



FINANCE DEPARTMENT

**POLICY NOTE
2021 - 2022**

DEMAND No. 16

Dr. PALANIVEL THIAGA RAJAN
Minister for Finance and Human Resources Management

©

Government of Tamil Nadu
2021

INDEX

Sl. No	Subject	Page
1	Introduction	1
2	Treasuries and Accounts Department	12
3	Government Data Centre	21
4	Local Fund Audit Department	34
5	Co-operative Audit Department	58
6	State Government Audit Department	68
7	Department of Audit for Milk Co-operatives	81
8	Small Savings Department	92
9	Tamil Nadu Infrastructure Development Board	98
10	New Health Insurance Scheme	106

POLICY NOTE
DEMAND NO.16
FINANCE DEPARTMENT
POLICY NOTE FOR THE YEAR
2021-2022

Introduction:

**“Wealth, the lamp unfailing, speeds to every land,
Dispersing darkness at its lord’s command”.**

(753)

The imperishable light of wealth goes into regions desired (by its owner) and destroys the darkness (of enmity therein)

2. The Finance Department is vested with the responsibility of managing the public finances of the Government of Tamil Nadu prudently.

The main functions of the Finance Department are:

- i. Preparing the Annual Budget, i.e., the statement of the estimated Revenue and Expenditure of the State to be laid before the Legislature every year under Article 202 of the Constitution of India.
- ii. Managing the public finances of the Government of Tamil Nadu as the custodian of the state exchequer.
- iii. Formulation of policies of the State Government in respect of overall financial management of the State and review of the policies as and when the need arises.
- iv. Critical scrutiny and evaluation of expenditure proposals of various departments of the Government with reference to need, cost effectiveness, budget allocation, financial procedure etc., keeping in mind the importance of achieving the fiscal objectives of the Government.

- v. Overall responsibility of balancing receipts and payments and ensuring that debt obligations are met.
- vi. Manage the overall borrowing requirement of the State and ensure that the borrowed funds are effectively utilized.

Vision of Finance Department:

3. The Vision of the Finance Department is to ensure that the Finance function in the State Government is modernized to be in tune with the 21st Century. The Finance Department will manage the macro elements of the annual budget in terms of aggregate level of receipts and the aggregate level of expenditure with a broad prioritization of sectors and initiatives.

Within this challenging framework, the Finance Department will aim to delegate more autonomy on individual expenditure decisions to the respective departments, while ensuring that the

overall levels of accountability are substantially enhanced and there is real time control on funds flow and the audit function is made more robust and effective. This broad objective will be achieved through specific initiatives including:

- Switch to budgeting processes that enhance autonomy, accountability and ensure greater value for money.
- Strengthen the IFHRMS and Treasury system
- Strengthen Audit Processes
- Increase Accountability and Productivity
- Enhance efficiency of Procurement Processes
- Enhance Delegation of Powers

(i) Strengthen IFHRMS and Treasury System:

The following measures will be taken to strengthen IFHRMS and Treasury System;

- Integration of IFHRMS with e-office to ensure all financial sanctions and HR decisions are online.
- Replicate the Public Financial Management System functionalities in IFHRMS in tracking of the bank account/transaction details of the entities to ensure propose utilization of Government assistance.
- Convert Treasuries into Pay and Accounts Offices to strengthen pre-audit system to effectively minimize the lapses and regulate the payments from the State's exchequer.

- Ensure all local bodies maintain their cash balances in Sub Treasuries and Treasuries in the Public Account instead of Banks.
- Transform the Treasury system into a Payment Bank.

(ii) Strengthen Audit Processes:

The following steps are being taken to strengthen the Audit Processes;

- Put in place the processes to expedite responses to Comptroller and Auditor General Audit Paras and to Public Accounts Committee / Committee on Public Undertakings reports. There are over 2,000 Comptroller and Auditor General audit paragraphs pending for many years.

- Implement Audit Information Management System (AIMS) for all the Audit Departments in Government.
- Develop an online system for monitoring the post-audit functions such as status of pending audit paras for Comptroller and Auditor General and State Audit Departments.
- Bring all State Audit Departments under a Director General who can be taken on deputation from Indian Audit and Accounts Service.
- Upgrade capacity in Audit Department and appoint more professionals.

(iii) Increased Accountability and Productivity:

To reduce the scale of irregularities which result in audit paras, induction and in-service training programmes for Government staff will be strengthened. This will reduce audit observations and consequent negative perception of Government. A robust strong internal audit mechanism within Government is essential to ensure that wrongdoing is identified early, and corrective action is taken without delay. Therefore, fundamental reform of the audit system within Government will be taken up. All Audit Departments functioning in Government will be brought under the Finance department and will be integrated seamlessly to ensure that internal audit functions are effectively carried out across all Government departments and agencies. The capacity of the Audit Departments will

be enhanced, and they will be professionalized.

(iv) Enhancing efficiency of Procurement Processes:-

Integration and computerization of the entire process of projects and works implementation in the State, right from the stage of preparation of estimates, tendering, award of tenders, execution of works including measurements, up to the final payment of bills and the adoption of electronic tendering procedures in Government and also to significantly enhance the efficiency of the project management processes in various departments and greatly speed up the implementation of projects.

(v) Enhanced Delegation of Powers:-

Enhanced delegation helps speeding up decision making, improving implementation, cost reduction and avoiding time overruns while ensuring greater accountability. To achieve this, the Finance Department will delegate powers to concerned Departments to sanction expenditure within their own budget and facilitate processes and procedures of delegating the powers to concerned Department need to be reworked.

STRUCTURE OF FINANCE DEPARTMENT

4. The following departments / agencies are under the administrative control of Finance Department:-

i.	Treasuries and Accounts Department
li	Government Data Centre
iii.	Local Fund Audit Department
iv.	Co-operative Audit Department
v.	State Government Audit Department
vi.	Department of Audit for Milk Co-operatives
vii.	Small Savings Department
viii.	Directorate of Pension
ix.	Tamil Nadu Infrastructure Development Board
x.	Tamil Nadu Infrastructure Fund Management Corporation Limited

The functions of all the departments, except the Directorate of Pension which is included in the Policy Note on Demand No.50. “Pension and Other Retirement Benefits”, are detailed in this note.

TREASURIES AND ACCOUNTS DEPARTMENT

5. Treasuries are one of the oldest operational unit of the Government. Originally they functioned as part of the Collectorates. In 01.04.1962, they were reorganized into a separate department and brought under the administrative control of the Finance Department. The Department is headed by the Commissioner of Treasuries and Accounts and has 6 Regional Joint Director Offices, 6 Pay and Accounts Offices, 3 Sub Pay and Accounts Offices, 37 District Treasuries, 1 Pension Pay office, 1 Assistant Superintendent of Stamps Office and 243 Sub Treasuries. The Department discharges the various Treasury functions of the State. Personnel from the Department are also deputed to various other Departments, Boards, Corporations and Universities to man posts dealing with Finance and accounts related functions.

6. The main functions of Treasuries Department are

- 1) Handling receipts and payments of the Government
- 2) Disbursement of salaries to about 9.5 lakh employees
- 3) Disbursement of pension for 7.2 lakh Pensioners
- 4) Disbursement of scheme and works related payments
- 5) Rendering compiled monthly accounts to the Accountant General
- 6) Sale of Judicial and Non-Judicial stamps to Vendors
- 7) Implementation of the New Health Insurance Schemes intended for employees and pensioners.
- 8) Maintenance of various Deposit Accounts for Local Funds and Personal Deposits of Drawing and Disbursing Officers.
- 9) Allotment of Funds to Head of Departments for certain categories of loans and advances including Vehicle, Computer etc.,

Integrated Financial and Human Resources Management System (IFHRMS)

7. The Government have implemented Integrated Financial and Human Resource Management System (IFHRMS) for the effective and efficient functioning of Government by integrating management of both Financial and Human Resources at the cost of Rs.288.91 crore. As a very large proportion of the disbursements from the treasury system related to salary payments, it was felt that integrating financial management with the human resources management system would yield considerable synergies and efficiencies both in the Treasuries and in the different departments and would also render data to Government on a real time basis for monitoring and for policy making.

To provide a complete solution, a Consulting Agency namely M/s.Accenture Solutions Private Limited, Chennai was appointed in 18.07.2012 with the responsibility of preparing a

system study, thereafter identify the System Integrator and act as the Project Management Consultant.

- M/s. Wipro Ltd has been engaged as the System Integrator for this project through a tender process on 29.05.2015.
- Necessary infrastructure has been created and the IFHRMS application has been established at all the locations.
- IFHRMS was initially implemented at Karur District during January 2020 and subsequently it has been extended to all districts and Pay and Accounts Officers in a phased manner. At present, all claims of Salary, Non Salary, Pension and Work bills are being processed through IFHRMS only and e-payment made to the beneficiaries through e-Kuber portal of RBI.
- The Pension module has been implemented in all District Treasuries and at Pension Pay Office (PPO), Chennai and the Payments made to the beneficiaries through IFHRMS.

- The e-challan module was launched to enable the General public / Government Departments, Boards and Corporations and Local Bodies, to remit the receipts of the Government as e-receipts in IFHRMS. The remittances can be made 24x7 through online facilities (www.karuvoolam.tn.gov.in). So far four Banks namely, State Bank of India, Bank of Baroda, Indian Overseas Bank and Indian Bank have been identified as aggregator banks and presently the e-challan has been made operational with State Bank of India and Bank of Baroda.

Further, the following activities and programmes will be implemented during this year

- Full Integration of the four major revenue earning departments such as Commercial Tax, Registration, Prohibition and Excise and Transport with IFHRMS.
- Digital Signature Certificate (DSC) / Unique Identification of the authorizing person implementation.
- Integration with TANGEDCO and BSNL

- Indian Bank and Indian Overseas Bank integration as aggregator banks.
- e-SR updation by all Departments
- Integration with Tamil Nadu Housing Board (TNHB) of TNGRHS quarters occupation and rent recovery.
- Integration with Income Tax Department for TDS/TCS.
- Integration of out of Treasury transactions effected by Accountant General (Accounts & Entitlements).

Formation of New Treasuries and construction of new Buildings

8. At present, there are 37 District Treasuries and 243 Sub Treasuries functioning in the State. Construction of own buildings were sanctioned for 82 Sub Treasuries functioning in old and private buildings, out of which 73 buildings have been constructed. The construction of the own buildings for remaining 9 Sub Treasuries and the

Tirunelveli, Kancheepuram and Dindigul District Treasuries is in progress at various stages and is expected to be completed soon. 59 Taluks have been identified which do not have a Sub-Treasury and are in need of one. The process of forming Sub Treasuries in taluks not having sub Treasuries (as per “One Taluk One Sub Treasury” norms) is being implemented in phases.

National Pension System (NPS)

9. National Pension System (NPS) has been implemented for the All India Service officers (AIS) appointed on or after 01.01.2004. The Government of Tamil Nadu signed an agreement on 28.6.2017 appointing NSDL (National Securities Depository Limited) as the CRA (Central Record Keeping Agency) for the National Pension Scheme (NPS), NPS Trust of the Pension Fund Regulatory and Development Authority (PFRDA) as the Trustee Bank, Pension Fund Manager (PFM) and Annuity

Service Provider (ASP) for operationalizing NPS for AIS officers of Tamil Nadu cadre. A total sum of Rs.28,72,57,740/- has been transferred to NPS Trust towards subscription amount and Government contribution for 237 AIS Officers so far. Regular monthly transfers are being regularly made.

Public Financial Management System

10. Public Financial Management System is an application which provides an end to end solution for processing payments, tracking, monitoring, accounting, reconciliation and reporting of all Government of India funding for centrally sponsored schemes and schemes shared with States. The Treasuries and Accounts Department is the Nodal Department for this scheme and is taking effective steps to co-ordinate the implementation of the PFMS, based on the guidance and instructions from the Government of

India and Government of Tamil Nadu. Under this system, more than 185 Centrally Sponsored Schemes related to 51 departments have been registered.

GOVERNMENT DATA CENTRE

11. With the objective of ensuring a more meaningful analysis of financial data and better budgeting through analysis of the accounts of the State using electronic data processing equipment, the Government established the Central Budget Data Processing Centre in 1971. The main intention of the Government was to utilize electronic data processing facilities to form the nucleus of the Management Information System (MIS) 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 (GDC) was established in 1975.

Overtime, with computerization at the Treasury level and in the Accountant General's office, the primary mission of the GDC was no longer relevant. Hence the GDC now deals with the maintenance of records for the:-

- 1) Contributory Pension Scheme (CPS) for Government employees,
- 2) Contributory Pension Scheme for Employees of Local Bodies,
- 3) GPF Scheme for the employees of Puratchi Thalaivar MGR Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS).

12. The Government, in G.O.(Ms).No.108, Social Welfare and Nutritious Meal Programme Department, dated 19.04.2010 has entrusted the work of maintaining the General Provident Fund Account for the Puratchi Thalaivar MGR Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS) Scheme employees, to the Government Data Centre. The number of subscribers enrolled in this Scheme is 2,12,534 as on 31.07.2021.

13. In G.O.(Ms).No.53, Social Welfare and Nutritious Meal Programme Department, dated 20.07.2015, guidelines were issued for this Scheme

and accordingly the recovery under General Provident Fund is being made from the NMP and ICDS employees since August 2015. Based on the text files received from the Treasuries / PAO's Account slips for the employees have been processed and hosted in the web site from years 2015-2016 to 2018-2019. The Account Slips processing for the year 2019-2020 is in progress.

14. As on 31.07.2021, 8,194 Final GPF Settlement Authorisation orders for the Nutritious Meal Programme (NMP) and Integrated Child Development Services (ICDS) employees were issued by the Government Data Centre for a total amount of Rs.21.86 crore.

Contributory Pension Scheme (CPS) – Government Employees

15. The Government is implementing the Contributory Pension Scheme (CPS) applicable to Government employees recruited on or after 01.04.2003. Employees' contribution at the rate of

10% of their Basic Pay + Grade Pay + Dearness allowance. Matching grant from Government and interest accrued for the total sum are credited to the employees' CPS accounts.

16. Government Data Centre has been maintaining Contributory Pension Scheme accounts of the Panchayat Union Schools, Aided Educational Institutions, Municipal Schools and Local Body employees as per G.O. (Ms) No.201 Finance (Pension) Department, dated 21.05.2009. In G.O.Ms.No.463, Finance (PGC) Department, dated 27.12.2013, one Contributory Pension Scheme of Government Employees maintained by the Accountant General was entrusted to the Government Data Centre with effect from 01.01.2014.

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

Sl. No	Details of Employees	CPS Index Numbers allotted upto 31.07.2021
1.	Government Employees	4,54,197
2.	Aided Educational Institutions / Panchayat Union / Municipal Schools Employees	1,03,610
3.	Local Body Employees	30,359
	Total	5,88,166

The Contributory Pension Scheme account slips for Government Employees, employees of Aided Educational Institutions, Panchayat Union Schools and Municipal Schools have been issued up to the year 2019-2020 for 4,87,823 subscribers.

Contributory Pension Scheme - Local bodies

17. The Government issued orders in G.O.Ms.No.260, Finance (PGC) Department dated 15.10.2015 designating the Commissioner of Treasuries and Accounts (CTA) as the State Nodal Officer for implementing the Contributory Pension Scheme for the Employees of Municipal

Corporations, Municipalities, Town Panchayats and Panchayat Unions. A software for Local Bodies has been developed by the NIC for entering the monthly employees' details through online by the DDOs and online audit by the Local Fund Audit and the work has been in progress. Issue of final authorization for retired, deceased and non-provincialised employees has commenced from January 2019.

18. The number of non-provincialised employees working in Local Bodies under the Contributory Pension Scheme is 30,359. Based on the online Data Entry of subscription, Matching Contributions by Local Bodies and audit by the Local Fund Audit Department, the account slips for 22,353 non-provincialised employees have been released up to the year **2019-2020**.

CPS Final Settlement

19. G.O.Ms.No.59, Finance (PGC) Department, dated 22.02.2016 has been issued for the final settlement of Contributory Pension Scheme in respect of the employees retired, resigned, died and terminated from service. Accordingly, 23,260 applications have been received up to 31st July 2021 and final account slips were issued for 22,893 Government and Local Body employees for an amount of Rs.1,240.28 crore.

20. In the Governor's Address, it had been stated that audit and oversight function of the Government will be thoroughly overhauled. In the Budget Speech for 2021-2022, this Government has committed to increase accountability and productivity. One of the key issues indicated there is that over 2,000 Comptroller and Auditor General (CAG) audit paragraphs pending for many years. The Government have also indicated that a robust strong internal audit mechanism within Government is essential to ensure wrong doing is identified early and corrective action is taken without delay.

Finance Department coordinates with the Comptroller and Auditor General of India's audit wings that audit State Government Departments and PSUs. The responses to C&AG inspection reports and draft paras are sent directly by the Departments concerned and Finance Department co-ordinates the State Level Audit Committee chaired by the Chief Secretary and the follow up of

pending items with the concerned departments. This process will be streamlined and computerised to ensure that pending audit paras are quickly disposed of.

21. Currently the following departments relating to audit are functioning under the control of Finance Department.

- i. Co-operative Audit
- ii. Local Fund Audit
- iii. State Government Audit and
- iv. Audit for Milk Cooperatives

22. The Government will take up a fundamental review of the audit system within Government. To this end, all the Audit Departments and wings functioning within Government are being brought under the control of the Finance Department and will be integrated

seamlessly to ensure that internal audit functions are effectively carried out across all Government departments and agencies. The Government will also take up capacity enhancement of the Audit departments and they will be professionalised.

23. The Audit department functioning for the audit of the Hindu Religious and Charitable Endowments which was hitherto directly under the control of Commissioner, HR & CE and the Tourism, Culture and Religious Endowments Department in Secretariat, will now be brought directly under the control of Finance Department.

24. These agencies perform external audit of the institutions which are not fully audited by the Comptroller and Auditor General (CAG) and perform an internal audit function where Government departments have commercial operations. There are a number of reforms which

will be taken up to significantly strengthen the audit function, including:

- a. Bring all departments / wings coming under different departments which deal with audit functions under the control of Finance Department.
- b. Through the State Audit department, the audit function of societies under the Societies Act requires to be considerably strengthened. There are many societies which have not finalised their accounts several years and the regulator for the societies, the Inspector General of Registration is unable to monitor their overall functioning.
- c. Agencies of Government formed as societies, wherever feasible, will be converted into “not for profit” companies

under the Companies Act to ensure that regulation in financial matters including statutory audit through professionals is enhanced.

25. The following measures will be taken to improve the audit function:

- i. Providing for direct recruitment of professionally qualified persons at the appropriate level.
- ii. Greater capacity building for audit staff through training and revision and updating of audit manuals, processes and procedures.
- iii. Implementing a robust transfer policy to ensure vested interest do not develop.
- iv. Deploy audit parties on a randomised basis rather than on fixed area based

or institution jurisdiction to prevent collusive practices.

- v. Using technology to monitor the audit process.
- vi. More intensive and systematic follow up of audit findings and reports with Heads of Department and concerned agencies.

26. A position of the Director General of State Audit will be created to oversee all the existing audit agencies of the State Government. Ideally, the Director General will be drawn from the Indian Audit and Accounts Service on deputation.

27. A High Power Committee comprising retired Deputy CAG level officers and audit experts will be formed to make recommendations on improving the overall audit process within the State Government.

LOCAL FUND AUDIT DEPARTMENT

28. While the audit of the Accounts of the State Government as a whole is entrusted with the Comptroller and Auditor General of India, historically the task of statutory audit of the accounts of Urban and Rural Local Bodies, Universities, Agricultural Market Committees, Local Library Authorities and other institutions in the State under the provisions of the respective Acts governing the institutions was entrusted with the Local Fund Audit Department.

29. As per the recommendations of the 2nd State Finance Commission, the Tamil Nadu Local Fund Audit Act. 2014 (TN Act No; 24 of 2014) was enacted with effect from 15.12.2014. Tamil Nadu Local Fund Audit Rules have come into effect from 24.08.2016. This provides a fresh statutory basis for audit of such institutions.

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

31. Personnel of the DLFA have been provided training by the Principal Accountant General on the preparation of Audit reports to be placed in the Legislative Assembly. The Tamil Nadu Local Fund Audit Rules 2016 provide for the format audit report.

32. Apart from the audit of the institutions mentioned in the schedule of the Act, the Director of Local Fund Audit undertakes statutory audit of certain other institutions with the prior sanction of the Government under section 5 of the Act. At present the following institutions are under purview of Local Fund Audit Department.

Sl. No	Name of the Institutions	Total No.
1	Municipal Corporations	15
2	Municipalities	121
3	Town Panchayats	528
4	District Panchayats	31
5	Panchayat Unions	388
6	Universities	23
7	Local Library Authorities	32
8	District Agricultural Market Committees	23
9	Tamil Nadu Agricultural Marketing Board	1
10	Agricultural engineering wings	3
11	Koyambedu Market committee	1
12	Local Planning Authorities	28
13	Village Panchayats (every year on rotation basis 22% out of 12524 village panchayats)	2801
14	Miscellaneous Institutions	12
15	National Social Welfare Scheme	32
	Total	4039

Scope of Local Fund Audit Department

33. The audit of Local Body Institutions done by this Department conforms to the general requirements expected of a post-audit function. It relates to checking of accounts and a propriety audit on the income and expenditure of the institutions to ensure that the transactions are as per the relevant Acts and Rules and Government orders and that the accounts represent a true and fair view of the state of affairs of the Local Bodies. Audit is intended to safeguard tax payer's money received by Local Bodies and to ensure that assistance given by Government and funding agencies to Local Bodies is utilized for the purposes for which they have been granted and for the benefit of the intended beneficiaries.

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

34. Immediate Post Audit is conducted in 14 Corporations and 15 Municipalities where

Concurrent Audit sections are functioning. Under this system the payment vouchers are sent to audit upon making payments and such vouchers are audited immediately and the defects noticed communicated to the administration. This system facilitates the prompt rectification of defects.

Corporations and Municipalities taken up for Concurrent Audit

S.No.	CORPORATIONS	MUNICIPALITIES
1.	CHENNAI	KANCHEEPURAM
2.	SALEM	CUDDALORE
3.	COIMBATORE	KARUR
4.	TRICHY	KUMBAKONAM
5.	MADURAI	PUDUKOTTAI
6.	TIRUNELVELI	PALANI
7.	TUTICORIN	POLLACHI
8.	VELLORE	OOTY
9.	TIRUPPUR	MARAIMALAI NAGAR
10.	ERODE	TAMBARAM
11.	THANJAVUR	PALLAVARAM

S.No.	CORPORATIONS	MUNICIPALITIES
12.	DINDUGUL	THIRUVANNAMALAI
13	AVADI	KODAIKANAL
14	NAGERCOIL	RAJAPALAYAM
15		KOVILPATTI

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

Implementation of Accrual Based Accounting System in Urban Local Bodies

36. Cash Based system of Accounting in Urban Local Bodies was replaced by Accrual Based system of Accounting in Municipal Corporations and Municipalities in two phases from

the accounting year 1999-2000 and 2000-2001. This system has been implemented in all Town Panchayats with effect from 2002-2003. The 7 digit web based accounting system based on the National Municipal Accounting Manual has been adopted since 2016-2017.

Certification of Annual Accounts of Local Bodies and Universities

37. Subsequent to the implementation of the Accrual Based Accounting System in the Urban Local Bodies, the annual accounts of Urban Local Bodies are certified by the officers of the Local Fund Audit Department as per G.O (Ms) No.93 / Finance (FC-IV) Department, dated 28-03-2003.

Approved Cadre Strength

38. Out of total sanctioned strength of 1327 posts of which two posts are filled on deputation basis from the Tamil Nadu e-Governance Agency. The remaining posts are filled through Direct

Recruitment and Recruitment by transfer in the department itself.

Name of the Posts	Sanctioned Strength
Director	1
Joint Director	9
Deputy Director	17
Assistant Director	72
Inspector	318
Deputy Inspector	293
Assistant Inspector	293
Ministerial Service	147
General Subordinate Service	47
Local Fund Audit Subordinate Service – Adhoc Rule (Driver)	09
Basic Service	119
On Deputation (System Analyst and Assistant System Analyst)	02
Total	1327

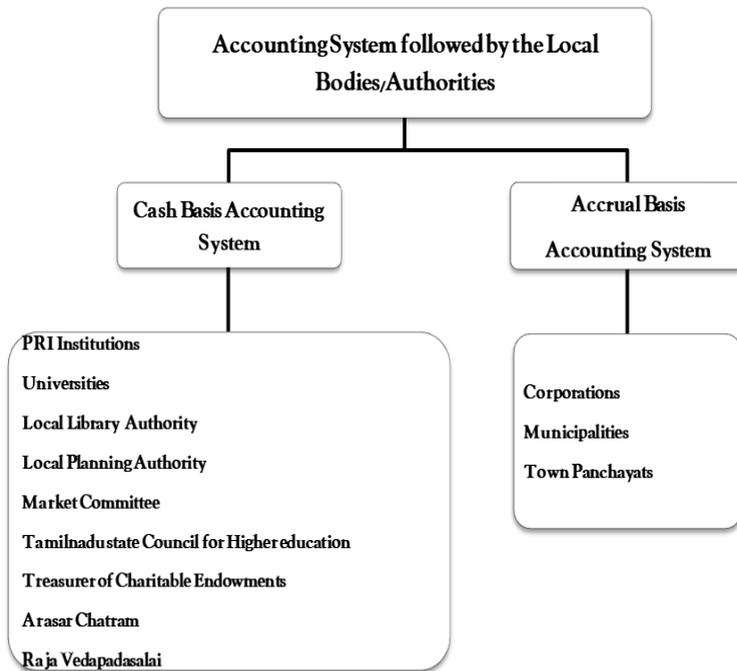
Audit Organisational Structure

39. The "Concurrent Audit System" is in vogue in 14 Corporations, 15 Municipalities and 13 Universities. The Government has introduced quarterly audit system in all the 385 Panchayat Unions from the year 2000-2001. Audit Parties consisting of one Inspector and one Deputy Inspector or one Assistant Inspector for every three or four Panchayat Unions have been constituted and located at selected 116 Panchayat Union Offices.

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

The audit of remaining Municipalities (106) and Universities (10) and other local bodies like Town Panchayats, District Panchayats, Market

Committees, Local Library Authorities, Local Planning Authorities and miscellaneous institutions are under taken every year on receipt of annual accounts from the auditee institutions.



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 which come under its purview.

Status of Audit Progress

40. Audit for the year 2019-2020 in respect of all Panchayat Unions, District Panchayats, Corporations, 120 Municipalities, 527 Town panchayats, Universities and other institutions has been completed. Audit for the year 2019-2020 in respect of 22% of Village Panchayats has been completed. Audit of all institutions for the year 2020-2021 is proposed to be completed by 31.12.2021.

Sl. No.	Audit Year	Auditable Institutions	Audit completion	Audit Pending
1)	2015-2016	3996	3996	-
2)	2016-2017	4042	4042	-
3)	2017-2018	4039	4038	1
4)	2018-2019	4027	4026	1
5)	2019-2020	4027	4025	2
6)	2020-2021	4029	702	3315

Submission of Consolidated Audit Report

41. Tamil Nadu Local Fund Audit Act 2014 Section 20 and Tamil Nadu Local Fund Audit Rules 2016, Rule 19 requires the Director of Local Fund Audit to submit to the Government annually a Consolidated Audit Report which is to be placed before the Tamil Nadu Legislative Assembly.

Sl. No.	Year	Status
1)	2015-2016	Placed in Assembly on 09.07.2018
2)	2016-2017	Placed in Assembly on 05.02.2021
3)	2017-2018	Consolidated Audit Report is ready for placement in the assembly
4)	2018-2019	Consolidated Audit Report is approved by the Government and printing is under progress
5)	2019-2020	Preparation of Draft Report is in progress

Procedure for Settlement of Audit Objections

42. Taking follow up action on the Audit Reports is one of the vital functions of this department. Irregularities of a serious nature noticed during the course of audit are immediately brought to the notice of the Executive Authorities of the local bodies concerned. Serious irregularities

and losses pointed out in the Audit Reports are reported to the Government and the Heads of Administrative Departments concerned through monthly periodicals and special reports for necessary follow up action.

43. In the normal course, the replies to the audit objections are verified and the objections are dropped if satisfactory explanation is rendered. Further, the settlement of audit objections is also taken up by the regional and district level officers of this department through joint sittings arranged by the administrative departments concerned. On the spot settlement is made upon satisfactory explanation.

44. As per current best practices, entry level and exit level discussions with the executive authorities are also conducted to facilitate smooth conduct and speedy rectification of defects pointed out in audit.

Formation of District High Level Committees and State High Level Committees

45. In respect of Panchayat Unions, District High Level Committees headed by the respective District Collectors and the State High Level Committee under the chairmanship of the Commissioner of Rural Development and Panchayat Raj have been formed.

As regards the Town Panchayats, High Level Committees have been constituted at District level with the Collector as Chairman and at State level with the Director of Town Panchayats as Chairman in G.O.Ms.No.1 Municipal Administration and Water Supply (TP2) Department, dated 04.01.2007.

In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District High Level Committees headed by the respective District Collector and State High Level

Committee headed by Director of Municipal Administration have been constituted in G.O (Ms) No.65, Municipal Administration and Water Supply Department dated 22.05.2007.

Recovery of excess payment pointed out in audit

46. A sum of **Rs.755.61** lakh has been recovered during the period 01.04.2020 to 31.07.2021, on account of settlement of 28933 audit objections relating to Town Panchayats, Municipalities, Corporations, Universities and other miscellaneous institutions.

S.No.	Month	Audit Paras Settled	
		No. of Paras Settled	Amount Recovered (Rs. in Lakh)
1)	Apr -2020	745	24.48
2)	May – 2020	527	4.98
3)	June 2020	524	2.81
4)	July–2020	885	46.02
5)	Aug – 2020	1863	11.00
6)	Sep – 2020	2260	34.98
7)	Oct – 2020	3370	57.13
8)	Nov – 2020	2814	17.77
9)	Dec – 2020	7506	216.64
10)	Jan – 2021	1699	47.25
11)	Feb – 2021	2610	152.42
12)	March– 2021	517	19.53
13)	Apr -2021	558	5.7
14)	May – 2021	73	22.93
15)	June- 2021	310	6.22
16)	July – 2021	2672	85.75
	Total	28933	755.61

Audit Fees

47. This department has been charging full audit cost as audit fee from the universities and 50% of audit cost as audit fee from the Municipal Corporations and Municipalities and 2% of total expenditure as audit fees from Agricultural Market Committees. As against the demand of Rs.2,886 lakh, a sum of Rs.1,386.04 lakh was remitted as audit fees by the above mentioned institutions during financial year 2020-2021.

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

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

The certification, sanction and payment of retirement/death benefits to the employees of local bodies viz: Municipalities, Town Panchayats and Panchayat Unions is done by the Director of Local

Fund Audit. As on 31.07.2021, **30,336 pensioners** are receiving monthly pension through four nationalized banks. The funds for the payment of pension / family pension are released by the Heads of Departments concerned from the State Finance Commission Devolution fund.

b) Redressal of Local Body Pensioner's grievances

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

c) Administration of Municipal Pensioners Health and Family Security Fund Schemes

The Health Fund Scheme and Family Security Fund scheme had been extended to municipal pensioners in G.O.(Ms) No.120,

Municipal Administration and Water Supply Department, dated:25.05.1999 with effect from 01.08.1999. These two welfare schemes are administered by the Director of Local Fund Audit. For the period 01.04.2020 to 31.07.2021, 238 claims were settled and Rs.88.06 lakh was sanctioned under the Pensioners' Health Fund Scheme and 108 claims were settled and Rs.48.15 lakh was sanctioned under Family Security Fund Scheme.

d) Administration of Panchayat Union Pensioners Health and Family Security Fund Schemes

The Health Fund Scheme and Family Security Fund scheme extended to Panchayat Union pensioners in G.O.(Ms) No.23, RD & PR (E7) Department, dated 15.03.2013 with effect from 01.04.2013 are administered by the Director of Local Fund Audit. During the period 01.04.2020 to 31.07.2021, 97 claims were settled and Rs.44.35 lakh was sanctioned under Pensioners' Health

Fund Scheme and 221 claims were settled and Rs.98.91 lakh was sanctioned from 01.04.2020 to 31.07.2021, under Family Security Fund Scheme.

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

The Provident Fund Deposits of Local Body Employees and the investments there from were taken over by Government in 1967. The Director of Local Fund Audit is authorised to sanction interest on the balance of Provident Fund Deposits of Local Bodies. A sum of Rs.20.10 crore was sanctioned by the Government during the period 01.04.2020 to 31.07.2021 and the entire allotment has been utilized for sanction of interest claims to the Local Bodies.

f) Treasurer of Charitable Endowments

The Director of Local Fund Audit also functions as the Treasurer of Charitable

Endowments with effect from 01.04.1952. Government authorizes acceptance of the endowments and publishes the scheme of administration of the endowment. The interest amount realized from the endowments is released to the institutions concerned upon filing of applications. At present, there are 4 Central Endowments worth **Rs.19.75 lakh** and 891 State Endowments worth **Rs.36.92 crore** under the custody and control of the Treasurer of Charitable Endowments. During the period 01.04.2020 to 31.07.2021, out of the interest proceeds of endowments, a sum of **Rs.41.93 lakh** has been distributed to **302** Endowment institutions towards the award of scholarships, prizes, medals etc.,

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

49. As per G.O.(Ms) No. 260 , Finance (Pension Grievances Cell) Department, Dated:15.10.2015, the Director of Local Fund Audit

audits the accounts relating to the Contributory Pension Scheme (CPS) maintained by the Local Bodies so as to ensure the correctness of the subscription of the employees and contribution of the Local Body. Contributory Pension Scheme accounts for 354 Panchayat Unions have been audited for the year 2019-2020 and 49 Panchayat Unions have been audited for the year 2020-2021 during the period 01.04.2020 to 31.07.2021. In respect of other Local Bodies such as 14 Corporations, 121 Municipalities and 464 Town panchayats, Local Fund Audit Department have been verifying the correctness of the Contributory Pension Scheme accounts as and when data are uploaded by these Local Bodies.

50. i) A Training Centre exclusively for the Local Fund Audit Department headed by a Deputy Director is established. Foundation training has been imparted to directly recruited Assistant Inspectors as well as Assistant Inspectors

promoted through recruitment by transfer in order to enhance quality of audit, Refresher Training has been given to all the auditors.

ii) Implementing of Audit Information Management System in the Local Fund Audit Department, fund is under progress. Three mile stones (Design and Development of application Software, User Acceptance Testing, Sign off) has been completed and continuous training has been imparted to the auditors.

CO-OPERATIVE AUDIT DEPARTMENT

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

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

Sl. No.	List of Functional Registrars	Total No. of Societies
i	Registrar of Co-operative Societies	8453
ii	Director of Handlooms and Textiles	1356
iii	Commissioner of Industries and Commerce	302
iv	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	210
v	Chief Executive Officer, Palm Products Development Board	701
vi	Registrar of Co-operative Societies (Housing)	720
vii	Director of Fisheries	1381
viii	Commissioner of Animal Husbandry and Veterinary Services	109
ix	Commissioner of Sugar	17
x	Director of Agriculture (Oil Seeds)	1
xi	Director of Agro Engineering and Service Cooperative Societies	114
xii	Director of Sericulture	24
xiii	Director of Social Welfare & Nutritious Meal Programme	125
xiv	Director of Rural Development and Panchayat Raj	49
	TOTAL	13562

Scope of functioning of Co-operative Audit Department:

53. The main objective of Co-operative Audit is to audit the accounts of the societies and to ensure that the financial statements have been drawn properly and that they reflect a true and fair picture of the financial position of the societies. In addition, this Department is intended to provide a valuable service to the members of the societies by auditing whether the functioning of the societies is in accordance with Tamil Nadu Cooperative Societies Act 1983, Tamil Nadu Cooperative Societies Rules 1988 and bylaws of the societies and other directions of the Government and also ensures that the grants, subsidies and the assistance given by the Government are utilized for the purpose for which it is given and the benefit is derived by the members and the community as a whole.

Cadre Strength

54. The Department has been sanctioned with 2842 posts. The details are given below:

Sl.No.	Posts	Sanctioned Strength
1.	Director	1
2.	Additional Director	3
3.	Joint Director	7
4.	Deputy Director	16
5.	Assistant Director	75
6.	Assistant System Engineer	1
7.	Cooperative Audit Officer	679
8.	Senior Cooperative Auditor	746
9.	Junior Cooperative Auditor	1110
10.	Steno Typist	5
11.	Junior Assistant	58
12.	Typist	37
13.	Driver	10
14.	Record Clerk	36
15.	Office Assistant	41
16.	Night Watchman	17
	Total	2842

Concurrent Audit of Urban Banks and District Central Co-operative Banks

55. The statutory audit of all Central Co-operative Banks and Urban Co-operative Banks is entrusted to Chartered Accountants. The auditors of the Co-operative Audit Department are entrusted with the task of concurrent audit in these Banks.

Statutory Audit and Audit Fees

56 The statutory audit of primary co-operative societies has to be completed within a period of 45 days. Audit fee is collected for the period of audit from the respective societies and remitted into the Government Account.

57. Under Fundamental Rule 127, the statutory audit of bigger societies having voluminous transactions is conducted by deploying full time auditors for which more than 45 mandays are allowed, and as per G.O. (Ms) No.27, Finance (Co-operative Audit) Department, dated

12.02.2020. 35 percent of the salary cost is recovered from the respective societies as Fundamental Rule cost of audit.

58. Audit Fees and Fundamental Rule Cost Collection Details

Year	Audit Fees (Rs. in Crore)	F.R. Cost (Rs. in Crore)
2016-2017	3.13	10.24
2017-2018	2.89	11.49
2018-2019	2.58	12.91
2019-2020	2.87	13.82
2020-2021	4.79	15.56

59. Status of Audit Progress

Audit progress for the past five years are as follows:

Sl. No.	Year of Audit	Total Societies	Audit Completed and reports issued	Pending Societies
1	2015-2016	14017	13583	434
2	2016-2017	14007	13551	456
3	2017-2018	13768	13335	433
4	2018-2019	13622	13085	537
5	2019-2020	13565	12449	1116

Audit of accounts for the year 2020-2021, has been completed for 1480 out of 13,562 societies. The audit of the remaining societies will be completed before 31.03.2022. The reasons for non-completion of audit include cases where enquiries are in progress Under Section 81 of TNCS Act, 1983, investigation by the Commercial Crime Investigation Wing has been taken up; court cases are pending; on due to non-production of books and accounts not being completed. Efforts are being taken to complete the audit work of such societies in coordination with the concerned administrative authorities.

Special Reports

60. When serious defects like misappropriation, fraud, violations of TNCS act, rules, stock deficit, are found out during the course of audit, they are brought to the notice of the functional registrars concerned through Special Reports for initiating

necessary followup actions. As per G.O. No.267, Finance (Cooperative Audit) Department, dated 06.08.2018 the annual report of action taken by the functional registrars has been submitted to the Government for the year 2017-2018. Action taken report details for the year 2018-2019 onwards are yet to be received from the functional registrars.

The details of special reports for the past 5 years are given below:

Audit year	No. of Special Reports	Amount (Rs. in Crore)
2016- 2017	357	42.90
2017-2018	569	59.57
2018-2019	609	65.08
2019-2020	544	47.95
2020-2021	506	94.63

New initiatives

61. After restructuring of cadre strength as per the orders of the Government action has been taken to fill up 1000 entry level posts of Junior Co-operative Auditors by direct recruitment through Tamil Nadu Public Service Commission.

Training and Development

62. To improve the quality of audit skills among the auditors, the department is conducting various types of short term training programmes and also conducting 2 days refresher classes every year.

Audit Information Management System (AIMS)

63. Audit Information Management System (AIMS) is an Internet based application by which audit related information like audit plan approval, diary submission, audit progress, issues of audit certificate. Uploading of financial statements, Audit

fees and Fundamental Rule cost collection details and special report details for serious irregularities are uploaded in the AIMS software. It is playing a pivotal role in the e-governance initiative of the Government. This system can be adopted in other audit wings as well.

STATE GOVERNMENT AUDIT DEPARTMENT

64. Originally a State Trading Schemes Audit Department was constituted in the year 1969. This Department was reorganized as per G.O.Ms.No.598, Finance (Local Fund) Department, dated 03.08.1992, realigning the functions of the existing Local Fund Audit department and State Trading Schemes Audit department, providing greater scope for internal audit in Government departments as the Chief Internal Auditor and Chief Auditor of Statutory Boards. Subsequently, the duties and responsibilities of the department were extended to more statutory and non-statutory boards/Institutions, Government departments and Government aided Institutions. The “Internal Audit and Statutory Boards Audit Department” has been renamed as “State Government Audit Department” vide G.O.Ms.No.264, Finance (Local Fund Audit) Department, dated 16.08.2019.

65. Scope of Audit

- Systemic examination of all receipts and expenditure of the auditable institutions.
- Ensure that the financial transactions adhere to standards of propriety and the relevant rules and regulations of Government are scrupulously followed by institutions.
- Examining the Pensionary benefits, General Provident Fund and Special Provident Fund of the employees of the Boards.
- Responsible for follow up of the most serious audit observations relating to the Boards / Institutions and their final resolution in the Public Undertaking Committee.

66. Cadre Strength

POSTS	SANCTIONED STRENGTH
Director	1
Joint Director	1
Deputy Director	6
Assistant Director	47
Inspector	90
Deputy Inspector	75
System Analyst	1
Assistant Inspector	557
Junior Assistant	33
Typist	36
Steno Typist Grade I	1
Steno Typist Grade III	1
Record Clerk	5
Driver	2
Telephone Operator	1
Office Assistants	43
Watchman	3
Sweeper	1
Total	904

Auditable Institutions

67. The following Boards and Institutions are under the purview of the State Government Audit Department.

Sl. No	Name of the Institution	No. of Centre / Institutions
1.	Statutory Boards	6
2.	Judiciary Control Institutions	6
3.	Agriculture Department (All district's Main depot audit, Sub depot audit, Seed farms, etc.,)	1092
4.	Government Institutions (Tamil Nadu Film Division, Tamil Textbook and Educational Corporation, etc.,)	1138
5.	Government aided Institutions (World Tamil Research Institution, Periyar Science and Technology Institutions, etc.,)	753
6.	SC/ST Post Matric Scholarship Audit	2572
7.	Weights and Measures Institutions (Stamping inspector and assistant inspector offices in all districts)	338
8.	Government aided Polytechnic and Engineering Colleges	37
9.	Puratchi Thalaivar Dr. MGR Nutritious Noon Meal Scheme (School going and non school going)	97397
Total		103339

The following important institutions that are included in the above auditable institutions audited by this department;

1. Tamil Nadu Housing Board (TNHB)
2. Tamil Nadu Slum Clearance Board (TNSCB)
3. Chennai Metropolitan Development Authority (CMDA)
4. Tamil Nadu Text Book and Educational Services Corporation
5. Tamil Nadu Khadi and Village Industries Board
6. Chief Minister's Uzhavar Pathukappu Thittam (Social Security Scheme)
7. Folk Artist Welfare Board
8. Tamil Nadu Sports Development Authority
9. Tamil Nadu Manual Labourers' Welfare Board

- 10.15 Non-Formal Labourers' Welfare Boards
11. SC/ST Post Matric Scholarship Scheme
12. Anna Institute of Management
13. District Child Protection Units
14. Tamil Nadu Public Service Commission
15. Teachers Recruitment Board
16. Miscellaneous institutions
17. National Service Scheme in Deemed Universities
18. Tamil Nadu Government Health Fund Schemes
19. Family Security Fund
20. Hon'ble Chief Minister's Public Relief Fund
21. Government Aided Polytechnics and Engineering Colleges

22. Audit of pay fixation of Government employees in all departments. (Audit in respect of Commercial Tax Department, Registration Department, Transport Department has been completed.)

23. Audit of the expenditure of Parliament and Legislative Assembly elections.

The audit of the above boards is conducted annually on concurrent basis. The audit reports of these institutions are issued within the stipulated time frame and serious irregularities are brought to the notice of the Government and Public Undertakings Committee of the Tamil Nadu Legislative Assembly.

68. Status of Audit (As on 30.06.2021)

S. No	Name of the Board	Year of completion of audit	Current audit years (is in progress)	No. Of Para's	Amount involved in Lakhs
1.	Tamil Nadu Housing Board (TNHB)	2017-2018	2018-2019	500	1230185.51
2.	Tamil Nadu Slum Clearance Board (TNSCB)	2018-2019	2019-2020	641	57580.61
3.	Chennai Metropolitan Development Authority (CMDA)	2018-2019	2019-2020	539	87116.90

S. No	Name of the Board	Year of completion of audit	Current audit years (is in progress)	No. Of Para's	Amount involved in Lakhs
4.	Tamil Nadu Text Book and Educational Services Corporation	2017-2018	2019-2020	1020	35236.39
5.	Tamil Nadu Khadi and Village Industries Board	2017-2018	2018-2019 (Annual Accounts still not received)	1736	26144.80
6.	Tamil Nadu Wakf Board	2014-2015	2015-2016 to 2019-2020	1435	3823.72
7.	Administrative General (AG)	2017-2018	2018-2019	938	424.76
8.	Official Trustee (OT)	2018-2019	2019-2020	1729	6243.85
9.	Official Assignee (OA)	2017-2018	2018-2019	1297	3215.08
10.	Official Liquidator (OL)	2014-2015	2015-2016 (1 st half year) to 2019-2020	2153	133127.34
11.	Weights and Measures Institutions	2018-2019	2019-2020	13702	29917.80
12.	Government Institutions	2018-2019	2019-2020	74385	133438.43
13.	Government aided Institutions	2018-2019	2019-2020	19406	305712.06
14.	Government aided Polytechnic colleges and Engineering colleges	2018-2019	2019-2020	5498	14132.53
15.	Puratchi Thalavar Dr. MGR Noonmeal Scheme Audit	2016-2017	2017-2018 to 2020-2021	173123	46403.56

Audit Certificate

69. This department certifies the entitlement to grants of the aided institutions concerned, besides certifying Pension and Provident Fund closure proposals of employees of all the auditee Boards.

Other Functions

70. At present, in 19 Government departments, the Internal Audit functions are being supervised by this department and Audit reports issued:

1. Medical Education Department
2. Medical and Rural Health Services Department
3. Public Health & Preventive Medicine Department
4. Agriculture Department
5. Agricultural Engineering Department
6. Geology and Mining Department
7. Revenue Administration Department
8. Transport Department
9. Collegiate Education Department
10. Technical Education Department
11. Prisons and Correctional Services Department

12. Police Department
13. Social Welfare and Nutritious Meal Programme Department
14. Rehabilitation Department
15. Adi-Dravidar and Tribal Welfare Department
16. Forest Department
17. Stationery and Printing Department
18. Backward Classes and Minorities Welfare Department
19. Fire and Rescue Services Department

Follow up action taken on Audit Reports

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

Audit Fees

72. The demand for audit fees is raised on the basis of the actual cost of audit or average cost. A sum of Rs.213.61 lakhs has been collected as audit fees during 2020-2021 financial year.

Recovery of Excess payment Pointed out in Audit

73. Revenue loss to the tune of Rs.318.28 lakhs as pointed out in audit reports of various auditable institutions was recovered and remitted to government account, by settling 4581 paras in joint sitting.

Capacity Building to the Auditors

74. To improve the quality of audit and the skills of auditors, a training centre has been created by Government and this department is conducting 3 days regular training for auditors.

e-Governance Initiatives

75. An exclusive web portal for this department is under development. To take up digitalization of the department's functioning on software "Cell for Data Management and Analytics" will be established. First phase of training was given to 25 members of the State Government Audit Department.

DEPARTMENT OF AUDIT FOR MILK CO-OPERATIVES

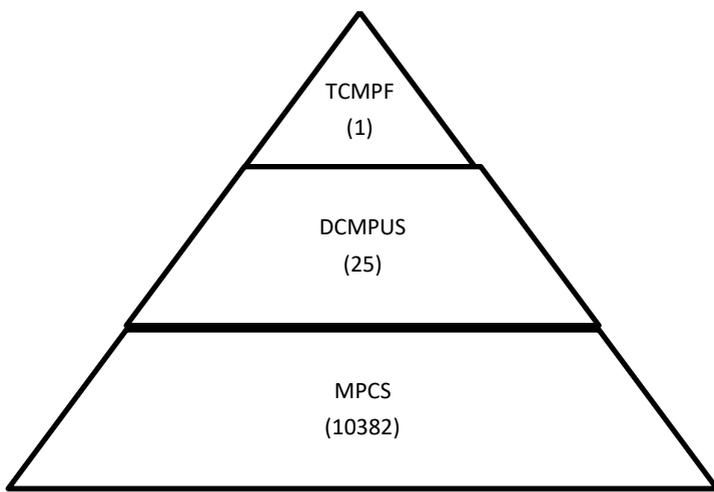
76. The Directorate of Audit for Milk Co-operatives was created as a separate department in 1987 to conduct statutory audit of Milk Cooperatives in the State.

77. Hitherto this department was functioning under the administrative control of Animal Husbandry and Dairying Department. This department has been brought under the overall control of the Finance Department as a separate department vide G.O. No.370, Finance (Cooperative Audit) dated 22-11-2019, with a sanctioned cadre strength of 333 posts.

Structure of Milk Cooperatives

78. Milk Cooperatives are organized in a 3 tier structure with the Tamil Nadu Cooperative Milk Producers Federation Ltd., (TCMPF) at the apex level, 25 District Cooperative Milk Producers

Unions (DCMPUS) at the District level, and 10335 Milk Producers Cooperative Societies (MPCS) and 47 Milk Consumer Cooperative Societies at the Primary level.



Scope of Audit

79. The main objective of this department is to audit the accounts of the milk societies and to ensure that the Balance Sheet and Profit and Loss

Account have been drawn properly so that they represent a true and fair picture of the state of affairs of the societies.

In addition, the audit department enables accountability to the members of the societies by auditing whether the societies are functioning in accordance with the relevant Act, Rules and procedures and also whether the assistance received from Government is utilized for the purpose for which it was sanctioned.

Cadre Strength

80. The Department has been sanctioned with **333** permanent posts, of which **297** posts are filled on deputation basis from the Cooperative Department; 2 posts from the Commissionerate of Treasuries and Accounts.

Posts	Sanctioned Strength
Director	1
Joint Director	1
Deputy Director (Accounts)	1
Regional Deputy Director	5
Superintendent	1
Assistant Director	59
Senior Cooperative Auditor	224
Junior Cooperative Auditor	7
Ministerial Service	9
General Subordinate Service	8
Basic Service	17
Total	333

Restructuring of Present Cadre Strength

81. In order to create a permanent establishment, action is being taken to restructure the existing cadre strength and to frame special rules to function as a full fledged department.

Status of Audit Progress

Audit of Tamil Nadu Cooperative Milk Producers Federation - 2019-2020

82. Final Audit of Tamil Nadu Cooperative Milk Producers Federation for **2019-2020** was completed in all the 10 units of federation and the Audit Certificates have been issued.

For the financial year **2020-2021** audit has commenced in 9 units. The management of the Federation has been requested to furnish the financial statements with schedules, general ledger and other details prescribed in Form 34 to the auditors at the earliest. The final audit of Tamil Nadu Cooperative Milk Producers Federation for

2020-21 will be completed within the statutory time limit.

Audit of District Cooperative Milk Producers Unions 2018-19

83. Audit for **2018-2019** has been completed and Audit Certificates issued for 17 District Cooperative Milk Producers Unions. Audit of the newly created Tirupur and Namakkal unions is in progress.

Audit for **2019-2020** has been completed in 20 District Cooperative Milk Producers Unions and Audit Certificates issued. Audit is in progress in the newly formed unions of Namakkal, Dharmapuri, Theni and Tiruvannamalai unions. In Tiruppur union audit has not commenced as Books of Accounts have not been furnished in complete shape.

For the audit year **2020-2021** audit has commenced in 20 District Cooperative Milk Producers Unions.

Audit of Milk Producers Cooperative Societies

84. For the audit year **2019-2020**, out of 10,081 Milk Producers Cooperative Societies audit has been completed for 9,662 societies and Audit Certificates issued for 8,895 societies. Issue of Audit Certificates is in progress for 767 societies.

For the audit year **2020-2021**, out of 10,382 Milk Producers Cooperative Societies to be audited, statutory audit has been completed in 929 societies.

Audit progress for the past 5 years is given below:-

Sl. No.	Audit year	Total Societies	Audit completed	Audit Certificates issued	Pending
1	2015-2016	10785	10785	10785	-
2	2016-2017	10701	10701	10701	-
3	2017-2018	9947	9947	9947	-
4	2018-2019	9857	9817	9817	40 (Books not written)
5	2019-2020	10081	9662	8895	419 (Books not written)

Audit Fees and Fundamental Rule Costs

85. During 2020-2021, audit fees of Rs.243.51 lakhs comprising of concurrent audit fees Rs.97.85 lakhs and Fundamental Rule cost Rs.145.65 lakhs was collected and remitted into Government account.

During 2021-2022 (upto July 2021) a sum of Rs.18.55 lakhs towards concurrent audit fees and Rs.45.99 lakhs towards Fundamental Rule cost totalling Rs.64.54 lakhs was collected from the milk

cooperative societies and remitted into Government account.

Special Reports

86. As and when serious defects are noticed during audit, they are forwarded to the Commissioner for Milk Production and Dairy Development and the Deputy Registrars (Dairying) by means of special reports which contain the narrative details of the serious defects and the financial involvement for appropriate action at their end.

The progress of special reports over the past 5 years is given below

Tamil Nadu Cooperative Milk Producers Federation

(Rupees in Lakhs)

Audit year	No. of Special Reports	Amount
2015-2016	1	48.42
2016-2017	1	8.82
2017-2018	1	239.10
2018-2019	6	3674.44
2019-2020	9	12076.06
Total	18	16046.84

District Cooperative Milk Producers Unions

(Rupees in Lakhs)

Audit year	No. of Special Reports	Amount
2015-2016	6	287.21
2016-2017	8	234.39
2017-2018	10	618.20
2018-2019	20	8300.68
2019-2020	20	10028.12
Total	64	19468.60

Primary Milk Cooperative Societies

(Rupees in Lakhs)

Audit year	No. of Special Reports	Amount
2015-2016	284	438.76
2016-2017	400	1312.33
2017-2018	279	878.45
2018-2019	310	397.51
2019-2020	121	85.04
Total	1394	3112.09

Training and Development

87. Every year refresher courses are conducted for the Auditors of the department with financial assistance sanctioned by the Government to improve their audit skills and proficiency.

New Initiatives

88. In order to revamp the functioning of this department, initiatives to restructure the existing cadre strength, framing of special rules for the restructured cadre, revision of audit fees and preparation of an Audit Manual have been taken up by this department.

SMALL SAVINGS DEPARTMENT

89. Small Savings Schemes are implemented mainly in the Post Offices. The net proceeds of small savings investments collected in a State had been released as long term loan to that State by the Central Government. Due to the high cost of such loans, based on a request of the State Government, Tamil Nadu has been excluded from availing small savings loans with effect from 2016-2017.

Small Savings Schemes

90. A number of Small Savings Schemes are in existence to suit the requirement of different sections of the society. The Government of India announces the rate of interest for Small Savings Schemes for each quarter.

91. The current rate of Interest of the schemes as on 01.04.2021 is given below. This information is also provided in the Department's

website www.tnsmallsavings.org and periodically updated.

Sl. No.	Scheme	Rate of Interest from 01.04.2021 to 30.09.2021 (%)	Period of Interest
(i)	Post Office Savings Account	4.0	Annually
(ii)	Time Deposit (TD)		
	1 year TD	5.5	Quarterly
	2 year TD	5.5	Quarterly
	3 year TD	5.5	Quarterly
	5 year TD	6.7	Quarterly
(iii)	Post Office Recurring Deposit (PORD 5 years)	5.8	Quarterly
(iv)	Senior Citizen Savings Scheme (SCSS 5 years)	7.4	Quarterly
(v)	Post Office Monthly Income Scheme (POMIS)	6.6 (5 years)	Monthly
(vi)	National Savings Certificate (NSC VIII Issue)	6.8 (5 years)	Annually
(vii)	Public Provident Fund/Ponmagan Podhu Vaippu Nidhi (PPF 15 years)	7.1 (maximum of Rs.1.5 lakh in a Financial year)	Annually
(viii)	Kisan Vikas Patra (KVP)	6.9 (will mature in 124 months)	Annually
(ix)	Sukanya Samriddhi Account (Selvamagal Savings Scheme)	7.6	Annually

Small Savings Collection:

92. The Tamil Nadu Small Savings Collections during the financial years 2016-2017 to 2020-2021 are furnished below:

(Rs. in Crore)

Sl. No.	Year	Target	Gross	Withdrawal	Net
(i)	2016-17	--	20737.29	17227.19	3510.10
(ii)	2017-18	--	25257.16	17301.21	7955.95
(iii)	2018-19	--	31923.58	19511.08	12412.50
(iv)	2019-20	--	41195.23	23572.59	17622.64
(v)	2020-21	--	41478.48	27421.02	14057.46

Agency System

93. Agents are appointed throughout the State for mobilization of Savings. Under Mahila Pradhan Kshetriya Bachat Yojana (MPKBY) women alone are being appointed as Small Savings Agents with priority to canvass Post Office Recurring Deposit Scheme. At present, 27,499 agents have been registered and functioning in Tamil Nadu as on 30.06.2021 as shown below:-

Sl. No.	Type of Agents	Total Number of Small Savings Agents
1.	Standardised Agency System (SAS)	7,060
2	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	20,439
Total		27,499

Awards

94. The Government of India pays commission to agents for the deposits made through them. The Government of Tamil Nadu, in order to motivate Small Savings Agents presents every year awards and shields for Best Agents at the Block, District and State Levels for the Mahila Pradhan Ksetriya Bachat Yojana (MPKBY) agents and at the District and State levels for Standardised Agency System (SAS) agents.

95. The Small Savings Department plays a vital role in encouraging the collection under Small Savings Schemes and to attend to the grievances of investors and agents through online (www.tnsmallsavings.org) all over Tamil Nadu. During World Thrift Day celebrations every year, Essay, Oratorical, Dance and Drama competitions are being conducted among the students and the students are being awarded through to Tamil Nadu Small Savings Department.

96. From the financial years 2017-2018 to 2021-2022, Government allotted Rs.3.30 lakh each year.

Publicity

97. In order to create awareness among the public, Small Savings Department participates in Government Exhibitions by erecting Small Savings pavilion and distributing pamphlets in Trade Fair at

Chennai and in Districts and through the conduct of dramas at the Block level in the districts every year.

98. Rs.10 lakhs is sanctioned by the Government to conduct 250 dramas in various villages each year.

Tamil Nadu Infrastructure Development Board (TNIDB)

99. The Tamil Nadu Infrastructure Development Act, 2012 enacted to provide an enabling and facilitative environment for financing, design, construction, maintenance and operation of infrastructure projects also through private sector participation, and an institutional framework for identification, prioritization and implementation of such projects and related matters. The Act, Rules and Regulations apply to all projects of a value exceeding Rs.500 crore implemented by Public Sector and All Public Private Partnership (PPP) projects with a project value in excess of Rs.10 crore Tamil Nadu Infrastructure Development Rules 2012, lays down the procedures for determination of State support and management of funds created under the Tamil Nadu Infrastructure Development Act and Tamil Nadu Infrastructure Development Board Regulations, 2013 lays down the manner in which the Board shall operate and

provides for the form and manner of preparation and approval of project documents

- The Tamil Nadu Infrastructure Development Board set up under the Tamil Nadu Infrastructure Development Act, 2012 acts as the nodal agency for infrastructure development in the State. The Board largely coordinates infrastructure development activities in the State and facilitates projects undertaken by Government institutions through the public sector mode as well as through Public-Private Partnerships (PPP) mode.
- The Chairperson of the Board is the Hon'ble Chief Minister (Ex-officio) and Vice Chairperson of the Board is the Hon'ble Minister for Finance (Ex-officio). The Board comprising an Executive Committee chaired by the Chief Secretary and a Sub-Committee chaired by Finance Secretary.

- Under the TNID Act, 2012, two funds namely the Project Preparation Fund (PPF) and the Tamil Nadu Infrastructure Development Fund (TNIDF) has been established with the aim of facilitating both project preparation and project implementation.
- Tamil Nadu Infrastructure Development Fund (TNIDF) is set up for providing financial support to facilitate the design, development, functioning, administration, management of projects.
- The Project Preparation Fund is created to provide financial support for conducting studies, hiring the services of experts and consultants, preparing feasibility studies, detailed project studies, capacity building, research and related purposes.
- The Major Projects funded from Project Preparation Fund are:

- Chennai Metro Rail Project
- Tamil Nadu Integrated Tourism Project
- Athikadavu Avinashi Pumped Water Supply Project
- Tamil Nadu Road Sector Project
- Sillahalla Pumped Storage Hydro Electric Project
- Chennai Kanyakumari Industrial Corridor
- Setting up 400 MLD Desalination Plant at Perur
- Development of Various State Highways
- Master plan for Upgradation of 30 Government Medical College Hospitals in Tamil Nadu

- Further the following infrastructure projects have been identified by TNIDB
 - Chennai Fin Tech City
 - Tamil Nadu Commerce Hub – Chennai
 - Bus Depot Modernization Project
 - Chennai Light Rail Project
 - Chennai Bangalore Industrial Corridor (CBIC)
 - Developing Working Women’s Hostel in Tamil Nadu
 - Setting Industrial Desal Plant at Tuticorin
 - Integrated Parking Management

Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC)

100. TNIFMC is an Asset Management Company incorporated under the Companies Act, 2013 and it is a SEBI regulated AMC, presently owned 49% by Tamil Nadu Infrastructure Development Board (TNIDB) and 51% by financial institutions. It provides scope for an international investors to deploy more capital and more effectively in a range of commercially viable and yet significant sectors which are largely State subjects without an impact on the State Government Budget. TNIFMC is the fund manager for Tamil Nadu Infrastructure Fund (TNIF), the Tamil Nadu Shelter Fund (TNSF) and proposed set-up Tamil Nadu Emerging Sector Seed Fund (TNESSF). TNIDB has committed to invest 300 crore to TNIF and has released Rs.30 crore. The existing commitment received so far in TNIF is Rs.830 crore.

101. The Japanese International Cooperation Agency (JICA) has provided First Loss Capital Class funding of Rs.300 crore under the Tamil Nadu Investment Promotion Program II (TNIPP-II). Currently a few Indian banks and financial institutions have contributed to the capital. Apart from TNIF the commitment details received for the following two Funds:

Tamil Nadu Shelter Fund (TNSF) is a Category – I (Social) AIF

- It is designed to raise resources from domestic and international investors for investing in the core capital of projects on affordable housing
- It has soft commitments of INR 150 crore from Government of Tamil Nadu and USD 35 million each from World Bank and Asian Development Bank (ADB)

Tamil Nadu Emerging Sector Seed Fund (TNESSF) is proposed to be created as a Category – I (VC) Fund

- Intended to invest in incubation and venture capital of companies in the sunrise sectors identified by Government of Tamil Nadu. It is in the process of being established.

102. The World Bank has committed USD 35 million (Rs.245 crore) under Tamil Nadu Housing and Habitat Development Project. Discussions with Asian Development Bank are at an advanced stage of approval for investment in the fund to the tune of USD 35 million (about Rs.256 crore) in the fund. This fund targets to raise around Rs.3000 crore for investment in affordable housing.

New Health Insurance Scheme, 2021

103. The New Health Insurance Scheme 2021 is implemented from 01-07-2021 through United India Insurance Company Limited, a central Public Sector Undertaking. The New Health Insurance 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. The Government have extended the New Health Insurance Scheme beyond 30.06.2021 for a further period of four years with some additional features. This Scheme provides medical assistance up to Rs.5 lakh to avail treatments and surgeries. The insurance premium of Rs.300 (Rs.295 for insurance subscription + Rs.5 for Corpus fund subscription for meeting higher expenses in respect of rare illness and exceptional

circumstances, extending the total benefit upto Rs.20 lakh) is being deducted from the Government employee's monthly salary.

104. Under the new scheme, the maximum limit has been enhanced to Rs.10 lakhs for the following specified diseases and treatments;

- 1) Surgery, chemotherapy, radiotherapy and immunotherapy for all malignancies including inpatient procedures for diagnosis
- 2) Liver, kidney, heart, lungs and bone marrow transplantation
- 3) Complex open heart surgeries and implants
- 4) Accident and trauma cases involving multiple fractures
- 5) Heart valve replacements, aneurysms and angioplasties
- 6) Management of burn injuries.

105. The coverage of medical assistance under this scheme has been extended to accident cases, where the patient avails approved treatment/undergone surgery in a non-network hospital. Under this Scheme, 203 treatments are covered to avail medical assistance i.e. 116 treatment and surgeries and 87 medical care procedures on Cashless basis through 1169 networked hospitals located in Tamil Nadu, Puducherry, Bengaluru, Thiruvananthapuram and New Delhi. From 01.07.2016 to 30.06.2021 there were 2,48,716 beneficiaries availed medical assistance costing Rs.1033.46 crore Further, under the New Health Insurance Scheme 2021, 10,058 beneficiaries have availed medical assistance costing of Rs.41.67 crore from 01.07.2021 till 31.08.2021.

106. Apart from these, for the treatment of COVID-19 under the New Health Insurance Scheme for Employees for which a corpus fund

has been created with a sum of Rs.5 crore
A sum of Rs.30 crore has been sanctioned so far.

New Health Insurance Scheme, 2018 for Pensioners (Including Spouse) / Family Pensioners.

107. The New Health Insurance Scheme-2014 for Pensioner (including spouse) / Family Pensioners is being implemented from 01-07-2014. The Government have extended this Scheme with some additional features for a block period of four years covering the period from 01-07-2018 to 30-06-2022. This Scheme is being implemented through United India Insurance Company Limited, a Public Sector Undertaking. Under the new Scheme, the ceiling on medical assistance has been enhanced from Rs.2 lakh to Rs.4 lakh for availing approved treatments and surgeries undertaken.

108. Under the new scheme, this benefit has also been extended to the son / divorced / widowed / unmarried daughter who is suffering from any disorder or disability of mind or physically disabled so as to render him / her unable to earn a livelihood.

109. Under the new scheme, medical assistance has been enhanced to the maximum limit of Rs.7.50 lakh for the following diseases and treatments such as;

- 1) Surgery, chemotherapy, radiotherapy and immunotherapy for all malignancies including inpatient procedures for diagnosis,
- 2) Liver, kidney, heart, lungs and bone marrow transplantation,
- 3) Complex open heart surgeries and implants,
- 4) Accident and trauma cases involving fractures,

5) Heart valve replacements, aneurysms and angioplasties and

6) Management of burn injuries.

110. The coverage of medical assistance under this new scheme has been extended to Emergency Care and cases following an accident, where the patient avails approved treatment / undergone surgery in a Non-network hospital. Under this Scheme, 114 treatments and surgical procedures are covered on cashless basis through 1168 Network hospitals located in Tamil Nadu, Puducherry, Thiruvananthapuram, New Delhi and Bengaluru. The annual premium payable by the Government to the United India Insurance Company Limited is Rs.3,800/- per pensioner / family pensioner, per annum for the block period of four years from 01-07-2018 to 30-06-2022. The annual premium initially paid by the Government is recovered from the pensioner / family pensioner at Rs.350

per month by deduction in monthly pension/family pension from the month of July 2018.

111. During the four year period i.e., from 01-07-2014 to 30-06-2018, a total of 2,01,285 beneficiaries have availed medical assistance to the tune of Rs.578.01 crore After extending this Scheme from 01-07-2018 to 31-08-2021, a total of 1,85,266 beneficiaries have availed medical assistance to the tune of Rs.720.24 crore.

112. Further, Government has accorded permission to extend this Scheme *mutatis mutandis (with appropriate changes)* to pensioners / family pensioners of the Local Bodies, Statutory Boards, State Public Sector Undertaking, Universities and willing State Government Organisations / Institutions, where pension/family pension is being paid from their own fund and capable of bearing the employer

share of the premium without financial liability befalling on the State Budget.

113. In addition, for the treatment of COVID-19 under the New Health Insurance Scheme for Pensioners, a Corpus fund has been created with a sum of Rs. 2.5 crore. A sum of Rs.15 crore has been sanctioned so far.

Dr. Palanivel Thiaga Rajan
Minister for Finance and
Human Resources Management

