

# Highlights



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### Intent of Integrated Financial Management System

Integrated Financial Management System (IFMS) was developed under Mission Mode Project (MMP) of National e-Governance Plan (NeGP) with a vision to increase efficiency of treasury functions, transparency in financial administrative systems, better cash flow management, better accounting of receipts and payments, improved regulatory mechanism, better control on State Finances, stronger Management Information System, accuracy and speed in accounts and budget preparation.

### Why this Performance Audit?

Audit was conducted to assess and derive assurance about the effectiveness of IFMS system with regards to Information Technology (IT) controls, mapping of business processes and functioning of major modules of the system.

Period of Audit: 2019-20 to 2021-22

Sample: Nine out of 25 modules

### What Audit found?

- Audit observed that preliminary study of existing system was not carried out by the Department which resulted in inclusion of outdated information in Detailed Project Report (DPR) like Inventory Management Module for e-stamps was included in the DPR and the Request for Proposal (RFP) of the vendor, despite the presence of a prior agreement with Stock Holding Corporation of India Limited (SHCIL) for implementation of e-stamping system.

*(Paragraph 2.2.1(i), page 7)*

- DPR was not reviewed before submission to Government of India (GoI) by State Project e-Mission Committee (SPeMT), responsible to prepare DPR and oversee project execution, as committee was formed in December 2013, i.e. a year after submission of DPR to GoI.

*(Paragraph 2.2.1(ii), page 7)*

- Department paid full scheduled amount of ₹ 32.08 lakh to vendors without ensuring delivery of certain major deliverables such as Business Continuity Plan, Backup Plan, High & Low Level design documents and User Acceptance Testing (UAT).

*(Paragraph 2.2.4, page 9)*

- Post Go-Live, relevant treasury and financial codes were not updated to align with the working of IFMS.

*(Paragraph 2.2.6, page 13)*

- Department had not formulated or adopted any change management policy. Change management in IFMS was being carried out without approval of competent authority which shows the lack of internal controls and monitoring.

*(Paragraph 2.2.7, page 13)*

- There was no integration between IFMS and Department of Finance (Budget Section) due to which complete automation was not achieved in budget workflow. IFMS did not support online submission of receipt estimates and revised estimates.  
*(Paragraph 3.2.5.1, page 18)*
- There was no control or check in IFMS to prevent re-appropriation of budget from Voted to Charged head and *vice versa* and Revenue to Capital head and *vice versa*. Analysis of IFMS data revealed re-appropriation of ₹ 51.85 crore from Revenue head to Capital head and ₹ 13.87 crore from Loan head to Revenue head in 2020-21.  
*(Paragraph 3.2.5.2, page 19)*
- Data analysis revealed that government orders were not implemented in IFMS, and bills were found to be pending at each level for more than 30 days.  
*(Paragraph 3.2.6.6, page 24)*
- Only limited checks were available for pre-validation of bank account details. Complete checks regarding correctness of beneficiary name, IFSC and beneficiary account number were not present in the system.  
*(Paragraph 3.2.7.1, page 26)*
- The process of reconciliation of payments between RBI/SBI and Treasury was not automated.  
*(Paragraph, 3.2.7.2 page 27)*
- IFMS went live without required performance and quality certification from STQC.  
*(Paragraph 4.2.1, page 32)*
- In IFMS, DDOs were registered with their personal e-mail IDs causing potential security risk.  
*(Paragraph 4.2.2 (i), page 32)*
- Department did not implement biometric authentication even after *three* years of operationalization of IFMS.  
*(Paragraph 4.2.2 (iv), page 33)*
- In absence of audit certificate, network security of IFMS could not be ensured.  
*(Paragraph 4.2.2(v), page 33)*
- Business Continuity Plan was not framed and adopted for IFMS, even after four years since operation. In its absence, the staff/ users were unaware of the procedure to be followed in the event of disruptions/ disasters.  
*(Paragraph 4.2.3, page 33)*
- Uttarakhand being in seismic zone IV, Department did not set up any functional Disaster Recovery(DR) site. In absence of functional DR site, business continuity of IFMS remained at risk in case of disasters.  
*(Paragraph 4.2.4, page 34)*

- In absence of documented policies, users were free to handle security related issues in their own manner which could pose risks to IT security of IFMS.

*(Paragraph 4.2.7, page 36)*

#### **What Audit recommends?**

1. Department should ensure delivery of technical documents from the vendor to avoid any vendor lock-in situation.
2. Department should expedite the process of updation of financial rules/codes in line with the working of IFMS.
3. Department should issue Standard Operating Procedure (SOP) for key process implemented in IFMS such as correction of accounts, handling of failed payments, etc.
4. Department should integrate IFMS with e-Office so that sanction orders can be uploaded automatically.
5. Department should implement functionality for submission of receipt estimates and revised estimates through IFMS.
6. Department should integrate IFMS with Budget department for obtaining Budget data and processing it automatically.
7. Department should formulate BCP and set up DR site to ensure that the system runs smoothly and resumes its operations within definite time period in case of disasters and other emergency events.
8. The Department should expedite the process of creating and updating government email Ids for remaining DDOs in IFMS.
9. The Department should review and test the backup restore activity on regular basis so that data can be restored if inadvertently destroyed or lost.
10. The Department should formulate an IT security policy for security of IT assets, software and data, backup, data retention and disposal, etc.

