Chapter 1 Introduction

1 Introduction

Background

In Jharkhand, 33 treasuries (27¹ at the district level including the treasury at Jharkhand Bhavan, New Delhi, and six² sub-treasuries at the sub divisional level) are responsible for handling day-to-day transactions of receipt and payment of money on behalf of the State Government and for maintenance of records thereof as per the Treasury Codes and Financial Rules. They compile and submit monthly accounts and returns³ to the Accountant General⁴ (AG).

In keeping with the IT Vision and IT Plan of the State Government, "Project Report and Action Plan for Computerisation of Treasuries in Jharkhand" was prepared (September 2003) by the Department of Information & Technology (DoIT), GoJ. Accordingly, a treasury computerisation project was undertaken (February 2004) by the DoIT with the support of National Informatics Centre (NIC), Jharkhand State Unit, under the e-governance project.

In June 2007, the Finance Department, GoJ implemented 'KUBER'- a web-based Treasury Information System (TIS) for automation of treasuries, pension, audit and other functions of the Department with the objective of ensuring data consistency, seamless exchange of data among various Systems⁵ and full automation of the treasuries. The system has evolved over the years (between 2007 and 2012), with the addition of various modules to the system *viz*. Treasury MIS module in 2007, DDO bill preparation application in 2008, online GPF accounting and Fund preparation module in 2010 and Fund module in 2012. The interface of the system with various stakeholders (such as Department of Transport (*i.e. Vahan* and *Sarathi*), Department of Revenue, Registration and Land Reforms, Department of Mines and Geology *etc.*) have been enhanced over this period.

^{1 (1)} Bokaro (2) Chaibasa (3) Chatra (4) Deoghar (5) Dhanbad (6) Doranda (7) Dumka (8) Garhwa (9) Giridih (10) Godda (11) Gumla (12) Hazaribag (13) Jamshedpur

⁽¹⁴⁾ Jharkhand Bhavan (New Delhi) (15) Jamtara (16) Khunti (17) Koderma (18) Latehar

⁽¹⁹⁾ Lohardaga (20) Pakur (21) Palamu (22) Project Building (23) Ramgarh (24) Ranchi (25) Sahebganj (26) Saraikela and (27) Simdega

² (1) Chakradharpur (2) Ghatshila (3) Madhupur (4) Maheshpur (5) Raj Mahal and (6) Tenughat

Sale of ordinary Stamps, Income Tax receipt statements, Cash Account with schedules and documents, List of Payments with schedules and documents *etc*.

⁴ Accounts and Entitlements (A&E)

⁵ Separate IT systems of State line departments

1.1 Initiation of IFMS

The Government of India (GoI), Ministry of Finance, Department of Expenditure (DoE), approved (July 2010) implementation of Mission Mode Project (MMP) "Treasury Computerization" under the National e-Governance Plan (NeGP). Under this plan, the State Governments/ Union Territories (UTs) were eligible for implementation of the Scheme through Central Assistance and were requested to send their proposals in accordance with the "Guidelines for Operational Model for implementation of State MMPs" issued by the Department of Information Technology, GoI, for appraisal/approval within a period of three years.

The project (MMP) aimed at supporting the States to fill the existing gaps in computerisation, up-gradation, expansion and interface requirements, apart from basic computerisation. This involved (i) data sharing among treasuries, State Finance Departments, Accountant General (AG) offices, Reserve Bank of India (RBI), agency banks, Central Plan Schemes Monitoring System (CPSMS) of Controller General of Accounts (CGA); (ii) minimal reconciliation and feeding treasury data seamlessly into State Data Centres for reduced incidence of missing credits; and (iii) facilitation of pension payments and web-based citizen's queries for receipts and expenditure *etc*.

Once set up, the treasury computerization project was expected to make budgeting processes more efficient, improve cash flow management, promote real-time reconciliation of accounts, strengthen Management Information System (MIS), improve accuracy and timeliness in accounts preparation, bring about transparency and efficiency in public delivery systems and better financial management along with improved quality of governance in the State.

1.2 Need for IFMS in Jharkhand

In Jharkhand, automation of treasury and related functions was undertaken in a piecemeal manner and the Department faced issues with regard to data consistency, limited Government process re-engineering, seamless exchange of data between various systems/stakeholders, lack of full automation, obsolescence of some of the systems due to technological upgradation and issues with scalability of the current IT systems.

To mitigate these issues and improve financial management, FD, GoJ, planned (June 2013) to implement an enterprise-wide comprehensive Integrated Financial Management System (IFMS)-an extension of the Treasury Computerization Project in the State that would collaborate amongst various Government departments in a structured way, interface with key stakeholders on real time basis and simplify, streamline and amend the existing processes. Thus, IFMS consolidates many important financial management functions such as budgeting, payment processing, accounting, auditing and reporting for the State Government and other stakeholders into a single integrated software solution.

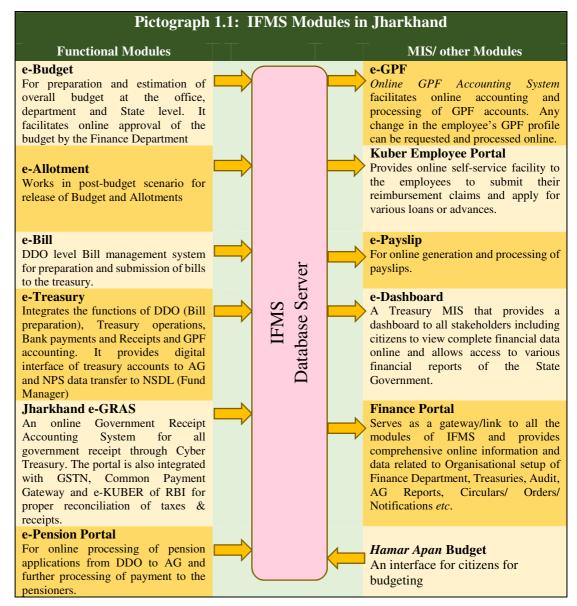
1.3 IFMS in Jharkhand

IFMS Jharkhand (KUBER) is a comprehensive electronic system to facilitate capture of all financial activities of the State Government.

Presently IFMS is operational in the State with 12 modules. Of these, the following six are functional modules:

- (i) Budget module COBT (e-Budget);
- (ii) Allotment module (e-Allotment);
- (iii) Bill module (e-Bill);
- (iv) Payment module (e-Treasury);
- (v) Receipt module (Jharkhand e-GRAS); and
- (vi) Pension module (e-Pension).

The remaining six are reporting modules which do not have their own data and are dependent upon the data of the above functional modules for generating the desired reports. A flow diagram of the modules is shown in **Pictograph 1.1**.



IFMS is integrated with modules of other financial IT Systems like Works Accounts Management Information System (WAMIS), existing Systems of revenue earning departments of the State, Human Resource Management System (HRMS), Goods and Services Tax Network (GSTN), Payment gateways, SBI-CMP and RBI e-Kuber for faster and smoother processing. Further, for Online Tax Payments through the internet, Project Building Treasury at Ranchi was declared (November 2010) as the Cyber Treasury and the State Bank of India, Hatia branch, Ranchi, was nominated as the nodal bank for collection of all online tax payment records from all bank branches within the State and online submission to the Cyber Treasury.

1.4 Objectives of IFMS

The overall fiscal cycle consists of the key activities of Planning, Budgeting, Budget execution (consisting of Revenue Management, Expenditure Management and Debt Management), Transaction Accounting & Audit. The objectives in each of these key areas with respect to fiscal management are:

Objectives	Key Areas		
Fiscal Management	Aggregate fiscal position and risks are monitored and managed		
Budget Realism	The budget is realistic and implemented as intended in a predictable		
_	manner		
Comprehensive, Policy-	The budget captures relevant fiscal transactions, and is prepared with		
based Budget	due regard to government policy		
Information	Adequate fiscal, revenue and expenditure records and information are		
	produced, maintained and disseminated to meet decision making,		
	control, management and reporting purposes		
Control	Arrangements are in place for the exercise of control and stewardship in		
	the use of public funds		
Accountability and	Arrangements for external transparency and scrutiny of Public Finances		
Transparency			

1.5 Key Stakeholders of IFMS

The stakeholders of IFMS have been broadly classified as internal and external stakeholders. Those entities whose functions are within the purview of the State Government are classified as internal stakeholders, while others are classified as external stakeholders. Apart from the above mentioned primary stakeholders, there are facilitators of the IFMS project, as shown in **Chart 1.1**.

Chart 1.1: Stakeholders - IFMS

Internal Stakeholders	External Stakeholders			
Finance Department, Treasury	Accountant General			
• Other Departments <i>viz</i> . Budget Controlling	Reserve Bank of India (RBI)			
Officer (BCO) and DDOs	 Agency Bank, Government of India 			
Planning and Development Department	Businesses			
Internal Audit	• Vendors			
• Employees	Financial institutions, Citizens			
• Pensioners				
Project facilitators				
Department of Information Technology, Government of Jharkhand				
• Jharkhand Agency for Promotion of Information Technology (JAP-IT), Government of Jharkhand				
Administrative Training Institute, Government of Jharkhand				
Department of Information Technology, Government of India				
National Informatics Centre (NIC)				

The brief roles and responsibilities of the primary stakeholders with respect to the IFMS are as follows:

Finance Department

Finance Department is responsible for the overall fiscal management of the State, which includes the functions of planning, budgeting, revenue management, budget execution through treasuries and accounting among other fiscal tasks. It is also the Administrative Department for the Treasury. The Treasury officer (TO) in the Treasury is responsible for processing of bills that are prepared and submitted by the Drawing and Disbursing Officers (DDOs) of the various departments. The TO authorises the payments through banks and prepares the treasury accounts. Internal Audit function of the Government is also the responsibility of the Finance Department.

Planning and Development Department

After merger of the Plan and Non-plan components since 2017-18, the budget of the State is being prepared in four parts *i.e.*, (i) revenue receipts, (ii) Establishment expenditure, (iii) schemes under central assistance (a) Central Sector Schemes (100 *per cent* centrally funded) and (b) Centrally Sponsored Schemes, and (iv) State schemes {(a) ongoing schemes and (b) new schemes}. Further, the provisional outlay for State, Central Sector and Centrally Sponsored Schemes are being fixed for the departments after review by the Planning and Development Department of the State, since 2017-18. Moreover, provision of funds for schemes under different components *i.e.*, Other Sub-Plan (OSP), Tribal Sub-Plan (TSP) and Scheduled Castes Sub-Plan (SCSP) is made as decided by the Planning and Development Department.

Revenue Departments

The major revenue collecting (from citizens and businesses) departments are the Commercial Taxes Department, State Excise Department, Transport Department, Mines & Geology Department and Revenue, Registration & Land Reforms Department *etc*. Similarly, there are some departments, who collect fines against law violations *viz*. Traffic Police, Transport Department *etc*. These collections are also remitted at agency banks and accounted for by the Treasuries.

State Government Departments

Departments of the State Government interact with the Finance Department for the purpose of budget preparation (though Budget Controlling Officers-BCO) as well as for bill submission. The Drawing and Disbursing Officers (DDOs) prepare various types of bills (Salary, Abstract Contingent bills *etc.*), which are approved by the workflow as defined in the JFR/JTC and submitted to the Treasury for payment.

Employees and Pensioners

Employees and Pensioners receive salary, pensions and other payments through the Treasury.

Reserve Bank of India

Reserve Bank of India (RBI) is the banker to the Government. It accounts for and settles the inter-government transactions. It also manages both short-term and long-term debt of the State Government by facilitating market borrowings. It also provides Ways & Means Advances for managing cash balances of the State Government.

Agency banks

Agency banks, appointed by the RBI, transact government business by making payments against cheques authorised and issued by the Treasury and accepting remittances on behalf of the Treasury.

Citizens/Businesses/Vendors

Citizens/Businesses pay taxes to the State Government through the authorised banks/State Government departments. The banks remit the money to the State Government account at the end of the day. The citizens/businesses/ vendors also receive money from the Government through the Treasury in their respective bank accounts on account of subsidies/refunds/payment against services *etc*.

Accountant General

The Accountant General (AG), Accounts & Entitlements (A&E), is responsible for compilation and consolidation of monthly accounts of expenditure and receipts based on vouchers and schedules received from various treasuries and other bodies. AG prepares the monthly civil accounts of the State and renders them to the State Government. AG also ensures reconciliation of accounting transactions by the departments of the State, maintenance of Deposit Accounts and Settlement of Inter-Government transactions, among other functions.

1.6 Audit objectives

The Information Technology Audit of IFMS in Jharkhand was taken up to determine whether:

- ➤ Business process re-engineering for synergy of processes in an IT environment was done to align IT system objectives with business objectives; and
- ➤ IFMS system functionalities and controls were adequate to safeguard IT assets, data integrity, system effectiveness and efficiency and allow organizational goals to be achieved effectively and efficiently through usage of IT resources with adequate management and operational controls.

1.7 Audit criteria

The Audit objectives were examined and evaluated with reference to the following criteria:

- ➤ Government of India guidelines on Computerisation of Treasuries;
- ➤ Detailed Project Report (DPR) of IFMS, As-Is and To-Be document;
- ➤ Request For Proposal documents, Functional Requirement Specification (FRS), Software Requirement Specification (SRS), User Acceptance Test (UAT) reports, Change and Configuration Management Process documents;
- ➤ Jharkhand Budget Manual, Jharkhand Financial Rules, Jharkhand Treasury Code, Jharkhand Public Works/Accounts Code, Forest Act and Manual;
- ➤ IT Act 2000 and subsequent amendments; IT Rules; General Principles of IT Development, Governance and Maintenance; Information Technology (IT) and IT enabled Services (ITeS) Policy 2016 of GoJ; and
- ➤ Other instructions/circulars issued by the State Government/Government of India in this regard.

1.8 Audit scope and methodology

The IT Audit of IFMS for the period since its inception (June 2007) to November 2022 was conducted between May 2022 and July 2023. Full data dump of IFMS for the period up to November 2022 was obtained (January 2023) from the Finance Department. The data dump was then restored and extracted in .csv files for data analysis using IDEA.

Out of the 12 modules of IFMS implemented in Jharkhand, six⁶ functional modules were selected for audit.

Audit methodology included:

- 1. Review of System Design Documentation;
- 2. User walkthrough of the IFMS system by visiting all stakeholders to study their working in the System;
- 3. Analysis of database using Computer Assisted Audit Techniques (CAAT) tools *viz*. IDEA (Interactive Data Extraction and Analysis);
- 4. Validation of the findings pertaining to the period from 2017-18 to 2022-23 (upto November 2022), emanating from data analysis, with physical records by visiting the respective stakeholders involved.

An Entry conference was held on 12 September 2022 with the Special Secretary, Finance Department (GoJ), in which the audit objectives, methodology, scope

6 (i) e-Budget; (ii) e-Allotment; (iii) e-Bill; (iv) e-Treasury; (v) Jharkhand e-GRAS; and (vi) e-Pension

and criteria of the audit was explained. The Exit conference was held on 13 March 2024 with the Special Secretary, Finance Department (GoJ) wherein the audit findings were discussed. The Department accepted all the audit recommendations. The views of the Department during the Exit conference have been taken into consideration while finalising the Audit Report. The replies of the Department have also been suitably incorporated in the Report.