

Chapter-3

System Functionality and Controls

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3.1 Functioning of IFMS system

Nine modules were selected for this performance audit: Budget (Budget Preparation, Budget Disbursement, Budget Maintenance and Budget Planning) DDO, E-Challan, Receipt Accounting, E-Payment and Payment Accounting. They capture whole process from Budget estimation and approval to expenditure and receipt, their accounting and their compilation by AG (A&E) as Finance Account.

3.2 Audit findings

The Audit noticed following shortcomings in system functionality and controls of IFMS:

3.2.1 Modules envisaged in IFMS not implemented

The IFMS application was developed by M/s. TBIL and M/s. IWS. As per RFP document, 31 Modules were to be developed by the vendor. Also, approval of SPeMT committee was required before undertaking any changes in scope of work. Audit noticed that only 25 modules were developed by the vendor, with following modules (**Table-3.1**) declared 'out-of-scope' by the Directorate without consulting the stakeholder Departments and without obtaining necessary approvals from SPeMT.

Table-3.1: List of modules declared out-of-scope

Sl. No.	Modules	Objective/Function
1.	Resource Planning	It includes receipt estimation and would have helped the resource planning section to perform trend analysis and estimation of expected figures of receipt for the next year.
2.	Public Debt Management	The module would have provided projection on GoU fiscal deficit. Periodic cash inflow and outflow projections through this module would have been a critical factor in resource planning estimates and meeting mandatory liabilities of GoU.
3.	Budget Plan	An interface was to be provided to State Planning Department to upload annual plan outlay and filtering of estimates under Plan and Non Plan head.
4.	Input/output	It included generation of State Cash Book for receipt and payment and graphical presentation of data of five years for decision makers.
5.	E-Audit	It included Annual Audit Plan, digitization of formats as per audit manual, audit sampling techniques, Computer Aided Audit Techniques, audit progress monitoring system, etc.

The Government replied (August 2023) that meetings were held under the chairmanship of competent authorities and as per the directions these modules were kept out of scope. Additionally, certain new modules like SGHS, OPGM, RBI eKuber 2.0 upgradation etc. were added in place of modules kept "Out of Scope".

Reply was not acceptable as the Department did not provide any documents to support the fact that meetings were held with the respective Department. As every module had different requirements and involved different quantity of work in its development, therefore replacing some modules with others did not justify that same amount of work was executed. Also, the Department did not seek any approval for these changes from SPeMT.

3.2.2 Manual sanctions

GoU order stipulated that paperless facility should be available in IFMS for any application, form, bill, sanction order, etc. related to any work and it would be auto generated from system.

The Audit noticed that the sanctions were not auto generated from IFMS but communicated physically by the competent authority. The processing of sanctions was handled in IFMS in broadly two ways:

- **Facility of uploading sanctions available on IFMS in some cases:** Physical sanctions/ sanctions obtained through e-Office were scanned and uploaded along-with the bill in IFMS. Sanctions related to expenditure could be uploaded along with other supporting documents during Upload Document stage.
- **No facility of uploading sanctions available in rest cases:** No facility was available in IFMS for capturing the sanctions/orders related to creating a new DDO post or suspension of an employee. Although the processes could be carried out through IFMS, its authenticity could not be relied upon, as the functionality to upload sanctions/orders was not available in IFMS.

Provision of uploading of sanction orders in IFMS unavailable in case of suspension and creation of new DDO post depicted failure in accomplishment of paperless facility in IFMS and lack of functionality to auto-generate sanction orders in IFMS and thus, paved the way for manual intervention.

The Government accepted the facts and stated (August 2023) that sanction orders were generated using e-Office and a PDF copy of these orders was uploaded in IFMS. Communication with NIC was open regarding integrating e-Office with IFMS. Also, working of IFMS was completely made paperless from 01 Jan 2023 for cyber treasury and from 01 April 2023 for all the other treasuries, uploading of supporting document was made mandatory in almost all the modules.

3.2.3 Non-revocation of access rights of ceased users

User rights and permissions are the levels of access granted to users, enabling them to perform specific tasks and access resources on network such as data files or applications. There are four types of access rights (roles) in IFMS viz., Employee, Operator, Supervisor and Officer. These access rights enable users to perform various tasks associated with IFMS.

Data Analysis revealed that access rights of 23 employees who had retired or resigned from service or deceased were not revoked. No functionality was available in IFMS to auto deactivate the users from assigned role in case of death, retirement, or resignation. It was the responsibility of concerned Treasury Officer/DDOs to manually deactivate the User Roles in IFMS. Manual deactivation of User Role rather than auto deactivation renders IFMS vulnerable to potential risk of misuse of functionalities of IFMS.

The Government accepted the facts and stated (August 2023) that the issue had been resolved and assigned roles were removed by default as soon as Last Pay Certificate (LPC) was generated in any of the cases (transfer, death, retirement or resignation).

3.2.4 Non-review of Super User activity

DTPE created a ‘Super User’ who was to act like front end gateway meant for Data Center for facilitating its treasury operations. It was the most privileged user in DTPE who was capable to make any changes (Modify/Update) in various Master tables like Bank Master, DDO Master, Treasury Master, HoD Master, etc. Functionalities which were *inter alia* performed by Super User were:

- DDO Code Creation
- Treasury IP binding
- Update Master tables
- Display alerts/messages in IFMS
- Update DA/DR rates

However, Audit observed that Super User was single-handedly performing critical functions like significant changes in Masters i.e. changes in bank details, changes in scheme, activate/deactivate menu in IFMS, changes in Object Code, DDO Post generation, update party name, etc. It implied that an individual (Super User) had full control over master data. Activities of Super User, despite it being the most privileged user, were never reviewed. Super User login facilitated single mode approval rather than three tier approval, as envisaged in Government Orders. Hence, it was pertinent to review its activities periodically. Furthermore, DTPE was unable to formulate any documentation to substantiate activities performed by Super user. Non-reviewing of critical treasury functions discharged by immensely empowered Super User was sheer illustration of arbitrary conduct and thus, subjected to individual will or judgement without restriction.

The Government replied (August 2023) that any changes made by Super User were performed after the approval from the competent authority and logs for the same were also being maintained in the system. Also, Implementation of three level approval for super user was in progress.

Reply was not acceptable as the Department did not provide any document to support their claims. Further, three levels of approval for Super User was to be implemented.

3.2.5 Budgetary work flow and control deficiencies

The budgetary process in IFMS was required to provide support for Budget management, including preparation, communication, and revision of budgets for the State/UT Governments. It would enable the Department to moderate the demands made by field offices and submit them to the Finance Department, indicating their requirements for funds. The Finance Department would analyze the demands from various perspectives

and finally recommend provisions for each of the budget heads/ Department. The module would be able to print the document for being placed before the legislature for approval. This module would facilitate timely releases as well as adherence to the authorized limits of expenditure by the DDOs. The module would allow re-appropriation / supplementary grants, surrenders to be handled through it in similar manner.

Audit noticed following systemic deficiencies in their analysis:

3.2.5.1 Key work flow processes not automated

(i) Audit noticed that following key processes in the workflow of budget preparation, approval and distribution were done manually or required manual intervention in some form or other.

a) **Budget estimation:** Budget estimation includes both receipt and expenditure estimates for generation of Annual Financial Statement or State Budget to be laid before Legislature. Budget Estimates (BE) limited to expenditure estimates from DDO to HoD and from HoD to Secretary level were submitted through IFMS. During the system walkthrough, it was noticed that there was no integration between IFMS and Department of Finance (Budget Section). However, an interface was provided to the budget section in IFMS. The secretaries could submit consolidated expenditure estimates to Finance Department online followed by final submission to Budget section for consideration. Thereafter, the budget section downloaded the expenditure estimates in excel format from the available interface in system for budget formulation. IFMS was oblivious of the data worked upon by the budget section for budget formulation. Thus, due to absence of integration with Budget section, complete automation was not achieved in budget workflow.

b) **Receipt estimates:** IFMS supported online submission of expenditure estimates only whereas online submission of receipt estimates was not supported as the Resource Planning module proposed for receipt estimates was dropped. Thus, due to incomplete formulation of budget estimation, IFMS was unable to generate State Budget (Budget Literature) which was required to be generated from the system automatically.

c) **Revised estimates:** Due to absence of functionality in IFMS, revised estimates were submitted manually by the Department.

The Government accepted the facts and stated (August 2023) that the entire budget module was developed as per the requirement of the budget directorate. Budget preparation was being done by the budget Department using its own software. Therefore, many functionalities associated with budget preparation had not been provided in IFMS. However, Receipt estimation and revised estimation functionality would be provided in IFMS from financial year 2024-2025 after consultation with budget Department.

(ii) **Uploading of approved budget in IFMS:** After the budget is approved by Legislature, there was no functionality in IFMS for budget section either to upload or fill the approved budget details in IFMS. Therefore, approved budget details were sent by the

Finance Department to FDC, DTPE in excel format through e-mail. FDC imported the budget details in IFMS database manually which then became available to all secretaries for further distribution.

The Government accepted the facts and stated (August 2023) that at present, database dump was shared by the budget section after its approval by the Governor. However, from financial year 2024-25, the budget data will be obtained through an API from the budget section in the Finance Department.

(iii) Budget distribution:

➤ **From Secretary to HoD:** A batch ID was generated in IFMS whenever secretary allotted funds to HoD. The Batch ID generated in IFMS was not visible to HoD. Therefore, Batch ID was being communicated to HoD through a letter. Once the letter was received, HoD was required to enter the Batch ID manually in IFMS and accept the funds. There was no functionality to accept the funds automatically.

➤ **From HoD to DDO:** Similarly, a Batch ID was generated and communicated to DDO through a letter by HoD after allotment of funds. In place of DDO, the functionality to accept the budget was provided to Treasury Officer. For acceptance of allotted budget, DDO had to produce the letter before the Treasury Officer.

DTPE accepted the facts and assured Audit that all manual intervention in all modules would be automated after implementation of e-sign.

The Government accepted the facts and stated (August 2023) that working of IFMS was made paperless from 01 April 2023 across the state. Also, alert functionality was implemented for all the modules.

3.2.5.2 Deficient control over Re-appropriation of budget

Rule 134 of Uttarakhand Budget Manual stipulates that Re-appropriations are not permissible -

- (i) from one Grant/Appropriation to another;
- (ii) from the Charged to the voted section or vice versa;
- (iii) where provision for an existing service has been made either in the Revenue, Capital or Loan section and it is proposed to change the character of service by transferring it from the existing section to any other section;
- (iv) to provide for new expenditure, whether voted or charged;
- (iv) to increase or provide for the expenditure on an item the provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token cut; and
- (v) after the close of the financial year.

Audit scrutiny of the system revealed that there was no control or check in IFMS to prevent re-appropriation of budget between inadmissible budget heads (from Voted to Charged head and *vice-versa* or from Revenue to Capital head and *vice-versa*). Analysis

of IFMS data revealed re-appropriation of ₹ 51.85 crore from Revenue head to Capital head in 2020-21 and ₹ 13.87 crore from Loan head to Revenue head as detailed in **Table-3.2**.

Table-3.2: Instances of inadmissible Re-appropriations

Sl. No.	Financial Year	Grant No.	From Head	To Head	Amount (in ₹)	Remarks
1	2020-21	19	250106102010105	451500102010653	2,78,00,000	Revenue Head to Capital Head
2			251500102011042	451500102010653	18,00,00,000	
3			251500102280050	451500102010653	6,00,00,000	
4			251500102350050 251500102350056	451500102010653	7,10,00,000	
5			11	220202113010303	420201202010153	
6	2020-21	18	242500106030050	642500108020061	13,86,69,800	Loan Head to Revenue Head

The Government accepted the facts and stated (August 2023) that necessary validations were implemented as per Uttarakhand Budget Manual, 2012.

3.2.5.3 Irregular surrender of budget

Rule 125 of Uttarakhand Budget Manual provides that all the final savings must be surrendered to the Finance Department by 25th March.

Audit scrutiny of IFMS revealed that there was no control or check to prevent generation of surrender requests after the end of financial year. Thus, the system was allowing surrender of budget after 31st March. Analysis of IFMS data revealed that:

- A total of 1493 surrender requests were submitted from HoD to secretary level after 31 March 2021, i.e., from April 2021 to August 2021 (FY 2020-21).
- A total of 2339 surrender requests were submitted from HoD to secretary level after 31 March 2022, i.e., from April 2022 to September 2022. (FY 2021-22).

Moreover, the Audit noticed that there was no functionality in IFMS through which the concerned secretaries could surrender the excess budget of their Department to the Finance Department. In absence of such functionality, the surrender was done through manual process.

The Government accepted the facts and stated (August 2023) that implementation of functionality to enable budget surrender by Secretary to Finance Department was in progress.

3.2.5.4 Absence of alert functionality

There was a provision in DPR and FRS to generate e-mail alerts in IFMS on irregularities like unexpected variation in estimates. Regular alerts to notify concerned estimating officer about the last date of estimate submission were also to be generated in IFMS so that budget estimates from all Department could be submitted timely. During system walkthrough, Audit noticed that budget estimate submission timeline was not captured in IFMS. E-mail alert functionality, as part of internal control and monitoring, was not implemented in IFMS to notify higher authorities about any unexpected variation or delay in submission of estimates.

The Government accepted the facts and stated (August 2023) that e-mail alert functionality was developed and it would be enabled for the officials whose official email-id are available in the system.

3.2.6 DDO module workflow and controls

Drawing and disbursing officer works on behalf of state government and is responsible for all money received or disbursed in his office and the maintenance of accounts thereof. There were 4586 DDOs in the state who were using E-DDO module in IFMS.

DDO module was an online application/interface in IFMS which enabled DDOs to:

- to create various bills and submit those bills online to Treasury,
- to prepare and approve employee loans and advances like House Building advance, Medical Advance, Travelling Allowance, GPF advance and LTC advance,
- to generate pension papers of retiring servants,
- to online Reconcile data with Treasuries,
- to generate Cash Book,
- to keep track of receipts and expenditure through various MIS reports like Bill Register, UTR detail, Payment Status Report and Voucher list, etc., and
- to view the status of their bills submitted online, and verify status whenever their Bill was approved.

Audit noticed following systemic deficiencies in DDO module:

3.2.6.1 Non segregation of roles

GoU directed that operator (Maker), supervisor (Checker) and Officer (Approver) would be made three tier users separately in IFMS portal.

Data analysis revealed that system, while mapping an employee to DDO post, by default assigned multiple roles (Operator, Supervisor, Officer, and Admin) to a single employee. There was no bar on assigning distinct roles to different employees, as multiple roles could be assigned to a single person in IFMS. Further, Audit noticed that a DDO could assign multiple roles to a subordinate employee. As a result, Audit noticed instances of a single user performing different and incompatible roles and functions as shown in **Table-3.3:**

Table-3.3: Instances of Incompatible roles by same user

Financial Year	Total no. of bills processed during the year	All the three user's functions performed by a single person	Two out of three user's functions performed by a single person
2019-20	6,28,663	3,03,940	1,45,611
2020-21	6,80,802	2,64,875	1,91,485
2021-22	6,71,553	2,61,496	1,85,506
01.04.22 to 01.11.22	4,47,186	1,32,824	1,37,937

It is evident from above Table that the segregation of duties which is a strong safeguard against error, fraud and embezzlement was largely absent in financial transactions of the State government.

The Government accepted the facts and stated (August 2023) that due to limited staff in many offices, the ability to assign multiple roles to a single person was kept flexible.

The reply was not acceptable as assignment of multiple roles to a single user clearly depicted lack of segregation of duties.

3.2.6.2 *Incomplete implementation of e-sign functionality*

Government orders provided that bill would be prepared online and scanned copy of related sub-voucher/vouchers/sanction orders, etc. would be uploaded in the system along with the bill. The existing practice of producing hard copy of bill and vouchers at treasury/PAO was to be discontinued. To achieve this, e-signature was to be implemented at all levels.

Audit noticed that the Department did not implement e-sign functionality in all types of bills. E-sign functionality was implemented only in three types of bills (Whole Transfer, Value Added Tax refund and State Government Health Scheme claims) and two types of reports (Pension Payment Order and Monthly accounts sent to AG (A&E)). Remaining bills were being prepared and forwarded to treasury/PAO online. As e-sign functionality was not implemented, a printout copy of online prepared bill, along-with original supporting documents, after manual signature was being sent physically to treasury/PAO for passing of payment. Treasuries, after matching the specimen signature of DDO, passed the bill online. After passing the bill online, treasury transmitted the payment schedule electronically to RBI for e-payment. Once e-payment was made, physical bills were marked as paid and vouchers/sub-vouchers were defaced manually by the treasury.

The Government accepted the facts and stated (August 2023) that e-sign functionality was implemented in all the modules of IFMS.

3.2.6.3 *Inconsistent workflow*

The procedure for bill processing was divided into three main phases: Bill Initiation, Document Upload, and Bill Generation. Initially, the Bill was prepared by the DDO, who completed essential information such as the grant, head of the account, and the amount. Subsequently, the DDO uploaded the necessary accompanying documents. Once done, the DDO triggered the bill generation process, resulting in the creation of a Transaction ID. This ID was then sent to the Treasury for the subsequent stages of processing.

During the audit, it was observed that the DDO encountered difficulties in creating bills due to the absence of a feature that would automatically display the budget availability for a specific scheme in IFMS during the bill processing. This led to a situation where the budget availability was not automatically populated while entering details for a particular scheme during bill processing. In cases where the budget limit was exceeded, a message

indicating that the 'bill cannot be generated' would appear during the Bill Generation stage. This forced the DDO to start the bill preparation process anew.

To ensure budget availability, the DDO had to manually cross-reference a separate register called the 'Budget Register' in the IFMS. This involved navigating through various pages of the DDO web application to check the budget availability during the bill processing. This approach resulted in an inconsistent workflow for the bill processing procedure and imposed unnecessary workload on the DDO.

The Government accepted the facts (August 2023) and assured of improvement in User interface of bill preparation.

3.2.6.4 Absence of DDO specimen signature in system

Workflow automation was one of the key objectives of the IFMS project.

Audit noticed absence of a functionality that would allow the DDO's specimen signature to be automatically populated within the system throughout the entire Bill Processing Workflow. Instead of utilizing an online submission process through IFMS, the DDO's name and specimen signature were being manually transmitted to the PAO/Bank/Treasury Officer. Even after the online submission of the bill to the Treasury, the DDO still had to send a physical printout of the online-prepared bill to the Treasury. There, the Treasury Officers manually cross-verified the signature on the bill with the DDO's specimen signature, which had been provided manually to the concerned treasury for authentication.

The lack of an automated DDO specimen signature mechanism prevented the system from achieving full paperless functionality. This absence created a barrier to the complete elimination of the necessity to print bill documents for physical signatures. Consequently, Government Departments were unable to fully realize the advantages of a seamlessly electronic workflow.

The Government accepted the facts and stated (August 2023) that e-sign functionality was implemented in all the modules of IFMS.

3.2.6.5 Non-automation of functionalities in DDO module

(i) Creation of New DDO Code

DTPE created a Super User who was provided with privilege to change DDO Master. Super User through DDO Master created Post/Designation of DDO consequent upon receiving of Government Order regarding approval of creation of new DDO which contained therein only name of DDO and Treasury without mention of DDO Code. After filling various fields like DDO Code, Treasury, DDO Name, Department, Tax Deduction and Collection Account Number (TAN), Goods and Services Tax Identification Number (GSTIN), District, Mobile Number and Email ID in DDO Master, DDO ID was created. Thereafter any Treasury Officer (having same treasury which was contained in GO while creating post of DDO) via his Admin Role maps requisite employee to DDO. After this stage, User ID was created for that particular employee.

Audit noticed that DDO Code was entered manually rather than auto generated in IFMS, whereas it was observed that Secretary Code was auto generated. DDO Codes were being allotted randomly by DTPE. No prescribed formula or criteria was being followed while allotting DDO Codes rendering non-uniformity in allotted DDO Codes.

The Government accepted the facts (August 2023) and assured of implementing the functionality in future.

(ii) Bill Register (11C) Serial Number

A bill register was maintained physically by DDO for record of all bills processed for later verification with Treasury.

Audit noticed that at the time of Generating Bill, 11C serial number (Bill register) was entered manually rather than auto populated in IFMS. The serial number to be entered was to be time and again tracked from physical Bill register maintained in the office. Thus, IFMS lacked the functionality of tracking Bill serial numbers despite the fact that all bills were being processed through IFMS. Non-achievement of automation in above functionalities in DDO module defeated the very purpose of holistic automation of whole DDO functions and enhanced the unnecessary manual workload.

The Government accepted the facts and stated (August 2023) that functionality of auto generation of 11C numbers was implemented.

3.2.6.6 Lack of internal control in timely processing of bills

Government orders provided that a bill since its creation in DDO office till its approval at treasury/PAO could be held for a maximum period of one day at each user level. If a bill was held for more than one day at any level, then system should not allow the bill to be approved at maker and approver level for further processing.

System walk-through revealed that no alert/checks mechanism was implemented in IFMS to force or remind the maker, checker, or approver to process the bill within stipulated time limit.

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 as shown in **Table-3.4:**

Table-3.4: Pendency of bills at different stages

Financial Year	Total Bills Processed during the year	Time taken (in days)	Number of Bills processed					
			At DDO level			At Treasury/PAO level		
			By Maker	By Checker	By Approver	By Maker	By Checker	By Approver
2019-20	628663	00-01	526373	574898	582993	323560	615842	603377
		02-10	92798	49803	41880	269138	12398	24252
		11-20	7282	3042	3001	26666	318	698
		21-30	1428	621	489	5883	63	196
		More than 30	782	299	300	3416	42	140
2020-21	680802	00-01	560025	623726	636113	385275	662280	671247
		02-10	115143	55157	42591	283447	17765	9516
		11-20	4592	1522	1685	8950	541	34
		21-30	728	253	289	1911	103	2

Financial Year	Total Bills Processed during the year	Time taken (in days)	Number of Bills processed					
			At DDO level			At Treasury/PAO level		
			By Maker	By Checker	By Approver	By Maker	By Checker	By Approver
		More than 30	314	144	124	1219	113	3
2021-22	671553	00-01	555845	614403	626586	404005	647553	659790
		02-10	110128	55022	43018	267548	23768	11763
		11-20	4553	1707	1576	0	163	0
		21-30	709	306	238	0	21	0
		More than 30	318	115	135	0	48	0

Further, though, a DDO could check the status of bills pending at various levels but duration of pendency was not shown. Not-implementing of above timelines/functionalities in IFMS was in contravention of Government Order and manifests lack of internal control in timely processing of bills at various levels and also the possibility of lack of accountability and delay in processing of bills cannot be ruled out.

The Government accepted the facts and stated (August 2023) that timeline of one working day at each user-level had been implemented from 01 April 2023. Also, dashboard preparation for monitoring/alert purposes was in progress.

3.2.6.7 Lack of internal control in drawing of AC bills

Financial Rules provided that Drawing Officer is authorized to draw advances on Abstract Contingent Bill (AC Bill). A certificate to the effect that the Detailed Contingent Bills (DC Bills) in respect of drawings on AC Bills have been furnished in respect of each drawing which is over three months old has been recorded on the DC Bill.

Audit noticed that system accepted all AC Bills without checking any details related to pending DC Bills. DC bills were required to be submitted to AG (A&E) and certificate to this effect was to be attached with AC bills. In fact, a separate provision for capturing details of this certificate did not exist in the system. Details of AC bills not adjusted within stipulated time limit is shown in **Table-3.5** and **3.6**:-

Table-3.5: Details of AC Bills adjusted through DC Bills

Financial Year	Total No. of AC Bills Drawn	Duration of AC Bills adjusted through DC Bills					
		Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Beyond 1 year	Beyond 2 year or more
2019-20	1558	108	61	19	13	0	0
2020-21	838	157	24	10	9	23	0
2021-22	600	226	59	12	15	30	8

Table-3.6: Details of pending AC Bills

Financial Year	Previous year's AC Bills pending for adjustment	Total No. of AC Bills Drawn during the year	Bills adjusted through DC Bills	AC Bills pending for adjustment at the end of year
2019-20	1217	1558	201	2574
2020-21	2574	838	223	3189
2021-22	3189	600	350	3439

Not adjusting of AC bills in stipulated time indicates lack of monitoring and internal control at treasuries level.

The Government accepted the facts and stated (August 2023) that implementation of such control through IFMS would be explored in future.

Reply was not acceptable as AC bills were to be adjusted timely as per existing financial rules.

3.2.6.8 Non-availability of functionality for Bill Defacement in IFMS

All sub-vouchers, whether they were to be retained in the Office of the DDO/Controlling Officer or to be submitted to the AG (A&E), should be cancelled or so defaced or so mutilated by the DDO concerned that they cannot be used again.

Audit observed that there was no functionality for online Bill Defacement in the IFMS even though, IFMS had checks and controls for preventing generation of duplicate bills. Once e-payment was made, physical bills were marked as paid and vouchers/sub-vouchers were defaced manually by the treasury.

The Government replied (August 2023) that digital defacement will not serve any purpose because without physical defacement the same sub-voucher may be uploaded again. Also, necessary validations had already been implemented to avoid the possibility of re-use of the same invoice/sub-voucher.

Reply was not acceptable as digital defacement was necessary in cases where only online bills were provided by the third party for achieving paperless processing of bills.

3.2.7 e-Payment work flow and controls

e-Payment module of IFMS was designed for automated processing of electronic payments. The entire process like preparation of transaction files for uploading to bank, integrations with payment gateways and treasury portal along with proper validations, were captured and followed in the module. On behalf of government, RBI was responsible for making all e-payments except draft payments as draft payments were processed by SBI. All payment requests from IFMS to RBI and SBI were transmitted through Secure File Transfer Protocol (SFTP) in the form of payment schedules. Once payment was credited to the beneficiary, the details of payment were transmitted back by both the banks to IFMS. Payment details received from RBI and SBI were populated in IFMS through scheduler. Audit observed following deficiencies during analysis of e-payment module: -

3.2.7.1 Beneficiary bank details not validated

Functional Requirement Specification (FRS) of e-payment module provided that while making e-payment, the bank account details of beneficiary or third party would be pre-validated. During system analysis, audit noticed that only limited checks which included checks on length of account number and Indian Financial System Code (IFSC) only, were available for pre-validation of bank account details. Complete checks

regarding correctness beneficiary name, IFSC and beneficiary account number were not present in the system.

The Government accepted the facts and stated (August 2023) that DTPE had signed MoU with National Payments Corporation of India (NPCI) for validating the beneficiary's name, account number, IFSC etc. and this functionality would be implemented soon.

3.2.7.2 Reconciliation process not automated

Workflow automation was the main objective of IFMS project. It removes manual intervention and hence ensures data accuracy and integrity.

Audit noticed that the process of reconciliation of payments between RBI/SBI and Treasury was not automated and carried out manually. The daily and monthly scrolls were received from agency banks and RBI through e-mail. The payment details received in scrolls were manually reconciled by treasuries and posted in IFMS. Hence, reconciliation process was not automated.

The Government stated (August 2023) that there was automatic reconciliation of payments done using RBI's e-Kuber system. IFMS automatically identify the differences in Return Note (RN)/Debit Note (DN) details and ACST (Account Statement). Once identified, treasury officials would take up the issue with RBI and resolve the difference. E-mail facility was an additional check to verify the account statement manually. It was same as the details already shared electronically in the form of ACST.

Reply was not acceptable as Department did not provide any documents to support their claim of automatic reconciliation of payments in IFMS.

3.2.8 e-challan module: A successful tool

The practice of manual deposition of governmental receipts was discontinued and online collection of all Government receipts through e-Challan module was made mandatory w.e.f. 01 April 2021. e-Challan module facilitated selection of Department and its various services automatically. Multiple services of a Department could be selected for depositing amount against each service in a single challan (**Figure-1**). The module provided the options to deposit the challan amount online or offline. Payment for offline challan could be made at any SBI counter. For online challans, SBI provided banking services including payment gateway, internet banking, mobile banking, etc. SBI prepared a daily receipt e-scroll and sent it to IFMS through SFTP. Once e-scroll was received from SBI, the IFMS reconciled the receipts automatically. Department having their own receipt collection portal like excise, mining, election, Police Headquarter, etc. were integrated with IFMS.

Audit checked the e-challan module on the parameters like complete head classification, automation of workflow, checks to prevent refund more than once, etc., and found that entire workflow of the module was automated, contained necessary checks and controls and functioning as per requirements. Hence, e-challan module successfully achieved its objectives.

The screenshot displays the IFMS E-Challan interface. At the top, it shows the IFMS Uttarakhand logo and the E-Challan logo with the text 'WELCOME - DATA CENTER'. Below this, there are dropdown menus for 'Department' (Director General Police), 'Related office for which challan is to be deposit' (DIG Police Range Nainital - (Nainital)), and 'Services' (0055-Police). There are 'Continue' and 'Refresh' buttons. A table lists 'Services' with columns for 'Enter Amount' and 'Selected Services'. The 'Total Amount' is shown as Rs. 3000 3000. Below the table, there is a section for 'Depositor Name', 'Depositor Address', 'Depositor Mobile No', and 'Purpose', each with a text input field and a 'Change' button. A 'Proceed' button is at the bottom.

Figure-1

3.2.9 Accounting workflow and integration with AG (A&E)

Financial Rules stipulated that after the close of the month, a consolidated monthly account should be sent to the Accountant General, Accounts & Entitlements (AG- A&E). The respective treasury generated the monthly accounts in IFMS and submitted its e-signed report to AG (A&E) online. Various e-signed reports such as List of Payments (LoP)/Schedule of Payments (SoP), cash account, Reserve Bank Deposit statement, etc. and other data were being forwarded to A&E office through IFMS user interface. During analysis of **receipt accounting** module, audit observed that:

3.2.9.1 Partial integration of IFMS with Transport Department

Online receipts of transport Department were collected using departmental portal i.e. *e-Vahan/ Sarathi* etc. Since there was no integration between IFMS and *e-Vahan/ Sarathi*, the information regarding the receipts collected by Transport Department were received at FDC only through e-scrolls received from SBI. As e-scrolls of Transport Department contained only major head wise details. Thus, the complete 13-digit classification of receipt heads was not captured in IFMS leading to incomplete data being forwarded to AG (A&E).

The Government accepted the facts and stated (August 2023) that multiple reminders were sent to the Transport Department but no action was taken by Transport Department in this regard.

Reply was not acceptable as complete integration with Transport Department was not achieved. Further, the reply clearly depicted that there had been lack of synergy between DTPE and Transport Department since requirement gathering phase of the project.

3.2.9.2 Deficient functionality of correction of accounts through transfer entries

Audit noticed that although, functionality of proposing accounts correction through transfer entry was developed in IFMS, the process of account correction and the authority of AG (A&E) office was not captured in the system. Thus, the correction proposals were not submitted to AG (A&E) office through IFMS. Instead, to propose any correction in accounts through transfer entry, a printout of the proposal was taken out by the concerned treasury and sent manually to the AG (A&E) Office. After the approval from AG (A&E) Office was obtained, the same was approved in IFMS by the Treasury Officer.

The Government accepted the facts and stated (August 2023) that functionality for correction of account through transfer-entry was partially automated and team was working to fully automate this process.

Reply was not acceptable as complete automation of correction of account through transfer-entry was not implemented in IFMS.

3.3 Conclusion

The Department did not implement all the envisaged modules in IFMS. There was existence of manual intervention in IFMS which defeated the purpose of automation. Duties of 'Super User' were not segregated and all the tasks were executed at single user level. The receipt estimates were not submitted through IFMS. IFMS was unable to generate State Budget (Budget Literature) which was required to be generated from the system automatically. The budget modules lacked complete automation in budget distribution, deficient controls over re-appropriation and surrender of budget. There was absence of alert functionality in IFMS to notify higher authorities about any unexpected variation or delay in submission of estimates.

IFMS lacked segregation of duties at DDO level. There was no control in IFMS for timely processing of bills and settlement of AC bills. There was lack of validation (beneficiary name, IFSC and bank account number) while adding a new beneficiary in IFMS. There was lack of synergy between DTPE and various stakeholders since requirement gathering phase of the project.

3.4 Recommendations

- *Department should integrate IFMS with e-Office so that sanctions orders can be uploaded automatically.*
- *Department should implement functionality for submission of receipt estimates and revised estimates through IFMS.*
- *Department should integrate IFMS with Budget Department for obtaining Budget data and processing it automatically.*
- *Department should integrate IFMS with NPCI for validation of beneficiary bank details while making payment.*
- *Department should completely integrate IFMS with Transport Department for capturing complete receipt details from e-Vahan / Sarathi.*

