Development Services employees has been entrusted to the Government Data Centre. The Government has issued detailed guidelines for this scheme in G.O.Ms.No.53, Social Welfare and Nutritious Meal Programme department, dated 20.07.2015. At present, 1,82,747 subscribers were enrolled in this Scheme and the recovery of General Provident Fund of

the employee of Puratchi Thalaivar M.G.R. Nutritious Meal Programme and Integrated Child Development were also started from the month of August 2015. The monthly credit schedules are being received from all the District Treasuries and the data entry work is under progress.

INTERNAL AUDIT AND STATUTORY BOARDS AUDIT DEPARTMENT

91. 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.	2014-2015
(ii)	Tamil Nadu Slum Clearance Board.	2014-2015
(iii)	Tamil Nadu Housing Board.	2014-2015
(iv)	Chennai Metropolitan Development Authority	2014-2015
(v)	Tamil Nadu Labour Welfare Board	2014-2015

92. 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

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

Sl. No.	Name of the Institution	No. of Centres/ Institutions
(i)	Puratchi Thalaivar MGR Noon Meal Scheme.	96,740
(ii)	Agriculture Extension Centres	874
(iii)	Weights and Measures.	311
(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	685

94.In addition, the audit of Tamil Nadu Sports Development Authority, Tamil Nadu Text Book and Educational Service Corporation, Tamil Nadu Agriculture Labour Board, Folk Artist Welfare Board,

Tamil Nadu Manual Workers Welfare Board, other 15 Non Formal Labourers Welfare Boards and other miscellaneous institutions are also entrusted to this department.

Audit Certificate

95. 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

96. 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 reports of such audit are submitted to Government.

97. 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, Government Aided Polytechnics and Engineering Colleges.
- (iii) Audit on fixation of pay of Government employees of all departments.
- (iv) Audit on the accounts of Contributory Pension Scheme of Government employees.

Follow up action taken on Audit Reports

98. 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

99. 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.

Special audit

100. The Government has entrusted to this department to conduct a special audit for the irregularities in the sanction of incentive increments for interdisciplinary Ph.D. and M.Phil. qualification, career advancement scheme and allowing junior drawing more pay to seniors in any discipline to the teaching faculties in Government colleges and Government aided colleges. The audit report on first phase has been submitted to Higher Education department.

O. PANNEERSELVAM
Minister for Finance, Personnel
and Administrative Reforms
Department