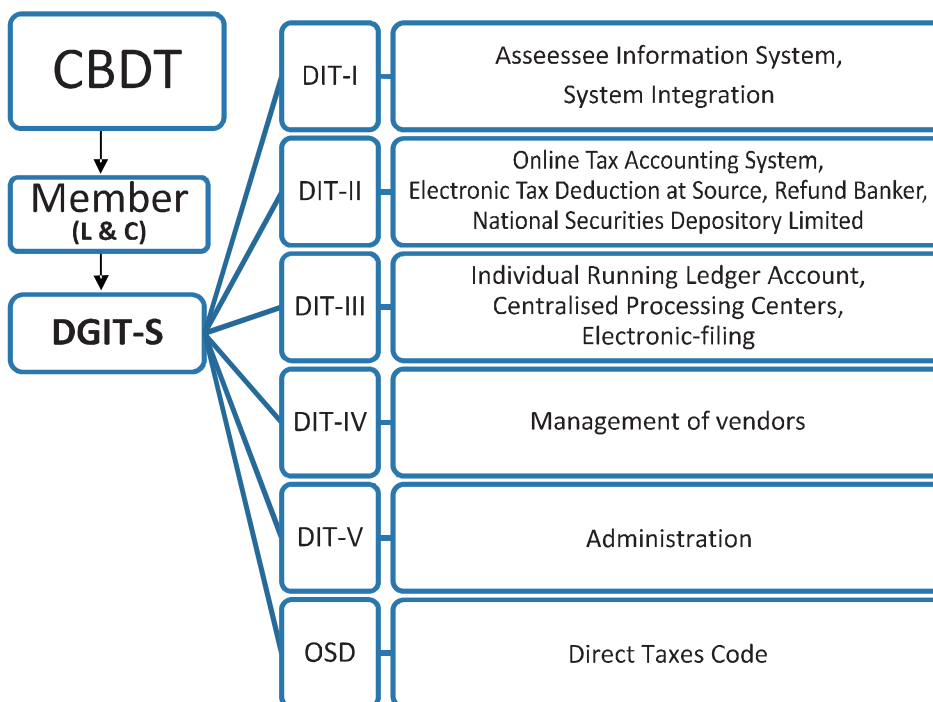


## Chapter 1: Introduction

**1.1** Income Tax Department (ITD) initiated computerization in early 80s which targeted specific functionalities. By 1993, ITD had a much wide-ranging computerization road map under the umbrella of a comprehensive computerization programme (CCP). ITD has introduced many more ICT applications from time to time. 'ITD Applications' refers to the collectivity of ICT initiatives presently prevalent in ITD.

### Organization set up for IT management in ITD

**1.2** Member (Legislation & Computerization) of the Central Board of Direct Taxes (CBDT) has the overall responsibility of IT management in ITD. Office of the Director of Income Tax–Systems (DIT-S) was set up in 1981 at New Delhi. Since November 2000, Director General of Income Tax-Systems (DGIS-S) heads the Directorate of IT system. DGIT-S is assisted by Directors and Officer on Special Duty (OSD). The following chart represents organization set up of DGIT-S and functional distribution of the officers:



**Chart 1: Organization set-up of DGIT (Systems)**

**1.3** The functions of DGIT-S are: (i) Software development, (ii) Hardware installations, (iii) Training and coordination, (iv) Planning and

coordination of National Computer Center and Regional Computer Centers and (v) Undertaking Research & Development. As of June 2011, there were 42 Group A, 8 Group B and 18 Group C officers posted as against sanctioned strength of 39, 18 and 21 respectively.

**1.4** At the field level, there are 36 Regional Computer Centers (RCCs) which provide linkages between Assessing Officers (AOs) and DGIT-S in all matters relating to use and implementation of IT-Systems of ITD. RCCs are managed by Commissioner of Income Tax-Computer operations (CIT-CO) who works under administrative control of Chief Commissioners of Income Tax (CCsIT). CIT-CO is assisted by Deputy Directors and Assistant Directors. RCC databases were integrated into Single National Database at Primary Data Center, New Delhi in December 2008.

**1.5** The budget allotment and expenditure incurred during the period FY 09 and FY 12 for DGIT-S are given below:

Expenditure	Crore ₹			
	FY 09	FY 10	FY 11	FY 12
<b>a. Establishment</b>	7.19	8.42	7.74	10.39
<b>b. Non-establishment (IT)</b>	211.73	155.35	169.99	281.48
<b>Total</b>	218.92	163.77	177.73	291.87

### Why we chose the topic

**1.6** Performance Audit on 'IT Applications in ITD' is an update of our earlier studies conducted in 2000, 2006 and 2009, which had shown that that ITD's IT initiatives needed to keep pace with its business requirements as well as with the technological advancement of IT sector.

### Audit Objectives

**1.7** The objectives of our study are to seek assurances that:

- a.** the core business applications are functioning as envisaged in CCP and subsequent change requirements, the extent of fulfillment of business requirements, recommendations of Task force on Direct Taxes and recommendations contained in BPR report;
- b.** the core applications are duly integrated and the level of integration and interfaces is commensurate with the requirements of business, timeliness, accuracy level of data, data exchange, and data integrity;
- c.** there are adequate arrangements for data security, data confidentiality and disaster management.

### **Audit scope and coverage**

**1.8** Our earlier studies<sup>1</sup> conducted performance evaluation of individual applications like AST and e-TDS. In the present study, we have examined the following four core ITD applications (details in Appendix), with primary focus on their *inter-se* interactions:

- a. Assessment Information System (AST),
- b. Online Tax Accounting System (OLTAS),
- c. Electronic Tax Deduction at Source System (eTDS),
- d. Individual Running Ledger Account System (IRLA).

**1.9** Audit study mainly covered working of Regional Computer Center (RCC) Delhi during period between FY 08 to FY 10. Findings of RCC Delhi were verified at all India level as well.

### **Audit methodology**

**1.10** Audit examined the system documentation and User Manuals; ran queries on transaction data for selected sample obtained from RCC Delhi to check for inconsistencies, errors, omissions, and exception reports; examined the data awaiting reconciliation; and, interviewed concerned officials. We held an Entry & Exit conference with CBDT in February 2011 and August 2012 respectively.

### **Audit Sample**

**1.11** The base sample comprised of data relating to assessees whose returned income exceeded ₹ 9 lakh in AY 10. For those assessees (PANs), audit examined the transactions in the previous and succeeding AYs linked to RCC Delhi. The returns, totaling to 109,564 in number, formed about 5 % of the taxpayers filing in AY 10 accounting for over 80 % of the total returned income.

### **Acknowledgement**

**1.12** We acknowledge with thanks the participatory cooperation of ITD and the CBDT in providing the records, information and responses necessary for the study.

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<sup>1</sup> Performance Audit of Assessment Information Systems (AST) included in C& AG's Report No 10 of 2006 and IT audit of e-TDS system included in C& AG's Report No. PA 25 of 2009 (Performance Audit).