Office of the Accountant General (Audit II), Kerala

Press Brief

The Report of the Comptroller and Auditor General of India on Performance Audit on Integrated Financial Management System – Kerala (Report No. 4 of 2025) for the year ended 31 March 2023, Government of Kerala was placed in the Legislative Assembly on **9th October 2025.** The summary of the important points highlighted in the Report is given below:

- Due to absence of a Service Level Agreement, government could not provide a strong foundation for the implementation of the project. Documentation regarding the status of change requests and actions taken remained unavailable, leading to dependence on the System Integrator.
- Contrary to the envisaged Software Development Life Cycle model, the modules continued to be developed in a piecemeal manner by National Informatics Centre (NIC) extending over a period of eight years. The decision taken during the IFMS-K review meetings were relied upon as the sole action points for further development.
- Audit found that the details in respect of data migration tools employed and log analysis were not available with the department. Signed pre-migration and post-migration reports confirming the completeness of migration, exception reports (errors/ integrity error reports) generated during data migration and its rectification and confirmation obtained by treasuries were also not available.
- Acceptance Test Plan was not prepared and there was no secure test environment segregated from the development and production environments. No third-party professional testing agency was entrusted with the Final Acceptance Testing.
- Out of the 251 requirements specified in the approved Functional Requirements Specification, 100 requirements were not developed.
- Kerala Treasury Code/ Kerala Financial Code and budget manuals were not amended to align with re-engineered business processes.

- The Budget 2.0 application lacked validation control to restrict the additional authorisation up to the savings in other units of appropriation. The modification subsequently made by AG (A&E) in the expenditure figures were not reflected in Budget 2.0 application.
- The system lacked validation control to prevent re-appropriation of excess/ savings from one unit of appropriation to another, or resumption of funds surrendered by the Controlling/ Disbursing officers after the close of the financial year. There is no provision in the system to analyse probable savings within the grant and to calculate supplementary demands for Grant required for regularising the additional authorisation.
- The functionality of auto calculation of penal interest for delayed credit of money to government account by agency banks has not been developed. Timely defacement of challans is not done and no time limits are set for processing refund applications.
- Expenditure module had deficiencies, such as the absence of sanction orders or proceedings within the system due to which the Treasury had to rely on physical copies of the bills for processing payments. The HR application - SPARK contained inconsistent and invalid data which defeated the objective of the system.
- In the Accounts and Audit module, there existed a risk due to unprofessional backend access to the database, which allowed stored procedures to be executed by manually editing 'date' variables. The system is not capable of reconciling GST transactions which resulted in unreconciled amount of GST.
- Core Treasury Savings Bank module had deficiencies, such as the non-migration of accounts from TIS to TSB and the lack of system controls for closing inoperative PD accounts. Negative balances were noticed in 3,136 accounts maintained in TSB. Non-capturing of KYC details for accounts, issues in signature verification increased the likelihood of unintentional errors and possibility of malpractices during the operation of these accounts.
- The system permitted multiple logins across various web-based applications. The state budget application was operating on an unlicensed version of DB2. No Database Administrator was available and the Business Continuity/ Disaster Management Plan was also not devised.