



FINANCE DEPARTMENT

POLICY NOTE

DEMAND No. 16

2014-2015

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Minister for Finance and Public Works

©
Government of Tamil Nadu
2014

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INTRODUCTION:

“With knowledge of the measure due, as
virtue bids you give!

That is the way to guard your wealth, and
seemly live”

Following these precepts of the Sage Thiruvalluvar, this Government, under the able leadership of the Hon’ble Chief Minister, has assessed the quantum of revenue that can be collected and allocated the same by formulating and implementing various welfare schemes and development programmes to improve the lives and livelihood of the people of Tamil Nadu.

2. After the assumption of office for the third time under the leadership of the Hon'ble Chief Minister in May 2011, this Government has consistently presented in Annual Budgets with the total size crossing more than Rupees One Lakh Crore. In the Budget for 2014-2015, many achievements of this Government have been highlighted besides introducing new schemes.

3. The Hon'ble Chief Minister has unveiled the second phase of the Tamil Nadu Vision 2023 document on 17.02.2014 which contains the sector specific strategies and profiles of various identified critical infrastructure projects proposed for implementation to achieve an overall investment of Rs.15 lakh crore in all the critical sectors of the State economy. In the Budget for 2014-2015, a sum of Rs.2000 crore has been provided for the Tamil Nadu Infrastructure Development Fund. This fund will be utilized for financing the projects including Viability Gap Funding for public private partnership projects.

4. The Finance Department is vested with the responsibility of effectively managing the public finances of the Government of Tamil Nadu. It has an important role in the preparation of the State Budget and presenting it to the Legislature every year. The Finance Department being the custodian of the State Exchequer has the overall responsibility of balancing receipts and payments and ensure that debt obligations are also met. The Finance Department makes critical scrutiny of the proposals of the Departments and evaluates with reference to needs, cost effectiveness, budget provisions, financial procedure, etc., keeping in mind the fiscal objectives of the Government.

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

- i. Treasuries and Accounts Department
- ii. Local Fund Audit Department
- iii. Co-operative Audit Department

- iv. Small Savings Department
- v. Government Data Centre
- vi. Internal Audit and Statutory Boards
Audit Department
- vii. Directorate of Pension

6. The functions of the departments listed above at serial No. (i) to (vi) are detailed in the subsequent paragraphs. 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

7. The Treasuries and Accounts Department was formed on 01.04.1962. The Department headed by the Director of Treasuries and Accounts is functioning under the administrative control of the Finance Department with 6 Regional Joint Director

Offices, 7 Pay and Accounts Offices, 2 Sub Pay and Accounts Offices, 32 District Treasuries, 1 Pension Pay Office, 1 Assistant Superintendent of Stamps Office and 229 Sub-Treasuries providing treasury related services.

e-Governance Initiatives

Automated Treasury Bill Passing System (ATBPS)

8. Automated Treasury Bill Passing System (ATBPS) is implemented in all Pay and Accounts Offices, District Treasuries, Sub-Treasuries in order to overcome the difficulties faced in the monthly compilation of Accounts, Tracking of Bills, Monitoring the Bill Processing System etc. in the manual bill processing system. This system facilitates better monitoring and services to the various stakeholders like Drawing and Disbursing Officers, Banks, Accountant General, etc. For the implementation of this system, all the Treasuries have been strengthened with infrastructure facilities

like providing of computers and other peripherals, Local Area Network (LAN) and TNSWAN connectivity, establishment of modular office for improving the working condition of the Staff, etc.

9. The receipt and payment of transactions done through treasuries are replicated in the Central Server and various Management Information System reports like number of bills received in the Treasury, payment made through ECS and non-ECS, types of bills viz. salary, pension etc received in treasury, number of bills pending in treasury, receipts and payment under various Heads of Accounts etc. can be generated in ATBPS regime.

Web Pay Roll

10. The Web Pay Roll is being implemented on a pilot basis during the year 2013-2014. It is now extended to all the offices of Treasury Department (All Pay and Accounts Offices, District Treasuries and Sub-Treasuries). The Web Pay

Roll would facilitate establishment of Centralized Employees' Database from which Management Information System reports like Number Statement, Payroll related reports etc. could be generated which will serve as an effective tool in the Human Resources Management System. Efforts are being taken to extend this system to other departments in a phased manner.

e-Pension

11. Now, this scheme has been implemented in Pension Pay Office, Chennai and in all the Districts. Under this scheme, all the details of the pensioners are fed into the computer system and monthly pension and other monetary benefits to the pensioners are credited directly to the respective bank account of the pensioners through Electronic Clearing Service/Regional Electronic Clearing System (RECS). All the pensioners can view their pension benefits being credited into their bank accounts on line.

Mustering of Pensioners:

12. Keeping the difficulties of the senior citizen, this department is taking initiatives to simplify the annual mustering process by incorporating the provision of Bio Metric identification through finger print reader with the help of National Informatics Centre. For this purpose, 987 Bio Metric Finger print readers and 804 web cameras have been procured and being installed in the Pension Pay Office, Chennai and all District Treasuries in order to capture the finger prints during the forthcoming annual mustering for 2014-2015.

Digitization of Pension Records:

13. The work of digitization of pension records has been commenced at Pension Pay Office in Chennai and also all the District Treasuries through ELCOT. An amount of Rs.1.26 crore has been sanctioned by the Government for this purpose. After digitization, it will be linked with the web enabled e-pension software. On completion, the

scanned records will be linked to the concerned pensioners' information available in the e-pension application. It will provide secured and sustainable storage, easy and multiple access of pension records.

Electronic Mode of Financial Transactions

14. The Government of Tamil Nadu has initiated major steps for achieving 100% financial transactions under electronic mode by introducing e-receipts and e-disbursements system. The e-receipts/e-payment facilities have already been introduced in Commercial Taxes Department and in the department of Transport which facilitates the payment of all taxes receivable by the Government through electronic transfers in the online payment system. In case of two other revenue collection departments i.e. the Registration and the Prohibition and Excise Department, the software application developed by the National Informative Centre (NIC) for enabling e-receipt facilities is

under trial. The State Government is also planning to launch a Common Treasury Portal for facilitating all other Government departments to ensure 100% e-receipts/e-payments in Government either online or through offline mode. This will also facilitate offline mode of payment by generating e-challan and facilitating the payment through accredited bank branches. This, in turn, will generate e-receipts and e-acknowledgements to benefit the citizens. In this regard, eight departments have been identified in the State for operation of new system in the first stage. In a phased manner, it is proposed to capture the entire receipts of the Government including taxes, fees and other payments to Government through electronic transactions.

15. On the e-disbursement, the Government of Tamil Nadu has already achieved 100% coverage for salaries and pension. Regarding the payment to contractors, rents, etc., e-disbursement system has been adopted partly. In other cases the cheque

disbursement still continues. It is proposed that the entire Government disbursements shall be brought into the electronic mode of transfers through appropriate interventions. These efforts will be continued and ultimately integrated into the end to end computerization project under the “Integrated Financial and Human Resources Management System” to be launched by the Government.

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

16. The Government have proposed to implement Integrated Financial and Human Resources Management System (IF&HRMS) for effective and efficient utilization of both financial and human resources of the Government. To provide suitable and total solution for Integrated Financial and Human Resources Management System (IF&HRMS), a Consulting Agency namely M/s. Accenture Services Private Limited, Chennai has been appointed with the responsibility of offering consulting services and to identify the

System Integrator. This agency has already submitted its project report.

17. The Government have issued orders to constitute a core committee (e-Governance Team) consisting one Joint Director, one Chief Accounts Officer and one Accounts officer to monitor the progress on the implementation of the Integrated Financial and Human Resource Management System. Accordingly, a committee was constituted and the committee is continuously monitoring the progress. The Consulting Agency with the guidance of the core committee has submitted the As-Is and To-Be Reports as per the schedule. The selection of the System Integrator is in progress.

18. On implementation of the Integrated Financial and Human Resources Management System (IF&HRMS), all the 20000 Drawing and Disbursing Officers throughout the State will be able to submit the bills to the Treasury through online. This Integrated Financial and Human

Resources Management System (IF&HRMS) will take care of the Common payment Gateway Services by which the Government can be benefited with the real time collection and accounting of revenue. The public will also enjoy the benefit of hassle free and instantaneous services.

19. On implementation of the system, the maintenance of Service Register of the nine lakh employees will be automated by which the employee's pay bill, promotion, transfer, leave management etc., will be updated on real time basis. The Integrated Financial and Human Resources Management System (IF&HRMS) will have security features like Bio Metric authentications, Digital Signatures etc., On implementation of the scheme, the real time fund position of the State can be made available which will ensure robust management of Finance & Human Resources in the Government.

20. The Government have accorded administrative approval for the Detailed Project Report prepared by the Consulting Agency at a cost of Rs167.45 crore. The Request for Proposal prepared by the Consulting Agency for the process of selection of System Integrator has been approved by the Government. On selection of the System Integrator, the implementation of the project will commence.

New Health Insurance Scheme - 2012

21. The New Health Insurance Scheme - 2012 is being implemented from 01-07-2012 through United India Insurance Company Limited, Chennai. Under this Scheme, nearly 12 lakh employees of Government Departments, Local Bodies, Public Sector Undertakings, Statutory Boards and State Government Universities and their eligible family members have been covered for medical assistance.

22. The Insurance coverage is enhanced to the tune of Rs.4 lakhs from Rs.2 lakhs with effect from 01.07.2012. The subscription of Rs.150 per employee per month is being recovered from the employees and an amount of Rs.2090 (including Rs.290 as service tax) per employee is being remitted as annual premium to the Insurance Company. Under this Scheme, as many as 113 surgical procedures / treatments are being covered and 635 network hospitals were empanelled to provide medical assistance.

23. From the date of commencement of the new scheme i.e., 01-07-2012, till 30.06.2014, 90691 beneficiaries have availed medical assistance amounting to Rs.368.53 crore as shown below:

Sl. No	Year	Number of Beneficiaries	Amount of Claims Settled (Rs. in crore)
(i)	2012-2013 (July-June)	39307	168.36
(ii)	2013-2014 (up to 30.06.2014)	51384	200.17
Total		90691	368.53

Formation of New Sub-Treasury Offices

24. In accordance with the Government policy of “One Taluk-One Sub-Treasury”, 9 new Sub-Treasuries were sanctioned by the Government during 2013-2014. With this, the total number of Sub-Treasuries currently functioning in Tamil Nadu is 229 including 215 Sub Treasuries in Taluk headquarters.

Construction of own buildings

25. In G.O.Ms.No.403, Finance (T&A-3) Department, dated 05.11.2012, administrative and financial sanction of Rs.7.70 crore have been accorded for the construction of own building for 14 Sub-Treasuries out of 69 Sub-Treasuries functioning in rental buildings, at a cost of Rs.55.00 lakh each. Of which, the construction of buildings for 3 Sub-Treasuries viz. Tiruchengodu, Udumalpettai and Tharangambadi have been completed.

26. Administrative approval was accorded for the construction of own buildings for 33 Sub-Treasuries by the Government in October 2013 at a cost of Rs.60.05 lakh each. Out of the 33 Sub-Treasuries, financial sanction has been accorded for three Sub-Treasuries, at Sivagiri in Tirunelveli District, Illyangudi in Sivagangai District and Kattumannarkoil in Cuddalore District. The construction of own building for Sivagiri Sub-Treasury is nearing completion and the construction works have been initiated in respect of the other two places.

Integrated Office Complex

27. Administrative sanction has been issued for the construction of an Integrated office Complex for 10 Government offices under the administrative control of Finance Department namely Office of the Director of Treasuries and Accounts, Regional Joint Director office, Chennai Region, Pay and Accounts Office (South), District Treasury,

Chennai, Pension Pay Office, Assistant Superintendent of Stamps, Directorate of Pension, Directorate of Local Fund Audit, Chief Internal Audit & Chief Auditor of Statutory Boards and Directorate of Co-operative Audit at an estimated cost of Rs.21.60 crore and further action is being taken to commence the construction.

LOCAL FUND AUDIT DEPARTMENT

28. The Statutory audit of Urban and Rural Local Bodies, Universities, Agricultural Market Committees, District Local Library Authorities and some selected institutions in the State are undertaken by the Local Fund Audit Department under the provisions of the respective acts governing these institutions.

29. Currently the following institutions are under the audit control of Local Fund Audit Department.

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	21
(vii)	Local Library Authorities	32
(viii)	District Agricultural Market Committees	21
(ix)	Tamil Nadu Agricultural Marketing Board	1
(x)	Agricultural Engineering Wings	2
(xi)	Koyambedu Market Committee	1
(xii)	Local Planning Authorities	26
(xiii)	Village Panchayats (Test Audit Only)	2506
(xiv)	Other Institutions	9

Audit of Local Body Institutions

30. The scope of the Local Fund Audit Department is to safeguard and ensure the tax payers money and assistance given by Government or other funding agencies to Local Bodies are judiciously utilized for the purpose it is meant for.

31. Local Fund Audit checks the accounts of the Local body institutions and conduct proprietary audit on the income and expenditure of the auditee institutions as per Acts, Rules and Government Orders and ensure that the accounts represent a true and fair view of the state of affairs of the Local Bodies.

Test Audit of Village Panchayats

32. The test audit of 20% of the total Village Panchayats, is being done by this department as the regular audit is taken care of by internal audit system. Accordingly, 2,506 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.

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

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

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

35. The audit objections noticed during the concurrent audit are communicated to the institutions concerned then and there in the form of "Audit Slips" by the audit parties, and after verifying the replies received, the objections are settled and the audit reports comprising unsettled audit slips are issued. After issue of audit reports, the replies furnished to the audit objections duly rectifying the defects are verified by the audit parties with

reference to the connected records and registers and the objections settled.

Annual Audit of Non-Concurrent Audit Institutions

36. The audit of remaining Municipalities (114) and Universities (7) 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.

Audit of World Bank Funded Institutions

37. The World Bank funded institutions are also audited by this department. The audit of World Bank funded projects of Tamil Nadu Agriculture University, Coimbatore has been entrusted to this department and the audit was completed up to 2012-2013.

Implementation of Accrual Based Accounting System in Urban Local Bodies

38. 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.

39. 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.

40. This system enables the Urban Local Bodies to identify their available Assets with due valuation methods and incorporated in accounts

through Asset Register. Because of the improved method of accounting in Urban Local Bodies, financial institutions and various funding agencies have come forward to provide financial assistance to Urban Local Bodies for the capital projects and welfare schemes, thereby the scope of getting finances to projects/schemes of Urban Local Bodies has been widened.

Certification of Annual Accounts of Local Bodies and Universities

41. Certification of accounts of Local Bodies is a very important issue and internationally it is accepted that accounts have no meaning without proper certification. Accordingly, the annual accounts of Urban Local Bodies are now certified by the Officers of the Local Fund Audit Department as per G.O.(Ms).No.93, Finance (FC-IV) Department, dated 28.03.2003.

42. The audit certificate in respect of the World Bank funded Tamil Nadu Irrigated Agriculture

Modernization and Water Bodies Restoration and Management (IAMWARM) project implemented by Tamil Nadu Agriculture University, Coimbatore is also issued by this department.

Objections Settlement Procedure

43. Taking follow up action on the audit reports is one of the vital functions of this department. The serious nature of irregularities 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.

44. The replies to the audit objections are verified and the objections dropped in genuine cases. Further, the settlement of audit objections is taken up by the Regional and District Level Officers

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

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

Formation of District High Level Committees and State High Level Committee

46. 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 2013 and upto June 2014, 95 District High Level Committee meetings were held and decisions taken in respect of 1424 audit objections by the District High Level Committees.

47. As regards to Town Panchayats, High Level Committees have been constituted at District level with the Collector as Chairman and at State level with the Director of Town Panchayats as Chairman in G.O.(Ms).No.1, Municipal Administration and Water Supply (Town Panchayat-2) Department, dated 04.01.2007. During the year 2013 and upto June 2014, 29 District High Level Committee meetings were held and decisions taken in respect of 3416 audit objections by the District High Level Committees.

48. In respect of Municipalities and Municipal Corporations other than Chennai Corporation, District High Level Committees headed by Financial Advisor of the Commissionerate of Municipal

Administration and State High Level Committee headed by Commissioner of Municipal Administration have been constituted in G.O.(Ms).No.65, Municipal Administration and Water Supply Department, dated 22.05.2007. During the year 2013 and upto June 2014, 12 District High Level Committee meetings were held and decisions taken in respect of 1136 audit objections by the District High Level Committees

Convening of Joint Review Meetings of Administrative and Audit Departments

49. The joint review meetings of Administration and Audit officials at Districts / Regions and at State Level are conducted in respect of Urban Local Bodies and Panchayat Raj Institutions to sort out problems relating to Accounts and Audit at cutting edge level. Similarly, in respect of exit discussion and approval of audit report, not only the executive authorities of auditee institutions but also the higher officers of administration are participating in the

process and thereby the defects pointed out in audit are corrected then and there.

Issue of Utilisation Certificates for Grants

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

Special Functions

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

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

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 31.07.2014, a total number of 34,282 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 Pensioner's grievances

An Information Desk has been opened at the Directorate of Local Fund Audit for redressal of local body pensioners' grievances. Family Pensioners and the Pensioners are able to get information required by them regarding their

pension proposals and related matters without any delay. A sum of Rs.30.00 lakhs has been provided in the Budget to create e-payment pension software for effective and timely disbursement of pension.

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

The Health Fund Scheme and Family Security Fund Scheme applicable to Government pensioners were extended to Municipal Pensioners in G.O.(Ms).No.120, Municipal Administration and Water Supply Department, dated 25.05.1999 with all the concessions applicable to Government pensioners with effect from 01.08.1999. These two schemes are administered by the Director of Local Fund Audit. The details of claims admitted and amount sanctioned during the financial year 2013-2014 and in this financial year upto the month of July are as follows:-

Health Fund Scheme		Family Security Fund Scheme	
No. of Claims	Amount (Rs. in Lakhs)	No. of Claims	Amount (Rs. in Lakhs)
654	168.46	597	193.44

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

The Health Fund Scheme and Family Security Fund scheme have also been extended to Panchayat Union pensioners in GO.(Ms).No. 23, Rural Development and Panchayat Raj (E7) Department, Dated 15-03-2013.

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

The Provident Fund Deposits of Local Body Employees and investments thereon were taken over by the Government from 1967. The Director of Local Fund Audit is authorized to sanction interest on the balance of Provident Fund Deposits of local bodies. A sum of Rs.12 crore was sanctioned by the Government during the year 2013 – 2014 and the entire allotment has been utilized for sanction of interest claims to the Local Bodies.

(vi) Administration of Charitable Endowments

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 publishes the scheme of administration of the endowment.

(vii) The interest amount realized from the endowments is released to the institutions concerned based on the requisitions received from them. At present there are 4 Central Government Endowments worth Rs.12.58 lakh and 874 State Government Endowments worth of Rs.20.13 crore respectively under the custody and control of the Treasurer of Charitable Endowments. Out of the interest proceeds of endowments, a sum of Rs.8.47 lakh has been distributed to 360 endowment institutions towards award of scholarships, prizes, medals etc., during the financial year 2013-2014 and in this financial year upto the month of July.

Contributory Pension Scheme

52. As per the Government instructions, a special team was constituted by the Director of Local Fund Audit for verification of recovery of subscriptions under “Contributory Pension Scheme” and its remittance to Government accounts by the local bodies. These details pertaining to the period of 10 years from 01.04.2003 to 31.03.2013 were collected within the time schedule fixed by Government.

53. An amount of Rs.49,86,05,977/- which include employees contribution of Rs.36,81,26,196/- and employers contribution of Rs.13,04,79,781/- of 125 Municipalities, 385 Panchayat Unions and 529 Town Panchayats has been remitted to Government in the respective heads of account during the above period.

Administrative Reforms

54. In order to strengthen the administration of the department and improve the efficiency of the audit, the following measures were taken.

(i) In G.O.(Ms.)No.426, Finance (LF) Department, Dated 11.11.2013, a High Level Committee for revamping and strengthening the administrative structure of Local Fund Audit Department have been constituted with the following objectives.

- ❖ To conduct a comprehensive study of the cadre strength recruitment method and organizational structure of the Local Fund Audit and Internal Audit and Statutory Boards Audit Departments.
- ❖ To identify the Human Resources (HR) capacity deficiencies and suggest capacity building measures.
- ❖ To identify the major lacunae in the present audit process and to suggest measures to

improve the present system of audit, methodologies and quality of the audit.

- ❖ To study the possibility of introducing Performance Audit.

Action will be taken at once as and when the committee's report is submitted.

(ii) In G.O. (Ms.) No.188, Finance (LF) Department, dated 06.06.2013, all the six Regional Deputy Directors office were upgraded as Joint Directors office with upgrading the post of Regional Deputy Directors into that of Joint Directors.

(iii) Considering the geographical area covered by each Regional Joint Directors, the Government has sanctioned for provision of vehicles along with drivers to all the six Regional Joint Directors.

(iv) Considering the necessity to update the manuals being used by the auditors of this department for auditing and to train them with updated procedures, acts and rules, etc., it is

proposed to prepare separate manuals for Urban Local Bodies, Rural Local Bodies, Universities and training manual.

Status of Audit

55. As per the action plan, the audit of all the auditable institutions entrusted to this department have been completed up to the year 2011-2012. The audit in respect of Panchayat Unions for the year 2012-2013 and 2013-2014 will be completed by 31.08.2014 and Municipalities and Town Panchayats for the year 2012-2013 will be completed by 31.10.2014.

Audit Fees

56. 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 2013-2014 and in this financial year upto the month of June, a sum of

Rs.9.52 crore was collected as audit fees by this department.

CO-OPERATIVE AUDIT DEPARTMENT

57. In order to have an independent and impartial audit of Co-operative Institutions, the Government separated audit wing from the Co-operative Department and formed a separate department called Department of Co-operative Audit with effect from 17.6.1981, as per the recommendations of the Santhanam Committee as well as Administrative Reforms Commission. According to Section 80 of Tamil Nadu Co-operative Societies Act 1983, the Co-operative Audit Department has 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.

58. 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 number of Societies
(i)	Registrar of Co-operative Societies	10,449
(ii)	Commissioner of Handlooms and Textiles	1,409
(iii)	Commissioner of Industries and Commerce	345
(iv)	Chief Executive Officer, Tamil Nadu Khadi and Village Industries Board	1,378
(v)	Chief Executive Officer, Palm Products Development Board	
(vi)	Registrar of Co-operative Societies (Housing)	885
(vii)	Director of Fisheries	1,300
(viii)	Director of Animal Husbandry and Veterinary Services	242
(ix)	Commissioner of Sugar	17
(x)	Director of Agriculture (Oil Seeds)	143

Sl. No.	Name of the Registrar	Total number of Societies
(xi)	Director of Agro Engineering and Service Co-operative Societies	198
(xii)	Director of Sericulture	25
(xiii)	Director of Social Welfare & Nutritious Meal Programme	120
(xiv)	Commissioner of Rural Development and Panchayat Raj	43
	TOTAL	16,554

SCOPE OF CO-OPERATIVE AUDIT DEPARTMENT:

59. The main functions of the Co-operative Audit Department is to check the accounts of the societies and ensure that the Balance Sheet and Profit and Loss Account of the societies have been drawn properly and that they represent the true and fair view of the state of affairs of the societies at a given period of time. Auditing is an important tool in

the hands of the members of the societies to ensure that the operations are carried out as per Acts, Rules and procedures and also to ensure that the assistance given by the Government is utilized for the purpose for which it is meant for and the benefit is derived by the members and the community as a whole.

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

60. After the implementation of the Prof. Vaidhyathan committee report, i.e. from 2009, the statutory Audit of all Central Co-operative Banks and as per the recommendation of Reserve Bank of India, the statutory Audit of Urban Co-operative Banks with deposits above Rs.25 crore were entrusted to Chartered Accountants. The Auditors of the Co-operative Audit Department are entrusted with the task of Concurrent Audit in these Banks.

Statutory Audit

61. The statutory audit 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.3.30 crore has been collected as audit fees during the year 2013-2014. The statutory audit of other bigger societies having more transactions is being conducted and the cost is levied under Fundamental Rule 127 on the respective societies. A sum of **Rs.10.20 crore** has been collected as cost of manpower spent for the audit as per the Fundamental Rule 127 during the year 2013-2014.

Special Reports

62. 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

2013-2014, 242 special reports were received involving an amount of **Rs.41.57 crore.**

Special Audit of Primary Weavers Co-operative Societies under Revival Reforms and Reconstruction Scheme 2013-2014

63. The Government of India has implemented the Revival, Reforms and Reconstruction package for the Handloom Sector through NABARD. In order to arrive at the financial package for the societies, NABARD has requested the Director of Co-operative Audit to conduct special audit for Tamil Nadu State Handloom Weavers Co-operative Society at the apex level and 1099 Primary Weavers Co-operative Societies at the District level as per the special audit manual furnished by NABARD.

64. This special audit conducted by the department not only have enabled the societies to receive a financial package of Rs.141.50 crore, but

also earned an audit fees of Rs.23.40 lakh to Government.

Training to improve the quality of Audit

65. To improve the quality of audit and skills among the auditors, the department is conducting various types of training programmes and also conducting refresher courses every year, containing all the basic principles, instructions and guidelines to guide the auditors while conducting the audit in various types of co-operative societies. During the year 2013-2014, 8 training programmes were conducted in which **195** officers were trained.

SMALL SAVINGS DEPARTMENT

66. Small Savings Schemes are formulated by the Ministry of Finance, Government of India and being implemented through Post offices. Government of India is sanctioning 50 % of the monthly net Small Savings Collections as loan to the State Government at the interest rate of 9.5% w.e.f 01.12.2011. These schemes are designed to provide safe and attractive investment

options to the public and also to mobilize resources for development to the State.

Small Savings Schemes

67. A number of Small Savings Schemes are in vogue to suit the requirement of different sections of the society and the rate of interest for the small savings schemes revised by the Government of India w.e.f. 01.04.2014 as indicated below:

Sl. No	Scheme	Rate of interest w.e.f. 01.04.2012 (%)	Rate of interest w.e.f. 01.04.2013 (%)	Rate of interest w.e.f. 01.04.2014 (%)
(i)	Post Office Savings Account (POSA)	4.0	4.0	4.0
(ii)	Time Deposit			
	Post Office Time Deposit (POTD)-1 year	8.2	8.2	8.4

Sl. No	Scheme	Rate of interest w.e.f. 01.04.2012 (%)	Rate of interest w.e.f. 01.04.2013 (%)	Rate of interest w.e.f. 01.04.2014 (%)
	Post Office Time Deposit (POTD)-2 years	8.3	8.2	8.4
	Post Office Time Deposit (POTD)-3 years	8.4	8.3	8.4
	Post Office Time Deposit (POTD)-5 years	8.5	8.4	8.5
(iii)	Post Office Recurring Deposit Scheme (PORD)	8.4	8.3	8.4
(iv)	Senior Citizen Savings Scheme (SCSS) (5 years)	9.3	9.2	9.2

Sl. No	Scheme	Rate of interest w.e.f. 01.04.2012 (%)	Rate of interest w.e.f. 01.04.2013 (%)	Rate of interest w.e.f. 01.04.2014 (%)
(v)	Post Office Monthly Income Scheme (POMIS)	8.5 (No bonus) (5 years)	8.4 (No bonus) (5 years)	8.4 (No bonus) (5 years)
(vi)	National Savings Certificate (NSC-VIII issue)	8.6 (5 Years)	8.5 (5 Years)	8.5 (5 Years)
(vii)	10 Year National Savings Certificate (NSC - IX issue)	8.9	8.8	8.8
(viii)	Public Provident Fund (PPF) (15 years)	8.8 (maximum of Rs.1 lakh in a Financial year)	8.7 (maximum of Rs.1 lakh in a Financial year)	8.7 (maximum of Rs.1 lakh in a Financial year)

Small Savings Collection

68. The Small Savings Collections made in the last nine years are furnished below:

(Rs. in crore)

Sl. No	Year	Target	Gross	Net
(i)	2005-2006	5000.00	12455.75	5594.13
(ii)	2006-2007	5700.00	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

* (The Government of Tamil Nadu has not fixed target under Small Savings from the year 2007-2008)

Agents commission and incentive system

69. Agents are appointed throughout the State for mobilization of savings. They play a vital role in Small Savings promotion and collection. At present 30,804 number of agents are functioning in Tamil Nadu. The Government of India pay as Commission and the State Government pay as incentive to agents at the following revised rate w.e.f. 01.12.2011 as indicated below:-

Sl. No.	Type of Agents	Savings Products	Total Number of agents	GOI Commission upto 30.11.11	Revised rate of GOI commission w.e.f. 1.12.11	State Govt. incentive (upto 31.03.2012)
a.	Standardised Agency System (SAS)	Post Office Monthly Income Scheme (POMIS)/ NSC/Post Office Time Deposit 1,2,3,5 Year (POTD)	7378	1%	0.5 %	0.5 %

Sl. No.	Type of Agents	Savings Products	Total Number of agents	GOI Commission upto 30.11.11	Revised rate of GOI commission w.e.f. 1.12.11	State Govt. incentive (upto 31.03.2012)
b.	Mahila Pradhan Kshetriya Bachat Yojana (MPKBY)	Post Office Recurring Deposit Scheme (PORD)	22881	4%	4%	2%
c.	Authorised Agents Public Provident Fund Scheme (PPF)	Public Provident Fund (PPF)	545	1%	Nil	Nil
d.	Senior Citizens' Savings Schemes (SCSS)	Senior Citizens' Savings Schemes (SCSS)		0.5%	Nil	Nil
TOTAL			30,804			

70. Though the Government of India has ordered certain restrictions for the payment of Incentive to the agents w.e.f 01.12.2011, the Government of Tamil Nadu has ordered for the

payment of incentive to the agents till 31.03.2012 without any change as paid earlier.

Awareness Campaign

71. In order to create awareness among the public, High Definition short films with small savings advertisements are being screened in Districts. Efforts are being taken to inculcate the habit of small savings among the general public through all possible means.

GOVERNMENT DATA CENTRE

72. A Central Budget Data Processing Centre was established in 1971 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 main intention of the Government to utilize the electronic data processing facilities in due course to form the nucleus of a Management Information System for

Government. Hence, a full-fledged Government Data Centre was established in 1972. For administrative convenience both the above Centres were merged and the Government Data Centre was established in 1975. This centre now deals with the following functions:-

- (i) Processing of results for the examinations conducted by the Directorate of Government Examinations
- (ii) Teacher's Provident Fund
- (iii) Teacher's Contributory Pension Scheme
- (iv) Tamil Nadu Nutritious Meal and Integrated Child Development Employees General provident Fund

EXAMINATION WORKS:

73. All the data processing work relating to the results of the examinations conducted by the Director of Government Examinations were

entrusted to the Government Data Centre in G.O.(1D) No.324, School Education Department, dated 15.10.2010.

74. 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 2013	SPECIAL SUPPLE- MENTARY 2013	OCTOBER 2013	TOTAL
HSE	8,54,105	83,494	41,445	9,79,044
SSLC	11,19,478	92,748	48,010	12,60,236
ESSLC	13,747			13,747
RURAL TALENT SEARCH EXAMINATION	41,048			41,048
DIPLOMA IN TEACHER TRAINING	66,383			66,383

EXAMINATION	MARCH 2013	SPECIAL SUPPLE- MENTARY 2013	OCTOBER 2013	TOTAL
EXAMINATION				
NATIONAL MEANS/MERIT SCHOLARSHIP EXAMINATION	60,346			60,346
TECHNICAL EXAMINATION	15,983			15,983
GRAND TOTAL	21,71,090	1,76,242	89,455	24,36,787

Top Sheets:

75. The Government in G.O.(Ms.)No.4, School Education Department, dated 10.01.2014, has entrusted the work of printing of Top Sheets for Secondary and Higher Secondary School Public examinations to the Government Data Centre. In order to print and supply of 1.60 crore Top Sheets for the Secondary / Higher Secondary School Public Examinations March / April 2014, a sum of Rs.79,21,780 was sanctioned.

Teacher's Provident Fund

76. The Government has entrusted the work of computerisation of the Teachers Provident Fund accounts in respect of Panchayat Union Schools / Municipal Schools / Government Aided Schools / Collegiate Education / Government Aided Technical Institutions to Government Data Centre.

77. The Government has permitted the Commissioner, Government Data Centre to issue authenticated account slips for Teachers' Provident Fund in respect of Panchayat Union School teachers from the year 2007-08 onwards. The processing work for issue of account slips through Internal Audit and Statutory Boards Audit Department upto 2013-2014 are under progress.

Contributory Pension Scheme

78. The Government has entrusted the work of assigning Index numbers and maintaining

the Contributory Pension Fund accounts under Contributory Pension Scheme to Government Data Centre, for the following employees.

- (i) Teachers' of Panchayat Union Schools.
- (ii) Teachers' of Aided Schools / Institutions.
- (iii) Non-teaching staff of Panchayat Union Schools.
- (iv) Municipal Corporation and Municipal Employees.
- (v) Non-Provincialised employees of Town Panchayats.
- (vi) Non-Provincialised employees of Panchayat Unions.

79. The Government Data Centre has allotted 1,04,686 Index Numbers under Contributory Pension Scheme to the above employees so far.

80. The issue of accounts slip of Contributory Pension Scheme to the teaching and non-teaching staff working in the Schools have been processed from 2009-10 to 2012-13. For Local Bodies, the accounts slip will be issued after the audit of the accounts along with the Local Bodies contribution.

81. The data entry work of Contributory Pension Scheme for Government employees maintained by the Accountant General of Tamil Nadu so far have been entrusted to the Government Data Centre from the financial year 2013-2014. At present, there are 2,42,143 subscribers under the scheme.

General Provident Fund for the Tamil Nadu Nutritious Meal and Integrated Child Development Services Employees

82. The Government has entrusted the work of maintaining the General Provident Fund for the employees of Tamil Nadu Nutritious Meal and Integrated Child Development Services to the

Government Data Centre. At present, there are 2,04,914 subscribers under the General Provident Fund of Nutritious Meal Programme and Integrated Child Development Services.

83. The applications for assigning new account numbers are received through online with the coordination of National Informatics Centre. So far, the online data entry work for 1,82,843 applications have been completed. Out of this, the data relating to 94,704 subscribers have been verified by the Drawing and Disbursing Officers concerned.

INTERNAL AUDIT AND STATUTORY BOARDS AUDIT DEPARTMENT

84. 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.	2012-2013
(ii)	Tamil Nadu Slum Clearance Board.	2012-2013
(iii)	Tamil Nadu Housing Board.	2012-2013
(iv)	Chennai Metropolitan Development Authority	2012-2013
(v)	Tamil Nadu Wakf Board	2012-2013
(vi)	Tamil Nadu Labour Welfare Board	2012-2013

The audit of the above institutions are 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

85.The departmental audit of the following Non-Statutory Institutions are conducted by this Department.

Sl. No.	Name of the Institution.	No.of Centres/ Institutions
(i)	Puratchi Thalaivar MGR Noon Meal Scheme.	94,605
(ii)	Agriculture Extension Centres	874
(iii)	Weights and Measures.	313
(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 p.a.	673

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

Audit Certificate

86. 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

87. At present, the internal audit functions are supervised in fourteen (14) Government Departments by this department personnel in the cadre of Assistant Director / Inspectors as per the specific orders of the Government and the reports of such audit are submitted to Government.

88. In addition, the following audit and other functions are undertaken by this Department.

- (i) Audit on the accounts of National Service Scheme in Deemed Universities, Tamil Nadu Government Health Fund Schemes, Family Security fund and Hon'ble Chief Minister's Public Relief Fund.
- (ii) Audit on the accounts of all departments of Secretariat, Private Aided Schools and Colleges.
- (iii) Special Audit in Non Governmental Organisations to find out the violation of provision in the Foreign Contribution Regulation Act 2010.
- (iv) Verification and Certification of the Contributory Pension Scheme of the employees working in Government departments and the Provident fund accounts of the teachers.

Follow up action taken on Audit Reports

89. 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

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

O.PANNEERSELVAM

Minister for Finance and
Public Works Department